I. SPECIAL SESSION (BUDGET PUBLIC HEARING) – 6:00 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 6:01 p.m. on Monday, August 18, 2008. The Bellaire City Council met at that time and on that date in Special Session for the purpose of holding a public hearing to receive oral and written comments from any and all persons desiring to be heard on or in connection with the proposed budget for the City of Bellaire, Texas, for fiscal year 2009. The Special Session was held in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas 77401. 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 James P. Avioli, Sr., Position No. 2;
Mayor Pro Tem Peggy Faulk, Position No. 3;
Councilman Phil Nauert, 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. READING OF NOTICE OF PUBLIC HEARING – City Clerk Tracy L. Dutton.

City Clerk Tracy L. Dutton read the Notice of Public Hearing for the record as follows:

Notice is hereby given that the City Council of the City of Bellaire, Texas (City), has called, by Ordinance No. 08-042, a public hearing before the City Council of the City of Bellaire, Texas, to receive written and oral comments on the City’s proposed budget for the fiscal year beginning October 1, 2008, and ending September 30, 2009 (i.e., FY2009). Said hearing is scheduled for Monday, August 18, 2008, at 6:00 p.m. in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas.
The FY2009 proposed budget document is based on information available to the City at the time the FY2009 proposed budget document was filed with the City Clerk’s Office on July 17, 2008.

The City estimates that it will raise more tax revenue than the previous year. The FY2008 budget was projected to raise $11,781,554, and the proposed FY2009 proposed budget is estimated to raise $12,438,242. The amount of increase is, therefore, estimated to be $656,688 or a 5.6% increase.

The City will not receive final tax information until the fall of 2008. For this reason, the amount of the increase that will be raised from new property added to the tax roll is not available at this time.

The proposed budget document is available for review in the City Clerk’s Office and the Assistant City Manager’s Office, City Hall, 7008 South Rice Avenue, Bellaire, Texas, Monday through Friday, from 8:00 a.m. until 5:00 p.m., except for holidays. A copy is also available for review in the Bellaire City Library, 5111 Jessamine Street, Bellaire, Texas. A budget summary will be inserted in the City’s local newspaper of general circulation, the Southwest News, on or about Tuesday, August 12, 2008, and will also be available on the City’s website at www.ci.bellaire.tx.us.

Written comments may be submitted to the City Clerk prior to the public hearing. Such comments should be addressed as follows: Tracy L. Dutton, City Clerk, City of Bellaire, 7008 South Rice Avenue, Bellaire, Texas 77401-4495.

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

City Clerk Dutton advised that the Notice of Public Hearing was posted on the City’s bulletin board and website on July 29, 2008. The Notice of Public Hearing was also published in the legal notices section of the following editions of the Southwest News: Tuesday, July 29, 2008, and Tuesday, August 12, 2008.

C. SUMMARY OF PUBLIC HEARING PROCEDURE – City Manager Bernard M. Satterwhite, Jr.

City Manager Bernard M. Satterwhite, Jr., summarized the public hearing procedure for the evening as follows:

During this evening’s public hearing on the proposed budget for the City of Bellaire, Texas, for the 2009 fiscal year, a brief introduction and overview of the budget will be given by the City Manager. Following
that summary, the Mayor will recognize members of the City Council of the City of Bellaire, Texas, regarding any questions they might have. Following that, the Mayor will recognize citizens or other interested parties who have completed the sign-in sheet prior to commencement of the hearing. Comments will be limited to four (4) minutes for each individual.

Following comments from citizens or other interested parties, the Mayor will close the public hearing. Written comments may be submitted to the City Council in care of the City Clerk prior to final deliberation on the matter. It is anticipated that final deliberation on the matter will occur on September 8, 2008; therefore, the City Clerk must receive written comments by noon on Thursday, September 4, 2008. The sign-in sheet and written comment sheets have been provided at the entrance to the Council Chamber.

D. PRESENTATION/OVERVIEW of the proposed budget for the City of Bellaire, Texas, for the fiscal year beginning October 1, 2008, and ending September 30, 2009 (i.e., fiscal year 2009) – City Manager Bernard M. Satterwhite, Jr.

City Manager Bernard M. Satterwhite, Jr., presented an overview of the proposed budget for the City of Bellaire, Texas, for the fiscal year beginning October 1, 2008, and ending September 30, 2009 (fiscal year 2009).

City Manager Satterwhite presented the budget approval process that the City followed, noting that a Special Session on the budget would be held on Tuesday, August 26, 2008. The purpose of the public hearing was to solicit comments from the public and to answer any clarification questions that might come up. The purpose of the Special Session on August 26, 2008, would be to discuss or debate public comment received during this evening’s public hearing and to discuss or debate individual budget items, Capital Improvement Plan items, or other questions.

Between August 26, 2008, and September 5, 2008, City Staff would have an opportunity to incorporate the changes, if any, made on August 26, 2008. City Staff planned to present the budget to City Council on September 8, 2008; however, presentation of the budget depended on whether or not the City received its certified tax rolls. Additionally, if significant changes to the budget were requested by City Council, it could take longer to incorporate those changes. If the budget were not brought forward to City Council on September 8, 2008, then it would be brought forward the next week on September 15, 2008.
Budget considerations included City Council goals and objectives, recapitalization requirements, water and wastewater infrastructure, the Rebuild Bellaire Program, Bellaire Town Square, expectations and service levels, fuel costs, the budget resolution, and tax base growth.

In tax year 2007, the City’s taxable values were approximately $2.8 billion. The estimated taxable values for tax year 2008 were noted to be $3.1 billion. This value included all adopted exemptions (i.e., over 65 and disabled). The value the City was given by the Harris County Appraisal District was a little higher than that. City Staff had worked the numbers based on historical data.

The budget resolution, revenue forecasting, established expenditure targets, service expectations, and department needs were used, as well, in the budget development process. A master cash flow model was also developed and used in the budget development process.

In addition, future Capital Improvement Plan and Vehicle, Equipment, and Technology Plan requirements were used in the budget process. City Manager Satterwhite noted that the Capital Improvement Plan was separate from the budget and would be discussed more in depth. Financing for the Capital Improvement Plan was provided based on cash flow forecasts and was derived from previous year reserves and current year reserves from the General Fund to future year capital projects.

The development of the budget was based on a $0.40 tax rate, which gave the City $3.886 million in the Debt Service Fund, $8.551 million in the General Fund, and a General Fund balance of $2.997 million, which exceeded the minimum General Fund balance required by the budget resolution.

The Capital Improvement Plan reserve was $1.5 million and the Vehicle, Equipment, and Technology Plan reserve was $800,000. The budget resolution indicated that the City should reserve enough to fund the Five-Year Capital Improvement Program. The numbers presented in the budget did that.

Total General Fund operating revenues were noted to total $15.7 million whereas General Fund operating expenditures were noted to total $14.8 million, resulting in an excess of $926,000. City Manager Satterwhite reminded City Council that the excess added to the balance and carried forward was what funded the Capital Improvement Plan and Vehicle, Equipment, and Technology Plan reserves.

The budget resolution indicated that the City should have a non-personnel expenditure growth not to exceed the Municipal Price Index (MPI). City Manager Satterwhite advised that the MPI from June 2007
to June 2008 was 5.1%. The City’s non-personnel expenditure increase in the budget was 1.3%. The total expenditure increase, including personnel increases, was only 3%.

In summary, the City had conformed to the budget resolution in the development of the FY2009 budget.

With respect to revenue sources for the budget, it was noted that property taxes was the primary revenue source at 45%. The next highest source was water sales, followed by wastewater services, and sales tax.

With respect to the General Fund, the beginning fund balance was noted to be $4.2 million. All of the fiscal year 2009 expenditures were funded from current year revenues. The carryover from previous years did not fund fiscal year 2009 expenditures. The current year operating revenues forecasted for fiscal year 2009 was $15.7 million, with forecasted operating expenditures of $14.8 million. The total available resources were noted to be $20 million, which included the carryforward. The total designated reserves were $2.4 million. The ending fund balance was forecasted to be $2.797 million or 19% of the total budget.

City Manager Satterwhite next referred to the City’s Compensation and Classification Study, which was currently in progress. He stated that he would address this study during the City Manager’s Report later this evening. The City would not have a final outcome with respect to the study prior to adoption of the budget. He had looked at some of the preliminary numbers and did not believe it would have a huge impact on the budget.

