

AUGUST 7, 2024

A SPECIAL MEETING OF THE CITY OF KINGSVILLE CITY COMMISSION WAS HELD ON WEDNESDAY, AUGUST 7, 2024, IN THE HELEN KLEBERG GROVES COMMUNITY ROOM, 400 WEST KING AVENUE, KINGSVILLE, TEXAS AT 4:30 P.M.

CITY COMMISSION PRESENT:

Sam R. Fugate, Mayor
Edna Lopez, Commissioner
Norma N. Alvarez, Commissioner
Hector Hinojosa, Commissioner
Leo Alarcon, Commissioner

CITY STAFF PRESENT:

Mark McLaughlin, City Manager
Mary Valenzuela, City Secretary
Courtney Alvarez, City Attorney
Kyle Benson, Director of Information & Technology
Derek Williams, IT
Emilio Garcia, Health Director
John Blair, Chief of Police
Leticia Salinas, Accounting Manager
Deborah Balli, Finance Director
Susan Ivy, Park Director
Bill Donnell, Public Works Director
Rudy Mora, City Engineer
Charlie Sosa, Purchasing Manager
Juan J. Adame, Fire Chief
Janine Reyes, Tourism Director
Mike Mora, Capital Improvements Manager

I. Preliminary Proceedings.**OPEN MEETING**

Mayor Fugate opened the meeting at 4:30 p.m. with all five commission members present.

INVOCATION / PLEDGE OF ALLEGIANCE – (Mayor Fugate)

The invocation was delivered by Ms. Courtney Alvarez, City Attorney, followed by the Pledge of Allegiance and the Texas Pledge.

MINUTES OF PREVIOUS MEETING(S)

None.

II. Public Hearing - (Required by Law).¹

None.

III. Reports from Commission & Staff.²

“At this time, the City Commission and Staff will report/update on all committee assignments which may include but is not limited to the following: Planning & Zoning Commission, Zoning Board of Adjustments, Historical Board, Housing Authority Board, Library Board, Health Board, Tourism, Chamber of Commerce, Coastal Bend Council of Governments, Conner Museum, Keep Kingsville Beautiful and Texas Municipal League. Staff reports include the following: Building & Development, Code Enforcement, Proposed Development Report; Accounting & Finance – Financial Services - Information, Investment Report, Quarterly Budget Report, Monthly Financial Reports; Police & Fire Department – Grant Update, Police & Fire Reports; Street Updates; Public Works-Building Maintenance, Construction Updates; Park Services - grant(s) update, miscellaneous park projects, Administration –Workshop Schedule, Interlocal Agreements, Public Information, Hotel Occupancy Report, Quiet Zone, Proclamations, Health Plan Update, Tax Increment Zone Presentation, Main Street Downtown, Chapter 59 project, Financial Advisor, Water And Wastewater Rate Study Presentation. No formal action can be taken on these items at this time.”

Ms. Courtney Alvarez, City Attorney reported that there will be a regular commission meeting on Monday, August 12, 2024, at 4:30 p.m. There is also a special meeting scheduled for Wednesday, August 14, 2024, at 4:30 p.m.

IV. Public Comment on Agenda Items.³

1. Comments on all agenda and non-agenda items.

No public comments were made.

V.

Consent Agenda
Notice to the Public

The following items are of a routine or administrative nature. The Commission has been furnished with background and support material on each item, and/or it has been discussed at a previous meeting. All items will be acted upon by one vote without being discussed separately unless requested by a Commission Member in which event the item or items will immediately be withdrawn for individual consideration in its normal sequence after the items not requiring separate discussion have been acted upon. The remaining items will be adopted by one vote.

CONSENT MOTIONS, RESOLUTIONS, ORDINANCES AND ORDINANCES FROM PREVIOUS MEETINGS:

(At this point the Commission will vote on all motions, resolutions, and ordinances not removed for individual consideration)

None.

REGULAR AGENDA

CONSIDERATION OF MOTIONS, RESOLUTIONS, AND ORDINANCES:

VI. Items for consideration by Commissioners.⁴

1. Review and discuss proposed fiscal year 2024-2025 budget for departments of the City of Kingsville. (City Manager).

Mr. Mark McLaughlin, City Manager stated that the Chief Appraiser supplied the Certified Tax Values and Finance worked with the Tax Collector to calculate the effective tax rate for the Fiscal Year (FY) 2024-2025 budget. Mr. McLaughlin stated that what staff had in question was the certified values for 2023 versus their certified estimates for 2024, they showed that the city lost \$223 million in value. Staff then asked the Chief Appraiser to explain the loss of value she then redid the chart which now shows the correct numbers. The new numbers given by the Chief Appraisers are as follows versus what is displayed, which include real property, personal property, and minerals rights which add up to \$1.472 billion, which is what we were taxed on for this year. For next year, the certified are not estimated to be \$1.566 billion. After taking out all the exemptions, homestead, capital and loss of agriculture brings it down to \$1.217 billion. There are still some properties that are under ARB Review or getting ready for ARB Review which removes \$214 million worth of value for taxable purposes. This information is then taken to the Tax Assessor which then results in the tax rate calculation of the current tax rate of \$.76000, no new revenue rate of \$.73176, voter-approved tax rate of \$.79793, and proposed in the budget is \$.77000, which leaves the general fund at 25%.

