

**CITY OF LAREDO
SPECIAL CITY COUNCIL MEETING
M2019-SC-09
CITY COUNCIL CHAMBERS
1110 HOUSTON STREET
LAREDO, TEXAS 78040
September 23, 2019
12:30 P.M.**

I. CALL TO ORDER

Mayor Pete Saenz called the meeting to order.

II. PLEDGE OF ALLEGIANCE

Mayor Pete Saenz led in the pledge of allegiance.

III. MOMENT OF SILENCE

Mayor Pete Saenz led in a moment of silence.

IV. ROLL CALL

In attendance:

Pete Saenz	Mayor
Vidal Rodriguez	District II
Mercurio "Merc" Martinez, III	District III
Alberto Torres, Jr.	District IV
Norma "Nelly" Vielma	District V
Dr. Marte Martinez	District VI
Roberto Balli	District VIII, Mayor Pro-Tempore
Jose A. Valdez, Jr.	City Secretary
Rosario Cabello	Co-Interim City Manager
Robert Eads	Co-Interim City Manager
Kristina L. Hale	City Attorney

Dr. Marte Martinez joined at 1:13 p.m.

Motion to excuse the absences of Cm. Gonzalez and Cm. Altgelt.

Moved: Cm. Torres

Second: Cm. Mercurio Martinez

For: 5

Against: 0

Abstain: 0

Cm. Rodriguez and Dr. Martinez were not present.

Citizen comments

Cm. Torres noted that since there is only one item on the agenda and all speakers signed up to speak on this item, he suggested allowing them to speak during the agenda item's discussion. Mayor Saenz countered that some speakers signed up for public comment.

Mellie Hereford could not recall a single citizen speak in favor of the proposed tax rate; during the May 6, 2019 City Council meeting, some Council Members made a commitment to lower the tax rate as a result of the water and sewer rates being increased. During that discussion, Council promised to work something out to help the citizens, and she reminded Council that the citizens living in this "unaffordable city" need their help. The reason why Laredo has been given the title of "Least Affordable City" is because City Council has made it too expensive to live here. Bus fares, bridge fares, parking meter fees, water and sewer rates, and appraisal values have all been increased by Council. She asked what this does for public trust, as residents count on Council to make Laredo a better community. After eight years in office, Council will have borrowed \$32 million to spend freely in their districts. However, some citizens do not see any improvements, and she voiced her opinion that some districts look like third-world countries. She reminded Council that each Member gets a salary, an assistant, \$750 monthly allowances for their home offices, and extra monthly allowances for printing, promotions, gasoline, phone, and travel expenses. She noted her opinion that the City can no longer afford Council's extravagant expenditures with taxpayer money as Council has become unaffordable to its constituents. She asked how Council has been helpful to the people of this community when they have increased costs for everything. Mrs. Hereford recommended that Council adopt the effective tax rate of \$0.604. Because of the 8% cap, there will be millions more available.

Ricardo Quijano commended Danny Magee and John Orfila for their assistance to him as the commander of VFW Post 9194 with the organization's needs.

V. FINAL READING OF ORDINANCE

1. 2019-O-159 An Ordinance of the City of Laredo, Texas, providing for the adoption of a tax rate of \$0.634000 per \$100 value. This tax rate will have a Maintenance and Operation Rate of \$0.490186 per \$100 value and an Interest and Sinking Fund Rate of \$0.143814 per \$100 value for the levy and the collection of General and Special Ad Valorem taxes for the City of Laredo for Tax Year 2019 and Fiscal Year 2019-2020.

Mayor Saenz voiced his wish that Council and the community could have a candid discussion about this item as it is the last reading of the ordinance before it is adopted. He explained that some of the citizens' comments about Laredo being a poorer community are true; this Council, through the assistance of the Bloomberg Group, found that the majority of households living in poverty are single-mother households with multiple children struggling to make ends meet. He agreed that Council wants to lessen the city's poverty rate and improve the community. Given Council's dependence upon management, he noted his hope that moving forward Council would receive objective and comprehensive information from all affected

parties, such as the housing, workforce, and education industries. Mayor Saenz assured the public that their comments have not gone unheard. With the new political year beginning, now is a good time to have a healthy debate about the circumstances of the City.

Armando Cisneros reminded Council that when the water and sewer rates increased, Council said that they would try to lower the tax rate to ease the burden on citizens. However, by adopting the tax rate at \$0.634, Council is effectively increasing the taxpayers' property taxes by 5.32%. During the budget workshop, there was no discussion about reducing Council's priority fund accounts, so he voiced his hesitation to take Council's comments about caring for their community seriously.

