SPECIAL SESSION – 7:00 P.M.

A. CALL TO ORDER AND ANNOUNCEMENT OF A QUORUM – Mayor Cindy Siegel.

Mayor Cindy Siegel called the City Council of the City of Bellaire, Texas, to order at 7:04 p.m. on Tuesday, August 21, 2007. The Bellaire City Council met at that time and on that date in Special Session in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas. Mayor Siegel announced that a quorum was present consisting of herself and the following members of City Council:

Councilman Will Hickman, Position No. 1;
Councilman John F. Monday, Position No. 2;
Councilwoman Debra Marz Davison, Position No. 4;
Councilman Pat McLaughlan, Position No. 5; and
Councilman John Jeffery, Position No. 6.

Mayor Pro Tem Peggy Faulk, Position No. 3, was absent. Other officials present were City Manager Bernard M. Satterwhite, Jr., Assistant City Manager Diane K. White, and City Clerk Tracy L. Dutton.

B. DISCUSSION and possible action regarding various items within the proposed budget for the City of Bellaire, Texas, for the fiscal year beginning October 1, 2007, and ending September 30, 2008 (FY 2008 budget), including input received from citizens and/or other interested parties during the public hearing on the fiscal year 2008 budget scheduled on August 20, 2007.

Mayor Cindy Siegel advised that City Council held a public hearing on the proposed budget for fiscal year 2008 on Monday, August 20, 2007. The purpose of the Special Session this evening was to allow City Council an opportunity to make changes to the budget or tag items before the budget was presented to City Council for final approval on September 10, 2007.

Mayor Siegel suggested that City Manager Bernard M. Satterwhite, Jr., and Assistant City Manager Diane K. White be given an opportunity to respond to questions brought up during the public hearing and/or from City Council. After the response, she wished to open the floor for discussion. Any items that members of City Council wished to add, change, or remove, she asked that individual motions be made and seconded, followed by discussion and a vote.
City Manager Bernard M. Satterwhite, Jr., advised that he wished to respond to questions and comments made during the public hearing in an effort to provide City Staff’s perspective and/or to clarify items.

Rebuild Bellaire Program

A question arose during the public hearing regarding the amount that had been spent on the Aquatics Facility and where the money had come from. James F. Gilley, Bellaire’s Financial Advisor from Coastal Securities, Inc., had made a statement during his bond presentation to City Council that was somewhat confusing. His comment was that $4.0 million of the $5.0 million in bonds to be authorized would come from the street authorization proposition and $1.0 million would come from the facilities authorization proposition. Mr. Gilley continued and stated that if those bonds were issued, the City would have $34.0 million remaining in the street authorization and almost $5.8 million remaining in the facilities authorization. City Manager Satterwhite stated that the $5.8 million was what could be authorized, but there was more money that could be spent.

City Manager Satterwhite presented a table to City Council and the audience that delineated the amounts of bond authorizations, as well as the pay-as-you-go financing component, for the City of Bellaire Rebuild Bellaire Program. The Rebuild Bellaire Program consisted of a street and drainage proposition and a facilities proposition as follows:

<table>
<thead>
<tr>
<th>Bond Authorization</th>
<th>$50,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay-As-You-Go</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Total Funding</td>
<td>$55,000,000</td>
</tr>
</tbody>
</table>

| Street/Drainage   | $43,500,000 | $41,000,000 | $2,500,000 |
| Facilities        | 11,500,000  | 9,000,000   | 2,500,000  |
| Total             | $55,000,000 | $50,000,000 | $5,000,000 |

<table>
<thead>
<tr>
<th>Drawdown</th>
<th>Remaining to Allocate</th>
<th>Total Draws</th>
<th>Draw #1</th>
<th>Draw #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Issue</td>
<td></td>
<td>Series 2006</td>
<td>Series 2007</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>07/15/2006</td>
<td>09/15/2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
City Manager Satterwhite noted that there had been two drawdowns of the bonds authorized by the Bellaire voters under the Rebuild Bellaire Program. Of the first draw of $5,000,000 issued on July 15, 2006, $2,225,000 was earmarked for facilities. The remaining $2,775,000 was earmarked for streets and drainage. The second draw of $5,000,000 would occur in September of 2007. Of that draw, $4,000,000 was earmarked for streets and drainage and $1,000,000 was earmarked for facilities. The total draw so far was $3,225,000 for facilities and $6,775,000 for streets and drainage.

Of the $3,225,000 draw for facilities, $1,500,000 was allocated to the Aquatics Facility, and the remaining $1,725,000 was allocated to other facilities, which included the Fire Station, Library, Courts, Police Station, and City Hall in accordance with the bond referendum for the Rebuild Bellaire Program passed in November of 2005. That bond referendum called for the issuance of $50,000,000 in general obligation bonds to be allocated to two propositions as follows: $41,000,000 to streets and drainage and $9,000,000 to facilities.