Commissioner Hinojosa asked that the no new revenue rate be \$.73 which is the same amount of taxes that the city can collect for this year compared to last year.

Mr. McLaughlin responded yes that's what it means. You bring in the same amount of money in your current year as you brought in last year if you use the same rate. Mr. McLaughlin further commented that he doesn't see that happening, as the city doesn't collect 100% of all that valorem in the same year. Mr. McLaughlin further commented that as of now, only 95% have paid.

Commissioner Hinojosa asked that from the handout that was given to the commission, you are not able to see what the taxpayer received, whether they received the value that is net taxable, or the final certified estimated tax value. He further commented that a lot of the city's taxpayers had their values increased and how many of those are under ARB Review. He further stated that he sees how it's done but here we are where the city may increase some fees, as staff gave a presentation on that in a past meeting, but this is what causes concerns for him is that the taxpayer's values increased and if the city is going to increase the tax rate to \$.77, their taxes will increase. He further commented that he understands that the city needs the funds, but he is still concerned for the taxpayer.

Mr. McLaughlin stated that on the worksheet that was handed to the commission, you can see the numbers that are under ARB Review. In this current year, they had \$62 million worth of values that are under review. This year, for the upcoming budget, there is \$173 million which is three times larger than the amount of people who are protesting their taxes.

Commissioner Hinojosa asked that if these values are in the city, would that be the same amount for the county?

Mr. McLaughlin responded that he also asked that same question and he doesn't recall the amount that the county had under protest. He further stated that when the city received the values on July 25, 2024, he was shocked to hear that the city would be losing \$200 million in value. He further stated that after speaking with the county, the county had gone up by \$500 million in value. The city went down \$225 million, and the county went up \$500 million. Since the city is in the county this means that the city's negative had to be factored in which means that the rest of the county land, outside the city limits, increased by \$3.4 billion to make up that difference. McLaughlin further stated that staff asked the Chief Appraiser how this could happen to which the Chief Appraiser responded that the county had a lot of growth at Loyola. Mr. McLaughlin stated that historically when the city compares its

numbers, what we see from our taxes is that our valuations go up and it's much the same for the county. When the numbers are different, this is when staff starts to ask questions as to how this could be correct.

Commissioner Alvarez stated that in an email the commission received, it has been asked that the Chief Appraiser be in attendance at the next commission meeting. Will she be at the next commission meeting to answer commission questions? She further commented that she is curious because the last day to certify numbers is July 25th.

Mr. McLaughlin responded that this is correct. The Chief Appraiser has to give the city certified values or certified estimates, which the Chief Appraiser has done.

Commissioner Alvarez responded that this was her point and commented that why are we, at the very last minute, when other counties give out their appraisals in April and they have until May to appeal their values, and here in our city it's done at the last minute. This is all the time it happens. She further stated that this is a question she would like to ask the Chief Appraiser. She also stated that you could get a better picture as to whether or not the appeals will be accepted and then you will know exactly what these people will be taxed on.

Mr. McLaughlin responded to Commissioner Alvarez that yes he has asked for the Chief Appraiser to attend the next City Commission meeting to answer any questions that the commission may have as the city has an agenda item where the commission will be voting on the certified estimates. The next step would be adopting a proposed tax rate which staff has proposed \$.77 which will then allow staff to finish the rest of the budget.

Mayor Fugate asked that this would only be a proposed rate and not necessarily the final rate.

Mr. McLaughlin responded that this was correct. This allows him to put into the budget.

Mayor Fugate further commented that if you go less, there is no way of changing it. If the commission adopts the proposed rate of \$.77 at the next commission meeting, that doesn't mean it can not be lowered at a later date. But what it also means is that you can't go higher on the rate.

Mr. McLaughlin and Ms. Alvarez both responded that this was correct.

Mr. McLaughlin continued with the PowerPoint Presentation. He stated that as a review on the second workshop, staff and commission reviewed the group insurance health and comp plan. Fiscal Year 24-25 will be the 3rd year of the current contract with United Health Care. The city will be going out for bids for this in FY 24-25. The employee's cost will remain the same as it is in FY 23-24, with additional costs paid by the city. In the proposed budget for FY 24-25, there is a transfer from the Insurance Fund 138 to assist in covering the increases in employer costs as follows: General Fund \$1,342,602.12; Tourism Fund \$10,509.84; Utility Fund 269,851.20; and Economic Development \$8,509.44. In the compensation plan, it is recorded in the proposed budget for FY 24-25 are items related to Year 2 Comp Plan increases: General Fund (non-civil service) \$155,746; Tourism Fund \$4,797; Utility Fund \$82,528.16; and Economic Development Fund \$0. Collective Bargaining Contracts, civil service salary increases, police year 2 of current contract for an amount of \$168,771.20. The Fire CBA is still under negotiations.

Commissioner Hinojosa stated that when the city seized to be self-employed there was a certain amount of funds in there and after that there were more claims that came in and there is a waiting period where more claims can come in. At the last day, all the claims that came in were paid, does the city have a fund balance at that time and kept it separately and how much of that is the city using each year.

Mr. McLaughlin responded that the answer is yes, the city does and it's in fund 138.

