Minutes of Public Hearing

The City Council
City of Richwood

A Public Hearing of the City Council of City of Richwood was held Monday, August 27, 2018, beginning at 6:00 PM in the Richwood City Hall, 1800 N. Brazosport Blvd. Richwood, Texas.

CALL TO ORDER
The meeting was called to order at 6:03 pm.

INVOCATION
Michael Coon led the invocation.

PLEDGES OF ALLEGIANCE *Pledge of Allegiance & Texas Pledge*
Mayor Guthrie led the pledges.

ROLL CALL OF COUNCIL MEMBERS
Mark Guthrie – Mayor
Mike Johnson – Council member Position 1
Frank Blanks – Council member Position 2 - ABSENT
Sarah Reed – Council member Position 3 - ABSENT
Mark Brown II – Council member Position 4
Katie Johnson – Council member Position 5

Others present: Michael Coon, City Manager; Giani Cantu, City Secretary/Finance Director; Clif Custer, Public Works Director

PUBLIC COMMENTS
All public comments will be subject to the following rules: all speakers will be permitted to speak no longer than 3 minutes; all speakers will only be permitted to speak once; speakers cannot defer their 3 minutes to another speaker; the first five individuals who sign up for the public comment section will be permitted to speak

There were no public comments.

PUBLIC HEARING ON FISCAL YEAR 2018-2019 ANNUAL BUDGET
Mayor Guthrie called the public hearing at 6:06 p.m.

Mr. Coon presented the proposed budget.

Vision Statement
The City of Richwood is a model for safe and beautiful neighborhoods with sustainable growth opportunities for families and businesses dedicated to serving our community for current and future generations.

Strategic Priorities
1. Financial Sustainability
2. Economic Development
3. Infrastructure Investments
4. Community Development
5. City Operations

General Fund Proposed Revenues

	FY 17-18 Budget	FY 18-19 Proposed	Difference
Operating Rev.	$2,477,297	$2,605,759	$128,462
Transfers Rev.	$652,576	$104,410	($548,166)
Total Budget	**$3,129,873**	**$2,710,169**	**($419,704)**

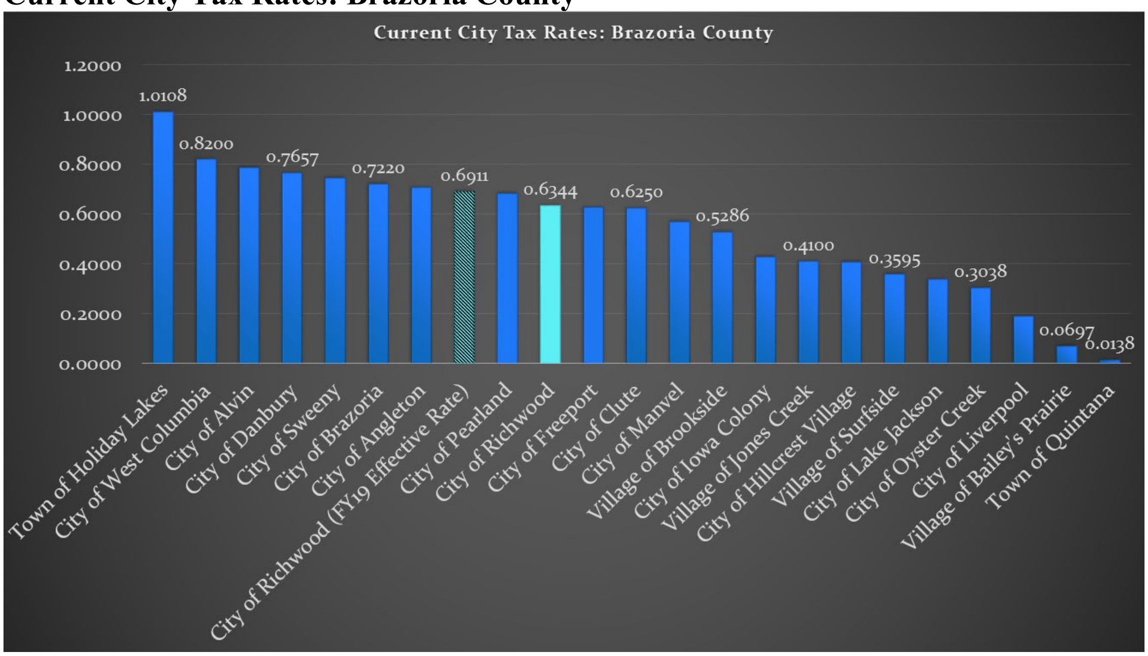
Major Budget Changes:
- Added $116,633 due to lower property tax reimbursements for the 380 Agreements with 210 Developers
- Added $36,961 in new revenues from projected sales tax growth
- Added $10,000 in permitting due to anticipated residential and commercial projects
- Reduced ($548,166) in one-time transfers from the prior year
- Reduced ($19,000) from municipal court revenues due to lower citation volumes
- Reduced ($7,000) from Barbeque Cookoff revenues due to the event being taken over by the Volunteer Fire Department