By taking the total of $9,000,000 in bonds authorized for facilities and subtracting the amount that had been issued or would be issued by September of $3,225,000, there remained $5,775,000 for future issuances.

City Manager Satterwhite presented a second table to City Council and the audience that summarized the expenditures as of July 31, 2007, that had been made under the Rebuild Bellaire Program as follows:

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Drawdown to Allocate</th>
<th>Total Draws</th>
<th>Draw #1</th>
<th>Draw #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pool</td>
<td>$1,500,000</td>
<td>$1,500,000</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Fire, Library, Courts, Police, City Hall</td>
<td>$1,725,000</td>
<td>$725,000</td>
<td>$1,000,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,775,000</strong></td>
<td><strong>$3,225,000</strong></td>
<td><strong>$2,225,000</strong></td>
<td><strong>$1,000,000</strong></td>
</tr>
</tbody>
</table>

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Of the $3,225,000 draw for facilities, $1,500,000 was allocated to the Aquatics Facility, and the remaining $1,725,000 was allocated to other facilities, which included the Fire Station, Library, Courts, Police Station, and City Hall in accordance with the bond referendum for the Rebuild Bellaire Program passed in November of 2005. That bond referendum called for the issuance of $50,000,000 in general obligation bonds to be allocated to two propositions as follows: $41,000,000 to streets and drainage and $9,000,000 to facilities.

By taking the total of $9,000,000 in bonds authorized for facilities and subtracting the amount that had been issued or would be issued by September of $3,225,000, there remained $5,775,000 for future issuances.

City Manager Satterwhite presented a second table to City Council and the audience that summarized the expenditures as of July 31, 2007, that had been made under the Rebuild Bellaire Program as follows:
As of July 31, 2007, the City had expended $664,926.90 of the $41,000,000.00 in authorized bonds on streets and drainage (Phase I, Rebuild Bellaire Program). The remaining balance to be spent out of that authorization was $40,335,073.10.

Of the $9,000,000.00 in authorized bonds for facilities, the City had expended $1,500,000.00 on the Aquatics Facility and had encumbered $57,500.00 for the PGAL facilities study. Therefore, the total amount expended out of the facilities bond authorization was $1,557,500.00. The remaining balance to be spent out of that authorization was $7,442,500.00.

City Manager Satterwhite presented a third table to City Council and the audience that detailed the expenditures to date for the Bellaire Town Square Aquatics Facility as follows:

<table>
<thead>
<tr>
<th></th>
<th>Streets/Drainage</th>
<th>Facilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bond Authorization:</strong></td>
<td>$41,000,000.00</td>
<td>$9,000,000.00</td>
<td>$50,000,000.00</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streets/Drainage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 1</td>
<td>$664,926.90</td>
<td></td>
<td>$664,926.90</td>
</tr>
<tr>
<td>Facilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bellaire Town</td>
<td></td>
<td>$1,500,000.00</td>
<td>$1,500,000.00</td>
</tr>
<tr>
<td>Square Pool</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PGAL Facilities Study</td>
<td></td>
<td>$57,500.00</td>
<td>$57,500.00</td>
</tr>
<tr>
<td><strong>Total Expenditures:</strong></td>
<td>$664,926.90</td>
<td>$1,557,500.00</td>
<td>$2,222,426.90</td>
</tr>
<tr>
<td><strong>Remaining to Spend:</strong></td>
<td>$40,335,073.10</td>
<td>$7,442,500.00</td>
<td>$47,777,573.10</td>
</tr>
<tr>
<td></td>
<td>98.38%</td>
<td>82.69%</td>
<td>95.56%</td>
</tr>
</tbody>
</table>

**Series 2006 Bonds**

- $5,000,000.00

**Series 2007 Bonds**

- $5,000,000.00

**Total Draws Against Bond**

- $10,000,000.00
<table>
<thead>
<tr>
<th>Spending Detail – BTS Pool:</th>
<th>CIP</th>
<th>Pay-As-You-Go</th>
<th>Bond Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year 2005</td>
<td>$ 216,994.31</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Fiscal Year 2006</td>
<td>258,524.28</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Fiscal Year 2007</td>
<td>987,343.93</td>
<td>---</td>
<td>$1,500,000.00</td>
</tr>
<tr>
<td>Total</td>
<td>$1,462,861.52</td>
<td>---</td>
<td>$1,500,000.00</td>
</tr>
</tbody>
</table>

Grand Total Expenditures: $2,962,861.52

| Approved for Aquatics Facility | --- | $1,500,000.00 |
| Approved for Other Facilities | $2,500,000.00 | 7,500,000.00 |
| Total Approved for Facilities | $11,500,000.00 | $2,500,000.00 | $9,000,000.00 |

