

**CITY OF LAREDO
SPECIAL CITY COUNCIL MEETING
M-2011-SC-04
CITY COUNCIL CHAMBERS
1110 HOUSTON STREET
LAREDO, TEXAS 78040
JULY 29, 2011
12:00 p.m.**

I. CALL TO ORDER

With a quorum present Mayor Salinas called the meeting to order.

I. PLEDGE OF ALLEGIANCE

Mayor Salinas led in the pledge of allegiance.

II. ROLL CALL

In attendance:

Raul G. Salinas,	Mayor
Esteban Rangel	Council Member, District II
Alejandro Perez Jr.,	Council Member, District III
Juan Narvaez,	Council Member, District IV
Johnny Rendon,	Mayor Pro Tempore, District V
Charlie San Miguel,	Council Member, District VI
Jorge A. Vera,	Council Member, District VII
Amy J. Sanchez,	Deputy City Secretary IV
Carlos Villarreal,	City Manager
Cynthia Collazo,	Deputy City Manager
Horacio De Leon,	Assistant City Manager
Jesus Olivares,	Assistant City Manager
Raul Casso,	City Attorney

Motion to excuse Cm. Garza and Cm. Liendo Espinoza.

Moved: Cm. Narvaez

Second: Cm. San Miguel

For: 6

Against: 0

Abstain: 0

II. STAFF REPORT

1. Submission of the proposed Fiscal Year 2012 Annual Budget as per Article VI, Section 6.02, Submission of Budget which states that "At least sixty (60) days before the end of the fiscal year, the City Manager shall present to the Council a budget for the ensuing fiscal year with an accompanying budget message."

City Manager Carlos Villarreal read the following message to Mayor Salinas and City Council:

Mayor and Members of the City Council:

It is my pleasure to submit to you a balanced budget for Fiscal Year 2012. Mayor and City Council, I am pleased to tell you that we continue to provide the highest level of customer service to our community without raising property taxes for the 8th consecutive year! The budget process is always a difficult task, and this year is no exception. As a matter of fact, in my 42 years of public service, this is probably the most challenging budget I have had to do. While the City continues to grow and the demands for City services multiply, we were tasked in balancing this budget where revenues and our national economy, continue to be sluggish. For the 3rd consecutive year, we have asked the departments to work with a zero growth budget. In other words, we are working with FY 2010 actual expenses. This was a very difficult task indeed. My directive from City Council has always been to not increase property taxes, to maintain the highest level of customer service to our citizens, while not affecting our workforce structure negatively. This year again, we were able to balance this budget by:

- *Continuing to operate on a conservative spending approach,*
- *Continuing to postpone or delay hiring positions that are vacant and substituting them with temporary employees in order to defray additional benefit costs,*
- *Continuing to curtail all travel except for accreditations and those necessary to their operation,*
- *Continuing to review and implement ways to practice energy conservation by working with AEP-Smart Program and Chevron Energy for cost saving energy solutions.*

The FY 2012 entire consolidated budget encompasses operating expenditures of \$579,263,911. We continue to work towards meeting the goals below as set by the City Council.

- *Placing priority and maintaining the highest standards in Public Safety – Police and Fire,*
- *Providing additional quality of life projects such as the new indoor recreational facilities El Eden, NW Recreation Center and Haynes Recreation Center; the baseball stadium and the golf course,*
- *Maintaining, improving and adding to our road infrastructure by the opening of Cuatro Vientos, and continually working on our industrial streets, resurfacing of streets, drainage and sidewalks.*

Not surprisingly, our property valuations decreased by .56%, or \$59,192,967. We dug deeper into our pockets and utilized balances from other funds and transferred them to General Fund to the tune of \$1.1 million. This coming year, we are relying on sales tax and ambulance collections performing better and have used them as items to increase revenues by \$ 4.5 million.

I personally continue to monitor every expense closely. I monitored travel, the purchase of equipment, and hiring of personnel. The proposed budget includes funding for the following major items: contractual obligations of \$1.452 million for a 4% increase for Police Officers and \$1 million for a 3.25% increase for Fire Fighters; \$1,373,107 or 10% increase in Health & Benefits; \$1.3 million for the price increase in fuel and \$743,111 for Parks and Leisure Services to fund personnel and operational expenditures related to the opening of new park facilities.