Potential Changes to Proposed Revenues:
- Add $20,250 for Utility Debt Service
- Multiple options for tax rate adoption

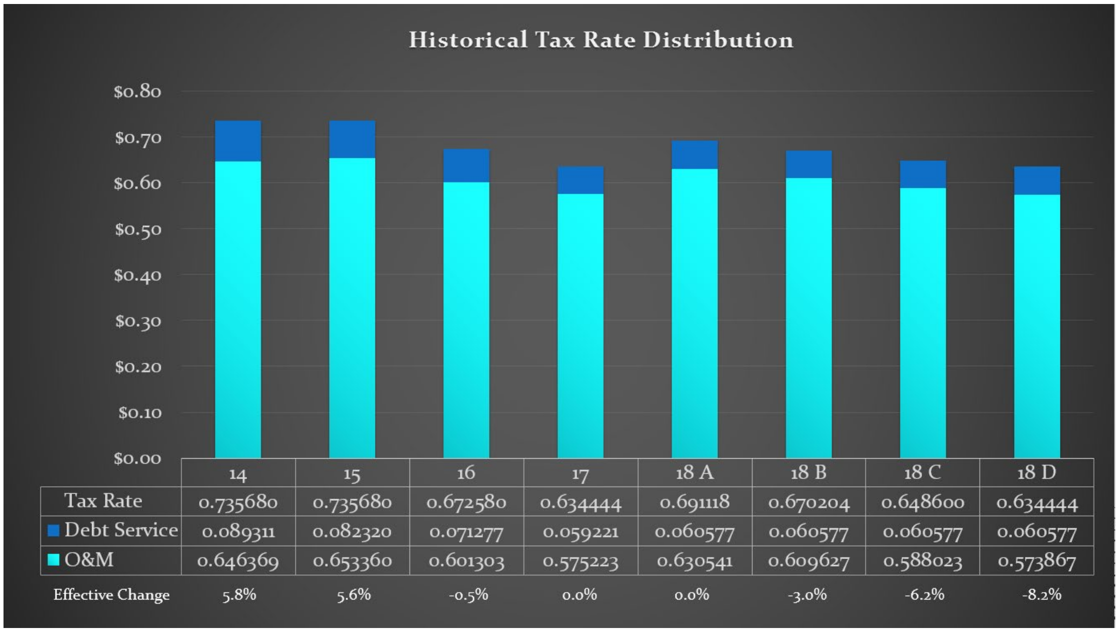
Local Effective Tax Rate Changes

Entity	Actual 2016	Actual 2017	Proposed 2018	Average
Clute	8.07%	3.75%	7.40%	**6.41%**
Jones Creek	12.06%	6.63%	0.00%	**6.23%**
Freeport	0.00%	5.89%	10.72%	**5.54%**
Angleton	6.06%	5.84%	3.48%	**5.13%**
West Columbia	10.26%	1.74%	3.35%	**5.12%**
Brazoria	10.80%	0.00%	2.05%	**4.28%**
Brazosport College	4.18%	3.07%	4.56%	**3.94%**
Lake Jackson	3.73%	3.44%	2.99%	**3.39%**
Sweeny	-3.79%	5.46%	3.70%	**1.79%**
Brazoria County	0.00%	0.00%	0.00%	**0.00%**
Richwood	-0.49%	0.00%	0.00%	**-0.16%**
Oyster Creek	0.00%	-6.50%	0.00%	**-2.17%**

