

CITY OF INGLESIDE
BUDGET WORKSHOP CITY COUNCIL MEETING
MINUTES
AUGUST 29, 2023
6:30 P.M.

Opening Agenda

1. Call Meeting to order.

The Budget Workshop of the City of Ingleside was called to order by Mayor Adame at 6:30 p.m. on August 29, 2023, at City Hall 2671 San Angelo Ingleside, TX, and live video streaming.

2. Roll Call.

With Council Members present a quorum was established.

Council Members Present: Steven Diehl, Stewart Wilson, David Pruitt, John Salinas, Mayor Pro-Tem Tracy Long, Julio Salinas, and Mayor Pedro Oscar Adame.

3. Invocation.

Council Member Pruitt led the invocation.

4. Pledge of Allegiance.

Mayor Adame led the Pledge of Allegiance to the U.S. flag.

5. Citizen Comments and Reports

- a. S. Paul Baen, 2177 Glenwood, Addressed the Council about item 6 on the agenda and requested to wait for the item to speak.

Workshop Agenda

6. Presentation of the proposed Fiscal Year budget for 2023-2024 budget letter and 5-year Capital Improvement Plan.

Council Member Diehl stated that he wanted to make a comment about the SRO (School Resource Officer) issue for the school district. His job on the Council is to represent the City of Ingleside and to consider the recommendations of the City Manager. An email came out after the last budget workshop about starting September 1st, the change in security that all schools must have armed security. Council Member Diehl stated that small municipalities cannot automatically get income to fund new security for each school. The email gave the perception that the Council is not concerned about the school district. It was stated in the last meeting that something should be phased in. They must be commissioned officers from the Police Department. Council never said to turn off funding for the current program for police officers needed at the schools. There needs to be discussion between the School District, City Manager, and Council. There seems to be a lack of dialogue. There should be a committee formed to assess the needs for Security Resource Officers.

City Manager Lewis stated that he agrees with making a committee as there are a lot of unknowns. Council Member Wilson stated that he supports working with the School, Police Department, and the Fire Chief. Council Member Pruitt stated that we must protect the kids. Council Member John Salinas stated that the School Board and City Council need to get together. Council Member Julio Salinas stated now that our school is ahead of the curve and the Police Department is established already, Council should allow our Police Department to add personnel.

Teresa Flores, IISD, addressed the Council about what does this mean? The Ingleside School District will need police on every campus with the Guardian Program. There needs to be clarification on what the Council will provide.

City Manager Lewis stated that there is currently a budget for a single School Resource Officer. Council Member Diehl stated that he understands that this came down in the middle of the current school year. Diehl informed Council that the estimated annualized cost for a School Resource Officer is around \$165,000 annually? Does the school believe there must be 2 SRO's?

Troy Mircovich, Superintendent IISD, addressed the Council about the School District working on this for months. The Council said in the past they would fully fund an SRO or a licensed commissioned peace officer. The District can partner with the Police Department, County, or create their own Police Department. Mircovich stated that he and Chief Burr talked about the cost to fund a police officer. They are trained and they become responsible in case of an incident. The best option would be the officers that we already have in our town and to supplement if possible. The District will need a force that is armed on every campus. When the Welding Center is opened the District will need another Officer for that campus too. The District can use guardians, officials, and SRO's but this will not be sufficient in the future. In the past the District split with another town a cafeteria manager with a 75/25 split. The SRO would work August through May for the school and in the summer months of June and July for the City. When not working for the District, they would work at the Police Department. As a district we are willing to pay 75 percent of the cost.

