

## STAFF RESPONSES TO COUNCIL BUDGET QUESTIONS/REQUESTS

**A(1)** An analysis of what was the greatest increases; what departments, was significantly above last year's base line. (Page 14-19) (Provided to Council - 8/5/08)

**A(2)** More detailed information regarding the new revenue for trash collection fee.

<b>SAMPLE SURVEY OF EIGHT CITY'S POLICIES ON SOLID WASTE FRANCHISE FEES</b>									
<b>Residential</b>				<b>Commercial</b>					
Yes	No	If Yes, %		Yes	No	If Yes, %		Exclusive?	
								Yes	No
X		\$2/mo./cust		X		3%			X
X		Add 15%		X		Add 15%		X	
X		10%		X		15% for Roll Offs		X	
	X			X		5%			X
	X			X		\$2.60/customer		X	
	X			X		5%			X
	X			X		10%			X
					X			X	

The following cities collect solid waste with City forces. They do not contract it out. Therefore they would not have a franchise fee.

Pflugerville	X		In House
New Braunfels	X		In House
Seguin	X		In House

Three of the five cities surveyed that contract for solid waste collection services currently have a franchise fee. It ranges from a flat \$2.00 per customer per month in Cedar Park to 15% in Universal City. Seven (7) of these same cities charge a franchise fee for commercial pick up. A 10% Franchise fee on residential customers would generate approximately \$120,000 per year (See Page 20 for calculation of revenue projection) It is unclear at the present time how much a 10% fee on Commercial pick up would generate. It would depend to a large extent on whether or not the Commercial contract were exclusive to one Franchisee or non-exclusive in which all haulers would be required to pay the fee. Negotiations with the City's current hauler (TDS) will explore both options.

**A(3)** A significant amount of the General Fund is going for debt service. (Is there) another analysis for the actual debt service component of the tax rate? What estimations are you plugging in there? Is it the current 5 year plan?

The FY2008-09 Budget and Ad Valorem Tax Rate as proposed includes only debt service already established through bonds/debt that has already been issued. There are no estimations or projected expenditures included within the debt requirements for next year. The Five-Year Capital Program (5YRCP) is a separate planning document that includes projections about possible future scenarios, but those estimates are not in any way connected to projected costs or debt payments required for FY2008-09.

**A(4)** Regarding the 5 year Capital Plan as proposed, what debt service is going to be on there?  
New debt contemplated within the 5YRCP, but not yet reflected within the proposed Annual Budget is:

- (1) SIB Loan 2 [\$11M] anticipated for issue in FY08-09 (with debt payments starting in FY09-10),
- (2) Certificates of Obligation [currently estimated at \$6.7M] to fund a new Library, Police Station, and Historic City Hall renovations anticipated for an issue in FY2009-10; and
- (3) General Obligation bonds [currently estimated at \$18M] to fund a new City Recreation Center anticipated for an issue in FY2010-11

Again, however, it is important to note that this debt is only contemplated from a *planning* standpoint and has no impact on the cost projections included within the proposed FY08-09 Annual Budget.

**A(5)** Report showing the O&M and Debt rates and then identify items that are driving these rates that would be considered new or above base line. (See pages 21-23 for discussion of this issue)

**A(6)** Report from Police Department trending criminal activities and comparing key indicators with comparable cities. (Page 24-31) (Provided to Council – 8/12/08)

**A(7)** Report from Police Department comparing staffing levels for police departments in cities comparable to Kyle. (civil service / non-civil service) (Page 24-31) (Provided to Council – 8/12/08)

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**B(1)** What kind of a difference is it going from up to 35 cents versus 39.71? Review long-term impact of “buying down” FY08-09 debt payments vs. adopting full tax rate required to meet debt requirements.