Commissioner Hinojosa stated that he didn't see it as it was all lumped into one in the preliminary budget he asked for and received. He wants to see that staff is keeping track of it in black and white and not comingled with the existing premiums and contributions from the employees for the last three years.

Mrs. Deborah Balli, Finance Director commented that when the city changed over from being self-insured to the fully insured plan with United Health Care (UHC), the city's cut-off period for prior claims was December of that year. Once we went past that period then the city has no more claims that are outstanding that the city would be on the hook for. That period has already passed. Everything now going forward is something that is being processed by UHC and the city does not pay claims anymore with UHC, the city just pays premiums that are calculated at the beginning of the year. The city does not have to keep track of claims any longer.

Commissioner Hinojosa asked that the amount that was left over from the insurance, was that amount in a separate bank account.

Mrs. Balli responded that it is in the insurance fund and the insurance fund does have a separate bank account. They also have claims on cash in that fund which shows that's our

big pulled account so there are funds in Kleberg Bank, Texas Class and have claim on cash which is part of the pulled cash account.

Commissioner Hinojosa asked if this all was in a separate account.

Mrs. Balli responded it's in the 138 Fund but in different bank accounts.

Commissioner Hinojosa stated that he understands this and further commented that this is money that has been used to offset any increases from the last years.

Mr. McLaughlin and Mrs. Balli both agreed. Mr. McLaughlin commented that only Fund 138 so all the contributions that went into that is being used to pay just insurance, as that is all it can be used for.

Commissioner Hinojosa further commented that the way the fund, in the preliminary, he didn't see a separate line item.

Mrs. Balli asked Commissioner Hinojosa what the separate line item would be for.

Commissioner Hinojosa commented that it would be for the balance that was left over from the self-insured funds.

Mrs. Balli commented that the self-insured funds are going to be 138 Fund. Staff has not changed it from a self-insurance fund to a regular insurance fund, we just kept the same fund to moving forward under United Health.

Commissioner Hinojosa asked if they were being comingled.

Mrs. Balli responded that it is in the insurance fund, so it's not being comingled.

Mr. McLaughlin commented that it is one checkbook.

Commissioner Alvarez responded correct, but it is being comingled with what was leftover when the city was self-insured, but the city is no longer self-insured.

Mrs. Balli responded that it is still insurance funds that pay premiums.

Commissioner Hinojosa stated that he knows when there is a transfer you can see it as there would be a lump sum figure that is done at the beginning of the year or is it done on a monthly basis. The \$1 million that is transferred from the insurance fund into the general fund.

Mrs. Balli responded that last year they had set up to have the health insurance cover the difference in the premiums. So staff was sending over less than what they should have then the insurance was paying more than what we were sending, this is how the city had it set up, transferring into the other funds. When the city got audited this year, the auditor said no, you still have to record all the amounts that the city would have paid in the respective funds and divisions, we have to transfer from the insurance fund over to the general fund, same difference, just a different way we have to account for the movement of funds. This is as per the city's auditor. She further stated that this is why you are not sending less over for next year we have to send over the exact amount that we need to, based on the premium rates.

Commissioner Alvarez asked if the city is still under \$988,000.

Mr. McLaughlin stated that what is in the PowerPoint is what needs to be transferred now which states that the transfer from the insurance fund 138 to assist in covering the increases in employer cost general fund needs \$1.3 million, Tourism Fund needs \$10,000, Utility Fund needs \$269,000 and Economic Development needs \$8,509.00.

Commissioner Alvarez asked where the number of \$988,000 come from.

Mrs. Balli responded that the \$988,000 is a difference because its where we started when we first went over United Health. That first year we had a 12% increase in premiums which is the current year that we are in, next year it will increase to 18%. Between the two years you are looking at about 30%. The \$988,000 is from the first year of United Health to now next year will be the third year of United Health and the \$988,000 is the difference of that increase percentage in city rates.

Commissioner Hinojosa commented that the only reason that he and Commissioner Alvarez are quoting all these figures is because they met with the City Manager where they received a breakdown at the time we were \$1.8 million down and this is where it came from.

Mr. McLaughlin stated that in the compensation plan, he has acknowledged that he had the meeting and there were some recommendations that he has gone back to the stay the course and institute it in this budget, the second year of the comp plan instituted by the contractor Evergreen which will be this year. Recorded in the proposed budget for FY 24-25 are items related to Year 2 comp plan increases: General fund (non-civil service) \$155,746, Tourism Fund \$4,797, Utility Fund \$82,528.16, and Economic Development 40. Collective Bargaining Contracts, civil service increase, police year 2 of the current contract for \$168,771.20. Collective Bargaining Contract for Fire is still under negotiation.

Commissioner Alvarez asked why is it in the compensation plan she is seeing figures where the police officers are getting a certain amount increase, if they do collective bargaining, why are they in the compensation plan and are those figures their collective bargaining figures or extra. She further commented that this was confusing to her.

Mr. McLaughlin stated that in the compensation plan, it includes what is negotiated what is in the CBA. This is a two-year contract and we are not finishing the second year so this is why you see those figures.

Mayor Fugate commented that both Fire and Police were part of the compensation study. Based on those figures that they came up with, as far as increases, were based what was in the study.

Mr. McLaughlin responded that this was correct.