Council Member Diehl stated there is no problem getting a second SRO for the other half of the year, but there needs to be communication with the City Manager. That person needs to be for immediate need. Between now and the next budget year work on the future employees needed. No way the city can hire all the SRO's needed for the District. Troy Mircovich stated that the District will eventually need 5 SRO's and would love to have three now, but only need to have one to start. Markovich stated he could not wait and needed to know if the District will need to find a SRO through another avenue if the council will not help. In addition, Mircovich stated that he reached out to the City Manager and was informed no. Council Member Diehl stated that he believes after looking at the finances tonight, the City can help fund a second SRO. Then the District and City should sit down to talk about the future. Troy Mircovich commented that Chief Burr had been in communication with him for months now. If the City came back and said it does not fit in the budget, the District will need to take another avenue. Mayor Adame stated that he supports the second SRO but did mention a concern on protocol for the officer to not be able to leave assigned campus. If the District needs another SRO, let's get one without leaving a void of officers on the street. Troy Mircovich stated that there are guidelines that he must follow within the District. The school district is willing to pay its share, but the concern is needing to have its own Police Department. The District does not want to do that as they like the City Police Department, and the students are familiar with them. Mayor Adame stated that many cities are having to go to the county to get officers. The City wants to protect our children even if it means possibly raising taxes. Council Member Diehl stated the discussion for council is recommending the currently funded SRO which will be prorated and go ahead and fund the second SRO immediately. Although unsure if you can hire someone between now and September 1st, we can make some adjustments. With the fund balance at \$6-7M, let's put this to rest. Let the City Manager and School do this through an MOU agreement possibly. Troy Mircovich stated that the School District would like to do a 75/25 percent split with the school paying 75 percent for the new SRO and to continue with the current SRO at 100 percent paid for by the City. Teresa Flores thanked the Council for working together with the School District to get this resolved. Mayor Adame stated that he supports one SRO at 100 percent and a new SRO at 75 percent then working on the rest in a collaborative meeting. Council Member John Salinas stated that at the end of the day, an extra SRO will even help during the summer with students being out of school. Mayor Pro Tem Long asked Police Chief Burr if she would like to make a comment on the matter. Police Chief Burr stated that she was in full support and understands that nothing takes the place of an officer. The need for the SROs was presented in June during the initial budget workshop and resources.

Paul Baen, 2177 Glenwood drive, addressed the Council about a Committee to review like in the past. This committee was to review the City's investment policies and investment

vehicles. With a committee review this would keep it from bogging down a public meeting. It would also enhance transparency and accountability needed for the citizens. He stated that he had come to the City Manager and Finance Director about getting this committee together and they said Ingleside does not need this committee. Baen referenced the difference between Ingleside and Corpus Christi. Since dealing with detailed financial issues can be time-consuming there should be a committee to oversee the budget. Baen stated that on page 5 the unaudited estimated 2023 ending fund balance is approximately \$32M and the financial report with the investment advisors said you have \$60M of cash and investments, where is the rest of the money? On the 2022 audit and budget drafts on page 5 Fund 14, Houghton Improvement Fund has an estimated ending balance of \$2.3M. Based on page 99 the entirety of that money is to be spent and money needs to move over for an ending balance. We need to move forward having conversations without taking up Council's time. On Fund 40, the I&S fund that is established to hold taxes that are levied in accordance with the bond ordinances. Money is collected as I&S taxes are restricted to the bond covenants and indebtedness. The handout that was given to you takes the fund balance of the I&S fund of 2020 and shows \$445,000. In the same column reported expenses and reported revenues for 2021 reflected the same as the audit document. What is not in the budget document are other transfers which result in a net year difference of about \$330,000. The audited fund balance at the end of 2021 was \$432,000. On year 2022 the ending fund balance for the I&S funds was \$927,000 reflected in annual audit report. Based upon projected revenues of the year and this current year of approximately \$2.5M coming in and \$2.1M going out, and with the taxes based on the debt service, the current year net of \$300,000 implies that the ending fund balance for the interest in sinking fund should be \$1.2M. What is reflected in the budget is \$300,000 so there is a difference of \$900,000. If you have \$60M cash in the bank and the fund balance is \$30M, why do you have another \$30M? Within capital projects there was a \$19M funding commitment from the Texas Water Development Board to build a wastewater treatment plant. Council Member Diehl has made everyone aware that \$19M isn't enough. Where is the treatment plant in the budget document?

