CITY COUNCIL MEETING MINUTES
MONDAY, SEPTEMBER 17, 2012

The City Council of the City of Bellaire, Texas, met in Special Session (Public Hearing) on Monday, September 17, 2012, in the Council Chamber, First Floor of City Hall, 7008 South Rice Avenue, Bellaire, Texas 77401, for the following purpose(s):

A. CALL TO ORDER – Mayor Philip L. Nauert.

Mayor Philip L. Nauert called the City Council of the City of Bellaire, Texas, to order at 6:32 p.m. on Monday, September 17, 2012.

B. ANNOUNCEMENT OF A QUORUM – Mayor Philip L. Nauert.

Mayor Philip L. Nauert announced that a quorum of the members of City Council was present consisting of himself and the following members of City Council: Mayor Pro Tem Amanda B. Nathan and Councilmen Roman F. Reed, James P. Avioli, Sr., and Pat B. McLaughlan. Also present were City Manager Bernard M. Satterwhite, Jr., Chief Financial Officer Linda Symank and City Clerk Tracy L. Dutton.

Councilman Corbett Daniel Parker arrived at 6:38 p.m. and Councilman Andrew S. Friedberg was absent for religious observance of the Rosh Hashana holiday.

C. READING OF NOTICE OF PUBLIC HEARING – City Clerk Tracy L. Dutton.

City Clerk Tracy L. Dutton read the “Notice of Public Hearing on Tax Increase (“Notice”)” into the record. She advised that the Notice was posted on the City’s official bulletin board and website on Tuesday, September 11, 2012. In addition, Chief Financial Officer Linda Symank requested that the Notice be published in the Southwest News on Tuesday, September 11, 2012, and City Clerk Dutton advised that the Notice was published as requested on that date.

D. SUMMARY OF PUBLIC HEARING PROCEDURES – City Manager Bernard M. Satterwhite, Jr.

City Manager Bernard M. Satterwhite, Jr., summarized the public hearing procedures for the evening.
E. PRESENTATION regarding an increase in tax revenues for the 2012 tax year by proposing a tax rate of $0.3999 per $100 valuation - Presentation by Chief Financial Officer Linda Symank.

Chief Financial Officer Linda Symank advised that the City was required to follow truth-in-taxation provisions in the adoption of the City’s proposed tax rate, as well as in the calculation of the City’s effective and rollback tax rates.

City Staff was proposing a tax rate of $0.3999 per $100 valuation for tax year 2012, which was above the City’s effective tax rate of $0.3918. The proposed tax rate would give the City an additional $358,000 more in revenue for the 2012 tax year than was received in the 2011 tax year (previous year). Although the tax rate remained the same for the 2012 tax year as the 2011 tax year, an individual taxpayer may pay more or less taxes this year than the previous year dependent upon whether the valuation of their property increased, decreased, or remained the same.

Since City Staff was proposing a tax rate that exceeded the effective tax rate calculation, citizens were being given the opportunity to come forward and voice any issues or concerns they might have with the proposed tax rate through two public hearings. The first public hearing was scheduled for this evening.

Mayor Philip L. Nauert thanked Chief Financial Officer Symank for her presentation and advised that the second public hearing was scheduled to be held on Monday, September 24, 2012, at 6:30 p.m.

F. RECOGNITION OF CITIZENS AND/OR OTHER INTERESTED PARTIES – Mayor Philip L. Nauert.

Mayor Philip L. Nauert recognized citizens and/or other interested parties who had indicated a desire to address City Council by completing a sign-in sheet posted at the entrance to the Council Chamber.

Howard Greer, 116 Mulberry Lane, Bellaire, Texas, indicated that his questions were answered during Chief Financial Officer Symank’s presentation and that he had no further comments.

Jeff Christman, 4921 Beech Street, Bellaire, Texas, addressed City Council and asked if the difference between the effective tax rate and the published tax rate was the change in the property value base.

Mayor Philip L. Nauert indicated that City Council would not be able to engage directly in a discussion or answer questions at this point in the meeting. He indicated that if Mr. Christman would like to state his questions for the record, members of City Council would be glad to ask those same
questions during the “question/answer” portion of the meeting, which would follow public comments.

