

CITY OF ROSENBERG

SPECIAL CITY COUNCIL MEETING MINUTES

On this the 8th day of August, 2016, the City Council of the City of Rosenberg, Fort Bend County, Texas, met in a Special Session, in the Rosenberg City Hall Council Chamber, located at 2110 4th Street, Rosenberg, Texas.

Present: Cynthia A. McConathy, Mayor
William Benton, Councilor at Large, Position 1
Amanda J. Barta, Councilor at Large, Position 2
Jimmie J. Pena, Councilor, District 1
Susan Euton, Councilor, District 2
Alice Jozwiak, Councilor, District 3
Lynn Moses, Councilor, District 4

Staff Present: Linda Cernosek, City Secretary
John Maresh, Interim City Manager
Joyce Vasut, Executive Director of Administrative Services
Travis Tanner, Executive Director of Community Development
Tonya Palmer, Building Official
Lori Remington, Human Resources Director
Dallis Warren, Police Chief
Wade Goates, Fire Chief
Tracie Dunn, Assistant Police Chief
Darren McCarthy, Parks and Recreation Director
Randall Malik, Economic Development Director
Jenny Pavlovich, Communications Manager
Luis Garza, Finance Manager
Steven Trevino, Interim Director of Technology
Danyel Swint, Executive Assistant
Lori Dresner, Fiscal Services Coordinator
William Henry, Lieutenant
Joseph Rodgers, Police Officer
Cody Dailey, Police Officer

Call to order: City Hall Council Chamber
Mayor McConathy called the meeting to order at 6:01 p.m.

Announcements.
There were no announcements.

COMMENTS FROM THE AUDIENCE FOR CONSENT AND REGULAR AGENDA ITEMS.
Citizens who desire to address the City Council with regard to matters on the Consent Agenda or Regular Agenda will be received at the time the item is considered. Each speaker is limited to three (3) minutes. Comments or discussion by the City Council Members will only be made at the time the agenda item is scheduled for consideration. It is our policy to have all speakers identify themselves by providing their name and residential address when making comments.

REGULAR AGENDA

1. Review and discuss projected FY2017 Revenues, and take action as necessary.

EXECUTIVE SUMMARY

This item allows City Council the opportunity to discuss the proposed FY2017 revenues. Prior to discussion, staff will provide a presentation regarding the proposed revenues for FY2017.

KEY DISCUSSION POINTS

- Joyce Vasut presented the FY2017 Proposed Revenues.

- General Fund by Fund Type - 48%; Special Revenue Funds - 6%; Debt Service Fund - 14%; Enterprise Fund - 24%; Internal Service Fund - 7%; Capital Projects Fund - 1%
- Total Revenues by Source - Property Taxes - 21%; Sales Taxes - 24%; Franchise Taxes - 5%; Licenses and Permits - 1%; Charges for Services - 42%; Fines and Forfeitures - 1%; Intergovernmental - 5%; Other - 1%
- General Fund Revenues - Property Taxes - 20%; Sales Taxes - 42%; Franchise Taxes - 7%; Licenses/Permits - 3%; Fees and Fines - 5%; Solid Waste Services - 12%; Intergovernmental - 4%; Transfers - 6%; Other Revenues - 1%
- Joyce Vasut explained the decline in Sales Tax was centered in the Agriculture, Mining and Manufacturing due to the decline in Oil and Gas production and manufacturing.

ACTION

Motion by Councilor, District 1 Jimmie J. Pena, seconded by Councilor, District 3 Alice Jozwiak to approve the projected FY2017 Revenues as presented.

VOTE: 7 - 0 Carried - Unanimously

2. Review and discuss Rosenberg's current debt and the Debt Service Fund for Fiscal Year 2017, and take action as necessary.

EXECUTIVE SUMMARY

This Agenda item will provide City Council an opportunity to discuss the City's debt service obligations for the Debt Service Fund, Rosenberg Development Corporation, and Water/Wastewater Fund. Executive Director Joyce Vasut will provide an overview of the City's current debt requirements.

