CITY OF BELLAIRE
CITY COUNCIL

Minutes of Meeting
Monday, September 10, 2007

REGULAR 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 7:03 p.m. on Monday, September 10, 2007. The Bellaire City Council met at that time and on that date in Regular 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;
- Mayor Pro Tem Peggy Faulk, Position No. 3;
- Councilwoman Debra Marz Davison, Position No. 4;
- Councilman Pat McLaughlan, Position No. 5; and
- Councilman John Jeffery, Position No. 6.

Other officials present were City Manager Bernard M. Satterwhite, Jr., City Attorney Alan P. Petrov, and City Clerk Tracy L. Dutton.

B. INSPIRATIONAL READING AND/OR INVOCATION – Councilwoman Debra Marz Davison.

Councilwoman Debra Marz Davison noted that September 9, 2007, was National Grandparents Day. She read a quote regarding grandmothers as follows:

A grandmother pretends she doesn’t know who you are on Halloween.

--Erma Bombeck

Also of note this month were Rosh Hashanah (Jewish New Year) on September 13 and Ramadan (Islamic Month of Fasting) from September 13-October 12.

In the United States of America’s most recent history was the upcoming sixth anniversary of September 11th (9-11). Councilwoman Davison advised that she had read an inspirational reading in 2006 entitled “Remembering 9-11 – Five Years Later” by Reverend Father John Brian Paprock and wished to read a few excerpts from that essay again as follows:
“Remember 9-11” seems less and less a battle cry five [six] years later, even though it is still used in the bloodied rhetoric of politicians. Five [six] years later, there is still real crying, real tears, hidden from public view. Families slowly living the rest of their lives without loved ones killed. It is expected that they still weep, but we are not inundated with their tears. In spite of the quiet heroics of everyday lives, image hungry media will seek those tears on this anniversary. But will images of their tears facilitate our own grief, our collective mourning? As this anniversary arrives, there seems to be stirring a conflicted inner struggle tucked away during daily schedules of American work and family life. The numbing effect of information overload and anxiety of fear based scenarios distracts us from healing . . .

Tears are still falling not only for the catastrophic personal and individual losses of 9-11, but the loss of “America, the Invulnerable.” Five [six] years later, we also grieve the loss of “America, the Compassionate” and “America, the Merciful.” Some know these as attributes of God – but, until 9-11, many of us believed America held a special privilege of divine protection. Maybe she still does, but she does so despite the call for violent retribution and the opportunities of blood soaked profits. Maybe God hears below the surface to our collective conscience, the part of all of us that knows what was done for a battle cry, that it needs to become a cry of forgiveness and humility.

If our losses could have ended on 9-11, five [six] years later we could be healing at deep levels throughout our society. But our losses continue. The loss of life overseas, the loss of respect among the nations, the loss of security of our border, the loss of trust of our neighbors and each other are all hard losses to acknowledge. Adding salt to our wounds, our losses have been exploited and manipulated. Five [six] years later, fear has come to dominate our collective grief. Instead of healing, fear keeps tearing at the scab as blood trickles from our woundedness . . .

. . . We need to have the courage to stand for peace in times of war, healing in times of woundedness, love in times of hatred, hope in times of distrust and disinformation. We need to embrace faith in the benevolence of God, who looked upon His creation in the beginning and saw that it was good. We need to act in charitable ways and in kind manners. We need to encourage constructive solutions and ideas that help us come together rather than rely on divisive and fear-filled rhetoric. We need to embrace the mercy of God with contrition and humility, with an understanding of our connectedness to even the least of us whether we lack in material sustenance, moral attributes, or spiritual wisdom . . . .

Councilwoman Davison asked the City Council and audience to share a moment of silence with her in honor of all of those lost lives and the lessons that Americans had learned in the last six years.
C. PLEDGES TO THE FLAGS – Councilwoman Debra Marz Davison.

1. U.S. PLEDGE OF ALLEGIANCE.

2. PLEDGE TO THE TEXAS FLAG.

Councilwoman Debra Marz Davison led the City Council and audience in the U.S. Pledge of Allegiance and the Pledge to the Texas Flag.

D. APPROVAL OR CORRECTION OF MINUTES:

APPROVAL of minutes of the Special Session (Budget Public Hearing) and Regular Session of the City Council of the City of Bellaire, Texas, held Monday, August 20, 2007 – Action by Members of City Council (Item submitted by City Clerk Tracy L. Dutton).

MOTION TO APPROVE MINUTES:

A motion was made by Councilwoman Debra Marz Davison and seconded by Councilman Pat McLaughlan to approve the minutes of the Special Session (Budget Public Hearing) and Regular Session of the City Council of the City of Bellaire, Texas, held Monday, August 20, 2007.

VOTE ON MOTION TO APPROVE MINUTES:

Motion carried on a 6-0-1 vote as follows:

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

OPPOSED: None

ABSENT: None

ABSTAIN: Faulk, Peggy*

*Mayor Pro Tem Peggy Faulk abstained from voting on the minutes of the Special Session (Budget Public Hearing) and Regular Session of the Bellaire City Council held Monday, August 20, 2007, due to her absence from that meeting.
E. PERSONAL/AUDIENCE COMMENTS.

