

Budget workshop, Tuesday, July 12, 2011, 6:00 P.M.

The Mayor and City Council met in special session for a budget workshop on the proposed budget for FY 2011/2012 with the following members present: Mayor Nunez, Council Members Ochoa, Diaz, Lee, Garcia and Gonzales; City Manager Maner, City Attorney DeFoyd and City Secretary Raines.

City Manager Maner stated the purpose of this meeting was to get the Council's direction on what they would like to see the budget go. He stated that it goes without saying that the elephant in the room was the economy right now, that it was not good as everyone knows, he felt that it was going to get better but it was not right now and he had to tell them that revenue was down for the city and he expected it to be down a little more in the upcoming budget. He stated that Harris County Appraisal District had given us no figures yet but they had estimated that our property values will be down approximately 5% overall and of course property value times tax rate equals income and in the general fund, taxes is the largest, by far, of revenue. He stated we were also down in many other areas of the city budget and revenues overall, at the end of June, are \$162,320.00 below what they were at the end of June 2010, and when they got their monthly report they could see individually what was down, that most of the large items were down and an obvious thing that was down in income was interest income, that interest rates were the lowest they had been in his memory, they were low last year and are even lower this year and we used to enjoy a substantial income from interest and now we make a little and went over the interest we received in general and water fund to date and it wasn't much better last year and we have more money drawing interest. Mr. Maner went over items that were down in revenue such as police fines, court administration fees, all the permit fee revenues were down substantially and the bottom line of the whole things was that as of the end of this month, we are \$162,320.00 below what we were last year as far as income.

He stated this was just like your family budget at home, there was two parts to any budget, Income and expenditures and if income is reduced you have two options, you reduced your expenditures somehow or as the Federal Government calls it, revenue enhancement and he was not suggesting anything to the council but he wanted them to know their options and that means they could raise the tax rate, raise user fees which would include the water and sewer rates, permit fees, garage sale fees or anything we charge that you only pay if you use it is a user fee where of course tax is over everybody in the city or every property owner in the city regardless of whether they use a service or not, those are the options and the department heads are well aware of this and they are going to do all that they can and he couldn't give them any numbers yet but before they make those priorities, They wanted council input, there was going to be a lot of things that all of them would like to do and we should do but considering revenue we are either not going to be able to do it or we can raise the revenue but we were talking about an annual budget here, don't misinterpret this, the city is in sound financial condition, we just received a report

from the auditor and they heard that from them. He stated that we have cash reserves and that is why you have cash reserves because you may need it someday but as far as the annual budget itself, it is going to be extremely tight this year so we, that means the council ultimately, are going to have to make some decisions that may be hard this year, but some things are not going to be necessary, we are not going to need to lay anybody off, we have a few positions that are open in several departments and until further notice, they won't be filled, we will continue with our present work force and we will just have to make some decisions about some of the cities broad services so with that said, the department heads are here and he was here to talk about these things and to answer any questions they have but we really want to hear how they feel about different areas they would like us to look at as far as cutting or as far as projects to do or not to do and like he said, they were not going to be able to do a lot of the things they would like to do but we were going to be able to maintain basic services for our citizens, none of that would be stopped or cut, it was the improvement type of things that we were definitely going to have to be very particular about what we want to do and set priorities and we have no choice on many things. He stated Kyle had a 6" waterline burst on Belin and we will be over in that budget code but we have to fix it.

He discussed some of the possible fees that could be increased, stating that it was his responsibility to prepare the budget but he relies on the department heads and he will take everyones input but with the understanding that everybody will not get what they want. He opened the floor for comments from the council.

Councilman Gonzales stated that he knew the weather had taken a toll on our streets and we may just have to cut back with how we repair the street, he knew that Kyle would know more about this than he would and of course the unsafe ones would be priority. He ask if we need to be looking at the things that we have on budget now, would that be anything we could do, for instance the sidewalk project, was that something we could cut back on, it had already been budgeted. City Manager Maner stated that we were actually taking bids on that Thursday night and that money was budgeted but yes the council could reject the bids and just not do it. He stated that he had gotten with the department heads and we have new people on the council but the one that had been here for a while had heard this more than once, the department heads and he had a very good relationship when it come to budget time that when he first came on board here, he got together with them and advised them that he didn't look at budgeting as a game where they submitted to him twice what they want and he can cut half so that everybody looks good, we don't do it that way and they have been totally supportive in that area and have presented to him realistic budget proposals based upon what they feel they need. He stated that he had discussed with them that just because it was in their budget this year, if they didn't have to spend it, don't, it was not going to affect what they would get next year. He stated that if

the council chose to not do the sidewalk project, it would affect the money we have on hand but it would not affect the upcoming budget at all.

Mayor Nunez ask if we had a grant and was advised not for the sidewalks.

There was discussion on the cost of advertising and how we advertise and possible changes.

Councilman Lee ask if we could raise police fines and was advised by the City Manager that we could set our minimum fines but of course the big problem with police fines is because every time the Legislature meets, they find lots of things to tack onto court cost and at some point in time you have to begin to feel some sympathy toward the poor guy out here that gets a ticket for something because the fines themselves are still reasonable but by the time all the court cost the State has passed and by the way, those don't go to us, they go to the State and he gave an example of what fines with court cost would run if someone got a couple of violations. City Attorney stated sometime the court cost was higher than the fines and we didn't get any of it. Councilman Lee stated that just taking down notes and brain storming there was always increasing the tax rate and now was just not a good time to try to do that, he stated that we could raise user fees and maybe this was a good time to do that in certain departments, he certainly doesn't want to discourage people from using these by increasing them too much. He stated that probably the thing we would be most justified in doing right now would be raising the water rates and he didn't want to be the guy to say that, he didn't want to be instrumental in raising his own water bill.