(This issue was covered in detail at the 8/12 Budget Workshop) Based on our updated calculations, the currently proposed budget contemplates partial funding of next year’s debt payments with approximately \$712,000 of interest earnings from the city’s debt funds. Without such funding, it would be necessary to increase debt rate for next year from \$.2000 to \$.2649. Such interest funds are traditionally utilized to fund additional capital projects or absorb cost-overruns of planned projects, so the “long-term impact” of utilizing such funds in this manner basically means there would be less additional dollars available for future use.

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**C(1)** Regarding Economic Development and the strategic initiatives by TIP, what’s going to be incorporated in there?

The City’s Economic Development Strategic Plan, as approved and adopted by the City Council, includes an implementation plan that contemplated total funding in support of Year 1 of such plan (FY08-09) in the total amount of \$210,000 - but only a small portion of such funding is included within the proposed FY08-09 Annual Budget. Funding recommended by the Plan for next year is as follows:

Personnel (ED Assistant).....	40,000
Chamber Contract.....	60,000
Land Use Modifications.....	6,000
Marketing and Branding.....	150,000
Revitalization of Historic Kyle.....	<u>5,000</u>
Total – Year 1.....	\$210,000

Funding is included within the currently proposed budget for a new full-time Administrative Assistant position within the Economic Development department, which should significantly enhance the department’s capabilities and productivity. In fact, some of the other items on this list can be partially addressed through utilization of this increased staff. The additional funding as proposed by the Strategic Plan, however, is simply not available for next year within the current prioritization of needs and the available revenue stream.

**C(2)** Additional detail on the New Recreation Fund, including general report and staff analysis on Park and Recreation fee structure as previously reviewed with Parks Board.

Following are the changes to the Parks and Recreation Fee structure recently recommended by Staff and Parks Board:

1. Covered Pavilion – Lowered from \$25/hour or \$125/day to \$20/hour or \$100/day. *Recommendation made to increase rental usage at all the pavilions.*
2. City Park Area – Lowered from \$25/hour or \$125/day to \$20/hour or \$100/day. *Recommendation made to increase rental usage at all the parks.*
3. Kyle Pool Fees – Daily Entry – Adjusted Ages to reflect “Youth”, “Teens” and “Adults”. Raised Teen rate to \$2.00 and Adult Rate to \$3.00 for Kyle residents and raised Non-Kyle Residents to \$4.00. *Recommendation based on increased cost of pool staff and cost of operations.*
4. Kyle Pool Fees – Punch Cards – Adjusted Ages to reflect “Youth”, “Teens” and “Adults”. Raised Teen rate to \$20.00 and Adult Rate to \$30.00 for Kyle residents and raised Non-Kyle Residents to \$40.00. Punch Cards are 12 entries for the cost of 10, so increase was in relation to the Daily Entry Fee. *Recommendation based on increased cost of pool staff and cost of operations.*
5. Kyle Pool Fees – Season Pass – Adjusted Ages to reflect “Youth”, “Teens” and “Adults”. Raised Teen rate to \$40.00 and Adult Rate to \$50.00 for Kyle residents and raised Non-Kyle Residents to double the Kyle Resident Rate. These rates did not go up as much as staff and Board is highly encouraging the Season Pass concept. *Recommendation based on increased cost of pool staff and cost of operations.*
6. Kyle Swimming Pool Rental – Raising the third and fourth hour of rental from \$150 to \$175/hour. *Recommendation based on increased cost of pool staff and cost of operations..*

NOTE: In reviewing the proposed FY08-09 Budget and projected revenue amounts, these changes will make little or no difference to the line items and amounts already submitted by staff.

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**D(1)** (Please provide additional information relative to the \$60M debt number that has been previously mentioned, providing a list of the actual projects and) . . . the total cost next to each one? Also if there are other projects not listed, please include them as well so that it adds up to the amount borrowed. (Page 32) (Provided to Council – 8/12/08)

**D(2)** I would like to know what the \$.35 tax increase consist of.  
(a) The staff recommendation for total tax rate was \$.35 (now \$.3731); not a \$.35 tax increase. The recommended total tax rate increase over the current year is \$.1024; and  
(b) The budget preparation process does not breakdown the specific functions or programs funded by property taxes any further than:  
(1) General Fund Operating expenses (originally proposed \$0.15 but now \$0.1731), and  
(2) Debt Service on existing debt (proposed \$0.20.) A further breakdown for General Fund expenses would be purely arbitrary.