Commissioner Alvarez then asked if they were receiving that plus what is in the study.

Mr. McLaughlin responded no. They are getting what is in the contract.

Commissioner Alvarez commented that they shouldn't have been in the compensation plan. She further commented that there are a lot of discrepancies in the compensation plan. She stated that what she would like to see an item on the agenda for one of the next meetings, to vote on either accepting the second year of the plan or not.

Mr. McLaughlin responded that he highly recommends not to do that.

Commissioner Alvarez responded that she highly recommends that they do.

Mr. McLaughlin commented that the commission signed up for this, this time last year, and now you are pulling it from the employee by doing this, he highly recommends not doing what is being recommended by Commissioner Alvarez. He further stated that it is only \$155,000 for year 2 of the compensation plan out of a \$50 million budget. He stated that he highly recommends staying on the course.

Commissioner Alvarez commented that the city was short \$1.8 million last week and she would like to see how we came up with that \$1.8 million. Are positions being frozen? Mr. McLaughlin responded yes. Commissioner Alvarez stated that this to her is not going to cut it. She further stated that she has seen some of the positions that are being frozen and they are some heavy equipment operators and she feels that those positions are needed the most, and she is not against the employees receiving a raise, as there have been increases the past four years, which a 3% COLA was included last year with the compensation plan that was snuck in.

Mr. McLaughlin responded that there was no increase snuck-in.

Commissioner Alvarez stated that the way she is looking at it there was a 3% increase across the board also. Mr. McLaughlin responded there was no increase last year.

Commissioner Hinojosa commented that there was a 3% increase in there.

Mr. McLaughlin responded no. He then stated that the compensation study proved that the minimum increase would be 3%. He further explained that if an employee was not part of a restructuring based on Evergreen Study, the minimum one would get would be 3% as it moved some employees very little, minimum movement was 3%, nobody received less than that. He stated that there were some that went into the 30% based on what they were getting.

Mayor Fugate asked how much it cost to do this study with Evergreen. Mr. McLaughlin responded that it cost between \$40,000 to \$50,000. Mayor Fugate then asked if this was voted on by this commission with the exception of Commissioner Alarcon. Mr. McLaughlin responded that this was correct. Mayor Fugate then asked how long did the study take. Mr. McLaughlin responded that it took about 8 months to put together. Mayor Fugate then stated that the Commission accepted that study and approved the first phase of the study. Mr. McLaughlin responded that the commission approved the compensation plan entirely and he mentioned to the commission that it would take two years to pay for it in the budget. McLaughlin further stated that the city is committed to this plan which is why he left it in the budget. Mayor Fugate commented that this is a plan that was committed on by this commission and the first year has been done and now we are on the second year of the plan, to which the commission knew this would be coming up, after voting for it last year.

Commissioner Alvarez asked if a committee was formed for the city. Were city employees involved in this, other than filling out a survey?

Mr. McLaughlin responded yes, the Evergreen staff with city employees filled out forms, which was a process they went through to get this study done.

Mayor Fugate commented that city staff took part in this plan and it took a lot of detail to get this plan together, with the assistance of staff.

Commissioner Hinojosa asked that when the study had been completed by Evergreen, who received the study and who made the decisions. Was this one person or was there a

committee formed. He further stated that there were negotiations going back and forth and the 3% was part of it. Who all were involved in making recommendations for this plan.

Mr. McLaughlin stated that there was daily interaction between HR, who was involved, with the contractor as they were the conduit between the city and the contractor, so yes, HR was involved in this everyday. But the Commission was briefed on the entire plan.

Mayor Fugate asked if everyone on the commission received a copy of the comprehensive plan.

Mr. McLaughlin responded yes, all the data.

Commissioner Alvarez responded no, not until she asked a few weeks ago. She further stated that Mr. McLaughlin hadn't even received a copy of it and he couldn't find it on his computer so he had to ask for a copy from the HR Office. At that time copies were made for the commission and she further commented that nobody had looked at the results of the compensation plan, except for HR.

Mr. McLaughlin responded that he did look at the plan with HR when the results came out.

Commissioner Alvarez responded that at the time the City Manager did not have the results.

Mr. McLaughlin further stated that the results were produced and then briefed the commission on them and offered the different options that institute the changes.

Commissioner Hinojosa commented that a presentation was made but it was all rushed where the commission did not have time to digest the way the study was done. He further stated that he feels uncomfortable as the city is cutting down positions this year or freezing positions, and if this is being done, this means that the city does not have the funds to support the plan. He further asked where the funds would come from to support year 2 of the plan. The commission may have committed themselves to the plan, but if there are no funds to support it, where is it to be paid from? Commissioner Hinojosa further stated that he is not in agreement with the compensation plan, now.

Mr. McLaughlin responded that Commissioner Hinojosa is under the impression that the city is in a deficit, but it is not. He has a restriction of 25% of the expenses of the general fund that must always be in fund balance. In order to meet that 25% he had to freeze things so that money wouldn't be spent on October 1st.

Mayor Fugate commented that this has always been done.

Mr. McLaughlin responded that he has not frozen positions every year but he has told HR not hire anyone until the new fiscal year which is what he is doing this year.

Mayor Fugate commented that freezing spending and hiring employees is a usual tool that all City Manager's use around this time of year.

