

MINUTES
CITY OF HONDO
CITY COUNCIL BUDGET WORKSHOP
July 31, 2018 at 1:00 p.m.

1. **Call to order.**

Mayor Danner called the meeting to order at 1:00 p.m.

2. **Quorum check.**

Mayor James W. Danner, Sr., Mayor Pro Tem Ann-Michelle Long, Councilman John McAnelly, Councilman Eric Torres, Councilman John Villa, Councilman Bobby Vela, City Manager Kim Davis, and City Secretary Miguel Cantu

Staff present: Police Chief Brian Valenzuela, Assistant Finance Director Dee Willman, Public Works Director Mark Velasquez, Economic Development Director Genevieve Flores, Director of Aviation Ryan Elder, Assistant to City Manager Abby DeLeon, Community Projects & Program Coordinator Debbie Krueger, Assistant Public Works Director Mike Schmidt.

3. **Overview of the proposed FY 2018-2019 Budget.**

City Manager Kim Davis provided an overview of 2017-2018 budget year. The major accomplishments noted were:

- Consolidation of public works facilities to streamline operations
- Progress on relocation of police station
- Significant progress in improving our infrastructure at our City parks and nature trail to include restroom construction, shade canopies and lighting for safety
- Renovation of Rick Taylor Recreation Center to include resurfacing of the courts, replacement of the chiller system and repair of the roof
- Updated taxiway lighting at the airport to increase safety
- AMI metering program for the Electric System
- Significant progress on closing out TCEQ enforcement order at Airport
- Closed out long-standing TCEQ enforcement order at Wastewater Treatment Plant
- Continued long-standing TWDB Water Line Improvement Projects and tank rehabilitation program
- Sold available properties at the Airport to increase cash position
- Held a Staff/Council leadership retreat to address priorities and objectives for the coming year
- Resolved all outstanding audit operational items, and continued our transparency and was recognized for our City Investment policy.

Mrs. Davis added that the City would continue its emphasis on taking care of our resources by maintaining current service levels provided to our citizenry and continue working to reduce feasible overall costs for operational expenses. There is also a focus on proposed increases to revenues for improving working capital balances and meeting capital improvement needs. Mrs. Davis continued to share how the City would achieve its goals by no proposed changes to service levels, reorganization and restructure of personnel to streamline function and reduce redundancies, and continued development of extensive 5-year capital plan with input from Council on priorities and funding sources. At this time, staff is currently reviewing our telephone and internet services. For budget purposes at this time, expenses are left at current levels until staff is able to confirm any type of reduction in cost while streamlining services. Also, with the consolidation of multiple public works operations into one building, the budget will be a learning curve until staff knows how to adjust for reduction in redundant costs such as telephone, utilities, office supplies, etc. Regarding the proposed tax rate, the City of Hondo is in the middle when it comes to tax rates in comparison to other cities such as Bandera, Floresville, Castroville, Pleasanton, Devine, Jourdanton, Seguin, Uvalde, Natalia, and Pearsall. Mrs. Davis addresses some proposed personnel changes such as, citizen collection

station attendant by reassigning this part-time resource to the parks division and streamline in some of the City mowing operations. We will continue with contracted finance services to assist the assistant finance director with reporting, bank reconciliation and other outstanding items.

General Fund 2017-2018 Revenues

Category	Budgeted	Current Projection	Difference
Property Tax	\$1,122,835	\$1,100,094	-\$22,741
Sales Tax	975,000	1,017,312	43,312
PILTs	3,155,000	3,155,000	0
Transfers	719,446	719,446	0
User Fees	616,011	681,746	65,735

General Fund 2017-2018 Expenditures

Category	Budgeted	Current Projection	Difference
Personnel	\$4,803,391	\$4,595,395	\$208,496
Supplies	592,000	560,210	31,790
Other Services	1,396,816	1,209,083	187,733
Capital	1,324,123	1,400,308	-767,185
Total	8,116,830	7,764,996	351,834

General Fund 2018-2019 Revenues

Category	Budgeted	Current Projection	Difference
Property Tax	\$1,122,835	\$1,197,835	\$75,000
Sales Tax	975,000	100000	25,000
PILTs	3,155,000	3,155,000	0
Transfers	719,446	719,446	0
User Fees	616,011	600,092	15,919
Other	159,473	195,750	36,277
Total	6,747,765	6,868,123	120,358

General Fund 2018-2019 Expenditures

Category	Budgeted	Current Projection	Difference
Personnel	\$4,803,391	\$4,595,020	\$181,129
Supplies	592,000	612,075	20,075
Other Services	1,396,816	1,278,894	-117,922
Capital	1,324,123	556,520	-767,603
Total	8,116,830	7,432,509	-684,321

4. Review of the General Fund / Cost Centers (Executive Leadership Team)

General Fund Revenues reflect no increase in property tax rate at 0.5319/\$100 valuation, with an additional value of \$75,000 from increased assessments, Sales Tax income reflects a modest increase to reflect closer to year over year trends, PILT is budgeted flat, overhead allocation rates remained flat with decrease in user fees to reflect permits (\$-15,919) and Other Revenue budgeted slightly higher to reflect actuals for school resource officer and franchise fees (\$36,277).

