

City of Kyle FY 2010-11



Adopted Annual Budget



Mayor and City Council
James R. Earp, CPM, Interim City Manager
Wendy Bates, Finance Officer
September 7, 2010

This budget will raise more property taxes than last year's budget by \$579,973 or 19.28% and of that amount \$204,864 is tax revenue to be raised from new property added to the tax roll this year outside of the Tax Increment Reinvestment Zone #1.



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Elected Officials and Administrative Staff October 1, 2010

City Council

Lucy Johnson..... Mayor
Russ Huebner..... Mayor Pro-Tem
Diane Hervol..... District 1
Becky Selbera..... District 2
Bradley Pickett..... District 3
David Wilson..... District 4
Jaime Sanchez..... District 5

City Staff:

James Earp..... Interim City Manager
Vacant..... Assistant City Manager
Amelia Sanchez..... City Secretary
Vacant..... Director of Finance
Sandra Duran..... Director of Human Resources
Gerald Hendrix..... Director of Communications
Shira Rodgers..... Director of Planning
Diana Blank..... Director of Economic Development
Mark Shellard..... Director of Information Technology
Harper Wilder..... Director of Public Works
Michael Blake..... Chief of Police
Kerry Urbanowicz..... Director of Parks and Recreation
Mario Perez..... Building Official
Vacant..... Library Director
Barney Knight..... City Attorney
Joel Wilkinson..... City Engineer
Sundra Spears..... Municipal Court Judge

City of Kyle

Commissions / Committees

Community Relations Committee

Brad Pickett, Chairman

**Deanna Brock
Stanley See
Richard Klekar
Jim Hough**

**R. Mike Fulton
Samantha Bellows
Barbara Pelech**

Economic Development Committee

Diane Hervol, Chairman

**Ross Wood
Alan McPherson
Trista Fugate**

**Helena Hauk
Ray Hernandez
Kyle Toomire**

Mobility Committee

Jaime Sanchez, Chairman

**Roland Long
Sharon Nettles
Sharon Werner**

**Bryan Jordan
Robertson Belarmino**

Parks & Recreation Committee

Lucy Johnson, Chairman

**Cindy Hoffman
Bill Neukam
Patrick Corona
Dennis Bailey**

**Samantha Johnston
Karen Campos Park
Teresa Tobias**

Public Works & Service Committee

David Wilson, Chairman

**Paula Alvarez
Alan McPherson
J. Kelly Hoag**

**Ann Long
Kay Rush
Mark Schultz**

City of Kyle

Commissions / Committees

Safety & Emergency Services Committee

Becky Selbera, Chairman

Glenn Whitaker

Brenda Stewart

Lila Knight

John Moseley

Mike Vasil

Strategic Planning & Finance Committee

Russ Huebner, Chairman

Greg Blackwell

David Robertson

Dennis Guilliams

Alejandro Correa

Brian Ziegler

Board of Adjustments

Alexander Villalobos, Chairman

Terri Thompson

Paul Terry

Stanley See

Megan Rogers

Charter Review Committee

Ron Barrera, Chairman

Mark LeMense

Abel Tenorio

Rhonda Cox

Cale Baese

Nancy Fahy

Jerry Luttrell

Civil Service Commission

Blake Johnson, Chairman

Cindy Lawton

James Adkins

City of Kyle

Commissions /Committees

Comprehensive Plan Advisory Committee

Lila Knight	Josh LeGare
Kay Rush	Jenny DiLeo
Kyle Toomire	Susan Meckle
Dennis Rose	

Ethics Commission

Michael Noll	Jerri Lopez
Rudy Cedillo	Jenny Sandoval
Ed Winn	Gary Rush

Hays Caldwell Public Utility Agency

Susan Narvaiz	David McMullen
David Wilson	Lucy Johnson
Chris Betz	Steve Parker
James Earp	Mark Speed
Laurie Moyer	Tom Taggart
David Davenport	Alan McPherson
Ken Williams	

Historical Preservation Committee

Ann Miller Strom	Maxine Weatherford
Jerry Kolacny	Cathy Schultze
Evelyn Franke	

Kyle Community Library Board Members

Kathy Ryan, Chairman	
Shirley Lucas	Joseph Vasquez
Wynette Barton	Ceverene Lackey

City of Kyle

Commissions /Committees

New Library Building Committee

Kathy Ryan, Chairman

Wynette Barton	Becky Selbera
Michele Jeanmarie	Brad Pickett
Moe Johnson	Rhonda Cox
Connie Brooks	

Planning and Zoning Commission

Shane Arabie, Chairman

Samantha Bellows	Cale Baese
Rhonda Cox	Norman Lloyd
John Atkins	Michael Rubsam

Public Safety Advisory Committee

Ben Ablon	David Salazar
Don Brooks	Maggie Ortunio
Esther Hicks	Jeff Blackwell
Glenn Whitaker	Dan Ekakiadis
Pete Krug	

Train Depot Board

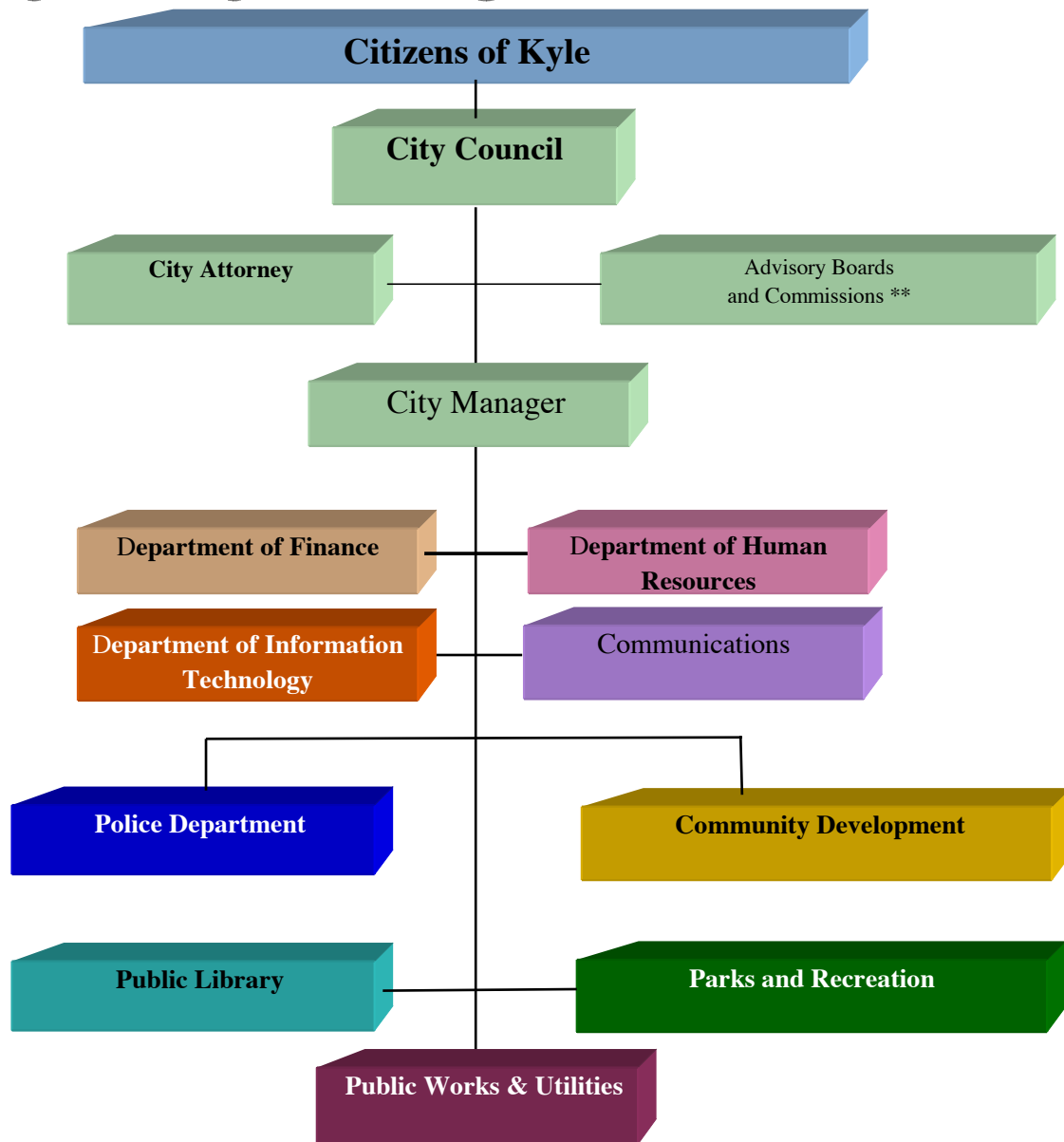
Kate Johnson, Chairman

Daniel Harris	Sandra Bryant
Don Franke	Angie Chapa
Brenda Stewart	Jaime Sanchez

Water Development Citizens Advisory Committee

Paula Alvarez	Becky Selbera
Dan Ekakiadis	Rod Walls
Alan McPherson	David Wilson
Janet Wyman	Dennis Rose

City of Kyle - Organizational Chart



**Community Relations Committee
Economic Development & Tourism Committee
Mobility Committee
Parks and Recreation Committee
Public Works & Service Committee
Safety and Emergency Services Committee
Strategic Planning and Finance Committee

**Board of Adjustments
Charter Review Committee
Civil Service Commission Members
Community Library Board Members
Comprehensive Plan Advisory Committee
Ethics Commission

**Hays-Caldwell Public Utility Agency
Historical Preservation Committee
Planning and Zoning Commission
Public Safety Advisory
Train Depot Board
Water Development Citizens Advisory Committee



BUDGET MESSAGE
FY 2010-2011
September 3, 2010

Dear Mayor and Council members,

In accordance with the Texas Local Government Code and with Part I, Article VIII, Sec. 8.04 of the Kyle Municipal Code, the proposed *Annual Operating Budget* for the City of Kyle, Hays County, Texas, for the Fiscal Year of October 1, 2010 through September 30, 2011, is hereby presented for your consideration. The proposed budget presents, in financial terms, the proposed plan for accomplishment of the delivery of municipal services during the forthcoming fiscal year.

