

I and the commissioners understand why you are here, and while it would be much easier if these pews were all empty, that's not how this process works. If we or our future replacements aren't willing to go through this process, we don't need to be in office.

No one on this court wants to raise taxes, ever. Ideally the property values would always appreciate, crime would continually diminish, roads would never deteriorate and employees would be motivated to come to work just for the joy of serving the County residents.

But the reality is very different. Instead the court must balance every decision within a constantly changing set of variables. But the objective is always the same. Provide wanted and needed services at a fair price that yields the best possible value to the most residents, whether they pay taxes or not.

If our objective is simply to keep the tax rate unchanged those services will quickly erode. The impact may not be felt by everyone at the same time, but sooner or later, we will all feel it. If our objective is to keep all employees happy, the tax rate will get out of hand and we will cease to be an affordable community where people want to live, work and build a business. The same happens if our objective is to provide the finest facilities and roads in the state.

We truly seek a balance and we understand that not everyone will like the decisions we make. You are still our boss and our continued employment is in your hands. While we are in office, this court will make decisions that we as individuals believe best meet our objectives. We won't always agree. What is acceptable and proper to one commissioner may be absurdity to another. I will never make a decision that is meant to harm you or cost you more money.

On September 8<sup>th</sup>, this court in a 4-1 vote proposed a tax rate of 43.96 cents per \$100 of valuation. This represented an increase of 2.44 cents over the current rate of 41.52 cents. The primary contributing factor of this increase was a \$227 million reduction in the rendered value of the Luminant power plant. It wasn't wasteful spending or a carefree attitude of the members of this court. The proposed rate was set to bring in approximately the same amount of tax dollars as the current year. If value goes down, the rate goes up.

The question then becomes why not just reduce expenses to offset any rate increase. The answer is it's simply not possible to absorb that much reduction to the budget. Employee compensation is the largest component of the county budget. Most non compensation expenses have little if any room to adjust down. So let's talk about salary and benefits. Last week I heard that it's not fair to pass on Luminant's devaluation to the taxpayers. I believe that the implication would be, so take it away from the employees, this must be their fault.

We as members of the court must decide what is fair.

On Tuesday, Sept 23, we learned that a settlement value of \$350 million had been reached between the TCAD and Luminant. Not as good as this year's \$459 million or as bad as Luminant's original \$232 million, but a compromise.

Conversation began immediately between our chief appraiser, Geraldine Hull, our County Auditor, Carl Johnson and myself to quickly determine what would be the favorable impact of this new valuation on our tax rate. We had previously taken the most conservative position, and based our proposed rate on an assumption of the lowest figure, \$232 million. We didn't want to set a tax rate that later turned out to be based on a valuation that was defeated in a lawsuit.

Since we now have a firm Power Plant value of \$350 million, we can set tax rate based on this figure.

I believe we can achieve the budget goals for the coming year with a rate of 41.82 cents per \$100 of valuation. 41.82 up from 41.52. I would love for the headline to read "County Holds the Line on Taxes" but the \$41.82 is as tight as I feel comfortable with, and I hope you will accept this.

That said, our Power plant continues to face multiple negative forces. Please remember this next year when the Commissioners' Court might again deal with yet another devaluation. We will continue to pray that the forces working against coal fired plants will diminish. Come next year, we will start the process over again, but we will still use common sense and our best judgment.