

CITY OF ROCKPORT

MINUTES

CITY COUNCIL BUDGET WORKSHOP MEETING

9:00 a.m., Wednesday, July 22, 2015

Rockport Service Center, 2751 State Highway 35 Bypass

On the 22nd day of July 2015, the City Council of the City of Rockport, Aransas County, Texas convened in Workshop Session at 9:00 a.m. at the Rockport Service Center, 2751 State Highway 35 Bypass, Rockport, Texas, and notice of meeting giving time, place, date and subject was posted as described in V.T.C.A., Government Code § 551.041.

CITY COUNCIL MEMBERS PRESENT

Mayor Charles J. Wax
Mayor Pro-Tem Pat Rios, Ward 3
Council Member J.D. Villa, Ward 2
Council Member Barbara Gurtner, Ward 4

CITY COUNCIL MEMBER(S) ABSENT

Council Member Rusty Day, Ward 1

STAFF MEMBERS PRESENT

City Manager Kevin Carruth
City Secretary Teresa Valdez
Finance Director Patty Howard
Police Chief Tim Jayroe
Public Works Director Mike Donoho
IT Manager Brian Jacobs
Parks & Leisure Services Director Tom Staley
Communications Center Administrator Lee Zapata

ELECTED OFFICIALS

Opening Agenda

1. Call to Order.

With a quorum of the Council Members present, the Budget Workshop Meeting of the Rockport City Council was called to order by Mayor Wax at 9:14 a.m. on Wednesday, July 22, 2015, at the Rockport Service Center, 2751 State Highway 35 Bypass, Rockport, Texas.

Regular Agenda.

2. Hear and deliberate on presentation of proposed Fiscal Year 2015-2016 Budget.

Finance Director Patty Howard gave a brief recap of the changes requested in the proposed budget as presented on Monday July 20, 201, as follows:

- Decreased Municipal Court revenue to \$200,000

- Corrected distribution on Halo Flight and Workers Compensation expenses
- Changed Police Patrol certification to \$65,000
- Added \$1,500 for hosting a Texas Municipal League Region 11 quarterly meeting
- Increased Sales Tax income projection to 7.67%

City Manager Kevin Carruth then called the Council's attention to the Ad Valorem Tax Rate Comparison FY 2015-2016 chart (below) which included changes from Monday's Budget Workshop.

