MINUTES OF THE SPECIAL SESSION MEETING OF THE CITY COUNCIL OF THE CITY OF JERSEY VILLAGE, TEXAS, HELD ON MARCH 4, 2019 AT 5:30 P.M. IN THE CIVIC CENTER, 16327 LAKEVIEW, JERSEY VILLAGE, TEXAS.

A. CALL TO ORDER AND ANNOUNCE A QUORUM IS PRESENT

The meeting was called to order by Mayor Ray at 5:30 p.m. with the following present:

Mayor, Justin Ray
Council Member, Andrew Mitcham
Council Member, Greg Holden
Council Member, Bobby Warren
Council Member, James Singleton
Council Member, Gary Wubbenhorst

City Manager, Austin Bleess
City Secretary, Lorri Coody
City Attorney, Scott Bounds
City Attorney, Justin Pruitt

B. RECESS THE SPECIAL SESSION

Mayor Ray recessed the Special Session at 5:30 p.m. to convene into Executive Session pursuant to the Texas Open Meetings Act, Government Code Section 551.087 – Economic Development Negotiations, Section 551.072 Real Property, and Section 551.071 Consult with Attorney.

C. EXECUTIVE SESSION

1. **Pursuant to the Texas Open Meeting Act Section 551.087 Deliberation Regarding Economic Development Negotiations, Section 551.072 Deliberations about Real Property, and Section 551.071 Consultations with Attorney, a closed meeting to deliberate information from a business prospect that the City seeks to locate in Jersey Village TIRZ Number 2 and economic development negotiations, including the possible purchase, exchange or value of real property, related thereto.**

D. ADJOURN EXECUTIVE SESSION

Mayor Ray adjourned the Executive Session at 6:54 p.m. and reconvened the Special Session, stating that no final actions, decisions, or votes were had during the Executive Session.

City Attorneys Justin Pruitt and Scott Bounds left the meeting at 6:54 p.m.

E. RECONVENE THE SPECIAL SESSION

1. **Discuss and take appropriate action regarding Jersey Village TIRZ Number 2 and economic development negotiations, including the possible purchase, exchange or value of real property, related thereto.**

   No discussion had. No action taken.

2. **Discuss increasing the residential homestead exemption.**

   City Manager, Austin Bleess, introduced the item. Background information is as follows:

   As requested by the city council, staff has done some more digging into our long range fiscal planning.

   The first spreadsheet we will look at shows what the fund balance would be assuming the entire Wall Street/Berm project is paid for via grant funding. On all of the spreadsheets, I have broken out the Flood mitigation costs by project so it is easier to see. The E127

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project is still projected to be funded by city funds. The funds for the elevation/buyouts/mitigation reconstruction are based upon all of the homes that were identified in the LTRP as being candidates for assistance and all homes that are currently listed as RL or SRL by FEMA. According to the current cost share, the total cost would be about $4.6 million, which includes some room for inflation.

From our last workshop, the City Council requested us to look at what fund balance would be like if we pushed all street projects back 2 years. We have prepared a spreadsheet showing that. However, please note we still have Wall Street planned for the next fiscal year, as the storm water work would be going on then. All other streets have been pushed back 2 years in the spreadsheet.

Staff also spoke with our bond counsel to see what repayment terms for a $13 million bond would look like and how that would impact our financial reserves. In that spreadsheet, all of the streets that were in the 10-year plan have been removed and would be paid for from bond proceeds.

