



CITY OF KYLE

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July 31, 2007

Mayor and City Council
City of Kyle
1000 West Center Street
Kyle, Texas 78640

Dear Mayor and Councilmembers,

In accordance with the provisions of Article VIII, Sections 8.04 and 8.05 of the Kyle City Charter, the proposed *Annual Operating Budget* for the City of Kyle, Hays County, Texas, for the Fiscal Year of October 1, 2007 through September 30, 2008, is hereby presented for your consideration.

The proposed spending plan, developed with the input of all Department Heads, is a zero-based, balanced spending plan, wherein all planned operating expenditures are totally supported by revenues generated through operations or fund transfers during the 2007-08 fiscal year. The budget also includes comprehensive analysis of all existing programs, operations, and services. The total amount of all projected operating expenditures, including transfers, in FY2007-08 is **\$13,062,244**.

The operating budget development process began in June with the initial development of the proposed *2007-08 Five-Year Capital Program (CIP)* and includes the input of all staff and departments. While the primary goal of the proposed budget is to effectively maintain and/or improve existing service levels, the staff is also focused on increasing services to meet ever-growing demand.

The proposed budget includes full-year funding of all existing or previously authorized staff and operations; and a funding plan for all operating capital projects/expenditures as included in the proposed *2007-08 Five-Year Capital Program*.

The operations funding plan proposed by this budget is delineated into four basic funds, consistent with past practice:

1. General Fund - characterized revenues and expenditures to provide for primary municipal services, whose main financial support comes from property and sales taxes
2. Planning & Development Fund – Enterprise Fund created to describe all financial transactions relating to Building Inspection, Planning and Economic Development services of the city. Costs for these services are wholly supported by fees or charges for same.
3. Water Fund - Enterprise Fund describing all financial transactions relating to the provision of water services through the city's system. Costs for these services are wholly supported by water rates or fees for such services.
4. Wastewater Fund - Enterprise Fund describing all financial transactions relating to the provision of wastewater collection and treatment services through the city's system. Costs for these services are wholly supported by wastewater rates or fees for such services.

However, the remainder of the proposed *FY2007-08 Annual Operating Budget* represents a change in the structuring of the document from recent years. Proposed funding for each department is separated into four major categories: (a) Employee Services, (b) Goods & Supplies, (c) Services & Other Fees, and (d) Capital Outlay. In addition, similar information is provided for each department reflecting actual expenditures by for the previous two fiscal years.

Each category and departmental budget also includes current-year “Approved” funding (the original FY06-07 Annual Budget appropriations) and the corresponding funding “Re-Estimate” (reflecting the latest formally amended amount or year-end projection for current year).

Preceding each department’s budget is a brief description of the department, staffing levels and its general activities called “Performance Indicators”. Also provided therein is statistical data relative to the duties and volume of work generated by each department.

Also unique to the *FY07-08 Budget* is the format describing proposed funding for next year. Each departmental budget and/or funding request includes three (3) line items:

1. **Base Line** - The cost estimate or revenue projection associated with continuation of existing services levels. These amounts include applicable customary and/or routine cost/revenue increases required to maintain existing services.
2. **Program Change** - Estimated expenditures or revenue associated with new or significantly expanded projects, programs, or services.
3. **Market Adjustment** – Individual departmental costs associated with proposed Market Adjustments for all full-time positions. This is a one-time cost associated only with FY07-08.

The proposed budget includes full-year funding for an all-time high of up to **one hundred eight and one-half (108.5) full-time equivalent city employees: ninety-five (95) full-time positions, one and one-half (1.5) part-time positions, and twelve (12) seasonal positions.** These numbers include a proposed staffing upgrade with the addition of **nine (9) new full-time positions** over approved staffing levels from one year ago – all designed to provide improved and enhanced city services:

- A *Director of Human Resources* position to provide general personnel management support of the City’s growing operation within the Executive Administration department.
- A *Utility Clerk* position to provide general support to growing demands and customer base within the Administration-Utility Billing department.
- Three (3) additional *Patrol Officer* positions and one (1) *Sergeant* position within the Kyle Police Department to enhance patrol operations.
- Two (2) additional *Maintenance Technician* positions within the Maintenance and Beautification Department.
- One (1) new *Recreation Superintendent* position within the Parks & Recreation department.

