

The City of Hilshire Village

Special Council Meeting, September 10, 2010
FRIDAY, September 10, 2010
SPECIAL COUNCIL MEETING
5:00 P.M.

1. CALL TO ORDER: Mayor Robin Border called the City of Hilshire Village Special Council Meeting to order at 5:00 P.M. at 8301 Westview, Houston, Texas 77055.

1.2 Present: were Mayor Robin Border, Mayor Pro Tem Connie Castro and Council Members Shannon Whiting, Stephanie Post, Edward Davis and Bill Bristow.

2. CITIZENS COMMENTS: None

3. DISCUSSION:

3.1 FYE 2011 Budget: Mayor Border stated the difference in the budget presented tonight and the last proposed budget was in the property tax on line 7. The City received

the certification of anticipated collection rate by the collector. This figure is up \$32,000 showing about a \$3,000 surplus. The City auditors recommend the City keep at least a three (3) month reserve and the City currently does not even come close. The tax rate proposed is the maximum allowable by law without the requirement of an election.

Mayor Border stated the rest of the budget remained the same with the exception of line 19 Inspections. This figure is down about \$2,000 from the last budget. The total net revenue is approximately \$30,000 higher and represents a \$2,964 surplus. He stated the Fund Balance sheets show the projected General Fund cash account at the end of year to be around \$183,000. Mayor Border stated this balance has to get the City through October, November and December until the City starts receiving the tax collections. He stated the City's expenses are \$60,000 to \$70,000 per month and the City will run out of cash before the City collects any taxes. The Mayor said if there are no changes, then the City is in a "slippery" situation for the first time. The City budget will be real tight at year end. The Mayor summed up the new budget by saying revenue is up \$30,000.00 and expenses remain basically unchanged so the City will have \$2,964

they can book in the bank for the following year. Hopefully; there will be no unexpected lawsuits or emergencies.

The Mayor stated the City will get the \$99,000 in October from Metro and hopefully will

continue to receive the funds through 2014 but that depends on Metro. Line 106 is the same amount for right-of-way maintenance. Line 15: \$30,000 is coming out of the Metro

money for the City's portion of the CDBG Grant. Last year this amount was on a different line item but it still was allocated for the same project. On Page 6, line 139 is for a \$2,500,000 grant project that the City is planning on receiving and spending. This shows as a "wash" on the budget. The Mayor stated whether we get the grant depends on the timing, but it looks good.

The Mayor stated on page 7 the figures from line 165 to 170 relate to collection of debt tax and payment thereof. These figures are pretty much automatic. Net result for year is a small loss but tax collection is required to balance.
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The Mayor stated the Utility Fund numbers did not change. He stated the revenue is \$412,000 with expenses of \$352,000 and \$59,700 in the bank. We have been trying to put \$55,000 into the Utility Fund account to build infrastructure each year. "We are there."

Mayor Border reminded Council no funds were put in the budget for the Bridle Spur project due to the fact that the residents still had not completed their documents.

Mayor Border asked for comments regarding a tax increase: Mayor Pro Tem Castro, stated that she did not believe this was the time either politically or economically for a tax increase. She would not be in favor of any amount over the roll back rate at this time.

The Mayor stated on Line 20, under fee structures, trash shows \$76,000 for full cost of trash collection. Whether everything goes into a fee or the City raises taxes, it does not change anything on the budget; it just moves the amount to a different line item. The issue is in order to raise \$76,000 the taxes have to be raised by \$0.08 from the \$0.45 we have now to \$0.53. Out of pocket expenses on households would not change. If the City puts trash collection in the taxes the residents can deduct it from their taxes; if they pay a fee they cannot deduct them.

Council Member Post commented that the City could not be sure how much of an actual deduction residents might get from a tax increase. It was pointed out that trash is separate from water even though trash appears on the water bill. The water is part of the Utility Fund while trash is part of the general fund. The trash costs have not gone up in the last five years. It was also noted that the City does not collect all monies billed.

