**PALM VALLEY CITY COUNCIL**

**MINUTES**

**SPECIAL MEETING**

**AUGUST 30, 2016**

The City Council of the City of Palm Valley met in a Special Meeting on the 30th day of August, 2016 at 5:00 p.m. at 1313 N. Stuart Place Road, Palm Valley, Texas. The meeting was attended by the following persons:

Mayor George Rivera

Council members: John Widger, Julie Martin, Debe Wright, Cynthia Thompson

Absent: Joe Jones

City Secretary: Sylvia R. Trevino

City Staff: A. R. Garcia, Police Chief

Rosendo Flores, Waterworks Supervisor

1. **CALL TO ORDER** – Mayor Rivera called the meeting to order.
2. **PLEDGE OF ALLEGIANCE** – Mayor Rivera led the Pledge of Allegiance.
3. **PUBLIC COMMENTS - None**
4. **PUBLIC HEARING HELD TO HEAR COMMENTS FOR OR AGAINST THE PROPOSED BUDGET FOR FISCAL YEAR 2016-17**

Mayor Rivera declared the public hearing open.

Mayor Rivera explained that there were a couple of variations on the budget. One budget includes the proposed tax increase and the removal of the water franchise fee from the City’s general fund and the other budget does not.

Councilman Widger added that the budget was submitted to the City Secretary as required by law and included an 8.2% increase in property tax. There were significant budget changes from the July 23rd meeting. This budget does not include the increase in the sales tax. On the City side, there is a surplus of about $104,000 and includes the increase in the property tax with about $48,000 in capital spending. On the water budget, it is pretty even and reflects a $5,000 surplus and includes the increase in the water rates. One year ago Harlingen Waterworks raised our cost by 17% ($25,600) but the City only passed 1/3rd of the increase to the customers.

Mayor Rivera questioned if $48,000 in capital spending was enough.

Councilwoman Martin pointed out that the City seriously needs to consider the drainage on the ponds that are on the Golf Course. She indicated she has done a lot of research and the ponds have never been drained and the City’s drainage pipes are full of sludge. They need to be cleaned out. The City has one pond that needs to be dredged. She indicated that she has been contacting some grant writers.

Mayor Rivera questioned if $20,000 to paint both fences (Wilson Road and Stuart Place Road) was enough. Some other capital items were an outside storage building, additional street lights, a camera system for the Police Department, and an administrative capital purchase.

John Hollingsworth, a local resident, commented that to his recollection nothing has been done with the dredging of the ponds and this needs to be addressed. Not only do you have to dredge but then you have to haul the sludge away.

Mayor Rivera explained the drainage route to Mrs. Crockett who asked about the drainage on the South side.

John Larsen felt that the $20,000 might not be enough for the painting of the fences and asked if there were any official estimates. The job would require at least two coats of paint plus primer.

John Polomny asked if the City had engaged engineers to look at the issue to express their opinion on the ponds. Mayor Rivera replied yes.

Councilman Widger added that there was one estimate of about $200,000 for only one pond.

Mayor Rivera commented that if the Council approves the budget with the tax increase, about $42,000 would be earmarked for street improvements out of a projected $104,000 surplus and would leave about $62,000 to work with.

Councilman Widger was of the opinion that the surplus would be $48,300 if the tax rate is left at the current rate and the franchise fee from the water department is eliminated.

John Hollingsworth stated that there are three major issues: streets, drainage, and sewers which are about 50+ years old. But what about the infrastructure underneath the streets? All this touches on the viability of the City because it has no revenue sources.

John Topp added not to forget the pipe underneath Palm Valley West has reached its age and will need to be replaced.

Donna Theall, a resident on Tangerine Street, commented on the water pressure. Mayor Rivera stated that yes; the City is struggling with the water pressure. Rosendo Flores has been monitoring this issue and it does not occur all the time but mostly during ‘peak demand’

Councilman Widger explained the budget to Councilwoman Thompson and stated that the during the past year, the City budget revenue was mostly property tax value which is going up about 1%. Revenue is increasing slowly with expenses at the level of inflation.

John Hollingsworth stated that he is in favor of the tax increase; however, the work on the streets will not begin in the life time of many of the residents. You need to let the citizens know. There is not enough money that will be generated from the tax increase to make a significant impact.

Councilwoman Martin stated that her thought would be that if they, as a Council, vote to hire a grant writer the City will still have to come up with a percentage match. The City will still need to have money to pay the grant writer. They, as a Council for four years, have tried to hold expenses down while still realizing certain goals.

John Polomny stated that he is against the tax increase. He stated that he is concerned about cascading tax increases and he is curious about what is going to happen in the next 20 years. It does have to do with the viability of the City. How does the City go about getting revenues? Will the infrastructure cave in? He suggested a property owner assessment.

Mayor Rivera commented that the City needs a ‘starting’ point. He added that Palm Valley is an aging community and there are streets, sewer, drainage, and water pressure issues to address.