Current City Tax Rates: Brazoria County



Historical Tax Rate Distribution



Potential Changes to Over 65 Exemption

Exemption Amount	Difference from Current Exemption	Impact on FY19 Revenues	Average Tax Decrease
25,000	0	$0.00	$0.00
30,000	5,000	-$8,120.64	-$34.56
35,000	10,000	-$16,241.27	-$69.11
40,000	15,000	-$24,361.91	-$103.67
45,000	20,000	-$32,482.55	-$138.22
50,000	25,000	-$40,603.18	-$172.78
55,000	30,000	-$48,723.82	-$207.34
60,000	35,000	-$56,844.46	-$241.89

Potential Changes to Proposed Expenditures

	Tax Rate A 0.691118	Tax Rate B 0.670204	Tax Rate C 0.648600	Tax Rate D 0.634444
Add Auditor Fee Increase	$14,500	$14,500	$14,500	$14,500
Reduce Police Shift Change	($10,784)	($10,784)	($10,784)	($10,784)
Increase Over 65 Exemption	$40,603			
Adjust Equipment Replacement	$46,031	$16,533	($15,500)	($43,000)
Reduce Police Overtime			($5,491)	($5,491)
Reduce Compensation Plan			($9,080)	($15,990)
Reduce Contingency Transfer				($5,468)
Limit Splash Pad to June-August				($11,708)
TOTAL CHANGES	$90,350	$20,249	($26,355)	($77,941)

*All options include adding $20,250 to General Fund Revenues for the Utility Fund Debt Payment

General Fund Proposed Expenditures

	FY 17-18 Budget	FY 18-19 Proposed	Difference
Operating Rev.	$2,475,435	$2,529,099	$53,664
Transfers Rev.	$654,439	$181,070	($473,369)
Total Budget	$3,129,874	$2,710,169	($419,705)

Major Budget Changes:

- Added $97,212 for the finance director position
- Added $24,848 to fund salary increases from the compensation study.
- Reduced ($54,280) by eliminating a position in the Municipal Court
- Includes $40,000 for capital projects
- Includes $43,000 for equipment replacement

Utility Fund Proposed Revenues

	FY 17-18 Budget	FY 18-19 Proposed	Difference
Operating Rev.	$1,870,475	$2,081,859	$211,384
Transfers Rev.	$401,590	$89,909	($311,681)
Total Budget	$2,272,065	$2,171,768	($100,297)

Major Budget Changes:

- Higher revenues from rate increase adopted last spring

Solid Waste Rates:

	FY 18 Rate	FY 19 Rate	Change
Base Rate	$16.00	$17.14	$1.14
Base Rate - Over 65	$14.00	$15.85	$1.85
Price/Additional Can	$8.00	$8.00	$0.00

Utility Fund Proposed Expenditures:

	FY 17-18 Budget	FY 18-19 Proposed	Difference
Operating Rev.	$1,510,729	$1,680,508	$169,779
Transfers Rev.	$761,336	$491,260	($270,076)
Total Budget	$2,272,065	$2,171,768	($100,297)

Major Budget Changes:

- Funding two new positions & a truck from last year's budget
- Added $53,790 to rebuild water wells #3 and #4