**D(3)** Please break down the \$1M that was cut from the budget (include cost)  
This information is not readily available; The budget preparation process is an iterative one that comprises several steps within each step as many as 15 to 20 electronic files are generated and then updated as we move through the process, several hundred pages of detailed documents are produced. We are certainly agreeable to printing all the input documents used in the process, but without a suitable index that showed what was originally asked for, negotiated, and agreed to, this specific information is not available.

D(4) Please forward all job descriptions of new staff positions and annual salary.

<u>Classification</u>	<u>Salary Ranges</u>		
	<u>Minimum</u>	<u>Average</u>	<u>Maximum</u>
Street Superintendent Park/Facilities Manager	\$ 51,196	\$ 56,884	\$ 65,417
Admin Assistant	\$ 30,885	\$ 34,317	\$ 39,465
Library Assistant	\$ 24,200	\$ 26,889	\$ 30,922
Sergeant *	\$ 49,551	\$ 55,057	\$ 63,316
Police Officer *	\$ 37,229	\$ 41,366	\$ 47,571
Dispatcher	\$ 27,896	\$ 30,996	\$ 35,645
Inventory Control Spe.	\$ 24,804	\$ 27,560	\$ 31,694
Equipt. Operator	\$ 26,178	\$ 29,087	\$ 33,450
Maint. Tech. I Parks	\$ 23,410	\$ 26,011	\$ 29,913

For purposes of the FY2008-09 Annual Budget, salaries for all new positions were included at the Minimum level. In addition, please note that the ranges for Police Officer and Sergeant will be converted to a step system approved by the Civil Service Commission and City Council to be implemented by October 1<sup>st</sup>, 2008. The ranges shown here are the ranges established last year. (See pages 33-56 for corresponding Job Descriptions for these positions)

D(5) What are we paying our current contracted engineer a (Bartle) and what is the anticipated salary for the new City Engineer position.

<u>Fiscal Year</u>	<u>City Engineer Services</u>	<u>Design and Other</u>	<u>Total</u>
2005-06	\$148,349	\$262,158	\$410,507
2006-07	\$154,756	\$108,100	\$262,856
2007-08 to-date	\$135,158	\$ 33,858	\$169,016

Base annual salary for the new City Engineer position is included within the proposed FY08-09 Annual Budget at \$73,710 (Minimum), \$81,900 (Average), and \$94,185 (Maximum).

E(1) I would like to see a schedule of hires for the whole list of new staff positions that the city plans to hire in the 2008 and 2009 budget. The budget should be modified to reflect that schedule of hires.

While there can be one-time savings in salaries/benefits if new hires are delayed, there are no savings in subsequent years - and those costs will impact the budget immediately in the following year, and those thereafter, unless the intent is to cut them in the future. As such, any "savings" achieved by postponing the hiring of new employees only delays the inevitable of cost impact; and, as it relates to the General Fund, only delays the inevitable tax increase.

Two good examples of this in FY07-08 were the Police Chief and HR Director. Those positions were filled in late spring of this year so their actual cost this year was about half of what it will be in FY08-09. That one time saving is gone and along with other positions that were funded for less than a full year, funding for all these positions for a full 12 months next year is one of the contributing factors for having to increase the tax rate for the coming year.

As requested, two options have been presented (See pages 57-58) listing the putative cost savings of new positions proposed for FY08-09 plus the five unfilled positions police officer positions for this year. Savings that could be realized if their hiring is delayed for the corresponding number of months shown is indicated on the bottom line of each chart.

