

**CITY OF LAREDO
SPECIAL CITY COUNCIL MEETING
M2008-SC-12
CITY COUNCIL CHAMBERS
1110 HOUSTON STREET
LAREDO, TEXAS 78040
July 30, 2008
12:15 P.M.**

I. CALL TO ORDER

With a quorum present, Mayor Pro Tem Valdez called the meeting to order.

II. PLEDGE OF ALLEGIANCE

Mayor Pro Tem Valdez led in the Pledge of Allegiance.

III. ROLL CALL

In attendance:

Hector Garcia,	Council Member, District II
Michael Landeck,	Council Member, District III
Juan Narvaez,	Council Member, District IV
Johnny Rendon,	Council Member, District V
Gene Belmares,	Council Member, District VI
Jose Valdez, Jr.,	Mayor Pro Tem, District VII
Cynthia Liendo Espinoza,	Council Member, 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 Mayor Salinas and Cm. Garza.

Moved: Cm. Garcia

Second: Mayor Pro Tem Valdez

For: 6

Against: 0

Abstain: 0

IV. MINUTES

None.

V. COMMUNICATIONS AND RECOGNITIONS

Recognitions

None.

Communiqués

Cm. Garcia asked for a moment of silence to be observed for Dr. Keck’s daughter, Lacey Keck, who passed away last weekend.

VI. RESOLUTION

- 1. **2008-R-093** Approving the temporary License Agreement for a period of eight months with the United States of America, by and through the U.S. Army Corps of Engineers, over 25.53 acres of City property along the Rio Grande River Bend for the purpose of carrying out the Carrizo Cane Eradication Project of the Laredo Sector of U.S. Border Patrol; and Authorizing the City Manager to execute the temporary License Agreement in the form attached as exhibit 1, of which exhibits A & B of the agreement set forth the description of the 25.53 acres.

Motion to approve Resolution 2008-R-093.

Moved: Cm. Garcia

Second: Cm. Rendon

For: 6

Against: 0

Abstain: 0

VII. MOTION

- 2. To add to the Council’s schedule in August and September 2008 the following:

August 7th, 11th and 13th @ 5:30 p.m. for budget workshops; and September 12, 2008 @ 12:15 p.m. for a Special City Council Meeting (for introduction of ordinance adopting the tax rate)

**Due to the Labor Day Holiday the regularly scheduled meeting of Monday, September 1, 2008 will be rescheduled for Tuesday, September 2, 2008.

Motion to approve option 2: a regular meeting on the 4th, a budget workshop on the 6th, a workshop on the 14th, move the workshop on 18th and move the regular City Council meeting from 18th to the 25th. The motion was amended to post agendas for both days, the 14th and the 15th.

Moved: Cm. Rendon

Second: Mayor Pro Tem Valdez

For: 6

Against: 0

Abstain: 0

VIII. STAFF REPORTS

3. Submission of the proposed Fiscal Year 2009 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.”
 - A. Submission of the proposed 2009 – 2013 Capital Improvement Program (CIP) as per Article VI, Section 6.05, which states that “The City Manager shall prepare and submit a five (5) year capital program at least sixty (60) days before the end of the fiscal year.

Carlos Villarreal, City Manager, made the presentation.

Exhibit A
July 30, 2008

Mayor and Members of the City Council,

In accordance with the City of Laredo Charter Section 6.02, I am pleased to present the fiscal year 2009 City of Laredo Annual Operating Budget for the period of October 1, 2008 through September 30, 2009. We have prepared a balanced budget that meets the needs of this community. In the past months, staff was challenged with keeping the level of services, improving in those areas that are critical to public safety, and expanding maintenance and operations in those areas with new facilities and / or new activities. Additional personnel was added to the budget for new activities, such as Police, Fire, Parks, Human Resources, Health and Library. This was done by taking into consideration your input as it has been related to staff in our formal and informal discussions of what this Council’s vision should be for next year.

This Council has communicated time and time again their interest in prioritizing several areas of service that are critical to the continued orderly growth of our community.

