

**MINUTES**

A special meeting of the City Council of the City of Pinehurst was held on August 1, 2023, at 6:00p.m. at Pinehurst City Hall Council Room. The following council members were present: Sarah McClendon, J. Michael Shahan, Joey Vance, Troy Pierce, and Greg Willis. Councilwoman Cynthia Adams was absent. Mayor Sarah McClendon called the meeting to order and established a quorum. Mayor Pro-Tem J. Michael Shahan gave the invocation followed by the reciting of the United States and Texas Pledges of Allegiance, led by Mayor McClendon. The following business was transacted.

Regarding the presentation of 2023 Property Tax Documents as received from the Orange County Tax Assessor-Collector and required by Property Tax Code Section 26.04, City Secretary Debbie Cormier advised that these documents were titled 'Certified Totals for 2023.' Ms. Cormier stated that these documents were prepared by the Orange County Appraisal District (OCAD) Director Scott Overton and presented to the Orange County Tax Assessor-Collector Karen Fisher and then to the taxing entities. She informed Council members that this agenda item did not require a motion but rather a simple acknowledgement from the Council that the documents were presented and reviewed. Ms. Cormier reviewed the documents with Council members, noting taxable values, exemptions, average homestead value, tax ceilings, OCAD worksheets, top taxpayers report, and mineral value recap. Ms. Cormier also read aloud the Certification of the 2023 Anticipated Collection Rate and the 2022 Excess Debt Collection as certified by Orange County Tax Assessor-Collector Karen Fisher. The mayor and council members acknowledged that the documents had been given to them and reviewed with them by City Secretary Debbie Cormier.

Ms. Cormier requested that Agenda Item #3 and Agenda Item #4 be reversed so that the budget could be explained prior to proposing the tax rate. She read the budget statement aloud and pointed out property tax rate comparisons between FY2023-2024 and the prior year of FY2022-2023. She informed the Council that this was a \$3.6 million proposed budget, as shown on pages a & b, and stated that amount was an increase of about \$200,000 over the current budget.

Ms. Cormier continued by saying that the proposed budget included a 3% across-the-board salary increase for all full-time employees. She advised that the General Fund would realize a net gain of approximately \$8,000 with this proposed budget. She explained that the budget discussion tonight would cover only the highlighted (changed) budget amounts. She noted that the General Fund budget required a transfer of \$165,000 from the Garbage Fund; \$20,000 from the Water/Sewer Fund; and \$60,000 from the Capital Fund. She advised that transfers from reserves should not be necessary with this proposed budget. She noted that grant funds were listed as zero. She explained that grant funds were received and then disbursed so the result was zero unless there was a cost share. She stated that grant cost shares would be paid from ARPA funds for this budget year.

Ms. Cormier reviewed the property tax calculation worksheet that reflected the revenue for Maintenance & Operations as well as the revenue for the Debt Service. She noted that the Property Value was multiplied by the proposed M&O tax rate of \$0.607246, then that result was multiplied by 98% collection rate. Then the frozen levy amounts for the disabled and those taxpayers over the age of 65 were added yielding a result of \$785,626.24 for M&O property tax revenue. She explained that the proposed total tax rate consisted of two components: the M&O rate of \$0.607246 and the I&S rate of \$0.066750 for a total tax rate of \$0.673996.

Ms. Cormier advised that all the salaries line items had changed due to the 3% proposed increase. She noted that the payroll taxes and retirement lines were affected by that increase and those lines had also increased. The first page with a yellow highlight was Page 10, General Government, Transfer to Debt Service. Ms. Cormier informed Council members that there should not be a need for that transfer and stated that the debt service should be covered by I&S property taxes. The next page with highlights was Page 14, Water/Sewer Fund Recap. She noted that there should not be a need for any transfers from Reserves if this budget was strictly enforced. She stated that she had not entered a budget for 'Gain on Sale of Assets' and said that was because she did not know if surplus items were to be sold before or after October 1 of the current year. She advised if the items were sold AFTER October 1, it would simply make the revenues larger for FY2023-2024. The last highlighted item on this page was debt service transfer. She stated there would not be a need for that line item with this budget. She advised that the net gain with this proposed budget would be \$10,105.05.

Ms. Cormier directed the council members attention to Page 16, the next page with highlights. She stated that there would be no need for the Water/Sewer Fund to transfer any funds to grants because the cost shares would be paid from ARPA funds. She noted that the Transfer to General Fund had been reduced from \$30,000 to \$20,000.

Ms. Cormier advised that the Garbage Fund should realize a net gain of approximately \$57,000. She told council members that she had not changed the amount of Garbage Collection Fees nor the amount of Garbage Disposal Expenses. Again, she informed council members that Piney Woods had not requested any changes. She stated that such a request had to be submitted by March 1, according to the contract. She noted if rates were not changing, then revenues and expenses should not change.

Ms. Cormier again turned attention to the tax rate calculation worksheet. She reviewed the debt section of the worksheet. She advised that the total property value was multiplied by the proposed debt service (I&S) rate of \$0.066750, then the result was multiplied by a collection rate of 98%. That result was then added to the frozen levy of the disabled and those over age 65, yielding a result of \$86,357.98 for debt service (I&S) total property tax revenue. She stated that the General Fund Debt Service should not need any additional money transferred from any other fund in order to meet its debt obligation.