Council Member Diehl addressed Finance Director Vela about the basic fund balance. Finance Director Vela stated that on the 7th page back this will be incorporated in the final budget. Council Member Diehl asked if the new revenue was expected to come in next FY2024 as a deficit or overage? Finance Director Vela stated that it was some of both. The revenues are \$68M and expenditure is \$45M which leaves \$22M of revenues over expenditures. Council Member Diehl stated that if there is a deficit it must be taken from a fund balance to make up the difference. It will affect the fund balance. Finance Director Vela stated that the bond issue goes into the fund balance, and we must look at this fund by fund.

Council Member Diehl stated that it was going along fine until a few years ago. It should be as simple as possible. He doesn't think we have a citizen that could go through this and understand it. The Council values input from citizens and staff and asked if this budget presented now is a sound budget? City Manager Lewis commented that he is pleased with the budget that was presented and he has a background in finance. Finance Director Vela mentioned the debt service was through July and Aug, payments had not been posted yet and it's part of the calculations for this budget. In addition, mentioned there were conversations with our financial advisor.

Council Member Diehl stated that we previously had a qualified person representing the Council that sat on the committee, which was Willie Vaden. The committee is a great tool to help the Council look for current and projected revenues and expenditures. How much reliability is on projections? Finance Director Vela stated yes, she believes that we did it in the past and based on historical records. Vela clarified, as a correction from earlier, we never stated we do not want a committee, but that we are not ready at this time for one. Council Member Diehl stated he had checked on some auditing requirements of the sales tax redirection money and asked Finance Director Vela if she was aware that is an audited account. City Manager Lewis stated that there is a state level, and the comptroller does the audit and will affect this from time to time. Very concerned about the \$1.9M line item. In the Street Department, if we buy the equipment, we need the employees to operate it. In street maintenance we want separation in the budget for redirection of sales tax. City Manager Lewis stated that what we saw was the investment of sales tax for street maintenance fund and general fund money in the sales tax fund.

Paul Baen asked to know where the plant was in the budget? Finance Director Vela stated dually noted, and she would fix it. Paul Baen stated that the provision is in the charter for a 10 percent line item for contingencies. There are a great deal of unknowns and needs to be line-item specificity. This Council is responsible next year. Baen stated once adopted you don't get to change the budget.

Council Member Wilson asked if \$19M was for the sewer plant? City Manager Lewis stated that it is set up as a loan and will draw down directly from the Texas Water Development Board. Finance Director Vela stated where the sewer plant is an in and out on the budget. Council Member Diehl stated that revenue is on paper only. Finance Director Vela stated it is net zero. Paul Baen stated the cost will exceed \$19M for that project. City Manager Lewis stated that we are looking at a \$6M shortfall. Mayor Pro Tem Long stated it is not in this budget. Council Member Wilson stated there is nothing there to show it. Council Member Diehl asked to get an explanation on the \$6M on the updated sheet. City Manager Lewis stated it is the general fund column totals on page 13 that is the \$5.8M. The General Fund Totals page was redesigned to be easier to read.

Council Member Julio Salinas asked staff about the questions he had presented for the last meeting. On page 5 fund balance, clarifying the 1st column, is that actual cash assets and remaining balance projections for the end of this budget cycle? Finance Director Vela handed the Council a copy of Council Member Julio Salinas's questions with the answers. City Manager Lewis stated yes, however, not all is incumbered or restricted. Finance Director Vela spoke on the answers to those questions and explained what was done and how. The final question has not been answered. Next year's balance is really projecting \$25.15M. The council's proposed projects are on the back pages that City Manager Lewis wanted those monies for.

Council Member Diehl inquired for the record, beginning on 1 October and last day of September, which is the same thing, what will the unincumbered beginning balance be? Finance Director Vela stated that based on these amounts, she did not qualify which are restricted and not restricted so it's not an exact figure. City Manager Lewis stated that he thinks it would be \$7.5M. \$4M is what we want but would be comfortable with \$2.5M-\$3M. Council Member Diehl asked that you keep that as a running figure. Setting the tax rate or lower needs to be kept in mind.