- 1.) Public Safety - Police and Fire;
- 2.) Transportation - addressing the flow of traffic through a comprehensive traffic plan for the City;
- 3.) Street Improvements – resurfacing, sidewalks, street maintenance, and new construction;
- 4.) Quality of Life – providing additional parks, indoor recreational facilities, and library technological mobile; and
- 5.) Developmental Services - facilitating smart growth by consolidating a “One Stop Shop” operation that services the needs of builders/developers and spurs economic development for our community.

In keeping with this vision this Council has previously acted on resolutions that have set the work in motion. For example:

This Council has approved over \$11 million in purchases of equipment from the 2007 and 2008 bonds in the following areas in order to complete major projects throughout the City:

- Over 23 heavy equipment units such as pot patchers, sweepers, dump trucks, milling machine, tractor trailers, pavers, compactors, and other vehicles totaling over \$3.5 million for the Public Works Dept.;
- A sewer televising truck, various cab trucks with cranes, sewer cleaning vehicles and other related heavy equipment totaling \$1.2 million for the Utilities Dept.;
- 3 ambulances, 2 pumper trucks, 3 brush tankers, and a fire engine totaling over \$2 million for the Fire Dept.; and
- Over 68 vehicles have been purchased city-wide totaling over \$2 million.

Due to your vision, our investment has yielded an exponential return on the dollar since we have been able to do projects on-time and on budget. Examples of these are:

- Over 570 blocks in-house with an expected target to complete 800 blocks by the end of the fiscal year;
- 22 blocks of sidewalks were constructed in-house;
- 29,300 linear feet of water lines have been laid;
- 2,030 feet of sewer lines have been replaced;
- Over 50 acres have been improved for parks (i.e., Slaughter, Century City, Santa Rita, and San Isidro).

The benefits are endless and City staff has been great about taking on the challenge and making the best with the limited resources available. We continue to carry out the mission with our theme of “getting back to basics” and as a result much of our aging infrastructure has gotten a reconstructive face lift.

It is a noticeable difference to the public when they drive our newly resurfaced streets throughout the City. Improvements to our drainage system have made the difference. For example, when we experienced abnormal amounts of rain related to Hurricane Dolly, there was no serious flooding to our citizens as a result of the improvements to Zacate Creek and to Chacon Creek. We look forward to the completion of new park facilities such as Slaughter Park, El Eden Recreation Center, North Central Park, and other park improvements that will increase the number of park facilities.

This proposed budget is a plan to operate within our means with no increase to the tax rate. Let me repeat, no increase to the tax rate. We were able to absorb the increase in fuel cost as well as reaffirming this council’s support towards a progressive pay plan for employees with a 2% cost of living increase as well as a maximum 2% merit increase. All these items will be explained more in detail later in the budget workshops.

As for the budget numbers, the City’s total consolidated budget encompasses operating expenditures and transfers totaling \$426,610,451, a \$22 million or 5.5% increase from 2008. Of the \$22 million dollars, \$7.6 million are derived from General Fund, \$3.3 million from Laredo Metro/Transit, \$3.8 million for Water/Sewer Operations, \$1.2 million for Health operations, \$3.5 million for Debt Service, and \$2.5 million for various grant matches. The total net operating budget, excluding operating transfers, is \$343,684,887. The total proposed closing balance for FY 2008 is 28% of the total net operating budget. This financial document represents the hard work and commitment of City staff to develop a budget that addresses the social and economic challenges associated with the growing needs of our community and given the economic challenges of the present. The budget reflects my commitment in providing higher level of services, with an emphasis in addressing those basic services related to street improvements, water, sewer and public safety.

Tax Rate

- The proposed tax rate for 2009 is projected to remain at the same rate as 2008 at \$0.63700 per \$100 assessed valuation. This will be the fifth consecutive year that the City of Laredo maintains the same tax rate and has been able to make the necessary changes required to meet the demands of a fast growing city. The 2009 property values are projected to increase by 11.23% over the estimated 2008 amended valuations. The total taxable value of \$10.4 billion will generate a proposed billed levy of \$65.4 million, representing an increase of \$5.8 million or 9.4% over the 2008 tax levy. The increase in property values includes \$388,473,881 in new values and \$1,420,780 in new annexations for a total of \$389,894,661. The proposed levy for 2009 excludes an estimated amount of \$516,806 for the tax freeze approved by Council for taxpayers 65 years of age and older.

