

The City of Hilshire Village

TUESDAY, September 28, 2010

PUBLIC HEARING & SPECIAL COUNCIL MEETING

6:00 P.M.

1. CALL TO ORDER: Mayor Robin Border called the City of Hilshire Village Special Council Meeting to order at 6:00 P.M. at 8301 Westview, Houston, Texas 77055. Mayor Pro Tem Castro gave the invocation.

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

Mayor Border's Comments: The Mayor stated that Council was trying to determine what the tax rate should be going forward for the City of Hilshire Village on property taxes. He stated there are three taxes; City, county and school. He stated the City has no control over the county or school tax rates. The only rate under discussion was the General Fund. The City also has restricted funds: Metro where the City gets \$99,000 per year currently and Utility Funds.

Mayor Border said it was not impossible for Council to create an ordinance to un-designated the Utility Fund so the City could use it to pay bills. He said it has occurred in the past but it was changed to be restricted in order to replace the City's infrastructure. Mayor Border stated in terms of capital projects, there was approximately \$1,500,000 in Metro Fund and \$450,000 in the Utility Fund that can be used for city streets, sewer lines and capital projects.

Mayor Border stated tonight the discussion was on the General Fund which allows the City to light the streets, run city hall, take care of the filings and reports the City is required to file, issue building permits and inspections and all the other items that it takes to run the City. He stated in the past, the City has been blessed with increasing property values which allowed the City to receive increased revenue. This year happily we had a small increase in property valuations where we expected to see a downturn.

Mayor Border stated this year City Council is contemplating raising taxes in excess of the roll back rate. He stated in looking back over ten (10) years of City Council service, the biggest change took place approximately five (5) years ago when TxDOT condemned the property at 1003 Wirt and condemned the commercial property. The City lost about 10% of its tax base with that change. At that point the City tried to rescue itself by going to the roll back rate (typically around 8%) which is the highest rate increase the City can do without risking an election. The City went with the roll back rate for several years. The Mayor said when he took over as Mayor

he changed the way the City looked at the budget by separating the General Fund from the Restricted Accounts. This allows the City to see how much actual money there is to operate the City and gives Council a better view of what the City can really spend. Last year Council realized the roll back rate did not work so they instituted a trash fee. Currently residents now pay a portion of the actual cost of the trash collection. In the budget under discussion, the total cost of trash collection will be billed to the residents. Even with this change, the roll back rate puts the City in a financial bind.

The Mayor stated he was recently asked how come nothing was done about this situation earlier. He stated previous Councils talked about increasing tax rates but ultimately took no action. Mayor Border stated he believes the main reason previous Councils did not raise taxes was fear of a failed election. The fear comes from the fact that all the residents need is for 10% of the registered voters to sign a petition against the increase and it then goes to a public vote. The Mayor stated if the vote fails, the City would go back to the roll back rate. If an election is called, the election will not take place until May. Council sets the tax rate and adopts the budget in October and the new rate goes into effect. The money is collected for the most part in December and the revenue goes into the bank. If opponents of the adopted rate file a petition then City would continue to receive revenue in January and into February. The election would take place in May and if it failed the City would be forced to refund the difference to residents and the City will have to pay the tax collectors to recalculate and send out refunds and the cost to do this is unknown. This scenario is scary and the Mayor does not want to be in that situation. The Mayor said “the choices are pretty lousy; you either spend all the money you have or raise taxes and face a possible election. Where the City is today, a rise in the tax rate is required”.

Mayor Border stated when you face this type of situation at home you look at your income and expenses. Most of us cannot do much about our income, so we look to cut expenses. The Council has cut expenses where they felt it was responsible to do so. We could cut off lights, cut the staff salaries, stop maintenance work, etc., but all these cuts would total a very small amount of money. Mayor Border stated he and City Secretary Blevins put the budget together and cut as much of the expenses as possible. Some numbers in the budget are place markers and contingency amounts that the City does not expect to spend, but are there in case of unexpected expenditures and to balance the budget. The budget is presented to Council and they also make changes to the budget. There are lots of factors considered in the budget. The Mayor said the big issue is “At year end what amount of money should the City have in the General Fund?” The auditors suggest a three (3) months worth of expenses surplus.