Ad Valorem Tax Rate Comparison FY 2015-2016									
Percentage M & O Increase	Effective	Alternate	Alternate	Alternate	Rollback	Alternate	Alternate	Alternate	Alternate
	Tax Rate (ETR)	\$0.01 Increase Above ETR	\$0.01 Increase Above Rollback	Tax Rate 3	Tax Rate	Tax Rate 4	Tax Rate 5	Tax Rate 6	Tax Rate 6
	0%	-5.81%	13.13%	4.00%	8.00%	8.00%	10.00%	10.00%	11.00%
M & O Tax Rate	\$ 0.173244	\$ 0.183244	\$ 0.220320	\$ 0.202534	\$ 0.210320	\$ 0.212275	\$ 0.214212	\$ 0.216175	\$ 0.218175
I & S Tax Rate	\$ 0.137680	\$ 0.137680	\$ 0.137680	\$ 0.137680	\$ 0.137680	\$ 0.137680	\$ 0.137680	\$ 0.137680	\$ 0.137680
TOTAL TAX RATE	\$ 0.310924	\$ 0.320924	\$ 0.358000	\$ 0.340214	\$ 0.348000	\$ 0.349955	\$ 0.351892	\$ 0.353855	\$ 0.355855
Total Taxable Value	\$ 1,200,225,936	\$ 1,200,225,936	\$ 1,200,225,936	\$ 1,200,225,936	\$ 1,200,225,936	\$ 1,200,225,936	\$ 1,200,225,936	\$ 1,200,225,936	\$ 1,200,225,936
Total Tax Levy									
Total Tax Levy	\$ 3,731,790	\$ 3,851,813	\$ 4,296,809	\$ 4,083,337	\$ 4,178,786	\$ 4,200,251	\$ 4,223,499	\$ 4,247,059	\$ 4,271,059
Over 65 Frozen taxes	\$ 756,815	\$ 756,815	\$ 756,815	\$ 756,815	\$ 756,815	\$ 756,815	\$ 756,815	\$ 756,815	\$ 756,815
Disabled Frozen taxes	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445	\$ 15,445
Total Tax Levy	\$ 4,504,050	\$ 4,624,073	\$ 5,069,069	\$ 4,855,597	\$ 4,949,046	\$ 4,972,511	\$ 4,995,759	\$ 5,019,319	\$ 5,043,319
Total Tax Revenue									
Total Levy	\$ 4,504,050	\$ 4,624,073	\$ 5,069,069	\$ 4,855,597	\$ 4,949,046	\$ 4,972,511	\$ 4,995,759	\$ 5,019,319	\$ 5,043,319
Collection Ratio	99%	99%	99%	99%	99%	99%	99%	99%	99%
Total Tax Revenue	\$ 4,459,010	\$ 4,577,832	\$ 5,018,378	\$ 4,807,041	\$ 4,899,556	\$ 4,922,786	\$ 4,945,801	\$ 4,969,126	\$ 5,000,126
Revenue Allocation by Fund									
M & O General Fund (59.43%)	\$ 1,868,669	\$ 1,987,491	\$ 2,428,037	\$ 2,218,700	\$ 2,309,215	\$ 2,332,445	\$ 2,355,460	\$ 2,378,785	\$ 2,402,110
I&S Debt Service Fund (40.57%)	\$ 2,590,341	\$ 2,590,341	\$ 2,590,341	\$ 2,590,341	\$ 2,590,341	\$ 2,590,341	\$ 2,590,341	\$ 2,590,341	\$ 2,590,341
Total Tax Revenue	\$ 4,459,010	\$ 4,577,832	\$ 5,018,378	\$ 4,807,041	\$ 4,899,556	\$ 4,922,786	\$ 4,945,801	\$ 4,969,126	\$ 5,000,126
Revenue Difference									
Additional Revenue	\$0	\$118,822	\$559,368	\$348,031	\$440,546	\$483,776	\$486,781	\$510,116	\$510,116
% Increase in Revenue	0.0%	2.7%	12.5%	7.8%	9.9%	10.4%	10.9%	11.4%	11.4%
Residential Taxpayer Impact Analysis									
Residential Value	ETR	Difference in Tax Paid from Effective Tax Rate							
	Tax Paid	Alternate Tax Rate 1	Alternate Tax Rate 2	Alternate Tax Rate 3	Rollback Tax Rate	Alternate Tax Rate 4	Alternate Tax Rate 5	Alternate Tax Rate 6	Alternate Tax Rate 6
Average - \$222,068	\$992.14	\$22.28	\$104.79	\$65.20	\$82.53	\$86.89	\$91.20	\$95.57	\$99.94
Average Homestead - \$216,030	\$872.54	\$21.63	\$101.83	\$63.36	\$80.20	\$84.43	\$88.62	\$92.86	\$97.14
Median - \$171,365	\$532.81	\$17.14	\$80.87	\$50.19	\$63.54	\$66.89	\$70.20	\$73.57	\$76.94

Mr. Carruth explained the differences in the Alternate Tax Rates and stated the proposed budget is based on the Rollback Tax Rate of 8.00%.

Mr. Carruth then reviewed the rate design alternatives for the water, wastewater and natural gas accounts (below).

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Table 1
Rate Design Alternatives - Water
FY 2016

	Existing Rates	Options		
		1 3% Merit, Portion of 5%	2 3% Merit, 5%	3 3% Merit, 15%
Gallons In Minimum Bills	2,000	1,500	1,500	1,500
Monthly Minimum Bills:				
1 5/8 x 3/4 Inch	\$ 18.42	\$ 18.79	\$ 18.88	\$ 19.16
2 1 Inch	22.28	22.73	22.84	23.17
4 1.5 Inch	41.51	42.34	42.55	43.17
5 2 Inch	64.60	65.89	66.22	67.18
6 3 Inch	126.18	128.70	129.33	131.23
7 4 Inch & Larger	189.45	199.36	200.34	203.27
8 Outside to Inside Rates	1.34	1.33	1.34	1.34
Volumetric Rates:				
Residential:				
12 1 to 1,000	\$ -	\$ -	\$ -	\$ -
13 1,001 to 1,500	-	-	-	-
14 1,501 to 2,000	-	4.93	4.95	5.02
15 2,001 to 3,000	4.83	4.93	4.95	5.02
16 3,001 to 5,000	4.83	4.88	4.95	5.02
17 5,001 to 10,000	5.69	5.80	5.83	5.92
18 10,001 to 15,000	6.48	6.61	6.64	6.74
19 15,001 to 20,000	6.48	6.61	6.64	6.74
20 Over 20,000	-	-	-	-
Commercial:				
23 1 to 1,000	\$ -	\$ -	\$ -	\$ -
24 1,001 to 1,500	-	-	-	-
25 1,501 to 2,000	-	4.93	4.95	5.02
26 2,001 to 3,000	4.83	4.93	4.95	5.02
27 3,001 to 5,000	4.83	4.88	4.95	5.02
28 5,001 to 10,000	5.69	5.80	5.83	5.92
29 10,001 to 15,000	6.48	6.61	6.64	6.74
30 Over 20,000	6.48	6.61	6.64	6.74
31 Outside to Inside Rates	1.41	1.41	1.41	1.41
Revenues Generated:				
34 From Monthly Minimum Bill	\$ 2,238,096	\$ 2,380,818	\$ 2,391,998	\$ 2,325,540
35 From Volume Rates	4,669,993	4,731,678	4,774,971	4,844,848
36 Totals	\$ 6,908,089	\$ 7,112,496	\$ 7,166,969	\$ 7,170,388
37 Change in Revenues ->		4.87%	3.39%	6.93%
38 Water Avg. Res. Bill @ 7,000 Gallons	\$ 44.99	\$ 45.88	\$ 46.11	\$ 46.78
39 Change ->		0.90	1.12	1.80

