

CITY OF CASTLE HILLS
SPECIAL CITY COUNCIL MEETING
MINUTES OF MAY 24, 2010

A special meeting of the City Council of the City of Castle Hills was held at 6:00 p.m. on Tuesday, April 13, 2010, at the City of Castle Hills, 209 Lemonwood Drive, Castle Hills, Texas, 78213.

I. OPENING

A. QUORUM - Present and composing a quorum of the City Council were Mayor Marcy Harper, Douglas Gregory, Steve McGuire, Bruce Smiley-Kaliff, Tom Davis, and Marcella Huff.

Staff present was Interim City Manager Rita Hoyl and City Secretary Linda Gill.

II. ANNOUNCEMENTS - None

III. REPORTS - None

IV. BOND ISSUE WORKSHOP

MEETING WITH FINANCIAL ADVISOR TO DISCUSS OPTIONS FOR MAJOR STREET IMPROVEMENTS, BOND ISSUE SIZE AND FORMULATE PLAN OF FINANCE.

Mayor Harper called the meeting to order at 6:00 p.m. and recognized Ann Berger of First Southwest.

Ms. Berger referred council members to a draft of the schedule of activities required for a bond election in November. She said the schedule was for purposes of discussion and noted that the bond election does not need to be called until August 24, 2010, which gives the council time to decide what the projects will be and consider different scenarios. She briefly discussed the Bond Buyer's Index of 20 municipal bonds which currently is 4.27% or .33% higher than the 22 year low. Ms. Berger pointed out that stress in the financial markets has resulted in very volatile interest rates. She said that short term bond issues have benefited from a steeper yield curve over the past three years.

In order to do an analysis for the city, Ms. Berger said she needs guidance from the council as to which streets will be worked on and what the projects will be. She said that costs of road projects have been coming in at 60-70 percent of what they were two years ago.

Council members looked at a revised repair cost and schedule from City Engineer David Givler that illustrated two phased options. Councilman Gregory recalled that the original estimate in 2007 was \$31 million. Councilman McGuire related that the revised cost is \$28,500,000 and commented that they need to figure out how much they are going to ask for. Council member Smiley-Kaliff inquired if the Street Maintenance Fund can be used to lower the front end of the bond. Councilman Gregory said the Street Maintenance Fund will be a sinking fund to pay a portion of the debt service.

Councilman Smiley-Kaliff proposed taking a specified amount from the Street Maintenance Fund and doing some of the simpler projects, such as *cut and replace*, to help sell the bond and show residents what will be done with the bond money.

Councilman McGuire went over the legend on the schematic drawing of the streets to better understand the planned projects. Councilman Davis noted that curbs would not be included in the repairs.

Discussion turned to the flooding problems at Carolwood and Banyan. The mayor said that water had never gone into the houses there. She said that water covered the front yard and went up to the front door at Banyan and Gardenview. The council explored different options to solve the flooding problems on Banyan.

Council member Gregory asked if there was a tacit agreement among the council members that the money should go for long term projects, as opposed to projects that may last only seven years. He said he thought that should be decided first. Council member Huff suggested doing a combination of major, medium, and low problem areas to let people know what is being done. Councilman Gregory asked council members to keep in mind that, as Ms. Berger stated, they do not want long term debt to do short term projects. Council member Gregory said they should consider buying Certificates of Deposit with the Street Maintenance Fund money and opening a line of credit for shorter term repairs.

Mayor Harper suggested that taking the Carolwood watershed cost of \$5,600,000 out would get the cost of Option 2 down to \$24,000,000 and removing some streets that can wait longer for repair could possibly get the total cost down to \$19,000,000. Council member Huff commented that the next thing they need to do is find out how hard the numbers are. She guessed that they might get it even lower. Councilman McGuire noted that Givler's schedule of phased repair costs was revised in February of 2010. After some discussion among council members, council member McGuire said they should not adjust the cost down. If the cost ends up being lower, citizens will be happy that they got it for less. He said, for discussion purposes they should use Givler's prices. He said the council just needs to decide how much to go for.

Councilman Gregory remarked that he thought \$15,000,000 will be the best they can sell to the community. In answer to a question from council member Huff asking if the bond could be split, Ms. Berger said that they may be able to do one package for one part of the bond issue and a separate package for another part; but

she would have to get the bond commission's approval. Council member Huff commented that for the council to sit there and say what the people will do or not do is arrogant. Let them decide. Councilman Gregory said he strongly encouraged that the bond issue be put on the ballot in May because of the rise of the Tea Party, which is taxed enough already. He was unsure what would happen if the bond issue was put on the ballot in November.