As for the General Funds, all Divisions reflect proposed average merit staff increases of 3% for 9 months out of the year, no increase for health insurance, budgeting for credit card fees in divisions with cash collections although we anticipate cost savings once a new merchant services account established. City Council budget was increased to reflect costs for Hondo U and Youth Advisory Council which was recently created. Administration reflects no significant items to note. Tax reflects slight increase from County for collection services. Finance budgets for one year of contracted services for certified public accountant services and keeps the finance director position as an unbudgeted position. The Police Department adds budget for community outreach, small increase for utilities and furniture for new building, and continues plans to replace two vehicles/year. Municipal Court and Emergency have no significant items to note for upcoming year. Animal Control Services reflects two spay-neuter programs and reflects one rabies drive. Streets increased street repairs budget in cost center, decreases transfer to committed and restricted fund by \$100,000. Library reallocates

funds within cost center to allow for programming costs while still reflecting an overall decrease in budget. Parks reflects increase in a land lease with Union Pacific, reflects park improvements to include a restroom at Torres Park, reflects ½ time salary for new part-time position from CCS and continues US Highway 90 Irrigation Project, Vehicle Purchases. Facilities provides for a purchase of MIG/TIG Welder, replacement of HVAC at Community Center, reduced maintenance costs at multiple public works sites and budgets one line item for public works facilities maintenance. Recreation reflects no significant items to note. Golf provides for a purchase of aerifier that will be shared with parks division and continued debt service on multipurpose mower. Code Compliance has a removal of Rent and security fee for DeMontel Building – reallocated to City Secretary cost center and removed copy machine cost. Utility Billing had increases in training budget and addition of collection agency fees associated with delinquent utility accounts. City Secretary reflects addition of rent and security fees for DeMontel Building and budgeted for codification of ordinances. Non-Profits show no significant items to note in budget and netting out account at EOY. Public Works allocates for copy machine for building.

Committed and restricted funds: Street Items continue with transition to in-house projects and allocate for material purchase once street plan is reviewed and priorities issued. Maintain committing IT costs: reflects Internet connections, software/hardware maintenance costs, and continue to build replacement plan for computers

5. Review of the Operational Funds

a. Electric (Executive Leadership Team)

The Electric Fund revenues are projected at \$9,161,532 for the new budget year, a decrease of \$269,230 when compared to the 2017-18 Budget. The city is not proposing any new rate increases in electric rates. Electric Fund 2018-2019 expenditures for FY 2018 Budget is \$9,430,762, FY 2019 is \$9,161,532, with a difference of \$-269,230. Items of note reflect proposed average merit increase of 3% for 9 months out of the year, and no increase for health insurance. Capital & System Improvements reflects continuation of automated metering system, pole replacements, replacement of infrastructure (Overhead and Underground), tree-trimming from distribution lines, downtown illumination plan and begin transition of street lights to LED. Mrs. Davis stated that it is important to note that major capital expenditures in FY18 have spent down some of the fund balance. Staff will be minimizing the major capital outlays in FY19 to allow the fund time to respond and restore the fund balance closer to our 45 day target.

b. Committed and Restricted Sub-Fund 09 (Executive Leadership Team)

Committed and restricted funds: Street Items continue with transition to in-house projects and allocate for material purchase once street plan reviewed and priorities issued. Maintain committing IT costs: reflects Internet connections, software/hardware maintenance costs, and continue to build replacement plan for computers

c. Water & Wastewater Fund (Executive Leadership Team)