Table 2
Rate Design Alternatives - Wastewater
FY 2016

	Existing Rates	Options		
		1 3% Merit, Portion of 2%	2 3% Merit, 5%	3 3% Merit, 15%
Gallons In Minimum Bills	2,000	1,500	1,500	1,500
Monthly Minimum Bills:				
1 5/8 x 3/4 Inch	\$ 16.49	\$ 16.82	\$ 17.24	\$ 17.49
2 1 Inch	20.61	21.02	21.55	21.86
4 1.5 Inch	20.61	21.02	21.55	21.86
5 2 Inch	20.61	21.02	21.55	21.86
6 3 Inch	20.61	21.02	21.55	21.86
7 4 Inch & Larger	20.61	21.02	21.55	21.86
8 Outside to Inside Rates	-	-	-	-
Volumetric Rates:				
Residential:				
12 1 to 1,000	\$ -	\$ -	\$ -	\$ -
13 1,001 to 1,500	-	-	-	-
14 1,501 to 2,000	-	3.08	3.16	3.20
15 2,001 to 3,000	3.02	3.08	3.16	3.20
16 3,001 to 5,000	3.55	3.62	3.71	3.77
17 5,001 to 10,000	-	3.62	3.71	3.77
18 10,001 to 15,000	-	-	-	-
19 15,001 to 20,000	-	-	-	-
20 Over 20,000	-	-	-	-
Commercial:				
23 1 to 1,000	\$ -	\$ -	\$ -	\$ -
24 1,001 to 1,500	-	-	-	-
25 1,501 to 2,000	-	3.08	3.16	3.20
26 2,001 to 3,000	3.02	3.08	3.16	3.20
27 3,001 to 5,000	3.55	3.62	3.71	3.77
28 5,001 to 10,000	3.55	3.62	3.71	3.77
29 10,001 to 15,000	3.55	3.62	3.71	3.77
30 Over 20,000	3.55	3.62	3.71	3.77
31 Outside to Inside Rates	1.40	1.40	1.40	1.40
Revenues Generated:				
34 From Monthly Minimum Bill	\$ 1,123,304	\$ 1,143,770	\$ 1,151,187	\$ 1,148,237
35 From Volume Rates	1,165,553	1,378,615	1,377,315	1,397,689
36 Totals	\$ 2,288,857	\$ 2,522,385	\$ 2,528,502	\$ 2,545,926
37 Change in Revenues ->		11.13%	11.70%	13.33%
38 Sewer Avg. Res. Bill @ 7,000 Gallons	\$ 32.63	\$ 34.84	\$ 35.71	\$ 36.24
39 Change ->		7.19	7.06	9.59