PROPOSED FINANCIAL POLICIES

The City of Kyle has adopted a Fiscal Management Policy which governs the budget process. This year's budget production process has tried to adhere as closely to that policy as possible considering the lack of personnel, and the absence of not only the City Manager but also the Finance Director during the entirety of this budget process. In addition to the Fiscal Management Policy (which is included in its entirety after this budget message) the City of Kyle is in the process of adopting a Debt Management Policy which should be finalized by the first of the FY10-11 budget year. This policy will govern the issuance of future debt instruments, provide a formula for calculating maximum outstanding debt and serve generally the same way for future debt as the Fiscal Management Policy does for the budget process. Lastly, a new Purchase Order Policy has been proposed by staff and adopted by council. This policy will result in additional financial controls and accountability in spending. This Purchase Order Policy requires all purchases over \$500 to first have an issued Purchase Order issued by the finance department once funds are verified in the approved budget for such purchases. While this policy deals only with purchases over \$500, individual departments are adopting their own financial controls for items that cost under \$500.

IMPORTANT FEATURES

The proposed budget, from an overall fiscal perspective, is more accurate than any previous submittal, and is also more flexible than the FY 09-10 submittal. In the current economic environment, maintaining services at an existing tax rate is an accomplishment in and of itself, much less decreasing the overall tax rate. In a time when the budgetary debate in many communities still continues to center on which services will be cut back, and by how much, we are able to maintain the same base level of services by adding resources in key operational areas to improve service delivery to our citizens. This budget cycle started with each department reviewing what their current levels of expenditures were in each functional area, then we considered what we could reasonably expect to change year to year. In the past the budget was presented as a zero-base budget, but that is a not an appropriate name for this process as a zero-base budget cuts every expenditure to zero, and then starts from scratch. This budget is, however, a balanced spending plan, wherein all proposed operating expenditures are supported totally by revenues generated through operations or fund transfers during the 2010-11 fiscal year. The budget also includes a comprehensive analysis of all existing programs, operations, and services.

The budget development process began in April with the initial development of the *2011-2015 Five-Year Capital Program (5YRCIP)* and included input from both Council and staff. Council participated in a first ever CIP prioritization exercise led by the Interim City Manager where individual capital items were placed on note cards and council then prioritized each and every proposed purchase. Council then

determined how much money would be spent on capital items this year, thereby establishing which items would be included in this year's budget, and which items would be scheduled for future years. While the primary goal of the proposed budget is to effectively maintain and/or improve existing service levels, this would not be possible without adding resources in key areas and services in order to meet ever-growing demand.

The grand total for all appropriations included in the proposed *FY10-11 Annual Budget* is **\$54,639,742** with the Combined Operating Budget being **\$22,161,316** or 41% of that total.

The proposed budget includes full-year funding of all existing or previously authorized staff and operations; and a funding plan for most capital projects/expenditures planned for next year within the current *5YRCIP*. The Combined Operating Budget is delineated into four primary operating funds:

- **General Fund** – (\$10,640,451) revenues and expenditures related to the provision of primary/traditional municipal services whose main financial support comes from property and sales taxes
- **Community Development Fund** – (\$944,272-Enterprise Fund) revenues/expenditures 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.
- **Recreation Fund** – (\$652,148) revenues/expenditures relating to parks and recreation services including summer camps, fairs, holiday and/or community events, classes/lessons, etc.
- **Utility Fund** – (\$9,924,445-Water and Wastewater Enterprise Fund) all financial transactions relating to the provision of water and wastewater services through the city's systems. Costs for these services are wholly supported by water and wastewater fees for such services.

Departmental budgets are also segregated into two basic categories: (1) *Base Line*, providing expenditure/revenue projections associated with the continuation of existing services levels, which includes customary increases to maintain existing services; and (2) *Program Change*, projected expenditures/revenue associated with new or significantly expanded projects, programs, or services.

Preceding each department's budget is a brief description of the department, its general activities, and proposed staffing levels. Also shown are "Performance Indicators" - a sample of general statistical data providing a general overview of the duties and volume of work generated by each department as well as the first inclusion of a Management By Objectives policy which will result in additional transparency and accountability.

MAJOR CHANGES (FINANCIAL POLICIES, EXPENDITURES, REVENUES, REASONS)

Budget Highlights and Issues

The City of Kyle has just completed another very successful year that has seen continued overall prosperity within our community. While most cities and our nation in general have faced a variety of economic challenges over the past twelve months, the City of Kyle has maintained a growing and financially stable operation. We have continued to efficiently address the demand for increased services by making the most of available resources.

Last year we noted that prudent and effective budgeting, and fiscal discipline by the staff, combined with steady economic growth provided by new commercial developments, enabled the City to sustain a strong financial performance in FY2009-10. In spite of this success, and no different than last year, the City is faced with unique issues especially around balancing affordability issues with the service needs and goals of our city.

As we look forward to the 2010-11 fiscal year, continuing expansion of debt obligations combined with general economic conditions will create new budgeting challenges unlike any faced by the City in its

history. In addition, the continuation of constantly expanding programs will not be financially sustainable within the existing tax structure, as demands for enhanced, expanded, and even new services continue in our growing community.

The City Council has agreed to consider some tax relief for tax payers, albeit temporary. The reappropriation of \$2,000,000 from the 2008 Series CO will result in a decrease in the 2010 Series CO issue which will pay for the new City Library, and will also grant temporary relief from up to \$425,000 a year for four years in debt payments. That results in about a 3.2 cent decrease to the tax rate for this year and the three years ensuing.

Expected transfers from the Utility Fund in support of the General Fund are reaching an all time high, and council has acknowledged that this practice is not fully disclosing the cost of doing business and is holding the property tax rate lower than it should actually be. Likewise, continued transfers out of the Utility Fund at the current rate are not sustainable and jeopardize the long term viability of the Utility Fund. For this reason, the City Council decided to apply all budget savings that could be identified this year against the Utility Fund transfer and maximize the O&M rate as much as possible.

A substantial increase in the city's O&M tax rate for FY2010-11 is inevitable. However, with the temporary debt relief, overall taxes will be falling from \$.4240 to \$.4154. This is a substantial accomplishment because required payments for existing debt obligations for next year alone project a 20% increase in the debt portion of the property tax rate. While there are also other items affecting the total increased O&M tax rate recommended with this budget, those increases are focused on addressing Council priorities.

As evidence of the proposed budget's focus on overall cost containment and the goal of a manageable tax rate, the City Manager has made significant across-the-board cuts in the budget requests of the various departments for the *FY2010-11 Annual Budget*. Although the City has been able to accommodate most departmental requests for funding in recent years, the financial constraints anticipated for next year will not allow this practice to continue. As an example, the grand total for all funding requests for General Fund departments and operations for *FY10-11* was **\$12,608,571**. The final expenditures proposed for the *FY2010-11 Annual Budget* sets the General Fund at **\$10,640,451** – an 15.6% cut that affected virtually every department.

It is important to note that the proposed *FY2010-11 Annual Budget* is focused on maintaining existing service levels – and no *reduction* of city services are included or anticipated as part of this funding plan. While the budget does make accommodation for additional staff which are necessary to just maintain current service levels in a growing city, next year's budget does not anticipate significant service level increases.

Our primary goal will be to steadily maintain operations and services for the next year while overall economic and "affordability" environment improves.

Council Priorities

As part of the budget's early formulation, the City Council set its City Council Budget Policy Statement in early March of 2010. The budget statement was given to staff to help the staff understand and identify desired policy goals and parameters by council for the *FY10-11 Annual Budget*. The budget statement by the Mayor and City Council distinguishing the following overall budget priorities:

- the M&O Rate should remain as close to last year's rate as possible while providing necessary increases to maintain the same level of service;
- hiring of police officers should continue but at half the level requested, i.e. four new officers;
- we should continue to make a priority the improvement of our water and wastewater infrastructure and sewer systems;
- we should work to improve waterline pressure across the city;
- we should continue plans to build a new library and issue debt to finance the construction early in the next fiscal year;
- the finance department should continue to look for any opportunities to refinance our debt;
- we should provide training to departments that deal directly with the public to help provide a higher level of customer service to residents at no cost;
- we should continue and possibly increase funding and support for the economic development department;
- each department should list their immediate objectives for the next fiscal year at the beginning of their section of the budget as suggested in the current fiscal management policy document.

Ad Valorem Tax Rate

Easily the most significant issue faced by city officials in the development of the *FY10-11 Annual Budget* is establishing a reasonable and effective property tax rate. While this decision is typically a major concern each year for most cities, various issues will come together over the next several years that will make this decision particularly challenging for the City of Kyle.

The ad valorem tax rate is the property tax rate that the City of Kyle sets and collects in order to fund city operations, and to raise the appropriate amount of debt service to make payments on borrowed funds. These two components of the ad valorem tax rate are called the Operations and Management portion (O&M) for the part that pays for city operations, and the Interest and Sinking Fund (Debt) portion associated with debt service. The proposed budget was set at a combined tax rate of \$.4539, however the recommended budget tax rate will only be **\$.4154** a significant decrease which is entirely attributed to the City Council deciding to offer short term debt relief to the tax payers of the City of Kyle by making payments toward the debt portion of the tax rate. This debt relief, while very timely, is temporary in nature, so even with this temporary reprieve the debt portion of the tax rate will need to increase in subsequent years, albeit to something less than it would have been over the next four years without the four year debt relief program adopted by council.

Maintenance and Operations Tax Rate - Given the issues with the overall tax rate, the goal for this budget proposal in keeping with the direction of the City Council Budget Policy Statement was to keep the Maintenance and Operation (M&O) portion of the Ad Valorem rate as low as reasonably possible. As such, a very lean Operating Budget has been proposed that will nonetheless necessitate an increase in the M&O portion of a little over **three and one-third cents (\$.033073)** over the FY09-10 rate – providing necessary funding for this year's budget and continued overall stability of the M&O tax rate. This increase would bring the M&O portion of the Ad Valorem Tax Rate for FY10-11 to **\$.216073/\$100** valuation, but as you will soon see the greatest component of this increase is tied to Emergency Services. While the M&O portion of the tax rate is increasing this year due to minor increases in expenses and a desire to offset utility fund transfers, overall the combined tax rate is going down.