Personnel costs were noted to be 73% of expenditures, which was within the targets the City had set. With respect to the Texas Municipal Retirement System (TMRS), rates were actuarial rates rather than a direct rate and were based on a 7%, 2 to 1, TMRS formula. City Manager Satterwhite advised that not everyone that worked for Bellaire retired from Bellaire. The rate reflected the number of people expected to retire within a given period of time, as well as the age of the workforce. The rate was also based on the total unfunded liability that the retirement system had.

The market adjustment included in the budget was 2%. In the General Fund alone, salaries and benefits represented 73% of all expenditures. A little more than 50% of the General Fund revenues were derived from property taxes, followed by sales taxes. Public safety represented 40% of all expenditures in the General Fund, followed by Administration with 23%. 
In the Enterprise Fund, revenues of $6.3 million were anticipated with expenditures of $6.0 million. There would be a slight increase in the working capital of $300,000; however, the City was still committed to a $950,000 transfer from the Enterprise Fund to the Debt Service Fund, resulting in an ending working capital of $3.8 million.

Water sales represented the largest source of revenue for the Enterprise Fund, followed by wastewater charges and solid waste charges. Solid waste was the largest expenditure, followed by water purchases (i.e., from the City of Houston).

The Debt Service Fund had not changed from the budget presented in July. Expected expenditures were $4.956 million.

The General Fund budget included transfers to the Capital Improvement Plan and Vehicle, Equipment, and Technology Plan.

The total budget for all funds was $29.141 million this year versus $29.002 from the previous year or a 1% increase. The total budget was well within all parameters and provided for needs and expectations. The budget did fund the Five-Year Capital Improvement Plan and Vehicle, Equipment, and Technology Fund. The budget also maintained or improved levels of service.

City Manager Satterwhite advised that he had prepared a list of questions that had come up previously that he would like to answer at this time.

Q: When would the City’s fuel contract expire?

A: The City’s fuel contract was a one-year contract, with authority given to the City Manager to extend the contract for four years, one year at a time, as long as the rates did not increase significantly. The most recent contract expired in May 2008, and City Manager Satterwhite signed an extension for one year. The City was good until next May at the same rate as the first year of the contract.

Q: What were recycling costs?

A: Recycling costs were not all broken down individually. One question was actually related to the cost to run a City truck for recycling. The City used approximately 100 gallons per week in a garbage truck for recycling. At $4.19 per gallon, the City expended approximately $23,000.00 for fuel alone. Some of the expenses could be attributed to solid waste, so it was difficult at this point to pinpoint the exact costs for recycling.
The City would work on trying to breakdown the costs in a better format for City Council.

Q: Could the City save if construction observation services were performed in-house?

A: City Manager Satterwhite stated that this was an area that the City had looked very hard at and he personally did not believe the City could save by bringing the services in-house. However, he did believe that there were ways to save on the process itself. For example, if the City combined observation services across projects rather than on a project-by-project basis, there could be some savings. He felt there was an opportunity for savings by restructuring some of the City’s contracts. In looking at the process on a project-by-project basis, there did appear to be some duplication of effort. He noted that he had not asked for a proposal from Claunch & Miller, Inc., or any other engineering firm at this time, but certainly would. He noted further that he would continue to report on that process. This particular General Fund budget would not be impacted by a change in handling the process.

Q: How had tax revenues compared to initial budget estimates in the past?

A: City Manager Satterwhite stated that the proposed budget was developed prior to the City’s receipt of the certified tax rolls. Truth-in-taxation calculations would be performed once those rolls were received. It was noted that the tax appraisal certification process continued throughout the entire year. In other words, the City had three numbers: the number used for the proposed budget, the number based on certified tax rolls for the final budget, and the final certified number calculated at the end of the tax year after everything was audited and protests completed.

For example, in fiscal year 2003, the budget was based on a $2.047 billion taxable value. The number used for the budget was slightly less than that, and the final certified number at the end of the year was slightly higher.

Final tax rolls were expected around the 1st of September this year. He believed, therefore, that the City would have plenty of time to set the tax rate.

Q: Whether to use paper or plastic garbage bags?
A: Paper bags on a rainy day could be problematic. The City had explored a possible change to paper before and could explore that again if City Council wanted to do so.

Q: What organizations did the City pay dues to?

A: City Manager Satterwhite presented a slide listing all organizations that the City or City employees belonged to. There were a total of approximately 56 organizations.

E. QUESTIONS FROM THE CITY COUNCIL OF THE CITY OF BELLAIRE, TEXAS – Mayor Cindy Siegel.

Q: Councilman Will Hickman referred to the Public Arts Program (i.e., the five-year plan) and inquired as to how that program fit into this year’s budget.

A: City Manager Satterwhite indicated that there was nothing of an operational nature in the Public Arts Program plan. All of the items were considered capital improvements. The Bellaire Arts Commission submitted a desire for certain items. The City Council-approved Bellaire Arts Commission Master Art Plan was used, along with their desires, for the Capital Improvement Plan. He noted that each of the projects in the Capital Improvement Plan would come back to City Council individually for approval (i.e., History Walk, pergola, meditation garden, etc.).

Q: Councilman Hickman inquired as to whether it was fair to say that the City could fund the lower reserves if the program were made smaller.

A: City Manager Satterwhite indicated that there were many needs in the Capital Improvement Program. He guessed the simple answer to the question was “yes.” There was not a direct correlation to the reserves and everything funded in the Capital Improvement Plan. At the end of the five-year plan, there would still be money left over to go toward the next plan.

C: Councilman James P. Avioli, Sr., stated that he had some follow-up comments with respect to construction observation/overview.

Councilman Avioli complimented the City Manager and his staff in looking at the process. As City Manager Satterwhite pointed out, when reviewing the contracts there appeared to be some overlap on performance between administration and construction oversight. Both Councilman Avioli and City
Manager Satterwhite saw some cost saving opportunities to that. The other thing that was discussed was how much oversight was necessary on a specific project. In other words, did someone really need to watch a road job or a sidewalk job for 40 hours each week? Additionally, was office support necessary to be dedicated as a resource for the onsite inspector for each specific job?

On the Sunburst job, the cost of oversight on a $5 million project was only 4.03%. However, that cost was 31% of the overall engineering cost. This was a showstopper to Councilman Avioli, and this was the reason he thought the item should be looked into.

In closing, Councilman Avioli complimented the City Manager for the work that was done. He could understand that there was not considerable savings to be attained by bringing the services in-house. On the other hand, there were efficiencies that needed to be gained for the City. The City was currently paying too much for construction observation services.

F. RECOGNITION OF CITIZENS AND/OR OTHER INTERESTED PARTIES – Mayor Cindy Siegel.

Keith Bowers, 4909 Jessamine Street, Bellaire, Texas:

Mr. Bowers addressed City Council and advised that he had done some rough calculations and had come up with a nominal $30 million budget for 6,000 dwelling units, resulting in $5,000 per taxpayer. He indicated that this was a fairly significant number.

Mr. Bowers continued and thanked City Staff for the detail that was included in the budget planning process. He referred to the complex job that Director of Parks & Recreation Jane Dembski had to handle. He noted a recent incident wherein some young employees had gotten out of line. He commended her for the way in which the incident was handled. He noted further that the Parks & Recreation Department had wonderful programs.

Also of note was the fantastic job that the City’s new Chief Financial Officer (CFO) was doing (i.e., Donna Todd) in the detail, accuracy, and clarity of her financial reports. He thanked the City Manager for hiring CFO Todd.

Mr. Bowers advised that Karl Miller, the City’s Facilities Management Director, was underpaid for what he did. He was doing a great, professional job for the City, and the residents could see the changes that he had implemented. He again thanked City Manager Satterwhite
for getting Karl Miller on board. He referred to one door in the Recreation Center that needed to be repaired, as well as one water cooler and urged that those repairs be made.

In analyzing the budget, Mr. Bowers noted that he had submitted some questions to the City Manager and requested that those questions be incorporated into the record.

With respect to paid time off (i.e., holidays, vacation, and sick leave), that time was approximately 40 days per year on average. This worked out to about 16% of the payroll on top of the benefits that were already paid for. Industry had gone to a combination paid time off program. Industry only bought that time back when a person left their employment. The whole idea of giving sick leave and buying it back was not fair to the citizens. Mr. Bowers also did not believe that it was fair for the taxpayers to pay for public art. People that wanted to contribute for art could do so.

In reviewing the financial report, he noted that $500,000 was allocated for sidewalks last year. He inquired as to the reason that the monies had not been spent. He asked a similar question with respect to the Rebuild Bellaire Program pay-as-you-go funds.