Council member Huff said the council could sit and politically strategize until they are blue in the face, but this is not a political issue for her. She said it is serious. If the people want their streets repaired, let them decide. The council needs to give the people as much good information as possible to make the right choice for them. She stated that citizens need to know what it is going to cost and what they will get for their money, which is why she asked if they could vote on two options.

Councilman Davis said that he agreed with council member Huff. It's the number one thing people have said they want. He said let the voters vote for it or vote it down. If they vote it down, then the council can come back with a lower amount.

Council member Huff said she did not know how she would break the issue into two parts, maybe Phase I and Phase II. She said she was just brainstorming and wondered if they could break it into parts and how they would break it. Councilman Davis said that they should have town meetings to educate residents so that they know what it is going to cost and to let them know it is their choice if they want their streets fixed. Councilman Smiley-Kaliff remarked that the council should tell the people that it took 50 years to get here, and this is what it will cost to do all the streets.

Council member McGuire said that he thinks it should go on the ballot in November, and his personal preference is to do the whole thing. He indicated that he would hate to ask for part of it and have to come back in May or the next November and ask again. He asked Ms. Berger if she could give a ballpark figure of the effect on the city's tax rate for the whole project. Councilman McGuire recalled talking about .15 per 10 million, plus or minus 30-40 per cent. Ms. Berger recalled that they were talking about a \$32,000,000 bond issue, and they got up to .50, but that was using the full interest rate.

Councilman McGuire said the city's tax rate at present is .4586, and doing the whole enchilada means .50 will double the tax rate. He said that it is the right thing to do, and the council will need to be out there walking the streets and pounding on doors to sell it. He commented that he would rather do that than educate the people and put it to a vote, only to go back in 2-3 years and say that they didn't tell them about the other half.

Councilman Gregory mentioned that the council is facing next year's budget, and he does not think the city can afford the \$28,000,000 plan. He indicated that he would support, maybe half. Council member McGuire read a list of tax rates from similar surrounding cities. The council discussed the impact of the tax increase on

residents. Councilman Smiley-Kaliff indicated that he will make a personal commitment to do his best to do everything he can to sell the \$28,000,000 bond. Councilman Gregory said they are dealing with two things, fixing the streets and selling the plan. He reiterated that he could not support the \$28,000,000 plan. Mayor Harper said that she couldn't either, and Councilman McGuire said he would, only if the council's vote is unanimous.

Responding to questions from council member Huff, Ms. Berger explained that the the bond is set at the principal amount. She said that they also do a calculation that says the belief is that this will translate into a tax rate of a certain amount. She stressed that the voters are voting on the amount of the bond, not the tax rate. She indicated that whatever the tax rate will be, will be. If they get into a situation five years from now and things plummet, the rate may have to increase. Ms. Berger said that, once the election is called and the bond amount is stated, it cannot be changed.

Councilman McGuire suggested what they can do is have workshops before the amount of the bond is set to get voter feedback.

Councilman Gregory remarked that he recommended going for half the bond and letting the people know that the other half will be done later by a vote of City Council. Council member Huff said that they would, essentially, be voting for the same amount. Councilman Davis said that would be asking citizens to vote on a balloon payment. Council member Huff asked about doing a bond in parts. Ms. Berger said that she has a note to call Tom Sturgeon tomorrow and ask him.

Councilman Smiley-Kaliff commented that it took 50 years to build the city's network of streets, and the council has to look at where the city will be in 10 years. Councilman McGuire remarked that they need to ask the city engineer if the estimated costs can be cut. Council members discussed what items might be cut from the total plan to decrease costs. Councilman Smiley-Kaliff noted that once they build these beautiful streets they need a preventative maintenance plan.

Discussion led to Mayor Harper announcing that City Engineer Givler will be at the next meeting to answer questions from the council. Councilman McGuire said the next steps should be finding out if the bond can be split and finding out from Givler about Carolwood/Banyan and the alleyways. Ms. Hoyle said that she would email the council with meeting dates and ask Givler to be there.

Councilman Gregory said that, if the council has a sense that the whole package should be put in the bond, he will support it.

V. ADJOURNMENT

Mayor Harper adjourned the meeting at 7:47 p.m.

These Minutes were approved on the 30th day of June, 2010.

APPROVED:

Marcy Harper, Mayor

ATTEST:

Linda Gill, City Secretary