The Wastewater Fund revenue revenues (combined) for next year are projected to be \$3,998,500 and projected to be \$4,106,445 with a difference of \$110,945. Revenues for the next year are projected to be \$3,998,500 which is an increase of \$3,000. The budget reflects proposed average merit increase of 3% for 9 months out of the year and no increase for health insurance. Water Capital outlay is \$5.4M TWDB Construction Loan to improve water infrastructure, continue meter replacement plan to start replacing 10% of meters that have aged past useful life, replace vehicle from fleet – swap with wastewater division, purchase vac-tron to be able to run two full crews, remove paint from downtown storage tank and paint logos after rehabilitation there is a grant to complete, replace multiple booster pump motors and purchase bench stock motors for back-ups in system, and continue with CDBG Project for waterline replacement on North Side. Wastewater Capital outlay provides the continued SSO replacement plan and install back-up generator at the WWTP.

d. Airport (Executive Leadership Team)

Airport fund is budgeted at \$714,802 with a projection of \$719,816 with a difference of \$5,094. Non-Aviation Revenues Budgeted are \$324,172, projection of \$497,605, with a difference of \$173,433. Operating expenses include a budget of \$827,425, projected at \$768,121 with a

difference of -\$59,404. Non-Operating expenses budgeted at \$26,500, projected at \$40,115 with a difference of \$13,615. Grants budgeted for \$50,000 and projected for \$50,000. Airport fund reflects proposed average merit increase of 3% for 9 months out of the year, no increase for health insurance, budgeting for credit card fees until merchant services account updated, anticipate increase in AVGAS and Jet Fuel Revenues and expenses, budgeting revenue for lease of water, continue to budget for land sales although moderately reduced, reduced infrastructure improvement budget to offset expense for Castro Water Line project completion and budgeted for Z-Turn Mower.

e. Sanitation

Sanitation Fund is budgeted at \$1,405,200 with a projection of \$1,349,839 with a difference of -\$55,361. Expenses include a budgeted \$1,373,672 with a projection of \$1,324,640 with a difference of \$49,032. Fund for 2018-2019 revenues are budgeted at \$1,331,200 and expenses are budgeted at \$1,373,672, with a projection of \$1,294,042 with a difference of -\$79,630. This does reflect a rate increase from contractor. The budget does not reflect budgeting for the Citizen Collection Station. Based on the upcoming Council decision, we are able to adjust the budget accordingly to maintain this budget level or adjust to include the funding of the program.

6. **Special Revenue Funds**

a. Debt Service Fund

No significant items to note

b. Cemetery / Perpetual Care

Perpetual Care Fund reflects an increase in transfer to general fund from \$16,000 per year to \$38,000 per year for mowing services.

c. Economic Development Corporation

City of Hondo Economic Development Corporation proposed budget has not been reviewed by the HEDC although feedback was received during joint Council/HEDC Planning Sessions. Therefore, proposed items of significance in the budget reflect carryforward for STRTC Annex Project completion, carry forward for Castro Road Rehabilitation, and includes budget for renovation of Hangar 6.

d. South Texas Regional Training Center

The fund continues to make strides in being self-sustaining and it is important to note that as the fund continues to grow, we should plan for allocating and budgeting support staff in the fund to truly make it self-sustaining.

e. Hotel Occupancy Tax

Fund 21 Hotel Occupancy Tax has noted 3 funding requests as reflected in the budget Hondo Area Chamber of Commerce, Medina Rodeo Association, and Medina County Museum.

Mayor Danner called for a five minute break.

7. Discussion regarding FY 2018-2019 Capital Improvement Program (Executive Leadership Team) 5 Year Capital Improvement Program. Priority given to most immediate needs and used as a long-term planning tool.

• City Hall Complex

- Current budget does not reflect the sale of the electric division building/lot or the post office
- Does not reflect the associated cost with remodeling the old PD and City Hall buildings
- Strategy
 - October begin marketing properties (interest in both properties already expressed)
 - Continue to refine scope of remodel to both structures