{The speaker’s allotted time ended at this point}

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Lynn McBee, 5314 Evergreen Street, Bellaire, Texas:

Ms. McBee addressed City Council and advised that she had been examining budgets for 30+ years and could not believe how complicated it had gotten. She assumed that the City’s professionals were doing professional jobs, but admitted that she was in no position to judge that.

Ms. McBee indicated that all she was able to do was to pick out some items that she did not understand. She asked why the City’s fuel pumps were being moved to the Bellaire Fire Department. In one place in the budget (i.e., the Capital Improvement Plan), the cost was $285,000. In another area of the budget she believed she saw a cost of $687,000. She never heard what the advantage was for the cost outlay.

With respect to the mobility plan, in one area she saw a cost of $1.4 million to repair sidewalks. Then in the Capital Improvement Plan, she saw an expenditure of $400,000 per year over the next five years to be expended on sidewalks. She did not know if these were new
sidewalks or repairs. She did note that some of the major areas for mobility, Bellaire Boulevard and Bissonnet Street, had no sidewalks on some blocks.

Ms. McBee inquired as to whether the City really needed to spend $235,000 for a trail system in Bellaire Town Square. She stated that she was trying to inject a note of common sense to this process.

Ms. McBee indicated that she was sorry that the City did not have an employee compensation study back yet. She wished it had been available before the budget was being discussed for public hearing. She did not have any comment about it other than she would like to see the emphasis on increasing benefits. She did not necessarily mean monetary benefits, but rather transportation assistance in some fashion (whether that be dollars or programs) and a review of the paid time off. It appeared to Ms. McBee that the City was not rewarding for health, but rewarding employees for being sick.

With respect to the traffic signalization grant, the City’s share seemed to be $500,000. She did not know what the grant originally was as it was not listed in the budget. She did not know if the $500,000 was all that the City was going to spend on this project or not.

Ms. McBee stated that she thought the Little League was independent of city subsidies and questioned the Jessamine Concession Stand repairs. She noted that the cost budgeted was $30,000 and inquired as to whether this was a shared project.

With respect to the citywide security system budgeted for $100,000, Ms. McBee indicated that she would be interested in knowing what the City would purchase with those funds.

Bellaire Town Square had an ongoing annual administration-geotechnical contingency and planning line item in the amount of $45,000 and $150,000 the year after. Ms. McBee inquired as to what was intended for this contingency. For example, was a planner or a consultant to be hired?

Ms. McBee next referred to a Paseo Park sculpture garden and inquired as to whether this was a separate project from the History Walk?

With respect to Rebuild Bellaire . . .

{The speaker’s allotted time ended at this point}
G. CLOSE OF PUBLIC HEARING – Mayor Cindy Siegel.

Mayor Cindy Siegel advised that the public hearing before the City Council of the City of Bellaire, Texas, held for the purpose of receiving oral and written comment on the City’s proposed budget for the fiscal year beginning October 1, 2008, and ending September 30, 2009, was closed at 6:47 p.m. on Monday, August 18, 2008. It was noted that oral comment would not be received following the close of the public hearing. Written comments, however, could be submitted to the City Council in care of the City Clerk until noon on Thursday, September 4, 2008, in anticipation of final adoption of the budget on Monday, September 8, 2008. It was noted further that the budget might not be presented for adoption until September 15, 2008.

Mayor Siegel indicated that the City Council would hold a Special Session to discuss the comments received this evening, as well as any other issues presented by members of City Council, on Tuesday, August 26, 2008. Written comments could also be submitted for that Special Session.

H. CONSIDERATION of and possible action to direct the City Clerk of the City of Bellaire, Texas, to place the proposed budget for the City of Bellaire, Texas, for the fiscal year beginning October 1, 2008, and ending September 30, 2009, on the agenda for City Council consideration during the Regular Session scheduled on September 8, 2008 (Texas Local Government Code, Section 102.007, Adoption of Budget, Subsection (a). At the conclusion of the public hearing, the governing body of the municipality shall take action on the proposed budget).

MOTION TO DIRECT CITY CLERK TO PLACE BUDGET ON THE AGENDA:

A motion was made by Councilman John Jeffery and seconded by Councilman Phil Nauert to direct the City Clerk of the City of Bellaire, Texas, to place the proposed budget for the City of Bellaire, Texas, for the fiscal year beginning October 1, 2008, and ending September 30, 2009, on the agenda for City Council consideration during the Regular Session scheduled on September 8, 2008.

VOTE ON MOTION TO DIRECT CITY CLERK TO PLACE BUDGET ON THE AGENDA:

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

FOR: Siegel, Cindy
FOR (CONT.): Hickman, Will
Avioli, James P., Sr.
Faulk, Peggy
Nauert, Phil
McLaughlan, Pat
Jeffery, John

OPPOSED: None

ABSENT: None

I. ADJOURNMENT.

MOTION TO ADJOURN:

A motion was made by Councilman Will Hickman and seconded by Councilman James P. Avioli, Sr., to adjourn the Special Session (Budget Public Hearing) of the City Council of the City of Bellaire, Texas, at 6:50 p.m. on Monday, August 18, 2008.

VOTE ON MOTION TO ADJOURN:

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

FOR: Siegel, Cindy
Hickman, Will
Avioli, James P., Sr.
Faulk, Peggy
Nauert, Phil
McLaughlan, Pat
Jeffery, John

OPPOSED: None

ABSENT: None

Respectfully submitted,

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Tracy L. Dutton, TRMC
City Clerk
City of Bellaire, Texas
II. REGULAR SESSION – 7:00 P.M.

A. CALL TO ORDER AND ANNOUNCEMENT OF A QUORUM – Mayor Pro Tem Peggy Faulk.

Mayor Pro Tem Peggy Faulk called the City Council of the City of Bellaire, Texas to order at 7:02 p.m. on Monday, August 18, 2008. 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 77401. Mayor Pro Tem Faulk announced that a quorum was present consisting of herself and the following members of City Council:

- Councilman Will Hickman, Position No. 1;
- Councilman James P. Avioli, Sr., Position No. 2;
- Mayor Pro Tem Peggy Faulk, Position No. 3;
- Councilman Phil Nauert, Position No. 4;
- Councilman Pat McLaughlan, Position No. 5; and
- Councilman John Jeffery, Position No. 6.

Mayor Cindy Siegel was absent. 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 – Councilman Pat McLaughlan.

Councilman Pat McLaughlan read an excerpt from a book entitled “As the Meadowlark Sang,” regarding The Storm of August 16, 1915, in Bellaire as follows:

The morning of August 16th, 1915, began like any normal Monday morning in the Kelly home. The family was up at 5 o’clock. I made the sandwiches and packed the lunches for Daddy and the boys, while Mama prepared breakfast . . . .

Mama walked out on the front porch to see them off . . . then called to me to come see how strange everything looked. The sun should have
been seen just a few inches above the horizon; but instead a pinkish grey haze hung over the earth and sky . . . Not a breath of air stirred . . . As the day progressed, the haze turned from grey . . . to an even stranger red golden veil . . . .

By four P.M. the wind had increased, moaning and wailing, as if in pain. Daddy had watched the sky, from where he was working in West University Place. He decided to come home on the four o’clock street car . . . and placed boards over the plateglass windows . . . The force of the wind increased, bringing solid sheets of rain . . . .

My brothers, Tommy and Ralph, came home on the 6 o’clock car. By this time it was pitch dark. It was difficult for them to walk in the wind and rain. The electric lights flicked off and on . . . until Bellaire was left in utter darkness . . . The howling wind seemed determined to tear the house apart. It creaked and screeched as heavy gusts pushed against it . . . .

Suddenly, there came a hush, a great calm . . . .

The calm lasted not more than ten minutes, then as expected. It hit from another direction with as much force as the first had been. We again took our positions at the table and waited . . . Finally, the wind died down . . . At daybreak the rain ceased . . . .

Since none of the people living in Bellaire had ever been in a tropical storm, many panicked and left their houses at the height of the storm. They clung to fence posts, or anything else left standing. In some cases this had been a wise move on their part, as some of the houses were completely torn apart by wind and water. Fortunately no one was killed or seriously injured . . . .

. . . The new school house was the only brick building in Bellaire. It sustained only minor damage. Many residents had sought shelter there . . . .

Most every house in Bellaire suffered severe damage, but everybody either repaired or rebuild [sic] their homes . . . .

So was the storm of August 16th, 1915.