Carol Phillips, 540 South Second Street, Bellaire, Texas:

Ms. Phillips addressed City Council and advised that she wished to correct some misunderstandings from the City Council Special Session held on August 20, 2007. During that meeting, Ms. Phillips mentioned the fact that the Police Station was so crowded that people were working in the halls. During City Council’s Special Session held on August 21, 2007, City Council and citizens were told that Ms. Phillips was wrong and that there was not a significant problem there. In order to ensure that people did not think that Ms. Phillips was an alarmist making up problems, she advised that she had obtained her information from former Councilman Phil Nauert who made a big deal about overcrowding, showed slides of boxes piled in the Jury Room, and talked about people working in the halls as part of his presentation regarding the 2005 Bond Election. She got the same impression of overcrowding when she visited the Police Station herself on a tour with Cub Scouts a long time ago.

A second contradiction was when Ms. Phillips expressed concerns about the Bellaire Arts Commission’s discussions regarding moving the historic 1907 monument located on Bellaire Boulevard. She did not dream up these discussions and had obtained her information from the Bellaire Arts Commission’s May minutes. Approximately ten percent of those minutes were devoted to discussions of moving the historic monument and whether or not citizens would be vocal about it.

In addition, problems occurred on several occasions in the past mostly regarding the swimming pool in Bellaire Town Square or the City’s most recent bond referendum. Ms. Phillips was contradicted and unable to defend herself due to meeting rules. She knew this was not malicious or intentional, but regardless, it was humiliating and unfairly damaged her credibility. This situation had happened too many times; therefore, it was important that she brought it up now.

Also, copies of literature distributed before the 2005 bond referendum promising that the remaining $7,500,000 would go only to police, fire, and courts, were already given to City Council by Ms. Phillips. On July 25, the City Attorney advised that the promises to voters were like a contract and the money did have to be spent for those promises.

Lynn McBee, 5314 Evergreen Street, Bellaire, Texas:

Ms. McBee addressed City Council and referred to an American Association of Retired Persons (AARP) bulletin for the current month, noting that there was
a very good article in it regarding streets and planning. This led her to an
Internet website containing a Smart Growth Progress Report concerning
transportation, green design, land conservation, voter preference, form based
codes, and street planning. She noted that the report took a total approach
to streets and the various types of classes of mobility for which streets
needed to be planned (i.e., vehicles, pedestrians, wheelchair access,
bicyclists, etc.). The current approach taken by the City’s traffic engineers
was a departure from considering the needs of all of the users. She urged
City Council to consider issuing a Request for Proposal (RFP) from consultants
who understood the totality approach to street design.

She then noted that the aspect of going green was finally winning popularity.
She asked if City Council would be serious about going green and energy
conservation when considering an approach to the City’s facility study. She
urged City Council to be proactive in this regard and to consider looking
outside of Texas for some innovative ideas.

In closing, Ms. McBee asked City Council to think forward, think green, and
think totality.

F. REPORTS:

1. CITY MANAGER’S REPORT – City Manager Bernard M.
Satterwhite, Jr.

City Manager Bernard M. Satterwhite, Jr., presented the City
Manager’s Report to City Council as follows:

MISSION AREA:

Residential Quality of Life

Evergreen Park

It was noted that the wrought iron fence under installation around
Evergreen Park had been completed.

Bellaire Town Square - Aquatic Facility Progress

With respect to the Aquatic Facility, it was noted that progress had
been made and was continuing despite the rainfall. The outside stairs
were under construction, and the waterfall was completed. The
elevator was under construction and bathroom fixtures were 90%
completed. The air conditioning system would be turned in soon. The
vending machine area was under construction, and the upstairs floor
had been prepared for carpet installation. Preparation for the outside
light pole bases was underway, and the outside painting of trim areas
was completed. Finally, it was noted that the pools were being
cleaned in preparation for plastering that was anticipated to occur within the next few days.

UPCOMING MEETINGS/EVENTS:

City Manager Satterwhite reported upcoming meetings and events as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Type of Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/12/2007</td>
<td>6:30 p.m.</td>
<td>Facilities Committee Meeting</td>
</tr>
<tr>
<td>09/17/2007</td>
<td>6:00 p.m.</td>
<td>Joint Public Hearing of City Council and Planning and Zoning Commission regarding sign code revisions</td>
</tr>
<tr>
<td>09/17/2007</td>
<td>7:00 p.m.</td>
<td>Regular Session</td>
</tr>
<tr>
<td>09/18/2007</td>
<td>7:00 p.m.</td>
<td>Centennial Planning Committee Meeting</td>
</tr>
<tr>
<td>09/19/2007</td>
<td>6:30 p.m.</td>
<td>Strategic Planning and Development Committee Meeting</td>
</tr>
<tr>
<td>09/24/2007</td>
<td>7:00 p.m.</td>
<td>Special Session of City Council with Facilities Committee</td>
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</tbody>
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QUESTIONS/COMMENTS FROM CITY COUNCIL:

{Legend:  A – Answer; C – Comment; Q – Question; R – Response}

Upcoming Joint Public Hearing on Revisions to Sign Code

Q: Councilman Pat McLaughlan referred to comments made during a previous Council Regular Session as to the advisability of providing written material in the form of an Executive Summary to define changes or revisions that were proposed to the City’s sign regulations.

A: City Manager Satterwhite advised that City Attorney Alan P. Petrov was preparing an Executive Summary that would be included in City Council’s Agenda Packet for the Joint Public Hearing.