- Come back to Council with budget amendment for both revenue and expense as outlined
- PD
 - 2 Vehicles (Operating) - \$100,780
 - Safe Routes to School (Grant) - \$50,000
- Parks
 - US 90 Irrigation Project – Continued (Operating) - \$25,000
 - Torres Park – Restrooms (Operating) - \$29,000
 - Vehicle Purchase – replace 1998 Model (Operating) - \$30,000
- Facilities
 - Big MIG/TIG Welder (Operating) - \$5,000
 - Community Center HVAC Replacement (Operating) - \$16,000
- Golf
 - Verti-Drain Aerifier – utilized at course and at parks (Operating) - \$19,500
 - Rough Mower Debt Service (Operating) - \$12,240
- Committed and Restricted
 - Computer Replacement Plan (Operating) - \$22,000
 - Task Order Streets (Operating) - \$340,000
- Electric Fund
 - Pole Replacement Plan (Operating) - \$20,000
 - Replace Existing Infrastructure (Operating) - \$30,000
 - AMI Meter Conversion (Operating) - \$100,000
 - City Hall Downtown Illumination LED (Operating) - \$25,000
 - LED Streetlights Highway 90 (Operating) - \$35,000
 - LED Streetlights Other (Operating) - \$15,000
 - Tree Trimming Program North Side (Operating) - \$100,000
- Water
 - Vactron (Operating) - \$70,000
 - Vehicle Replacement (Operating) - \$35,000
 - TWDB Waterline and tank projects (Loan) - \$2,164, 386
 - Removal of Paint and Logo Downtown EST (Operating) - \$140,000
 - Water meter replacement program (Operating) - \$75,000
 - Booster Pump Downtown Well (Operating) – \$20,000
 - Booster Pump Golf Course Well (Operating) – \$20,000
 - Back-up Motor Downtown Well (Operating) – \$25,000
 - Back-up Motor for Prison Well (Operating) – \$25,000
 - CDBG Waterline Replacement (Grant) -\$309,750

8. Conclude review of the proposed FY 2018-2019 budget.

Mrs. Davis asked if there were any questions.

9. Review Comprehensive Fee Schedule.

Proposed Comprehensive Fee Schedule for FY 19

- General Provisions
 - Color copies - \$1.00 charge per page
 - Audio Copy on Flash Drive - \$6.00
 - REMOVE Compact Disc (CD)
 - Notary Fee - \$6.00-First Page; \$1.00 each additional page
- Library

- Out of city residents must have One (1) family member age 55+ to receive \$10.00 family fee
- Individuals/Families must have a City of Hondo service address to be eligible for city resident library fee.
- Lost or Damaged books to be charged price of book plus processing fee
- REMOVE Car Decals no longer selling
- USB or Flash Drive - \$10.00 for patrons to purchase
- Headphones/ear buds - \$1.25 a pair
- REMOVE deposit charge for camp or workshops. No longer will be requiring deposits to be put down for participation.
- Park Fees
 - No Recommended Changes
- Recreation
 - Increase Gymnasium deposit during business hours from \$25.00 to \$50.00
- Pool Fees
 - No Recommended Changes
- Golf Course
 - No Recommended Changes
- Police
 - No proposed changes
- Animal Control
 - No proposed changes
- Municipal Court Fees
 - Maximum charge for speeding in school zone is \$199.90 previous fee included court costs which vary
 - No driver's license (First Offense): Maximum charge is \$124.00 previous costs included court costs which vary
 - Maximum charge to driver for no seat belt on child for ages 8-15 is \$99.90 previous charges included court costs which vary.
 - Maximum charge for driver for no seat belt on child under age 8 is \$104.90
 - Increase fine for no parking violation from \$60.00 to \$100.00
- Utilities
 - Include wording on tampering fees to say tamper fee plus estimated usage and damage fee for any offense will be charged
 - Increase fee for meter testing of \$75.00 per meter.
 - Collection station is pending council decision on solid waste
- Cemetery
 - Charge double depth burial fee of additional 50% of burial site fee for city residents and non-residents/non-owners of city property
 - Increase fee for Non-Residents burial site (lots) to \$400 per burial
- Solid Waste
 - Increase to reflect increase of 3% CPI as per solid waste contract
 - Monthly Rate to residents 1 cart \$22.35 to \$23.02
 - Monthly rate to residents 2 carts \$34.32 to \$35.35
 - Monthly rate to residents 3 carts \$44.93 to \$46.28
 - Monthly rate to commercial 1 cart \$31.80 to \$32.75
 - Monthly rate to commercial 2 carts \$42.40 to \$43.67
 - Monthly rate to commercial 3 carts \$53.00 to \$54.59
 - Resident – 1 pick-up 2 yards \$85.65 - \$88.22
 - Resident – 2 pick-ups 2 yards \$143.91 to \$148.23

