

**MINUTES
SPECIAL MEETING
MINERAL WELLS CITY COUNCIL
CITY HALL ANNEX
August 23, 2016 - 6:00 pm**

City Councilmembers present were Mayor Mike Allen, Mayor Pro-Tem John Upham, Councilmembers Clif Wright, Brian Reagan, Tammy Underwood, and Wayne Johnson. There is one vacancy on the Council. A quorum of City Councilmembers was present.

Staff members present were City Manager Lance Howerton, Police Chief Dean Sullivan, Fire Chief Mike Pool, Finance Director John Moran, Public Works Director Kelly Jones, and City Clerk Juanita Formby.

A number of other visitors were present.

Mayor Allen called the meeting to order, Councilmember Tammy Underwood gave the invocation, and the Pledges of Allegiance to the U.S. and Texas were recited.

1. The only item on this special agenda was to hold a public hearing regarding the City Manager's proposed FY 2016-2017 annual operating budget and discuss the ad valorem tax rate for 2016, also discuss storm water utility district and take appropriate action.

Mayor Allen opened the public hearing at 6:04 pm, and asked for comments from the City Council first. A proposal was on the table from a previous meeting to set an ad valorem tax rate for 2016 of \$0.60 per \$100 valuation, and further to increase water rates by 10%.

Councilman Wright said he was not supportive of a tax increase or a water rate increase. He said many people in Mineral Wells were working more than one job to make ends meet, other taxing jurisdictions were raising taxes and other utilities were raising their rates, making it even harder. He thought the Council should seek other ways to generate revenue.

Mayor Allen said the inflation rate has affected the City as well as consumers, and reminded the Council that taxes were frozen for property owners over 65. He said the ad valorem tax revenue received by the City was barely enough to finance the Police Department, and there isn't much left over to provide other services. We must be willing to invest in the community if we want it to flourish.

Councilman Reagan said that government works best when its people participate; so the Council proposed a tax rate high enough to trigger public hearings. He said he wanted to hear from the citizens, and also wanted to hear from the City's Department Directors, how they would spend the extra money from a tax increase, were it made available to them.

The first speaker was Lidia Osbourn of 702 S.W. 23rd Street. She said she was not opposed to a tax increase but wanted to see the money used for tangible, identifiable projects that benefit the community. She observed that streets are in bad shape and there needs to be a lot of clean up in town. She was unhappy that water rates had been raised to support the reverse osmosis treatment of water from the Brazos River, and that project was suspended after much money was expended for it. Mr. Reagan explained that the RO treatment had been suspended because the drought broke and the lake filled up, making the RO project unnecessary, but it was suspended in such a way that it could be brought back on line if drought conditions recur. Ms. Osbourn asked how the Turkey Peak water reservoir project would be paid for. Mr. Howerton said that the Palo Pinto County Municipal Water District No. One has taxing authority, though they have not exercised that, and it would take voter approval to begin. Other than that, Turkey Peak was to be financed through a series of grants through the Texas Water Development Board and from bond issues.

Mr. Paul Schmidtke of 1605 N.W. 6th Avenue spoke, saying he did not grow up in Mineral Wells so is not familiar with how it was in the past. He said in the past two years Mineral Wells has lost 2000 residents, though the population of Texas has grown. He works in Fort Worth and says he co-workers say they love to come to Mineral Wells. He observed that Granbury and Kennedale have made themselves into vibrant communities, though they have less to offer than Mineral Wells. He showed the Council a list of grant opportunities he had researched, and suggested that the City could take advantage of these. His list included the Texas Capital Fund from the Department of Agriculture, and the Mayor assured him that Mineral Wells is the biggest user of that particular grant opportunity, having done about sixteen successful Texas Capital Fund projects. Mr. Howerton said that the City is very much a grant user, and has done any number of projects using grant funds in virtually every City department. He wanted to make clear, though, that grants do not normally fund projects 100%, that cities must provide matching funds. The larger the project cost and the larger the grant being sought, the larger the required match from the City; and the City does not always have the available funds for large projects. Mayor Allen told Mr. Schmidtke about Envision Mineral Wells, an ambitious project aimed at isolating problem areas and implementing solutions in Mineral Wells, and invited him to come to the next meeting.

Ginny Milliken of 605 NE 39th Avenue suggested that one way for the City to have extra money would be to get rid of Steve Butcher of the Area Growth Council and use his \$50k salary for needed projects. Councilman Upham took exception to this, saying that the Area Growth Council, among many other projects, just recently brought in American Precision Ammunition with the potential of 300 jobs. Ms. Milliken did not wish to continue speaking, but Mr. Reagan encouraged her to continue. She said our tax rate is already high compared to other cities, such as Stephenville. Council and staff discussed that Stephenville has vibrant retail that Mineral Wells does not have.