The City's assessed valuation has increased since last year and there were some small annexations, which combined will create some additional new revenue. However, that increase will still not be sufficient to meet budgetary needs. The desire to decrease the Utility Fund transfer to the General Fund, and the natural evolutionary growth of our operation itself creates the need for the increased revenue provided by this slight increase. There are, however, three main issues addressed within the proposed *FY10-11 Annual Budget* that financially represent the primary need for this particular tax increase:

- EMS Upgrades – The City of Kyle contracts with San Marcos Hays County Emergency Management Service, a private ambulatory service not affiliated with the City of San Marcos or Hays County as its name might imply. Without consent of the City Council, the SMHC EMS board decided to incur additional costs to add a second ambulance to Kyle and then expected the City Council to pay for the difference of its cost and what it is projected to earn in revenue. While the council recognizes the benefit of having a second ambulance in a town of our size, the fact that the costs were incurred and then the City was expected to pay up did not sit well with most of the Council members. All the same, this line item is increasing by \$125,000 almost one cent or approximately \$0.0094
- Community Development and Recreation Program Supplement – For the years during the growth boom in Kyle, the Community Development Fund which houses the Building Department, Economic Development and Planning Departments, was able to pay for itself and book additional retained earnings. It is not reasonable to expect the Community Development Department to pay for itself long term. The slowdown in building permits, accompanied by expenditures exceeding \$300,000 associated with defending the City of Kyle's authority to zone in a lawsuit brought by the Home Builders Association, the Community Development Fund will require support from the General Fund to balance its expenditures of \$419,336 or approximately \$0.0318 of the O&M rate. Most cities do not split their Building and Planning Departments from the General Fund and place them in a separate Enterprise fund, so this shortage is somewhat of a misleading indicator.

In FY2008-09, the staff created the Recreation Fund, providing an opportunity to monitor the true costs of various recreation programs and its direct impact on the tax rate. The current-year budget as approved by Council included the General Fund supplementing the Recreation Fund by over \$360,000. It is the staff's estimate that for FY10-11, only a modest change will be required to keep all programs operating efficiently. This year's projections only calls for \$354,633 from the General Fund, or approximately \$0.0269 of the tax rate which is actually down from last year.

- Civil Service – One of the largest changes in this year's budget is tied to costs associated with the voters of the City of Kyle electing to enact Civil Service for its Police Officers. The City of Kyle staff began voluntary Meet and Confer negotiations, that although had stalled for a moment in time, were then shepherded by the Interim City Manager and brought to a point of resolution to where the City Council could determine whether or not to enact the agreement. The Contract was negotiated by both parties, dealing with concerns or interests that both parties wanted to see resolved. The result of the negotiations and of civil service in particular are significant increases in pay for police officers. It is expected that new pay increases tied directly to Civil Service or to the items in the Meet and Confer agreement will cost the taxpayers upwards of \$200,000 this next year or \$0.015 on the tax rate.

In summary, if you add the major changes to this year's O&M rate of the EMS expenses and costs associated with Civil Service, you come up with a combined increase of \$0.0244 which is nearly two-thirds of the proposed O&M increase. This means that the true increase to the General Fund is minimal.

Debt Tax Rate – As discussed above while the Maintenance and Operation (M&O) portion of the Ad Valorem rate pays for the costs to run the city, the Debt Tax Rate collected is used to make debt payments incurred by the city.

Staff concludes that the *FY10-11 Annual Budget* as proposed will require a Debt Rate for the City of Kyle for of **\$1.199326/\$100**. This includes all of the city's current outstanding debt issuances and payments. As mentioned previously, the City Council has decided to appropriate \$425,000 for the next four years to lower the overall debt rate that must be collected in order to grant some temporary tax rate relief to its citizens. While this temporary debt relief will run out in three more years, in the mean time this dedicated payment will subsidize the tax collections required to make the debt payments. Moreover, next year will see an increase in the debt rate regardless due in part to the funding for the new Kyle Library.

DEBT POSITION

There is a lot of discussion about the City's debt, and on occasion this has been mislabeled as a deficit. Cities in Texas are not legally allowed to run deficits (spending more money than they can cover in taxes, fees or reserves), and borrowing funds for large purchases is not the same thing as a deficit, it is debt. Cities borrow funds for much the same reasons that regular people do – there are high priced items that are either needed or wanted, and rather than have tax rates at excessive levels to be able to pay cash for these items, or rather than maintaining a falsely high tax rate over time in order to build up massive amounts of savings to use for cash purchases, most cities chose to issue debt in some form or another in order to cover these costs. Not unlike a tax payer might do to buy a home or a new car. Also, it is important and economical to use debt wisely, as it allows projects that might otherwise have taken decades to save for to be implemented now. This is a timing issue, as those tax payers who are making the debt payments are also the same ones who get to enjoy the benefits of whatever that debt issue is paying for.

Typically debt issues are long term (20 years or more) Certificates of Obligation (CO's) or General Obligation (GO's). While CO's are always funded by tax collections, GO's can be funded through tax levies, revenues tied to certain projects, or several other streams of income. The main difference between a CO and a GO is that Certificates of Obligation allow councils to issue debt, following certain protocols, that do not necessarily require a vote of the voters, while most GO's do. CO's are how most of the City of Kyle's debt is structured. There have been those that have critiqued the previous councils who encumbered the debt for not sending these issues to the voters for approval. Understand that there is a reason that city's use CO's and there is a reason that voters elect council members to represent them. Council's decide when something changes from a necessity for doing business to rising to the level of needing voter approval, and will send such items to the voters when they think it prudent. A perfect example of this was the discussions related to the Recreation Center, where the council decided that when we did decide to go forward, it would be by a vote of the voters of Kyle who would decide as a whole if they wanted the center or not. While this hasn't gone to voters this previous year, and likely will not this upcoming year, this is a great example of the Council using its discretion wisely.

This brings us to our current debt position. As has been discussed with the Council on many occasions, the City has been aggressively committed to addressing its capital improvement needs in recent years; and has funded the majority of these major projects through the issuance of various debt instruments. The capital improvement projects and programs provided by this funding have in many cases been a first for our community, addressing a wide range of needs for the City that will have a lasting effect on the quality of life for Kyle citizens. Following is a listing of just a few of the major projects funded through the issuance of debt:

- Downtown Streetscape
- Kyle Parkway (1626) Ph I
- Kyle Parkway Extension Ph II (Seton/Lowes)
- Kyle Crossing Overpass (CR210)
- Center Street Overpass (FM150)
- Kohler's Crossing
- RR150 Realignment (exp. 2010)
- I35 Improvements/Access roads
- Original Town Sewer Improvements
- Kyle City Hall
- Kyle Municipal Pool
- City Fire Station #2
- Historic Kyle City Hall
- Kyle Community Library (exp. 2010)
- Public Works Building
- Automated Water Meters
- IT Upgrades
- Necessary Maintenance Equipment

Funding of all of these projects and more has resulted in the City borrowing slightly more than **\$70 Million** in outstanding debt across all funds, with the anticipation of another \$4.5 million this FY in the General Fund to pay for the New Municipal Library and associated costs. This will bring the over total of outstanding debt to approximately \$75 million. This is not uncommon for fast growing cities that must invest heavily in infrastructure in a relatively short period of time. I am aware of a community to our north that is quite similar to us in many ways that has twice this amount of outstanding debt.

Total Property Tax - (Debt) Obligations

GG

	CO 2000	CO 2002	CO 2007	CO 2008	Tax Notes 2009	GO Ref 2009	Total
2010	26,235	374,788	679,200	1,291,805	555,155	17,420	2,944,602
2011	-	372,920	777,800	1,218,245	558,393	41,547	2,968,904
2012	-	375,780	777,000	1,211,980	558,944	42,587	2,966,292
2013	-	373,080	780,600	1,213,592	562,292	41,960	2,971,525
2014	-	374,868	778,400	1,263,605	567,050	42,801	3,026,724
2015	-	375,820	780,600	1,254,198	566,540	43,263	3,020,421
2016	-	371,265	777,000	1,264,911	561,075	43,494	3,017,745
2017	-	371,015	778,000	1,262,381	-	43,659	2,455,055
2018	-	375,095	777,800	1,257,892	-	43,758	2,454,545
2019	-	373,270	781,800	1,256,871	-	43,791	2,455,732
2020	-	375,730	779,800	1,257,688	-	43,758	2,456,976
2021	-	372,230	777,000	1,379,184	-	-	2,528,414
2022	-	373,125	778,400	1,375,317	-	-	2,526,842
2023	-	373,013	778,800	1,377,409	-	-	2,529,221
2024	-	371,863	778,200	1,380,939	-	-	2,531,001
2025	-	-	781,600	1,680,280	-	-	2,461,880
2026	-	-	778,800	1,680,892	-	-	2,459,692
2027	-	-	780,000	1,678,444	-	-	2,458,444
2028	-	-	-	1,338,293	-	-	1,338,293
2029	-	-	-	1,064,866	-	-	1,064,866
2030	-	-	-	1,061,662	-	-	1,061,662
2031	-	-	-	1,064,876	-	-	1,064,876
2032	-	-	-	1,061,876	-	-	1,061,876
2033	-	-	-	1,062,692	-	-	1,062,692
2034	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-
Total	26,235	5,603,860	13,920,800	30,959,900	3,929,449	448,038	54,888,281

*-Decrease by \$425,000/yr per debt relief program

TF Fund Obligations

	GO Ref 2009	SIB II	Total
2010	408,966	-	408,966
2011	703,688	-	703,688
2012	848,988	-	848,988
2013	991,288	-	991,288
2014	1,127,538	1,044,397	2,171,935
2015	1,258,088	1,044,397	2,302,485
2016	1,379,388	1,044,397	2,423,785
2017	1,445,488	1,044,397	2,489,885
2018	1,453,488	1,044,397	2,497,885
2019	1,454,588	1,044,397	2,498,985
2020	1,453,888	1,044,397	2,498,285
2021	1,456,288	1,044,397	2,500,685
2022	1,456,688	1,044,397	2,501,085
2023	1,455,088	1,044,397	2,499,485
2024	1,456,388	1,044,397	2,500,785
2025	1,459,484	1,044,397	2,503,881
2026	-	1,044,397	1,044,397
2027	-	1,044,397	1,044,397
2028	-	1,044,397	1,044,397
2029	-	1,044,397	1,044,397
2030	-	1,044,398	1,044,398
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-
2039	-	-	-
2040	-	-	-
Total	19,809,332	17,754,755	37,564,087

Utility Fund Obligations

CO 2000	CO 2003	CO 2008	Tax Notes 2009	GO Ref 2009	Total	Tax Notes 2009
53,265	311,768	290,901	289,646	35,368	980,948	36,118
-	306,832	274,336	291,335	84,353	956,857	36,328
-	311,712	272,926	291,623	86,464	962,725	36,364
-	311,040	273,289	293,370	85,191	962,890	36,582
-	-	284,551	295,852	86,899	667,302	36,892
-	-	282,433	295,586	87,837	665,856	36,858
-	-	284,845	292,735	88,306	665,886	36,503
-	-	284,275	-	88,641	372,916	-
-	-	283,265	-	88,842	372,107	-
-	-	283,035	-	88,909	371,944	-
-	-	283,219	-	88,842	372,061	-
-	-	310,578	-	-	310,578	-
-	-	309,708	-	-	309,708	-
-	-	310,179	-	-	310,179	-
-	-	310,974	-	-	310,974	-
-	-	378,382	-	-	378,382	-
-	-	378,520	-	-	378,520	-
-	-	377,969	-	-	377,969	-
-	-	301,370	-	-	301,370	-
-	-	239,797	-	-	239,797	-
-	-	239,076	-	-	239,076	-
-	-	239,799	-	-	239,799	-
-	-	239,124	-	-	239,124	-
-	-	239,308	-	-	239,308	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
53,265	1,241,352	6,971,857	2,050,147	909,652	11,226,273	255,645

HOT Oblg.