Mr. McLaughlin stated that the city's saves around \$3 million a year due to job turnovers, when jobs are vacant. He stated that he could fix the general fund by taking half of the \$3 million and credit it back in, but was told by the city's auditors that it could not be done. He stated that everything is being funded at 100% and freezing all positions that are not filled until two or three pay periods which will then save \$700,000 then place those positions then put those positions back in the payroll and go out and do the hiring for those positions.

Commissioner Alvarez stated that she would like to know how staff came to a balance budget in one week. She further asked where the cuts had been made. She stated that maybe the city needs to cut the golf course as we are in the red \$253,568.00 every year. She further asked why we are funding something, if Judge Madrid wants it back then it should go back to the County. She stated that she keeps hearing that the Golf Course is for the quality of life, for who, the 60 individuals that use it. She further commented where is the quality of life, we have no theatre, bowling alley and with 15 empty buildings downtown. She further stated that not everyone benefits from this. You can increase the fees but that will still put the city in the negatives \$153,743.00. Alvarez further commented that something is not right and when you see the raises that certain employees will be receiving that are listed on the compensation plan, it does not make sense. Some individuals will receive \$20,000 and they got \$7,900 last year. She stated that this needs to be looked at as it was not looked at they it should had been. She also stated that nobody is going to be receiving a raise this year. Alvarez stated that she would like to see everyone get an increase across the board, but not with this plan.

Mr. McLaughlin commented that he is continuing with the compensation plan in the budget, it's in your vote. Commissioner Hinojosa responded no he will not. Mr. McLaughlin responded that it is. The commission gets to vote on it or not, but he is proposing that it remains in the budget. Commissioner Hinojosa responded that the commission stills needs to vote on it.

Mr. McLaughlin asked Ms. Alvarez if the commission approves the compensation plan as a separate agenda item.

Ms. Alvarez responded that it has general been incorporated into the budget.

Commissioner Alvarez commented that she would hate to vote against the budget because staff left the compensation plan in the budget.

Mr. McLaughlin commented that it is in the budget as it is the right thing to do because the commission agreed to it this time last year.

Commissioner Alarcon asked that for year one of the compensation plan everyone receive and increase and who decided who would get what. How was this determined?

Mr. McLaughlin responded that he determined that when he met with Evergreen about his expectations. He knew that there was too much compression which was a big problem. He stated that Evergreen explained their process and he stated that he didn't want to give a COLA again, he would rather see the employees placed in the right levels that is industry standards with the right titles and get the separations back and Evergreens recommendation was to create 27 levels from 17 levels in order to get the separation then went from six steps to eight steps to afford those that stay in the same position separations based on certificates, length of time. He stated that a COLA was not added as he would like to see the compensation plan fix it and place everyone where they needed to be.

Commissioner Alarcon asked if everyone received an increase last year?

Mr. McLaughlin responded that everyone received an increase for the exception of himself. He further stated that he doesn't understand the pushback from the commission for year two of the plan, as there wasn't any last year.

Commissioner Hinojosa commented that there wasn't any pushback last year as it was shoved down the commission's throat at the last minute. They didn't have time to understand it. He further stated that he is not aware if the Finance Department was part of the review process for the compensation plan or was it only the City Manager and the Human Resources Director.

Mr. McLaughlin responded no, the Finance Director was involved in it the entire time as well. He further stated that they needed to figure out what options would work best for the city's budget. He further stated that it was his department heads that assisted him in working this out and have it presented to the commission.

Commissioner Hinojosa stated that he understands the importance of keeping up with the surrounding cities, but when being asked if Corpus Christi was not part of the plan, yet it was in the study for comparison. He stated that the increase that were given last year are carried over to each and it's very easy to pass it on to the taxpayers. He further stated that yes the commission approved it but it was at the last minute and were in a hurry to get it done as we are now.

Mayor Fugate commented that this is not at the last minute, the city is just beginning the process and have started it early and things are not being shoved down the commission throats.

Commissioner Lopez commented that to say that this was shoved down the commission's throat, she disagrees. This is not the way it was done. You don't vote on something that you don't know anything about. It was not shoved. It was a decision that the each of them made.

Commissioner Hinojosa commented that this is information that was brought in at the last minute. He stated that he has been asking to start budget proceeding earlier but they wait until the last minute and here it is and there can't be any adjustments as it's the City Manager's budget, which is what he has been told.

Mr. McLaughlin stated that the proceedings have started earlier as we are on budget workshop #4 and staff is going over material that has already been shared with the commission. He stated that he is not sure how he could move these proceedings any earlier than what they are now.

Commissioner Alvarez commented that she cannot see these are budget workshops.

Commissioner Hinojosa stated that there are some items that need to be looked at that he is in disagreement. He doesn't know the EDC fund and the information that he has it hasn't been spent at all. He doesn't know if it has been spent or if they are over budget. He wants to take a breather from it. Mr. McLaughlin asked if the commission wants to take a breather from the EDC. Commissioner Hinojosa stated that once it is in the budget it will be spent, as that is what was said by the City Manager, if it's in the budget it will be spent.

Mr. McLaughlin stated that if the commission sees traditionally at how it is spent, he is still 12 % below the expenses year-to-date. There is a savings of 12% this year.