We have also run the numbers to see what raising the Over 65 Homestead Exemption would do. Here are those calculations:

Increasing the Over 65 Exemption

Over 65 Amount	Additional Amount to be exempted	Loss of City Revenue	Average Property Tax Savings for Over 65 Homeowner
$ 50,000.00	$ -	$ -	$ -
$ 55,000.00	$ 3,600,000.00	$ 26,730.00	$ 37.13
$ 60,000.00	$ 7,200,000.00	$ 53,460.00	$ 74.25
$ 65,000.00	$ 10,800,000.00	$ 80,190.00	$ 111.38
$ 70,000.00	$ 14,400,000.00	$ 106,920.00	$ 148.50
$ 75,000.00	$ 18,000,000.00	$ 133,650.00	$ 185.63
$ 80,000.00	$ 21,600,000.00	$ 160,380.00	$ 222.75
$ 85,000.00	$ 25,200,000.00	$ 187,110.00	$ 259.88
$ 90,000.00	$ 28,800,000.00	$ 213,840.00	$ 297.00
$ 95,000.00	$ 32,400,000.00	$ 240,570.00	$ 334.13
$ 100,000.00	$ 36,000,000.00	$ 267,300.00	$ 371.25

The Council also asked what it would look like if we lowered the M&O Rate of our property tax rate which is currently 0.616401. We cannot lower the I&S Rate which is currently 0.126099. Here is what a reduction in the M&O rate would look like for city revenue.

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Decreasing the M&O Tax Rate

Total Tax Rate	M&O Tax Rate	Loss of City Revenue	Average Property Tax Savings For Homeowner
0.7425	0.616401	$ -	$ -
0.7325	0.606401	$ 108,000.00	$ 26.47
0.7225	0.596401	$ 216,000.00	$ 52.95
0.7125	0.586401	$ 324,000.00	$ 79.42
0.7025	0.576401	$ 432,000.00	$ 105.89
0.6925	0.566401	$ 540,000.00	$ 132.36
0.6825	0.556401	$ 648,000.00	$ 158.84
0.6725	0.546401	$ 756,000.00	$ 185.31

Once the city has paid off our debt, the tax rate could be set to 0.6165 for M&O and have nothing for I&S. That would not be until FY2028. But if we had no debt service today and an M&O rate of 0.6165 the average property tax savings for homeowners would be about $330.

For quick reference here is what the average property tax savings for homeowners would be if the homestead exemption was increased:

Increase Homestead Exemption by	Average Property Tax Savings for Homeowner	Total Loss of City Revenue
1%	$ 21.37	$ 40,380.28
2%	$ 42.73	$ 80,760.57
3%	$ 64.10	$ 121,140.85
4%	$ 85.46	$ 161,521.14
5%	$ 106.83	$ 201,901.42
6%	$ 128.19	$ 242,281.71
7%	$ 149.56	$ 282,661.99
8%	$ 170.92	$ 323,042.27
9%	$ 192.29	$ 363,422.56
10%	$ 213.65	$ 403,802.84
11%	$ 235.02	$ 444,183.13
12%	$ 256.38	$ 484,563.41

As was presented during our last discussion I want to remind the Council once again of the budgetary unknowns that we are facing.

Budgetary Unknowns

There are several things that are not taken into consideration for future fiscal years that are concerns but nothing that we can pinpoint as to if we will need or when we would need them.

As our city continues to grow it is possible that over the next ten years we will need to add staff. From our vantage point today I cannot say how many or in what areas additional staff may be needed, if any is needed at all.

As planning for Jersey Crossing is developed and the area in our ETJ grows and is potentially annexed we will certainly need more police and fire fighters to provide essential services. We would likely need additional staff in public works to handle the increased infrastructure, in parks and rec to handle the upkeep of medians, parks facilities, and green spaces. We may need more administrative staff to handle all of the services that we provide for records keeping, finance, and municipal courts.

If we do annex areas of the ETJ we would need to build out roads, water, and sewer infrastructure to support that. Some of those costs would be taken on by the utilities fund, and some could come from the TIRZ fund as well. But it is hard to predict at this point what all of those costs will be, and when those costs could be incurred.

Some of these things might come in to better focus, as we get further into discussions and development of the area across 290. How that larger area in our ETJ takes off for development over the next 10 years is difficult to project.

In the current legislative cycle there are several proposals to cap the limit of property tax growth. At this juncture, all of the bills publicly look like the legislature will try to cap revenue growth by 2.5%. We would have hit that cap 3 times in the last 5 years. This is certainly legislation the city should be concerned about.