Mayor Border stated the Council came up with the decision that the City needed three (3) months of expenses which is approximately \$200,000. Then the question is how long the City takes to generate this surplus. The Mayor feels the true long term issue is revenue generation. The City was established with no real business area, little sales tax and the franchise taxes are holding steady. However, if CenterPoint wins their suit to change the franchise tax law, the change would undo our forty (40) year contract with CenterPoint.

The City could make massive cuts in controlled spending and only change the budget by eight percent (8%). Ninety-two percent (92%) of the budget is fire, police, trash, lights and other items that the City has little control over. The City surplus funds are approaching \$0.00 and our fiscal

stature will be diminished. The City does have money. There is \$450,000 in water, \$1,500,000 in Metro and \$3,000,000 in grants for work on our infrastructure.

Council Comments:

Mayor Pro Tem Castro stated the Council has been wrestling with the tax increase for a long time. She does not want to leave the City without any reserves and it would be irresponsible of her as a Council Member to do so. Mayor Pro Tem Castro feels it is not a question of need for a tax increase, but the rate of the increase. The first tax increase rate presented was \$0.15 over the roll back rate on which she voted “no” because she knew that would not be the number on which they would decide. The latest increase rate is the roll back rate plus \$0.08 and she is open to suggestions.

Mayor Pro Tem Castro stated the City could look at not having the City attorney present at meetings. We did away with the Treasurer’s position and the City could do away with pay raises; however, all those changes would only result in a \$10,000 change in a \$720,000 budget with fewer services. Fire and police alone total \$490,000. Our property taxes before any kind of changes bring in \$495,000.00 thus leaving very little to cover the rest of the budget amounts. It does not take much to realize that we have a problem. She also stated she thinks the City can get by with a two (2) month surplus or approximately \$120,000. However, she is willing to listen to all ideas.

Council Member Post stated she agrees with everything the Mayor and the Mayor Pro Tem stated. She said Council was here to hear the resident’s thoughts and recommendations; however, she does believe the City has to have a reserve.

Council Member Davis stated residents have to understand our tax base. The Village is unique and our tax base is limited.

Council Member Bristow stated he was in favor of only going with the roll back rate and the City doing the best it can with the money.

Council Member Whiting stated the City is faced with declining revenue, no commercial properties and keeping expenses in check. It was painful when the City lost 10% of its tax base with the commercial property loss. Information at that time was not as clear as it is now and the City had a surplus. She said the City has to have funds in case of emergencies and the City does not have any and hasn’t had any for several years. Without a surplus the City would have to charge another fee of some sort or make an assessment. Council Member Whiting feels the City needs a surplus and the City is being fiscally responsible.

2. CITIZENS COMMENTS:

Steve Tacconelly, 8013 Anadell, suggests the City needs to work on its credibility with the residents. He recommends Council set up an independent committee to review revenue and expenses to make recommendations. Mr. Tacconelly thinks it may not be appropriate to have a five percent (5%) increase in salaries or that we may not need a \$5,000 increase in office

furnishings. He wonders if we need both a Contingency Fund of \$5,000 and Miscellaneous Fund of \$2,500 or can we eliminate one. Mr. Tacconelly also questioned the \$4,000 increase in voting machines and if they are required. He thinks that anything we do not need to spend now should be deferred. Mr. Tacconelly stated that under the Building Permit administration, he feels the increase of \$21,000 is the result of the Farris lawsuit and he felt that should be reclassified. He stated all items need to be classified as to what they really are. Mr. Tacconelly did not think the City needed the \$8,750 for a generator even though we have \$20,000 grant. He told the Council and Mr. Farris “they need to resolve the lawsuit”.

Mayor Border stated the City’s expenses have been looked at over and over. He said there was a \$50,000 increase between this year and last year’s budgets. Of this, \$25,000 was police, \$21,000 is the lawsuit and \$8,000 is the generator. He does not think cutting the \$3,800 increase in salaries is the right thing to do.

Mr. Tacconelly talked again about the committee’s time rather than the Mayor’s time being spent on the budget. Also, he commented on “hiding” the Farris lawsuit costs.