Bonds Issued to Date: $3,225,000.00

| Expended to Date:             |               |
| Aquatics Facility             | (1,500,000.00) |
| PGAL Study                    | (57,500.00)    |
| City Hall Imp.:               |               |
| Uretek (Foundation)           | (76,195.00)    |
| Walter P. Moore (Foundation)  | (11,000.00)    |
| Texas Drain (Plumbing)        | (1,700.00)     |
| CSF-PE Service (Foundation)   | (2,000.00)     |
| Responsive News (Advertising) | (89.55)        |
| S&P Plumbing (Water Heater)   | (1,575.00)     |
| Act Enterprise (Wall Repair)  | (320.00)       |
| Funds Remaining               | $2,407,120.45  | $1,667,500.00 |

*Bond Auth. Remaining: $5,775,000.00

Total Remaining: $9,849,620.45 | $2,407,120.45 | $7,442,500.00
Mayor Siegel asked City Manager Satterwhite to describe the PGAL Study for those who might not be familiar with its purpose.

City Manager Satterwhite advised that the PGAL Study was a conceptual study to determine the City’s needs with respect to facilities and the optimal location for those facilities. The initial plan had not changed, which was a new Fire Station, programming and accessibility improvements to the Bellaire City Library, expansion of the Police Station, new Court facilities, and repairs to City Hall.

Councilman John F. Monday, Facilitator of the Council Facilities Committee, advised that from the Facilities Committee’s perspective, the initial plan was still an overriding intent. The next meeting of the Committee (scheduled for Wednesday evening) would serve the purpose of culling down approximately 25 permutations related to the City’s facilities into something more digestible for presentation to City Council. The Committee, along with PGAL, developed measurable criteria against which a decision could be made.

City Manager Satterwhite advised that some concern had been expressed with respect to spacing needs in the Bellaire Police Station. Although there were boxes and printers in the hallways, there were no desks or people having to work in the hallways at this time. Additional concern was expressed with respect to the Fire Station. The Fire Station was presently safe and functional, and City Staff was doing their best to keep the building in working condition. City Manager Satterwhite indicated that his sense of urgency was a new Fire Station and that he had expressed those feelings in the Facilities Committee meetings.

Budget Summary/Transfers

City Manager Satterwhite continued his response to questions and comments made during the public hearing. He noted that a point was made that there were some discrepancies between PowerPoint slides shown during the public hearing and the budget brochure that appeared as an insert in the Southwest News. He advised that the point made was correct and that he had made an error.

The Budget Summary slide shown was not supposed to include transfers. However, City Manager Satterwhite failed to remove the transfer of $950,000 from the Enterprise Fund. There were also some rounding issues.

Councilman Will Hickman asked City Manager Satterwhite to summarize the transfers.

City Manager Satterwhite stated that there was a transfer of $3 million from the General Fund (i.e., to the Capital Improvement Program Fund and Vehicle, Equipment and Technology Fund) and a transfer of $950,000 from the Enterprise Fund to the Debt Service Fund.
Senior Exemptions

City Manager Satterwhite indicated that some of the comments made during the public hearing referred to senior exemptions. Any changes in senior exemptions would not impact the fiscal year 2008 budget. The fiscal year 2008 budget was funded from tax year 2007 property taxes, which were already in place. Any exemption changes (i.e., homestead or senior exemptions), would affect tax year 2008 and impact the fiscal year 2009 budget. He suggested that the best time to look at senior exemptions would be after City Council had passed the tax rate in October before the new appraisals started.

Mayor Siegel inquired as to whether there was a timeframe associated with changes in exemptions.

City Manager Satterwhite advised that he believed that the City needed to inform the Harris County Appraisal District of any changes in exemptions by November. In the past, the City had addressed such exemptions in October.

Comprehensive Plan Review

City Manager Satterwhite noted that he had failed to mention how much money had been allocated in the budget for the Comprehensive Plan Review during the public hearing. The amount allocated was $100,000 (i.e., Capital Improvement Program Fund).

Houston Water Rate Issue

City Manager Satterwhite noted that comments were made regarding the Houston water rates and whether the City would appeal those rates. He indicated that the revenues in the Enterprise Fund were calculated using the new Houston water rates. It was too late to appeal those rates right now. This issue was not a consideration for this particular budget.

Employee Workload

City Manager Satterwhite advised that employee workload was mentioned in several different contexts during the public hearing. He was happy to state that the employees were very busy. There were many more nonexempt employees than exempt employees, and the nonexempt employees received overtime pay if they exceeded a 40-hour workweek. He had suggested that overtime be cut back, but those receiving it had suggested that they did not wish for their hours to be cut back. Employees were given holidays and vacation and did not take their work home.