Fence Installation on Pin Oak Lane

Q: Mayor Pro Tem Peggy Faulk inquired as to the status of a fence installation that had occurred for a residence located on Pin Oak Lane and had been subsequently determined to encroach on City right-of-way along Fournace Place.

A: City Manager Satterwhite advised that the property owners that installed the fence in question felt that they had not encroached on City right-of-way. The City had been trying to work with those property owners, however, scheduled meetings
had not transpired. It was noted that another letter was sent
to the property owners advising them that their fence needed
to be moved.

Q: Mayor Cindy Siegel asked if an update as to the status of the
issue could be given to City Council on Monday, September 17,
2007.

A: City Manager Satterwhite indicated that City Staff would
push the issue harder as the City’s Code of Ordinances had
been violated in the City’s opinion.

Q: Councilman Pat McLaughlan advised that another fence was
currently under construction in the same area and may have
encroached on the City’s right-of-way as well. He inquired as
to whether that particular property owner had had been issued
a fence permit.

A: City Manager Satterwhite advised that the property owner
had not been issued a fence permit. The property owner was
also in violation of the City’s Code of Ordinances with respect to
encroachment into the right-of-way.

Reserved Parking Spaces on City Right-of-Way

Q: Mayor Pro Tem Peggy Faulk inquired as to whether or not
the City Manager had completed his review of unauthorized
reserved parking spaces throughout the City. This review came
about as a result of an unauthorized, reserved parking sign that
had been installed on South Third Street in front of the Condit
Elementary School.

A: City Manager Satterwhite advised that the signs installed on
South Third Street in front of the Condit Elementary School had
been removed.

MOTION TO ACCEPT CITY MANAGER’S REPORT INTO THE
RECORD:

A motion was made by Mayor Pro Tem Peggy Faulk and seconded
by Councilman Will Hickman to accept the City Manager’s Report
as presented by City Manager Bernard M. Satterwhite, Jr., into the
record.
VOTE ON MOTION TO ACCEPT CITY MANAGER’S REPORT INTO THE RECORD:

Motion carried unanimously on a 7-0 vote as follows:

FOR: Siegel, Cindy
     Hickman, Will
     Monday, John F.
     Faulk, Peggy
     Davison, Debra Marz
     McLaughlan, Pat
     Jeffery, John

OPPOSED: None

ABSENT: None

2. CITY COUNCIL COMMITTEE UPDATES:

a. Centennial Planning Committee – Mayor Cindy Siegel.

Mayor Cindy Siegel presented City Council with an oral status report on the activities of the Centennial Planning Committee. She referred to the development of a logo for the Centennial Celebration, noting that City Council had selected a “Trolley” for the theme, with the colors to be decided by the Centennial Planning Committee. The colors selected were yellow and red.

The Centennial Planning Committee had created a draft policy regarding sponsorships and types of events for the celebration. A Volunteer and Sponsor form was also developed. A fairly comprehensive list of organizations and groups within the City was compiled and distributed among Bellaire Centennial Committee members. The organizations and groups would be contacted to see if they were interested in participating in some form or fashion with the celebration. A meeting was scheduled for the next week to finalize the policy.

The Centennial Planning Committee was also waiting until the City’s budget was approved so that the City could engage a media events coordinator, as well as moving forward with the development of a historical movie and book and a proposal for a permanent commemoration for Bellaire’s Centennial.

b. Facilities Committee – Councilman John F. Monday.

Councilman John F. Monday advised that the Facilities Committee hoped to conclude their process at a meeting this
Wednesday. He believed that there was a 75% probability that
the process would be concluded. The Facilities Committee
hoped to schedule a Joint Workshop Session with City Council
in order to deliver more content. PGAL, planning consultants to
the City, would conduct the majority of the Joint Workshop
Session.

At the Wednesday meeting, the Facilities Committee hoped to
get a realistic idea of cost per square foot relative to the
various plans that would be presented. He noted that the
Facilities Committee had looked at 30-40 different permutations
for the City’s facilities. Those permutations were narrowed
down to three distinct plans that would be brought forward to
City Council.

Goals and criteria were defined for each plan as well. The three
predominant plans could be varied in many ways and the
magnitude of choices was great. Finally, the Facilities
Committee needed to get some guidance from City Council and
felt that this could be accomplished in the Workshop Session to
be held on September 24, 2007.

QUESTIONS/COMMENTS FROM CITY COUNCIL:

{Legend:  A – Answer; C – Comment; Q – Question; R – Response}

**Estimated Costs**

**Q:** Mayor Cindy Siegel asked for confirmation that the
Facilities Committee might be able to provide City
Council with some estimated costs at the Joint Workshop
Session.

**A:** Councilman Monday advised that this was the
expectation of the Facilities Committee. He asked City
Council to keep in mind that the consultants had not
built an architectural plan. He noted that one of the
plans was very forward thinking and one of the other
plans could be accomplished over several years. It
depended on how quickly City Council wanted to move
forward and in which direction.

c. **Strategic Planning and Development Committee – Mayor
Pro Tem Peggy Faulk.**

**Mayor Pro Tem Peggy Faulk** noted that the members of the
Strategic Planning and Development Committee were Mayor
Cindy Siegel, Councilman Will Hickman, and Mayor Pro Tem
Peggy Faulk. The Planning and Zoning Commission were asked to select two of their members to serve on the Strategic Planning and Development Committee ("SPDC"). They selected Bill Thorogood and Bruce Volkert. When Bruce Volkert reached his term limit on the Planning and Zoning Commission, Michael Doyle was added in his place. Bruce Volkert was then made a non-voting member of the SPDC. In the event of a tie vote, Bruce Volkert would be allowed to vote in order to break the tie.