Commissioner Hinojosa asked that if he was to ask for a bank statement as of right now, July 31st, would one be provided to him showing how much money the city has in the bank. He stated that he has been asking for this forever and has never been provided. Someone has always prevented it.

Mr. McLaughlin responded that he had never received a request from Commissioner Hinojosa for a bank statement.

Mayor Fugate commented that this conversation is going beyond talking about the budget. If this is something that Commissioner Hinojosa would like to request, it's something that can be taken care of in office.

Mr. McLaughlin continued with the PowerPoint presentation. In the General Fund, fee increases, budget workshop #3 for fee increases addressed the following proposed fee increases: Landfill tire fees recorded \$2,000; field lighting usage recorded \$4,000; shelter rental recorded \$6,000; golf course greens fees recorded \$9,000, police background check fees recorded \$4,320; and police print card fees recorded \$4,500. Budget workshop #3 for fee increases addressed the following proposed fee increases in general fund: Planning Department, proposed fees have not been recorded: new residential construction permit application fee \$9,250; new residential construction swimming pool permit and review fee \$2,610 additional; new fence construction/repair permit and review fee \$1,700; new driveway construction permit and review fee \$900; re-inspection fees has an unknown amount; residential remodel permit application fee \$3,000; residential re-roof plan review and permit fee is unknown; permit renewal/extension \$3,600; commercial permit application fee \$4,800; and signs/billboards plan review and permit application fee \$4,631.85; certificate of occupancy application \$2,950; and the following are unknown for their additional amounts, commercial construction alteration/repair plan review and permit application fee; water heater permit fee; water line permit fee; stop work order fee; work without a permit fee for residential; work without a permit for commercial; and code enforcement non-compliance abatement. Utility Fund fee increases: Water rates 15% increase; sewer rate 13% increase; water tap fees; sewer tap fees; utility billing penalty; utility billing reconnect fee during business hours; utility billing reconnect fee after hours; and utility billing tamper fees. In Stormwater Fund: stormwater drainage utility fee. Street Maintenance Fund: street user fee increases in residential fee increases and non-residential fee increases.

Status of General Fund proposed budget. In order to balance the general fund, the following options were taken and have been included in the proposed budget. Freeze all current vacant positions for FY 24-25 which includes all fringe: Building Inspector, Heavy Equipment Operator, Deputy Clerk, Telecommunications Operator, Maintenance Technician, Heavy Equipment Operators (4), Part-time Kennel Attendants, Part-time Grounds Maintenance Worker, and Parks Recreation Coordinator. Total to freeze above positions is \$595,725.90. Any future vacant position would stay vacant for the remainder of the year. Two new firefighter's positions not funded for FY 24-25 amount to \$165,434.42 which includes all fringe \$82,717.21 for each position. They will be added to the comp plan, but will be hired once the funding becomes available later in FY 24-25. The effective tax rate is \$.73176 with voter approved tax rate of \$.79793 and the current tax rate of \$.76000. Tax rate entered into the proposed budget is \$.77000. Additional insurance transfer to general fund of \$300,000.

Commissioner Alvarez asked if staff knows when the negotiations would end with the Firefighters. Mr. McLaughlin responded that he hopes to have this wrapped up by the end of the month. He is hoping to have something to go into the budget before voting on it. Commissioner Alvarez asked if the Firefighters Union is aware that this needs to be done, is there a rule or law that they have to do it before the commission approves budget.

Ms. Alvarez responded no and further commented that this has happened before with the Police Department where it wasn't finalized before the budget was adopted. Staff had to go back and bring a budget amendment to the commission for approval then added it in afterwards.

Commissioner Alvarez asked if the city would need to go into the reserves for this. Mr. McLaughlin responded no, because in this current budget there is a set-aside already there predicated on staff's best guess. Commissioner Alvarez commented that she noticed that on the compensation plan they were all zeros. Mr. McLaughlin commented that this was correct as you can't put out a number until you know the outcome of the contract.

Mr. McLaughlin stated that he would like to implement the TMRS Retirement 2:1. This is the most requested item from the employees is to implement the 2:1 retirement system. Other cities are at that rate while Kingsville is at 1.5:1.

Commissioner Alvarez stated that she wishes this does happen as it affects the employees long term especially those that have been here for a while and it also assists the employees with their retirement. She further commented that she rather see this happen than the Year 2 compensation plan.

Mr. McLaughlin further reported that as for the increase to the tax rate by \$.01, this would bring in an additional \$115,000 to the general fund. He further stated that what staff did to balance this budget is the actual cost of the city's health insurance plan which is exceeding our contributions that the city has paid in the budgeted year. Staff has moved \$300,000 more from the health insurance plan back to the general fund to cover those additional costs that staff has realized in the health insurance for this fiscal year, to cover for next fiscal year if it remains the same. He further stated that they are zeroing out the property tax reserve and placing it back into the general fund. This property tax reserve was collected for years and stopped about two to three years ago. City staff has been asked by

the city's auditors what is the city's intention for this money as it can not be kept forever and as it is needed for this general budget, staff decided to move into general fund. Transfer a Heavy Equipment Operator in Streets to Utility Fund Division 6101 \$56,756.79. This position could be responsible for clearing drainage ditches and working on other utility fund related projects.