	FY 07	FY 08	FY 09
Tax Rate	0.637000	0.637000	0.637000
Taxable Valuations	\$8,421,543,014	\$9,353,060,911	\$10,403,437,850
Tax Levy	\$53,645,229	\$59,578,998	\$65,381,120

The proposed maintenance and operations tax rate allocation of \$0.513007 will generate total revenue of \$51.1 million for the 2009 General Fund, signifying a \$4.7 million or 10.07% increase over the 2008 estimate.

- The proposed debt service tax rate allocation of \$0.123993 will generate total revenue of \$12.3 million for 2009, a \$951,757 or 8.35% increase over the 2008 estimate with a proposed 97% collection rate.
- The total tax increase for FY 09 is \$5.4 million, of this only \$951,757 will be going toward debt service, the difference of \$4.7 million will be used towards maintenance and operations at an estimated 97% collection rate.

Staffing and Benefits

A total of 2,608 full time equivalent positions are included in the 2009 budget at an estimated cost of \$153,778,226 as compared to 2,572 positions in 2008. Incorporated within this budget is a 2% cost of living adjustment to become effective in October 2008 with an estimated cost of \$527,000 along with a merit increase not to exceed 2% estimated to cost \$190,000 for General Fund. A challenging task was to balance the Health and Benefits Fund. As you know, the City currently pays for the employees' health insurance premium while subsidizing 65% of the dependent care premiums. In this proposed budget, we included a 5% increase in the health care contribution premiums both in the City's and employees dependant care portions. The premium increase is estimated to be approximately \$5 per employee (depending on the insurance plan). In addition, we are proposing an increase in the deductible from \$250 to \$500 which would generate an additional \$535,000 in order to balance the fund.

In line with last years objectives we hired various crews for Public Works and Utilities which included 6 street sweeper drivers, 29 employees for Public Works and 20 employees for Utilities, this year we continue to focus on the basic needs of the community. Included in this budget is a total of 41 new positions City wide for a total of \$1,844,253; of the 41 new positions, 31 are for General Fund operations totaling \$1,489,803. The composition of these 31 positions in General Fund include 11 new police officers, 7 new firefighters, 1 mechanic for Fire Department, 10 parks employees, 1 circulation supervisor for the Library and 1 Municipal Court Bailiff. In the Fire Department a new academy commenced July 24th of this year with 23 cadets. The make-up of these cadets include the 7 new positions, 5 over-hires, and 11 vacant positions. As a point of reference, we were able to fund 2 additional park construction crews through the 2007 & 2008 bonds, given that the number of new construction projects as well as funding is available for El Eden, Slaughter and East Side Recreation Center.

General Fund

The proposed General expenditures increased by \$7,591,259 or 6% over FY 08 original budget. The majority of the expenditures are as follows:

- Police Contract \$2.0 million
- Fire Contract \$1.8 million
- COLA / Merit Increase \$716,000
- New Personnel \$1.6 million
- Grant Matches \$325, 000
- Fuel Increase \$640,555 (\$1.8 million City-Wide)
- Vehicle Maintenance \$195,000
- Webb County Appraisal District \$163,644

We are expecting to end the year in General Fund with a 20.4% fund balance or \$23,973,884. When comparing the FY 08 estimated revenues to the proposed FY 09 revenues, an \$8.9 million increase is noted. This increase is due to an increase

in Taxes by \$5.6 million, license and permits by \$875,000, charges for services by \$700,000, fees and collections by \$900,000 and \$1 million from Other Financing Sources (a bridge transfer). Expenditures also increased in the proposed FY 09 budget as compared to FY 08 by \$9.8 million. This increase is attributed to General Government by \$2.2 million, Public Safety by \$5 million and Other Financing Sources (a transfer from the Capital Improvement Fund) by \$1.0 million.

Current 2008 sales tax revenue for General Fund is estimated to total \$25.8 million, representing an increase of 3% over the prior year. The proposed sales tax budgeted for 2009 is \$26.6 million representing a conservative growth of 3% or \$773,000 over the 2008 estimate.