Council Member Post commented that the City's reserve is in immediate danger of being

depleted so the City needs to figure out how to replenish the reserve over a period of time. If the City turns the trash fee into a tax the City has more flexibility on how to use the money. With this budget, the City is covering the actual cost with the tax/fee. She was concerned with the infrastructure and where the City was going to get the funds for the necessary repairs. The Mayor stated there was \$1,000,000 in Metro funds to take care of drainage and street issues and \$430,000 in the Utility Fund that can be spent in case of an emergency. The challenge for the City is paying the bills.

The Mayor stated the budget spreadsheets were generated to help Council and residents understand. The blue and red boxes are restricted so the money has to be spent on specific items.

Council Member Whiting stated that she thinks we may not need a full \$0.10. She agrees with Mayor Pro Tem Castro if the City is just converting trash fee to a tax, the City should not risk an election. However, if the City wants to increase taxes so they can convert the trash fee to a tax plus fund and provide a cushion for the General Fund as well as some additional monies for capital projects, then put it all together and either do it all at the same time or not at all. She pointed out that the Council does not know how many residents itemize their taxes or if they would be able to get all the benefits of the tax deduction. The Council agreed that the amount to the resident stays the same only 3Special Council Meeting, September 10, 2010 the way it gets to the City changes and it was not worth an election just to change the trash fee to a tax.

Mayor Border said the rollback rate has gone from \$0.549 to \$0.587. Due to increase in property valuations the taxes increased in 2006 by 8%, in 2007 by 7%, and in 2008 by 7%. For these years, the City did not need to go with the roll back rate. This year the property valuations increased by only a couple thousand dollars and the prediction is that next year the property valuations will go down. City Secretary Blevins stated the calculation for the property valuations is very strange. New homes in progress are taken out of the calculation and it takes two years to become part of the tax roll where the City starts getting income. Mayor Border stated new homes are the way the City wants to move so that property values go up. He stated the budget is showing a 7.76% increase in expenses over last year including "budget balancer" items which is not a bad rate.

Council Member Post questioned the General Fund amount of \$182,786 at the closing of September 30, 2010 and from where it came. The City Secretary said the City has a CD and approximately \$125,000 is in that fund. The money has been in this fund for awhile but will be gone by the end of the year. Council Member Post thinks \$0.10 tax increase is a little high but has not heard what the dollar amount that the City needs to rebuild the General Fund.

Mayor Border stated that based on the budget figures at this time, the General Fund will be in the hole around \$12,000 at the beginning of 2011 depending on timing, shifts in revenue and expenses when looking at a 3 month reserve. As stewards of the City, the Council needs to start planning on building up the General Fund to have a reserve. It was discussed in last year's budget meetings, but the decision was not made to increase taxes at that time.

The Mayor stated the bottom line is that sales taxes are way down, franchise taxes are not growing and the interest rates are very low so the City's income is down. He stated the City made a good choice with the Centerpoint Franchise when we selected a three (3) year contract to take a fixed monthly payment. The figures are now out and we got more than we would have with a percentage rate due to people and their energy usage becoming more efficient. However; Centerpoint is now putting together a rate case in Austin to throw the deal out and we are fighting as our franchise tax would go down if they win.

Mayor Border stated he has asked the City Attorney to inquire if there is any benefit in changing the way the City deals with Special Use Permits. The bulk of the acreage on Wirt is churches that exist under Special Use Permits (SUP). The Mayor stated the City has essentially 20 acres of land not paying taxes while the City is having problems raising funds. He stated he was not trying to get rid of the churches he was just trying to see if the City can negotiate or dictate that in five (5) or ten (10) years from now the SUP goes away or the land gets rezoned or somehow the City gets revenue from this land.

Council Member Davis stated the City's expenses are due to services that are necessary. The Council could spend hours trying to chisel away the expenses. If property values, due to national economic conditions, result in lower property appraisals this would mean the revenue would significantly decrease. Council Member Davis stated it was Council's job to understand this and communicate to citizens the real picture of the City's finances before the City is significantly in the hole. He stated residents need to realize we cannot continue to give them low tax rates and maintain the current standards in the City.

The Mayor pointed out the first three items on the budget (fire, police and trash) total \$563,800 and the property taxes generate \$540,000. So we are short with just basic services. "This does not even get the lights on in the City".