Despite the slow recovery of the US economy, the City of Laredo is experiencing a 13% increase in sales tax from FY 2010 to FY 2011 which translates to \$3 million above the FY 2011 budget. This is a good indication that the combination of Mexican shoppers, activity from Eagle Ford Shale and special events hosted in Laredo are having a positive impact on the City's economy. The ground breaking of the fourth Wal-Mart is an indication that Laredo is considered a strong market which is confirmed by the City's rating of Certificate of Obligations and General Obligations on November 9, 2010:

<i>Fitch</i>	<i>Moody's</i>	<i>Standard & Poor's</i>
<i>AA</i>	<i>Aa2</i>	<i>AA-</i>

We continue to demonstrate our ability to maintain strong financial management during difficult economic times. These ratings are the highest classifications ever received by the City of Laredo in its history.

Tax Rate

The tax rate for 2012 is projected to remain at the same rate as in 2011 at \$0.63700 per \$100 assessed valuation. To reiterate, this will be the eighth consecutive year that the City of Laredo maintains the same tax rate and has been able to make the necessary changes required to meet the demands of a fast growing city. The 2012 property values are projected to decrease by .56% over the FY 2011 valuations. The total taxable value of \$10.575 billion will generate a levy of \$66.8 million. Which in its entirety, will not even pay for two critical departments such as Police and Fire whose total expenditures exceed \$95 million. This decrease represents a \$366,274 or .55% over the 2011 total levy. The levy for 2012 excludes an estimated amount of \$545,107 for the tax freeze which includes the elderly and disabled as directed by City Council.

	FY 2010 Actual	FY 2011 Estimate	FY 2012 Proposed
Tax Rate	0.637000	0.637000	0.637000
Taxable Valuations	\$ 10,510,244,741	\$ 10,564,462,637	\$ 10,575,399,084
Tax Levy	\$ 64,359,743	\$ 67,103,437	\$ 66,820,185

- *The maintenance and operations tax rate allocation of \$0.512296 for 2012 will generate total revenues of \$51.8 million for General Fund; a decrease of \$289,433 over the 2010 budget.*
- *The debt service tax rate allocation of \$0.124704 will generate total revenues of \$12.6 million for 2012; a \$64,022 increase over the 2011 budget with an estimated proposed collection rate of 96.5%.*
- *The total tax revenue is projected to decrease by \$353,455 for FY 2012.*

Staffing and Benefits

A total of 2,617.60 full time equivalent positions are being proposed in the 2012 budget at an estimated cost of \$168,408,585. The proposed budget does not include a cost of living increase. It will be the second year in a three year period that non-civil employees will not receive an increase. The proposed budget does include funding for a contractual obligation of 4% for police officers at a cost of \$1,452,460 and 3.25% for firefighters at a cost of \$1,014,410. The Texas Municipal Retirement System (TMRS) fund valuation was restructured through Senate Bill 350 and implemented changes in actuarial assumptions providing relief to the City's contribution. This budget will maintain the same contribution rate as FY 2011.

The Health and Benefits Fund continues to be a major challenge, with a proposed deficit of (\$4,322,767) for FY 2012. During the 2010 Budget, Council unanimously approved a 10% increase in the health care contributions both in the City's and employees' dependent coverage for the next six years. This will mark the third year in which a 10% will be implemented at an additional cost of \$1,373,107.

The City of Laredo continues to be the only governmental entity in the county to provide employees with health benefits at no cost. The City currently pays for the employee health insurance premium while subsidizing 48% of the regular dependent premium and 50% for police officers and fire fighters dependents. Retired police officers and fire fighters get their health insurance premium paid by the City as well.

