

**CITY OF LAREDO
SPECIAL CITY COUNCIL MEETING
M-2009-SC-04
CITY COUNCIL CHAMBERS
1110 HOUSTON STREET
LAREDO, TEXAS 78040
July 23, 2009
12:00 p.m.**

I. CALL TO ORDER

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

II. PLEDGE OF ALLEGIANCE

Mayor Raul G. Salinas led in the Pledge of Allegiance.

III. ROLL CALL

In attendance:

Raul G. Salinas,	Mayor
Mike Garza,	Mayor Pro Tempore, District I
Hector Garcia,	Council Member, District II
Michael Landeck,	Council Member, District III
Juan Narvaez,	Council Member, District IV
Johnny Rendon,	Council Member, District V
Gene Belmares,	Council Member, District VI
Jose Valdez, Jr.	Council Member, District VII
Cynthia Liendo-Espinoza,	Council Member, District VIII
Carlos Villarreal,	City Manager
Gustavo Guevara,	City Secretary
Cynthia Collazo,	Deputy City Manager
Horacio De Leon,	Assistant City Manager
Jesus Olivares,	Assistant City Manager
Raul Casso,	City Attorney

Motion to excuse Cm. Garcia, Mayor Pro Tempore Garza and Cm. Liendo Espinoza.

Moved: Cm. Rendon

Second: Cm. Belmares

For: 5

Against: 0

Abstain: 0

IV. STAFF REPORT

1. Submission of the proposed Fiscal Year 2010 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.”

Carlos Villarreal, City Manager, read the City Manager’s message to the Council as follows:

July 23, 2009

Mayor and Members of the City Council:

In accordance with the City of Laredo Charter, Section 6.02, I am pleased to present the Fiscal Year 2010 City of Laredo Annual Operating Budget for the period of October 1, 2009, through September 30, 2010. We have prepared a balanced consolidated budget that encompasses operating expenditures of \$439,930,817, an \$11.2 million or 2.6% increase from 2009. The total net operating budget, excluding operating transfers, is \$348,662,960. City staff has been challenged with keeping the current level of services with less funding sources, improving in those areas that are critical to public safety, while expanding maintenance and operations as a result of the numerous capital improvement projects completed during this fiscal year and those projects under construction that will be completed during 2010.

Despite a downturn in the US economy, the City of Laredo is estimating that it will add over \$800,000 to its General Fund fund balance in the current 2009 fiscal year. Overall, this Budget demonstrates continued growth compared to the prior year, giving bond rating agencies in New York confidence in our financial stability. This may be attributed to several factors, including Laredo’s sustained financial strength, a growing economic base, sound financial management, moderate debt levels and diverse general fund revenue streams. Bond ratings on our latest issuance were comprised of AA- from Fitch, AA- from Standard and Poor’s and A1 from Moody’s.

We have formulated a budget for this upcoming year that is reflective and sensitive to the deterioration of the current economic conditions. Preparing the General Fund budget was a challenging undertaking. The cooperation of all departments was fundamental to balancing the 2010 budget. This budget incorporates management recommendations and former Council actions that have been pivotal in offsetting projected revenue losses through reductions in expenditures. Examples include a very lucrative electricity contract with a 20% cost reduction over last year in all funds, unfunded vacant positions in most departments, increases in the Solid Waste collection fees, Storm Water fees and proposed increases in the fees for amusement devices.

This budget prioritizes Council’s goals and objectives of investing in our City employees. Job security is important during these hard economic times. Fulfilling our contractual obligations for pay increases of 4% for police and 5% for fire employees consisted of one important goal. Another was to retain all employee health benefits given the historical deficit in the fund. Human Resources account for our largest asset when you realize that 76% of our General Fund budget is personnel. This is a monumental accomplishment given that many other cities in the State of Texas have had to resort to layoffs and reduction in benefits, not to mention deferring contractual obligations for their civil service work force.

This year we will benefit from the country’s American Recovery and Reinvestment Act of 2009 (Stimulus Package Grants). We estimate that we will receive \$130,000,000 to \$150,000,000 in grant funds that would contribute to our bottom line. These funds will be used for hiring of Police Officers, as well as capital improvement projects consisting of Transportation, Water and Sewer, Housing and other Public Safety amenities. City Council and staff have done an outstanding job of bringing these funds to Laredo given the competitiveness at both the state and federal levels.