*Note: Of the 13.35 new positions proposed for 2008-09, 4.35 positions (including the Parks/Facilities Mgr., Crew Leader, Street Superintendent and Equipment Operator) were already programmed for hiring next spring, so only a one-half year's salaries and benefits were included in the proposed budget for these positions. Within the General Fund, the only new positions proposed at full-year funding are the new Police Department personnel.*

*In addition, salaries and benefits for sworn police officers within the proposed FY08-09 Annual Budget are included at base pay plus the cost-of-living increase. The impact of establishing the pay schedule as currently anticipated for these employees under Civil Service is not fully developed at this time. If full-year funding of such positions is not achieved, appropriate flexibility in funding would not be available to set the desired pay structure required under Civil Service.*

Please keep in mind that the savings shown are not only from direct salary savings but also include the cost of all paid benefits including vacation and sick leave, FICA, retirement contributions, health plan premiums, unemployment, workers comp, etc.

**E(2)** I want (would like to see) three random examples of police pay; with overtime included, so council, staff and the public can more fully understand how much a police officer is actually taking home versus the salary schedule. (2 year officer, 5 year officer and senior sergeant level police officer examples)

	<u>Taxable Income</u>	<u>Total Cost w/Benefits</u>
Police Officer - 2 years	\$39,850	\$54,418
Police Officer - 5 years	\$46,224	\$61,234
Police Sergeant	\$60,562	\$78,858

**E(3)** Do we believe our sales tax projections, which are part of the foundation for the budget, are going to match statewide projections? What comparisons have been made with (other) cities?

It is the staff's belief that statewide projections are not particularly relevant to Kyle current or near future situation since Central Texas has been shown to be somewhat immune in the past to some of the downturns experienced in some other parts of the State. See the following table for comparisons to other similar Texas cities:

**Assumptions for Projecting Sales Tax  
Comparative Cities**

For 2008-09 Fiscal Year

<u>City</u>	<u>Increase/(Decrease)</u>
Round Rock	-3.2%
San Marcos	1.8%
Georgetown	3.6%
New Braunfels	6.0%
Schertz	7.0%
Kyle(Revised)	10.0%
Seguin	15.0%
Cedar Park	16.0%
Kyle (Original)	21.0%

**E(4)** Where are the funds identified in the budget for the salary adjustment for market competitiveness? What is the upgrade amount and when in the budget cycle would it be adjusted?

Such funds are included in the amounts for Salaries, Social Security, TMRS, etc. They are not shown as separate costs. The total amounts within the various funds is as follows: General Fund-\$174,521; Utility Fund - \$23,432; Recreation Fund \$2,645; and Building-Planning and Economic Development Fund \$25,762. Market adjustments are normally applied the first full pay period in October of the new fiscal year.

**E(5)** I would like to see the compensation comparison data used for individual salary adjustments in the last fiscal year.

(See pages 59-61). Note particularly the fourth column that shows the % difference between the average of other cities and that paid by Kyle.

**E(6)** In our comparison cities for salary compensation, we did not include neighboring cities like Lockhart and Bastrop which appear to me to be of comparable size.

The cities selected for survey purposes were by Ray and Associates, an outside consultant who was commissioned to do a study on the Police Department two years ago. Employing an objective criteria that was approved by Council, they established a competitive "market" for our employees by utilizing data from the eight comparative cities used in the survey.

In doing some research on Lockhart and Bastrop specifically, it was found that their 2006 populations were at 13,670 and 8,053 respectively. In addition, Lockhart is not experiencing nearly the level of growth that Kyle is which was another criterion used in developing the list. Neither Bastrop (too small) nor Lockhart (insufficiently dynamic) meet the profile used to select the comparative cities.

Frankly, it is assumed by the staff that the collective future vision for Kyle and city operations/services is well-beyond cities like Lockhart and Bastrop.

