



**CITY OF HEDWIG VILLAGE, TEXAS  
SPECIAL CITY COUNCIL MEETING  
BUDGET WORKSHOP  
JULY 23, 2020  
5:00 P.M. - 955 PINEY POINT ROAD**

**MINUTES**

In accordance with Governor Abbott's Executive Order dated March 16, 2020 and continued by Executive Orders dated April 12, 2020, May 12, 2020, June 11, 2020, and July 10, 2020 relating to the COVID-19 pandemic and the need to minimize face-to-face contact, the City of Hedwig Village held the July 23, 2020 meeting in person with some participants joining the meeting via Zoom, as noted below.

**1. CALL TO ORDER**

Mayor Muecke called the meeting to order at 5:09 p.m.

Present: Mayor Brian T. Muecke

Councilmember Harry J. Folloder

Councilmember Dane Johnson

Councilmember Susan Mathews (via phone)

Councilmember Shirley Rouse

Councilmember Matt Woodruff

Kelly Johnson, City Admin./Secr.-  
Treas.

David Gott, Police Chief

Lisa Modisette, Asst. City Secretary

Absent: None

**2. DISCUSSION REGARDING THE PROPOSED 2021 BUDGET**

Kelly Johnson, City Administrator/City Secretary-Treasurer, reviewed the proposed budget including the estimated revenues, estimated expenditures, and estimated property values. The total proposed budget for 2021 is \$6,669,845.

- The proposed property values are an estimated \$1.164 billion. Harris County Appraisal District (HCAD) had not provided the certified tax rolls as of the date of this workshop.
- The revenues are proposed as follows:
  1. Ad Valorem tax rate will be the De-Minimis Rate of \$0.362260. Due to an increase in property values and the proposed De-Minimis Rate, there will be an estimated increase of \$503,000 in property tax revenue.
  2. Sales tax is projected to decrease by 20% to approximately \$1,650,000 due to the effects of COVID-19 on the local retail businesses.
  3. Franchise fees:
    - a. Includes an increase in commercial solid waste franchise of \$20,000 for a total of \$90,000
    - b. Cable and telecommunication franchise fees are projected to remain the same as last year

4. Ambulance reimbursement has been retained by the Village Fire Department the past two years. This trend is likely to continue.
  5. Court revenue is projected to decrease due to COVID-19 and reduced tickets being issued. The estimated loss of revenue is \$41,000.
  6. Interest rates have decreased. The estimated loss of revenue is \$30,000.
  7. There is an estimated increase in total revenue of \$63,245 for the 2021 Proposed Budget compared to the 2020 Budget.
- The expenses are proposed as follows:
    1. Personnel expenses are estimated to increase due to a proposed four percent salary increase and an estimated fifteen percent increase in health care insurance. The Texas Municipal Retirement System (TMRS) City contribution rate decreased slightly. The personnel expenses include the City's 2% contribution to the employee's 457 Deferred Plan.
    2. The fourth installment of \$13,038 in a five year payment plan for body cameras.
    3. The fourth installment of \$7,728 in a five year payment plan for in-car cameras.
    4. The final installment of \$7,344 in a five year payment plan for Tasers.
    5. \$14,000 in annual fees for seven automatic license plate readers.
    6. \$90,000 for two new replacement marked patrol vehicles.
    7. \$11,000 for new body armor for the police officers.
    8. \$26,000 to replace three computer servers. This amount was budgeted in 2020 but the servers were not replaced.
    9. Plan checking and inspections – This line item includes:
      - a. BBG Consulting Inc. is paid a monthly flat rate of \$12,500 plus plan review fees for projects over \$1,000,000 in value.
      - b. Health inspector, forester, residential drainage review engineer, and the traffic impact analysis for Memorial High School are also included.
    10. \$40,000 for the Beautification Committee. Possible projects include the final portion of the Campbell Road Esplanade Project, city marker landscaping, utility box mural painting, dog waste stations, and other miscellaneous projects.
    11. \$190,300 budgeted for the Reserve Fund.
    12. Tax Note 2018 - An estimated additional \$18,500 for the City's portion to complete the Village Fire Department renovation. The VFD Renovation Project estimated total is \$5.1 million.
    13. There is an estimated increase in expenses of \$63,245 for the 2021 Proposed Budget compared to the 2020 Budget.

Councilmember Woodruff stated the City will see an increase of people once the three new office buildings are completed. Those individuals will be using the City's infrastructure and emergency services. The increase in property tax revenue will offset the increase in expenses to accommodate such an influx.

Councilmember Folloder stated the Village Fire Department (VFD) Board of Commissioners may submit a request to the participating villages that the VFD keep the ambulance reimbursement funds in the future instead of refunding it to the villages. The funds would be reinvested in the VFD budget.

Councilmembers discussed the franchise fees received by the City for any small nodes. The City does not have any small nodes yet. Kelly Johnson stated any franchise fee from the small nodes would be included in the franchise fees already received from the various telecommunication companies.

Councilmember Woodruff asked if the plan review and inspection expenses were pass-through charges to the contractor. Kelly Johnson stated the plan review and inspection fees are included in the permit fee and paid for by the contractor.

Councilmember Rouse asked for an explanation for the increases in the Professional Services budget line item and the Infrastructure budget line item. The increases for the two line items total approximately \$600,000.