City Manager Maner stated that was an excellent point that it was not a good time, this was bad times, people were having a hard time out there, he stated they had talked a little bit about that in a department head meeting and perhaps once we get these things we are doing in place, the project we were just talking about, the water tower and then we get the water wise program into effect, it would be a good time to study rates and see if that is appropriate and necessary and it would be his recommendation, when that time come and the council wants to consider water and sewer rates and he knows that we are talking about spending a little money but he thought that at that time it would be appropriate to hire a consulting firm that does this to study our rates, to study our cost and come up with appropriate recommendations. He stated that everything he had talked about up to this point was general fund and the water fund was just about level with last year as far as income goes but it was a very tight budget. He stated that he did not think this was an appropriate time to consider a tax rate increase and he didn't recommend that but it was totally up to the council, he thinks the economy as a whole and particularly the Houston area is going to rebound but it was going to take a while.

Councilman Lee stated that he wanted to clarify that he wasn't in favor of raising the water rates but we are seeing a lot of water line problems now and we are seeing the water department out there every day working a lot of hours in the sun and he thinks people see that.

Kyle stated they had 58 breaks in June and 106 so far this month.

Councilman Lee stated he didn't know how much revenue was generated by these permits but it probably wasn't going to make a lot of difference.

City Manger Maner stated that he was right that as far as general fund was concerned, property tax is the bulk of your income, he stated that he thinks we need to consider what they would expect the city to accomplish in the coming year and he would say this, that without revenue enhancement we would not be able to fund any major projects, we were going to be much like we were this year and maybe a little more so.

Councilman Ochoa stated that he wanted to go on the record to say that he was totally against raising taxes, in fact he wanted them lowered for the citizens if we could do that, he stated that the effective tax rate went up last year, they didn't pay any more but it sure looks bad on your bill and he was totally against raising the water rates.

City Manager stated that was a good point.

Public Works Director Kyle Reed discussed the grant we had received for replacement of water line, discussed the conditions of the water line in the city, stating that we were going to have to start rebuilding the water system, that our infrastructure in the water system was very bad. City Manger Maner advised that most of the water line are over 60 years old.

Mayor Nunez stated the best thing is we are not going to lay off employees.

City Manger Maner advised that we operate with a minimum number of personnel.

Councilman Ochoa ask what percent of the city water lines have been replaced.

Mr. Reed stated probably about 30%, there was general discussion on the age of the water line, needed repairs and what is to be repaired with the present grant.

Mr. Squyres discussed the projects that had been completed, just for infrastructure in the past 10 years just from grant funds.

Councilwoman Garcia ask how much money was put aside for the tire roundup and was advised by Mr. Squyres generally we fund that we he had met the hazardous council and they were going to fund that this year. There was discussion on how much was spend this year.

Mayor Nunez ask the City Manger if he had met with all the department heads and gone over their budget. City Manager Maner stated that as ever year, they have worked on their proposed budget and they had only had one meeting so far because they were waiting for this meeting because they wanted the councils input before they moved on and he would bring to them a budget that he thinks is the best we can do but he would like their input on it and that is why this meeting is here.

Councilman Ochoa ask if we were going to have another budget meeting with the department heads coming up and proposing what they want and was advised that we would.

Mayor Nunez advised this was a good start and thanked City Manager Maner and that she appreciated it.

City Manager Maner stated that he knew everybody was aware of the situation and we would all like to be on the same page and he has no doubt that we will have a budget for the next year that will be workable and will continue to provide a reasonable level of service for our citizens but we may not have a lot of frosting on it.

Councilwoman Garcia ask if after the 300 and 400 blocks are worked on we were going to be 1/3 of the way already with the water pipes and like Kyle was saying, if it is horrible and we need to do something, she ask about bonds to do this and the city manager stated that was a possibility and there was discussion on how to obtain money through bonds sales, etc. for future needs and City Manager Maner ask them to keep in mind that if we did that, we would have to budget to pay for it and the only fair thing to do, if the council were to do this would be to pay for it out of the water fund and that would mean a rate increase. There was discussion on how much would be need to repair the water line through the city.

Mayor Nunez ask Chief Ayala about the police chase we had been involved in and he explained what had happened.

Lon Squyres reminded the Mayor and Council about the ground breaking for the Gateway Project after the meeting.

Councilman Ochoa ask the City Manager when he thought we would have another meeting with the department heads ready to present something to them.

City Manager replied possibly this next week.

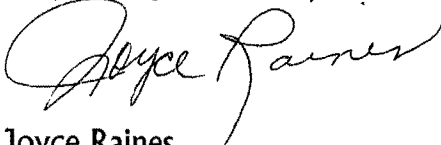
Councilman Ochoa ask if we had a special meeting on this coming Monday.

City Manager Maner reminded the Council that he had sent a memo to them a while back concerning our tax vendor company that has done our software work and prepared the statements had gone out of the tax business so we didn't have many options, he discussed the company that Galena Park uses, stating the cost for using this company was very high and that Harris County already collects for a number of cities, school districts, etc. would actually collect our taxes for us at a price that is less than we pay now and it will free up the ladies at city hall and allow them to do their real job during tax season. He stated that he had conferred with the city auditor about it and they recommend it and he and the City Attorney had met with Harris county and worked out all the legalities with them and as he told them in the memo he sent that it was just a win win situation.

There was general discussion on the cost and process.

Mayor Nunez adjourned the meeting at 7:00 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Joyce Raines".

Joyce Raines
City Secretary