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COMMISSIONERS' COURT
SPECIAL MEETING
AUGUST 31, 2011

Notice is hereby given that the Titus County Commissioners' Court met in a special meeting on Monday, August 31, 2011 at 9:00 a.m. in the Titus County Courtroom, with the following members present:

Brian P. Lee	County Judge
Don Boggs	Commissioner Precinct 1
Mike Fields	Commissioner Precinct 2
Phillip Hinton	Commissioner Precinct 3
Thomas Hockaday	Commissioner Precinct 4
Dianne Norris	County Clerk
Carl Johnson	County Auditor

Public Attending Meeting:

Sue Evenwel	Gerry Evenwel	Judy Kent
Peggy Jones-Daily Tribune	Barbara Bruechner	A.L. Spence
Paul Adams	Hudson Old	Karen Adams
Wade Hunnicutt	Elmer Patton	Maxine Patton
Eric Bruechner	Nigel Christopher	Albert Riddle
Troy K. Sellers	Alan McMillin	O.M. Adams
Katheryn Moyer	David R. McNeil	Glenda McNeil

Pledge of Allegiance led by:	Judge Lee
Invocation by:	Judge Lee

- 1) Consider a proposal to increase total tax revenues from properties on the tax roll in the preceding year and set a public hearing date (Listen to audio track 1, 00:01:03).
 - a. Judge Lee: “I do have three (3) requests for public comment. I am going to read a letter into the record. But before that, I want to start the meeting by letting Carl Johnson, County Auditor, just tell you what numbers that we are talking about today, so you can be thinking about that as each one of our speakers makes their address today”.
 - b. Carl Johnson: The big item that is driving all of these numbers is the potential lawsuit from Luminant/Texas Utilities. State approved appraisers, not by the local appraisers; a group of people that appraise those types of properties set their valuations. The appraisal for the Luminant property was a little over \$900,000,000.00. Our total appraised values on the certified roll was given to us at the end of July, was a little over \$2.6 billion, so that is roughly 1/3 of our total valuation is that Luminant plant and the associated equipment and mining operations and everything that goes with that. When they got their appraisal, just like anybody else has the right to do, they protested their appraisal; they went before the Appraisal Board and the appraisal board ruled in favor of the Appraisal District. They have since notified of the possibility of filing a lawsuit, which is the next step that you do if you do not agree with your appraised value. They have until October 6 to file the lawsuit, which is after the date that we have to set out rates and our budgets. The number that is in contention, according to the Appraisal District report that they gave us, is \$421,000,000.00. Those taxes, if they file a lawsuit, do not have to be paid because the taxes on that \$421,000,000.00 that is in disagreement do not have to be paid until the lawsuit is settled. Even if they were paid, we would have limited ability to use the money because until the lawsuit is settled we do not know whose numbers are going to be right, and who is going to be paying who back. We have limited ability to use those numbers anyway. Our tax rate on \$421,000,000.00 is roughly \$1,600,000.00; that is how much property tax money that we are not going to be able to use.

- c. Carl Johnson: The total budget, including the payments that we have to make on the Loop, is about \$13,000,000.00.
- d. Judge Lee: Would you address how things would happen should that lawsuit be in favor of the County.
- e. Carl Johnson: If we set the rate that we have talked about, saying a proposed rate and then approve that rate at the end of September, we are going to collect about \$888,000.00 more taxes than collected the year before. That is about half of the \$1,600,000.00 that we are losing, but it is \$888,000.00 then we collected the year before not counting the \$1,600,000.00. If the lawsuit comes out in the Appraisal District's favor and Luminant is required to pay the \$1,600,000.00, then we are going to have the \$1,600,000.00 plus that \$888,000.00. My understanding is what would happen at that point, you could not do anything about the tax rate for this year because it has to be set already. However, in years going forward we would have those additional funds we would be able to lower tax rates back down, because we would have that additional money available to us. However, I do not know if that lawsuit will settle in 6 months, 12 months, 3 years, you all are as familiar with lawsuits and the speed that they go through the system as I am, so I do not know how long it will take to get the suit settled. With that much money, there is a very good chance that whatever the first Court Decision that it is going to be appealed by one party or the other anyways, so this may go all the way to the Texas Supreme Court before it is settled. So that is kind of the predicament that we are in, we are looking at \$1,600,000.00 less money coming in the county for the current year than what we had originally planned on because of the valuation.
- f. Judge Lee: Do you want to discuss rates at this point?
- g. Carl Johnson: I can tell you the rate that we talked about doing. We talked about going up a little under \$.04. The rate for the current year is 34.83 cents per \$100.00 the rate that we are talking about proposing is 38.72 cents per \$100.00. This is below the roll back rate and it would bring in about half of the money we need to cover the shortage.