In instances where the workload had become too high, the City had outsourced functions. For example, meter reading had been outsourced, and the City was currently considering outsourcing water tap installations.
In closing, he felt that the workload was fairly balanced.

**Parks Expenditures**

City Manager Satterwhite indicated that the Parks budget had been mentioned during the public hearing. He was not certain as to the meaning of the comment, however, $230,000 had been budgeted for items contained within the Parks Master Plan in the Capital Improvement Program Fund; $120,000 had been budgeted in the Vehicle, Equipment and Technology Fund for Parks, and their operational budget was approximately $1.7 million. There was also funding in the budget for Bellaire Town Square.

**Written Comments Received**

City Manager Satterwhite indicated that many of the written comments received for the budget hearing related to policy issues. One such comment urged City Council to maintain the tax rate rather than decreasing it until the City determined the level of reconstruction that was feasible. This was a policy issue.

Concerns were mentioned regarding budget considerations for the cost of health care and retirement funding, as well as the unfunded amount of retirement and retiree health care. Each year, City Staff estimated the cost of retirement health care based on discussions with the City’s benefits advisors and various carriers. The City’s health insurance did not expire until the end of the year, so the budget amount was partially a “guessing game.”

With respect to retirement, the City received a factor from the Texas Municipal Retirement System that was used to budget for retirement liability. With respect to worker’s compensation insurance, the City was able to get a good idea of the worker’s compensation rates for the next year from its insurance carrier.

A large increase had not been programmed this year for benefits. One of the reasons for that was that City Staff felt that benefits had been slightly over budget in the current year. If there were any large, unanticipated increases in health insurance, City Staff would have to address that during the mid-year review.

With respect to unfunded retirement and retirement health care, City Manager Satterwhite indicated that under the Texas Municipal Retirement System, the City did not have any unfunded retirement. Additionally, the City did not offer retiree health care; therefore, there were no unfunded amounts. Although the City allowed retirees to remain with the City’s insurance carrier, the retirees had to pay their own premium.

Parks programs were reviewed annually and adjusted as necessary based, in part, on costs. The pool programs were subsidized (i.e., 50% or more of the
Pricing for programs also took into account what the market would bear.

Exemptions were also mentioned in written comments. It was noted that the City of West University Place did not have a homestead exemption. If Bellaire did away with the homestead exemption, there would probably be a tax rate decrease. The people that would benefit from the tax rate decrease would be commercial property owners and property owners with more than one home. From a budget perspective, City Staff would still recommend a tax rate that fit the City’s parameters and needs.

A question was also raised as to whether the City would have any future bond offerings to complete reconstruction. City Manager Satterwhite advised that the current bond program, Rebuild Bellaire, was a ten-year program. He was certain there would probably be a follow-up bond program to Rebuild Bellaire.

Another question raised was whether or not the City received ten-year historical data from Harris County. The City did receive data from Harris County and did include statistical data in the Comprehensive Annual Financial Report (CAFR). The City did not necessarily use the historical data to plan for the budget.

**FOLLOW-UP QUESTIONS FROM CITY COUNCIL:**

{Legend: A – Answer, Q – Question}

Q: **Councilman Will Hickman** noted that he had seen recent data that indicated that the average price of a home in Bellaire was $400,000. He asked what the tax liability would be for a $400,000 home in Houston, West University Place, Southside Place, and Bellaire.

A: **City Manager Satterwhite** stated that, in general, the taxes paid on a home in Houston were approximately 20% higher than that paid in Bellaire. With respect to West University Place, the taxes were a few percent higher. He advised that he might be able to do those calculations before the end of this evening.

Q: **Councilman Hickman** referred to the previous year and noted that City Council was given the average appraisal increase for existing homes and a separate amount for new construction. This year, he had only seen an overall tax base increase.

A: **City Manager Satterwhite** advised that with the initial tax rolls that the City had received, it was difficult to obtain the information that Councilman Hickman was requesting. The information would be available before the City finalized its tax rate, but probably not before finalizing the budget.
Q: Councilman Hickman referred to page 59 of the budget and noted that the ending fund balance in the Debt Service Fund for fiscal year 2005 was $551,000. In fiscal year 2006, the ending fund balance was $862,000. Then, in fiscal year 2007, the ending fund balance would be $1.74 million, and in fiscal year 2008, the proposed ending fund balance would be $1.664 million. He inquired as to whether there was a reason for the increasing fund balance. He also inquired as to how much money was needed in the fund balance to pay the bills. In other words, could the fund balance be reduced to $0?