Commissioner Hinojosa commented that when the health inspector performs inspections on restaurants outside the city limits it is the same amount as an inspection for a restaurant inside the city limits. He would like to see that fee increased for those inspections taking place outside the city limits.

Mr. McLaughlin asked for clarification on Commissioner Hinojosa's request. Is what is being asked to increase only those inspection fees outside the city limits? Commissioner Hinojosa responded yes, that is what he is asking for.

Both Mr. McLaughlin and Mrs. Balli presented the following funds for the different departments listed below.

Law Enf Off Stand-Police Fund 009: This fund is used to record the annual allocation payment from the Law Enforcement Officer Standards and Education. This payment must be used as necessary, to ensure the continuing education of law enforcement personnel, or to provide necessary training, as determined by the agency head, to full-time, fully paid law enforcement support personnel. FY 24-25 budget revenues, \$14,000, prior year revenues from deferred revenues. FY 24-25 budgeted expenditures of \$14,000 for officer training \$10,000 and police 1 training subscription for \$4,000.

Police Department Stonegarden Grant: Fund 016. This fund is used to account for the Operation Stonegarden Grant. This grant funds investments in joint efforts to secure the United States borders along routes of ingress from international borders to include travel corridors in states bordering Mexico and Canada, as well as states and territories with international water borders. The estimated beginning fund for FY 24-25 is \$0 with the estimated fund balance for FY 24-25 \$0. This fund is not budgeted until an award is received. Budget will setup once the award is received through the budget amendment process.

Police Department Star LBSP Grant: Fund 017. The purpose for this grant is to sustain interagency law enforcement operations and enhance local law enforcement patrols to deter and facilitate directed actions to interdict criminal activity. The beginning fund balance for this fund is \$0 with the estimated ending fund balance of \$0. This fund is not budgeted until an award is actually received. Budget will be setup once the award is received through the budget amendment process.

CO Series 2016: Fund 033. Proceeds from the sale of the certificates was used for the purpose of providing for the payment of contractual obligations incurred in connection with the design, planning acquisition, construction, equipping, expansion, repair, renovation and/or rehabilitation of certain City owned public property, including (1) park and golf course improvements; (2) downtown revitalization improvements including streets, sidewalks, lighting, and property acquisition; (3) street repairs; (4) improvements to municipal buildings; (5) Public Works department equipment; (6) emergency department vehicles and equipment and (7) payment of contractual obligations for professional services in connection with the issuance of the certificates. The estimated beginning fund balance for FY 24-25 is \$0 with the estimated ending fund balance of \$0.

CO Series 2005: Fund 062. Proceeds from the sale of the certificates was used for the purpose of the rehabilitation, maintenance, and repair of certain City water towers; construction, repair, and replacement of City wastewater treatment plants and lift stations; water meter upgrades and replacements; construction of a new water well; sewer line repair and replacement; equipment purchases in the form of two backhoes; and payment of contractual obligations for professional services in connection therewith (to-wit: architectural, engineering, financial advisory, and legal), and paying the costs of issuance of the certificates. The estimated beginning fund balance for FY 24-25 is \$0 and the estimated ending fund balance is \$0.

CO Series 2011: Fund 066. Proceeds from the sale of the certificates was used for the purpose of providing for the payment of contractual obligations to be incurred in connection with street and related drainage system repair and improvements; vehicles and equipment for police, fire, engineering, street, health, utility, and public works departments; drainage improvements between Santa Gertrudis Estate and Texas A&M University-Kingsville parking lot; drainage improvements to Tranquitas Creek and Caesar Avenue ditch; water and wastewater projects for new water and wastewater lines; acquisition of land for and to construct a new water well, a 500,000 gallon elevate storage tank, new south plant clarifier, rehabilitation of existing water wells, and lift station rehabilitation, improvements to and renovation of new City Hall; and the payment of contractual obligations for professional services in connection with such projects. The estimated beginning fund balance for FY 24-25 is \$0 and the estimated ending fund balance is \$0. There is \$433 leftover that will be transferred out to the Utility Fund.

DEAAG/WWTP Grant: Fund 084. This fund is used to account for a Defense Economic Adjustment Assistance Grant (DEAAG). These funds are set aside for a cash match on future grant applications for projects at the Naval Air Station. The funding will remain in this fund for a future approved application. FY 24-25 Estimated Beginning Fund Balance - \$507,500. FY 24-25 Budgeted Revenues \$0. FY 24-25 Budgeted Expenditures \$7,500. FY 24-25 Estimated Ending Fund Balance \$500,000. This fund is not budgeted for FY 24-25 due to no identified project. This fund will be used to build the new NAS Fire Station.

Vehicle Replacement Fire: Fund 097. This fund is used to accumulate funds for future vehicle purchases for the Fire Department. Funds for this fund are received through General Fund Transfers. FY 24-25 Estimated Beginning Fund Balance \$214,361.01. FY 24-25 Budgeted Revenues \$0. FY 24-25 Budgeted Expenditures \$0. FY 24-25 Estimated Ending Fund Balance \$214,361.01. This fund is not budgeted for FY 24-25. The annual transfer could not be budgeted in FY 24-25 due to funding availability.