Utility Staff Ratio Comparison Cities

City - Estimated Connection count / Population	Water	Waste Water	Streets	Drainage	Parks	Total Ratio of staff to connections
Joshua – 2,115	50+ employees Receives services from County W & WW provider. (Estimated) 3	Budgeted 2 employees for Water and Wastewater	5		2	➢ 9 employees ➢ 2,115 connections ➢ 235 conn. per employee
Rockdale – 1,865	No Response	Not included in average				
Krum – 1,860	7				1	➢ 8 employees ➢ 1,860 connections ➢ 233 conn. per employee
Jacksboro – 1,504	5	4	4		4+2 temporary	➢ 17 employees ➢ 1,504 connections ➢ 88 conn. per employee
Brazoria – (based on population) 1,024 (Actual) 1,300 Services 750 NG customers as well	9					➢ 9 employees ➢ 2,050 connections including NG ➢ 228 conn. per employee
West Columbia – 1,311	1	4	1		1	➢ 10 employees ➢ 1311 connections ➢ 131 conn. Per employee
Richwood – (based on population)1,650. (Actual) 2,359	5				1	➢ 6 employees ➢ 2,359 connections ➢ 393 conn. per employee
Bellville – 1,425	3	3	3		4	➢ 13 employees ➢ 1,425 connections ➢ 110 conn. per employee
Columbus – 1,209	4	2	5		1	➢ 12 employees ➢ 1,209 connections ➢ 101 conn. Per employee
Willis – 2,333	9		4		1	➢ 14 employees ➢ 2,333 connections ➢ 167 conn. Per employee
Average – 1,796	5	2	3		2	➢ 12 employees ➢ 1,796 connections ➢ 150 conn. Per employee

Other Funds Summary

- **Beautification**
- **Capital Projects**
- **Crime Control Prevention**
    - Board has recommend a change to add an Investigator Position
- **Equipment Replacement**
- **Transportation**
- **Utility Capital Improvement**

Lauren LaCount, 2000 Brazosport, stated she would like to see the tax rate the same and increasing will only make it difficult to reduce the rate once appraisal values come back up. She asks Council to look at alternatives. There are other options rather than raise tax rates; like consider removing the employee raises.

Brett Silvester, 139 Robin trail, stated that others have been impacted by the hurricane. Even with insurance policy, still having to pay out of pocket and appeal decisions. Raising taxes would make it more difficult and asks Council to work together with residents.

Mayor Guthrie called for any other comments from public. No other responses were given.

Mayor Guthrie closed the public hearing 6:24 p.m.

DISCUSSION AND ACTION ITEMS

Discuss Fiscal Year 2018-2019 Budget
Mark Brown II asked to review the tax rate options. He asked, on tax rate option A presented, how was the decision made to spend over $40,603 on over 65 exemptions?

Mr. Coon stated with no feedback he just went with a number that he felt was good in comparison with other cities.

Mr. Brown II stated he was unsure if that was the best use of the money. If Council were to propose a rate increase, is the best option to give it back to those that are over 65.

Mike Johnson asked if the proposed budget was created with the effective tax rate.

Mr. Coon stated no. The proposed budget as filed is presented as Option B.

Mr. Brown asked what does police reduction mean. Reducing public safety?

Mr. Coon stated no. It is accounting for the proposed investigator position to cover at least 2 shifts per month to reduce overtime expenses for the Police Department.

Mr. Brown asked what the option to reduce the compensation plan entails. What reduction makes up the amount in C and D options?

Mr. Coon stated Option C is reducing the City Manager's salary increase and Option D is reducing the City Manager salary increase and reducing salary increases by half for all other employees.

Mr. Brown asked about the adjustment to Equipment Replacement.

Mr. Coon stated the city should be saving up money to replace their assets. This is something that has not been done.

Mr. Brown stated that Option C and Option D do not include any equipment replacement.

Mr. Johnson asked if any of the options not include the finance director.

Mr. Coon stated no.

Katie Johnson asked if any projections been done on new development that is happening now.

Mr. Coon stated he does have a property tax forecast that goes out 10 years.

Katie Johnson asked if the projections included any numbers for fiscal year 18-19.

Mr. Coon stated he believes there are projections of 2 million in values for Creek Bend and 1.8 million for Oakwood Shores. The Magnolia property is not projecting any new values until the 2020 tax roll. These projections amount to about $60,000 in revenues.

Mike Johnson asked when we expect to see any values coming back up on those properties affected by flooding.

Mr. Coon stated it varies. Depending on drop in values it could be a couple of years due to limits the State puts on the value increases.

Mike Johnson stated so it is reasonable to assume it'll be a couple of years before we see it come back up.

Mark Brown stated unless the City sees another flood event, then it is possible they don't come back up.

Mike Johnson asked for clarification on effective tax rate

Mr. Coon explained that as appraisal values go up the effective tax rate will go down.