Table 3
Rate Design Alternatives - Natural Gas
FY 2016

	Existing Rates	Options		
		1 3% Merit, Portion of 5%	2 3% Merit, 5%	3 3% Merit, 15%
Monthly Minimum Bills:				
1 Residential - Fullon	\$ 17.85	\$ 17.85	\$ 17.85	\$ 17.85
2 Residential - Inside	17.85	17.85	17.85	17.85
3 Residential - Outside	17.85	17.85	17.85	17.85
4 Commercial - Fullon	17.85	17.85	17.85	17.85
5 Commercial - Inside	17.85	17.85	17.85	17.85
6 Commercial - Outside	17.85	17.85	17.85	17.85
Volumetric Rates:				
Residential:				
11 1 to 1,000	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99
12 1,001 to 2,000	1.99	1.99	1.99	1.99
13 2,001 to 3,000	1.99	1.99	1.99	1.99
14 3,001 to 5,000	1.99	1.99	1.99	1.99
15 5,001 to 10,000	1.99	1.99	1.99	1.99
16 10,001 to 15,000	1.99	1.99	1.99	1.99
17 Over 15,000	1.99	1.99	1.99	1.99
Commercial:				
20 1 to 1,000	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99
21 1,001 to 2,000	1.99	1.99	1.99	1.99
22 2,001 to 3,000	1.99	1.99	1.99	1.99
23 3,001 to 5,000	1.99	1.99	1.99	1.99
24 5,001 to 10,000	1.99	1.99	1.99	1.99
25 10,001 to 15,000	1.99	1.99	1.99	1.99
26 Over 15,000	1.99	1.99	1.99	1.99
Revenues Generated:				
29 From Monthly Minimum Bill	\$ 989,229	\$ 989,229	\$ 989,229	\$ 989,229
30 From Volume Rates	376,036	376,036	376,036	376,036
31 Totals	\$ 1,365,265	\$ 1,365,265	\$ 1,365,265	\$ 1,365,265
32 Change in Revenues ->				0.0%
33 Gas Avg. Res. Bill @ 2,000 BTU	\$ 21.83	\$ 21.83	\$ 21.83	\$ 21.83
34 Change ->				-

Mr. Carruth presented the water and wastewater financial summary (below). Mr. Carruth stated the proposed budget is based on Option 1 that includes: 3% merit increases, 5% compensation plan phase 1, which will begin at second quarter of Fiscal Year 2015-2016.

		Options FY 2015 - 2016				
		1	2	3		
Salary Changes ->		3% Merit		3% Merit		
Change Minimum to Include 1,500 Gallons		1,500 Gallons		1,500 Gallons		
Residential Sewer Cap from 10,000 Gallons		15,000 Gallons		15,000 Gallons		
Description	Actual 2013-14	Revised 2014-15	Part of 5% Salary Survey	5% Salary Survey	15% Salary Survey	
1	Water Sales	\$ 6,268,964	\$ 6,627,497	\$ 7,032,496	\$ 7,066,969	\$ 7,170,388
2	Wastewater Sales	2,051,706	2,217,998	2,516,385	2,528,720	2,565,726
3	Fulton Sewer Revenue	178,371	196,822	180,000	180,000	180,000
4	All Other Charges for Services	444,520	69,308	414,000	414,000	414,000
5	Transfers	90,000	90,000	90,000	90,000	90,000
6	Other Revenues	67,465	77,293	82,500	82,500	82,500
7	Interest on Investments	5,953	6,020	6,000	6,000	6,000
8	Total Sources of Funds	\$ 9,106,979	\$ 9,284,938	\$ 10,321,381	\$ 10,368,189	\$ 10,508,614
9						
10	Customer Service	\$ 339,959	\$ 378,386	\$ 458,659	\$ 461,885	\$ 487,557
11	Water Storage & Distribution	4,207,208	4,309,284	4,776,314	4,781,698	4,847,589
12	Sewer Collection & Treatment	1,405,665	1,595,527	1,869,570	1,874,846	1,917,139
13	Environmental	94,491	138,241	194,372	195,540	204,925
14	Non-departmental O&M	132,449	101,694	141,303	141,303	141,303
15	Total Operating & Maintenance	\$ 6,179,771	\$ 6,523,131	\$ 7,440,218	\$ 7,455,272	\$ 7,598,513
16						
17	Debt Service - Existing	\$ 1,709,032	\$ 1,747,791	\$ 1,758,017	\$ 1,758,017	\$ 1,758,017
18	Debt Service - Planned	-	-	-	-	-
18	Payment-in-Lieu-of-Taxes	350,314	375,971	394,770	394,770	394,770
19	Transfer to General Fund - G&A	329,989	383,017	424,937	424,937	424,937
20	Transfer to General Fund - Admin	235,000	249,100	261,555	261,555	261,555
21	Other Transfers	21,790	21,790	21,790	21,790	21,790
22	Non-Operating - Subtotal	\$ 2,646,125	\$ 2,777,669	\$ 2,861,069	\$ 2,861,069	\$ 2,861,069
23						
24	Total Uses of Funds	\$ 8,825,896	\$ 9,300,799	\$ 10,301,286	\$ 10,316,341	\$ 10,459,581
25						
26	Sources Minus Uses of Funds	\$ 281,083	\$ (15,861)	\$ 20,095	\$ 51,849	\$ 49,033
27						
28	Beginning Working Capital Balance	\$ 5,105,326	\$ 5,803,097	\$ 5,787,236	\$ 5,787,236	\$ 5,787,236
29	Ending Working Capital Balance	\$ 5,803,097	\$ 5,787,236	\$ 5,807,330	\$ 5,839,084	\$ 5,836,268
30	Days of Working Capital->	240	227	206	207	204
31						
32	<u>Percentage Increases:</u>					
33	Water	17.74%	2.38%	2.00%	2.50%	4.00%
34	Sewer	4.88%	6.68%	2.00%	2.50%	4.00%
35	Overall	14.29%	3.43%	6.46%	6.98%	8.55%

