

MINUTES OF THE WORK SESSION MEETING OF THE CITY COUNCIL OF THE CITY OF JERSEY VILLAGE, TEXAS, HELD ON SEPTEMBER 12, 2011 AT 7:00 P.M. IN THE CIVIC CENTER, 16327 LAKEVIEW, JERSEY VILLAGE, TEXAS.

- A. The work session meeting was called to order by Mayor Hamley at 7:00 p.m. with the following present:

Mayor, Russell Hamley	City Manager Mike Castro
Council Member, Joyce Berube	City Secretary, Lorri Coody
Council Member, Rod Erskine	
Council Member, Harry Beckwith III, PE	
Council Member, Mark Maloy	
Council Member, Jill Klein	

Staff in attendance: Mark Bitz, Fire Chief; Eric Foerster, Chief of Police; Danny Segundo, Public Works Director; Isabel Kato, Finance Director; and Trey Underwood, Assistant Golf Professional - Parks and Recreation.

- B. Discussion and take appropriate action regarding the Extension of Jersey Meadows Drive.**

City Manager, Mike Castro introduced the item. He explained that Mayor Hamley requested this item in order to discuss the extension of Jersey Meadows Drive.

BACKGROUND INFORMATION:

Currently the extension of Jersey Meadows Drive is listed in the city's Capital Improvement Program and is scheduled for "Greater than 5 Years." The estimated cost for this project is \$ 2,519,000. This figure includes the cost of the associated street work (\$2,330,000) and the costs for extending a 12-inch water line (\$189,000). It should be noted that this estimate will need to be updated, and pertains only to Jersey Meadows. Previous estimates for the Jersey Meadows project incorporated drainage work and reconstruction activity for the Northern section of Rio Grande.

Mr. Castro explained that should council desire to proceed with an election, staff will require ample time to revise construction estimates and bring on board all of the participants necessary to conduct the election.

In completing his opening remarks, Council asked for additional information concerning the Harris County 43-acre Detention Project. Mr. Castro gave an update concerning this project, explaining that the project is set for bidding in October of this year with the expectation that work will begin on the project in January 2012. It is expected that the project will last at least 14 months.

Mayor Hamley gave a brief summary of the history behind extending Jersey Meadows. He reminded Council of the discussions had concerning the alignment of this road and where it might connect with Rio Grande. Given the Harris County 43-acre Detention Project, Mayor Hamley stated that it may be time to discuss the potential for conducting a May 2012 election on the extension to determine the will of the citizenry as it applies to:

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1. Their desire to extend Jersey Meadow; and
2. Their desire to fund the project with bonds.

Discussion was had concerning the issuance of long-term debt to fund such a project via a bond election. In connection with this discussion, there was concern that the City should not take on any more debt until 2015.

Other issues discussed in connection with this item are as follows:

1. The need for street lights and the cost to install and operate;
2. The projects current CIP status – “5 years and greater” and the desire to reposition this project;
3. Cut-through and increased traffic;
4. The US 290 construction project and its effects on traffic;
5. The Seattle and Singapore history;

With no further discussion on this item, Mayor Hamley called the next item on the agenda.

C. Review and discuss the proposed fiscal year 2011-2012 municipal budget.

City Manager, Mike Castro, introduced the item. He briefly explained the background information surrounding this item. The detailed background information is as follows:

BACKGROUND INFORMATION:

City Council met on August 1st and 2nd to discuss in detail the proposed FY 2011 – 2012 budget. During the course of the meeting, several questions were asked of staff that required further research. The purpose of this work session is to provide feedback to council on these outstanding issues and receive guidance in order to finalize the budget. Specific questions to be addressed in the work session are as follows:

1. Questions regarding the ability to utilize Hotel Occupancy Tax revenues for operational expenses at the Golf Course;
2. What is the breakout of one-time versus recurrent expenses for the proposed supplemental items;
3. What is the depreciation schedule for Golf Course expenses; and
4. What is the undercharge amount from the City of Houston associated with the recalibration of the flow meter on the city’s interconnect.