The SPDC met in July and again in September to discuss Phase I of a study performed for the City by Kendig Keast Collaborative of the City Center District (CCD-1 and CCD-2 Zoning Districts). Phase I consisted of focus groups, market studies, and a vision and goals statement. After a review of the Phase I results by the SPDC, a recommendation would be brought forward to City Council.

Options for Phase II would include assessing the City’s current practices and capabilities related to planning, zoning, and economic development; assessing potential physical improvements, such as mobility, parking, street abandonment, aesthetics, and amenities; and compilation of the information gathered into an action plan. The action plan might include proposed changes in zoning, changes in development standards, streetscape, identity improvements, land assembly options, institutional steps, and economic development and marketing methods. Also included would be public and private implementation activities.

Kendig Keast Collaborative had also mentioned that one of the options the Facilities Committee had was to consider having City facilities in the downtown area. To the extent that might be true, the Facilities Committee and the SPDC needed to work together on such a plan.

Another item mentioned was the fact that the Planning and Zoning Commission had been studying the Research, Development and Distribution District (RDD District). The Planning and Zoning Commission had some ideas for development of the RDD District and had requested a Joint Workshop Session with City Council regarding those ideas. City Staff had been asked to coordinate that Joint Workshop Session.
G. NEW BUSINESS:

1. ADOPTION OF ORDINANCES:

a. Fiscal Year 2008 Budget

(1) Adoption of Budget:

CONSIDERATION of and possible action on the adoption of an ordinance adopting the budget for the City of Bellaire, Texas, for the fiscal year beginning October 1, 2007, and ending September 30, 2008, and appropriating the several sums set up therein to the objects and purposes therein named – Action by Members of City Council (Item submitted by City Manager Bernard M. Satterwhite, Jr.).

City Manager Bernard M. Satterwhite, Jr., advised that changes had been made to the proposed fiscal year 2008 budget based on the Special Session of City Council held on August 21, 2007. An errata sheet had been placed on the front of City Council’s budget booklet that listed the changes.

There were a number of questions asked during the August 21st Special Session that City Staff could not answer. City Manager Satterwhite prepared a summary of the questions and answers and placed those on the City Council table this evening.

To elaborate, one question was the difference between the City’s current earnings on investments and the outstanding bond yield. The City’s current investment earnings were approximately 5-¼% and the weighted average yield of the City’s outstanding debt was approximately 4.55%.

Another question related to a comparison of tax bills for Bellaire, West University Place, and Houston on a comparably priced home. A $400,000.00 home in Bellaire with the proposed tax rate would be $1,344.00 as compared to $1,608.00 in West University Place and $2,064.00 in Houston.

A third question related to what items would be cut from the budget if the General Fund tax rate were reduced by one cent. City Manager Satterwhite stated that he
would place the need for cuts back in the hands of the Department Heads. He would also separate functions into core and non-core categories. Core functions were those functions that affected health, safety, and welfare of the citizens (i.e., fire, police, streets, and community development). Examples of non-core functions were recreation and library. Non-critical maintenance functions could be reduced (such as right-of-way maintenance along Loop 610), as well as some parks programs. He noted that if parks programs were cut, associated revenues would be cut as well.

The fourth and final question was related to the impact of lowering the Debt Service tax rate by two cents, thereby decreasing the Debt Service fund balance. City Manager Satterwhite noted that this question was more closely related to the tax rate than the budget. He did include an analysis at the City Council table regarding the setting of a target Debt Service fund balance. This target could be a flat rate or a percentage of next year’s net Debt Service. City Staff had read many articles regarding the sub-prime mortgage market and problems with negative equity loans. Based on that information, City Staff was a bit cautious in assessing the future growth potential in a largely residential home economy. Much of the problem with the inverted equity market was in the $500,000.00 to $1,500,000.00 homes wherein homeowners had overstepped what they could afford.

QUESTIONS/COMMENTS FROM CITY COUNCIL:

{Legend:  A – Answer; C – Comment; Q – Question; R – Response}

Property Valuations

Q: Councilman Will Hickman inquired as to the property valuations that were assumed for the Debt Service Fund.

A: City Manager Satterwhite indicated that 5% was assumed for the next two years, then the valuations were ramped down to 3%.

Q: Councilman Hickman inquired as to the historical property valuations for the past two years.
A: City Manager Satterwhite indicated that the property valuations for the past two years had been 6% and 8%.

**Future Studies**

Q: Mayor Pro Tem Peggy Faulk inquired as to whether funds had been included in the proposed budget for Phase II of the Kendig Keast Collaborative study for the Strategic Planning and Development Committee.

A: City Manager Satterwhite indicated that there was $100,000.00 in the budget.

Q: Mayor Pro Tem Faulk inquired as to whether the $100,000.00 in the budget was for the Comprehensive Plan Review.

A: City Manager Satterwhite advised that Mayor Pro Tem Faulk was correct.

Q: Mayor Pro Tem Faulk stated that Phase II related to planning for the City Center District.