Tax Rate

- *The proposed tax rate for 2010 is projected to remain at the same rate as in 2009 at \$0.63700 per \$100 assessed valuation. This will be the sixth 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 2010 property values are projected to increase by 2.67% over the estimated 2009 amended valuations. This is the first time in five years that we have a growth of less than 10% in valuations. The total taxable value of \$10.6 billion will generate a proposed billed levy of \$67.1 million, representing an increase of \$1.7 million or 2.6% over the 2009 total levy billed budgeted. The increase in property values includes \$240,685,366 in new values and \$3,974,680 in new annexations for a total of \$244,660,046. The proposed levy for 2010 excludes an estimated amount of \$547,899 for the tax freeze, an increase of \$31,093 or 6% from the 2009 budget.*

	FY 08	FY 09	FY 10
Tax Rate	0.637000	0.637000	0.637000
Taxable Valuations	\$ 9,346,302,826	\$ 10,275,854,003	\$ 10,681,720,798
Tax Levy	\$ 59,535,949	\$ 65,457,190	\$ 67,102,493

- *The proposed maintenance and operations tax rate allocation of \$0.512187 for 2010 will generate total revenue of \$51.8 million for*

General Fund, signifying an \$823,125 or 2% increase over the 2009 budget

- *The proposed debt service tax rate allocation of \$0.124813 will generate total revenue of \$12.6 million for 2010, a \$175,581 or 1% increase over the 2009 budget with an estimated proposed collection rate of 96%.*
- *The total tax increase for 2010 is \$998,706 of which \$175,581 will be going toward debt service.*

Staffing and Benefits

A total of 2,604 full time equivalent positions are included in the 2009 budget at an estimated cost of \$156,406,680 as compared to 2,621 positions in 2009. The proposed budget does not include a cost of living adjustment and will continue with the suspension of the merit program. The proposed budget includes funding for the Police and Fire contractual obligations at a cost of \$1,330,613 and \$1,319,610 respectively, for a total of \$2,650,223. We continue to increase our contribution to the Texas Municipal Retirement System (TMRS) as agreed in our eight year plan. The City's contribution to TMRS increased by 1.24% for a total cost of \$1,160,978 in 2010.

A major challenge has been the Health and Benefits Fund which will have a proposed deficit in its ending balance for 2010 of \$4,159,628. Historically, the fund has been underfunded given that in 1996 the fund had a fund balance of \$7,936,556. That year the contribution premium per employee was reduced to \$151.06 from \$174.17 and was lowered again in 1998 to \$121.00 to help pay for pension benefits. Increases to the fund have never been equal to the actual cost of benefits and the fund balance has been reduced over the years. Last year the fund ended negatively with the number increasing this year. Staff is recommending a 10% increase in the health care contributions both in the City's and employees' dependent coverage for the next six years. This aggressive measure is included in order to bring the fund afloat over the next six years. Staff is working on a cafeteria plan together with our administrator and a consultant that would give Council more choices to help improve the fund outlook. The cost associated with catastrophic cases and the continued rise in medical costs continue to surpass the amount being contributed to the fund. The City of Laredo continues to be the only governmental entity in the county to provide employees with health benefits at no cost. The premium increase is estimated to be approximately \$12.26 per pay period per employee (depending on the insurance plan). As you know, 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.

The table below summarizes the total of new, deleted and unfunded positions city-wide, by department, with an estimated net cost of \$4,142,433. Detail reports are provided in the budget document.

Department	FTE's	Estimated Salary & Benefits
	New Positions	
Airport	3.00	122,312
FAA Noise Abatement	2.00	70,944
Sewer	3.00 (4 mos.)	47,430
Water	3.00 (4 mos.)	47,430
Subtotals	11.00	288,116

Department	FTE's	Estimated Salary & Benefits
	Deleted Positions	
Health	(5.00)	(303,098)
Bridge	(11.00)	(310,835)
Solid Waste	(12.00)	(439,365)
Subtotals	(28.00)	(1,053,298)
	Unfunded Positions	
City Manager	3.00	143,402
Municipal Court	1.00	42,505
Building	7.00	291,102
Finance	1.00	50,449
Human Resources	2.00	17,939
Planning	1.00	46,159
Engineering	2.00	66,803
IST	1.00	75,874
Economic Development	1.00	93,696
Police	30.00	1,521,549
Fire	8.00	589,980
Traffic	3.00	163,289
Public Works	4.00	138,210
Parks and Leisure	23.00	640,202
Library	9.00	407,709
Convention and Visitor's Bureau	3.00	76,518
Civic Center	1.00	53,834
Public Access Channel	0.15	4,462
Bridge	17.00	483,933
Subtotals	117.15	4,907,615
Total	94.15	\$ 4,142,433

General Fund

Although General Fund estimated revenues for 2009 will have a shortfall of \$7.4 million compared to the original budget, expenditures are estimated at \$8.3 million under original budget, thus adding \$808,172 to the estimated ending fund balance of \$27,428,767. This represents 22.7% of operating expenditures less other financing uses.

The major revenue shortfalls were: \$1.7 million in sales tax, \$623,252 in property taxes, \$915,026 in building permits, \$435,714 in electric franchise, \$3 million

from Bridge, \$221,000 in Land Development Fees, and \$114,000 in interest earnings. The major expenditures savings are estimated in the following areas: \$5.9 million in personnel, \$1.4 million in fuel, \$281,787 in electricity, \$275,710 in the transfer out to the Health Fund and \$492,552 in other areas.