Mr. Carruth reviewed the residential utility rate proposal customer impacts (below).

Residential Utility Rate Proposal Customer Impacts				
Utility	Current	Option 1 3% Merit	Option 2 3% Merit + 5%	Option 3 3% Merit + 15%
Water	\$ 44.99	\$ 45.88	\$ 46.11	\$ 46.78
Wastewater	\$ 32.65	\$ 34.84	\$ 35.71	\$ 36.24
Gas	\$ 21.83	\$ 21.83	\$ 21.83	\$ 21.83
Garbage	\$ 20.11	\$ 20.51	\$ 20.51	\$ 20.51
Total	\$ 119.58	\$ 123.06	\$ 124.16	\$ 125.36
Difference	\$ -	\$ 3.48	\$ 4.58	\$ 5.78
% Change	0.0%	2.9%	3.8%	4.8%

**Assumes average consumption of 7,000 gallons*

A brief recess was taken by Council from 10:00 a.m. until 10:16 a.m.

Mayor Wax stated the Council would now review the Hotel Occupancy Tax fund. Mayor Wax said the projections for Fiscal Year 2015-2016 are \$845,968.

Discussion was held among Council in regard to the policy that had previously been set in regard to funding events for the first year only with Hotel Occupancy Tax revenue.

Mayor Wax stated the Council should establish a policy for Hotel Occupancy Tax revenue disbursement for non-profits and for-profit organizations and look at what the organizations are producing per the hotel occupancy tax guidelines.

Mayor Wax stated that an additional request and application had been received from AIM Hospice in the amount of \$2,000.

Council held discussion on the amounts requested from each organization.

It was the consensus of Council to reduce the amount of hotel occupancy tax revenue grant funds to the Rockport Yacht Club to \$2500.

It was the consensus of Council that a separate fund account should be set up for the City's Sesquicentennial Celebration, with all expenditures to be approved by Council.

City Manager Kevin Carruth stated this will be done by a Resolution of the Council.

Discussion was held among Council in regard to establishing a line item for purchase of a trolley.

It was the consensus of Council to place \$35,000 into a line item for a trolley.

Mayor Wax asked if the Council Members had any other items they would like to discuss in regard to the proposed budget.

Mayor Pro-Tem Rios stated he would like to revisit the Public Works Department request for an additional staff person.

Discussion was held among Council, Mr. Carruth, and Mr. Donoho in regard to the request for an additional staff person for the reception area of the Service Center.

Council took a recess for lunch from 11:30 a.m. until 12:20 a.m.

Discussion was held among Council and Mr. Carruth in regard to the fund balance as it relates to operating days.

Mayor Wax noted that the budget numbers this year do not allow for annexation, but the City is going to have to annex in the near future.

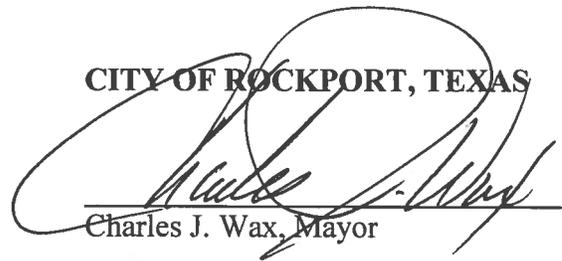
Ms. Howard informed the Council that the tentative dates for the two (2) required public hearings are August 25, 2015 at 6:30 p.m. and September 8, 2015 at 1:30 p.m.

Mayor Wax thanked Mr. Carruth, Ms. Howard and Department Directors for the clarity of the proposed budget. Mayor Wax thanked the citizens who attended the budget workshops.

3. Adjournment.

At 12:55 p.m., the meeting adjourned.



CITY OF ROCKPORT, TEXAS

Charles J. Wax, Mayor

ATTEST:


Teresa Valdez, City Secretary