

**CITY OF LAREDO
SPECIAL CITY COUNCIL MEETING
M-2012-SC-03
CITY COUNCIL CHAMBERS
1110 HOUSTON STREET
LAREDO, TEXAS 78040
JULY 31, 2012
12:30 P.M.**

I. CALL TO ORDER

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

II. PLEDGE OF ALLEGIANCE

Mayor Salinas led in the pledge of allegiance.

III. ROLL CALL

In attendance:

Raul G. Salinas,	Mayor
Mike Garza,	Council Member, District I
Esteban Rangel	Council Member, District II
Juan Narvaez,	Council Member, District IV
Johnny Rendon,	Council Member, District V
Charlie San Miguel,	Council Member, District VI
Jorge A. Vera,	Council Member, District VII
Cynthia Liendo Espinoza,	Mayor Pro Tempore, District VIII
Gustavo Guevara, Jr.	City Secretary
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. Perez.

Moved: Cm. Narvaez

Second: Cm. San Miguel

For: 7

Against: 0

Abstain: 0

II. MOTION

1. Submission of the proposed Fiscal Year 2013 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 reported on the submittal of the 2012-2013 proposed budget, stating:

Mayor and City Council, I am pleased to submit to you a balanced budget for Fiscal Year 2013 which contains the necessary resources to continue providing the highest level of customer service to our community without raising property taxes for the 9th consecutive year! The budget process continues to be a difficult task, since most revenues remain at the same level for the past two years. It incorporates existing goals into action and critically evaluates the effectiveness of existing programs to assess resource allocation and ensure successful accomplishment.

While the City continues to grow and the demands for City services multiply, for the fourth consecutive year, we have asked the departments to work with minimal increases. The majority of the increases relate to personnel, benefits and operational costs due to new infrastructure added to the system. My directive from City Council has been to refrain from increasing 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 using a conservative spending approach,*
- *Continuing to postpone or delay the hiring of vacant positions relying on temporary employees to defray additional benefit costs and avoid layoffs,*
- *Continuing to curtail all travel except for accreditations and those necessary to a departments operation.*

We continue to work towards meeting the goals below as set by the Mayor and 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 facility Haynes Recreation Center; the baseball stadium and the soon to open golf course,*
- *Maintaining, improving and adding to our road infrastructure such as the Merida Drive Extension Project, Kirby Drive, and continually working on our industrial streets, resurfacing of streets, drainage and sidewalks.*

The FY 2013 entire consolidated budget encompasses operating expenditures of \$499,258,627 with a total net operating budget, excluding operating transfers, of \$385,086,575. Surprisingly, our property valuations increased by 1%, or \$106,185,556 after two years of no material growth. Due to our conservative

management of operations, we have managed to achieve savings in other funds to be able to transfer approximately \$2.2 million to General Fund. Debt Service fund balance will also be used for the payment of debt service for FY 2013 in the amount of \$2 million to reduce the impact to the General Fund. Sales tax generated the largest increase with \$4.6 million to assist in balancing the budget.

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 items: \$1.2 million for contractual obligations with the firefighters; \$2.5 million for a 3% cost of living adjustment for non-civil service employees effective October 1, 2012; \$1,5 million or 10% increase in Health & Benefits; \$350,000 for Convention and Visitors Bureau for a marketing campaign and additional sponsored events; \$780,223 or .70% increase in the City's contribution rate to TMRS; \$850,000 for operational cost for the City's new animal shelter; seventeen over hire firefighter cadet positions at a cost of \$1.1 million for the Fire Departments Academy which is scheduled for October 2012 and \$692,000 for Parks and Leisure Services to fund personnel and operational expenditures related to the opening of new park facilities just to name a few. Again as stated previously capital improvements always produce additional expenditures in maintenance and operations.

We are also analyzing and reviewing a number of fees submitted by staff for increases as per Mayor and City Council's directive and I will be recommending fee increases during the budget workshop for your consideration. Some of these fees have not been adjusted in over twenty years and are not reflective of the cost of the service being provided. These revenues will provide much needed relief in our day to day operations in order to continue providing the quality of service the Citizens deserve. Below is recapping of estimated revenues being considered by department;

Department	Estimated Revenue
Building Development Service	\$453,537.00
Plannning and Zoning	\$50,965.00
Transportation - Traffic	\$3,210.00
Parks and Leisure Services	\$997,125.00
Subtotal for General Fund	\$1,504,837.00
Health	\$127,655.00
ITS - Public Access Channel	\$25,271.00
Engineering - Solid Waste	\$1,761,996.00
Airport	\$661,643.00
Parks and Leisure Services - Civic Center	\$100,225.00
Utilities	\$1,259,050.00
Subtotal for all other funds	\$3,935,840.00

Despite the slow recovery of the US economy, the City of Laredo has experienced an increase of \$3.4 or 12.88% in sales tax and an increase of \$466,070 or 11.57% in Hotel Motel Tax from FY 2011 to FY 2012. These are two good indicators that Laredo's economy is expanding and the combination of Mexican shoppers, activity from the Eagle Ford Shale and special events hosted in Laredo are having a positive impact on the City's economy.