A: City Manager Satterwhite advised that the items had been combined.

Q: Mayor Pro Tem Faulk asked if an amendment could be made to separate the items this evening.

A: City Manager Satterwhite advised that an amendment could be made.

Q: Councilman Hickman inquired as to the estimated cost for the Comprehensive Plan Review and whether that review would take more than one year to complete.

A: Mayor Pro Tem Faulk advised that she had always heard that a Comprehensive Plan Review would take at least two years to complete.

City Manager Satterwhite agreed with Mayor Pro Tem Faulk.
Q: Mayor Pro Tem Faulk inquired as to whether the budget could be amended during the year to address the studies and reviews, if needed.

A: City Manager Satterwhite advised that an amendment could be made later in the year, if needed.

Q: Mayor Cindy Siegel inquired as to whether or not the City had received final tax rolls.

A: City Manager Satterwhite advised City Council that Bellaire had not yet received its final tax rolls. The tax rolls were anticipated to arrive during the week of September 17th. Some adjustments could be necessary based on the final tax rolls, including the proposed tax rate. City Staff felt fairly comfortable with the numbers that had been used within the proposed budget.

One of the problems related to whether or not public hearings would be required on the tax rate. If hearings were required, there would be two separate hearings within ten days of each other. There might be some hastily called meetings in order to set the tax rate by the middle of October. He did not believe that Bellaire would have to hold hearings as he felt that the proposed tax rate would not be greater than the effective tax rate.

Q: Councilman Hickman referred back to the increase in property valuations mentioned earlier of 6% and 8% for the previous two years. He inquired as to whether that increase included current properties or new construction or both.

A: City Manager Satterwhite advised that current properties and new construction were included.

MOTION TO ADOPT BUDGET:

A motion was made by Councilman John Jeffery and seconded by Councilwoman Debra Marz Davison to adopt an ordinance adopting the budget for the City of Bellaire, Texas, for the fiscal year beginning October 1, 2007, and ending September 30, 2008,
and appropriating the several sums set up therein to the objects and purposes therein named.

**Councilman Hickman** noted that he wished to consider a change in the Debt Service Fund rate and inquired as to whether he should make that motion when the tax rate was considered by City Council or at this particular point in time.

**Mayor Siegel** suggested that such a motion be made at the time the tax rate was under consideration by City Council. She reiterated the changes that had been made as a result of City Council’s Special Session held August 21, 2007, as follows: tagging of a command vehicle for the Bellaire Fire Station and sending that request to the Council Safety Committee for review; reduction of expenditures and revenues for Bellaire Town Square to $250,000.00, with the expectation that the Parks & Recreation Advisory Board and City Staff would work with the Patrons for Bellaire Parks, Inc., regarding the next phase for Bellaire Town Square and fundraising efforts to be associated with that phase.

**VOTE ON MOTION TO ADOPT BUDGET:**

Motion **carried** unanimously on a **7-0** vote as follows:

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

**OPPOSED:** None

**ABSENT:** None

{Ordinance was subsequently numbered: 07-051}

(2) **Ratifying Property Tax Increase Reflected in Budget:**

CONSIDERATION of and possible action to ratify the property tax increase reflected in the fiscal year 2008 budget, as such budget will require raising more revenue from property taxes than in
Mayor Cindy Siegel advised that although the property tax rate was not increasing, there was a property tax increase due to the increase in the tax base.

**MOTION TO RATIFY PROPERTY TAX INCREASE REFLECTED IN BUDGET:**

A motion was made by Councilman Pat McLaughlan and seconded by Mayor Pro Tem Peggy Faulk to ratify the property tax increase reflected in the fiscal year 2008 budget, as such budget will require raising more revenue from property taxes than in the previous year.

**VOTE ON MOTION TO RATIFY PROPERTY TAX INCREASE REFLECTED IN BUDGET:**

Motion carried unanimously on a 7-0 vote as follows:

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

**OPPOSED:** None

**ABSENT:** None

b. **Rebuild Bellaire Program – Issuance of Bonds**

CONSIDERATION of and possible action on a recommendation from Coastal Securities, Inc., to award Bid No. 07-020, Bid for Bonds, to the bidder offering a bid that conforms to the bid specifications contained within the *Notice of Sale and Bidding Instructions on $5,000,000 City of Bellaire, Texas, General Obligation Bonds, Series 2007*, which produces the lowest true interest cost rate to the City of Bellaire, Texas, and adoption of an ordinance authorizing the issuance of
“$5,000,000 City of Bellaire, Texas, General Obligation Bonds, Series 2007”; specifying the terms and features of said bonds, pledging the levy of a continuing ad valorem tax upon all taxable property within the City for the payment of the principal and interest on such bonds; enacting provisions incident and related to the issuance, delivery, payment of, and security for such bonds; approving and authorizing the distribution of an Official Statement; awarding sale of such bonds and authorizing and approving a Paying Agent/Registrar Agreement – Action by Members of City Council (Item submitted by City Manager Bernard M. Satterwhite, Jr.; Presentation by James F. Gilley, Partner, Coastal Securities, Inc., and Alan P. Petrov, Bond Counsel).