A: City Manager Satterwhite stated that a fund balance was needed, but it was certainly not $1.6 million. The issuances for the Rebuild Bellaire Program just started last year. The City was now on a fiscal year track for those issuances, which would occur about the same time each year. The City’s projected new debt service by the year 2010 was just under $1 million. The debt service this year was $4.8 million. By 2010, the City’s debt service would be about $5.8 million. If there were a higher fund balance now and as the debt service went up, the City might be able to use the fund balance in lieu of increasing taxes in the future. The City might even be able to decrease taxes in the future.

The new bond authorization was based on a 3% growth in the City’s tax base. The City had experienced a greater than 3% growth. The debt service rate requirement would peak in 2013. When the Rebuild Bellaire Program was presented to the community, voters were told that there might be a five-cent tax rate increase. Since the tax base had grown more than 3%, the City had been able to have a tax rate decrease.

Q: Mayor Siegel asked for confirmation that the idea was to build up a surplus in the fund balance so that when the debt service peaked from 2010-2013, the City could draw down on the surplus and not have to raise the tax rate.

A: City Manager Satterwhite advised that Mayor Siegel was correct. The surplus could be drawn down in several different ways. For example, the tax rate could be lowered; payments might be accelerated on some issues or used to pay off some older issues. He agreed that the fund balance was hefty.

Q: Councilman Hickman asked if it were fair to state that the City was paying a future liability with this year’s taxes.

A: City Manager Satterwhite advised that Councilman Hickman was correct.
Q: Councilman Hickman asked if there were a problem making payments in 2005 when the fund balance was at $550,000.

A: City Manager Satterwhite stated that $550,000 was a fair fund balance and that the City did not have a problem making payments at that time.

Q: Councilman Monday referred to tax revenue projections. He asked if there were contingency plans in the event that the tax revenues did not come in as predicted. In other words, was the level of property tax protests any reason for concern?

A: City Manager Satterwhite stated that the level of property tax protests was not a concern with a tax base of Bellaire’s size. A very conservative approach was taken by City Staff with respect to tax revenue projections.

Q: Mayor Siegel referred to higher fuel costs and the desire by many to become more environmentally friendly and inquired as to whether the City had plans to convert its fleet of vehicles to hybrids.

A: City Manager Satterwhite stated that City Staff had not had that type of discussion. The City did have to meet certain environmental standards with respect to its vehicles.

DISCUSSION ON THE PROPOSED FISCAL YEAR 2008 BUDGET:

Councilman John Jeffery

Councilman Jeffery referred to the budget revisions that had been provided this evening and advised that he did not see anything in the budget for public art.

City Manager Satterwhite advised that only one of the pages changed and that the public art was included on a page that had not changed.

Councilman Pat McLaughlan

Councilman McLaughlan referred to the Vehicle, Equipment and Technology Fund within the budget and an item identified as a 1980 Chevy Mini-Pumper for $150,000 (page 65). He had an understanding of the purpose and use of the vehicle, but believed there were some issues related to the vehicle and some other options that existed. The primary purpose of the vehicle, as he understood it, was to serve as a mobile compressed air recharge vehicle for firefighters’ breathing apparatus. The secondary purpose was to serve as a vehicle to transport volunteer firefighters from the Fire Station to a fire activity scene.
Councilman McLaughlan felt that there were some more economical methods to provide compressed air versus using a mini-pumper. He suggested that the item be tagged for later discussion by either the full City Council or the Council Safety Committee.

**MOTION TO TAG ITEM WITHIN THE BUDGET:**

A **motion** was made by Councilman Pat McLaughlan and **seconded** by Councilman John F. Monday to tag the 1980 Chevrolet Mini-Pumper, identified on page 65 of the Vehicle, Equipment and Technology Fund budget. for future consideration by the Council Safety Committee.

**DISCUSSION ON MOTION:**

Councilman Hickman stated that he thought every budget item came back to City Council for approval. He referred to the fact that all of the individual art projects had come back before City Council for approval.

City Manager Satterwhite stated that some items did not come back before City Council. If the item were approved in the budget and within City Staff’s procurement authority, then the item would not necessarily come back to City Council. This particular item probably would come back to City Council; however, tagging the item would ensure that the item would come back.

The reason that the arts projects came back before City Council was because the Bellaire Arts Commission could not spend money. Their projects had to be approved first.

Councilman Monday stated that he supported being able to bring the item back for further clarification, as there might be some alternatives that were more cost-effective.

Councilwoman Debra Marz Davison agreed that this might be a logical and conservative way to deal with the item. On the other hand, the Fire Chief was present this evening. She asked if the Fire Chief could speak to the item in order that City Council would not have to revisit the item.