Kelly Johnson stated there will be increases to several professional vendors such as LJA Engineering, Inc., legal, BBG Consulting, Inc., and the HCAD quarterly assessment.

Kelly Johnson stated there will be increases and decreases in several budget expense line items such as:

- Personnel – a projected increase of \$92,328. This increase includes the VFD personnel.
- Operating/Maintenance – a projected increase of \$120,312. This increase includes the VFD operation/maintenance, plan checking, and inspections.
- Capital – a projected decrease of \$259,595. This decrease includes the VFD capital and street and drainage infrastructure.
- Designated reserves – a projected increase of \$10,200.
- Use of designated funds – a projected increase of \$100,000.

Councilmember Mathews asked if there is a process in place for Council to approve any expenditure of the Tax Note 2020 funds.

Kelly Johnson stated the proposed 2021 Budget does not utilize the Tax Note 2021. However, a budget adjustment would be done if expenses exceed the budget. Council would approve the budget adjustment.

Kelly Johnson reviewed the projected end of year balances for 2020 and 2021:

	2020	2021
• General Fund	\$1,359,383	\$1,359,383

• Tax Notes	\$63,459	\$45,009
• Police Seizure	\$17,895	\$17,895
• Debt Service	\$99,353	\$99,353
• Congestion/Mitigation	\$605,707	\$61,707
• Tax Note 2020	\$1,770,725	\$1,770,725
• Reserves	\$493,552	\$683,852
• Total funds available to end of year	\$4,410,075	\$4,437,925

Kelly Johnson stated the final payment for the Tax Note 2018 debt will be paid in 2021. She stated the opportunity to issue debt for street and drainage improvements without a large tax rate increase would be after the Tax Note 2018 debt was paid.

Kelly Johnson reviewed the street assessment. Several streets within Hedwig Village are in need of repair, maintenance, or replacement. The City has both concrete and asphalt streets. The concrete streets last longer if properly maintained. Three asphalt streets are a high priority for replacement. The proposed Street and Drainage Improvement Project would include the drainage and street replacement for eleven streets in Hedwig Village at an approximate cost of \$8,319,834. The proposed estimated cost to add five additional streets to the project would be approximately \$2,836,590. The total for the proposed project to replace sixteen streets and improve drainage would be approximately \$11,156,424. There would be a further cost to replace asphalt streets with concrete, estimate unknown at this time.

Kelly Johnson stated the new property tax law requires Harris County Appraisal District (HCAD) to mail each property owner a post card with the current tax rate, the No New Revenue Tax Rate, the Voter Approval Tax Rate, the De-Minimis Tax Rate, the proposed tax rate, and contact information for the City. The City must provide to HCAD the required tax rates by August 7, 2020.

Kelly Johnson stated there are options for the use of the Tax Note 2020 funds.

- The City could fund revenue shortages in the 2021 Proposed Budget in order to lower the proposed tax rate.
- The City could not spend the funds and wait to see the extent of the effects of COVID-19 on the City's budget.
- The City could replace Hedwig Way and Hedwig Circle, two of the three streets in Hedwig Village that are a high priority to replace. These two streets are currently not included in the proposed Street and Drainage Improvement Project.
- The City could pay back the Tax Note 2020 debt.

City Council would need to discuss long-term plans for how and when to fund infrastructure needs, how to fund small projects, and how to fund the maintenance of the streets.

**3. DISCUSSION AND POSSIBLE ACTION ON A PROPOSED TAX RATE THAT WILL EXCEED THE NO NEW REVENUE TAX RATE**

Councilmember Woodruff stated for every \$1.00 the City loses in sales tax revenue, the City also loses an additional \$0.50 in revenue from METRO. The METRO funds derive from sales tax spent within the City.

Councilmembers agreed the De-Minimis Tax Rate would be the prudent tax rate choice due to the uncertainty of the effects of COVID-19.

Councilmember Woodruff stated the City would be able to continue offering wonderful services such as police and fire/EMS protection, trash/recycling collection, etc. for a lower tax rate than the City of Houston.

Motion was made by Councilmember Johnson and seconded by Councilmember Woodruff to table action on a proposed tax rate. Motion carried 4-0.

**MOTION CARRIED UNANIMOUSLY**

**4. SCHEDULE PUBLIC HEARING**

Mayor and Councilmembers discussed the upcoming budget workshops. The decision was made to schedule:

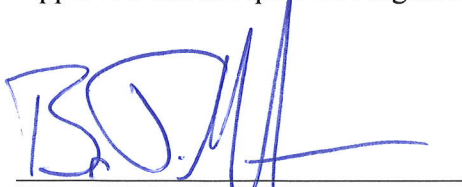
- The next budget workshop for August 6, 2020 at 4:00 p.m. Council would vote on the proposed tax rate at this workshop.
- The public hearing would be on September 10, 2020 at 6:00 p.m.
- The special meeting to adopt the 2021 Budget and set the 2020 Tax Rate would be on September 17, 2020 at 6:00 p.m. prior to the September City Council Meeting.

**5. ADJOURN**


Motion was made by Councilmember Folloder and seconded by Councilmember Woodruff to adjourn the meeting at 6:45 p.m. Motion carried 4-0.

**MOTION CARRIED UNANIMOUSLY**

Approved and accepted on August 20, 2020.

  
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Brian T. Muecke, Mayor

ATTEST:

  
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Lisa Modisette, Asst. City Secretary