MOTION TO ADOPT ORDINANCE AND ISSUE BONDS:

A motion was made by Councilman Pat McLaughlan and seconded by Councilman John F. Monday to award Bid No. 07-020, Bid for Bonds, to Stifel Nicolaus & Company, Incorporated, the bidder producing the lowest true interest cost rate to the City of Bellaire, Texas, at a rate of 4.177792%, and to adopt an ordinance authorizing the issuance of “$5,000,000 City of Bellaire, Texas, General Obligation Bonds, Series 2007,” specifying the terms and features of said bonds, pledging the levy of a continuing ad valorem tax upon all taxable property within the City for the payment of the principal and interest on such bonds; enacting provisions incident and related to the issuance, delivery, payment of, and security for such bonds; approving and authorizing the distribution of an Official Statement; awarding sale of such bonds and authorizing and approving a Paying Agent/Registrar Agreement.

James F. Gilley, Partner, Coastal Securities, Inc., advised that bids were accepted earlier today at 2:00 p.m. for Bid No. 07-020, Bid for Bonds, for $5,000,000 City of Bellaire, Texas, General Obligation Bonds, Series 2007. Eight (8) bids were received, with the best bid submitted by Stifel Nicolaus Company, Incorporated, from Minneapolis, Minnesota, at a 4.177792% true interest cost rate.

Mr. Gilley noted further that last year, the City sold a similar issue in June at a 4.418% interest rate. Therefore, the weighted average capital cost of the Rebuild Bellaire Program was 4.298%.
As planned in the Rebuild Bellaire Program, the bonds would extend 25 years, with the final maturity of 2032. There was a call option of February 15, 2014.

QUESTIONS/COMMENTS FROM CITY COUNCIL:

{Legend:  A – Answer; C – Comment; Q – Question; R – Response}

Spread Between Interest Cost Rate and Investment Rate

Q:  Councilman Will Hickman inquired as to how the City could invest at a percentage greater than the bond interest rate cost.

A:  Mr. Gilley advised that the yield curve was inverted in the short-term.

Q:  Councilman Hickman inquired as to whether this was an anomaly for today.

A:  Mr. Gilley advised that Councilman Hickman was correct.

City Attorney Alan P. Petrov cautioned that the City could not really earn the spread and was not entitled to keep it. If the City were issuing bonds at a 4.1% interest rate and investing those funds at 5%, the spread made was considered arbitrage and was paid back to the Internal Revenue Service.

Bond Maturity

Q:  Councilman John F. Monday referred to the percentage of bonds that were in the 25-year maturity category and inquired as to how the decision was made with respect to longer maturities.

A:  Mr. Gilley stated that during the planning for the Bellaire Millennium Renewal Program and the Rebuild Bellaire Program, the amount of infrastructure needs, tax base forecast, and a maximum increase of five cents in the Debt Service Fund determined the amortization structure. He noted that the City provided the benchmarks he referenced.
Investment in Bellaire Bonds

Q: Mayor Cindy Siegel inquired as to how a resident or other interested person could invest in Bellaire's bonds.

A: Mr. Gilley stated that a resident or other interested person should contact their registered representative and advise that person as to the successful bidder of this bond issuance (i.e., Stifel Nicolaus & Company, Incorporated). Since the issue was sold as $5,000,000, the bonds were bank qualified and, as such, financial institutions received a break in the tax treatment of the interest on these obligations. The rate on these particular bonds would be slightly lower than the rate on non-bank qualified bonds.

Bond Issuance Costs

Q: Councilman Pat McLaughlan inquired as to the bond issuance costs related to the issuance of $5,000,000 in bonds (i.e., legal costs, financial costs, etc.) and how those fees were paid.

A: City Manager Satterwhite indicated that the bond issuance costs were $135,475.00. These costs were taken out of the bond proceeds, so the net was $4,865,629.00. Of the $135,475.00, the financial advisor’s fee was 1% of the issuance or $50,000.00. The bond counsel (as per Alan Petrov’s Legal Services Contract) received 1% of the issuance or $50,000.00. Disclosure counsel (Fulbright & Jaworski) received $5,000.00 for their services. The bond raters received $15,000.00-$18,000.00 (Moody’s Investor Services and Standard & Poor’s). The electronic bid process used was approximately $5,000.00. The Attorney General of Texas received $5,000.00. The Paying Agent/Registrar fee was $1,000.00.

Q: Councilman McLaughlan asked if there was any logic to issuing bonds on a less frequent basis and for a larger amount to reduce bond issuance costs.

A: City Manager Satterwhite advised that the bond issuance costs were taken into consideration, as well as affordability (i.e., meeting Debt Service requirements over time). The City did not want to issue more than $10,000,000.00 in bonds because the City could not get bank qualified bonds if more than $10,000,000.00 were
issued. If too many bonds were issued without the projects in place, the City would end up in an arbitrage situation, as too much interest would be earned.

C: Councilman McLaughlan noted that the bond issuance costs related to a $5,000,000.00 issuance were a little below 3%.

R: City Manager Satterwhite agreed, noting that those costs were 2.7%.

Bid Process

Q: Councilwoman Debra Marz Davison inquired as to whether the number of bidders for this particular bond issuance was standard.

A: Mr. Gilley stated that the number of bidders was very good.

City Attorney Petrov indicated that Bellaire had received more bids than he normally saw.

