

MINUTES OF THE WORK SESSION MEETING OF THE CITY COUNCIL OF THE CITY OF JERSEY VILLAGE, TEXAS, HELD ON SEPTEMBER 8, 2014 AT 6:00 P.M. IN THE CIVIC CENTER MEETING ROOM, 16327 LAKEVIEW, JERSEY VILLAGE, TEXAS.

A. The meeting was called to order by Mayor Erskine at 6:00 p.m. with the following present:

Mayor, Rod Erskine

Council Member, Justin Ray

Council Member, Greg Holden

Council Member, Harry Beckwith III, PE

Council Member, Sheri Sheppard

Council Member, Tom Eustace

City Manager, Mike Castro, PhD

City Secretary, Lorri Coody

Council Member, Greg Holden, was not present when the meeting was called to order, but joined the meeting in progress at 6:09 p.m.

Staff in attendance: Mark Bitz, Fire Chief; Eric Foerster, Chief of Police; Isabel Kato, Finance Director; Danny Segundo, Director of Public Works; Michael Brown, Director of Parks and Recreation; and Karen Farris, Human Resource Generalist.

B. Discuss proposed tax rate for FY 2015.

City Manager, Mike Castro, introduced the item. Background information is as follows:

The city has received the tax roll numbers from the Harris County Appraisal District. We are looking at an 8.2 percent across the board increase in property values for the city. In round terms, the assessed valuation from the city increased from 857m to 927m. Based on earlier Harris County estimates, we were anticipating an increase in property values of between three and four percent. The most significant value gains were in the multi-family category. Values for the apartments increased 20 percent. When the value increases are coupled with a significant decrease in debt service payments, this makes for an interesting budget year.

The impact on the tax rate is significant. The rollback rate for the upcoming year will be 67.6 cents per hundred dollars assessed value. Our current tax rate is 74.25 cents. If we leave the tax rate at 74.25 cents, we will be subject to a rollback election. A rollback election is a process whereby voters may petition council to reduce the tax rate. A rollback election must be initiated by a petition from at least seven percent of the registered voters of the city. The petition must be submitted to the City Secretary no more than 90 days after adoption of the tax rate. If the rollback election is successful, the tax rate for the year becomes the rollback rate (in this case, 67.6 cents). The unpredictable part of the process relates to the timing of events. If a rollback election is successful, we will likely be one-half the way through the budget year before we know what the tax rate is.

There are two questions in which staff requests direction from city council:

1. What Tax Rate does city council desire for FY 15?
2. Should city council desire to maintain the existing rate of 74.25, what shall be made of the additional revenue generated?

WORK SESSION MEETING OF THE CITY COUNCIL
CITY OF JERSEY VILLAGE, TEXAS – September 8, 2014

Staff will present information regarding tax rates and tax levies for different scenarios based upon the certified valuation numbers from HCAD. Should council elect to maintain the tax rate at the current 74.25 ¢ / \$ 100, the city will generate approximately \$ 600,000 beyond the amount generated by the rollback rate.

Included in the background information is Section 26.07 of the Local Government Code. This section explains the process for a rollback election. It is relatively straightforward. An election is not automatically triggered merely by the adoption of a tax rate that exceeds the rollback rate. Rather, 7 percent of the city's eligible voters must petition city council for the election. Given the current number of registered voters in the city (5,161), the petition would have to include 362 valid signatures. There are time frames associated with the submission of petitions.

The increase in property values are based upon certified values. By definition, certified values cannot be appealed. Although a small number of appeals is always working through the system, the Appraisal District accounts for this by incorporating the petitioner's estimate of value into the aggregate calculation. It has been my experience that the total city-wide value (after appeals) ends up modestly higher than the certified value from HCAD. For example, last year the certified value was 838m: after appeals were finalized, the value increased to 858m.

In addition, the reduction in debt service is permanent. For next year, the city's debt service will decrease by approximately \$ 515,000. From thereafter, the debt will remain near 1.65m through 2027 when the city's debt obligations cease. There are no large drop-offs in debt through the end of the city's current obligations.