1. Hotel Occupancy Tax Revenue

Can the city use revenue from the hotel occupancy tax fund for golf course operational items. The answer from the City Attorney is No. Staff had proposed to apply HOT funds to cover 50 percent of the cost associated with the parking lot and carpet replacement projects at the golf course club house. Upon checking with the city attorney, these expenditures are not eligible uses for HOT funds. Needless to say, other proposed projects (air conditioner, mats, fencing, etc.) are also ineligible. We will need

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to determine which proposed Golf Course expenditures we wish to fund for the upcoming budget year, in light of the information regarding HOT funding.

2. One time vs. Recurrent Expenses

Please see the attached spreadsheet for a breakdown of expenses.

3. Golf Course Depreciation Schedule

Please see the attached depreciation schedules for this information.

4. Utility Fund Expenses

In August of last year, the City of Houston realized that the interconnect with the City of Jersey Village was improperly calibrated. The line is an 18-inch line: the city was being billed for a 16-inch line. For many years, the City of Houston has undercharged the City of Jersey Village for water consumed under the provisions of its contract with the city. Correspondingly, the rate structure implemented by Jersey Village to support the Utility System is not structured appropriately. We must adjust our rate structure to accurately reflect the true costs associated with the purchase of water from the City of Houston.

A spreadsheet that details historical usage figures from the COH and the aggregate amount that the City of Jersey Village has billed its residents was made available for Council's review. For the period prior to August 2010, on average, the COH figure is 5.78 percent below the aggregate billed JV amount. Post-recalibration, the figure swings to 7.87 percent above the amount billed to Jersey Village customers. The total difference between the two time periods is 13.65%.

Council was also provided information regarding various usage and rate scenarios. The information was presented as a starting point for discussions regarding potential rate adjustments relating to the recalibration. In completing his brief summary of the items, it was noted that staff will need direction on items 1 and 4.

For item 1, Mr. Castro explained that staff needs to know what expenditures Council desires and from what funds these expenses will be paid.

Discussion was had about the requirements of using HOT funds and the City Attorney's Memo concerning same. In response to the HOT requirements, Council briefly discussed how the Golf Course operations might be changed to permit HOT fund expenditures.

Finding no viable solutions, Council discussed that \$59,000 would be needed to fund both the asphalt repair and carpet installation at the Golf Course. After a brief discussion concerning the need for the Golf Course to fund its own expenditures versus the need for the City to preserve its assets, it was the general consensus of Council that the requested expenditures be funded by the General Fund.

Item 2 – recurring vs. one-time expenditures were discussed. Council engaged in discussion with staff concerning the amount of recurring expenses that will be created by

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approval of the supplementals. In reviewing this amount, Council discussed what is typical/normal for recurring expenses in any given budget year. Council also discussed:

1. The impact that these expenditures will have on the 2011-2012 budget, noting that the tax rate will remain flat; and
2. The amount of revenue collected by the City for budget years 2008-2009, 2009-2010, and 2010-2011.

In completing its discussion, Council concluded that no changes were necessary in connection with Item 2.

Item 3 – The Golf Course depreciation schedule was discussed. While Council acknowledged that the schedule was necessary for accounting purposes, it was felt that in determining Golf Course profitability, the better comparison would be revenues versus expenses.

Item 4 – The Utility Fund Analysis was explained by City Manager Castro. He told Council that according to the analysis, the City of Houston, prior to the recalibration, was under billing the City of Jersey Village some 13.65%. As a result, the under billing coupled with the calibration correction and recent drought, makes it necessary to review the City's rate schedules in order to determine if adjustments are needed to bring the cost of water purchased in line with the revenue received for water sold.

Council discussed in detail the analysis and the need to consider contracting for consulting services to make further recommendation concerning the City's water and waste water rate schedules. City Manager Castro informed Council that an item is to be placed on the September 19 Council agenda wherein staff will recommend a consultant for this very purpose.

With no further discussion on this topic and before adjourning the meeting, Council reviewed and discussed the three (3) meeting handouts as follows:

1. Spreadsheet reflecting COLA and Merit Increases since 1994 to present;
2. Spreadsheet reflecting comparison of water revenue from 2008 to present; and
3. Spreadsheet reflecting comparison of revenues versus expenditures from 2008 to 2010.

D. Adjourn

With no other items to be addressed by the Council, the meeting was adjourned at 8:18 p.m.

Lorri Coody, City Secretary