The City's rating of Certificate of Obligations and General Obligations as of July 2012 continue to be maintained at the following ratings:

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

I assumed this position in April 2007 just when the economic down-turn was in its infancy stage. Through tough times, staff has responded and has demonstrated the ability to maintain strong financial management during the most tumultuous economic periods. These bond ratings are the highest classifications ever received by the City of Laredo.

We are currently working on a Personal Property Financing Certificate of Obligation in the amount of \$3.8 million to fund much needed equipment for the operation of various departments. Some of the equipment being considered are \$562,000 for twenty two pickups, utility vans & small utility vehicles, \$1.2 for an aerial truck, \$434,788 for two ambulances, \$490,000 for a fire engine, \$88,000 for eight riding mowers, \$190,000 for two backhoes with extended booms, \$145,000 for a pothole patcher, \$225,000 for three dump trucks, and \$210,000 for a sweeper.

Public Safety

The City's commitment to keep our community safe is reflected in its appropriations to Police and Fire in the amount of \$96.1 million or 62% of total General Fund budget.

Police

The strength of the Police Department will include 482 officers and 83 civilians. The Police budget represents a cost of \$55.5 million, representing 36% of the City's General Fund budget. A total of 21 Police Officers have graduated and have been added during FY 2012 and funding for 23 positions is available for an Academy in August 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.

The 9-1-1 Regional Administration Office of the City of Laredo, servicing the Counties of Webb, Starr, Zapata, and Jim Hogg, completed a major upgrade in technology for 9-1-1 service by fully replacing all telecommunications equipment at each of the seven (7) public safety answering points (PSAPs) in the four county region—a project totaling over \$666,000. This equipment replacement included

database and mapping servers, interface modules, switches, and other essential parts, such as power supplies and licensing requirements, of the central processing units located in the PSAPs back rooms; as well as call taker and dispatcher computer equipment in the PSAPs front rooms. This new technology installed was a step toward full implementation of Next Generation 9-1-1 (NG911) which will allow interconnection with PSAPs within each region, from region to region state-wide and even nationally from state to state. NG911 will also provide enhanced services including non-voice messaging and photo and video transmission.

In an effort to demonstrate the safety of our community, the City of Laredo unveiled a billboard and electronic campaign statewide aimed at dispelling common misperceptions regarding Laredo's safety and criminal activity. The campaign started in July and will run for approximately one year. Its principle aim is to provoke a discussion and provide a platform for Laredo to engage a wider audience in a message that has gotten lost due to wide-spread media coverage about Mexico and drug-cartel related violence that occurs in proximity to the U.S. - Mexico border. It is one means by which to assist with the overall economic development of the Laredo community

Fire

The City's Fire Department is no exception of Laredo's commitment to public safety with a force of 362 Fire Fighter positions. On October 1, 2012 the department is scheduled to initiate an academy with over 30 members. The proposed General Fund budget contains \$40.6 million in appropriations for the department, representing 26% of the General Fund expenditures. The Fire Departments budget includes \$1.1 million for seventeen over hires; \$659,776 for non-civil personnel and operational expenditures related to the academy and the new Administration Building.

In addition the Fire Department has moved into their new \$10.6 million Administration Building which includes offices for uniformed and civilian support staff personnel, whose mission is to assist in efficient fire department operations. The Divisions housed in the building include EMS Training and Operations, Payroll and Finance, Fire Prevention, IT Support and Administration. The 40,000 sq. ft. facility also includes equipment, supply and material storage, EMS classrooms, library, conference rooms, an operations control room, and an evidence room. In addition to this, the main classrooms can be converted in a moment's notice into the City's Emergency Operations Center. The official opening ceremony of the facility will take place on September 11, 2012.

Quality of Life

Culture and Recreational Facilities

The development and creation of recreational amenities has created a need on the operational side of the equation in order to operate and maintain the facilities that opened or will be in operations by the end of FY 2012. Facilities with a value of

over \$20 million that will have an impact in operations consist of the following: Independence Hills, Haynes Recreation Center, El Eden Phase II, La Ladrillera, and Muller Park/Indian Sunset to just name a few. The General Fund includes \$10.4 million for the Parks and Leisure Services Department which includes \$692,000 in addition appropriations to cover additional staff and operational costs to operate and maintain the new facilities. We continue to use temporary staff to shore up operations while saving on the benefit cost.