Total Debt Service Obligations by Year

	CO 2000	CO 2002	CO 2003	CO 2007	CO 2008	Tax Notes 2009	GO Ref 2009	SIB II *	Total
2010	79,500	374,788	311,768	679,200	1,582,706	880,919	461,754	-	4,370,634
2011	-	372,920	306,832	777,800	1,492,581	886,056	829,588	-	4,665,778
2012	-	375,780	311,712	777,000	1,484,906	886,931	978,039	-	4,814,369
2013	-	373,080	311,040	780,600	1,486,881	892,244	1,118,439	-	4,962,284
2014	-	374,868	-	778,400	1,548,156	899,794	1,257,238	1,044,397	5,902,853
2015	-	375,820	-	780,600	1,536,631	898,984	1,389,188	1,044,397	6,025,621
2016	-	371,265	-	777,000	1,549,756	890,313	1,511,188	1,044,397	6,143,919
2017	-	371,015	-	778,000	1,546,656	-	1,577,788	1,044,397	5,317,857
2018	-	375,095	-	777,800	1,541,156	-	1,586,088	1,044,397	5,324,537
2019	-	373,270	-	781,800	1,539,906	-	1,587,288	1,044,397	5,326,662
2020	-	375,730	-	779,800	1,540,906	-	1,586,488	1,044,397	5,327,322
2021	-	372,230	-	777,000	1,689,763	-	1,456,288	1,044,397	5,339,678
2022	-	373,125	-	778,400	1,685,025	-	1,456,688	1,044,397	5,337,635
2023	-	373,013	-	778,800	1,687,588	-	1,455,088	1,044,397	5,338,885
2024	-	371,863	-	778,200	1,691,913	-	1,456,388	1,044,397	5,342,760
2025	-	-	-	781,600	2,058,663	-	1,459,484	1,044,397	5,344,144
2026	-	-	-	778,800	2,059,413	-	-	1,044,397	3,882,610
2027	-	-	-	780,000	2,056,413	-	-	1,044,397	3,880,810
2028	-	-	-	-	1,639,663	-	-	1,044,397	2,684,060
2029	-	-	-	-	1,304,663	-	-	1,044,397	2,349,060
2030	-	-	-	-	1,300,738	-	-	1,044,398	2,345,135
2031	-	-	-	-	1,304,675	-	-	-	1,304,675
2032	-	-	-	-	1,301,000	-	-	-	1,301,000
2033	-	-	-	-	1,302,000	-	-	-	1,302,000
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-
Total	79,500	5,603,860	1,241,352	13,920,800	37,931,756	6,235,240	21,167,022	17,754,755	103,934,286

*-Decrease by \$425,000/yr per debt relief program

Obviously, this debt has created a financial obligation of the City's part that will begin to significantly manifest itself during the next several years regardless of any actions taken by council, the city manager or staff. The biggest increase in debt payments will occur in four (*FY13-14*) and five years (*FY14-15*) from this current year as the debt relief council is instituting comes to an end, and payments begin on State Infrastructure Bank loans that have been taken out to pay for interstate improvements. Long past are the days where cities could expect the State to pay for the improvements to State roads. Most of the infrastructure costs that Kyle is floating in long term debt are directly related to improvements to State roadways. Next budget year will see a significant increase in the debt rate of approximately \$0.03 tied to the 2010 Series CO that will pay for the New Kyle Public Library.

	<u>GENERAL</u> <u>FUND</u>	<u>Recreation</u>	<u>Comp</u> <u>Planning</u>	<u>TOTAL M&O</u>	<u>TOTAL DEBT</u>	<u>TOTAL</u> <u>TAX</u>
TAX RATE	\$0.157373	\$0.031800	\$0.026900	\$0.216073	\$0.199326	\$0.4154

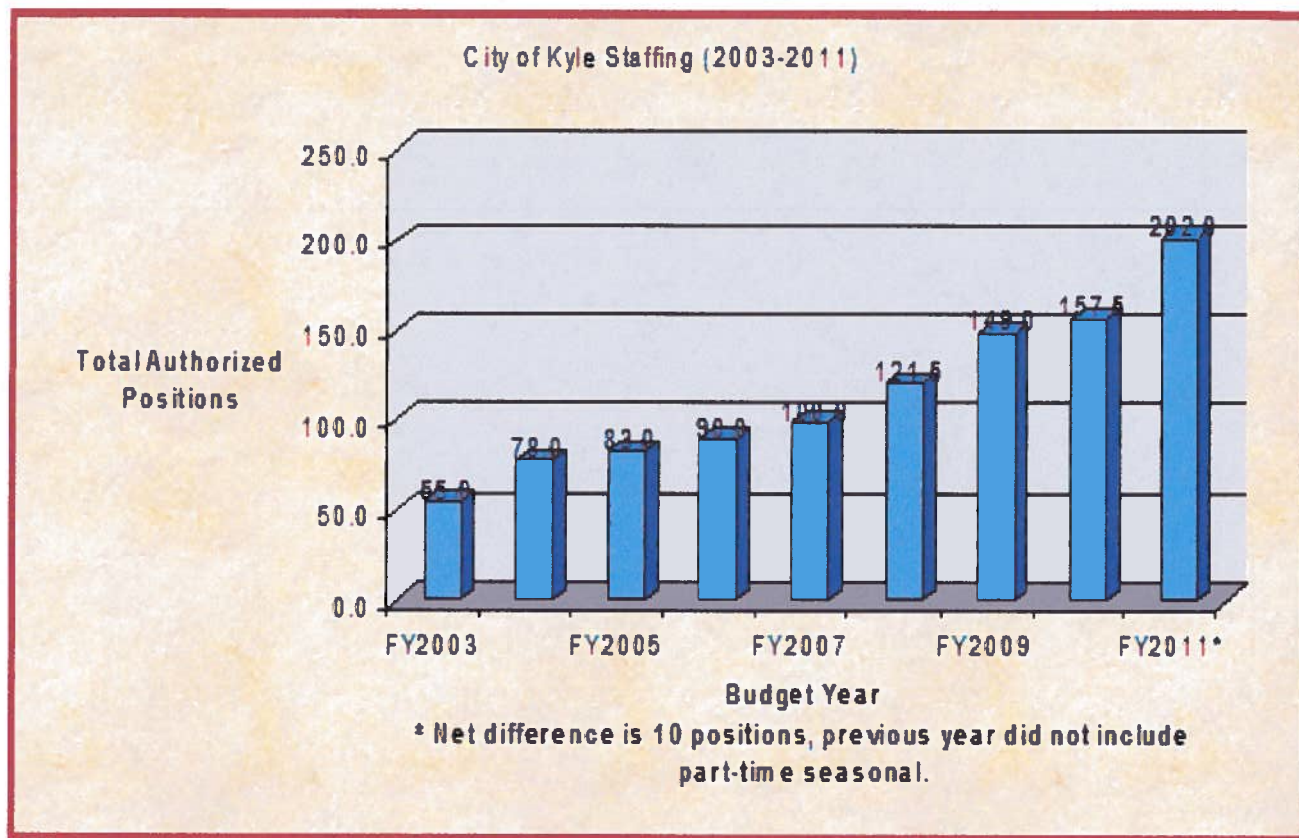
Staffing

The proposed *FY10-11 Annual Budget* includes funding for an all-time high of up to **two hundred and two (202)** total authorized positions: one hundred and forty (145) full time positions, five (5) regular part time positions, five (5) full time seasonal, and forty-seven (47) part time seasonal. This appears to be a huge increase year over year, however in previous years, the correct number of employees were not accounted for. The actual net increase year over year is ten new positions.

The *FY10-11 Annual Budget* as proposed includes staffing upgrades with the net addition of a total of **ten (10.5) new positions** (one position included at only half-year funding,) over currently approved staffing levels – providing opportunities for the overall enhancement of city services.

General Fund (10.5 new positions)

- One (1) *Accounting Technician* position - Finance
- Two (2) *Patrol Officer* positions and one (0.5) *Sergeant* position - Kyle Police Department
- One (1) *PT Deputy Court Clerk* position – Municipal Court
- One (1) *IT Technician* position – IT department but for Police.
- Two (2) *ECS Lead* position – Police Department
- One (1) *HR Assistant* – Human Resources
- One (1) *Grant Administrator* – Administration
- One (1) *Library Clerk* - Library