KEY DISCUSSION POINTS

- Joyce Vasut presented the Debt Service Fund details
- Under State Finance law, the City's outstanding debt shall not exceed 10% of total assessed value.
- Property Tax Rate comparison to other cities as follows:
 - Population greater than 5,000 (209 cities) \$0.569
 - Population greater than 20,000 (77 cities) \$0.610
 - Population between 30,000 and 40,000 (12 cities) \$0.612
- Sources for 2017 Debt are as follows:
 - Property Taxes - 60%
 - Water/Wastewater Fund - 27%
 - RDC - 8%
 - Hotel/Motel - 1%
 - Subsidence - 4%
- Key points regarding current Debt
 - Scheduled annual payments reduce the City's outstanding debt (principal) by \$5.4 million in FY2017 and an average of \$4.5 million per year for the next four years.
 - Based on the current debt schedules, annual debt service requirements (principal and interest) will decrease by approximately \$900,000 in FY2018 due to the retirement of debt issues.
 - The City's outstanding tax supported debt was most recently rated "Aa3" by Moody's and increased to "AA-" by Standard and Poor's, further indicating the City's fiscal stability and highlighting the City's very strong creditworthiness.
- Debt Service Fund Balance
 - Financial policies recommend a minimum Fund Balance of 67% of Annual Debt Obligations be maintained as City policy.
 - Current Annual Debt Obligations for FY2017 are \$7,335,961.
 - Current Fund Balance is \$5,210,490 or 71% of Annual Debt Obligations.
- Key points regarding future Debt
 - Water/Wastewater, Subsidence, RDC and Civic Center Funds will continue to pay 100% of their portion of the debt.
 - Future debt issued for the Alternate Water Project should be paid with subsidence fees or water impact fees and consequently should not increase the City's debt tax rate.
 - Other alternatives to strategically maintain the debt rate include:
 - Strategically schedule the issuance of debt to qualify as "Bank Qualified" - up to \$10,000,000 per year
 - Structure future debt to control impact of debt rate
 - Maintain adequate fees for special purposes (subsidence fees) to continue to cover the associated costs.
- Questions and Answers:
 - Q-Councilor Benton asked if details are available on the comparison cities as to their sales tax, property value, and budget information?
 - A-Joyce Vasut said that information would have to be further researched as it was not included in the data she was able to retrieve from Texas Municipal League.
 - Q-Councilor Barta asked if the \$84,000,000 includes the \$10,000,000 that we are currently adding?
 - A-Joyce Vasut clarified it does not include the \$10,000,000 we are adding. She also explained the \$84,000,000 is principal and interest and we are adding \$10,000,000 principal.

ACTION

Motion by Councilor, District 2 Susan Euton, seconded by Councilor, District 4 Lynn Moses to approve the Debt Schedule.

VOTE: 6 - 1 Carried

No: Councilor at Large, Position 1 William Benton

- 3. Consideration of and action on the 2016 Certified Property Tax Roll, New Property Values, Appraised Value of All Properties, and the Anticipated Collection Rate of 100%.

EXECUTIVE SUMMARY

The Fort Bend County Tax Assessor/Collector, Patsy Schultz, requests that the City Council acknowledge in the minutes receipt of the Certified Appraisal Roll Totals, the Value of New Property, and the Anticipated Collection Rate for the 2016 Tax Year.

Staff recommends that City Council accept the Certified Appraisal Roll Totals, the Value of New Property, and the Anticipated Collection Rate for the 2016 Tax Year as presented by the County Tax Assessor/Collector.

KEY DISCUSSION POINTS

- Joyce Vasut presented the Submission of the 2016 Tax year Appraisal Roll and New Property Value. The Taxable Value of New Property is \$90,547,435; the Appraised Value of All Properties is \$2,784,875,216; and Taxable Value of All Properties is \$2,199,121,566.
- There were no questions or comments on this item.

ACTION

Motion by Councilor at Large, Position 1 William Benton, seconded by Councilor, District 2 Susan Euton to accept the Certified Property Tax Roll, New Property Values, Appraised Value of All Properties, and the Anticipated Collection Rate of 100%.

VOTE: 7 - 0 Carried - Unanimously

- 4. Review and discuss Rosenberg's current property tax rate, the projected effective tax rate and the proposed tax rate for Fiscal Year 2017, and take action as necessary.

EXECUTIVE SUMMARY

This Agenda item will provide City Council an opportunity to discuss the City's proposed 2016 tax rate for FY2017. Staff will provide an update on the tax rate information.