City Manager Satterwhite advised that the Fire Chief could certainly do that. Department Heads generally submitted more items during the budget process than made it to the final cut. City Manager Satterwhite stated that he believed the Fire Chief had done a good job justifying the need for this equipment. On the other hand, City Manager Satterwhite had heard some other ideas that might be good ones. It could be hashed out this evening, but he, personally, would not have a problem looking at this item again in another forum because there might be other ideas that would satisfy the requirement stated by the Fire Chief in a more cost-effective manner.
VOTE ON MOTION TO TAG ITEM WITHIN THE BUDGET:

Motion carried on a vote of 4-2 as follows:

FOR: Siegel, Cindy  
Monday, John F.  
Davison, Debra Marz  
McLaughlan, Pat

OPPOSED: Hickman, Will  
Jeffery, John

ABSENT: Faulk, Peggy

DISCUSSION ON THE PROPOSED FISCAL YEAR 2008 BUDGET (CONT.):

Councilwoman Debra Marz Davison

Councilwoman Davison referred to the large fund balances and noted that she understood their purpose, but asked what type of accounts those fund balances were in and whether interest was earned on the balances.

City Manager Satterwhite advised that all of the City’s long-term funds were invested in local government investment pools, such as TexPool, TexSTAR, and TexasTERM. The funds had been making more money than the City had anticipated over the last three-four years. The interest from the money could not be used for anything other than what the original funding was to be used for. Therefore, the debt service interest could only be used for the bonds’ intended use. In other words, the monies could not be shifted over to the operational budget. With respect to the bond funds themselves, the City would have to go through arbitrage if too much interest were earned, resulting in a possible payment of federal income tax to the Internal Revenue Service.

Mayor Cindy Siegel

Mayor Siegel indicated that she wished to make a motion related to Bellaire Town Square (page 61, Capital Improvement Program proposed plan). Mayor Siegel had spoken with the Patrons for Bellaire Parks, Inc.’s President, Mandy Nathan, as well as Chair Sharon Veldman of the Parks & Recreation Advisory Board, and City Manager Satterwhite regarding the proposed plan for Bellaire Town Square. The motion would decrease the revenues and expenditures related to Bellaire Town Square and give the Parks & Recreation Advisory Board, City Staff, and the Patrons for Bellaire Parks, Inc., an opportunity to develop plans for Phase II in coordination with the fundraising goals of the Patrons for Bellaire Parks, Inc. She noted further that there were many events planned for Bellaire’s Centennial Celebration and she believed that the
City would not want to have any major construction going on in Bellaire Town Square during that time.

**MOTION TO DECREASE REVENUES AND EXPENDITURES ASSOCIATED WITH BELLAIRE TOWN SQUARE:**

A motion was made by Mayor Cindy Siegel and seconded by Councilman Will Hickman to decrease the revenues and expenditures associated with Bellaire Town Square from $799,250 to $250,000, to tag expenditures related to Bellaire Town Square, and to direct the Parks & Recreation Advisory Board and City Staff to develop plans for Phase II of Bellaire Town Square in coordination with the fundraising goals of the Patrons for Bellaire Parks, Inc.

**DISCUSSION ON MOTION TO DECREASE REVENUES AND EXPENDITURES ASSOCIATED WITH BELLAIRE TOWN SQUARE:**

Councilman Hickman inquired as to the actual amount that the Patrons for Bellaire Parks, Inc., had raised. It was reported that $1 million had been raised in fiscal year 2007, and that $880,000 was proposed for fiscal year 2008.

Mayor Siegel indicated that she believed the Patrons for Bellaire Parks, Inc.’s balance sheet, which included cash and pledges and their grant from The Wortham Foundation, was close to $1.25 million. Other fundraising events were planned for this fall, including a golf tournament. The Patrons for Bellaire Parks, Inc., was planning on bringing the City a check for $1 million before the end of the City's fiscal year.

Councilman Hickman inquired as to what was needed in fiscal year 2008 to complete Bellaire Town Square.

City Manager Satterwhite stated that the budget (page 62) contained plans for Bellaire Town Square for fiscal year 2008 that included a splash pad and donor wall ($150,000), playground and adult fitness stations ($260,000), and the Great Lawn ($300,000).

Mayor Siegel asked if those plans had come from the Parks & Recreation Advisory Board.

City Manager Satterwhite advised that Mayor Siegel was correct.

Councilman Hickman asked if it were fair to state the Mayor wanted to survey, grade, and hydro-mulch the Great Lawn for $300,000.

City Manager Satterwhite stated that the $300,000 for the Great Lawn would include taking care of the final contours and drainage. If the City did
not complete that project in fiscal year 2008, the dirt would be leveled and
graded under the current pool contract.

Councilman Hickman asked if it were fair to say that with $250,000 the City
could finish the pool, pool house, and grade the property.

City Manager Satterwhite stated that the money for the pool was in the
fiscal year 2007 budget.