The Mayor pointed out that while no one wants a tax increase the Council is responsible for keeping the City fiscally sound. Council Member Whiting pointed out that if the City wanted to borrow money we would not be attractive, as lenders would not consider the City a viable entity with most assets in restricted funds. She said the City needs to look

at how to make property values go up.

The Mayor also pointed out that a \$0.10 tax increase only builds a three month reserve.

The Mayor thinks that the Council should decide how much the City residents could stand in a tax increase, be it \$0.10 or \$0.20 or some other figure. Once that is decided then Council can decide on trash as a fee or a tax.

Council Member Davis stated the City is looking at having to possibly diminish services without a tax increase. Council Member Whiting stated the last time City Council looked at possible alternate police opportunities the residents were overwhelming in favor of keeping the Spring Valley Police Department no matter the cost.

Council Member Whiting stated that in trying to figure where we should be, the rollback figures give the city \$0.04 and we build nothing, \$0.10 covers the trash with some cushion and \$0.15 would cover the trash and put \$100,000.00 back in the coffers. At \$0.10 the feeling is to keep the trash fee but if it goes to \$0.15 the City should definitely loose the fee. She stated the tax increase should be done all at once.

Mayor Border stated the General Fund covers only the cost of running the City, the fire department, the police department, the trash collection and operating City Hall. Anything the Council does over the roll back rate adds to the bottom line.

Mayor Pro Tem Castro stated in 2014 the debt rate tax will have ended unless we refinance. Mayor Border stated Council should not forget that if taxes are raised tonight,

this rate will become the new tax base for the next roll back rate. The Fire Department rate has been kept at the same rate for the last two (2) years. The fact that our basic health and safety costs are \$564,000 and the City is only collecting \$540,000, assuming the roll back rate, should be raising "eyebrows". The fact is that the City is short on revenue and residents have to realize this and that services cost money. We get what we are willing to pay for. Council's consensus is to keep the trash fee in place. The City Secretary stated the proposed tax rate does not have to be the tax rate that is adopted.

4. ACTION ITEMS (CONSIDERATION AND POSSIBLE ACTION): 5Special Council Meeting, September 10, 2010

4.1 A motion was made by Council Member Whiting to approve a proposed 2010 tax rate of .737393 per \$100 evaluations, which is an increase of 33.4% over last year's taxes, seconded by Council Member Davis. A vote was taken to approve the motion to approve a proposed 2010 tax rate of .737393 per \$100 evaluation which is an increase of 33.4% over last year's taxes. The motion passed 3-2. Council Member Post, Davis and Whiting voting for the motion and Mayor Pro Tem Castro and Council Member Bristow voted against the motion.

4.2 A motion was made by Mayor Pro Tem Castro to approve the hiring of a new Fire Chief for the Village Fire Department, seconded by Council Member Davis. Mayor Border stated that the Fire Commission voted to make an offer to David Foster. It was a unanimous vote. Mayor Border said now he was coming to Council to approve the hiring. Council Member Davis attended the interviews and was very impressed with the candidate. A vote was taken to approve the hiring of a new Fire Chief for the Village Fire Department. The vote passed 4-1. Mayor Pro Tem Castro, Council Member Davis, Post and Whiting voted for the motion and Council Member Bristow sustained.

4.3 A motion was made by Council Member Post to approve the appointment of Edward Davis as the new Alternate Fire Commissioner, seconded by Mayor Pro Tem Castro. The Mayor stated Mayor Pro Tem Castro has done a great job as Alternate Fire Commissioner but she wanted someone else to take the position. A vote was taken to approve the motion to approve the appointment of Edward Davis as the new Alternate Fire Commissioner. The vote passed unanimously.

5. ADDITIONAL CITIZENS COMMENTS: Robert Sommer, 1114 Guinea Drive, added some laughter into the meeting by stating his neighbor has covered two (2) of his large trees with stainless steel to keep the squirrels from eating the pecans. The pecan trees are like a lightning rod and his question is if the tree is hit by lightning will it ruin the
the
pecans for the squirrels.

6. ANNOUNCEMENTS: None

7. ADJOURNMENT: Council Member Whiting motioned to adjourn, seconded by Council Member Post. The meeting was adjourned at 6:45 P.M.

Mayor Robin Border

ATTEST:

Susan Blevins, City Secretary