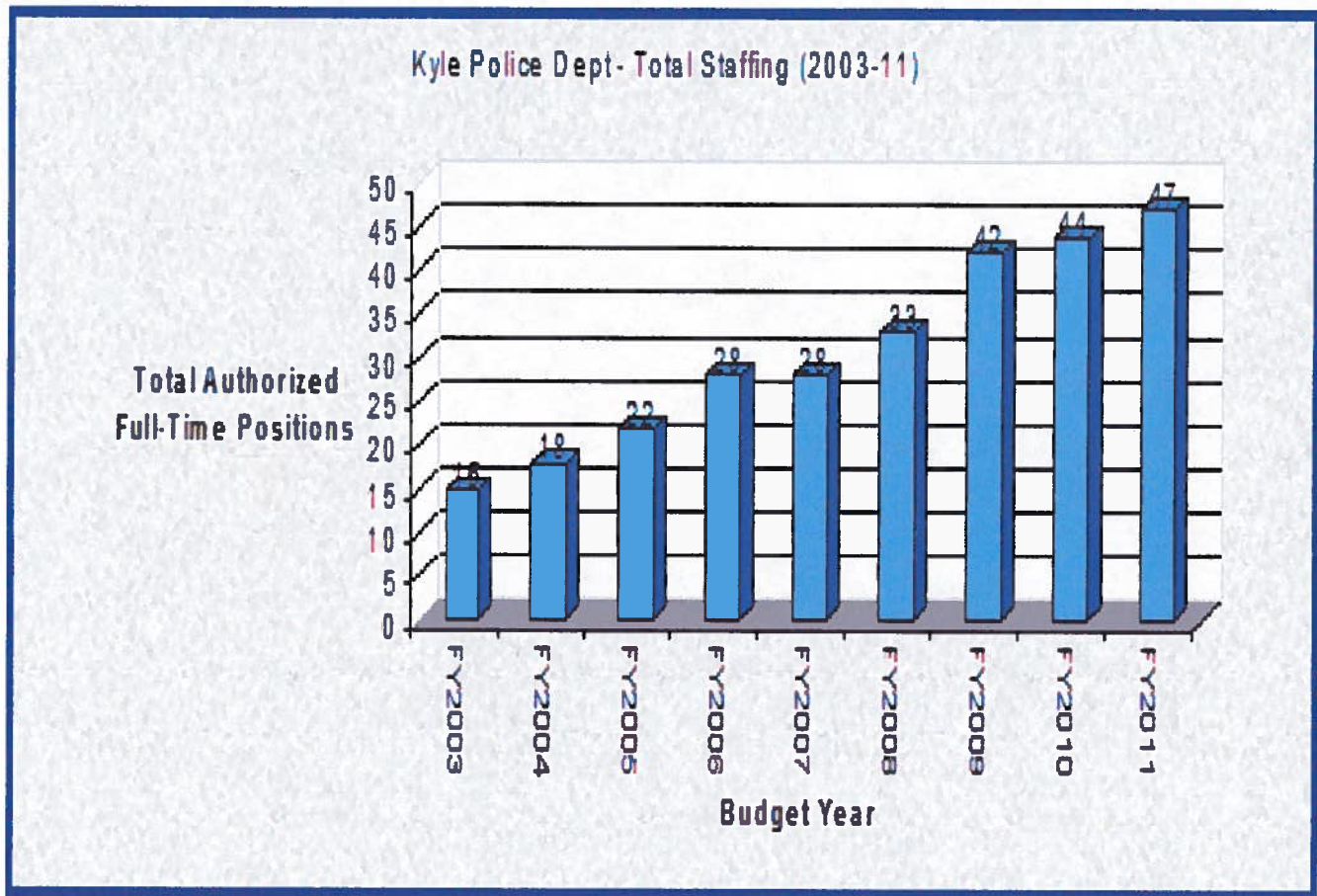
Kyle Police Department

This budget year has been themed toward support of the Police Department and its operations, including IT needs, dispatch and municipal court. For FY10-11, the Chief of Police has proposed substantial increases in both personnel and overall appropriations for the Kyle Police Department to continue to address existing issues; and to position the KPD to respond to the anticipated demand for enhanced police services in the future –as desired by the Council. Accordingly, the KPD requested, along with other increased funding, seven (7) new *Patrol Officer* positions, one (1) new *Sergeant* position, and two (2) new *ECS Lead* positions - for a total of ten (10) new full-time positions in FY10-11.

Although this funding request is reasonable and consistent with the expressed desire to grow and evolve the KPD to an operation that can provide the level of police services appropriate for our city, balancing this request with the financial constraints anticipated for next year and the needs of all other city departments makes its impossible to approve. As such, the *FY10-11 Budget* as proposed for the KPD includes funding for **two (2) new *Patrol Officer*** and **one (1) new *Sergeant*** Position for half the year, and **two (2) *ECS Lead*** positions. It also includes significant pay increases for dispatchers overall to make the position more competitive and decrease the turnover in the division which has stressed those that remain.

It is important to note that at present, KPD still has four (4) vacant *Patrol Officer* positions that should be filled within the next six months.

With these additions, total staffing for the Kyle Police Department will reach all all-time high of **forty-seven (47) full-time positions** in FY10-11.



The proposed *FY10-11 Annual Budget* includes an overall funding increase of **13%** for the Kyle Police Department (**\$3.5M** up from \$3.1M projected through the end of the current year). Increased support for the KPD in FY10-11 also represents over half of all new positions proposed for the General. This plan is consistent with the City's commitment to continue to appropriately grow and enhance the KPD and public safety in our community – but to do so in a balanced and financially responsible manner.

Compensation

Cost of Living Adjustments for All full-Time Employees – Despite thoughts that the USD Consumer Price Index has not increased in the past year, USD Price Index projections show an expected increase in the cost of goods of 1-2% for the upcoming year. The proposed budget includes an across the board, Cost of Living Increase of **0.50%** for most non-civil service full-time city employees and permanent part-time employees as well as the opportunity for up to **1.00%** merit increases for most non-civil service full time employees. Given the recent volatility of the national economy and its impact on individual consumers, it is imperative that appropriate adjustments be made to existing compensation levels of all city employees to support them during these economically-challenging times. Such an adjustment will also provide the City an opportunity to further advance the overall competitiveness of its salaries in the marketplace.

Retiree Health

The City of Kyle adopted a plan for retiree health benefits in 2009 that effectively splits the employee base into three distinct groups – those employees with more than 5 years of continuous service as of 4-1-2009, those with less than 5 years continuous service as of 4-1-2009, and those hired after 4-1-2009.

For those employees with more than 5 years of continuous service as of 4-1-2009 who retire from the City of Kyle with twenty-five (25) years or more of continuous service, the city will provide for 100% of the cost of covering an active employee towards the retirees continued health coverage with TML for as long as the retiree in this class needs it or wants it. The difference between the regular employee coverage and any additional cost associated with a retiree will be borne by the retiree.

For those employees with less than five (5) years continuous service as of 4-1-2009 who retire from the City of Kyle with twenty-five (25) years or more of continuous service, the city will provide a payment of \$306.17 per month toward the cost of health coverage of the employees choosing for as long as the retiree in this class needs it or wants it. \$306.17 is the base payment of \$300 per month adjusted for CPI inflation of 2.059% from April 2009 – March 2010.

For those employees who were hired after 4-1-2009 the City will not provide any retiree medical benefits for this class of employees.

It is important to note that this policy may change from year to year, however for any employee that retires under a policy, that policy remains effective for that employee regardless of subsequent changes to the retiree health policy or ordinances.

Retiree Groups		<i>The same Medical Plans offered to Active Employees</i>	% Paid or	\$ Amount Paid	<i>The Medical Plan Adopted for employees and their dependents</i>	% Paid by Employer or	\$ Amount Paid by Employer
Currently Retired + those with > 5 yrs service	Group 1	X	100%		X	0%	
Current employees with <5 years of service	Group 2	X		\$300/mo.*			
Employees hired after 4-1-2009.	Group 3			\$00/mo.			

* Beginning in 2010, the flat dollar amount for Group #2 employees will be increased annually each October 1st based on the change in CPI from the immediately preceding 12 month period April through March.

Council Priorities - Recap

In review, the staff was guided in the development of the proposed FY10-11 Annual Budget by the *City Council Budget Policy Statement*. These priorities are programmed to be specifically addressed as follows over the next twelve months:

- the M&O Rate should remain as close to last year's rate as possible while providing necessary increases to maintain the same level of service;
 - ✓ M&O Rate is only increasing to cover necessary costs and very modest improvements to city staffing levels in order to be able to maintain service levels.
- hiring of police officers should continue but at half the level requested, i.e. four new officers;
 - ✓ Only (2) new Patrol Officers are included in the proposed budget
- we should continue to make a priority the improvement of our water and wastewater infrastructure and sewer systems;
 - ✓ Improvements to the water and waste water systems are included in the way of capital improvement projects planned for the year.
- we should work to improve waterline pressure across the city;
 - ✓ Many of the improvements being made will aid in this issue, but not abate it entirely.
- we should continue plans to build a new library and issue debt to finance the construction early in the next fiscal year;
 - ✓ Debt will be issued in Oct 2010, with first payments due Feb 2012
- the finance department should continue to look for any opportunities to refinance our debt;
 - ✓ There will be an opportunity to refinance SIB II, but right now it appears our portfolio is maximizing low returns.
- we should provide training to departments that deal directly with the public to help provide a higher level of customer service to residents at no cost;
 - ✓ While there are no cost plans in each department, there are also training dollars planned for customer service training.
- we should continue and possibly increase funding and support for the economic development department;
 - ✓ the ED Department has increased funding for travel, training, and advertising.
- each department should list their immediate objectives for the next fiscal year at the beginning of their section of the budget as suggested in the current fiscal management policy document.
 - ✓ The Interim City Manager instituted the first Management By Objectives (MBO) program for the City of Kyle which will result not only in the publishing of yearly objectives in the annual budget as requested, but also the regular reporting of achievement of those goals.

The 2010-11 year should once again prove to be an exciting year for the City of Kyle and its leaders, providing unique opportunities for overall enhancement of our city to the benefit of our residents and taxpayers. Certainly, the development of the FY2010-11 Annual Budget presents significant challenges as we balance needs with costs. However, the coming year will also

witness the continued transition of Kyle's business community and commercial support base, as the major commercial centers in the Kyle Parkway area and the Seton Hospital Project will continue to fill and change the face of Kyle forever. Quality of life will also continue to improve and evolve in our all residential areas, including the Original Town area of Kyle.

In a City full of firsts, this has been a challenging budget development process but in keeping with the "first" spirit included the first ever review of line item expenditures by council, the first ever CIP interactive workshop, the first ever MBO, the first ever detailed budget preparation and additional transparency and accountability.

On behalf of the city staff, I want to say that I wish to thank the Mayor and City Council for their support and this opportunity to serve the citizens of Kyle. We look forward to working with you during the coming year.

Sincerely,

A handwritten signature in blue ink, appearing to read "J.R. Earp".