Mr. Brown stated the effective tax rate is tied to the amount of revenue the City brings in.

Mayor Guthrie asked who worked on the budget.

Mr. Coon stated that staff and city manager met in strategic plan with Ron Cox to create an action plan in line with Council strategic plan and goals.

Mayor Guthrie asked if staff feels it could meet expectation with keeping tax rate option D, which is the current tax rate.

Mr. Coon stated not if council's expectation is to begin funding equipment replacement.

Mayor Guthrie asked Mr. Coon how he come up with the over 65 exemption.

Mr. Coon stated the exemption came when deciding, if the effective tax rate is adopted, what are some alternatives to reducing the tax burden on residents without having a long-term impact on the City's finances.

Mr. Brown asked can the Utility Fund only afford to give $20, 250 per year.

Mr. Coon stated yes. Even the small portion takes away from needed projects.

Mayor Guthrie stated the City Manager was tasked with submitting a budget that fits all of Council's goals. He asked Mr. Coon if he felt this budget does that and does he think that a tax rate between B and C do that.

Mr. Coon that is correct. Staff worked to create a budget in line with Council's strategic plan and goals. Staff will work with whichever option Council decides. However, in his opinion, either Option A or Option B are the best options.

Mayor Guthrie asked to look at Richwood's tax rate history.

Mark Brown stated only in 2017 did the City adopt the effective tax rate.

Mayor Guthrie stated that he appreciates the residents that came to speak. However, with only 2 residents speaking on the budget, is it really the best interest of the City to head their recommendations. Do the majority of our residents feel the same way or are they not speaking because they are not opposed? The City needs more input from residents to help make an informed decision.

Mr. Brown stated he couldn't agree more to needing more input from residents. It is hard for a Council member to make decision without input. However, he feels that option A is taking those additional revenues and giving back to only those over 65. Would additional revenues provided in Option A be better suited to fund preventative maintenance? If the city is such in bad shape, let's figure out a plan to get us moving forward successfully.

Mayor Guthrie stated in the 16 years he has lived in the City. The City has never had staff with the financial background that is in place now. Council set the expectation in their strategic plan and we should follow it.

Mr. Brown asked where the compensation study falls in Council's Strategic plan.

Mayor Guthrie replied the compensation study started 2 years ago. Employees should be compensated well if the City wishes to retain quality employees.

Mr. Brown stated at his employment if he went to his supervisor and said this company pays my position "x" amount of dollars, so I believe you should pay me this as well, then his supervisor would likely ask him to come back when he has an offer to receive that "x" amount of dollars. So where does the compensation study fall in with Council's Strategic Plan.

Mike Johnson stated he believes it was brought up in the budget workshop and presented in the proposed budget.

Mike Johnson asked if staff felt Option A is exceeding expectations.

Mr. Coon stated Council would just need to decide how quickly we want to fix the problem. Option A would get us closer to where we want to be.

Mike Johnson asked if staff felt Option B is meeting the expectations in the Strategic Plan.

Mr. Coon stated it could, but that is difficult to address. We don't know exactly where the line is with equipment replacement because there has never been discussion on quickly Council would like to fund all the equipment replacement.

Mike Johnson asked if staff felt that Option C is meeting the expectation.

Mr. Coon stated he'd have to say no.

Further discussion was held on the tax rate.

Mike Johnson stated if the city did see additional revenues coming in from new houses, he would like to see exactly where that is going to be assigned. He would like to see it go to equipment replacement.

Mr. Coon stated that future strategic planning discussion can address that vision for future tax dollars.

Mr. Brown stated that is what strategic planning discussion is. You plan so that the City can assign monies accordingly.

Mr. Coon stated that is correct. Ideally we want to see a 3 to 5 year forecast to be able to plan accordingly. When he did projections in growth, he did not account for the Montessori school as it will likely not be built completely until 2019. So it is still one year out.

No further discussion was held.

ADJOURNMENT

There being no further business the meeting adjourned at 7:17 pm.

These minutes were read and approved on this 10th day of September, 2018.

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Mark Guthrie, Mayor

Attest:

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Giani Cantu, City Secretary