Mayor Siegel advised that in order to move forward, the Parks & Recreation
Advisory Board felt that they needed someone to come in and help them
develop more detailed plans and designs for Phase II. Included in those plans
was the playground, adult fitness trail, etc.

Councilman Hickman asked for confirmation that Mayor Siegel was tagging
the $250,000 for future Council consideration.

Mayor Siegel stated that she was amending the revenue side and
expenditure side to $250,000, and then tagging the item and directing City
Staff and the Parks & Recreation Advisory Board, in conjunction with the
Patrons for Bellaire Parks, Inc., to work on the next phase.

Councilman McLaughlan stated that he supported the concept of the
motion, but asked for confirmation that the Mayor was proposing to reduce
the revenue and expenditure sides from $799,250 to $250,000, then to tag
the item to allow the development of a plan for the expenditure of future
dollars in 2009 and subsequent years.

Mayor Siegel advised that Councilman McLaughlan was correct and noted
that some of the $250,000 could be used toward the design work for Phase II
of Bellaire Town Square.

Councilman McLaughlan asked for confirmation that motion was to reduce
the budget to $250,000.

Mayor Siegel advised that the net effect of her motion was zero, as both
revenues and expenditures would be reduced. Before moving forward, the
City needed to have a realistic plan and the Parks & Recreation Advisory
Board needed to work with the Patrons for Bellaire Parks, Inc., with respect to
what made sense from a fundraising standpoint.

Councilman McLaughlan asked what the citizens would see in Bellaire Town
Square in fiscal year 2008.

Mayor Siegel stated that the citizens would see a pool, grass, and temporary
parking lots.
Councilman Monday noted that he currently served as Council Liaison to the Parks & Recreation Advisory Board and tagging the item would allow City Council, as well as the Parks & Recreation Advisory Board, City Staff, and the Patrons for Bellaire Parks, Inc., to go through a thorough process with respect to Phase II of Bellaire Town Square with a professional designer or planner. He would support the amendment.

**VOTE ON MOTION TO DECREASE REVENUES AND EXPENDITURES ASSOCIATED WITH BELLAIRE TOWN SQUARE:**

Motion carried unanimously on a 6-0 vote as follows:

**FOR:** Siegel, Cindy
Hickman, Will
Monday, John F.
Davison, Debra Marz
McLaughian, Pat
Jeffery, John

**OPPOSED:** None

**ABSENT:** Faulk, Peggy

**DISCUSSION ON THE PROPOSED FISCAL YEAR 2008 BUDGET (CONT.):**

**Mayor Cindy Siegel**

Mayor Siegel referred to a citizen comment made regarding staff requirements and the need for more staff. She reiterated that the reason the Centennial Planning Committee suggested and asked for an event coordinator was to ensure that City Staff was not burdened further with those activities.

**Councilman John F. Monday**

Councilman Monday advised that he did not have any items to tag or discuss but wanted to take an opportunity to state his appreciation for the difficulty of the budget process and the work put in by City Staff on the budget. He noted that it was City Council’s job to scrutinize the budget and he hoped the citizens understood that.

**MOTION TO LOWER FUND BALANCE IN THE DEBT SERVICE FUND BY LOWERING THE PROPOSED TAX RATE FOR THAT FUND:**

A motion was made by Councilman Will Hickman and seconded by Mayor Cindy Siegel to lower the proposed tax rate for the Debt Service Fund by $0.02 per $100 valuation, thereby lowering the Debt Service ending fund balance from $1.664 million to $1.1 million.
DISCUSSION ON MOTION TO LOWER FUND BALANCE IN THE DEBT SERVICE FUND BY LOWERING THE PROPOSED TAX RATE FOR THAT FUND:

Mayor Siegel advised that she had mixed emotions regarding this motion. Her only concern was the mortgage crisis presently underway in the marketplace. She was not certain what the impact of this crisis would be on Bellaire.

Councilman Monday stated that he felt similarly and would be more comfortable in leaving the tax rate as proposed.

Mayor Siegel noted that City Council was not really voting on the tax rate this evening. The result of this motion would be to direct City Staff to change the revenue side of the proposed Debt Service Fund budget.

Councilman John Jeffery stated that he would agree with Councilman Hickman if it were feasible to lower the proposed tax rate. He stated that he would like to see if there was a possibility to use some of the monies to pay down on existing debt. If the City was building insurance for a few years down the road, he would prefer to give the money back to the taxpayers. He did not feel that he had enough information before him to make that decision at this point in time.

City Manager Satterwhite stated that the City had based its bond issuances on a 3% growth in property valuations. He agreed that the City had been realizing a 6-8% growth in the last few years. He suggested that a schedule delineating more realistic property valuations would allow City Council to make a better judgment with respect to alternatives. According to one of his schedules that was based on a 3% growth, the Debt Service Fund tax rate should be approximately $0.17 per $100 valuation, however, City Staff recommended a $0.14 tax rate in the proposed budget.