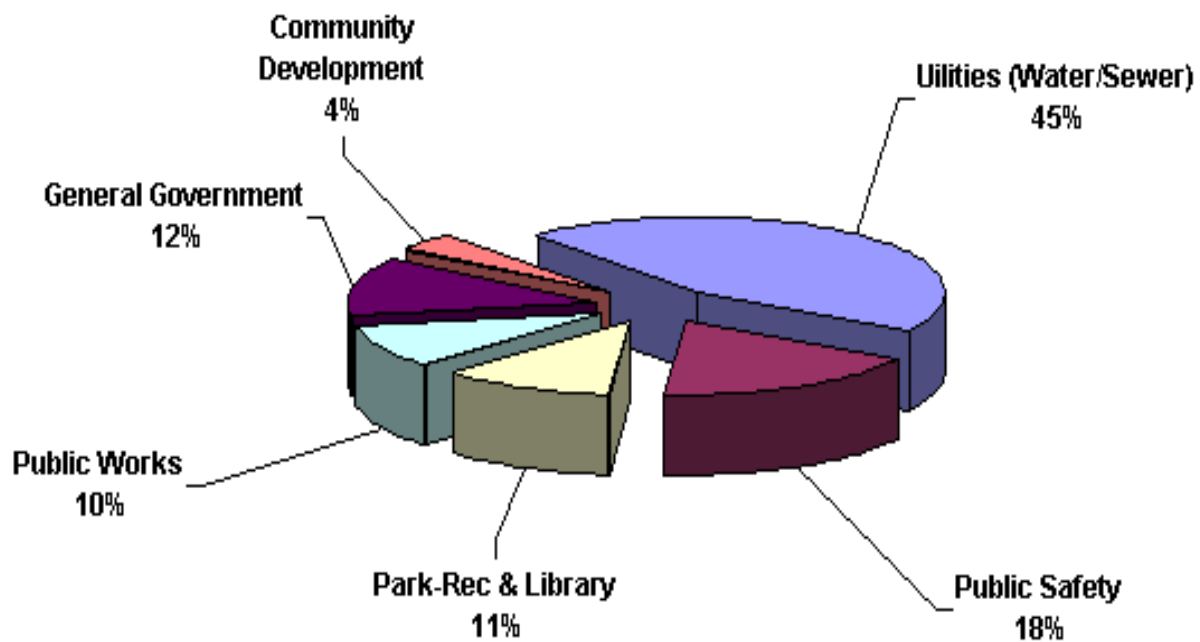
James R. Earp, CPM
Interim City Manager



COMBINED SUMMARY OF REVENUE AND EXPENDITURES

Combined Summary of Revenues and Expenditure All City Funds Fiscal Year 2010-11										
	Total Budget	General Fund	Transportation Fund	Recreation Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Community Development Fund	Utility Operating Fund	Utility Capital Improv. Funds
Beginning Estimated Fund Bal	20,829,922	3,964,902	(142,156)	(45,320)	54,106	8,828,150	615,229	(751,403)	3,106,146	5,200,268
Working Capital										
Estimated 2010-11 Revenues and Resources										
Property Taxes	7,141,520	2,952,020	-	-	-	-	4,189,500	0	-	-
Sales Taxes	2,988,387	2,988,387	-	-	-	-	-	-	-	-
Hotel/Motel Tax	-	-	-	-	105,000	-	-	-	-	-
Franchise Fees	729,044	729,044	-	-	-	-	-	-	-	-
Fines and Forfeitures	398,673	377,673	-	-	21,000	-	-	-	-	-
Use of Money and Prop.	227,570	21,970	-	-	2,600	-	203,000	-	-	-
Charges for Services	2,071,593	1,589,175	-	-	-	-	-	482,419	-	-
Impact/Development Fees	1,370,000	-	-	-	-	-	-	-	-	1,370,000
Other Utility Service Fees	8,521,059	-	-	297,515	-	-	-	-	8,521,059	-
Misc. Fees and Charges	501,804	204,289	-	-	-	-	-	-	-	-
Other Revenue	47,343	45,543	-	-	1,800	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Transfers In	4,565,384	1,732,351	-	354,633	-	-	2,116,400	-	-	362,000
Total Estimated Revenue	28,562,377	10,640,452	-	652,148	130,400	-	6,508,900	482,419	8,521,059	1,732,000
Current Uses and Estimated Expenditures										
Administration	3,779,235	3,749,235	-	-	30,000	-	-	-	-	-
Cultural	2,141,154	1,489,006	-	652,148	-	-	-	-	-	-
Public Safety	3,939,261	3,923,311	-	-	15,950	-	-	-	-	-
Public Works	11,403,345	1,478,900	-	-	-	-	-	944,272	9,924,445	-
Bldg Inspection/Planning	944,272	-	-	-	-	-	-	-	-	-
Capital Improvements/Grants	13,053,522	-	-	-	-	8,273,000	-	-	-	4,780,522
Debt Payments	5,228,550	-	-	-	-	-	5,228,550	-	-	-
Interfund Transfers Out	1,161,700	-	-	-	-	-	1,161,700	-	-	-
Total Estimated Expenditures	41,651,038	10,640,451	-	652,148	45,950	8,273,000	6,390,250	944,272	9,924,445	4,780,522
Ending Fund Balances/ Working Capital	7,741,261	3,964,902	(142,156)	(45,320)	138,556	555,150	733,879	(1,213,257)	1,702,760	2,151,746
Reservations:										
Contingency Reserve	-	-	-	-	-	-	-	-	-	-
Capital Projects/Other	-	-	-	-	-	-	-	-	-	-
Available Fund Balances Working Capital	7,741,261	3,964,902	(142,156)	(45,320)	138,556	555,150	733,879	(1,213,257)	1,702,760	2,151,746

Where the Money for Operations Goes





ORDINANCE NO. 633

AN ORDINANCE OF THE CITY OF KYLE, TEXAS ADOPTING A BUDGET FOR THE ENSUING FISCAL YEAR BEGINNING OCTOBER 1, 2010 AND ENDING SEPTEMBER 30, 2011; APPROPRIATING THE VARIOUS AMOUNTS THEREOF, AND REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT THEREWITH; AND PROVIDING FOR AN EFFECTIVE DATE

Whereas, the City Manager of the City of Kyle, Texas has submitted to the Mayor and City Council on July 20, 2010 a proposed Operating Budget for the revenues and expenditures of conducting the affairs thereof and providing a complete financial plan for Fiscal Year 2010-11 in compliance with the Kyle City Charter; and which said proposed budget has been compiled from detailed information obtained from all departments and offices of the City; and,

Whereas, the Mayor and City Council received the City Manager's proposed budget and conducted a public hearing on the budget, a copy of which with all supporting materials has been filed with the City Secretary, all in compliance with state law and the Kyle City Charter; and,

Whereas, the Mayor and City Council have reviewed the FY2010-11 Operating Budget and, having considered any and all appropriate amendments, now deem this document to be the appropriate financial guide for the City of Kyle in the ensuing fiscal year.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KYLE, TEXAS, THAT:

Section 1. Findings. The following recitals are hereby found to be true and correct and are hereby adopted by the City Council and made a part hereof for all purposes as findings of fact.

Section 2. Budget Adoption. The Operating Budget of the revenue of the City of Kyle and the expenses of conducting the affairs thereof providing a complete financial plan for the ensuing fiscal year beginning October 1, 2010 and ending September 30, 2011, a copy of which is attached hereto as "Exhibit A", be and the same is in all things adopted and approved as the fund budget for all expenditures/expenses as well as fixed charges against the City for the fiscal year beginning October 1, 2010 and ending September 30, 2011.

Section 3. Approval of Expenditures by Fund. The sums included within the budget as described herein are hereby appropriated from the respective funds for the payment of expenditures on behalf of the City of Kyle as established in the approved budget for the fiscal year beginning October 1, 2010.

Section 4. Conflict. All Ordinances or parts of Ordinances in conflict herewith are hereby repealed.

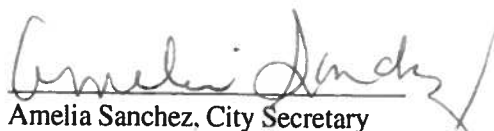
Section 5. Open Meetings. That it is hereby officially found and determined that the meeting at which this ordinance is passed was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act, Ch. 551, LGC.

Section 6. Effective Date. This Ordinance shall be in full force and effect from and after the date of its final passage and adoption in accordance with the provisions of applicable state law and the City Charter.

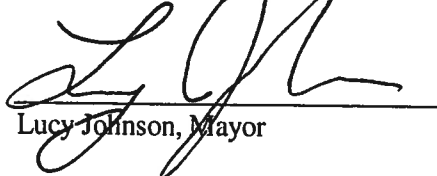
PASSED AND APPROVED on First Reading this 17th day of August, 2010.

FINALLY PASSED AND APPROVED on this the 7th day of September, 2010.

ATTEST:


Amelia Sanchez, City Secretary

CITY OF KYLE, TEXAS


Lucy Johnson, Mayor

ORDINANCE NO. 634

AN ORDINANCE OF THE CITY OF KYLE, TEXAS LEVYING AD VALOREM TAXES FOR USE AND SUPPORT OF THE MUNICIPAL GOVERNMENT OF THE CITY FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2010 AND TERMINATING SEPTEMBER 30, 2011; PROVIDING FOR APPORTIONING EACH LEVY FOR SPECIFIC PURPOSES; AND PROVIDING WHEN TAXES SHALL BECOME DUE AND WHEN SAME SHALL BECOME DELINQUENT IF NOT PAID

Whereas, the City Council of the City of Kyle, Texas approved the municipal budget for the fiscal year beginning October 1, 2010 and ending September 30, 2011; and

Whereas, it is necessary that an ordinance be passed levying an ad valorem tax on all property, both real and personal, within the corporate limits of the City of Kyle, Texas in accordance with such budget and the Texas Tax Code.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KYLE, TEXAS:

Section 1. There is hereby levied and there shall be collected for the use and support of the municipal government of the City of Kyle (herein the "City") and to provide an Interest and Sinking fund for the 2010-2011 fiscal year, upon all property, real, personal and mixed, within the corporate limits of said City on January 1, 2010 subject to taxation, a tax of **\$.4154 on each \$100.00 valuation of property**, said tax being so levied and apportioned to the specific purposes here set forth:

1. For the maintenance and support of the general government (General Fund), **\$.216073** on each \$100.00 valuation of property; and
2. For the interest and sinking fund, **\$.199326** on each \$100.00 valuation of property.
3. **THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEARS TAX RATE.**

Section 2. That taxes levied under this Ordinance shall be due October 1, 2010 and if not paid on or before January 31, 2011 shall immediately become delinquent.

Section 3. All taxes shall become a lien upon the property against which assessed, and the Hays County Tax Office as the assessor and collector of the City is hereby authorized and empowered to enforce the collection of such taxes according to the Constitution and laws of the state of Texas and ordinances of the City, and shall, by virtue of the tax rolls, fix and establish a lien by levying upon such property, whether real or personal, for the payment of said taxes, penalty and interest, and the interest and penalty collected from such delinquent taxes shall be apportioned to

the general fund of the City. All delinquent taxes shall bear interest from date of delinquency at the rate as prescribed by state law.

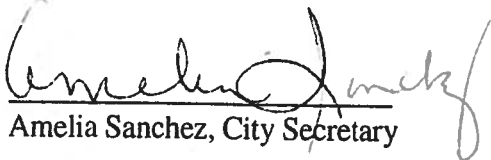
Section 4. Effective Date. This Ordinance shall take effect immediately from and after its passage.