**Mr. Christman** continued and asked for the split in the effective tax rate between the General Fund and the Debt Service Fund. In looking at the projected revenue for the Debt Service Fund, he indicated that the proposed budget showed the revenue in the Debt Service Fund decreasing over what was projected. He stated that the decrease might be explained by an increase in the General Fund compared to the projected revenue for that fund.

The two rates combined represented a 3.6% increase in total revenue from property taxes, which was higher than the change in revenue from the effective rate to the proposed tax rate. Given the fact that there was a 2% raise on the table, Mr. Christman inquired as to how much was projected in the budget to be generated from an increase in property tax values.

With respect to the Enterprise Fund, it seemed to Mr. Christman that total operating revenues in the Enterprise Fund were projected to decrease. He inquired as to whether the City was projecting less water use for the 2012-2013 fiscal year. Another question he had was related to solid waste garbage and brush pick up and why there was no change in the expense given the fact that residents were not allowed to put out as much garbage at the curb as they used to be able to do (i.e., reduction from ten bags down to four).

With respect to recycling, Mr. Christman inquired as to the amount of money the City generated from third party sales of recyclable material picked up versus the amount of fees the City collected from residents for curbside recycling. In other words, did the program break even or was the program subsidized by taxpayers?

**Richard E. Franke, 1104 Howard Lane, Bellaire, Texas**, addressed City Council and urged them not to lower the tax rate. In 1997, City Council engaged an engineering firm to study the City’s infrastructure. For the next three-four years, the firm repeatedly addressed City Council about the extreme deterioration of the streets—not just the surface, but the sub-base. The firm also noted that the City’s water and sewer lines and storm water drainage system were also deteriorating.

In response, City Council presented several limited bond issues to the voters, which were passed, to address some of the more egregiously dangerous streets, like Avenue B, and reconstructed them. Mr. Franke noted that the last issue, passed in 2005, would terminate in 2018. He inquired as to how the remainder of the City would be addressed and urged City Council to step up to the plate and increase the quality of the remaining infrastructure.

Mr. Franke continued and advised that at the end of the current bond program, the City would still have less than 25-30% of its streets
reconstructed. He urged City Council to take some of the additional revenues gained through the proposed tax rate of $0.3999 and hire outside high quality, competent consultants to assist City Staff in determining the infrastructure and capital needs for the entire City. He suggested that the results be placed in a “report” format on the City’s website so that prospective residents and current residents could see what they were buying into and/or what they were living with.

Mr. Franke advised that in 2018-2020, the City of West University Place’s bond program would be essentially paid off. At that point, residents might possibly see a 40-50% reduction in the tax rate. The City of Bellaire at that point would still have hundreds of millions of dollars of work yet to be done.

{Mr. Franke’s allotted speaker time ended at this point in the meeting}

**Lynn McBee, 5314 Evergreen Street, Bellaire, Texas**, addressed City Council and advised that she understood the intent of the state mandate to require that taxing jurisdictions go through gyrations, such as the public hearing this evening.

What the City Council had chosen to do was to estimate a budget several months prior to receiving a tax roll. When City Council received that tax roll, they were surprised to learn that there had been an increase in valuation on the properties in Bellaire, which, according to a months-old projected budget, forced City Council into a public hearing process to explain why additional revenues would be collected even though the tax rate remained the same.

She advised that the City had been on a lean budget for a number of years and were, perhaps, entitled to do some more maintenance and operations. What City Council had not suggested in a truly “pro and con” presentation was the possibility of reducing the tax rate by one cent, which was roughly the equivalent of the total tax levy increase. She asked why City Council had not considered the impact of a one cent reduction.

Ms. McBee stated that she was not necessarily recommending that City Council consider a reduction, but in the fairness of public debate, it would have been nice to have heard some pros and cons on that option.

**G. QUESTIONS FROM THE MAYOR AND CITY COUNCIL – Mayor Philip L. Nauert.**

**Mayor Pro Tem Amanda B. Nathan** noted that the effective tax rate and rollback tax rate requirements and calculations were very complicated. She asked Chief Financial Officer Symank if she could go into a little more detail in connection with the questions raised by Mr. Christman, as well as for the benefit of those in the audience this evening.
Chief Financial Officer Symank advised that when the effective and rollback tax rates were calculated, the calculations were based on a tax roll that was identical to the previous year. In other words, new property was removed and adjustments for changes in existing property were removed in order to come up with a list of properties for the 2012 tax year identical to the list of properties in the 2011 tax year. A calculation was then made to determine what tax rate for the 2012 tax year would provide the same amount of revenues as were received in the 2011 tax year. This rate was defined as the “effective tax rate.’’ The “rollback tax rate” allowed an entity to adopt the effective tax rate plus 8% without being subject to a rollback election.