After successful negotiations with the Surety Company, we are looking forward to completing the Northwest Recreation Center and South Laredo Santo Nino Library by the end of FY 2013. These projects will be completed with a value in excess of \$11 million and fully operational by the first quarter of FY 2014.

The new Uni-Trade baseball stadium have been opened for baseball and will be fully functional by the end of August 2012 and we are anxiously awaiting the opening of the Max A. Mandel Municipal Golf Course which is expected to open during the first quarter of FY 2013.

Transportation and Infrastructure

Public Works

The slow but constant growth in commercial traffic, via rail and truck, coupled with the Eagle Ford Shale activity continues to make Laredo's transportation system a top priority. Public Works in-house paving crews have paved over 360 City blocks to date at an estimated cost of \$2,500,000 and are schedule to work on 400 more City blocks in FY 2013. The Merida Drive Extension Project with a cost of \$2.4 million is an example of locally funded projects the City is committed to work on in an effort to provide the necessary alternate routes for citizens of Laredo. This project will provide an alternate route to Bob Bullock Loop 20 for residents travel from or to Los Presidentes Subdivision, Independence Hills Subdivision, United South High School and Independence Hills Regional Park. The in house project of Kirby Drive connecting Winfield Parkway with Shiloh Drive will provide Winfield resident with a safer access to north or south bound Bob Bullock Loop.

Airport

The Airport continues to aggressively seek FAA funding and has been very successful. During the FY 2012, a total \$12.1million in construction projects was completed with FAA funding and an additional \$8.6 has already been awarded to the department for additional runway and taxiway projects.

The Federal Inspection Services (FIS) Facility with a cost of \$3 million, in local funds, will house both U.S. and Mexican Customs to clear private and cargo aircraft. Having Mexican Customs operating in U.S. soil will be a historic event that will forever change air cargo bound for Mexico. Mexican Customs will pre-clear the south bound cargo, meaning that once the air cargo departs the Laredo International Airport with duties paid it will enter Mexico as domestic merchandise

and the cargo upon arrival will not have to be delayed at a Mexican Bonded warehouse rather the cargo will be immediately delivered to the consignee/owner. This is a huge savings to the Mexican Importer. The initial targeted industries will be the automotive, electronics and aerospace industries.

What does it mean for the airport? Increase air cargo operations that will generate additional landing fees, fuel flowage fees, and more rental income from rental of buildings and land which in turn will generate more employment.

Utilities

The City's Utility department has made great strides to improve the infrastructure of the water and wastewater system to ensure that the citizens of Laredo are provided with quality water and to ensure efficient collection and treatment of wastewater. Just in the last two year the City of Laredo has let out over \$180 million in projects for the water and wastewater system. Some of the projects that will be completed in FY 2012 consist of the \$40.3 million for the expansion and Electrical & Generator Improvements of the Jefferson Water Treatment Plant, \$5.1 million for the Hendricks, Milmo and Lyon Water Pump Booster Station Improvements, \$6.2 million in 8" Water Line Replacements, \$4.1 million for a three million gallon elevated storage tank at Bartlett and Price, \$2 million for the Flores Street improvements, \$3 million to a 24" Water Transmission Main on Loop 20 from Killiam Estate to Doctor's Hospital. Two of the major projects which are scheduled to be completed in FY 2013 are the \$100.2 million El Pico Water Treatment Plant and \$7.3 million Sombretillo Creek Wastewater Treatment Plant. These projects together with the El Pico Water Treatment Plant are part of a Master Plan that will serve the Laredo community for the next 50 years.

Health and Welfare

The City's commitment to keep our community safe when it come the health is also being reflected in the decision made by Mayor and City Council to have the City build its own animal impound facility. Initial construction has been initiated and the Health Department includes an additional operating budget of \$850,000 for FY 2013 for the facility. The additional cost consists of \$336,707 in personnel for three Animal Control Officers, one Clerk II, one Dispatcher, and four groundskeepers; \$139,050 for material and supplies such as dog supplies, medical supplies, chemicals, and pharmaceuticals; \$354,243 for contractual services such utilities, veterinarian services, security, consultants and waste hauling.

Staffing and Benefits

A total of 2,640.87 full time equivalent positions are being proposed in the FY 2013 budget at an estimated cost of \$179,062,393. The proposed budget includes a cost of living increase of 3% for non-civil service employees effective October 1, 2012. The proposed budget includes funding for a contractual obligation of 3.25% for firefighters at a cost of \$1,229,052. The budget also includes a contribution rate of 20% to TMRS which includes a .70% increase from FY 2012 at a cost of \$780,223.

The Health and Benefits Fund continues to be a challenge, however the six year plan unanimously approving a 10% increase for health care contributions both on the City's and employees' dependent coverage adopted by City Council seems to be materializing. The estimated deficit for FY 2012 will be (\$2,078,676), but we are estimating that the deficit will be at zero by the end of FY 2013. This indicates that the additional contributions are having a positive impact on the fund. This will mark the fourth year in which a 10% will be implemented at an additional cost of \$1,542,698.