General Fund receives fifty percent (50%) of bridge toll receipts. Estimated transfer for 2008 is \$22,748,273, an increase of \$461,000 or 2% increase compared to budget projections. In 2009 we duly expect to see the Bridge fund transfer to General Fund to be budgeted at \$22.8 million.

Public Safety

To reinforce the commitment that in keeping our community safe, approximately \$84.2 million or 62% of our budget in General Fund is for Police and Fire Departments. In FY 08 \$1.4 million was allocated in the 2008 CO Bond to each department in order to purchase much needed equipment.

Police

The strength of the Police Department will be 454 officers and 84 civilians in the FY 2009 budget. In General Fund, the police budget represents a cost of \$49 million which represents 36% of the City's General Fund budget. This budget represents an increase of \$4.1 million over prior year. Part of this increase is attributed to a 4% salary contract obligation estimated at \$1.4 million, additional fuel expenses of \$318,388, 11 additional police officers totaling \$692,495, and other related operational expenses associated with the contract and new cadet expenses. Trust Fund seizures have been historically utilized to purchase equipment in particular for the lease payment of vehicles. We continue to apply and utilize grants to fund positions such as the Special Police Grants, COPS, School Resource Officers and other overtime grants.

Fire

The City of Laredo's commitment to public safety is further reflected in its Fire Department's 357 firefighters and 10 civilians with a budget of \$35.2 million. This represents 26 % of the City's General Fund budget. This budget represents an increase of \$2.3 million over prior year. A portion of this increase is due to the 4.75% Fire Contractual obligation estimated to cost \$1.7 million and the 7 new cadets with 5 over hires totaling \$663,338.

Investing in Our Infrastructure

On April 2008, Council approved various bond sales that included a total package of \$78 million. For FY 2009 we currently calculate that we can issue another \$11 million Combination Tax Bonds, and we hope that we can innovatively finance up to \$18 million for additional Park, Drainage and Street projects. We estimate that a bond issuance of \$176 million for FY 09 in Water and Sewer Revenue Bonds will need to be issued.

Drainage	\$ 3,500,000
Fire/ Police Equipment	2,800,000
General Government	700,000
Parks	14,923,000
Streets	4,660,000
Traffic	245,000
Health	1,172,000
Library	1,350,000
Grant Earmarks	650,000
Water	23,863,391
Wastewater	20,863,391
Bridge	3,000,000
TOTAL	\$ 77,726,782

Drainage, water and wastewater system enhancements will continue and will allow for the community to prepare for and maintain its prosperity. Challenges related to flooding during significant rain events are being addressed and will continue to be priority in future bond issues.

Projections remain on a positive level and the community is expected to see continued investment from outside firms as well as additional population increases. With this comes the need to expand current systems to be able to meet the needs of these new consumers. Some of those projects include the expansion of the current water and wastewater treatment facilities and the replacement of and installation of new water distribution and wastewater lines.

Water and Sewer

The Utilities Department has successfully reduced the waterline breaks from five per day to one per day and we have improved sewer lines throughout the community to include:

- Expansion of the Unitec Water / Wastewater Plant;
- Completion of the 18" waterline on HWY 59;
- Completion of the 24" waterline from TAMIU to Del Mar; and
- Completion of water and sewer lines in Colonias Tanquecitos I & II, San Carlos I & II, D-5 Acres, Laredo Ranchettes and Ranchitos 359.

Since September 2007, we have replaced over 29,030 linear feet of 8" and 12" water lines and 2,030 linear feet of sewer lines and have also replaced 560 water services. At the Jefferson Water Treatment Plant, a new chemical building is under construction along with the design of a 15 million gallon per day (MGD) expansion, with the electrical and generator design being 25% complete.

The Mary Help of Christians Booster Station is being upgraded with two new pumps that will deliver water to the Killam / TAMIU Elevated tank on Loop 20 and four pumps that will deliver to the Del Mar area, San Isidro and Northeast Laredo.

A two million gallon elevated tank (Cuatro Vientos) is being constructed in South Laredo and will be in service by September 2008.

The design of the Northwest Laredo WTP is 10% complete.