--Elnora Kelly Pelton

C. **PLEDGES TO THE FLAGS – Councilman Pat McLaughlan.**

1. **U.S. PLEDGE OF ALLEGIANCE.**
2. **PLEDGE TO THE TEXAS FLAG.**

Councilman Pat McLaughlan led the audience and City Council in the U.S. Pledge of Allegiance and the Pledge to the Texas Flag.

D. **APPROVAL OR CORRECTION OF MINUTES:**

1. **APPROVAL** of minutes of the Regular Session of the City Council of the City of Bellaire, Texas, held on Tuesday, July 22, 2008 – *Item submitted by City Clerk Tracy L. Dutton.*

**MOTION TO APPROVE MINUTES:**

A motion was made by Councilman James P. Avioli, Sr., and seconded by Councilman Will Hickman to approve the minutes of the Regular Session of the City Council of the City of Bellaire, Texas, held on Tuesday, July 22, 2008.

**VOTE ON MOTION TO APPROVE MINUTES:**

Motion carried on a 5-0-1 vote as follows:

**FOR:** Hickman, Will  
Avioli, James P., Sr.  
Faulk, Peggy  
Nauert, Phil  
McLaughlan, Pat

**OPPOSED:** None

**ABSENT:** Siegel, Cindy

**ABSTAIN:** Jeffery, John*

*Councilman John Jeffery abstained from voting on the approval of the minutes of the Regular Session of City Council held on Tuesday, July 22, 2008, due to his absence from that meeting.

2. **APPROVAL** of minutes of the Regular Session of the City Council of the City of Bellaire, Texas held on Monday, August 4, 2008 – *Item submitted by City Clerk Tracy L. Dutton.*
MOTION TO APPROVE MINUTES:

A motion was made by Councilman Phil Nauert and seconded by Councilman John Jeffery to approve the minutes of the Regular Session of the City Council of the City of Bellaire, Texas, held on Monday, August 4, 2008.

VOTE ON MOTION TO APPROVE MINUTES:

Motion carried on a 5-0-1 vote as follows:

FOR: Hickman, Will
     Avioli, James P., Sr.
     Nauert, Phil
     McLaughlan, Pat
     Jeffery, John

OPPOSED: None

ABSENT: Siegel, Cindy

ABSTAIN: Faulk, Peggy*

*Mayor Pro Tem Peggy Faulk abstained from voting on the approval of the minutes of the Regular Session of City Council held on Monday, August 4, 2008, due to her absence from that meeting.

3. APPROVAL of minutes of the Special Session (Interviews) and Special Session of the City Council of the City of Bellaire, Texas, held on Monday, August 11, 2008 – Item submitted by City Clerk Tracy L. Dutton.

MOTION TO APPROVE MINUTES:

A motion was made by Councilman Pat McLaughlan and seconded by Councilman John Jeffery to approve the minutes of the Special Session (Interviews) and Special Session of the City Council of the City of Bellaire, Texas, held on Monday, August 11, 2008.

VOTE ON MOTION TO APPROVE MINUTES:

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

FOR: Hickman, Will
     Avioli, James P., Sr.
     Faulk, Peggy
FOR (CONT.): Nauert, Phil
               McLaughlan, Pat
               Jeffery, John

OPPOSED: None

ABSENT: Siegel, Cindy

E. PERSONAL/AUDIENCE COMMENTS.

George Pierce, 4531 Evergreen Street, Bellaire, Texas:

Mr. Pierce addressed City Council and advised that as he was crossing
the median between the north and south lanes of Interstate Highway
610, he foolishly stepped back into traffic and was struck by a vehicle.
The Bellaire Fire Department appeared on the scene and took him to a
hospital wherein it was determined that he was within minutes of
having his brain come loose.

Mr. Pierce advised that the members of the Bellaire Fire Department
saved his life and were heroes. He hoped that the next time people
saw them they would understand that the Bellaire firefighters were
heroes and should be thanked for their service.

Mr. Pierce closed and stated that he was alive because someone cared.

Lynn McBee, 5314 Evergreen Street, Bellaire, Texas:

Ms. McBee addressed City Council and referred to the Comprehensive
Plan/Land Review Study that the City was about to kick-off. She
advised that she had inquired from City Staff whether or not the
appointments that City Council delegated to the Mayor had been made
and if a meeting had been scheduled. She received a list of 15
members and was told that the members were appointed to the
Comprehensive Plan Advisory Committee (CPAC) by the Mayor in a
conversation with each of them. Ms. McBee also learned that the first
meeting would be held on August 27, 2008, at 7:00 p.m. in the Senior
Services Activity Room across the hall from the Council Chamber.

Ms. McBee followed up with an inquiry as to whether or not a charge
had been written to each of the members outlining their duties, their
term, rules of procedure that might be adopted, etc. The length of the
Committee’s service would determine if the CPAC would fall under the
City Code category for “ad hoc committee.” She concluded as follows:
there had been and would be no formal announcement of the
appointment of this advisory committee. There had been, to date, no charge made to the members of the committee. There would be no agenda posted and open meetings. There would be no cable video coverage of the meetings. The committee would not conform to the Texas Open Meetings Act or to the City’s Code of Ordinances.

Ms. McBee requested that City Council inquire of the City Attorney in consultation whether or not this met the legal obligations the City had under the Texas Open Meetings Act or the City’s policies contained in its Code of Ordinances. If it did not, she would request that before next Wednesday, an agenda be posted, that a press release be prepared to explain who would be serving on the committee, their charge, and what term they would be serving. Additionally, she inquired as to what absence policy would prevail and who would preside as chair of the committee.

Ms. McBee advised that she had not spent 30+ years ensuring that the City observed open meetings because she believed that open government was better government for naught. This was, in her opinion, a flagrant disregard of everything that the City charged all of its committee members and its City Council, along with the mandatory training taken on open meetings. This was inexcusable in her view, and she urged City Council to seek legal advice from the City Attorney.

F. REPORTS:

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

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

With respect to police activity, City Manager Satterwhite referred to some aggravated robberies that had occurred in and around Bellaire over the past few weeks. The activities were an organized effort by a number of people. A few arrests had been made, and a few more were coming. For the most part, the Bellaire Police Department had made a good deal of progress with respect to these particular incidents.

City Manager Satterwhite indicated further that these were crimes of opportunity and most had occurred very late at night or early in the morning. People driving fairly nice cars going to fairly nice homes had been followed. Before they could get from their car to their home, these robbers appeared with weapons and took what was on the person at that point. He urged citizens not to let down their guard and to be aware of
their surroundings, especially late at night and early in the morning.

With respect to the employee compensation review, the City had received quite a few numbers and a pretty good market analysis. The beginnings of a pay structure were being developed, and City Manager Satterwhite did not believe it would take much longer to complete. Based on what he had seen, which were many preliminary numbers, he did not see a great deal of striking change in the City’s compensation plan. The fact that the City had been performing a market analysis annually and making an adjustment annually had gotten the City to a point where it was not too far behind.

When a set market adjustment was given on an annual basis across the board, there would be some areas, functions, or professions that would get ahead, while others would lag behind. He felt that the City was seeing that in its entire structure overall. There were a number of positions that were identified that were slightly above what the market was. There were other positions that were somewhat below the market. He believed that the overall impact would not be difficult to deal with.

City Manager Satterwhite noted that the City also wanted to look at what it took to get people to Bellaire and keep them there. He was not ready to come to City Council just yet with any specific proposals, but would be by the next City Council meeting or so.

Additionally, it was his understanding that the City of West University Place intended to give a presentation to their City Council the next Monday. He did not know what they were going to present, but he would be watching that process intently to see where they were.

With respect to the Evergreen Therapy Pool situation, the City had taken a look at extended hours. The City tried to find a balance of running a good business and doing what a good number of people wanted and/or needed with respect to City facilities. What happened this year was the Aquatics Facility had many more patrons than the Evergreen Therapy Pool Complex did. The hours were increased on the Bellaire Pool side such that the Bellaire Pool took on the hours that the Evergreen Pool used to have and vice versa. The decision regarding hours of operation was actually driven by the number of patrons.
In the afternoons, the Evergreen Pool was averaging 26-28 patrons, whereas the Bellaire Pool was averaging quite a bit more. The City wanted to place the staff where they were needed at the hours in which they were needed. The seasonal staff, many of which were part-time, worked in shifts. Part of what drove the closing time at Evergreen Pool was the shift ending time (i.e., 2:30 p.m. until 7:00 p.m.).