Also, the population of Tarleton State is a source of many consumers who generate lots of sales tax revenue. The college also has a large campus with many buildings that generate ad valorem tax money, and the college, not the City of Stephenville, maintains the infrastructure within the campus. Ms. Milliken said that Mineral Wells also has a college, the Weatherford College West Campus. Mr. Reagan pointed out that that is one building and not much of a tax revenue generator, and does not lure many consumers who will spend money in Mineral Wells. However, Mayor Allen and Councilman Wright discussed recent meetings with Weatherford College to establish a greater presence and a larger campus in Mineral Wells; but this, too, will cost money. Mr. Howerton said one must also consider appraised values when comparing Mineral Wells to other cities - housing in Mineral Wells tends to be modest, there are few million dollar homes that are more common in the other cities mentioned. The Appraisal District sets the appraised values, and the City cannot affect those decisions. Recently the City lost appraised value, mostly in minerals. Regarding water rates, Ms. Milliken said she could not understand why we have water restrictions when the lake is full. She wanted to be able to water at least three days a week. Mayor Allen said you can use all the water you want two days and week, also you can hand-water everyday subject to time restrictions only. Mr. Howerton said that restricting unattended watering to two days is becoming the norm for cities across Texas, as Texas is drought-prone and it is sensible to conserve water before conditions become severe. Weatherford and many Metroplex cities have enforced two-day restrictions. Ms. Milliken said that the citizens learned an important lesson when the lake nearly went dry (seeming to imply that water-users would self-police).

Mayor Allen stressed again his belief that maintaining a tax rate that only provides enough to get by for one more year, by maintaining the status quo, will never move this City forward. If we continue to only do the minimum we must do to get by, the community will never flourish. We cannot attract desirable industry if we do not invest in the community, if we do not generate enough revenue to build streets and infrastructure. The only way to make the lives of citizens better, he said, is to make the City better, and that takes revenue.

Lori Schmidtke of 1605 NW 6th Avenue distributed a handout she had prepared that compared Mineral Wells and Palo Pinto County to Weatherford and Parker County, and the state of Texas, in the areas of income, rents, home values, employment, health insurance coverage, education, labor force, and sales and ad valorem tax rates. Her research indicated that Mineral Wells compared unfavorably to Weatherford in most demographics. She observed that between 2010 and 2015, even though Palo Pinto County had increased in population, Mineral Wells has lost population. She surmised that it was because the cost of living here was too high for the low income afforded, and so they choose to live in rural areas. She also theorized that the low income of the people living here is attributable to the low education level. She says the community should promote education more, that she sees no evidence of that. We need to fix the root of

the problem and not just cover it up with higher taxes. Mr. Howerton pointed out to those present that Corrections Corporation of American closed its pre-release facility in Mineral Wells in 2013. At any given time, CCA had 1800 to 2000 inmates, and these lives were counted in the census as residents. When the prison closed, the absence of those people was reflected in the census numbers. Mineral Wells did in fact lose population, but the prisoners there did not spend money in town, did not contribute to sales tax, did not pay ad valorem taxes. He also mentioned that though Mineral Wells is often unfavorably compared to Weatherford, it is not a completely fair comparison. Weatherford is a bedroom community of the Metroplex, and is located on the Interstate, giving it an economic advantage. It is able to attract more retail, and property values in Weatherford far exceed those in Mineral Wells.

Mayor Allen recessed the meeting at 7:36 pm. After the break, he reconvened the meeting at 7:47 pm.

Councilman Reagan addressed a matter that had been mentioned by several of the speakers, the closure of Baker-Hughes, an oil and gas concern who employed a number of people. The speakers had challenged the City Council about industries leaving Mineral Wells. Mr. Reagan said that the Mineral Wells City Council did not control the gas and oil industry, and it would always be volatile in nature. He assured those present that businesses and industry were aggressively pursued, and pointed out that Weatherford, to whom we are often compared, had residents before they had retail. Also, regarding water rates, Mr. Reagan warned those present that when Turkey Peak Reservoir comes on line, water rates will sharply increase to help pay for the project. As he has mentioned several times in the past, he is dissatisfied with the Water District's engineering firm due to their inability to give a cost estimate for the Turkey Peak project. He feels the firm should be dismissed, but it is the purview of the Water District Board, not that of the City Council.

Mr. Barry Campbell of 605 NW 7th Avenue mentioned that retail space in Mineral Wells seems to be oftentimes used for storage. He said that some regulation against this should be in place. Staff told him that using ground floor of storefronts in the Central Business District for storage is a zoning violation; however, if it was being used as such before the law became effective, then it is non-conforming and must be allowed to continue until such time as it is discontinued, then it cannot be used for that again.

Laura Marsh, who is owner of Jitter Beans coffee shop in downtown Mineral Wells said she understands that the City must pay more for its materials, because her business does as well. She said that she has observed in her business that Mineral Wells gets many tourists on the weekends, and says other downtown businesses fail to profit because they aren't open. She simply asked the City Council to "go easy" on the taxpayers, they are feeling the financial crunch as well.