For Wastewater:

We are on the design phase of the North Laredo Wastewater Treatment Plant which will pump 2.9 million gallon per day (MGD) and also for the Southside Wastewater Treatment Plant which will pump 7.5 MGD's. We will be advertising for proposals for two 3 MGD Wastewater Treatment Plants on Mines Road. Installation of water lines at Colonia Penitas is approximately 50% complete. The design for wastewater collection for Penitas is 98% complete.

The design of the replacement of approximately 2,000 feet of water lines on Mines Road close to Rancho Viejo is 80% complete. The engineering for the Water and Wastewater Master Plan commenced on July 1, 2008.

Of major importance, we have purchased 3,389 acre feet of Municipal Water Rights at a cost of \$10,425,370 from October 2007 to the present.

Quality of Life

Culture and Recreational Facilities

The development and creation of park and recreational amenities continues to be a fundamental request by our citizens. I have been very conscience about these requests since this not only means adding park infrastructure expenses. Along with the amenities, come the larger expenditures of maintenance and overhead in order to preserve our parks to its highest standards while keeping them safe for

our citizenry. The budget presented for the Parks and Leisure Department is \$11.9 million which includes \$3.6 million for Library operations. Projects that we are currently working on are North Central Park, Slaughter Park, Father McNaboe Park Phase II, El Eden Recreational Center, the Northwest Recreation Center, and the East Side Recreation Center. In addition, we are working towards utilizing the excess Arena Sales Tax for the purpose of building a new baseball stadium, a convention center and / or funding some of the maintenance and operations of the Arena.

Closing Comments

In spite of the nations' economic downturns, Laredo continues to report tremendous growth, making it imperative that basic services related to infrastructure be addressed and opportunities to promote improved quality of life, public safety and economic diversity be supported. The City of Laredo's FY2009 Budget represents a balanced budget that appropriately addresses the community's needs and reflects this City Council's continuing commitment to provide for a higher level of service and a better life for its citizens.

- B. Submission of the proposed 2009 – 2013 Capital Improvement Program (CIP) as per Article VI, Section 6.05, which states that “The City Manager shall prepare and submit a five (5) year capital program at least sixty (60) days before the end of the fiscal year.”

Jessica Hein presented the proposed C.I.P. to the council.

Exhibit B

In accordance to City Charter Article VI Financial Procedures, Section 6.05 Capital Program, I hereby submit the 2009-2013 Capital Improvement Program (CIP) for the City of Laredo. The CIP process is extremely important in that it sets aside periods in time in which priorities are set and limited financial resources are allocated. Since 1985, the City's first bond program in over 30 years, the City has continued an aggressive capital improvements program to meet the demands of one of the fastest growing cities in the nation. Below is a list of tax-supported debt which has been issued since 1985 and is supported by a current tax rate of 12.3993 cents per \$100 valuation.

In addition to the tax supported debt listed above, in 2007 the City of Laredo issued an additional \$49 million from a tax supported contractual obligation (CO) and \$36 million in revenue bonds for capital projects from self-supporting systems, including solid waste, NPDES, water and sewer. This combined \$85 million for projects in 2007 has been coupled by an additional \$78 million in 2008. In April of this year, we again issued approximately \$30 million in tax supported CO, and an additional \$48 million from self supporting systems, including water, wastewater and

bridge. We continue to monitor these projects closely and push forward to complete them in a timely manner.

In addition to self supporting revenue bonds for water and wastewater in 2009, we are planning to issue a tax supported CO in the range of \$10 to \$15 million for priority projects from our five year capital plan. The

selected projects will again focus on the priorities of City Council to repair streets, continue drainage improvements, improve public safety infrastructure, develop regional parks, and many other capital projects the community can enjoy and appreciate.

The 2009-2013 Capital Improvement Program was prepared by the City Manager's Office, together with the Communications and Administrative Support Services Department and those departments whose projects are included. The support of the City Council in implementing the Capital Improvement Plan has been steadfast. We look forward to working with you to make these projects a reality. Thank you.

The complete CIP is available for public viewing at the City Secretary's Office, 1110 Houston St.

IX. EXECUTIVE SESSION

None.

X. ADJOURNMENT

Motion to adjourn.

Moved: Mayor Pro Tem Valdez

Second: Cm. Rendon

For: 6

Against: 0

Abstain: 0