When the Evergreen Pool shuts down for the season at the end of this month, the Therapy Pool would start its winter and spring hours. It would be open three days per week until 8:00 p.m. City Staff, based on the concerns expressed recently, started the extended hours last week. The Therapy Pool was currently open Tuesday, Wednesday, and Thursday from 7:00 a.m. until 8:30 p.m. At the end of this month when the Evergreen Pool closed down from September until April, the Therapy Pool would go back to its normal winter hours from 7:00 a.m. until 1:00 p.m. and 6:00 p.m. until 8:00 p.m. on Tuesday, Wednesday, and Thursday. It would also be open from 10:00 a.m. until 1:00 p.m. on Saturday, and 3:00 p.m. until 6:00 p.m. on Sunday.

The Bellaire Pool would stay open through the end of September. It would then shift to winter hours at the end of September, with just the lap lanes and heated portions being open in the winter and spring.

Bellaire High School and Episcopal High School had both rented the lap lanes in the Aquatic Facility for their fall practice season for their swim teams.

City Manager Satterwhite next referred to some issues that the City had with the Metropolitan Transit Authority of Harris County (METRO) over the previous weeks. He reminded City Council that METRO had come into the City and installed some things without the City’s full understanding and knowledge. The people he had talked with at METRO had been very apologetic, contrite, and sincere in their failure to communicate properly. Apparently some of the METRO officials had assumed that they had communicated with Bellaire through some of Bellaire’s consultants, such as Traffic Engineers, Inc. (TEI). In fact, METRO really had not consulted with Bellaire at all.

The METRO “Quick Line” bus service would go through Bellaire from West Houston (Gessner area) down Bellaire Boulevard to the Medical Center. The line would run three hours in the morning and three hours in the afternoon basically during rush hour times. There would be approximately ten buses per day.
The buses were new and enhanced with comfortable seats, and were express buses with very few stops. For example, there was only one stop between Bellaire and the Medical Center. The buses did not pre-empt traffic and there were no dedicated lanes for the buses. The buses were GPS-tracked and computerized.

Additionally, METRO was attempting to “brand” the line through the use of signs. The City and METRO talked and concluded that this type of “branding” in Bellaire probably would not be desirable and would not have the impact that METRO had anticipated. The signage was very visible, and there were to be numerous signs identifying Bellaire’s Transit Center as a “Quick Line” stop. He personally did not understand the need for that type of branding for a bus service that only ran six hours per day, and METRO agreed with him.

The pole foundations that many noticed on Bellaire Boulevard were to hold large banners identifying the Bellaire Transit Center as a “Quick Line” stop. Those had been taken out and the City’s sidewalks were being repaired. METRO expressed many condolences and apologies for the contractor having messed up the City’s sidewalks in the first place.

Another component of the system was at First Street in Bellaire. When traveling eastbound and westbound, the far right lane going each direction was a right turn only lane. Going eastbound, the right turn only was a dead-end street. Going westbound, if one did not turn right, the lane would end. The bus would emit a signal and as it approached First Street, all lights would remain red so that the bus could continue to go through. This would occur only if the cars in front of the bus were not in the way. As soon as the bus cleared the intersection, the lights would go back to their normal signalization. The City agreed with METRO to monitor that system for 30 days to determine two things as follows: 1) if the bus impeded Bellaire’s own regular traffic, and 2) if the signalization was really enhancing the bus service. A communications process had been set up between the City and METRO. METRO also agreed to make some enhancements to the City’s Opticon system already in existence and to make some changes to the City’s controllers to put real-time clocks in them that were GPS controlled.

City Manager Satterwhite noted that there had apparently been some inferences to light rail and the "Quick Line" bus service. He noted that he had seen the plans for light rail, and there were no plans in the foreseeable future to place light rail down
Bellaire Boulevard. The bus service would run somewhat like light rail in that it was GPS-controlled and computerized, however, there was no link to light rail.

With respect to internal operations, City Manager Satterwhite gave kudos to his staff for their performance while he was on vacation with respect to the storm that did not materialize, but could have been problematic.

UPCOMING MEETINGS:

The following upcoming meetings were noted:

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Type of Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>08/18/2008</td>
<td>6:00 p.m.</td>
<td>Budget Public Hearing</td>
</tr>
<tr>
<td>08/25/2008</td>
<td>7:00 p.m.</td>
<td>Joint Workshop Session with the Planning and Zoning Commission</td>
</tr>
<tr>
<td>08/26/2008</td>
<td>6:00 p.m.</td>
<td>Public Hearing on Episcopal High School’s Specific Use Amendment</td>
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<tr>
<td>08/26/2008</td>
<td>~7:00 p.m.</td>
<td>Special Session on the Budget</td>
</tr>
<tr>
<td>09/01/2008</td>
<td>All Day</td>
<td>Labor Day Holiday – City Offices Closed</td>
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</tbody>
</table>

QUESTIONS/COMMENTS FROM CITY COUNCIL:

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

Q: Councilman John Jeffery referred to the Therapy Pool and asked for confirmation that the City had gone back to the old hours of operation.

A: City Manager Satterwhite advised that the City had opted to go to its winter hours a few weeks prematurely.

Q: Councilman Jeffery asked if this was what the original hours were.

A: City Manager Satterwhite stated that the hours for Evergreen Pool last year were what the Bellaire Pool adopted this year. In other words, the Evergreen Pool was open late every day last year. It had not been this year. It had been closing at 7:00 p.m. Now, the City was opening the Therapy Pool until 8:30 p.m. At the end of August, the Therapy Pool would be open for its normal winter hours.
Q: **Councilman Jeffery** asked if City Manager Satterwhite could repeat those winter hours again for the Evergreen Therapy Pool.

A: **City Manager Satterwhite** indicated that from September to April on Tuesday, Wednesday, and Thursday, the Therapy Pool would be open from 7:00 a.m. until 1:00 p.m. and 6:00 p.m. until 8:00 p.m. On Saturday it would be open from 10:00 a.m. until 1:00 p.m. and on Sunday from 3:00 p.m. until 6:00 p.m.

Q: **Councilman Jeffery** asked for a status report with respect to the new Fire Station.

A: **City Manager Satterwhite** advised that the City had submitted a Request for Qualifications. He believed those were due back on August 22, 2008.

C/Q: **Councilman Will Hickman** stated that he went to the Bellaire Pool a few weeks ago on a Saturday and had a great time. The only comment was that it did not open until 10:30 a.m. Being married to a dermatologist, he wondered if the City could look at opening the pool earlier in the morning when there was less sun and less heat. He also suggested that the City look at lowering the admission fees. He felt that more people might attend with $8 and $4 fees rather than $10 and $5 fees. He inquired as to whether this would need to be put in the form of an agenda item, noting that he was not certain how the prices were set.

A: **City Manager Satterwhite** stated that City Staff set the prices and the City Manager was given the authority to set the prices. It was certainly the prerogative of City Council to take a look at the prices. The revenues generated matched what the City had intended in its business plan to get the 60-40% subsidy split. He would rather not change the fees for the remainder of this fiscal year, but moving forward the City could look into it.

Q: **Councilman Hickman** referred to parking by the Aquatics Center, noting that City Council had received a letter from concerned citizens. The City Council also received a letter from concerned citizens with respect to parking around Condit Elementary School. He inquired as to the procedure and whether or not it was similar to the City’s procedure for speed humps.
A: City Manager Satterwhite advised that City Staff could handle the parking issues internally as long as there was an understanding that there was a consensus on the block. With respect to Third Street, City Staff was going forward with implementing no parking on one side of the requested block. It was easy to do for that street as 80% of the residents indicated that they wanted no parking on one side and advised the City as to which side of the street they wanted “no parking” on. The problem came in when there was no consensus as to which side of the street parking should be allowed on.

With respect to the residential neighborhood located near the Aquatic Facility, the Mayor and City Manager would meet with the residents to try to determine the specific issues and what they really wanted. If the City did not get consensus and City Council wanted to implement some type of parking plan, then it could become a Council action item.

C\Q: Councilman Pat McLaughlan noted that from his days in the Fire Department, he knew that Third Street was a difficult street to get down for emergency vehicles. In terms of a capital improvement project, he inquired as to whether there would be any logic to widening that block of Third Street.

A: City Manager Satterwhite advised that he did not know, referring to the fact that it had become difficult to get everyone’s consensus for widening Newcastle Drive.

Q: Councilman James P. Avioli, Sr., referred to the aggravated robberies mentioned earlier in the City Manager’s Report. He inquired as to whether the people referred to were members of an organized gang.