The main goal of balancing this budget was that layoffs and furloughs were not an option and I am proud to announce that goal was met for FY 2012. The table below summarizes the activities in various City departments in order to meet each of the department's needs for the upcoming year. The total of new and unfunded positions city-wide for FY 2012 by department is recapped on the table below:

Department	FTE's	Estimated Salaries
	New Positions	
Mayor & City Council	2.00	\$ 41,600
Parks and Leisure Services	6.00	117,124
Engineering/Fleet	2.00	49,774
Health	1.00	20,654
Utilities	10.00	242,445
CD - Municipal Housing	1.00	18,553
Communication Technicians	3.00	134,226
Subtotal	23.00	582,776
	Unfunded Positions	
Planning	1.00	(51,323)
Public Works	1.00	(36,071)
Subtotal	2.00	(87,394)

General Fund

General Fund estimated revenues for FY 2011 will exceed the amended budget by \$1.5 million. The two largest revenues are Sales Tax and Property Tax. Sales Tax has an estimated growth of 13% compared to FY 2010 actual revenues, causing an excess. Property Taxes are estimated to come in at 100% of budget with \$52 million. Excluding one-time expenditures comprised of a \$2 million draw from General Fund for debt service and \$2 million in bond proceeds for the purchase of land for a Veteran's Clinic, expenditures are estimated to be \$4.7 million below our current FY 2011 amended budget. In addition, personnel savings are estimated at \$3.2 million or 68% of General Fund expenditure savings. Estimated ending fund balance will increase of \$3.1 million from FY 2011 amended budget for an estimated total of \$32,920,372. A total of \$3 million in savings from FY 2011 will be used to balance FY 2012.

Total proposed revenues for FY 2012 are \$143.3 million, a growth of 4.2% from FY 2011 Original Budget or \$5.7 million. Sales Tax and Ambulance Services reflect the largest growth at \$3.5 million and \$1 million respectively from FY 2011 Original Budget. A permit increase of \$100, from \$250 to \$350, is proposed for Amusement Devices which is expected to generate an additional \$500,000. Anticipated revenue shortfalls, excluding one-time revenues were Property Taxes, Telecommunication Licenses and Interest Earning being a combined decrease of \$587,587.

Balancing the General Fund, in light of the initial deficit of \$13.6 million for FY 2012, required a combination of items including the increase and/or decrease of revenues and expenditures. Below is a list of items which were addressed to complete the task for the proposed budget and avoid any layoffs or furlough days.

Revenues

- *\$3.5 million increase in Sales Tax due primarily to the economic impact of Eagle Ford Shale and other events hosted in the City,*
- *\$1.7 million additional increase to the transfer in from the Capital Improvement fund due to excess funds from the Bridge System and General Fund savings from FY 2011 which consisted of one-time revenues in FY 2011,*

- \$1 million increase in Ambulance Service collections due to a more aggressive in-house billing strategy of the Health Department,
- \$413,104 increase in Bridge revenues,
- \$500,000 for the permit increase in Amusement Devices,
- \$1.1 million in one-time transfers consisting of \$454,971 from Airport, \$200,000 from Parking Meters, \$200,000 from Fleet Management, \$158,529 from IT Fund, and \$105,233 from Risk Management,
- \$626,000 used from Debt Service Fund balance to cover debt service thus increasing property tax revenues for General Fund.

Expenditures

- \$1.4 million in savings from the TMRS due to SB 350 and change in actuarial assumptions as previously indicated,
- \$427,343 in savings from deleted and unfunded positions,
- \$204,224 in savings by reducing initial projections on fuel cost,
- \$317,286 in savings from the initial projected cost of the 10% increase to health insurance contribution,
- \$44,334 in net savings from other expenditure reductions.

Expenditures reflect an increase of \$3.7 million from the original budget. The Personnel category continues to have the largest impact at \$3.6 million including the City's contractual obligations with Police and Fire, \$1 million in material and supplies, \$300,000 in other operational expenditures, and transfers to other operating funds have a net decrease of \$1.3 million. This only emphasizes what I have stated before in having departments work within their existing budgets.

Public Safety

The City's commitment to keep our community safe is reflected in its General Fund appropriations of \$90.7 million or 63% of the General Fund total budget for the Police and Fire Departments. City Council's effort to let Washington know what Laredo needs to continue being one of the safest communities in the United States has paid off by receiving the following two grants; a COPS grant for \$4.3 million for 22 Police Officers and a SAFER grant for \$3.9 million for 30 Fire Fighters. No other border community received both grants.