- h. We are taking \$25,000.00 out of each Commissioner's Precinct, just that much more tax money..., because we are still close to \$800,000.00 short even after we raise the taxes. Each Commissioner has reduced their budget by \$25,000.00, which is \$100,000.00 of the shortfall. Actually, the budgets are reduced a little more than that because the other source of revenue for their individual precinct budget is auto registration fees and those are down for the past year too.
- i. The budget that we are looking at right now, we are still going to run about \$270,000.00 deficit, it is going to come out of our rainy day money. In the current year, we have also run a projected deficit that is probably going to be between \$250,000.00 and \$300,000.00. Those are mostly due to one-time large ticket items. Last year we had to spend \$280,000.00 on the roofs at the jail, that is not an every year expense but that is going to come out of our rainy day fund money this year. There is \$219,000.00 to replace all the electric panels in the Sheriff's jail that control all of the jail operations. Out of the \$280,000.00 projected deficit spending for this year, \$219,000.00 is a one-time item.
- j. We are not through with the budget; I think everybody is still looking at it to see if there are some other places that we can make some cuts.
- k. Judge Lee: Would you briefly discuss the implications of using fund balance to cover our shortage and the problems associated with that, in light of our Loop project?
- l. Carl Johnson: Over the past several years, since the Loop project was approved by the voters in 2006, that project was originally projected to cost about \$160,000,000.00. The State is picking up the \$160,000,000.00; they are not picking up the interest on the note during that time. We are hoping the number comes in even less than that, but so far, we have issued \$70,000,000.00 in bonds for construction work so far on the Loop. When you issue those bonds, the bonding companies rate your bonds. They look at your County, tax base, tax rates, and the financial shape of the County. In addition, they look to see if you have some reserves, to see if you have been financially sound in the way you have operated the county. All of that goes into determining a couple of things with the bonds: what rate they set it at, whether they consider the bonds to insurable,

whether they rate the bonds AA, 1A, B, C etc. Those different ratings affect interest rates. If you are a B or a C bond, they consider those more risky. The investors want a big return because they are not sure they are going to get their money back when they buy the bonds anyway, so they charge you higher interest rate. The taxpayers of the County are paying for a large part of the interest rate. It is important to try to get those rates as low as you can; those bonds are for 20 years. We have tried to run the County as financially sound as we can. We have built up a fund balance, partially to show the bond people that we are conservative with our money, partly because it is \$160,000,000.00 potential project, we might need 4 or 5 million dollars cash to help finish up the project rather than borrow money. We have a little over \$5,000,000.00 in the fund balance reserve right now. All of the construction projects, as we understand it, will be bid out and bid accepted by March. We will know how much the projects will cost by March. We hope that number is considerably less than \$160,000,000.00; all indications are that it will be less than that. It is to our benefit for the deal to cost as little as possible to get it built. We do not know those numbers, so we are hesitant to spend many of our reserves. The bonds also have to be issued in March and they are going to want to see how much fund balance you have, are you staying as close as you can to a break even budget, they are going to be a little concerned about the Luminant factories. Several factors are going to affect how the bonding companies look at our debt and our ability to pay back the bonds. They are also going to look at the fact that the State of Texas is on board for paying the vast majority of that number. They are guarantying to pay \$8,000,000.00 for twenty (20) years. However, we do have pay some of the interest on the project.

- m. Judge Lee: It is important that you heard that because we do have some things in the air, variances that are unknown right now. If we were a year down the road and we had the Loop project already bid and we knew exactly where are dollars were, we had the bonds issued, we would be making some different changes, I believe. Despite the fact that we have a nice solid reserve built up, I do not think for that reason that taking a big chunk out of that reserve would be smart to do right now. Unfortunately, the timing is not in our favor, but the good news is we

are building this loop at a time when construction costs should prove favorable and the interest rate on the bonds should prove favorable. We want to set ourselves up, for a project of that size and a length of debt payback of twenty (20) years, it is imperative that we do the absolute best we can to protect that good rating and get that good interest rate.

- n. Judge Lee: I have three people that would like to speak, but first I am going to read a letter from the Republican Party of Titus County and perhaps this will enable you not to reiterate some of these same things again. Judge Lee reads the letter from the Republican Party of Titus County (Listen to track 1, 00:17:00 and/or see Attachment #1).
- o. Sue Evenwel speaks about the tax matters as the Chairman of the Titus County Republican Party, and individually.
- p. Nigel Christopher speaks about the tax matters as the Vice-Chair of the Titus County Republican Party, a local taxpayer and a small business owner.
- q. Judy Kent speaks about the tax matters as a small business owner and individually.
- r. Commissioner Fields requests Carl Johnson to go over some of the tax programs that Titus County has that other Counties do not have.
- s. Carl Johnson:
 - i. The County Taxes are frozen for anybody that is 65 or older for their homesteads (not business);
 - ii. Disabled Veterans homestead taxes are also frozen;
 - iii. Early payment discounts;
 - iv. There are no payroll increases this year and there were no pay increases last year.
- t. Commissioner Fields discusses the spending habits and tax cuts that have taken place within the County.
- u. Judge Lee: Item No. 1, the only item on our agenda..., that public hearing date...
- v. Carl Johnson: There is two public hearing dates:
 - i. Monday, September 12, 2011 at 9:30
 - ii. Monday, September 19, 2011 at 9:30

- w. Carol Johnson goes over the expenses of the County.
- x. Pat Sisk speaks to the Court regarding tax matters.
- y. Judge Lee restates the Motion: to consider a proposal to increase total tax revenues from properties on the tax roll in the preceding year and set a public hearing date of Monday, September 12 and the 19th or our hearing dates. We are looking again at 38.78% increase.
- z. Commissioner Boggs addresses the Letter from the Titus County Republican Party.

Motion made by Commissioner Boggs and seconded by Commissioner Fields. Motion carried unanimously.

2) Adjournment. (Listen to audio track 1, 00:57:58)

Motion made by Commissioner Boggs and seconded by Commissioner Hinton. Motion carried unanimously.