We are in a fortunate situation with regard to our finances. However, there is still great uncertainty with regard to the US 290 project. I do not feel a major project is in the offing. I believe we should wait on city hall or a Phase 4 street project until we are free and clear of TxDOT.

In completing the introduction, Isabel Kato, the City's Finance Director, gave a presentation pertaining to the Property Tax Rate Adoption. She explained that the truth and taxation process requires two rates:

- Maintenance & Operations Rate (M & O)
- Interest & Sinking Fund (Debt)

She also provided Council with the definitions for the "effective tax rate" and the "rollback tax rate."

She told Council that the problem in setting the tax rate this year is that the "rollback rate" is lower than the "effective tax rate," because the city paid off a substantial amount of debt and the property evaluation is much higher due to an increase in property values. She explained

WORK SESSION MEETING OF THE CITY COUNCIL
CITY OF JERSEY VILLAGE, TEXAS – September 8, 2014

that in setting a tax rate higher than the rollback tax rate, the city is subject to a rollback election as explained earlier by the City Manager.

Council engaged in discussion about the required truth and taxation publications. City Manager Castro explained that the necessary publications were published in the Houston Chronicle on September 1, 2014 in accordance with SB 1510. Additionally, he stated that the information has been posted to the City's website.

Council discussed that amount of increase for homeowners based upon the proposed tax rate. Finance Director Kato explained that those homeowners whose valuation increased will see an increase in taxes. Additionally, she mentioned that the certified numbers only include last year's numbers for those home owners who have contested their valuations. She explained that most of the increase in valuation comes from multi-family housing and commercial inventory. Only 2% of the increase affects residential properties.

Council also discussed the rollback election and the process for same. Again, they discussed the necessary publications for informing the public about the setting of the 2014-2015 tax rate.

Council then discussed how much of a surplus would be available if the tax rate was set at the rollback rate. City Manager Castro stated that we would collect \$4.7 million and we budgeted \$4.6 million.

If the proposed tax rate is set, the ending fund balance projection will be \$7.5 million as opposed to the \$7 million projected before receiving the certified numbers. Council engaged in discussion about the required amount of fund balance by law. Finance Director Kato explained that it has been the practice of the City to keep 6 months in reserve or approximately \$5 million. City Manager Castro explained that the law requires cities to have at least 90 days of fund balance which puts the total somewhere near \$3 to \$3.5 million. It was the consensus of Council that given the unknown expenses connected with the US 290 Expansion Project, the more fund balance the City has the better.

Council then recalled the budget meeting discussions about repairs to Elwood Street, remembering it was decided that while there would most likely be enough surplus to repair Elwood Street during the 2014-2015 budget cycle, it would be best to see how the US 290 Segment 7 expenses will affect the budget. Accordingly, it was decided to review the Elwood Project six months into the budget cycle. In recalling this decision, some members of Council felt in might be best to adopt the proposed tax rate and allocate the surplus to repair Elwood Street.

Council again discussed that in keeping the proposed rate the majority of home owners will not notice an increase in their taxes as most of the increase in valuation was experienced by multi-family property owners and commercial inventory.

WORK SESSION MEETING OF THE CITY COUNCIL
CITY OF JERSEY VILLAGE, TEXAS – September 8, 2014

Council discussed the cost of both the US 290 Expansion Project and the repairs to Elwood Street. Additionally, discussion was had about next year and will the city be faced with the same problem of having a rollback rate lower than the effective tax rate. The pros and cons of setting the 2014-15 taxate at the proposed rate were discussed along with the allocation of the surplus.

Discussion was then had about how Segment 7 of the US Hwy 290 Project would be funded. City Manager Castro explained that Council had discussed during the budget meetings that the project would be funded by going out for debt that would be callable in ten years. He estimated the cost of Segment 7 to be about \$4.5 million.

In completing the discussions on this item, it was the consensus of Council to leave the tax rate at the proposed rate and to add the Elwood Street Project into the 2014-2015 budget.

C. ADJOURN

The meeting was adjourned at 6:50 p.m.

Lorri Coody, City Secretary