Next Steps Moving Forward

There are a few things that the Council needs to consider as we move forward with this discussion.

What is our financial reserve policy? Currently we have a policy of having 3 months' worth of normal recurring operating costs in our unreserved fund balance. Staff does not recommend decreasing that amount.

Do we want to move towards a Pay as you go method for major projects, like street repair? In FY27 we will be debt free. In looking at our current projections we could conceivable be in a position to pay for projects as we go, rather than going into debt for them. Of course, the budgetary unknowns discussed above could change the projections.

Do we look at incurring more debt for projects? In addition, if we look to incur debt, how does the fund balance impact our credit rating? Right now we have a good credit rating for a city our size. That is in part due to the high levels of reserves we currently have. The ability to pay is something that is looked at greatly when the credit rating companies issue their ratings.

After the introduction, City Council engaged in discussion about tax exemptions. There were questions about the information presented in the meeting packet that were answered by Staff.

Council engaged in discussion about the revenue projections, noting that the projections for revenue are less than the rate of inflation and the projections for expenses are more than the rate of inflation. Additionally, the projections for the golf course revenue were reviewed. Some felt that the projections were too aggressive.

Grants vs. bonds vs. moving the street projects back two (2) years were discussed. It was pointed out that the City has no control over the approval of grant applications, but it does have control over when street projects are scheduled. With this in mind, some members wondered about the repercussions of pushing back these projects. City Manager Bleess explained that there would be more maintenance and broken pipes to repair. Additionally, he pointed out that the priority of the streets may shift based upon maintenance needs.

Some felt the purpose of issuing bonds and/or moving the street projects is to smooth out costs. However, the plus side of moving the street schedule as opposed to issuing bonds is that it allows the City to spend dollars on repairs as opposed to spending dollars on interest.

In terms of the tax relief decision, some felt that a decision at this time is not feasible given our future plans. However, the discussions had on this topic, both today and back on January 14, 2019, have proved valuable for making future financial decisions affecting the City. It was noted that any changes in the homestead exemption will not affect the tax bill until next year.

The worksheets on streets showed that the City will run short on cash regardless of an increase in the tax exemption. Accordingly, the street projects will need to be pushed back two (2) years to accommodate this shortage without affecting the 90 day reserve.

The issuance of bonds was discussed further. The reason behind the issuance of bonds is to have the dollars right away for a planned project. With respect to issuing bonds for street projects, the costs involved in issuing debt (bonds) is not worth having a street project two years earlier.

It was the consensus of Council that more information is needed before acting on an increase in the homestead exemption. It is expected that the necessary information will be available for the May budget workshop.

Mayor Ray explained that over the course of the years, the City has developed a surplus of reserves. With this increase, come decisions about how to spend the reserves. Should spending be on capital projects, tax relief, or both? To help make this decision, Council has engaged in several work sessions and the information presented by Staff has been projected out over the next ten (10) years. The options of grants vs. bond vs. moving street projects were discussed in order that the City may make good decisions about how to spend any cash that exceeds planned activities without affecting the 90 day cash reserve.

The 90 day cash reserve acts as a 25 percent buffer to cover any unexpected drop in revenues or an unexpected increase in expenses. In reviewing past history, the City has never had an instance with going below the 90 day cash reserve.

Council discussed that more information is needed concerning the over 65 exemption and the disabled exemption and asked that this information be made available for the May budget discussions. Some members stated that input from residents indicated that increases in the over 65 and disabled exemptions is more desirable as opposed to an increase in the homestead exemption. Currently we have 720 residents taking advantage of both the over 65 and homestead exemptions. In total, there are 2200 residents taking the homestead exemption.

Council discussed the disabled exemption.

It was noted that Council must inform the Harris County Appraisal District of any changes in the exemptions by July of 2019. Accordingly, discussions will be had during the May budget meetings with an action item placed on the June City Council Meeting agenda.

F. ADJOURN

There being no further business on the Agenda the meeting was adjourned at 7:27 p.m.

Lorri Coody, City Secretary