Christopher Perricone of 1500 Alamo told the City Council he was confused, he thought this meeting was being held so that the Council could tell everyone what their plans were for the extra money to be generated by the tax increase, but it appears they are seeking ideas from the public. Mr. Perricone said he had briefly looked at the budget, and said there were two areas he thought the City could conserve money. The City makes large payments to repay the Texas State Comptroller sales tax that was disbursed to the City in error. Mr. Perricone said the City should not have spent that money if they were going to have to pay it back. Also, the City pays out a large amount for employee health insurance, and why should the taxpayers pay for health insurance for other people, when they cannot afford it for themselves? Council and staff explained that the sales tax disbursement was an error made by the Texas Comptroller's office, the City accepted it in good faith that it was an accurate disbursement, and no idea they would be required to pay it back. City-paid employee insurance is an attractive benefit that helps the City attract and maintain good employees in the absence of consistent cost of living raises and historically low salaries.

Michelle Nations of 109 SW 14th Street asked if the tax increase will encourage growth or hinder it, as businesses must also pay it. Mr. Howerton said that there are several things an industry looks at when considering a location for their business; work force, transportation, materials availability, etc. but typically the ad valorem tax rate is low on their list of concerns. He also mentioned Fort Worth, Texas, a vibrant, growing community, whose ad valorem tax rate is around \$0.80. She asked about the possibility of a bond election in lieu of a tax increase, and staff responded that the tax payers ultimately pay for bond projects, as well.

Linda Porter-Bradford of 1004 NW 11th Street said she is 100% in favor of the tax increase. She noted that police officers in Weatherford are paid more than our officers, and stressed that she would like to see the salaries of police and fire remain competitive. As far as education, she said that must also be paid for by the taxpayers.

Someone asked if the tax rate were to be left at the current rate of \$0.53/\$100, what would have to be sacrificed from the new budget? Mr. Howerton said the new pay and classification plan that provided 2%-3% salary increases to City employees could be suspended; four police cars or \$100k in SCBA equipment for the Fire Department could not be purchased; seal coating for MH 379 could not be done, there are cuts that could be made in Parks such as closure of the swimming pool. He advised that the \$0.56 he recommended is absolutely needed to maintain current services. He did advise the Council about some good news regarding health insurance for City employees. The City had to reduce benefits, but the City's insurance broker found a plan with United Health Care that would save the City over \$160,000 for 2017.

Following remarks from the public, Public Works Director Kelly Jones, Police Chief Dean Sullivan, and Fire Chief each gave presentations as

to how extra money generated by a tax rate of \$0.60 could be used in their departments. During their presentations, Chief Sullivan and Chief Pool both observed that if the Council truly wanted to make a visible difference in Mineral Wells, and significantly improve the quality of life for its citizens, the most effective thing to do is remediate blight. In response to a question, Mr. Howerton said the City's demolition program is typically funded at about \$40k, though the proposed budget has only \$25k, due to scarcity of funds.

In response to questions, Mr. Howerton said that any increases in any line item in the proposed budget as it was presented would trigger an additional public hearing and must be published. Any decrease would not do so.

Following discussion, Councilman Upham moved that the City Council consider adopting a tax rate of \$0.60/\$100 for 2016, and to earmark the extra funds generated by the increase for the following designated projects/equipment:

PUBLIC WORKS

- Repair/chip seal certain streets in Holiday East Addition (\$52,000)
- Repair/chip seal certain streets in LaGrand/Oak Ridge Addition (\$39,000)

POLICE DEPARTMENT EVIDENCE ROOM

- Commercial overhead door opener and switch in dispatch (\$1,500)
- Commercial day/night security cameras outdoor (\$5,004)
- Add to existing security cameras indoor (\$1,308)
- IT/Telecommunications infrastructure (\$2,600)

POLICE PATROL

- Hand held laser radar (\$11,998)
- Self-aid buddy aid lifesaving kits (\$5,800)
- Expand body camera lease program (\$4,200)

ANIMAL CONTROL

- Commercial washer/dryer (\$8,250)
- HVAC Rework airflow/humidity control (\$10,500)
- Deep freeze with lock/security (\$2,698)
- Outdoor kennel shade structure for containment (\$4,500)
- Expanded microchipping and rabies program (\$9,600)

FIRE DEPARTMENT

- Thermal imager (\$8,000)
- Extrication Tools and Equipment (\$30,000)
- Lucas Devices CPR Assisting Devices (\$30,000)

Mr. Upham further moved to allocate \$106,000 (which was saved from employee health insurance coverage) to condemnations/demolitions/cleanup. Mrs. Underwood seconded the motion, Mr. Reagan voted nay, and the motion carried 5-1.

Mr. Upham further moved to consider a 10% increase in water rates for the upcoming year. Mr. Reagan seconded, Mr. Wright voted nay, and the motion carried 5-1.

2. There was no further business to be considered, and the meeting was adjourned at 10:20 pm.

/s/ Mike Allen, Mayor

ATTEST:

/s/ Juanita Formby, City Clerk

APPROVED: 09-06-2016