Police

The strength of the Police Department will include 482 officers and 83 civilians. The Police budget represents a cost of \$54.7 million, representing 38% of the City's General Fund budget, an increase of 2% from FY 2011. General Fund includes a 4% salary increase projected at \$1.4 million. Funding for 11 positions is available for an academy in August 2011 and 20 more positions for an additional academy in January 2012. We continue to apply and utilize grants, such as Special Police Grants and other overtime grants, to fund specific programs which Council, Management and the Police Department have been very successful in garnering.

Fire

The City's Fire Department is no exception of Laredo's commitment to public safety. On July 25, 2011, the department initiated a 50 member class, its largest in history. This is due in large part to the SAFER grant bestowed on the City of Laredo and reflects the successful lobbying efforts of City Council and staff. The department will be at full strength with 357 Fire Fighters. The proposed General Fund budget contains \$36 million in appropriations for the department, representing 25% of the General Fund expenditures.

Quality of Life

Culture and Recreational Facilities

The development and creation of park and recreational amenities continue to be a fundamental request by our citizens. I have been very conscious of these requests, since a sizeable expenditure of certificates of obligation is required. In addition to these expenditures, come the perennial expenses of maintenance and operations which in many cases will exceed the total capital expenditures during its lifetime. This is a very important commodity, since it maintains the life of our park facilities in a condition that our citizens expect.

This year, we are working on or have finalized projects such as:

- Independence Hills- a \$2.5 million project;*
- Northwest Recreation Center – a \$6.5 million, - 44,000 sq. ft. facility in West Laredo;*
- El Eden Recreation Center – a \$4.3 million, - 23,000 sq. ft. facility;*
- South Laredo Santo Nino Library – a \$4.6 million, - 22,000 sq. ft. facility;*
- Maria Luisa Haynes Recreation Center – a \$13 million - 35,000 sq. ft. facility;*

We are also looking forward to completing the Max A. Mandel Municipal Golf Course this November with a project cost of \$7.5 million. Currently, we are aggressively looking at financing the construction of a baseball sports complex. The financing plan will be discussed during our budget workshop meetings. This complex will enhance the economy by attracting new visitors into our community. This complex is in addition to the current \$18 million Baseball Stadium project which is under construction.

Closing Comments

To the citizens of Laredo and to you Honorable members of the City Council, I can state without hesitation that due to anemic revenue sources and mounting expenses, the budget process becomes increasingly difficult every year. This year, our initial budget deficit started at \$13.6 million and had to be dealt with in a manner that did not drastically affect service while maintaining our strong economic posture and foundation. I feel this budget accomplishes that. Increases in public safety, such as police and fire, and additional assistance to maintain our ever expanding park system were dealt with in this FY 2011-2012 budget.

Countless meetings were held with staff and the cooperation of all department heads and managers have been nothing less than exemplary. I would like to single out the untiring efforts of Martin Aleman, Budget Manager and Rosario Cabello, Finance Director for their strong work ethic and commitment to the task at hand. The Deputy City Manager and both Assistant City Managers should be commended for assisting in crafting this budget. Difficult decisions needed to be made, and all adhered to the road map as set forth by this City Council which emphasized public safety, a better quality of life for our citizens without a tax increase, while offering our employees a stable working environment without furloughs.

The 2012 budget reflects the hard economic times we are enduring. Many were asked to sacrifice from previous year figures, but our focus was never abandoned. Live within our means but continue to provide quality service to a fast growing community. This will continue to be our purpose and our mission.

We look forward to continued discussions during the Budget Workshops.

Sincerely,

*Carlos Villarreal
City Manager*

2. Submission of the proposed 2012 - 2016 Capital Improvement Program (CIP) as per Article VI, Section 6.05, which states that “The City Manager shall prepare and submit a five (5) year capital program at least sixty (60) days before the end of the fiscal year.”

City Council acknowledged the receipt of the discs of the Capital Improvement Program.

III. ADJOURNMENT

Motion to adjourn.

Moved: Mayor Pro Tem Rendon

Second: Cm. San Miguel

For: 6

Against: 0

Abstain: 0