The Mayor responded that the Farris lawsuit stemmed from a permit issue and was accounted for under a sub account which rolls up under permits, but it is spelled out in the budget comments.

The Mayor also stated we could get rid of the Contingency Fund and Miscellaneous Fund budget items, but typically they are there to balance the budget and are not spent.

He said Mr. Tacconelly asked for a budget copy earlier in the day and not everyone was aware of what he was talking about. City Secretary Blevins stated a copy of the budget was on the website. Mayor Border stated that every budget item had been given consideration by the Mayor, the City Secretary and Council. He stated budgets can be extremely complicated and he does not feel the need for a committee but it is okay with him.

Mayor Pro Tem Castro stated the Council, the Mayor and City Secretary Blevins were the committee.

Council Member Davis stated the budget is part of what Council is elected to do and that is why we have a hard time getting anyone to run for council. Council Member Davis also explained that you could not cut inspection fees. The City shows the revenue when permits are pulled and must pay for the inspections out of said collections. The only thing under Permits that does not pay for itself is the Farris lawsuit.

The Mayor stated when someone pulls a permit the money goes into the till and then as work progresses the inspections are paid for out of the funds received. He stated the majority of the furniture budget for \$5,000 is for a fire proof file cabinet. The City currently has one that is old and if you open the right drawer, could tip over. Council Member Whiting stated it could cause harm to an adult or significantly harm a child. Mayor Pro Tem Castro said she had been hurt while filing in the cabinet. Mayor Border stated the City has to have a fire proof file cabinet to keep records and if someone gets seriously hurt, the cost to the City would be a lot more than the replacement cost.

Allen Smalley, #5 Pine Creek Lane, questioned the HCAD property rate values after the loss of the building versus the roll back rate and how they pair up.

Council Member Whiting answered that the growth rate of valuation is one-half to one-third less than the rate enjoyed before. The trend data is hard to figure out but what is significant is that the City lost ten percent (10%) of its base which means ten percent (10%) of principal while the expenses increase six (6%) to eight (8%) percent annually, meaning the City cannot dig itself out of that hole. The increase is mainly in big ticket items like the police. The increase to the budget for police the last three years has been four percent (4%). This has hurt the police department budget which is why we are seeing a more marked increase this year. Another big ticket item that the City has tried to keep low is that of the fire department which has stayed the same for the last two (2) years. She also pointed out that the City's trash service is around \$67,588 or \$18.65 per house. Neighboring cities are paying \$4-\$5 more per month, do not have back door service and may or may not recycle.

Mr. Smalley had another question on the property values and whether anyone had talked to HCAD about why our property values are not showing current status. He feels his house is overvalued by \$30,000 to \$50,000. With the new constructions of larger homes in the million dollars range, the City is not seeing the property values going up. Council Member Whiting stated HCAD first puts the house at the permit value. It may take two or more years after that for the house to show the value with good will items added in to show the true market value.

Zandra Anderson, 8214 Mallie Court, is concerned about the costs the City is paying on the Farris lawsuit for the independent contractors. In this year the City has spent \$35,000 which a good portion of it was Claunch and Miller's charges. The City is not part of the lawsuit. The Mayor being sued brought about the deductible payment of \$10,000 from TML; however, the Mayor has been dropped from the lawsuit. Ms. Anderson is also concerned and thinks the City needs to take a hard look at drainage. She thinks the drainage criteria at present sets the City up for flood problems and drainage problems in the future. The Mayor and Council expressed an interest in her idea about recouping some of the money paid on the Farris lawsuit. Zandra pointed out that both Claunch & Miller as well as Ted Lazarides should have professional liability insurance to cover the lawsuit. Council asked the City Secretary to check and see if the City could recoup some of the monies paid out on the lawsuit. Ms. Anderson also thinks that the City should consider once a week trash pickup. She stated the City of Houston only has once a week and this would cut down on cost.

Wally Partridge, 1301 Glourie, questioned whether the Mayor or Council had looked into the making of an assessment to cover the surplus. The Mayor answered that he felt an assessment was not really a good idea. The roll back rate has never covered expenses. Mr. Partridge then questioned if the City had \$50,000 in surplus would it equate to the \$0.04 added to the roll back rate. Council Member Whiting pointed out that the roll back rate generates \$540,000 and the City has an increase of six (6%) to seven (7%) percent in income compared to eight (8%) percent increase in expenses. The City never catches up under these conditions.