Councilman McLaughlan stated that if City Council wanted to force a further reduction in the tax rate, however, it should have been put on the table several months ago at the start of the budget process.

There was always merit in cutting the tax rate for the citizens, however, he appreciated the conservative approach that the City had taken. He feared that Bellaire’s growth rate might diminish some in the future. He stated that he would like to see input from City Staff and the City’s various advisors before making a decision.

City Manager Satterwhite stated that approving the budget would be to approve the $4,864,000 in expenditures. The budget could be approved without action on this particular motion. The City still had to set the tax rate and City Staff would know a great deal more between now and the time that the tax rate would be set. He advised that City Council was actually
approving the expenditures in the budget and not necessarily the fund balances.

Mayor Siegel asked Councilman Hickman if City Council should hold off on this motion and have the discussion at the time that the tax rate was set.

Councilman Hickman asked if it were possible for City Council to see a schedule of the expenditures for the Debt Service Fund over each of the next several years. He noted that he had not seen any slowdown with respect to new housing construction.

City Manager Satterwhite stated that he would do so.

Mayor Siegel noted that the cash flow projections for the Bellaire Millennium Renewal Program stepped down in terms of revenue projections. When Tropical Storm Allison hit, the revenue projections were around 3%; however, shortly thereafter the valuations started increasing. She agreed with Councilman Hickman regarding the receipt of schedules that would allow City Council to perform some analysis before making a decision.

Councilman Hickman inquired as to the spread between bond interest rates and investment returns. In other words, was there a net increase?

City Manager Satterwhite was not absolutely certain. He believed that the spread was very close currently, but would get the information for City Council.

Councilman Jeffery inquired as to whether the bond rating would be affected if the fund balance were lower.

City Manager Satterwhite advised that the City’s bond rating would not be affected. The bond raters looked at the fund balances across all funds, but since the Debt Service Fund balance was so healthy, it would not be a problem.

Mayor Siegel noted that the bond raters also looked at how Bellaire fit in with Houston. It was possible that Bellaire’s real estate market could be impacted by what was going on around it.

WITHDRAWAL OF MOTION TO LOWER FUND BALANCE IN THE DEBT SERVICE FUND BY LOWERING THE PROPOSED TAX RATE FOR THAT FUND:

Councilman Will Hickman withdrew his motion to lower the fund balance in the Debt Service Fund by lowering the proposed tax rate for that fund by $0.02 per $100 valuation. Mayor Cindy Siegel also withdrew her second to the motion.
DISCUSSION ON THE PROPOSED FISCAL YEAR 2008 BUDGET (CONT.):

Councilman Will Hickman

Councilman Hickman inquired as to what the City Manager would cut from the budget if the tax rate were cut by $0.01 or $0.02 per $100 valuation.

City Manager Satterwhite advised that if the tax rate were cut by $0.01 per $100 valuation, then the budget would need to be lowered by $280,000. He asked if he could get back with City Council at a later time as he wished to put more thought into it.

Councilman McLaughlan advised that he would like to see a budget where City Council had some real choices to make. The City Manager and City Staff did a great job in putting together the budget; however, it would be interesting to have some choices. For example, budgets could be presented satisfying a $0.44 tax rate, $0.40 tax rate, etc. Council could then decide if they wanted the frills or only the basics. He suggested that be done for the next year.

Councilwoman Debra Marz Davison stated that she did not want to see choices. She felt that the budget had been handled well over the last seven years.

City Manager Satterwhite stated that he certainly wanted City Council to have oversight and to make choices, however, it would be difficult to come in and present a budget with frills and without.

Councilman Hickman referred to the Community Development permitting and inspection process, in general, and suggested that the City look into the process to determine if there was a better way to get a quicker turnaround.

C. ADJOURNMENT.

MOTION TO ADJOURN:

A motion was made by Councilman Pat McLaughlan and seconded by Councilwoman Debra Marz Davison to adjourn the Special Session of the City Council of the City of Bellaire, Texas, at 8:43 p.m. on Tuesday, August 21, 2007.

VOTE ON MOTION TO ADJOURN:

Motion carried unanimously on a 6-0 vote as follows:

FOR: Siegel, Cindy
     Hickman, Will
     Monday, John F.
FOR (CONT.): Davison, Debra Marz
McLaughlan, Pat
Jeffery, John

OPPOSED: None

ABSENT: Faulk, Peggy

Respectfully submitted,

___________________________
Tracy L. Dutton, TRMC
City Clerk
City of Bellaire, Texas

Approved:

___________________________
Cynthia Siegel, Mayor
City of Bellaire, Texas