A: City Manager Satterwhite stated that he was referring to an organized gang.

Q: Councilman Avioli stated that he was not sure when the City’s next project was coming up, but inquired as to whether it would be practical to implement some of the efficiencies he had discussed with City Manager Satterwhite by the next project.

A: City Manager Satterwhite advised that there would be no projects brought forward to City Council without having first discussed the efficiencies.
Q: Councilman Hickman asked if it were possible to install conduit for electric, phone, and cable as a street were reconstructed so that underground utilities might be possible in the future.

A: City Manager Satterwhite indicated that City Staff had talked about that. He could not remember those discussions right off of the top of his head, but would get back to Councilman Hickman on that. He believed that some of it was practical.

MOTION TO ACCEPT REPORT INTO THE RECORD:

A motion was made by Councilman Pat McLaughlan and seconded by Councilman Phil Nauert to accept the City Manager’s Report as presented by City Manager Bernard M. Satterwhite, Jr., into the record.

VOTE ON MOTION TO ACCEPT REPORT INTO THE RECORD:

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

FOR: Hickman, Will  
Avioli, James P., Sr.  
Faulk, Peggy  
Nauert, Phil  
McLaughlan, Pat  
Jeffery, John

OPPOSED: None

ABSENT: Siegel, Cindy

2. FINANCIAL REPORT – Presented by Chief Financial Officer Donna Todd.

Chief Financial Officer Donna Todd presented the Financial Report for the City of Bellaire, Texas, to City Council.

Chief Financial Officer Todd indicated that she wished to present a brief summary of the City’s financials through the ten months ended July 31, 2008. Revenues were up approximately $950,000 or 4.23% as compared to last year. Property tax collections were higher than last year dollar-wise and compared to this year’s budget, were higher than the budget projections for the year.
Water and sewer revenues were higher than last year in all of the City’s utility operations. Sales tax revenues remained strong despite national news regarding economic conditions. These revenues were $118,000 higher than the previous year. In the most recent City Sales and Use Tax Comparison Summary from the State of Texas through July 2008, sales and use taxes were up 8.4%. Bellaire’s sales and use tax was up 6.7% from last year.

Investment earnings were lower than the previous year. The interest rates were remaining steady at 2%, whereas in the previous year the rates were at 5-¼%.

Revenues for athletics and aquatics were higher than last year. For the new Bellaire Town Square Pool (three months of operation – May through July), revenue earnings were $102,000. The Evergreen Pool was down approximately $5,800 from the previous year. Those revenues through July were $21,000. Chief Financial Officer Todd indicated that Evergreen Pool was opened for the season a little bit later than the new pool.

Expenditures of $20.6 million were up 3.4% or $683,000 as compared to the prior fiscal year. The City had expended approximately $92,000 on Bellaire’s Centennial this year. That expenditure was offset by approximately $23,000 of revenue.

The City had higher principal and interest payments in the Debt Service Fund, which included the principal and interest of the City’s newest bond issue, Rebuild Bellaire, Series 2007, issued last October. The City’s outstanding principal at July 31, 2008, was $58.7 million.

The City had higher groundwater credits of approximately $51,000 and purchased water was up $163,000 from last year.

Chief Financial Officer estimated that total revenues could meet or possibly exceed the City’s budget projections in total. She also believed that expenditures could come in below budget for this fiscal year in total.

In terms of housing, excluding “by owner” sales, Bellaire had 219 residential properties for sale and 21 houses for lease at the end of the month. The new residential construction was averaging $593,000 or a 12% increase over the prior fiscal year through the same period.
QUESTIONS/COMMENTS FROM CITY COUNCIL:

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

Q: Councilman Phil Nauert referred to page 2, miscellaneous revenues, and noted that there was decrease from the previous year. He inquired as to what made up that line item and if the decrease was related to a more accurate accounting of such revenues.

A: Chief Financial Officer Todd referred to page 9 of the report and noted that the largest item in the category was the City’s insurance reimbursements that varied from year to year. It included claims reimbursements and any adjustments to the City’s insurance premiums. For example, in the previous year, the City had received $16,000 from Harris County as reimbursement for expenditures incurred during Hurricane Katrina.

Q: Councilman John Jeffery referred to page 33, franchise fees, and noted that in 2007 there appeared to be a large increase for the first quarter. The remainder of the year seemed to average out.

A: Chief Financial Officer Todd stated that last year’s accrual was not reversed until September. She indicated that she would bring a spreadsheet detailing those fees to the next meeting.

Q: Councilman Pat McLaughlan noted that there were some vendors that sold products at various City facilities, such as the snow cone vendor at the Family Aquatic Center. He assumed that if a vendor was selling a product on City property that a portion of their income flowed into the City’s budget. He inquired as to where the income flowed into the budget and as to the negotiation process by which those vendors were chosen. He noted that Chief Financial Officer Todd might need to research that issue and return at a later meeting.

A: Chief Financial Officer Todd nodded her agreement.

Q: Councilman James P. Avioli, Sr., referred to page 29 and noted that there was some upward movement in the area of investment rates. He inquired as to whether Chief Financial Officer Todd believed that she might be
able to negotiate a higher rate of return if the funds were tied up for a bit longer.

A: **Chief Financial Officer Todd** noted that the rates the City was currently earning were not really negotiated rates. The way in which the City could possibly improve its rates would be through a program whereby the City purchased direct securities. All of the funds in the various government pools the City used were considered liquid investments. It was certainly a goal of Chief Financial Officer Todd’s to improve the City’s portfolio by including a few other investments. Working on the portfolio would take a great deal of time and attention that she unfortunately was not able to give it, and she really did not have a staff member that she believed she could turn this over to without some oversight.

City Manager Satterwhite advised that since Chief Financial Officer Todd had come on board, the City had retooled its investment policy wherein the City was allowed to consider some more lucrative securities. The *Public Funds Investment Act* limited a government as to the types of investments that could be made. When he arrived, the City was a member of only one investment pool. That had since been broadened out to three investment pools.

Q: **Councilman Will Hickman** referred to page 30 noting that the number of houses and vacant lots for sale had gone up about 3 ½%. He inquired as to whether that had generally gone up over the past few months.

A: **Chief Financial Officer Todd** advised that this was not really a number she looked at, but believed that it was fairly stable. She could not remember there being any huge variances over the recent months. She noted that she could get Councilman Hickman a trend with respect to total units if he were interested.

**MOTION TO ACCEPT REPORT INTO THE RECORD:**

A motion was made by Councilman Will Hickman and seconded by Councilman James P. Avioli, Sr., to accept the Financial Report for the City of Bellaire, Texas, as presented by Chief Financial Officer Donna Todd into the record.
VOTE ON MOTION TO ACCEPT REPORT INTO THE RECORD:

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

FOR: Hickman, Will  
Avioli, James P., Sr.  
Faulk, Peggy  
Nauert, Phil  
McLaughlan, Pat  
Jeffery, John

OPPOSED: None

ABSENT: Siegel, Cindy

G. NEW BUSINESS:

1. ADOPTION OF ORDINANCES:

Agreements and Contracts:

a. CONSIDERATION of and possible action on the adoption of an ordinance of the City Council of the City of Bellaire, Texas, amending Ordinance No. 06-073, which authorized the execution of an engagement letter proposal with Sandersen Knox & Belt, L.L.P., for independent audit services for the years ended September 30, 2006, 2007, and 2008, with an option of extending the contract period an additional two (2) years, for the purpose of changing the firm’s name to Belt Harris & Associates, LLLP, as well as to authorize the Mayor of the City of Bellaire, Texas, to execute a “Modifications to Engagement Letter” form to serve as an addendum to the firm’s previous engagement letter for the purpose of including a fee increase for additional hours required as a result of new risk assessment standards issued by the Accounting Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) — Item submitted by Chief Financial Officer Donna Todd.

SUMMARY:

City Manager Bernard M. Satterwhite, Jr., advised that the City’s audit firm had reorganized and changed
their name. The current agreement the City had with the firm went through 2008, with an option for extending for an additional two years. The other change came about as a result of new audit standards, which increased the number of hours required to complete the audit. The addendum reflected that fee increase.

It was noted that Robert Belt of Belt Harris & Associates, LLP, and Chief Financial Officer Donna Todd were available to answer any questions related to this agenda item.