**E(7)** I question the contingency reserve of 25% of total budget. Is it necessary to have the full 25% as the charter suggests or can we reduce our proposed property tax rate a couple of cents by moving it to say 20%.

Article VIII, Section 8.12 of the Kyle City Charter states, in part, that "*Except when expended only for an emergency, the reserve fund shall over time be funded in an amount equal to twenty-five percent of the annual operating budget.*" In the scenario described, the City Council would be compelled to define reducing the tax rate as an "emergency" to reduce reserve funds beyond the 25% level.

In the staff's reading of the Charter, it seems very clear that the 25% is not a relative figure but an absolute. It would be a legal question as to whether or not using reserves to keep the tax rate artificially low would qualify as an "emergency". Section 8.04 of the Charter also states "*The proposed budget expenditures shall not exceed the total of estimated funds available from all sources*". If use of reserve funds is specifically to be used for emergency funding only, it is doubtful that the Charter contemplates use of reserve funds to compensate the budget for any estimated shortfall in revenue.

Section 8.04(g) states the budget should include "*The total amount established for addition to reserve funds.*" Proposed budgets for 2007-08 and 2008-09 were balanced with the assumption that no additional funds would be added to the reserves. The build up of reserves in the past were not based on a tax rate that produced surplus funds each year that could be added to reserves. Past surpluses were generated by double digit growth of development and an inability of the small staff at the time to plan for and purchase required resources to meet demands. Neither of these conditions currently apply. As the size of the budget grows, an allowance will have to be made to grow the reserve funds.

**E(8)** Questions related to other revenue: Parks and pool revenue projection? Animal control permits? Sign permits up only 4% with development along 1626 and Seton coming on in the next fiscal year?

In general, staff would agree that it may be reasonable to anticipate slightly higher revenue from the areas listed, but the amount would not be significant as it relates to the overall budget and/or tax rate.

1. Parks/pool revenue - It is felt that the elasticity of demand threshold for, particularly pool entrance fees has been reached. Further hikes in rates beyond those contemplated {See C(2)} would most likely reduce the number of users.
2. Animal control permits - With only one Animal Control officer, KPD does not aggressively enforce the registration requirement for dogs and cats. It is a voluntary program at this point. Generation of any significant increase in this revenue would require stricter enforcement which in turn would require more animal control staff or police officers being assigned to this function. It is doubtful this tradeoff would generate significant sources of new revenue without concomitant increases in costs.
3. Sign permits - There certainly will be more permits generated by commercial development, but it remains to be seen if such revenue increase will be significant.

**E(9)** I am having a problem with the 5 million dollar police station as a place holder in the 5 year Capital Improvement Plan even though it is projected in the 2010/2011 fiscal year. I would feel more comfortable with a \$2.5 million facility as a place holder for planning purposes and would not want to consider it unless we have a very strong uptrend in sales tax revenue in 2009/2010.

This issue was address by the Council at their 8/19/08 Regular Meeting. Prior to its final adoption, the City Council amended the Five-Year Capital Program (5YRCP), adjusting the financial programming of a new KPD station to \$2.5M, anticipated for FY2010-11.

**E(10)** Are there purchases we can differ until 2009/2010 like vehicle fleet replacement? There are a couple of replacement trucks in particular that we need to review with a small tax savings in next fiscal year possible.

Obviously, essentially any and all capital expenditures can be deferred to future years to create a temporary cost avoidance. There are two replacement trucks one in the Police Department assigned to the Animal Control Officer and one in Parks/Facility Maintenance. (See pages 62-64 for further staff comments as to the need for timely replacement of vehicles).

**E(11)** Did we purchase everything in the budget for 2007/2008 that we expected? We know we did not hire the 5 police officers but were there other expenditures or purchases that are yet to be executed? Is the Thin Client Server one of those purchases?