Section 5. Open Meetings. It is hereby officially found and determined that the meeting at which this ordinance is passed was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act.


PASSED AND APPROVED on first reading this the 7th day of September, 2010.

PASSED AND FINALLY APPROVED on second reading on this the 13th day of September, 2010.

ATTEST:


Amelia Sanchez, City Secretary

CITY OF KYLE, TEXAS


Lucy Johnson, Mayor

NOTICE OF PUBLIC HEARING

PROPOSED FY2010-11 ANNUAL OPERATING BUDGET

Notice is hereby provided of a Public Hearing by the Kyle City Council on the proposed *FY2010-11 Annual Operating Budget* in accordance with the provisions of Section 8.05 of the Kyle City Charter.

The proposed *FY2010-11 Annual Operating Budget* is a complete financial plan for all City funds and activities for all municipal operations during the period of October 1, 2010 through September 30, 2011. The *FY2010-11 Budget* as proposed calls for total spending and transfers from all funds in the total amount of \$56,064,322; which includes General Fund expenditures in the amount of \$10,620,304 and Capital Project Fund expenditures in the total amount of \$33,701,699.

The Public Hearing will be conducted as part of the regular meeting of the Kyle City Council on **Tuesday, August 17, 2010 at 6:30PM** at the Kyle City Hall, 100 West Center Street, Kyle, Texas.

All interested parties are invited to attend and provide input. Copies of the proposed *FY2010-11 Annual Operating Budget* document and the enabling legislation are available for inspection at the Kyle City Hall, 100 West Center Street, during normal business hours.



Mayor and City Council
Department Heads

Calendar for Formulation and Adoption of:

- FY2010-11 Five-Year Capital Program
- Annual Operating Budget
- Tax Rate

Following is the actual schedule of events and activities relating to the development and formal adoption of the *2010-11 Five-Year Capital Program* and the *FY2010-11 Annual Operating Budget* for the City of Kyle, in accordance with the requirements of the Kyle City Charter:

APRIL

Wednesday, April 26, 2010.....Distribution of forms and information to Department Heads for development of submissions for inclusion in proposed *2010-11 Five-Year Capital Program*

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MAY

Friday, May 14, 2010.....Deadline for submission of all departmental requests for funding within the proposed *2010-11 Five-Year Capital Program*

Friday, May 14, 2010.....Distribution of forms & information to Department Heads for development of submissions for proposed *FY10-11 Operating Budget*

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JUNE

Friday, June 11, 2010.....Deadline for submission of all departmental requests for funding within the Proposed *FY2010-11 Annual Operating Budget*

Tuesday, June 15, 2010.....**Presentation of Proposed 2010-11 Five-Year Capital Program to Mayor and City Council by City Manager**
(Regular Council Meeting)

Tuesday, June 22, 2010.....City Council 5YRCP Review/Workshop (tentative*)

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JULY

Tuesday, July 6, 2010.....Public Hearing on Proposed 2009-10 5YR-Capital Program
(Regular Council Meeting)

Tuesday, July 13, 2010.....City Council 5YRCP Review/Workshop (tentative*)

Wednesday, July 14, 2010.....Publish General Budget Summary and Notice of Public Hearing on August 3

JULY (continued)

Tuesday, July 20, 2010.....Presentation of Proposed FY2010-11 Annual Operating Budget to Mayor & City Council by City Manager
(Regular Council Meeting)

.....Adoption of Resolution Approving the 2010-11 Five-Year Capital Program by Mayor and City Council

AUGUST

Monday, August 2, 2010.....Presentation of Text and walk through for Council
(Workshop)

Tuesday, August 3, 2010.....1st Public Hearing on Proposed FY2010-11 Annual Budget
(Regular Council Meeting)

Tuesday, August 10, 2010.....Workshop on General Fund (recessed until 12th)
(Workshop)

Thursday, August 12, 2010.....Workshop Cont – GF, Comm Dev, Rec Funds
(Workshop)

Tuesday, August 17, 2010.....First Reading of Appropriations Ordinance Adopting
(Regular Council Meeting) FY2010-11 Annual Operating Budget
.....2nd Public Hearing on Proposed Budget
.....1st Public Hearing on Tax Rate

Tuesday, August 31, 2010.....Council Budget Review - Utility Fund
(Special Called Meeting).....2nd Public Hearing on Tax Rate

SEPTEMBER

Tuesday, September 7, 2010.....Second Reading of Appropriations Ordinance and Final
(Regular Council Meeting) Adoption of FY2010-11 Annual Operating Budget
.....**First Reading** adopting Tax Rate

Monday, September 13, 2010.....Second Reading adopting Tax Rate
(Special Called Council Meeting)

Thursday, September 16, 2010.....Deadline established by City Charter for final adoption of
FY2010-11 Annual Operating Budget (“not later than
the third Thursday of September”)

Friday, October 1, 2010.....Beginning of FY2009-10 Fiscal Year

James Earp
Interim City Manager



CITY OF KYLE MUNICIPAL CODE

(available online directly at

http://library7.municode.com/default-test/home.htm?infobase=14183&doc_action=whatsnew or
linked from the City of Kyle website www.cityofkyle.com)

Sec. 8.03. Fiscal Year.

The fiscal year of the city shall begin on the first day of each October and end on the last day of September of the succeeding year. All funds collected by the City during any fiscal year including both current and delinquent revenues, shall be accounted for in such fiscal year; and except for funds derived to pay interest and create a sinking fund on the bonded indebtedness of the city, may be applied to the payment of expenses incurred during such fiscal year.

Sec. 8.04. Annual Budget.

The budget shall provide a complete work and financial plan for the city, including all city funds and activities. A budget message explaining the budget both in fiscal terms and in terms of the work programs shall be submitted with the budget. It shall outline the proposed financial policies of the city for the ensuing fiscal year; describe the important features of the budget; indicate any major changes from the current year in financial policies, expenditures, and revenues, with reasons for such changes; summarize the city's debt position and include such other material as the city manager deems desirable or the council requires. The budget shall begin with a clear general summary of its contents; and shall show in detail all estimated revenues, indicating the proposed property tax levy, and all proposed expenditures, including debt service, for the ensuing fiscal year. The proposed budget expenditures shall not exceed the total of estimated funds available from all sources. The budget shall be so arranged as to show comparative figures for estimated revenues and expenditures of the current fiscal year and the actual revenues and expenditures of the preceding two (2) fiscal years, compared to the estimate for the budgeted year. It shall include in separate sections:

- (a) An itemized estimate of the expense of conducting each department, division and office.
- (b) An estimate of the revenues of the city from taxes by category for the fiscal year.
- (c) Tax levies, rates, and collections for the preceding two years.
- (d) An itemization of all anticipated revenue from utilities and all sources other than the taxes.
- (e) The amount required for interest on the City's debts, for sinking fund and for maturing bonds and other obligations.
- (f) The amounts of the city debts and other obligations, with a schedule of payments and maturities.
- (g) The total amount established for addition to reserve funds.
- (h) A capital program, which may be revised and extended each year to indicate capital expenditures pending or in process of construction or acquisition.
- (i) A provision regarding health coverage for retired employees. This provision may give consideration to the years of service of each retired employee but shall not obligate the city to any specific or continuing level of funding for such benefits.
- (j) Such other information as may be required by the council.

Sec. 8.05. Budget Process and Adoption.

The city manager shall be responsible for the timely preparation and presentation of the budget, and shall present his or her recommended budget to the city council no later than sixty (60) days

prior to October 1st of each year. The proposed budget shall become a public document and record when presented to the council. From and after its receipt of the budget, the city council shall:

- (a) At the first council meeting for which timely notice may be given, cause to be posted in city hall and published in a newspaper of general circulation in the city a general summary of the proposed budget and a notice stating the time and places where copies of the budget are available for public inspection; the time and place, not less than fifteen (15) days after such publication, of a public hearing on the budget; and such other public hearings as are necessary.
- (b) After the first public hearing the council may adopt the budget with or without amendment. The council may amend the proposed budget to add, increase, decrease or delete any programs or amounts, except expenditures required by law or for debt service; provided that no amendment shall increase the authorized expenditures to an amount greater than the total of estimated funds available from all sources.
- (c) The budget shall be finally adopted by ordinance not later than the third Thursday of September; provided that if the council takes no final action on or prior to such day, the budget as submitted by the city manager shall be deemed to have been finally adopted by the council.

Sec. 8.06. Administration of Budget.

No payment shall be made or obligation incurred except in accordance with this charter and appropriation duly made, and unless the director of finance first certifies that a sufficient unencumbered balance and sufficient funds are or will be available to cover the claim or meet the obligation when it becomes due and payable. If funds are not currently available to make an appropriate payment, but will become available within the fiscal year, the finance officer may request the council give authority to borrow money to make such payment provided that such money will be repaid by the end of the fiscal year or as provided by state law. Any authorization of payment or incurring of an obligation in violation of the provisions of this charter shall be void and any payment so made illegal; provided this shall not be construed to prevent the council by ordinance from making or authorizing payments or the making of contracts, for capital expenditures to be financed wholly or partly by the issuance of bonds, time warrants, certificates of indebtedness, certificates of obligation, lease-purchase, or other similar evidence of indebtedness or obligation, or to prevent the making of any contract or lease providing for payments beyond the end of the fiscal year.

Sec. 8.07. Amendment and Supplemental Budgets.

To protect the public health, safety, welfare and resources of the city, budget amendments to fund and meet conditions not anticipated in the original budget may be authorized, upon the affirmative vote of four members of the council. Supplements and amendments shall be approved by ordinance and shall be filed with the original budget.



Fiscal Management Policies

Budget Preparation/Administration Policy

PURPOSE: To provide basic instructional guidelines for all City departments in the preparation of budget requests, to assist Council in making informed choices about the provision of services and capital assets, and to involve and promote effective communication with the community during the process.

GENERAL POLICY:

As an effective and useful management guide, the development of the City's budget process is the result of careful preparation and active participation of all levels of City personnel. The budget becomes the centerpiece of a thoughtful and ongoing decision-making process for allocating resources and setting priorities and direction for our City.

Good budgeting is a broadly defined process that has policy, managerial, planning, communication and financial dimensions. A good budget process is characterized by several essential features such as a long-term perspective linked to broad organizational goals, budget decisions that focus on results and outcomes, promotion of effective communication with residents and the provision of incentives to City staff.

Study Sessions are held with City Council for this purpose on all phases of the budget, including fees, capital improvement programs and the maintenance and operations budget proposals. Additionally, a good budget process helps decision-makers make informed policy choices about the provision of services and capital assets and promotes resident participation in the process.