**MOTION TO ADOPT ORDINANCE:**

A motion was made by Councilman John Jeffery and seconded jointly by Councilman Pat McLaughlan and Councilman Phil Nauert to adopt an ordinance of the City Council of the City of Bellaire, Texas, amending Ordinance No. 06-073, which authorized the execution of an engagement letter proposal with Sandersen Knox & Belt, L.L.P., for independent audit services for the years ended September 30, 2006, 2007, and 2008, with an option of extending the contract period an additional two (2) years, for the purpose of changing the firm’s name to Belt Harris & Associates, LLP, as well as to authorize the Mayor of the City of Bellaire, Texas, to execute a “Modifications to Engagement Letter” form to serve as an addendum to the firm’s previous engagement letter for the purpose of including a fee increase for additional hours required as a result of new risk assessment standards issued by the Accounting Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA).

**QUESTIONS/COMMENTS FROM CITY COUNCIL:**

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

Q: Councilman Pat McLaughlan noted that the addendum reflected a 25% increase in the cost of accounting activities. The 25% increase was brought about by new auditing standards that had been issued by the American Institute of Certified Public Accountants (AICPA). He inquired as to what happened if the City did not
implement the new standards. In other words, would the City be violating any laws?

A: **Robert Belt, CPA, Belt Harris & Associates, LLP**, advised the AICPA was the governing body that sets auditing standards that applied to corporations, nonprofit entities, and governmental entities. This was an industry-wide issue taking place now. In his personal opinion, the AICPA thought some need to justify their relevance after Enron, WorldCom, and some of the other things that took place. The current standard was parallel to the Sarbanes-Oxley Act, which governed publicly traded companies.

He wished this were not the case as it presented many hardships for his firm. His greatest problem was that the demand for professionals was taking place industry-wide, so he was competing with those going into corporate auditing and nonprofit auditing.

Q: **Councilman McLaughlan** asked for confirmation that this was not a law, but a professional standard.

A: **Mr. Belt** advised that Councilman McLaughlan was correct.

Q: **Councilman McLaughlan** asked what would happen if the City decided not to spend the additional 25% on its audit.

A: **Mr. Belt** stated that his firm could not perform the audit in that case. The audit would be performed in accordance with generally accepted auditing standards, and generally accepted auditing standards were defined by the AICPA. He would have no choice to either follow those standards or the City could go unaudited.

The unaudited ramifications would be that the City could not get its bonds rated and there might be other legal implications as cities were required by law to, in fact, have an audit performed in accordance with generally accepted auditing standards.
Q: Councilman Will Hickman inquired as to what the extra “L” stood for in the firm’s name (i.e., LLLP).

A: Mr. Belt advised that the firm was a “limited liability limited partnership.” The way in which it was described to him was if his firm were sued for an action of a partner unrelated to the profession or the CPA firm, it would protect the creditors from seeking a judgment and forcing the liquidation of the partnership.

Q: Councilman Hickman noted that a 25% increase represented approximately $7,500.00 for 2008. He asked for confirmation of his calculation.

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

Q: Councilman Hickman inquired as to what additional tasks were required for the 25% increase in fee.

A: Mr. Belt indicated that Statement of Auditing Standards Nos. 104-111 was revised. For the most part, the language changed from “should” to “must.” Most of the changes did not have any dollar impact to the audit as most good auditors were performing those audit procedures anyway. However, the one thing that dramatically changed was on the risk assessment portion of the audit. This was the reason that the new standards had been given the nickname “risk assessment standards.” Now in conjunction with the audit, auditors were looking at the City of Bellaire’s risk assessment activities. For example, what the City of Bellaire was doing to evaluate their own risk within the organization that would potentially impact or distort the financial statements, such as errors, fraud, economic circumstances, or computer issues. That risk was reviewed on a detailed basis to define what his firm would do as the auditors to respond to those risks and adapt the audit to Bellaire’s specific circumstances. Previously the audits were performed on a “cookie cutter” type routine in that his firm worked with so many
other governmental entities that they had been able to develop a standardized approach to the audit. The new audit would be much more tailored to a city’s specific risks, and that process also had to be documented.

Q: **City Manager Bernard M. Satterwhite, Jr.**, asked for confirmation that the time in which the audit was due was changed.

A: **Mr. Belt** stated that a state law changed the due date for an audit from January 31st to March 31st. One of the things his firm was trying to do was to perform many audit procedures well in advance, otherwise a city’s audit would be late.

C: **Councilman James P. Avioli, Sr.**, advised that he felt some clarification was needed with respect to the ordinance. He pointed to page 3 of the ordinance, which stated that the audit services resulted in an estimated fee increase of 25%. He noted that the increase was for one year. A letter presented by Mr. Belt to the City indicated that the fee would increase by approximately 25% for a year. However, the year-to-year increase was closer to 4%. He suggested that “per annum” be added to the ordinance.

R: **Mr. Belt** stated that the firm anticipated that the number of hours required in the first year would increase the audit hours by about 25%. As the city went into year 2, there would be some natural increase because of inflation or other factors. In other words, it was not going up 25% per year, just 25% in the initial year.

Q: **Councilman Hickman** asked for confirmation that the City’s existing contract already set the amount the City was going to pay in 2009 and 2010.

A: **Mr. Belt** advised that Councilman Hickman was correct.

Q: **Councilman Hickman** asked for confirmation that this was a 25% increase in the amount that was already in the contract under the old standards in order to comply with the new
standards. Therefore, it was a 25% increase for each of the three years over what was in the existing contract.

**A:** Mr. Belt advised that Councilman Hickman was correct.

**C:** Councilman Hickman advised that he felt that was the intent of what was written in the ordinance.

**Q:** Councilman Avioli asked Councilman Hickman if it were clear enough.

**A:** Councilman Hickman indicated that it was clear enough for him, but noted that he was not the City’s attorney.

**Q:** Councilman Phil Nauert asked if the actual audit costs were less, if the City would receive a rebate?

**A:** Mr. Belt stated that under professional standards a firm could not make a commitment to do an audit for a certain price. However, in the governmental environment wherein governments ask for a fixed fee arrangement, his firm tried to make it clear that an audit would be performed for a certain fee unless something extraordinary happened. Typically, the audit would be performed for the additional 25% regardless of whether it went up or down. The only time the firm would come back to City Council would be if something, such as fraud, were encountered that might cause them to significantly exceed their estimated audit hours.

**Q:** Councilman Nauert asked for confirmation that the City could not expect to see less than a 25% increase.

**A:** Mr. Belt advised that he would not expect to see less. His firm could charge on an hourly basis, but it generally made it much more palatable for governmental entities to be given a fixed amount.
C: City Attorney Petrov advised that he reviewed the ordinance and the second page of the ordinance tied back to the letter presented by Belt Harris & Associates, LLP. In other words, he believed the City’s ordinance provided everything the City needed.

VOTE ON MOTION TO ADOPT ORDINANCE:

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

FOR: Hickman, Will
Avioli, James P., Sr.
Faulk, Peggy
Nauert, Phil
McLaughlan, Pat
Jeffery, John

OPPOSED: None

ABSENT: Siegel, Cindy

{Ordinance was subsequently numbered: 08-050}

Public Hearing

b. CONSIDERATION of and possible action on the adoption of an ordinance of the City Council of the City of Bellaire, Texas, calling a public hearing before the City Council of the City of Bellaire, Texas, on Monday, September 15, 2008, at 6:00 p.m. in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas 77401, for the purpose of hearing any and all persons desiring to be heard on or in connection with revisions proposed by the Planning and Zoning Commission of the City of Bellaire, Texas, to the Code of Ordinances of the City of Bellaire, Texas, Chapter 24, Planning and Zoning Regulations, Article VII, Variances, Special Exceptions, Appeals and Nonconformities, Division 1, Variances, Section 24-704, Standards, for the purpose of addressing zoning variance standards, including policy considerations, unnecessary hardships resulting from a special condition, and the effects of a requested variance on other properties, as well as the subject property – Item submitted by City Clerk Tracy L. Dutton on behalf
of the Planning and Zoning Commission of the City of Bellaire, Texas.

SUMMARY:

City Attorney Alan P. Petrov advised that City Council at this point was merely setting a date for a public hearing. The Planning and Zoning Commission had a PowerPoint presentation that would be given during the public hearing to give City Council and the public an idea as to what the revisions were about.

