

**MINUTES: CITY COUNCIL WORK SESSION
AUGUST 18, 2008**

**PRESENT: Mayor Joe Higgs, Councilman Andy Garza, Councilman Robert Patton,
Councilman Mike Walker, Councilman Glenn Ervin**

MEMBERS

ABSENT: Councilman Thomas Muir

OTHERS

PRESENT: City Manager Mike Brice, City Secretary/Asst City Manager Rose Chavez

1. Call Meeting to Order.

Mayor Higgs called meeting to order.

2. Discussion on Tax Rate for Fiscal Year 2008-2009.

City Manager discussed this year's effective tax rate of 0.6388. There was a decrease in property values that had an impact on the tax rate. There was emphasis on the importance of going to the effective tax rate. The total tax base this year was \$330,142,406. There was a significant decrease of \$23,543,000. Discussion continued concerning property values.

City Manager explained that the big difference in the decrease was Wal-Mart. The Appraisal District advised that Wal-Mart has protested their personal property values, and they are scheduled for a hearing. This is normal procedure; however, it may not get resolved until later. Wal-Mart wants to make sure that the personal property is taxable in Sanger.

Discussion continued regarding the reduction of residential property values. There were concerns expressed by some of the Council concerning the increase in the tax rate. The City anticipates increasing water and sewer rates in the future, and the increase in the tax rate will impact the citizens.

Councilman Patton asked what the deadline is for protesting and when does it become finalized.

City Secretary advised that the deadline is sometime in April; however, there are circumstances that can lead to an extension. The process requires a hearing before the Appraisal District which is scheduled at a later date. The tax roll has to get certified by July 25th to allow cities to calculate anticipated revenues. The Appraisal District does not place the tax value of the properties that are in protest to keep the city from calculating revenues that may or may not be received.

Discussion followed concerning the time frame the Appraisal District will make their

determination. Staff gave an example using a property value of \$100,000 residential home, the revenue this would generate using our current tax rate of .59960, and the proposed effective tax rate of .63880. The calculated difference was \$39.20.

Councilman Walker indicated that the increase is about 6%.

Councilman Ervin expressed opposition for raising the tax rate. He wants to keep the rate the same as last year. He explained the City is going to raise water and sewer rates. The new sewer plant will have an impact, and the cost of those fees is not determined. The trash rate continues to go up. Councilman Ervin emphasized that it does not sound like a lot of money until you add them together.

Discussion continued concerning the increase in the tax rate.

City Secretary explained that on the financial side it has an impact on any future bond issuance. The 2006 bond issue on the \$6.5 million had dedicated funds for street improvements. There is a portion of tax revenue that is obligated for that debt. The City Council has to consider the impact this creates for bond ratings. City Secretary emphasized the need of not depending so much on budget fund transfers to operate the General Fund. City Secretary asked for possible consideration of a tax rate of somewhat in the middle. This would demonstrate that the City is taking measures to guarantee any future bond issue.

City Manager explained the importance on going to the effective tax rate. He explained this will impact the budget if Council considers a lower tax rate.

Discussion that the \$6.5 million represented \$1.5 million for Electric Improvements, \$1.0 million for Water Infrastructure Improvements, and the balance was for Street Improvements. The 2006 debt is guaranteed by tax revenues and utility revenues. The 2007 bond issuance was for \$1.5 million, and it was also a combination of certificates of obligations guaranteed by tax revenue and utility revenues. The City purchased two pieces of property with those funds, and the remainder of funds is to be utilized for the improvements to three other buildings.

Councilman Garza expressed a concern regarding the bond funds and the importance to utilize those funds for what they were intended.

City Manager advised that the funds are utilized for public work's buildings.

Lengthy discussion continued concerning the budget. City Manager advised that whatever the Council decides concerning the tax rate, the staff will make it work. There was an explanation of possibilities that could be considered, and one of those was to cut expenses in the proposed budget. City Manager indicated if Council had a concern in raising the tax rate and utility rates in the same year, he would encourage the increase in the utility rates.

The adoption of the budget and the tax rate will be on the agenda for the first meeting in September.

3. Overview of Items on Regular Agenda.

City Manager briefed Council that the health insurance cost will not be increased next year. This is due to employees staying within the network.

Councilman Ervin would like for the limb pick up ordinance to be on the next agenda for review and clarification.

4. Adjournment.

Mayor Higgs adjourned the meeting.