Under the truth-in-taxation provisions, the effective tax rate was applied to the adjusted certified rolls for 2011 and 2012 to determine what the increase was over the previous year.

When the City determined its budget for the fiscal year, the budget was based on an estimated certified value received much earlier in the year. This year, the City’s maintenance and operations rate increased and the debt service rate decreased. The debt service rate decreased because the City had refunded several bond issues resulting in a reduced debt service requirement. There was a shift of $.0079 and the debt service rate was reduced from $0.1524 to $0.1445. The maintenance and operations rate increased from $0.2475 to $0.2554.

In the budget, the City compared what it actually collected the previous year to what the City projected its collection would be this year. The budget was developed assuming a collection factor of 99%. Chief Financial Officer Symank indicated that, for this reason, there was a difference in the revenues one would see in the budget versus the truth-in-taxation calculations.

City Manager Satterwhite asked for an opportunity to provide clarification for earlier statements/questions by residents. He advised that the certified tax rolls were not a surprise to the City. The City budgeted based on the initial or preliminary tax rolls, which showed a tax base increase. The budget presented to City Council and the public on July 16, 2012, incorporated that increase. The final certified tax rolls were very similar to the preliminary tax rolls the City had received in April or May.

Councilman James P. Avioli, Sr., referred to a worksheet analysis that had been provided to City Council in their agenda packet, and asked for confirmation that the worksheet analysis showed that the average taxable value for homes in Bellaire had increased by roughly $20,000.

Chief Financial Officer Symank indicated that Councilman Avioli was correct.
Councilman Avioli stated that it might be helpful for residents to know where the revaluation came from.

Chief Financial Officer Symank advised that the calculation each year was governed by truth-in-taxation laws. The City was required to take only the homestead properties that were certified. The City was then allowed to take a 20% exemption for the homestead exemption and then calculate the average home value.

Councilman Avioli asked if the Harris County Appraisal District played a role in determining property values.

Chief Financial Officer Symank advised that Councilman Avioli was correct. The Harris County Appraisal District provided the City with all of the information as to home values.

Councilman Corbett Daniel Parker referred to previous questions related to recycling costs. He inquired as to whether Chief Financial Officer Symank could provide a brief overview of the curbside recycling program costs and fees collected.

Chief Financial Officer Symank advised that the City was very close to breaking even on its curbside recycling program. When the residents recycled, that recyclable material was not taken to the landfill, thereby reducing the City’s landfill charges. With that factored in, the City was covering the cost of providing the curbside recycling program.

City Manager Satterwhite indicated that residents paid $2.50 per month for the City’s curbside recycling program. The amount of revenues the City received from residents was much higher than the revenues received from the recycler. Two-three years ago, the City was getting nothing for its recyclable material. Prior to that, the City was actually paying the recycler to take its recyclable material.

In closing, City Manager Satterwhite advised that the majority of the revenues from recycling did come from the residents.

Mayor Philip L. Nauert noted further that one of the soft costs of the recycling program was the diversion of landfill costs.

After noting no further questions from City Council, Mayor Nauert closed the public hearing.

H. CLOSE OF PUBLIC HEARING (FIRST HEARING ON THE MATTER) – Mayor Philip L. Nauert.

Mayor Philip L. Nauert closed the public hearing before City Council regarding a proposed increase in tax revenues for tax year 2012 at
7:02 p.m. on Monday, September 17, 2012. He noted that a second public hearing would be held on this matter at 6:30 p.m. on Monday, September 24, 2012. Mayor Nauert suggested that residents contact City Manager Satterwhite if they still had questions that required an interactive forum. Residents were invited to attend again on September 24, 2012, and to address City Council with their concerns.

I. ADJOURNMENT.

Mayor Philip L. Nauert advised that the Special Session (Public Hearing) of the City Council of the City of Bellaire, Texas, was adjourned at 7:03 p.m. on Monday, September 17, 2012.

Respectfully submitted,

[Signature]
Tracy L. Dutton, TRMC
City Clerk
City of Bellaire, Texas

Approved:

[Signature]
Philip L. Nauert, Mayor
City of Bellaire, Texas