- Resident – 1 pick-up 3 yards \$96.59 to \$99.49
- Resident – 2 pick-ups 3 yards \$182.53 to \$188.01
- Resident – 3 pick-ups 3 yards \$62.32 to \$270.19
- Resident – 1 pick-up 4 yards \$135.44 to \$139.50
- Resident – 2 pick-ups 4 yards \$202.47 to \$208.54
- Resident – 3 pick-ups 4 yards \$302.19 to \$311.26
- Resident - 2 pick-ups 6 yards \$300.51 to \$309.53
- Resident – 2 pick-ups 8 yards \$404.94 to \$417.09
- Roll-Offs HEB, Wal-Mart and City of Hondo
 - \$439.20 to \$452.38
- TDCJ Compactor - \$561.00 to \$577.83
- TDCJ Sludge Box - \$336.60 to \$346.70
- Disposal Fee, per ton-Res. Rate - \$12.98 to \$13.37
- Additional Waste Wheeler Commercial & Residential \$11.88 - \$12.24
- Code/Development
 - Specific Use Permit Fee - \$100.00
 - Zone Change/Rezone Request - \$100.00
 - Concept Plan Review - \$100.00
 - Increase Residential Overhead
 - (Up to 100') from \$200 plus actual cost to \$250.00
 - (Over 100') from \$200 plus actual costs to \$250.00 plus actual costs
 - Increase Residential Underground
 - (Up to 100') from \$200 plus actual cost to \$350.00
 - (Over 100') from \$200 plus actual costs to \$350.00 plus actual costs
 - Temporary Electric Service Construction Loop \$250.00
- Airport
 - No proposed changes
- STRIC
 - No proposed changes

10. Other items affecting the budget planning process.

Water rates based on 2018 rates as reported to TML

- Average bill for cities Hondo's size 5,000 – 10,000
- Average bill for 5,000 \$35.82 (Hondo \$37.38)
 - 43 out of 84 cities surveyed
 - 4% more than the state average
- Average bill for 10,000 \$56.35 (Hondo \$47.75)
 - 33 out of 84 cities surveyed
 - 17% less than the state average
- Average bill for 50,000 \$275.75 (Hondo \$181.71)
 - 28 out of 84 cities surveyed
 - 41% less than the state average
- Average bill for 200,000 \$1036.70 (Hondo \$810.46)
 - 38 out of 84 cities surveyed
 - 25% less than the state average

Wastewater Rates based on 2018 rates as reported to TML

- Average bill for cities our size – 5,000 – 10,000
- Average bill for 5,000 \$30.14 (Hondo \$30.10)

- 47 out of 81 cities surveyed
- >1% less than the state average
- Average bill for 10,000 \$43.94 (Hondo \$38.60)
 - 33 out of 81 cities surveyed
 - 13% less than the state average
- Average bill for 50,000 \$199.11 (Hondo \$106.60)
 - 19 out of 82 cities surveyed
 - 61% less than the state average
- Average bill for 200,000 \$704.79 (Hondo \$361.60)
 - 19 out of 82 cities surveyed
 - 64% less than the state average

11. Discuss and consider authorizing the City Manager to enter into a contract with Asphalt zipper in the amount of \$185,680.00 for the purchase of an Asphalt Zipper.

Mr. Velasquez stated on July 23rd he had presented to Council the pavement maintenance program for the City of Hondo. At that time, he had quoted the amount of \$185,680.00 for the purchase of an Asphalt Zipper through BuyBoard.

Councilman Torres motioned to authorize the City Manager to enter into a purchase contract with Asphalt Zipper in the amount of \$185,680.00. Motion seconded by Councilman Villa. Motion carried 5-0.

12. Discuss and consider authorizing the City Manager to enter into a contract with Cooper Equipment Company in the amount of \$243,489.60 for the purchase of a 560 Puckett Paver, a Cimline Crackseal/Mastic machine, and a Dynapac Smooth Drum Roller with Pad Shell kit.

Mr. Velasquez stated like the item before, he had also presented to Council the crack seal equipment as part of the pavement maintenance program for the City of Hondo. At this time, he is requesting City Council to allow the City Manager to enter into an agreement with Cooper Equipment Company for the purchase of a 560 Pucket Paver, a Cimline Crackseal/Mastic Machine, and a Dynapac Smooth Drum Roller with Pad Shell Kit which will also be purchased through BuyBoard. Council Villa asked if this was all that was needed for street repair. Mr. Velasquez stated as far as equipment goes, this would. The next step is to receive training on the machines to start street repairs.

Motion by Mayor Pro Tem Long to authorize the City Manager to enter into a contract with Cooper Equipment Company in the amount of \$243,489.60.

Mayor Pro Tem Long moved to authorize the City Manager to enter into a contract with Cooper Equipment. Motion seconded by Councilman McAnelly. Motion carried 5-0.

13. Adjourn.

Councilman Villa moved to adjourn the meeting at 2:52 pm. Motion seconded by Councilman Torres. Motion carried 5-0.

PASSED AND APPROVED THIS 27TH DAY OF AUGUST, 2018.



 JAMES W. DANNER, SR., MAYOR

ATTEST:



Miguel Cantu, City Secretary