VOTE ON MOTION TO ADOPT ORDINANCE AND ISSUE BONDS:

Motion carried unanimously on a 7-0 vote as follows:

FOR: Siegel, Cindy
Hickman, Will
Monday, John F.
Faulk, Peggy
Davison, Debra Marz
McLaughlan, Pat
Jeffery, John

OPPOSED: None

ABSENT: None

{Ordinance was subsequently numbered: 07-052}

Bellaire Millennium Renewal Program – Phase Six, Contract One

CONSIDERATION of and possible action on the adoption of an ordinance authorizing the Mayor of the City of Bellaire, Texas, to execute a Final Change Order (No. 1)
with Reytec Construction Resources, Inc., to a contract for the “Bellaire Millennium Renewal Program, Phase Six, Contract One, Reconstruction Project,” consisting of a net decrease in said contract of $363,684.36, and approval for the City of Bellaire, Texas, to make the final payment to Reytec Construction Resources, Inc., on said contract in an amount not to exceed $201,434.40 – Action by Members of City Council (Item submitted by Director of Public Works Joe Keene).

**MOTION TO ADOPT ORDINANCE AND AUTHORIZE FINAL PAYMENT:**

A motion was made by Councilman Will Hickman and seconded by Councilman Pat McLaughlan to adopt an ordinance authorizing the Mayor of the City of Bellaire, Texas, to execute a Final Change Order (No. 1) with Reytec Construction Resources, Inc., to a contract for the “Bellaire Millennium Renewal Program, Phase Six, Contract One, Reconstruction Project,” consisting of a net decrease in said contract of $363,684.36, and approval for the City of Bellaire, Texas, to make the final payment to Reytec Construction Resources, Inc., on said contract in an amount not to exceed $201,434.40.

**QUESTIONS/COMMENTS FROM CITY COUNCIL:**

{Legend: A – Answer; C – Comment; Q – Question; R – Response}

**Use of Unexpended Bond Funds**

**Q:** Mayor Cindy Siegel inquired as to whether this was the last project under the Bellaire Millennium Renewal Program and whether unexpended bond funds could be used on additional projects.

**A:** City Manager Bernard M. Satterwhite, Jr., advised that this was not the last project under the Bellaire Millennium Renewal Program.

City Attorney Alan P. Petrov stated that the overage could be used on any additional project that fell within the same type as originally approved by the voters.

**Q:** Councilman John F. Monday inquired as to whether the excess could be used to refund or call bond issues.
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A: City Attorney Petrov stated that the City’s bonds had call dates that prohibited pre-payment before seven years. The funds left over for “Bond C” could not be used to pay off “Bond A.”

VOTE ON MOTION TO ADOPT ORDINANCE AND AUTHORIZE FINAL PAYMENT:

Motion carried on a 6-0 vote as follows:

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

OPPOSED: None

ABSENT: Faulk, Peggy*

*MAYOR PRO TEM PEGGY FAULK left the City Council table temporarily during discussion of this agenda item and did not participate in the vote.

{Ordinance was subsequently numbered: 07-053}

d. Contract and Agreement

CONSIDERATION of and possible action on a recommendation from the Bellaire Public Works Department to award an engineering services contract to Klotz Associates, Inc., for a project entitled “Solids Handling Facilities Improvements at the Bellaire Wastewater Treatment Plant” in the amount of $122,400.00 and authorization for the Mayor of the City of Bellaire, Texas, to execute a Letter of Agreement for Consulting Services with Klotz Associates, Inc., for the referenced services in an amount not to exceed $122,400.00 – Action by Members of City Council (Item submitted by Director of Public Works Joe Keene).

MOTION TO ADOPT ORDINANCE:

A motion was made by Councilman Pat McLaughlan and seconded jointly by Councilwoman Debra Marz Davison and Councilman John F. Monday to award an engineering services contract to Klotz Associates, Inc., for a project
entitled “Solids Handling Facilities Improvements at the Bellaire Wastewater Treatment Plant” in the amount of $122,400.00 and to authorize the Mayor of the City of Bellaire, Texas, to execute a Letter of Agreement for Consulting Services with Klotz Associates, Inc., for the referenced services in an amount not to exceed $122,400.00.

QUESTIONS/COMMENTS FROM CITY COUNCIL:

{Legend: A – Answer; C – Comment; Q – Question; R – Response}

Q: Councilman Will Hickman inquired as to whether the basic idea for this project was to replace the existing equipment with the same type of equipment or if this was a new design.

A: Ralph Cox, P.E., Vice President with Klotz Associates, Inc., advised that the basic idea was to replace worn out equipment with newer models of similar equipment. There were no fundamental changes proposed in the processes. Some of the equipment, piping, and infrastructure dated back to the original plant in the 1950s. Some of the equipment was replaced in the 1980s and some replaced as recently as the 1990s. The basic idea was to refurbish with new models of equipment that was already in existence.

Q: Councilman Hickman referred to the belt press, noting that employees had to spray the press. He inquired as to whether that procedure would be necessary with the new belt press.

A: Mr. Cox stated that the process, by its nature, was messy. With the new equipment, the need for spraying should be lessened.

Q: Councilman Hickman referred to odor control and asked if this were related to the grid filter.

A: Mr. Cox advised that the odor control under this project was for the corner of Newcastle Drive and Edith Street. With some improvements to the equipment and less downtime, he believed that the odor issues would be solved.
Q: Councilman John F. Monday asked if there were an opportunity to build a new plant for wastewater treatment if it would be radically different.