Dave Hay, #13 Hilshire Grove, made comments about the tax rate and said the residents received a major tax increase in 2007. Mayor Border pointed out that in 2007 the City borrowed

\$1,000,000 for the water and sewer project causing the tax rate to go up. It will remain until the debt is paid and then will fall off. Mr. Hays thinks the tax rate is a thirty percent (30%) increase this year. Discussion was held as to how the tax rate was figured and the definition of each tax rate. Council starts at the roll back rate. The effective rate and the roll back rate are not added together – they are separate. The tax increase rate this year is 20.7%. In 2009, Council took the roll back rate.

Diane Rager, 8312 Mallie Court, stated if the City continues to raise taxes at the current rate it will affect the revenue in a negative manner. Hilshire Village is at the top of the tax rate list for people who look at tax rates when buying and/or remodeling. She said the City needs to look at new building and remodeling as a way to increase revenue. Currently the City's fees for both are very high and are constantly adding new fees. She thinks our City Building Official and Inspector's reputation are currently not good as they are known to be somewhat difficult. The City needs to think about how to make building and remodeling less costly and friendlier so people will want to do both.

Mrs. Rager is also concerned about a failed tax election and the fact that it will cost the City more in legal fees and other costs of defending the City position of a tax increase. She also thinks the garbage should be in the tax rate. The Mayor pointed out that at the last meeting the residents were very clear that they wanted the garbage as a fee.

Mrs. Rager brought up Spring Valley and Piney Point as examples of lower tax rates. Council pointed out both cities have higher property tax values and significant commercial properties. There are both advantages and disadvantages to being a small city. Council stated running the City takes up about seven percent (7%) of the budget.

Kristel Peale, 7910 Hilshire Green, has been a resident for five (5) years. She thinks the City has a bit of aversion to commercial property and wanted to know if we tax churches. Council stated we cannot tax churches. Any contributions to a church can be deducted from your taxes. She stated she pays more property tax and water than she has elsewhere.

Grady Farris, 1138 Glourie, pointed out that eight (8) residents came to the last meeting and twenty (20) were in attendance tonight which he felt was a low attendance caused by the City failing to inform the residents of the impact of these meetings. He feels the City is trying to rush even though the City is following state guidelines. Mr. Farris quoted numerous statements taken from his notes regarding the September 23 and September 24, 2010 meetings. He stated it might not be in the City's best interest to have a City Hall but rather rent rooms from one of the churches and sell the property putting the money back into the City. Mr. Farris thinks paying rent rather than owning would be more economical. Mr. Farris questioned the building of the Park on the previous commercial land taken over by the state during the widening of the Interstate 10 Freeway. He thinks the land should be put to a different and better use.

Mr. Farris introduced himself as the person bringing the lawsuit against Robin Border and the City Building Official, Ted Lazarides. He stated both were defended by City Attorney, David Olson. He defended his actions in bringing the lawsuit stating he had spent \$100,000 on legal fees and damage and would have to spend in excess of \$250,000 for the lawsuit to go to trial. He

stated he had not sued the City of Hilshire Village and had dropped the case against Robin Border. Mr. Farris requested his notes be made part of the minutes of this meeting.

Mayor Pro Tem Castro stated she did vote against a \$0.15 tax increase; however, she may vote for a lesser amount of tax increase. She also stated the Park at Wirt and I-10 does not belong to the City of Hilshire Village. Mayor Pro Tem Castro stated when the land was taken by TxDOT the City tried to buy the portion that was made into the park as well as trying to get a deeded portion for a City Hall. The only thing that TxDOT would agree to was the park, which did not cost the City anything to install and does not cost the City any money for upkeep.

Silky Granados, #11 Hilshire Grove, stated she feels there is not a lot of awareness of what is going on with the tax rate. She thinks the City should do more to get the word out. Council pointed out there was a statement in the Civic Club's news letter regarding the meetings, emails sent out as well as being posted at City Hall and on the website.

