

City of Pilot Point, Texas

Minutes of the August 20, 2020

City Council Budget Work Session Meeting

The City Council of the City of Pilot Point, Texas met on this date at 1:30 p.m. for a City Council Budget Workshop Meeting. City Council members present were Mayor Shea Dane-Patterson, Andy Singleton, Whitney Delcourt, Jim Porter, Pearlie Simpson, Dean Cordell and Matt McIlravy. City Staff members present were City Manager Britt Lusk, Police Chief Tim Conner, Planning and Development Director John Taylor, Finance Manager Lana Ensminger, Economic Development Corporation Director Denise Morris, Public Works Director Trent Vandagriff, City Attorney Andy Messer and Acting City Secretary JoAnn Wright.

AGENDA

A. ROLL CALL/CALL TO ORDER

Mayor Dane-Patterson took roll, announced a quorum and called the meeting to order at 1:40 pm.

B. REGULAR AGENDA

1. Budget Workshop

Mayor Pro-Tem Porter asked to speak first. He explained a few of the terms that are going to be used today. He stated he had been getting many calls and questions. Council needs to explain some of the terminologies Pryor to SB2 by the last legislation. So, there are some terms that need to be before you so that you can be aboard.

Prior to SB2:

Effective Tax Rate referred to the benchmark tax rate needed to raise the same amount of maintenance and operation property taxes on existing property as the previous year, after taking in to account changes in appraised values.

SB2 changed the term Effective Tax Rate and effective maintenance and operations tax rate to No New Revenue Tax Rate and No New Revenue Maintenance and operations property tax rate.

Roll Back tax rate was changed to Voter Approved Tax Rate.

De Minimis Rate is a new tax rate calculation designed to give smaller taxing units some relief from the 3.5% voter approved tax rate. The De Minimis tax rate is defined as the sum of a taxing units no new revenue maintenance and OPERATIONS tax rate and the rate when applied to TAXING UNITS CURRENT value will impose an amount equal to \$500,000 and a taxing units current debt rate.

Mr. Porter stated that with those terms being used today knowing what they mean should be easier for everyone to understand.

Mr. Porter stated he has never received as many emails and calls and knocks at the door as he has about the possibility of a tax increase like what is being talked about. There are a lot of concerns and many be realtors that if the City goes up this much on taxes that it will slow the sale of property in Pilot Point.

Mayor Dane-Patterson welcomed everyone. Ms. Dane-Patterson apologized for the time of day that this meeting is taking place but expressed that the City has a deadline to get the budget passed. She also stated that the City Manager, Finance Director and one other Councilmember met with the tax office about the finances since 2016. At this time Mayor Dane-Patterson turned the meeting over to City Manager Lusk to let him explain where the City is touch on the information the City goes from the tax assessor's office.

City Manager Lusk thanked Councilmember Porter for going over the terms. Mr. Lusk stated there were two other terms that he wanted to go over.

1. Operations and Maintenance (M&O) which is also referred to as the General Fund. This is used to pay for the operations of the city such as public safety, finance, city administration, city

secretary, those positions that are not in the utility fund, that do not have their own revenue source. The utility fund has its own revenue source such as the water and wastewater.

2. Interest and Sinking (I&S) is our debt services, that is where we pay our debt, such as bonds that were passed.

It is important to understand that the property taxes that you pay are not only figured from the city tax rate, but from the ISD and County as well.

Mr. Lusk explained some of the last few years of debt services. The debt services should be paid out of the general fund. Over the last several years the debt services have been paid out of the utility fund. If you look at the 2019-2020 total you see \$269,000 was reported and was all paid by the utility funds. If you go down to the 2020 total, you will see \$926,000 which is approximately \$600,000 which was paid for by utility funds and that is why we are in the situation we are in. Our utility fund has been operating in a deficit for several years now. Our utility funds pay for infrastructure for the water and wastewater that we desperately need. We should be using that utility money for building up the reserves and let the money in reserves make money for the City. The City has had to move money out of reserves to pay for general fund debts, and now we are trying to build up the reserves. We have not been able to give raises to the employees and have been losing some good employees to other cities that are paying more.

City Manager Lusk went over the proposed budget with Council.

Councilmember Porter asked Acting City Secretary Wright to go over the property tax exemptions.

Acting City Secretary Wright stated the exemptions are homestead, over 65, veterans and disabled. These exemptions are not automatically applied to the property. These can be applied for by going to the Appraisers office.

City Manager Lusk stated that if this proposed tax rate goes into effect, the rate on utility services will not go up.

Finance Director Ensminger stated the average water bill uses 10,000 gallons of water.

City Manager Lusk went over positions that were frozen. Mr. Lusk stated that by removing the wants from the list, the tax rate can be brought down from 80 cents with cuts down as far as 68 cents. We would have to extend replenishing the general fund to five years and extending the utility fund for a little longer.

Councilmember McIlravy stated he liked the sound of extending the replenishment. As Council we must save as much as we can and work on getting the reserves back where they belong. Mr. McIlravy asked the city manager how long he expected to stay at that rate.

City Manager Lusk stated that it will be more than a year. It is not going to be fixed overnight. It could be as much as 4 to 5 years. With the new construction, it could be 3 to 4 years. Mr. Lusk stated when you look at the numbers on the handout, the numbers have been all over the place. The biggest impact we will see if we go up on the utilities on the over 65.

Mayor Dane-Patterson stated this gets us closed to the voter approved rate. We need to make sure that the public understands what this all means.

City Manager Lusk stated he praises all the cities department heads in how long they are all working and the great job they are doing.

Mayor Dane-Patterson asked if anyone had any other questions.

Councilmember Simpson asked if the city could get a printout showing the numbers out to the public to explain the numbers.

Mayor Dane-Patterson suggest a video of all the staff showing the work.

C. ADJOURN

Councilmember Porter moved to adjourn at 3:04 p.m. Councilmember McIlravy seconded the motion. The motion passed unanimously.

Shea Dane Patterson
Shea Dane Patterson, Mayor

ATTEST:

Lenette Cox
Lenette Cox, Acting City Secretary