A: Mr. Cox indicated that it would probably not be radically different. The same kind of processes would still exist. Bellaire’s Wastewater Treatment Plant, which was built during the 1950s, was built larger than it needed to be. The good news was that there was plenty of tankage and infrastructure, but the equipment had just exceeded its useful design life.

Q: Councilman Hickman inquired as to the flow through the plant over the last few years. In other words, was it increasing, decreasing, or staying the same.

A: Mr. Cox advised that the flow was about the same. What had decreased significantly were the wet weather flows. Since the City had replaced many of its old sewer lines, the infiltration from rain into leaky sewer lines had decreased. The average daily flow was about the same.

Q: Councilman Pat McLaughlan inquired as to whether the City could consider sending its wastewater to Houston.

A: City Manager Bernard M. Satterwhite, Jr., stated that from an economic standpoint, it would be difficult for Bellaire to do so because Houston was charging a large amount in impact fees. He felt that this might change down the road as it might become necessary for Houston to fill the capacity of their plant, although this was not expected in the near term.

Q: Councilman McLaughlan asked for confirmation that an impact fee was normally charged to a developer that was putting an additional burden on utilities.

A: City Manager Satterwhite advised that Councilman McLaughlan was correct.

Q: Councilman McLaughlan understood that the Houston plant had a great deal of excess capacity and inquired as to their logic for charging an impact fee when Bellaire was not impacting their operations.

A: Mr. Cox stated that Houston actually called it a “capital contribution” rather than an impact fee. Houston
offered two options—one was to pay the capital contribution fee plus a treatment fee or to pay a smaller capital contribution fee plus a higher treatment fee. As City Manager Satterwhite stated, it did not make sense for Bellaire to go with Houston.

City Manager Satterwhite stated that several offers had been made, but once those offers had been analyzed, it was not to Bellaire’s advantage to use Houston’s plant.

C: Councilman McLaughlan stated that if we made an arrangement with Houston, Bellaire could open up some additional parkland for sports fields. He was not sure how one would calculate the value of the additional sports fields. He noted that it did not look like Bellaire would be doing anything in the foreseeable future.

VOTE ON MOTION TO ADOPT ORDINANCE:

Motion carried unanimously on a 7-0 vote as follows:

FOR: Siegel, Cindy
Hickman, Will
Monday, John F.
Faulk, Peggy
Davison, Debra Marz
McLaughlan, Pat
Jeffery, John

OPPOSED: None

ABSENT: None

{Ordinance was subsequently numbered: 07-054}

2. ADOPTION OF RESOLUTION:

CONSIDERATION of and possible action on the adoption of a resolution of the City Council of the City of Bellaire, Texas, designating a Representative and an Official Alternate to the General Assembly of the Houston-Galveston Area Council for the year 2008 – Action by Members of City Council (Item submitted by City Clerk Tracy L. Dutton on behalf of Houston-Galveston Area Council).
Nominations from the Floor:

Mayor Cindy Siegel made the following nominations:

- Pat McLaughlan Representative
- Will Hickman Official Alternate

Mayor Pro Tem Peggy Faulk made the following nominations:

- Will Hickman Representative
- John Jeffery Official Alternate

A vote was taken on the nominations, with Pat McLaughlan as Representative and Will Hickman as Official Alternate receiving five of seven votes. Five voting in favor were Mayor Cindy Siegel, Councilman John F. Monday, Councilwoman Debra Marz Davison, Councilman Pat McLaughlan, and Councilman John Jeffery. The remaining two members of City Council, Councilman Will Hickman and Mayor Pro Tem Peggy Faulk voted in favor of Will Hickman as Representative and John Jeffery as Official Alternate.

MOTION TO ADOPT RESOLUTION:

A motion was made by Mayor Pro Tem Peggy Faulk and seconded by Councilwoman Debra Marz Davison to adopt a resolution of the City Council of the City of Bellaire, Texas, designating Pat McLaughlan as Representative and Will Hickman as Official Alternate to the General Assembly of the Houston-Galveston Area Council for the year 2008.

VOTE ON MOTION TO ADOPT RESOLUTION:

Motion carried unanimously on a 7-0 vote as follows:

FOR:  
   - Siegel, Cindy
   - Hickman, Will
   - Monday, John F.
   - Faulk, Peggy
   - Davison, Debra Marz
   - McLaughlan, Pat
   - Jeffery, John

OPPOSED:  None

ABSENT:  None

{Resolution was subsequently numbered: 07-12}
H. COUNCIL CORRESPONDENCE AND COMMENTS.
Discussion only.

I. ADJOURNMENT.

MOTION TO ADJOURN:

A motion was made by Mayor Pro Tem Peggy Faulk and seconded by Councilman Will Hickman to adjourn the Regular Session of the City Council of the City of Bellaire, Texas, at 8:38 p.m. on Monday, September 10, 2007.

VOTE ON MOTION TO ADJOURN:

Motion carried unanimously on a 7-0 vote as follows:

FOR: Siegel, Cindy
     Hickman, Will
     Monday, John F.
     Faulk, Peggy
     Davison, Debra Marz
     McLaughlan, Pat
     Jeffery, John

OPPOSED: None

ABSENT: None

Respectfully submitted,

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

Approved:

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Cynthia Siegel, Mayor
City of Bellaire, Texas