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 employees' 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 100% of their health insurance premium paid by the City.

General Fund

General Fund estimated revenues for FY 2012 will exceed the amended budget by \$2.9 million.

The main revenue which accounts for that total is Sales Tax with \$2.9 million or 10.8% above FY 2012 budget and \$3.4 million or 12.88% above FY 2011 actual.

Total proposed revenues for FY 2013 are \$153.6 million, a growth of \$9.9 million or 6.9% from the FY 2012 Original Budget. Sales Tax and Sale of Land reflect the largest growth at \$4.6 million and \$3.6 million, respectively, and franchise fees indicate an increase of \$668,111 from FY 2012 Original Budget. The largest revenue decrease was property tax of \$526,542 or 1.02% due to the reallocation of the tax rate between operations and debt service. As previously indicated, I will be recommending a number of fee increases for General Fund, during our budget workshop in the amount of around \$1.5 million.

Balancing the General Fund in light of the initial deficit of \$11 million for FY 2013 required a combination of items including the increase and/or decrease of revenues and expenditures. I will also be making a recommendation on a number of revenues that need to be increased in order to keep our services in line with the growth of the city. Below is a list of items which were addressed to complete the task of balancing the proposed FY 2013 budget in order to avoid reduction in services to our citizens.

Revenues

- \$4.0 million as a transfer in from the Capital Improvement fund due to excess funds from the Bridge System and General Fund savings from FY 2012 which consisted of one-time revenues in FY 2011,*
- \$3.6 million in anticipation of the sale of Veteran's Field to LISD*

- \$2.2 million in one-time transfers consisting of \$450,000 from Parking Meters, \$750,000 from Fleet Management, \$150,000 from Recreation Fund, \$100,000 from Laredo Public Facility Corporation and \$750,000 from Risk Management,
- \$1 million used from Debt Service Fund balance to cover debt service payments,
- \$500,000 in net increases from a multitude of budget line items,

Expenditures

- \$383,200 in savings from deleted and unfunded positions,
- \$268,672 in savings from grant matches,
- \$273,989 in savings by estimating lower fuel cost projections
- \$236,216 in savings from different departments

Total proposed expenditures of \$153.7 million in FY 2013 reflect an increase of \$9.8 million from the original budget. The Personnel category continues to have the largest impact at \$7.9 million, \$861,655 in material and supplies, and \$1.3 million in contractual services.

Tax Rate

The tax rate for FY 2013 is projected to remain at the same rate for the ninth consecutive year at \$0.63700 per \$100 assessed valuation. The FY 2013 property values are projected to increase by 1% over the FY 2012 valuations. The total taxable value of \$10.6 billion will generate a levy of \$67.5 million. This increase represents \$1,073,721 or 1.67% over the FY 2012 tax collections. The levy for FY 2013 excludes an estimated amount of \$459,014 for the tax freeze for the elderly and disabled as directed by City Council.

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Proposed
<i>Tax Rate</i>	0.637000	0.637000	0.637000
<i>Taxable Valuations</i>	\$ 10,520,578,493	\$ 10,502,095,612	\$ 10,681,584,640
<i>Tax Levy</i>	\$ 67,016,085	\$ 66,898,349	\$ 67,582,680

- *The maintenance and operations tax rate allocation of \$0.498791 for FY 2013 will generate total revenues of \$51.3 million for General Fund, a decrease of \$526,542 over the FY 2012 budget due to the change a two cent decrease from maintenance and operations to cover the FY 2011 issue. The impact was reduced by a contribution from Debt Service Fund Balance in the amount of \$ 2 million.*
- *The debt service tax rate allocation of \$0.138209 will generate total revenues of \$14.2 million for FY 2013, a \$1.6 million increase over the FY 2012 budget with a proposed collection rate of 97%.*

Closing Comments

To the citizens of Laredo and to you Honorable members of the City Council the budget process has become increasingly difficult every year. This year, our initial budget deficit started at \$11.1 million and had to be dealt with in a manner that did not drastically affect service while maintaining our strong economic posture and foundation.

The cooperation of all department heads and managers have been nothing less than exemplary. 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 2013 budget contains the necessary tools to accomplish the goals set by City Council. 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.

Motion to approve a 3% cost of living increase for city employees if appropriate.

Moved: Cm. Garza

Second: Cm. Vera

For: 7

Against: 0

Abstain: 0

III. EXECUTIVE SESSION

None.

IV. ADJOURNMENT

Motion to adjourn.

Moved: Cm. Garza

Second: Cm. Vera

For: 7

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 10 and they are true, complete, and correct proceedings of the City Council meeting held on July 31, 2012.

Gustavo Guevara, Jr.
City Secretary