Paul Baen stated he was confused about the dialogue, was it starting with \$6M fund balance. On page 5 of the budget draft, it shows revenues of \$18.5M and proposed expenditures of \$18.3M. Before you today is basically a balanced budget. How do you expect to appropriate or spend \$2M of fund balance? Council Member Diehl stated that he looked for documentation and can obligated through that for the year. When dealing with unincumbered is around \$6.9M. That is from the Manager, and I feel comfortable with that. Every City Council uses a fund balance to cover uncovered expenses. Paul Baen stated again discussion before the Council between Mr. Diehl and the City Manager concerning an additional \$2M which is not documented. Council Member Diehl clarified he did not say that, but was reminding the Council what the unincumbered balance is. Diehl mentioned he will wait until the audit comes in. We need to ask the auditor. Paul Baen stated that he is simply trying to understand where the \$2M is going. City Manager Lewis stated that we had the No New Revenue Rate and the Voter Approval Rate, staff is recommending the \$0.642061 on page 4. We are recommending an increase in taxes. Comparing us to the other communities in the area. History has been that we have been lower than other cities and would like to continue to do maintenance on the streets and Police Department cars. With rolling stock up to date and leasing vehicles with long range cost, then we can fund it ourselves which is why we have it in the budget. If cautious, we have the ability to get 10 cents more additional revenue of the 3.5 that are available because of unused increments. On page 5 the estimate on households can change at those rates with comparison on average \$400 on taxes. Industry can offset a lot. Water rates averaged out and proposed tax rate on \$200,000 home is a \$205 difference over the tax rate. Voter approval rates guesstimate is \$125,000 difference on a \$200,000 home.

Council Member Diehl stated that in years past we believed we were in the middle or average. Going back to 2018, the manager is right, he must have looked at minutes. When I look at this there are no increases. How did we get hirer than everyone else? This is an eye opener. Faced with a terrible decision. We have a lot of needs. Was that \$400 total additional over last year? City Manager Lewis stated that the difference would be about

\$205 total. Council Member Diehl asked what the prior figure was and stated \$0.57? City Manager Lewis stated it went down \$0.03 it was a \$0.07 adjustment. Council Member Diehl stated that he had City Manager Lewis run some figures for him and the difference of annual \$40. The escrow adjustments at \$0.03 come out to \$2.5M in revenue. What if we went to \$0.07 that would be \$2.45M and would come off the bottom-line cash. We would need to relook at the budget. To possibly do that kind of a drop would have to be taken out. Can't undo the past where would we be if not doing incremental. If we did \$360 vs \$400 and look at \$0.03 that will need to be taken off the budget. Street equipment is being bought and we have qualified operators already on staff. I went out to Tiner Street and wanted to see if we had the right equipment. Could we do that project, and yes, we could at \$40 coming down. City Manager Lewis stated that based on the \$200,000 calculated. Citizens are already paying the property tax. There is no good way to explain this to the citizens. Council Member Wilson stated this budget is based on \$.06241 on page 4 of budget book. If it is going to stay about where we were the proposed rate will be \$0.10 higher than what we set it at now. Council Member Pruitt stated we don't want to burden the citizens, but we need to be able to do roads.

Council Member John Salinas also stated that on page 5 that on a home with a value of \$200,000 we would know the city tax increase would be but not the school tax increase will be and if they were going to reduce it by 3 it would make a huge difference. City Manager Lewis stated that what we have from the appraisal district shows that is what it could be.

Mayor Pro Tem Long inquired what are our needs? This is what we need and is best for the City. Council Member Julio Salinas stated that it can be difficult to understand the tax rate, many things play into it like basic staffing and equipment needs. Now we have additional needs for failing equipment and need money to pay for it. This does not show in the balances or revenues the capacity or capability to get this done. Additionally, to get the increased tax rate to accelerate the understanding of how it will affect future performance. Then encouraged the staff to keep making improvements.

Cindy Wilson, 2635 San Angelo, addressed the Council and stated that she understands about raising taxes but the city has a lot of people on fixed incomes but how do you justify increasing staff, talking about adding a 2nd story to this facility with an \$0.11 increase in taxes, increasing the water rates, and increasing the sewer rates to get the sewer put in that the city must have.