KEY DISCUSSION POINTS

- Joyce Vasut read the Executive Summary.
- Speaker:
- Joseph Rodgers, 1203 Klare, Rosenberg. He is a twelve (12) year employee of the Rosenberg Police Department. Officer Rodgers spoke about the continued major growth the City of Rosenberg is experiencing. He asked City leaders to prepare for the future growth and changes that come with growth. If the tax rate is lowered, it will put the Police Department behind the curve and changes. Officer Rodgers' responsibility is recruiting and hiring for the Rosenberg Police Officers. The two cities that compete with Rosenberg for hiring officers are Sugar Land and Missouri City. For every Police Officer application Rosenberg receives, Sugar Land receives five applications. He asked that the City does not lower the tax rate which would keep the Police Department from hiring the additional three (3) officers they need to hire immediately.
- Joyce Vasut shared the summary of the debt rate and stated the FY2016-17 Debt Rate is \$0.214
- Debt Rate - The portion of the total tax rate used to generate revenues for the Debt Service Fund to pay existing debt obligations including principal and interest. The Debt Rate is a calculation. Council does not set the debt rate.
- **Required Debt Service less "Other Sources"**
- **2016 Total Taxable Value x \$100**
 - Required Debt Service is based on current debt plus future debt issues in FY2017
 - "Other Sources" includes transfers from the Water/Wastewater Fund, RDC and the Civic Center Fund to cover 100% of their debt obligations.
 - **\$8,095,966 - \$3,253,373 = \$0.214338**
 - **\$2,259,321,753 x \$100**
- Maintenance and Operating Rate (M&O Rate) - The portion of the total tax rate used to generate revenues for General Fund maintenance and operating costs.
- Total Tax Rate - The total of the Debt Rate and M&O rate. Effective tax rate is calculated on the total rate.
- Effective Tax Rate (ETR) - The Texas Constitution and the Tax Code require local taxing units to make tax payers aware of tax rate proposals known as "Truth-In-Taxation" and requires cities to calculate the Effective Tax Rate (ETR).
- The ETR will generate the same amount of tax revenue on the same properties that existed the previous year.
 - 2016 Adjusted Taxable Value x \$100

- $\frac{\$9,576,380}{\$2,168,603,638} \times \$100 = \0.441591
- 2016 Tax Rate Analysis:
 - Effective Tax Rate \$0.441591 - The ETR is the tax rate that will generate the same amount of property tax revenue on the same properties that existed in the previous year.
 - Adopting the effective tax rate is not feasible since Sales Tax decreased by nearly \$600,000.
 - Reduction of \$402,015 in the Proposed Budget would be required to adopt the ETR.
 - Provides for no additional positions
 - Target Proposed Rate \$0.450000
 - The Target Rate for the Proposed Budget was based on values received on July 22, 2016 from the Fort Bend Central Appraisal District. When the Proposed Budget was presented, a \$0.45 tax rate would have generated enough revenue to fund the Proposed Budget.
 - Reduction of \$212,028 in the Proposed Budget would be required for a tax rate of \$0.45.
 - Provides for no additional positions.
 - Proposed Budget \$0.459385
 - Although the Proposed Budget was targeting a tax rate of \$0.45, there were significant decreases in the values received from CAD causing the calculated rate to fund the proposed budget to increase. From July 20 to July 29, 35% of value under review was lost. The proposed budget, as presented, would require a tax rate of \$0.459385.
 - Current Tax Rate \$0.470000
 - The Current Tax Rate for 2015 is \$0.47. Adopting the current tax rate for tax year 2016 would allow funding for the proposed budget plus the addition of three police officers.
 - Roll Back Rate \$0.503806
 - The Rollback Rate is the tax rate that would be needed to raise the same amount of M&O taxes that the taxing unit levied in the prior year plus eight percent. If a taxing unit adopts a tax rate that exceeds the rollback tax rate, voters in the taxing unit may petition for an election on the tax increase.
- The Tax Rate History was presented by Joyce Vasut and the graph she shared began with the 2006 Tax Rate of \$0.555 to the current 2016 Tax Rate of \$0.470.
- Joyce Vasut reported the sales tax has continued to drop in Rosenberg.
- Joyce Vasut completed her presentation saying council will need to vote on a tax rate in order to publish a notice on the tax rate and set Public Hearing dates.
- Questions and Answers:
 - Q-Councilor Moses asked if it is possible to lower a tax rate after voting on a rate tonight.
 - A-Joyce Vasut said yes, the tax rate can be lowered, but not raised after this vote.
 - Q-Councilor Benton asked how many positions currently funded are open at this time in Police Department.
 - A-Chief Warren said four positions are open in Communications and three in the Patrol division.
 - Q-Councilor Benton asked what percentage is two cents out of a \$28.1 Million budget?
 - A-Joyce Vasut answered it represents 1.5%
- An additional discussion item was purchasing a street sweeper. While some Councilors wanted to purchase a street sweeper and hire an operator, it was the consensus of the Council to keep the current street sweeping contract and look at the future to purchase one or possibly two street sweepers to improve the street sweeping service to our citizens.
- Councilor Pena stated that he supported keeping the tax rate at \$0.47.
- Councilor Euton also stated she is in favor of keeping the tax rate of \$0.47. She said Rosenberg needs a continued police presence and the effect on a citizen is less than \$20.00 per year from the property tax, and there would be no effect on senior citizens.
- Mayor McConathy also stated her position to keep the tax rate at \$0.47, accommodate the additional three police officers, and continue the services we provide to our citizens.
- No action was taken on this item.

