MINUTES OF THE
AUGUST 10, 2026
CITY COUNCIL BUDGET WORKSHOP

1. Call to Order and Recording of Quorum

The meeting was called to order at 2:15 p.m., and a quorum was established.

Council Members Present:

- Mayor John Low
- Bill Mitchell
- Peter Mako
- Kate Lanfear
- Emmy Ballantyne

Staff Present:

- City Manager William Foley
- Executive Secretary Kristyn Schones
- Fire Chief William Knupp
- Assistant Fire Chief Justin Seibert
- Police Chief Gail Baham
- Lieutenant Michael Guttierrez
- Director Rick Baldarrama

2. Comments by Citizens

There were no comments from citizens.

3. Budget Workshop – Fiscal Year 2027 Budget

Mayor Low introduced the agenda item. Executive Secretary Kristyn Schones presented an overview of the current 2026 budget, including projected year-end revenues and expenditures, as well as preliminary considerations for the 2027 fiscal year budget.

a. Review of Current Budget

Schones reported that the City's 2026 budget is on track, with no significant concerns identified. Staff reviewed the current budget and projected year-end results.

Schones noted one area requiring adjustment: interest income. Due to declining interest rates, revenue from the City's Lonestar and Broadway accounts is expected to be approximately $30,000 below the original projection of $360,000. Schones stated that the reduction should not have a significant impact on the overall budget because the city continues to maintain a surplus.

Schones reported that the City is currently projecting $230,000 to $250,000 in year-end funds available for transfer to the general fund, although the final amount could be closer to the City's historical average of approximately $300,000.

b. Additional Guidance for Development of the 2027 Budget

Schones presented the preliminary 2027 budget and explained that the County's appraisal values reflected an approximately $18 million reduction in taxable appraised value. Because the City relies heavily on property tax revenue to fund operations, the reduction will affect available revenue.

Schones identified three primary areas of focus in developing the proposed 2027 budget:

1. A 3.5% cost-of-living adjustment (COLA**)** for employees.
2. Increased health insurance costs and employee contribution; and
3. Continuing the $1.2 million transfer to capital projects, primarily for roadway improvements.

Schones explained that the proposed 3.5% COLA is intended to help the city remain competitive with surrounding municipalities, including Alamo Heights, and assist with employee retention.

Regarding health insurance, Schones reported that the City currently contributes $550 per employee per month and that staff are considering increasing the contribution to $600 per employee per month. The proposed increase would cost approximately $30,000 annually and would fully cover the cost of employee-only coverage. Staff reported that the City may need to go to the insurance market because Blue Cross Blue Shield rates are expected to increase significantly. The City is currently budgeting for an estimated 10% increase in insurance costs.

Schones stated that because the 2027 budget will not be finalized until December, Council could revisit the proposed $50 increase during the open enrollment process. If an increase is not needed, the funds could be returned to the general fund.

Schones also discussed the importance of continuing the $1.2 million annual transfer to capital projects. She explained that the transfer provides funding for roadway improvements and helps protect the City's ability to address future capital needs. The city currently has approximately $3.8 million in reserves, including the $1.2 million transfer made during the current fiscal year.

Staff discussed an alternative approach of reducing the capital transfer to $1 million and adopting a tax rate between the no-new-revenue rate and the voter-approval rate. Schones stated that this approach would result in approximately $200,000 less revenue but could allow the City to continue funding its identified needs.

Council and staff discussed tax rates adopted or being considered by neighboring municipalities. Staff noted that Alamo Heights is considering the de minimis rate and Olmos Park is considering the voter-approval rate.

c. Discussion and Staff Direction Regarding the Ad Valorem Tax Rate

Council discussed the impact of the County's approximately $18 million reduction in appraised values. Foley stated that achieving the no-new revenue rate would require approximately $54 per household to offset the reduction, although the total impact would require additional calculation.

Schones stated that the no-new revenue rate would result in approximately $60,000 less revenue under the proposed budget. She further stated that adopting the voter-approval rate would generate approximately $370,000 in additional revenue.

Council discussed the City's reserve position. Schones reported that the city currently has approximately $3.8 million in reserves and could potentially reach approximately $4.1 million by year-end if projected revenues are received and the anticipated year-end transfer occurs. She noted that approximately $5 million represents the City's estimated eight-month operating reserve requirement.

Foley discussed potential changes at the state level that could affect municipal property tax revenues and appraisal practices. He noted that proposed legislative priorities could reduce the amount by which municipalities may increase tax rates in future years and could potentially change the frequency of property appraisals. Foley stated that the City's heavy reliance on property tax revenue makes these potential changes particularly significant.

Foley explained that adopting the no-new-revenue rate would require the City to reduce or defer certain proposed budget items, including the COLA and increased insurance contribution, or reduce the amount transferred to capital projects. He stated that adopting the voter-approval rate would allow the City to maintain the proposed budget and continue the $1.2 million capital transfer.

Mayor Low noted that the difference between the intermediate rate discussed and the voter-approval rate would be approximately $72 per household annually. He also explained that the City has historically expressed its intent to remain within the voter-approval rate and subsequently considered whether a lower rate could meet the City's needs.

Foley clarified that the purpose of the current discussion was to provide direction for preparation of the budget and that no final tax rate was being adopted at this meeting. He stated that Council would later consider an item establishing its intent regarding a tax rate that does not exceed the voter-approval rate, with the final rate to be considered at a subsequent meeting.

Mayor Low raised concerns regarding recent vehicle burglaries in the Morningside area and asked Police Chief Gail Baham whether additional staffing or funding was necessary to address the situation.

Baham reported that the Police Department is currently utilizing significant overtime to maintain coverage. She stated that six officers are assigned to the overnight shift and four officers are assigned to patrol at all times, with additional personnel working 12-hour shifts and days off to maintain coverage.

Mayor Low stated that he wanted to ensure the Police Department was adequately funded to address public safety concerns. Council Member Ballantyne expressed concern regarding employee burnout and indicated that additional manpower may be preferable to relying heavily on overtime.

Foley stated that the city would benefit from additional police officers and agreed to meet with Baham to evaluate the costs and staffing implications of additional personnel versus overtime.

Foley reported that the Police Department currently has approximately $50,000 budgeted annually for overtime and approximately $400,000 in asset-seizure funds that may legally be used for certain overtime associated with qualifying operations. He stated that asset-seizure funds cannot be used to hire additional officers.

Mayor Low requested that staffing, overtime, and available asset-seizure funds be evaluated and presented for further discussion at the next meeting.

Council Member Ballantyne asked whether additional shade sails for the park were included in the proposed budget.

Foley advised that the additional shade sails were not currently included in the proposed budget. He stated that the matter could be presented at the next meeting for Council consideration, including the possibility of either adding the project to the upcoming budget or amending the current budget to use available capital funds.

Foley reiterated that the purpose of the workshop was to provide staff with directions as staff continue to develop the proposed 2027 budget. No formal action was taken.

Staff will continue evaluating:

- The appropriate ad valorem tax rate.
- The proposed 3.5% COLA.
- Health insurance costs and the potential increase in the City's employee contribution.
- The $1.2 million capital-project transfer.
- Police staffing and overtime needs; and
- Funding options for additional park shade sails.

4. Adjournment

There being no further discussion, the meeting was adjourned at 2:49 p.m.

____

MAYOR

ATTEST:

____

SECRETARY-MANAGER