She stated that she remembers when Mr. Baen was a city employee and suggested increasing the water rates in small increments to justify what will be needed in the future. You have one City Secretary that was over three departments before and now you will have three people in the City Secretary's Office. You want to increase the facilities here and you have increased the number of people in the Finance Department and the Street Department needed those increases. Consider what the citizens are looking at. After reading the budget she asked Council Member Wilson where is the \$19M? She tried to go over the budget with Mr. Wilson, admits is not an expert, but as a citizen when you see a \$0.11 increase and the taxes. \$40.00 is a lot to some people. Think about what you are doing with your budget. Streets, sewers, infrastructure needs improvement, and it is bad. There will be a collapse and the \$2-3M will not be able to touch it. Council Member Diehl stated we are not budgeting for a 2nd story and he will never vote for that. That is nothing more than a wish and is not in the budget.

Cindy Wilson stated that the CIP booklet is no longer given to the council and would help. Mayor Adame stated we have not received the booklet in 4-5 years. Cindy Wilson stated that the booklet was there for when the City needed new vehicles, when are you breaking ground on projects, or when a new facility is needed and if you plan to increase you should have justification for the citizens not for the employees. Council Member Diehl stated that the CIP projects are nothing more than a wish list. Mrs. Wilson is correct, and every City has the same discussion along with having long workshops. There is going to be a Council in 2 years and there is no way to say the water board will increase our loan. Diehl expressed concern about that \$6M and stated at some point you can not issue the tax notes.

Addressing City Manager Lewis, Council Member Diehl stated that he needs clarification regarding budget. COLA is a national figure that is regionally adjusted, and this year is stated to be set at 2.7 percent. In the budget it is 2.7 percent and an additional 1.9 percent,

but could you explain this for eligible employees. City Manager Lewis stated the COLA is not a city number it is a state number. Please explain about any employee not under contract with the council. Contracted employees are not considered to be included in the COLA. Council Member Diehl stated it is 4.6 percent and is about \$250,000.

City Manager Lewis stated as we transition into next year's budget the rental cost for animal control office and catatorium with air conditioning for building will be in the next years budget. Council Member Diehl asked if this is on the current budget. City Manager Lewis stated that it goes into the next budget year. Council Member Diehl asked for the actual monthly payment for renting the new animal shelter? City Manager Lewis stated the combined total is less than \$1,000 per month and we were paying \$5,000 a month. Council Member Julio Salinas stated that it was important to the citizens to know about the materials purchased for the old temporary shelter that can be used at the new one.

Council Member Diehl asked if the new Court System is on track? City Manager Lewis stated that staff contacted Incode, and they will be starting the migration this week and made the decision to go forward.

Mayor Adame stated Mrs. Wilson is right that we have a failing infrastructure and has have mixed feelings on this. Adame mentioned he will not support another project until we complete the projects, we already have like the Animal Shelter, Houghton Subdivision, Hultgreen Street, Kenny Lane, Garden Center that must be completed. The tax increase put a hit on the school. The Mayor understands we have people in this city on a fixed income and should never have lowered our taxes in the past, but we did not want to burden our citizens. If the Mayor chooses to support the increase, the City will need more streets fixed and if not will need to do bond election which cost citizens more. The city has no choice on the sewer plant, and he stated he had a figure in his head on the cost.

Council Member Diehl asked what is your opinion on the \$6M shortfall? Council Member Julio Salinas asked with everything accomplished, are we still working within a balanced budget or deficit? City Manager Lewis stated that after the drill down and staff saw what money was available in general operations with paybacks and sales tax that had increased our revenues and a larger payment in valorum taxes than expected and we are doing okay. Mayor Adame stated we are lower in taxes than other cities, but have seen towns struggling and have met with other Mayors. Mayor Adame strongly stated he had mixed feelings on this issue.

Council Member Julio Salinas questioned Staff if the bond from the school district side is different than a bond on the city side or helps cover cost to the state? City Manager Lewis explained that the difference is that it helps to offset what goes to the state. Since we are a robin hood school, doing a bond can cover a lot of costs that they legally can. An example is a GEO Bond which goes to the vote of the citizens. This is an option but would need a year and a half for planning and looking at which election to put it on in May or November. The city can do Certificates of Obligations, Tax Notes, or Bonds.