The budgeting process is necessary for maintaining financial control over the City's operations and provides the basis for program planning. The process does not end with appropriations, but continues to operate throughout the year as funds are obligated and disbursed. A series of on-going decision-making, actions and adjustments are often required to achieve established goals. Additionally, decisions made in one year are meant to bring a desired result in subsequent years. In this way, each budget program is a one-year installment in the implementation of the City's long-range financial plan.

Proposed Budget

A proposed budget will be prepared by the City Manager with the participation of all the City's Department Directors.

- A. The budget will include four basic segments for review and evaluation. These segments are:
 - 1. Revenues,
 - 2. Personnel needs,
 - 3. Operations and Maintenance costs, and
 - 4. Capital Outlay
- B. The budget review process will include City Council participation in the development of each of the four segments of the proposed budget and Public Hearings to allow for citizen participation in the budget preparation.

C. The budget process will span sufficient time to address policy and fiscal issues by the City Council.

Adoption: Upon presentation by the City Manager of a proposed budget document to the City Council, a public hearing called and publicized. The City Council will subsequently adopt such budget, as it may have been amended, as the City's Annual Budget effective for the fiscal year beginning October 1.

Balanced Budget: To the extent financially possible the Operating Budget will be balanced with current revenues, greater than or equal to current expenditures/expenses.

Planning: The budget process will be coordinated so as to identify major policy issues for City Council consideration several months prior to the budget approval. This will allow adequate time for appropriate decisions and analysis of financial impacts.

Reporting: Periodic financial reports will be prepared by the Finance Director to enable the Department Managers to manage their budgets and to enable the Finance Director to monitor and control the budget as authorized by the City Manager. Summary financial and budgetary reports will be presented by the Finance Director to the City Council quarterly. Such reports will be in a format appropriate to enable the City Council to understand the overall budget and financial status of the City.

City's Budget Process Overview

The process by which the budget will be compiled and finally adopted by the City Council is one that requires the combined effort and cooperation of all departments.

The budget development process includes five steps:

1. Council establishes major goals and objectives for the budget year. Departmental objectives are also refined at that time.
2. Based on the above directions from Council, departments prepare budget estimates for the next fiscal year.
3. Budget estimates and final departmental objectives are reviewed by the City Manager, followed by any necessary revisions.
4. Proposed budget is submitted to Council for review.
5. Following a public hearing, the budget is adopted by Council.

It is important to keep in mind that the budget adopted by Council is not "final" in nature. Rather, the budget is intended to establish a framework for what is actually a dynamic financial process. As work plans and issues develop over the budget year, Council may adjust resources accordingly. In other words, the budget reflects Council's ongoing direction, properly responding to the fiscal environment and the needs of the community.

Budget Document Overview

The *Operating Budget* document will be organized as follows:

1. *Section 1: City Manager's Budget Message* – Provides an overview of community and Council priority issues, budget highlights, community profile, future trends and the budget process.

2. *Section II: Fiscal Policies* - Establishes the policies and procedures to be followed in preparing and administering the budget.
3. *Section III: Budget Summaries & Graphs* – Provides revenue and expenditure/appropriation summaries for all funds as well as detail of revenue and expenditures for the General Fund. Graphics include pie charts and community information with pictures.
4. *Section IV: Department Budget Sections* – Each department budget section includes an organizational chart, program budgets and program trends and objectives.
5. *Position Summary by Fund Section* – Summary of budgeted positions by Fund.
5. *Supplementary Section* – Includes active bond issues, and Glossary.

Compensation Policy

For 2007-08 fiscal year, a comprehensive survey was made of all full time classifications used by the City to determine the average wages and salaries paid by comparable cities in central Texas. The list of cities surveyed included:

Cedar Park	San Marcos
Georgetown	Schertz
New Braunfels	Seguin
Pflugerville	Universal City

Data was gathered from The Texas Municipal League who contracts with a consulting group that collects and compiles the data then makes it available to all Texas cities. This serves as the base for our Salary Range by Class (Appendix A1) although modified in certain instances to better reflect City of Kyle operations.

This budget includes a 0.5% Cost of Living increase and up to a 1% Merit increase for certain employees.

Capital Asset Maintenance and Replacement

Previously, the City of Kyle has not implemented a Capital Asset Maintenance and Replacement schedule, but plans are to implement this in the upcoming FY10-11 Budget year. The City's repair/replacement schedule for facilities is developed in three steps. First, the Facilities Maintenance Department reviews the condition of each building in the inventory and develops a prioritized list of capital needs. Second, the Facilities Manager develops a ten-year program based on inventory capital needs and projected funds available. Third, the ten-year repair/replacement schedule is presented to the City Council for review and adoption. Capital needs are evaluated for inclusion in the repair/replacement schedule according to four criteria:

1. Improvements to the structural integrity of a facility that bring the facility up to good condition;
2. Improvements that keep HVAC, electrical and plumbing systems in good mechanical condition;

3. Energy-efficient improvements with a payback of less than five years; and
4. Modifications to enhance function and use.

The repair/replacement schedule guarantees that City facilities are maintained in good condition. Major improvements to facilities are considered, as funds are available.

Budget Appropriation/Transfer Policy

PURPOSE: To establish budget control guidelines and procedures for obtaining City Council approval authorizing additional expenditures not contemplated in the original adopted budget.

GENERAL POLICY:

Managers are expected to control the budget by program (division) level within each fund. Managers also have discretion to exceed the budget of individual accounts within a program as long as the program budget is not exceeded. Flexibility is granted to facilitate management's ability to fulfill a department's operational mission and reduce the number of budget adjustments that would be required to control by individual account number. Within the framework of the above policy, there are a number of additional restrictions on certain expenditure classifications and specific accounts. These restrictions are as follows:

1. All budget appropriations must be approved by City Council before expenditures are incurred. Transfer requests must be approved by City Manager's Office before expenditures are incurred. The only exception is a *bonafide* emergency, as approved by the City Manager.
2. Maintenance and operations savings may not be used to fund capital outlay.
3. Individual capital improvement projects, which are accounted for by capital project number, must remain within the project budget and cannot be offset by another capital project number in a different fund.
4. Travel and training budgets may not be over budget in any program regardless of savings in other maintenance and operations accounts from other operational divisions.
5. Transfer requests between programs can be approved by the City Manager's Office. Transfer requests between programs must contain adequate justification and must be submitted similar to other budget adjustments.

Fund Balance Reserve Policy

Purpose: To establish policies which create sufficient reserves in the general fund and other operating funds.

General Fund Undesignated Fund Balance

The City will strive to maintain the General Fund undesignated fund balance at 20% of current year General Fund budgeted expenditures with a 5% contingency reserve.

Retained Earnings of Other Operating Funds

In other enterprise operating funds, the City will strive to maintain positive retained earnings positions to provide sufficient working capital reserves for emergencies and revenue shortfalls.

Specifically, in the Utility Fund, an operating reserve will be established and maintained at approximately 10% of the current year's budget appropriation for operation and maintenance, which is defined as the total budget, less debt service and capital project expenditures.

Fund Balance/Retained Earnings will be used only for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. Should such use reduce the balance below the appropriate level set as the objective for that fund, restoration recommendations will accompany the decision to utilize said balance.

Debt Service Funds

The City will maintain sufficient reserves in its debt service funds that will equal or exceed the reserve fund balances required by bond covenants.

Debt Policy

PURPOSE: To ensure the proper and orderly issuance of debt for the purpose of achieving the City Council's goals and objectives.

GENERAL POLICY: The City Council of the City of Kyle adopts the following Debt Policy to ensure the proper and orderly issuance of Debt for the purpose of achieving the City Council's Goals and Objectives.

The purpose of this Debt Policy is to ensure that the City's bonded indebtedness is incurred and administered in a prudent manner. A decision by the City Council to incur bonded indebtedness is one of its most important decisions. Bond investors are going to purchase the City's bonds with the absolute expectation that the City will honor its promise to pay the annual debt service without exception for the 25-to-30 year life of the bonds. A decision to incur bonded indebtedness, also incurs the ongoing annual responsibility for the payment of debt service, annual State and Federal reporting requirements and the obligation to address any problems which may arise for as long as the bonds are still in existence. Although this policy addresses bonded indebtedness, these same policy concerns can be directed to a bank loan or an internal inter-fund loan.

Policy Elements

1. Budget Integration: The decision to incur bonded indebtedness is to be integrated with the City Council approved annual Operating Budget and Capital Improvement Program Budget. A bond issue can be utilized to implement the financing of a Capital Project. Provision for the annual principal and interest payments (debt service) is provided for in the Operating Budget. In addition, the need for bond financing can be incorporated into a capital facilities financing plan relating to the General Fund or an Enterprise Fund. Bond proceeds are not to be used to fund operating expenses.

2. Required Bond Analysis: The Finance Director is to prepare an analysis of each proposed bond issue. This analysis should include (a) determining that the capital project is eligible for bond financing, (b) identifying the sources of financing for the project other than bond financing, (c) identifying the total cost of the capital project including its construction cost, cost of furnishings fixtures and equipment, and source of revenue to fund the annual debt service, (d) analyzing the municipal bond market, including economic and interest rate trends, (e) identifying alternative bond structures, option to use bond insurance and the information needed by rating agencies and the disclosure requirements of the Official Statement, (f) the timing of when the City should enter the bond market.

3. Types of Bond Issues: The City Council will authorize the issuance of bonds by adopting a bond resolution on behalf of the City of Kyle. The type of Bonds that the City will issue include General Obligation Bonds, Certificates of Obligation Bonds, Revenue Bonds, Special Tax Bonds and any other bonds which are allowed under State Law and Federal Tax Law.

4. General Provision: The term of a bond issue is not-to-exceed the useful life of the capital project that is being financed. The bonds are to be sold at Competitive Sale; however, the City reserves the option of pursuing a Negotiated Sale if the proposed financing or the Capital Project is unusual or complex. The overall objective is to obtain the lowest possible interest cost. The City is to remain cognizant of fluctuations in interest rates for the purpose of identifying Refunding opportunities. Refund of existing bonds should be undertaken to reduce overall debt service expense or to remove restrictive covenants in the existing Indenture.

6. Financing Consultants: The City is to retain professional consultants including Bond Counsel, Underwriter, Financial Advisor, Trustee, and arbitrage analyst. The City will consider the professional qualifications and experience of these consultants as it relates to the particular bond issue under consideration. In certain instances, the City will conduct a request for proposal/qualification process to select such consultants.