Vehicle Replacement Police: Fund 105. This fund is used to accumulate funds for future vehicle purchases for the Police Department. Funds for this fund are received through General Fund Transfers. FY 24-25 Estimated Beginning Fund Balance \$10,000. FY 24-25 Budgeted Revenues \$0. FY 24-25 Budgeted Expenditures \$0. FY 24-25 Estimated Ending Fund Balance \$10,000. This fund is not budgeted for FY 24-25. The annual transfer could not be budgeted in FY 24-25 due to funding availability. This fund has no money for FY 23-24.

Vehicle Replacement PW UF: Fund 106. This fund is used to account for the leasing of City fleet vehicles. FY 24-25 Estimated Beginning Fund Balance \$38,838.14. FY 24-25 Budgeted Revenues \$100,000. FY 24-25 Budgeted Expenditures \$100,000, to pay Enterprise Rental for lease agreement. FY 24-25 Estimated Ending Fund Balance \$38,838.14. This fund is budgeted for our new annual lease amount due to less vehicles accepted. The city will not be accepting any further vehicles.

Property Tax Reserve: Fund 120. This fund is used to accumulate funds to be used to address future budget shortfalls. A specific percentage of M&O taxes are transferred in when the effective tax rate is above \$.83000. FY 24-25 Estimated Beginning Fund Balance \$403,221.99. FY 24-25 Budgeted Revenues \$0. FY 24-25 Budgeted Expenditures \$403,221.99. FY 24-25 Estimated Ending Fund Balance \$0. All funds currently in this fund were transferred over to the balance General Fund. Revenues are not budgeted because the proposed tax rate is not above \$.83000.

Commissioner Hinojosa asked if this is cash money that the city has in a bank account. Mr. McLaughlin responded yes. Commissioner Hinojosa further asked where this money is going.

Mrs. Balli responded that this money came from the tax rate the one year when it was stated that anything above the \$.83 it would be set aside in the property tax reserve account. Every year that we have not gone over the \$.83 we don't make a contribution to this, so this money came in from ad valorem taxes and because we needed to come up with some additional funding for general fund and it was for taxes, so it's really money that belonged back to general fund which is why staff is using this funding to close the amount that staff needed to find.

Commissioner Hinojosa asked if this was for the maintenance and operations. Mrs. Balli responded yes.

Commissioner Alvarez asked if the \$403,000, could be used to balance the budget or was it used to balance the budget. Mr. McLaughlin responded that it was used to balance the budget and was brought back into the general fund to balance the budget, which is where it came from so it is being put back in.

UF Tax Notes Series 2022: Fund 127. This fund is used to account for the acquisition of machinery and equipment for the water and wastewater departments. FY 24-25 Estimated Beginning Fund Balance \$0. FY 24-25 Estimated Ending Fund Balance \$0. All funds have been spent for this CO Series.

Mr. McLaughlin asked Mr. Sosa if the city had received all the equipment from this fund. Mr. Sosa responded that we are still waiting on the garbage trucks, brush trucks, and dump truck for the Street Department.

CO Series 2024 Fire: Fund 153. This fund is used to account for the proceeds from the sale of the Certificates shall be used for the purpose of providing for the payment of contractual obligations to be incurred in connection with the design, planning, purchasing, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of

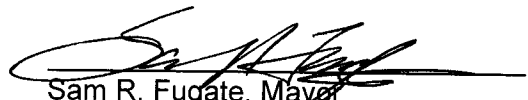
certain City-owned public property, including: (1) a new fire station, (2) a new ambulance, (3) equipment for the fire department including fire trucks, and (4) payment of contractual obligations for professional services in connection therewith (to wit: consulting, engineering, financial advisory, and legal. FY 24-25 Estimated Beginning Fund Balance \$14,079,877.95. FY 24-25 Budgeted Revenues \$0; all revenues received in FY 23-24. FY 24-25 Budgeted Expenditures \$14,079,877.95; Vehicles \$2,842,511, Equipment \$500,000, and Station \$10,737,366.95. FY 24-25 Estimated Ending Fund Balance \$0. Amount expended from this note is \$552,000.

JK Northway EDA Fund: Fund 203. This fund is used to account for the commitment of funds to the County for work on the JK Northway. FY 24-25 Budgeted Expenditures \$19,500; Transfers are for unspent funds, Transfer to Fund 001 - \$14,625, Transfer to Fund 051 \$9,750. FY 24-25 Estimated Ending Fund Balance \$0. This fund will be closed in FY 24-25. This is a completed project, and a certificate of occupancy has be issued to the county.

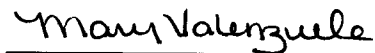
Lone Star Grant: Fund 208. This fund is used to account for the Lone Star Grant awarded in FY 23-24. The grant award was \$336,106 for salaries, overtime, training and fully equipped police vehicle. FY 24-25 Budgeted Expenditures \$153,618.99; Personnel Costs \$128,506.00, and Training \$25,112.99. FY 24-25 Estimated Ending Fund Balance \$0. Grant funds require revenues to match expenditures each year of the award. There is an expense of \$60,000 that is waiting to be reimbursed.

VII. Adjournment.

There being no further business to come before the City Commission, the meeting was adjourned at 6:10 p.m.


Sam R. Fugate, Mayor

ATTEST:



Mary Valenzuela, City Secretary