Paul Baen addressed the Council thanking them for the process and understanding it's not easy. Summary of the comparison of the tax rates with other communities please consider doing that for the water and sewer rates possibly combining them together. Finance Director Vela stated that the comparison of water and sewer rate sheets will be in the final documents for the meeting.

Council Member Diehl stated that people will ask why industrial rates were not in the rate study. The industry needs to be included and coded as commercial. City Manager Lewis stated that when the rate study was done we can start looking at an industrial rate. The industry's water consumption is different. Council Member Diehl stated that we did raise water rates a few years ago. Every penny of that increase was to be put aside for the upgrade. Finance Director Vela stated that there was \$2. Projections right now, it is close to \$3M but will be tracked and reported differently in the future.

Council Member Diehl asked if the city could target the \$2.5M toward part of the shortfall? This is now part of the offset. Finance Director Vela stated that it can be used to pay off debt or construction. Council Member Diehl stated we have a payment schedule through the Texas Water Development Board. Finance Director Vela stated we need to know how to structure that money. We will ask the company who is structuring the water rate study

if he has it in his plan to come up with that \$6M as a recommendation only. Mayor Adame asked Council Member Diehl if we want to have the money committed. Take formal action with the wording to address this by being proactive. City Manager Lewis stated we will make sure to not include it in the rate study. Council Member John Salinas stated that regarding the tax rate this is one way to move forward and improve life for citizens, unless bringing more industry in. Council Member Diehl asked City Manager Lewis what he thinks? City Manager Lewis stated that we have a good path for next year. We need the street maintenance program replacing vehicles for the Police Department. No one wants tax increase or water increases, but not knowing what the state will do makes now the best time to bite the bullet with a one-time increase that supports the streets. There will be no official action taken tonight. On September 12th there will be a public hearing on both the official budget and tax rate.

Mayor Adame stated that the aging tanker at Fire Department that we need to start doing roll backs. City Manager Lewis stated it's in the budget. We are looking at emergency response vehicles, looking at rolling stock, and the council has authorized a new truck not delivered yet and it is not a want, it is a need.

Mayor Adame asked City Manager Lewis about the police vehicles. City Manager Lewis stated that four cruisers are budgeted. Once the budget is approved, we can start the process of presenting them to the Council for bids. We should go ahead and get them ordered. He agreed there should be no new projects until all the current ones are completed. There will be a new projects board installed so Council can see where we are at on projects.

Teresa Valdez asked if research had been done on the amount of a bond that can float for \$0.10? money out of bond versus straight to the tax increase. City Manager Lewis stated that knowing how were standing our tax rates and keeping our M&O staying where it should be, we recommend keeping it at \$0.10 at this time.

Council Member John Salinas stated that on the patrol cars we could also do an SRO. City Manager Lewis stated if someone sees the unit on the street in front of the school, no one will know for sure if an officer is in the school or not. Council Member Julio Salinas asked about the cameras on the cars, towers, and speed sensors. Are they \$14,000 each? Council Member Diehl stated we should be scared to ask for money that is sponsored. Thank You Mayor Adame and Mayor Pro Tem Long for representing the City when it comes to projects which have not been seen in a long time.

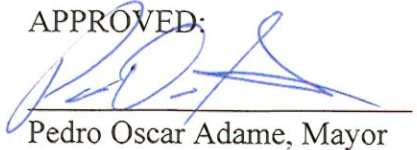
7. Items to consider for placement on future agendas.

There were no items for consideration to be placed on the future agendas.

8. Adjourn.

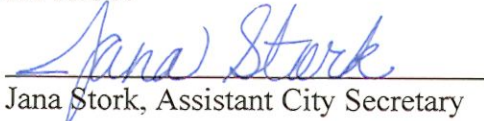
Mayor Adame adjourned the budget workshop meeting of the City of Ingleside at 9:03 p.m.

APPROVED:



Pedro Oscar Adame, Mayor

ATTEST:



Jana Stork, Assistant City Secretary