Balancing the General Fund for 2010 took the cooperation of all departments, as previously stated, in order to balance the initial deficit of \$10.3 million. Revenues were increased by \$2.9 million and expenditures had a net decrease of \$7.4 million. Personnel related costs were reduced by \$4.8 million which included not funding 94 positions including 7 firefighter and 25 police officer positions. Electricity is projected to generate a savings of \$1.1 million and other operational line items were reduced by \$1.2 million. Additionally, the funding for Third-Party Funding was reduced by 25%.

The proposed 2010 General Fund budget is \$133.6 million, a decrease of \$3.4 million from the 2009 original budget. The following categories had a decrease: \$471,044 in Taxes, \$759,962 in Licenses and Permits, \$386,928 in franchise fees and \$2 million in Charges for Services. Expenditures decreased \$3.4 million for the 2010 budget compared to the 2009 original budget. The following activities reflect the major decrease in expenditures: \$1 million in General Government, \$626,580 in Public Safety, and \$1.4 million in Culture and Recreational line items.

Current 2009 sales tax revenue for the General Fund is estimated at \$24.8 million, representing a decrease of \$1.7 million under the 2009 original budget and a \$1.2 million or 5% decrease over the prior year. The sales tax budget for 2010 is \$25 million or \$200,000 over the estimate for 2009.

The General Fund receives fifty percent (50%) of bridge toll receipts. The estimated transfer for 2009 is \$19.7 million, a decrease of \$3 million or 13%, compared to the current 2009 budget. The net change for 2010 is a projected decrease of \$2.5 million reflecting a zero increase in bridge crossings.

Public Safety

To reinforce the commitment to keep our community safe, approximately \$85.4 million or 64% of our budget in General Fund is for the Police and Fire Departments.

Police

The strength of the Police Department will include 460 officers and 84 civilians, which will be provided for from the 2010 budget. In General Fund, the police budget represents a cost of \$50 million, representing 37% of the City's General Fund budget. General Fund includes a 4% salary increase projected at \$1.3 million. We continue to apply and utilize grants, such as Special Police Grants, COPS, and other overtime grants, to fund specific programs.

Fire

The City of Laredo's commitment to public safety is further reflected in its Fire Department, with 357 firefighters and 10 civilians and a budget of \$35.4 million. This represents 26 % of the City's General Fund budget. General Fund includes a 5% salary increase due to the Fire contract obligation estimated to cost \$1.3 million.

Quality of Life

Culture and Recreational Facilities

The development and creation of park and recreational amenities continues to be a fundamental request by our citizens. I have been very conscience about these requests since this means the addition of park infrastructure expenses. Along with the amenities come even larger expenditures of maintenance and overhead in order to preserve our parks to their highest standards while keeping them safe for our citizenry. In Parks and Leisure, we will proceed to hire an additional crew of 5 FTE's plus specialists in air conditioning, electricity and plumbing to properly maintain all projects under construction.

Closing Comments

2009 has been a very challenging year. In spite of revenue reductions of over \$10 million, we have not reverted to the use of our fund balance, but as promised, will end the year with an additional positive fund balance of \$800,000 in revenues to be added to our City's savings account.

As you may recall, last year's budget had already been formulated prior to encountering our economic downturn. This 2010 budget will more adequately reflect current conditions and better be able to project revenues and expenditures. We look forward to more discussion with council in the Budget Workshops.

Sincerely,

*Carlos Villarreal
City Manager*

Martin Aleman, Budget Director, provided the following memo:

At the request of City Council to be able to electronically access financial reports, the City purchased copyrighted Web Focus software. This software allows for the creation of automated fund summaries and other financial reports.

You may access the software through the internet by using the following URL: http://65.216.39.79/ibi_apps/bid-login. This will take you to a sign-on page where both your User ID and Password will be (according with your district number. The consolidated budget may be viewed by either fund or department where you

will be able to access the respective fund summaries that feature drill down capability to expenditure line items.

I am very excited to provide you with this capability. I am confident that you will find this to be a convenient and effective tool. Please contact me at your convenience at 956-791-7434 if you have any questions and to have your Password changed.

2. Submission of the proposed 2010 – 2014 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.

Jessica Hein, C.A.S.S. Director, submitted a copy of five-year Capital Improvement Program and added that the information would be posted on the City’s website.

City Manager Carlos Villarreal stated that what he felt was important was that some of the elements of the Capital Improvement Plan were already incorporated and they were simply waiting to see if they had enough debt service capacity to be able to go with an additional issue for the forthcoming year. He added that some of what was related to this could quickly change and open another window of opportunity for capacity.

V. EXECUTIVE SESSION

VI. ADJOURNMENT

Motion to adjourn.

Moved: Cm. Narvaez

Second: Cm. Belmares

For: 5

Against: 0

Abstain: 0

I, Gustavo Guevara, Jr., City Secretary, do hereby certify that the above and foregoing is a true and correct copy of the minutes contained in pages 01 to 08 and they are true, complete, and correct proceedings of the City Council meeting held on July 23, 2009.

Gustavo Guevara, Jr.
City Secretary