Councilman Widger assured the audience that the City does not have collapsing pipes and there are no potholes on the streets. The City is just trying to prepare for future infrastructure needs.

Councilwoman Martin, in referring to the comment on owner assessments, commented this would be a huge burden to a lot of the City’s residents who are on a fixed income.

Joe Neely, a local resident, congratulated the Council for serving and added that he is for the tax increase provided the public is well informed on what the City will be doing with the money.

There being no further comments, Mayor Rivera declared the public hearing closed.

1. **DISCUSSION AND ACTION TAKEN ON THE PROPOSED BUDGET**

Councilman Widger explained the differences between the two proposed budgets: with the tax increase; removing the 7% franchise fee from the City side and he explained the reason for the removal was to give the Water budget more leeway. The water budget is expected to go in the negative in about 2020. The only way to bring in more money into the water budget is to increase the water rates. The costs are the same amount to deliver the water whether we use a little or a lot. Eliminating the water franchise fee would save the water department about $20,000 per year with an equal deduction in income on the City side whether we use a little or a lot. The increase in the water rates would only bring about $20,000 a year. At the time that the franchise fee was implemented it was because the City needed the money. Expenses in the water department are not decreasing and this will strengthen the water department by cutting off the 7% to the City.

Councilwoman Martin added that another employee is needed in the water department to replace one that resigned.

Councilman Widger stated that there is an unassigned reserve in the Water budget of about $370,000 but there are potential issues to address such as a water tower and the low water pressure and the intent is to prevent the budget from going into the negative at any time.

Further explanation was given on the water’s reserve: $529,000 total: $371,000 unassigned; $58,000 deposits and $100,000 contingency fund. Mayor Rivera recommended raising the contingency to about $130,000 for next year. There is a similar reserve on the City’s side of about $187,000 plus an emergency reserve of $150,000.

There was a consensus among the Council to include in the next agenda the removal of the 7% franchise fee from the City budget to the Water budget.

1. **(2nd) PUBLIC HEARING HELD TO SEEK COMMENTS FOR OR AGAINST THE PROPOSED TAX RATE OF $0.484116 PER $100 VALUATION**

Mayor Rivera explained that he is proposing a tax increase to generate revenue that will be designated as a reserve for street maintenance. A special election is also being proposed for a 1% increase in the City’s sale tax to bring it up to the 8.25%. This additional revenue will generate about $55,000 a year. He encouraged the public to vote for the sales tax increase.

Ms. Crockett commented that Palm Valley is a community where values are decreasing---not increasing.

Mayor Rivera added that 8% is the most that can be imposed through a tax increase without an election. He stated that this increase is not needed to maintain the everyday operations of the City but to have for future infrastructure needs.

He explained that a grant writer applies for federal grants to help with projects and hopefully, will not cost the City anything.

John Polomny commented that it does not seem logical to hire a grant writer if you don’t have the numbers. Grants are fine but you have to have a plan with numbers. He stated that the citizens needs to know what they are faced with---facts.

Councilman Widger stated that there is a number of $7 million to do the streets but the City is looking at different options The City also has information on the drainage and offered to have Mr. Polomny view the documents.

Mayor Rivera stated that the projects are addressed as funds are available and bonds will require that the City have a financial rating in order to get funds.

Councilman Widger reiterated that he would oppose a tax increase.

Councilwoman Thompson stated that she would support a tax increase. She has lived here for some years and she is not planning to leave. She also does not want to see the community go down. She is willing to vote for the tax increase as long as the City has the money for infrastructure needs. She agreed that there should be a plan in place and believes a plan can be developed. The City needs to make known what the City’s needs are.

Mayor Rivera stated that there is an ending balance of $104,000 which includes the $42,000 from the tax increase. That leaves about $62,000. However, you now remove the 7% franchise fee from the water. There will not be enough money to put away as a reserve.

John Topp also commented that there has to be a plan for the different options and until you get the whole picture and establish the priorities-----the citizens need to know where the money is going and the City has to ‘sell’ the tax increase.

Mayor Rivera stated that the City has enough to maintain its everyday operations as it is but there has to be a starting point. That additional revenue will be earmarked for streets 5-10 years from now.

Councilwoman Martin stated that she was undecided on the tax rate increase because she realizes the City has to have funds and needs to start somewhere. The set aside of funds was tried before and they were not used specifically for the purpose they were intended for back then. She, too, has an interest in this community.

Councilwoman Wright that the additional revenue would not make a major impact without knowing what the target is.

Mayor Rivera announced that the official vote on the adoption of the budget and the tax increase would be on the next agenda for September 8 @ 5:00 p.m.

Mayor Rivera declared the public hearing closed.

There being no further business Councilwoman Martin made a motion to adjourn the meeting. Councilman Widger seconded the motion and it carried unanimously. The meeting adjourned at 6:25 p.m.

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George Rivera, Mayor

Attest:

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Sylvia R. Trevino, City Secretary