

**CITY OF INGLESIDE
SPECIAL WORKSHOP MINUTES
CITY COUNCIL MEETING
APRIL 7, 2011**

1. Call meeting to order

The meeting was called to order at 6:02 p.m. with Mayor Pete Perkins presiding. Council Members present: Mayor Pete Perkins, and Council Members Cynthia Wilson, Steve Diehl, Elaine Kemp, John F. Schack, Willie Vaden, and Paul Pierce. City of Ingleside Staff present: City Manager Jim Gray and City Secretary Kimberly Drysdale. There were approximately 50 guests.

2. Invocation

3. Pledge of Allegiance

4. Discussion of Street Maintenance Tax –Election May 14, 2011

Staff requested input from the Council regarding the educational flyer to be mailed to the registered voters of Ingleside. A draft was provided. Council Member Pierce requested wording be included that will state that if the Street Maintenance Tax is denied, that the sales tax will decrease to 8%. Mayor Perkins and Council Members Schack and Vaden stated if that statement is included they also wanted to see a statement that would educate the public that in order to raise the same amount of funds (approximately \$130,000/year) that it will require an increase of three (3) cents in ad valorem tax. City Manager Jim Gray stated the staff would work with the Attorney to prepare the adjusted language for the educational flyer.

Mrs. Theresa Flores announced there will be a Candidates Forum on April 18, 2011 and the Council is welcome to come and speak about the Sales Maintenance Tax fund.

5. Potential Bond Issuance for Capital Improvement Items

Finance Director Paul Baen explained that the Series 2003 bonds will be paid off in 2013. If the Council were to issue bonds up to 1.5 Million Dollars to be paid back by year 2031, the payments could be adjusted to begin as the Series 2003 were paid off. This would have the least affect to the public and still provide funding for capital improvement projects.

6. Proposed Capital Improvement Items

City Manager Jim Gray stated after review of the Capital Improvement Program and talking with the Departments to consider up to 1.5 Million Dollars, the staff's request is for the One Million Dollars for the replacement of the 4th Street Water Storage Tank; \$180,000 for the Kiewit Back Lift Station; \$30,000 for the Kiewit Front Lift Station; \$35,000 for the replacement of the standpipe of the Homeport Elevated Storage Tank: for a grand total of \$1.245 Million Dollars. Other smaller projects can be included to total \$1.5 Million Dollars; however, Mr. Gray does not recommend financing vehicles/equipment over a 20 year loan because they vehicles/equipment do not have that long of a life expectancy.

It was questioned if the City of Ingleside should consider Meter Stations at the connections to the Aransas Pass customers. Mr. Gray stated he could not confirm whether it would be advantageous for the City to do that or not and the costs of such stations are a total of \$125,000 for all three locations. Because it is unknown if this would be cost effective, he is not prepared to recommend it to the Council at this time.

Another project very important to the City is the Industrial Corridor which will cost about 1.5 million dollars for the Phase II of the NEPA process. This is required in order for the project to be considered shovel ready. The staff is discussing options with industry partners in the area to help fund Phase II. It is possible that we may be able to make agreements with the industry partners to pre-pay their taxes for up to ten years with no interest. In further discussions with various State officials, they cannot guarantee reimbursement of these costs; however, they will try to keep that as part of future funding for construction. The City can afford a \$100,000 match, but not the entire 1.5 Million Dollars. This is one of the items we are also discussing with Congressman Farenthold and Senators Cornyn and Hutchison.

7. Trends in City Revenue Sources

City Manager Jim Gray explained that the City of Ingleside is not expected to be trending with the State and Federal average revenue decreases over the next few years. Most communities will see a decrease or standstill of their revenues; however, Ingleside is expecting to see an increase. This is due to changes in the tax rolls that staff have been working with the appraisal district to correct; additions to the tax rolls; the ongoing discussions with the industry owners in our ETJ (Oxy Chem, Dupont, and Air Liquide) for Industrial Agreements; the anticipated increase in utility usage as the former Naval Station Ingleside (NSI) is purchased and begins to develop; corrections to the water billing to Koch/Flint Hills; review and corrections of the water loss; and corrected sewer billing to Kiewit Offshore Services.

Since 2006, the City of Ingleside has been on a very strict budget. With the increase in revenues, the City Council will need to consider the priorities of how to use these funds. Some options can be to fund depreciation, reduce taxes, reduce utility rates, consider staffing needs, and any other options the City Council feels are priorities.

Mayor Perkins recessed the meeting for a break at 7:33 p.m.

Mayor Perkins reconvened the meeting at 7:44 p.m.

8. Inclusion of Depreciation as a cost for budgeting/planning

Finance Director Paul Baen explained depreciation has not been considered part of the budget since 2006. The Annual Financial Report indicates there should be \$600,000 in General Fund depreciation and \$700,000 in Utility Fund depreciation. Different entities fund various amounts of a city's depreciation expenses. These are basically funds set aside to replace the items as they wear out. These are not major projects that are usually better funded through bonds. Examples are items such as vehicles, equipment, singular pump stations or lift stations, portions of infrastructure, but not the major needs such as a complete new wastewater plant.

The City Council needs to provide direction, set a policy, and give guidelines for the staff to use when budgeting.

9. Employee Health Insurance Renewal (TML-IEBP)

City Manager Jim Gray stated that TML-IEBP has notified the City of a 15% increase in the employee benefits (medical, dental, and life insurance). This is the first increase in two years. It is felt that it will cost an additional \$75,000 over the course of 12 months; about \$25,000 in the current FY and the remainder in FY 2011/2012.

Council Member Diehl questioned what the cost would be to the employees and the staff was not able to answer that question at this time. We are still working on the spreadsheet and, therefore, do not have a dollar figure prepared for this meeting. Council Member Schack stated he would have a difficult time increasing staff benefits costs when they have received no wage increases.

10. 2011-2012 budgeting Calendar


Finance Director stated the estimated tax rolls are expected to arrive around the end of June. It is feasible to bring the budget to the Council upon the receipt of the tax rolls. City Manager Jim Gray requested Council direction whether to include any types of increase or decreases in revenues or expenses, depending on the Council's specific focus this coming budget year. Mayor Perkins requested the tax rates stand as they currently are for the first review of the budget. He is concerned that we not make any decreases in rates until we actually begin receiving the new expected revenues.

Council Member Pierce requested an update to the Kiewit sewer rate and Mr. Gray stated they will get their 1st bill later this month. They are considering a separate water meter to help themselves with this issue.

11. Adjourn


There being no further business, the meeting was adjourned at 8:28 p.m.

ATTEST:



 Kimberly Drysdale, City Secretary

APPROVED:



 Mayor, Pete Perkins