Although the primary focus of the proposed *FY2007-08 Annual Budget* is to fund the continuation of existing programs/service levels and properly respond to the ever-increasing demand for city services, the proposed spending plan also includes four main policy issues for Council’s consideration:

- **Police Department Staffing** – This item has been brought forward by the staff in response to concerns in recent years as to the appropriate and desired level of staffing within the Kyle Police Department. As such, the staff proposes create policy in such manner as to address this situation on an objective analysis of existing service levels and developing a system to appropriately expand police presence and neighborhood patrols as desired.

To defectively address this situation, the staff proposes creating three (3) new Patrol Districts establishing a Minimum Staffing Policy of three (3) Patrol Officers and one (1) Sergeant/Supervisor for every shift. This policy would stipulate that each District would maintain minimum staffing of three patrol officers (one assigned to each patrol district) and one Sergeant/supervisor 24 hours per day, seven days per week – and would provide routine, designated patrols and patrol officers for every neighborhood within the City.

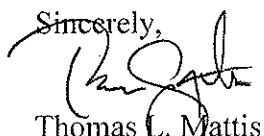
To accomplish this Minimum Staffing Policy, however, increased KPD personnel would be necessary and would require three new full-time *Patrol Officer* positions and one new full-time *Sergeant* position at an estimated annual cost of approximately \$215,000.

- **Market Adjustments for All Full-Time Salaries** – The City has also encountered growing concerns over the past few years as to the effectiveness and market competitiveness of compensation levels for city employees. The *FY2007-08 Annual Budget* as proposed includes a recommendation to implement a procedure to appropriately adjust base salaries for all full-time employees based on an objective analysis of market compensation for comparable positions in comparable operations.

Implementation of such a program to appropriately upgrade base salaries would require a one-time investment/expenditure estimated at a cost of approximately \$253,111.

- **Capital Expenditures/Debt** – In its presentation of the proposed *2007-08 Five-Year Capital Program (CIP)* to Council earlier this month, the staff reviewed issues and anticipated increased costs (specifically debt service costs) that will occur during the next fiscal year. The Council still faces policy decisions relative to additional debt/funding of major capital projects for next year.
- **Property Tax Rate** – Due to the fact that property tax rolls for next year were not certified in a timely manner, the City has not yet received Property Tax Rate calculations from the Tax Assessor and therefore, a final recommendation relative to the proposed Property Tax Rate for FY07-08 has to be determined. The Annual Budget as proposed, however, is predicated on a net revenue increase for current-year tax revenue of \$229,950, which is comparable to the city's recent experience. As discussed with Council previously, it is important to note that the debt portion of the FY07-08 Property Tax Rate will increase by nearly \$.08 in response to required debt payments scheduled for next year.

The 2007-08 year should once again provide a challenging year for the City of Kyle and its leaders, but will also provide opportunities for enhancement of services for our residents and taxpayers. The coming year should represent a historic transition of Kyle's business community and commercial support base, as the Kyle MarketPlace (HEB) will reach full development and the Seton Hospital Project is scheduled commence construction – along with a wide range of other retail and commercial development projects. *Our glass continues to be "half-full" – and getting fuller all the time.* On behalf of the city staff, I wish to thank Mayor Gonzalez and City Council for their past support and this opportunity to serve the citizens of Kyle. We look forward to working with you during the coming year.

Sincerely,

Thomas L. Mattis
City Manager

*This Message is reflective of the original staff FY07-08 Proposed Budget and does not reflect amendments ultimately approved/directed by Council