Zandra Anderson, 8214 Mallie Court, asked if the City had considered using the Houston Fire Department rather than Spring Valley. Mayor Border stated Station #38 from Houston Fire Department would probably be the first to respond. He said if we changed fire departments it would change the City's ISO rating which would affect everyone's mortgage insurance rates.

3. DISCUSSION:

3.1 The City's Proposed 2010 Total Rate & 3.2 The City's Proposed FYE 2011 Budget:

The Mayor said the next time Council meets they will decide on the proposed tax rate. The Mayor likes Zandra's idea of pursuing a recoupment of legal costs from the engineers if possible. He also mentioned other cuts that have been previously discussed. Mayor Border stated he is not in favor of cutting the staff raises as he feels those responsible for the City need consideration. The City would be back to volunteers if the staff is dismissed. Mayor Pro Tem Castro pointed out the job of the City Treasurer was eliminated at a saving of \$2,400 and City Secretary Blevins was taking over those duties. Council Member Whiting said the savings would offset part of the raise while other City Secretaries have bigger salaries and have more benefits.

Mayor Border stated the generator was another cut that could be made. There is a grant on the generator and the City's part of the grant is \$8,750. The City was out for ten (10) days after Ike came through. Mayor Border said he would pull the generator from the budget before the next meeting.

Council Member Post stated the filing cabinet was needed and Mayor Pro Tem Castro stated it was dangerous. Mayor Border asked if anyone had a fireproof, water proof 4 drawer lateral drawer to donate. Diane Rager stated the City should scan the material instead of buying a filing cabinet.

The question was asked regarding the different line items in the budget and City Secretary Blevins explained every line item in the budget was also a line item in the accounting system.

Mayor Border said if he removes the \$8,750 from the budget what kind of tax increase does Council want to consider. He stated if Council wants to have two (2) months of expenses (\$130,000) and wants to achieve this goal in two years you would need \$0.06 or \$0.05 over roll back. Council Member Post said this would cost the residents approximately \$68/\$100 in the Maintenance and Operations taxes. Council agreed \$0.05 would be the lowest number they could go with to achieve the reserved needed.

Council Member Whiting said it was apparent word was not getting out regarding the meeting. Residents in the audience said they did not understand why other residents did not think the word was getting out. They saw it in the paper and they received emails and received something on their door. Council decided to put additional signs out at the entrances prior to the next public hearing.

Council Member Bristow suggested the City should borrow from the Utility Account instead of going up on taxes. Council Member Bristow said the City needs to look at alternate police protection. He said the City needs to get something in writing from other agencies and see if they can find less expensive agencies or less service. Mayor Border asked Council Member Bristow to head this up. Council Member Bristow said it would not be done for this budget. He said the City could get surveillance equipment and have Citizens on Patrol. Council Member Whiting said the surroundings around the City does not allow for this type protection.

Council Member Whiting said she had a problem with robbing the Utility Fund. She said the City had to borrow a \$1,000,000 before to replace infrastructure where the City should have been putting money aside all along. Council Member Whiting said it was not responsible of Council if they took funds from the Utility Account. Council Member Davis said the City has never put money aside for a sinking fund. Mayor Border said the Metro money has been the City's sinking fund for roads and drainage. Mayor Pro Tem Castro and Council Members Post and Davis agreed they did not want to take money from the Utility Fund. They said the City has too much work that needs to be addressed.

Council Member Bristow said he may not vote for the increase in taxes but he will support it.

Council took exception to the comments that they had not reviewed the budget; they said they have been going over the budget since July.

Council Member Bristow said he delivered 250 flyers regarding tonight's meeting.

City Secretary Blevins said the next Public Hearing would be October 7, 2010. She said the earliest the City could vote on the tax rate was October 14th or it could be voted on at the next Regular Council Meeting. Council decided to vote on the tax rate at the next Regular Council Meeting. Mayor Border announced he would be out of town on October 7th and that Mayor Pro Tem Castro would manage the meeting.

4. ANNOUNCEMENT: None

5. ADJOURNMENT: Council Member Post moved to adjourn, seconded by Council Member Davis. The meeting was adjourned at 9:12 P.M.

Mayor Robin Border

ATTEST:

Susan Blevins, City Secretary