MOTION TO ADOPT ORDINANCE:

A motion was made by Councilman Will Hickman and seconded by Councilman John Jeffery to adopt an ordinance of the City Council of the City of Bellaire, Texas, calling a public hearing before the City Council of the City of Bellaire, Texas, on Monday, September 15, 2008, at 6:00 p.m. in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas 77401, for the purpose of hearing any and all persons desiring to be heard on or in connection with revisions proposed by the Planning and Zoning Commission of the City of Bellaire, Texas, to the Code of Ordinances of the City of Bellaire, Texas, Chapter 24, Planning and Zoning Regulations, Article VII, Variances, Special Exceptions, Appeals and Nonconformities, Division 1, Variances, Section 24-704, Standards, for the purpose of addressing zoning variance standards, including policy considerations, unnecessary hardships resulting from a special condition, and the effects of a requested variance on other properties, as well as the subject property.

QUESTIONS/COMMENTS FROM CITY COUNCIL:

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

Q: Councilman Will Hickman inquired of City Attorney Petrov as to his opinion on whether these revisions made it harder or easier to get a variance.

A: City Attorney Petrov indicated that in some cases the revisions would probably make getting
a variance easier. It probably opened the door to a couple of instances that might not otherwise be open.

Q: Councilman Hickman inquired as to whether this would be the standard adopted by the Board of Adjustment during their proceedings.

A: City Attorney Petrov stated that if this standard were adopted by City Council, the Board of Adjustment would use it for their proceedings.

Q: Councilman Hickman inquired as to whether he could make changes to the standards during the public hearing. In other words, if he desired to make changes, would those changes require a second public hearing?

A: City Attorney Petrov advised that City Council could make amendments. If City Council proposed amendments that were too far different from what the hearing was held on, then a second public hearing would be required. Changes could also be made as a result of comments received during the public hearing or simply as a result of considerations made during the course of the hearing.

Q: Councilman Hickman inquired as to whether the proposed revisions were based on another city’s standard.

A: City Attorney Petrov advised that the Planning and Zoning Commission looked at a number of other cities’ standards in determining what they ultimately felt they could recommend for Bellaire.

VOTE ON MOTION TO ADOPT ORDINANCE:

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

FOR:  Hickman, Will
       Avioli, James P., Sr.
       Faulk, Peggy
       Nauert, Phil
       McLaughlan, Pat
       Jeffery, John
OPPOSED: None
ABSENT: Siegel, Cindy

{Ordinance was subsequently numbered: 08-051}

2. ITEM FOR INDIVIDUAL CONSIDERATION:

CONSIDERATION of and possible action on the appointment of a Lay Representative and an Alternate Lay Representative to the Houston Area Library System (HALS) for a two-year term commencing on September 1, 2008, and ending on August 31, 2010 – Item submitted by Director of Library Mary A. Alford.

QUESTIONS/COMMENTS FROM CITY COUNCIL:

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

Q: Councilman Pat McLaughlan inquired as to whether either applicant currently served as a Lay Representative or an Alternate Lay Representative.

A: Director of Library Mary Alford indicated by a nod of her head that neither applicant currently served.

Q: Councilman McLaughlan inquired as to whether Director of Library Alford had a recommendation or particular thoughts with respect to the appointment.

Q: Councilman John Jeffery noted that City Council had not interviewed either applicant. He inquired as to whether Director of Library Alford knew either applicant.

A: Director of Library Alford indicated that she did not personally know either applicant. She advised that the applications were submitted with each applicant’s interests and qualifications. The people appointed to these positions did not represent any “policy” changes to the City of Bellaire or the Bellaire City Library. The appointees were simply a voting member to the Houston Area Library System (HALS), which was a member of the statewide library system.

One of the applicants did have a library card, and the other applicant did not.
C: **Councilman Jeffery** noted that he found the process interesting as the applicants did vote and represent the City of Bellaire, however, the City did not know who the applicants were.

Q: **Mayor Pro Tem Peggy Faulk** inquired as to how the process was handled in the past.

A: **Director of Library Alford** stated that the City had made the selections two other times in this same manner (i.e., by ballot without interviews).

Q: **Councilman McLaughlan** inquired as to who the current appointees were.

A: **Director of Library Alford** advised that Patty McGinty was one of the appointees, and the other name had escaped her at this time. The other appointee was not able to make any of the meetings during the two-year term. Patty McGinty was able to make one of the meetings.

There were approximately two required meetings each year. The meetings were always held during the daytime and at the Houston Library downtown or at an area library. The difficulty in getting applicants was due to the fact that the meetings were held during the daytime. Anyone working did not generally find that this was something that would benefit him or her with the City.

Q: **Councilman Will Hickman** asked if Director of Library Alford could briefly describe what the group did and how it affected Director Alford’s operations.

A: **Director of Library Alford** referred to a summary in the packet on page 2. She noted that HALS was one of the ten public library systems in the State of Texas. It administered federal funds, as well as state funds, through the auspices of the Texas State Library. The group submitted a plan of action through the Texas State Legislature every two years. She referred to the grant that she brought to City Council each year and noted that it was a part of the statewide plan of action. HALS presented a plan of action for the entire region. The plan was usually developed by committee with Lay Representatives and librarians from the area. Only the
Lay Representatives could vote on the overall plan of action.

Q: Councilman McLaughlan inquired as to how the advertising was handled for these appointments.

A: Director of Library Alford indicated that the appointments were advertised in the newspaper and at the library. The advertisements stated that meetings were held during the day.

C: Councilman Jeffery advised that he would not be voting on this agenda item as he felt the procedure needed to be changed. He felt a recommendation from the Librarian would be more appropriate or from some other committee. He felt there had to be a better process for these appointments. He added that he was sure the applicants were wonderful people, but was concerned that no one had met them or interviewed them.

Members of City Council selected the applicant of their choice by ballot to serve as Lay Representative as follows:

<table>
<thead>
<tr>
<th>Council Member</th>
<th>Applicant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cindy Siegel</td>
<td>Absent</td>
</tr>
<tr>
<td>Will Hickman</td>
<td>Diana J. Sanders</td>
</tr>
<tr>
<td>James P. Avioli, Sr.</td>
<td>Diana J. Sanders</td>
</tr>
<tr>
<td>Peggy Faulk</td>
<td>Diana J. Sanders</td>
</tr>
<tr>
<td>Phil Nauert</td>
<td>Judith Forbes</td>
</tr>
<tr>
<td>Pat McLaughlan</td>
<td>Judith Forbes</td>
</tr>
<tr>
<td>John Jeffery</td>
<td>No Vote</td>
</tr>
</tbody>
</table>

Votes were tallied as follows:

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diana J. Sanders</td>
<td>3</td>
</tr>
<tr>
<td>Judith Forbes</td>
<td>2</td>
</tr>
</tbody>
</table>

MOTION TO APPOINT A LAY REPRESENTATIVE AND ALTERNATE LAY REPRESENTATIVE:

A motion was made by Councilman Will Hickman and seconded by Councilman Phil Nauert to appoint Diana J. Sanders as Lay Representative and Judith Forbes as Alternate Lay Representative to the Houston Area Library.
System (HALS) for a two-year term commencing on September 1, 2008, and ending on August 31, 2010.

**VOTE ON MOTION TO APPOINT A LAY REPRESENTATIVE AND ALTERNATE LAY REPRESENTATIVE:**

Motion carried on a 5-0-1 vote as follows:

**FOR:** Hickman, Will  
Avioli, James P., Sr.  
Faulk, Peggy  
Nauert, Phil  
McLaughlan, Pat

**OPPOSED:** None

**ABSENT:** Siegel, Cindy

**ABSTAIN:** Jeffery, John*

*Councilman John Jeffery abstained from voting on the appointment of a Lay Representative and an Alternate Lay Representative on the basis that the process followed for these appointments were not the same as for other appointments (i.e., either by interview or through a recommendation from a City official).

**H. COUNCIL CORRESPONDENCE AND COMMENTS.**

Discussion only.

**I. ADJOURNMENT.**

**MOTION TO ADJOURN:**

A motion was made by Councilman John Jeffery and seconded by Councilman Pat McLaughlan to adjourn the Regular Session of the City Council of the City of Bellaire, Texas, at 8:26 p.m. on Monday, August 18, 2008.

**VOTE ON MOTION TO ADJOURN:**

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

**FOR:** Hickman, Will  
Avioli, James P., Sr.  
Faulk, Peggy  
Nauert, Phil
FOR (CONT.): McLaughlan, Pat
                Jeffery, John

OPPOSED: None

ABSENT: Siegel, Cindy

Respectfully submitted,

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

Approved:

____________________________________
Peggy Faulk, Mayor Pro Tem
City of Bellaire, Texas