In the General Fund, with the exception of several vehicle purchases budgeted for in Public Works, all major capital outlay purchases have been made. Efforts will be made to contract for these vehicles before the end of the fiscal year. They are still needed, the limiting factor is time to execute the necessary procedures. There are no other significant expenditures or purchases that have not been processed for the current fiscal year.

All of the IT expenses (including the Thin Client Server) are to be funded from the 2008 CO Bond proceeds that have already been sold. These expenses do not impact the O&M rate for next year and the impact on debt service for next year is fixed.

**E(12)** Did the library director move from part time in the 2007/2008 budget to full time in the 2008/2009 budget?

The current Library Director is a permanent part-time position that from time to time (like last year) needs to be a full time position when the Assistant Director position is vacant. His salary projection is based on being only a half-time position. This is a unique situation where a very qualified person is donating a good portion of his time so that he has an option to work less than a full 80 hours per pay period. At the point in time when he retires, his replacement will have to be a full-time position. No surplus funds have been set aside for this eventuality.

**E(13)** Is it prudent to proceed with the full budget as written for Fiscal Year 2008/2009 with a downtrend in sales tax year over year for the first month and a lower valuation of property from the Hays County Tax Assess or Collector than we were expecting as a property tax base? Can city staff prioritize the hires in such a way we can reduce the number of new staff positions in the budget by 25%. I think it would certainly be smart to prepare for the contingency of continued reduction in sales tax revenue when compared to the same month last year.

Yes, it is prudent to proceed with the full budget as proposed by the staff as it is a zero-based, balanced spending that is very lean and reasonable as it relates to both cost estimates and revenue projections.

It is important to recognize that "property taxes" are designed to be the most basic foundation for funding local government operations/services; and secondly to generate sufficient funds to pay its long term debt. "Sales taxes" which are too volatile and "transfers from the utility fund" which if depended on too much can cripple the utility's ability to provide water and sewer service at an affordable cost, should not be depended on as the principle source of revenue for an expanding local government organization. The real question is, Is the City going to continue to add staff and equipment that are necessary to keep up with the demands of a rapidly growing community and restore the property tax as the foundation for funding general fund operations? Or, is it going to reduce the capability of the City to respond to increased demands by deferring needed additions of staff and equipment in 2008-09 that not only will help meet immediate demands but set the City up to meet the challenges that are inevitable.

Obviously, the staff will accept whatever decisions or direction is provided by the Council as it relates to the FY08-09 Budget. We cannot, however, in good conscience, suggest there is way to "prioritize the hires in such a way we can reduce the number of new staff positions in the budget by 25%" without adversely affecting city services. If the City is going to continue to provide and enhance services and facilities for our community, the staff needs all of the personnel and associated funding in a timely manner - and as requested within the proposed FY08-09 Annual Budget. The City Council will need to provide specific direction to the staff as to prioritization of new hires if a change in what has been proposed is desired.

One way to prepare for the contingency of continued reduction in sales tax revenue would be to raise the property tax rate to a level needed to avoid dependency on sales taxes to fund basic services.



**E(14)** Except for the 5 police positions from the last year budget, I think it would be smart to plan for holding all new positions until January when we will have a better handle on the sales tax decrease issue. The holding of the new positions could provide the property taxpayer an additional reduction of one to two cents in the tax rate.

This would assume there is general agreement among the Council that the new positions (including the new KPD officers) are not needed at this time and that if sales tax revenues do not come back quickly that the demands forcing the increase in staff will likewise evaporate. Any reduction in the tax rate for this temporary cost avoidance would only affect FY2008-09. Next year, there would be a compounding effect of the full year's cost of the deferred funding plus the additions that will be needed in the next year.

**E(15)** While I am optimistic that sales tax will reverse the recent downtrend as the new business's opening along 1626 and Seton area come on line, I think we must prepare for the contingency that a down turn in the economy will have a negative impact on our sales tax revenue and place at risk our budget as written.

This appears to be more of a comment than question and requires no further response from the staff.