5. Consideration of and action to place an action item on the Agenda for September 06, 2016, to vote on a tax rate increase as computed under state guidelines with a proposed tax rate not to exceed \$0.47 per \$100 valuation.

EXECUTIVE SUMMARY

Chapter 140 of the Local Government Code and Chapter 26 of the Property Tax Code require taxing units to comply with Truth-in-Taxation laws in adopting their tax rates. These laws were designed to make taxpayers aware of tax rate proposals and to allow taxpayers, in certain cases, to roll back or limit a tax increase. Beginning with Tax Year 1998, any increase in property tax revenue requires the taxing unit to vote to place a proposal to increase tax revenues on the Agenda of a future meeting as an action item.

The City's current tax rate is \$0.47 per \$100 valuation. Based on the 2016 effective tax rate calculation, the 2016 effective tax rate is \$0.441591 per \$100 valuation. Thus, the proposed rate of not to exceed \$0.47 is considered a tax increase. Therefore, City Council should vote to place the proposed tax rate on the Agenda of a future meeting as an action item and to publish a Notice of 2016 Tax Year Proposed Property Tax Rate for City of Rosenberg. Two (2) public hearings on the tax rate will also be required. These items are summarized in the attached timetable.

Staff recommends placing an action item on the Agenda for September 06, 2016, to vote on a tax rate of not to exceed \$0.47 per \$100 valuation and to publish a Notice of 2016 Tax Year Proposed Property Tax Rate for the City of Rosenberg.

KEY DISCUSSION POINTS

- Joyce Vasut pointed out the Budget Timetable for meetings and Public Hearings as well as the Notice of the 2017 Tax Year proposed Property Tax Rate for the City of Rosenberg.
- Councilor Euton stated she liked the sample showing the proposed tax rate, the preceding year's tax rate, and the effective tax rate because it clarifies the information very well. Councilor Euton is in favor of the \$0.47 tax rate.
- Councilor Pena stated that when it is time, he would like to make the motion to place the item on the September 6, 2016 Agenda to vote on the \$0.47 tax rate.
- Councilor Benton stated he is not in favor of the \$0.47 tax rate increase, but in favor of discussing it again and voting on it again.
- Councilor Moses stated she is in favor of the \$0.47 tax rate plus the addition of three (3) Police Officers.

ACTION

Motion by Councilor, District 1 Jimmie J. Pena, seconded by Councilor at Large, Position 2 Amanda J. Barta to place an action item on the Agenda for September 06, 2016, to vote on a tax rate increase as computed under state guidelines with a proposed tax rate not to exceed \$0.47 per \$100 valuation.

VOTE: 6 - 1 Carried

No: Councilor at Large, Position 1 William Benton

6. Consideration of and action on setting public hearing dates related to the proposed ad valorem tax rate for the Fiscal Year beginning October 01, 2016, and ending on September 30, 2017.

EXECUTIVE SUMMARY

Chapter 26 of the Property Tax Code requires that taxing units comply with Truth-in-Taxation laws during the tax rate adoption process. These laws were designed to make taxpayers aware of increases in tax rate proposals and to provide an avenue for comment. The proposed rate is considered a tax rate increase and the City is required to hold two (2) public hearings on the tax rate.

Additionally, the City Charter requires at least one (1) public hearing on the proposed budget. Staff is recommending that the following dates be set for public hearings:

- Tuesday, August 23, 2016, at 6:00 p.m. - Public Hearing on Proposed Budget
- Tuesday, August 23, 2016, at 6:00 p.m. - Public Hearing on Tax Rate
- Tuesday, August 30, 2016, at 6:30 p.m. - Public Hearing on Tax Rate

Should these dates be approved by City Council, the public hearings will be included on the City Council Agendas for the meeting dates as indicated. Additionally, the required notice will be published in the newspaper to give the public proper notification.

KEY DISCUSSION POINTS

- Joyce Vasut read the Executive Summary.

ACTION

Motion by Councilor, District 4 Lynn Moses, seconded by Councilor at Large, Position 2 Amanda J. Barta to set public hearing dates related to the proposed ad valorem tax rate for the Fiscal Year beginning October 01, 2016, and ending on September 30, 2017.

VOTE: 7 - 0 Carried - Unanimously

7. **Adjournment.**

There being no further business, Mayor McConathy adjourned the meeting at 7:21 p.m.


Linda Cernosek, TRMC, City Secretary