Ms. Cormier reviewed the Water/Sewer Debt Service worksheet. She stated that the Series 2013 Refunding COs, Series 2014 Whippoorwill COs, and the Case Backhoe would be paid with money from the Interest and Sinking Fund and Water/Sewer Funds specifically allocated for this purpose.

Ms. Cormier reviewed the Capital Outlay & Lease Schedule. She noted the lease payment of \$85,500 for the 2023 Gradall. She stated that the first lease payment was due on November 28, 2023 and the last payment would be due on November 28, 2029. In addition, she discussed the purchase of a Polaris UTV for the Water/Sewer department. She stated that this vehicle was budgeted and would be purchased rather than leased.

Ms. Cormier noted that the last four pages were salary and benefits pages. She pointed out the 3% increases, the increase in the City's retirement contributions percentage, and the increase in insurance premiums.

Ms. Cormier advised that the proposed tax rates were needed in order to provide the 3% salary increase. She stated that she had started with a much higher rate and lowered it several times. She noted that the proposed tax rate was the lowest that the city could go and still end up with a small net gain in all funds.

Ms. Cormier directed attention to two tax rate documents that were included in council members' packets. She advised that one set of documents was from OCTAC Karen Fisher and the other set of documents was prepared by Ms. Cormier. Ms. Cormier noted that her documents and Mrs. Fisher's documents matched perfectly. Ms. Cormier advised that part of the tax rate documents was for Unused Increment Rate (Page 8). She explained that there was always a voter approval tax rate and then there was the rate that was actually adopted. She noted that the two rates were not always the same. She stated that sometimes the adopted rate was lower than the voter approval rate. She said when that happened, it created unused increments. She noted in order to give everyone a 3% increase and cover all expenses, the city would need to use some of its unused increments this budget year. Ms. Cormier explained each year of the unused increments worksheet and stated that the city had \$0.103890 in total unused increments. However, she stated that it would not be wise to use all of those unused increments. She noted that \$.05670 from 2020 would be dropping out of next year's calculations. She informed council members that the difference in the voter approval rate without the unused increments and the proposed tax rate was \$0.016968, less than two cents. She explained if the city used \$0.016968 this year, that would leave a cushion of \$0.030222 so that the city would not have to subtract from the voter approval rate next year. Ms. Cormier advised that everything should be fine IF the unused increments worked as expected. She also noted that she could not promise anything because the city had never tried this before. She said that this avenue was the only way that she knew to be able to give the 3% increase and sustain it for the next year. She stated beyond that time was unknown. Ms. Cormier asked if all council members understood the explanation of unused increments. All answered affirmatively and none had any further questions.

On consideration of proposing to adopt a total tax rate of \$0.673996 for the 2023 tax year, Ms. Cormier stated that the Council was NOT voting to set the property tax rate tonight. She noted that vote would take place in the future. She stated that the Council was voting to PROPOSE the tax rate listed above. Mayor Pro-Tem J. Michael Shahan made the following motion:

“I move that the proposed property tax rate be increased by considering the adoption of a tax rate of \$0.673996, which is effectively a 10.99 percent increase in the tax rate.”

Councilman Greg Willis seconded the motion. A record vote was taken with the following results:

Greg Willis	Aye	Troy Pierce	Aye
Joey Vance	Aye	J. Michael Shahan	Aye

The motion unanimously passed.

Regarding a proposal to consider the budget as presented or with specific revisions, Councilman Joey Vance made a motion to consider the budget as presented. Councilman Troy Pierce seconded the motion. A record vote was taken with the following results:

Greg Willis	Aye	Troy Pierce	Aye
Joey Vance	Aye	J. Michael Shahan	Aye

The motion unanimously passed.

On consideration of setting dates for required public hearings, Ms. Cormier advised that there were many rules regarding adopting municipal budgets and property tax rates. She informed the Council that in a Type-A General Law City, the Council must wait 30 days from the time the budget is submitted to the City Secretary before they can vote to adopt the budget. She noted that the budget had just been submitted to her, so the earliest date for the vote would be around September 1<sup>st</sup>. She also noted that the Labor Day holiday was also around that time. She stated that the city already had a council meeting scheduled for September 12<sup>th</sup>. She advised that the hearings and adoptions for both the budget and the property tax adoption could be held on the same night.

Councilman Greg Willis made the following motion:

“I make a motion to set the date for the Proposed Budget Public Hearing and the vote to adopt the FY2023-2024 budget on September 12, 2023.”

Mayor Pro-Tem J. Michael Shahan seconded the motion and the motion unanimously passed.

Councilman Troy Pierce made the following motion:

“I make a motion to set the date for the Proposed Tax Rate Public Hearing and the vote to adopt the 2023 Property Tax Rate on September 12, 2023.”

Councilman Joey Vance seconded the motion and the motion unanimously passed.

Under the announcements, comments, and requests from Council, Councilman Greg Willis noted that all the increases on the salary pages of the proposed budget seemed to be accurate with the exception of Milton Freeman. Ms. Cormier explained that Mr. Freeman would be receiving his final step increase on the Water/Wastewater Operator scale in addition to the 3% across-the-board increase.

There being no further business to transact, Councilman Joey Vance made a motion to adjourn. Councilman Troy Pierce seconded the motion and the motion unanimously passed. Mayor McClendon adjourned the meeting at 6:47p.m.

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Mayor

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City Secretary