Dora Maldonado, Tax Assessor Collector, explained that as per the tax code, any time that the City proposes adoption of a tax rate, if that proposed rate is higher than the effective tax rate (in this case \$0.604531), the City must specify that it is an increase. While the proposed tax rate has not increased from last year, she noted that appraisal values increased over the last year, which will increase the amount of tax *revenue* that the City receives. She explained that the 5.32% increase is the percent change in the City's M&O tax rate.

Gilberto Sanchez, Budget Director, clarified that the City is only increasing its revenues, not the actual tax rate. He presented the cover page of the proposed FY2019-2020 budget, which states: "This budget will raise more total property taxes than last year's budget by \$3,145,902 or 3.66% and of that amount \$1,766,084 is tax revenue to be raised from new property added to the tax roll this year. This additional amount is due entirely to increases in property tax valuations and new property added to the tax roll and NOT to any increase of the current tax rate of \$.634." He confirmed that the City lost close to \$1 million in property value protests from citizens.

Rosario Cabello, Co-Interim City Manager, further clarified that the exact amount was \$934,718 due to protests. She added that the City of Laredo is growing and has some needs. One of the challenges met by staff this year were contractual obligations, such as \$2.8 million increase for Police and Fire, as well as reduced revenues of about \$1.5 million from maquinas and other revenue sources. FTEs were added to several departments because of the City's growth.

Mayor Saenz recalled a comment from a citizen that Council participated only in "lip service," noting that he had truly intended to reduce the tax rate. However, Council is a democracy. Cm. Torres noted that all Council Members wanted to be able to reduce the tax rate this year. Mayor Saenz reiterated that given the compelling reasons to adopt the proposed tax rate from staff, Council could not take the opportunity to decrease the tax rate this year in order to

meet the needs of the community. Council could have decided to cut services, but that did not happen. Unfortunately, the dynamics of the group mean that everyone does not get everything they want.

Mr. Sanchez reminded Council that the City is giving a \$1.8 million tax break to its senior and veteran citizens through its services and fee reductions, which is a revenue loss. The tax cap will bring a projected \$1.3 million revenue loss, as well. Telecommunications will cause an estimated \$1 million in revenue decreases.

Mrs. Cabello noted that the City is losing about \$1 million in revenues from parking meters, but that does not affect the General Fund. Mayor Saenz reminded the public that the increase in parking meter fees did not come from Council; property owners and merchants in the Downtown area asked Council for the increase. Not all parking meters in the City had their fees increased, just those in the Downtown area.

Maria Perez reiterated that the poverty level in Laredo is 30.6%, or about 77,000 people, 35,000 of which are children. As local leaders, Council needs to alleviate the poverty issue as poverty results in higher instances of crime, school dropouts, drug use, homelessness, mental care problems, and health care needs. All of these problems in turn result in higher governmental expenditures to address the problem. Property taxes are forcing families out of their homes as they cannot afford the tax, which leads to more poverty and homelessness. Renters are also affected by property taxes because homeowners pass on their tax costs to them. Low- to moderate-income taxpayers pay the highest percentage of their income to taxes, meaning that the largest tax burden is placed on low and middle-class families. In Texas, she found that the lowest earners pay higher percentages of their income in taxes, which is a significant inequality. She encouraged Council to adopt anti-poverty tax policies like the City of Detroit, who has a poverty tax exemption that eliminates tax foreclosure of homeowners who live below the federal poverty level. Ms. Perez reported that last month, she asked Webb County to adopt a similar poverty tax exemption, and they were very receptive. Their legal department will research whether the County has the authority to propose and enact such an exemption. Ms. Perez also reported that there are poverty tax circuit breakers that are used in 18 states that are designed to reduce the property tax burden on low- to moderate-income taxpayers. Circuit breakers protect these taxpayers from a property tax overload as she described. She cited evidence of the benefits of homeownership. A poverty tax exemption and property tax circuit breaker has the potential to reduce poverty and the expenditures that governmental agencies end up paying to address poverty issues. They also have the potential to reduce crime, homelessness and law enforcement expenditures. They will also lead to a reduction of school dropout

rates, mental health issues, drug use, and health care costs. Ms. Perez cautioned Council not to disregard the research available and encouraged them to lobby the State of Texas because the City of Laredo needs more protection that would come from the state.

Cynthia Vazquez noted her discouragement after hearing Mayor Saenz's explanation, recalling multiple times in which citizens have come to Council pleading, begging, and demanding better representation and resources for the community. She reminded Council that since Laredo has grown, the funds that are needed to meet those needs can come from Council's discretionary funds.

Lakshmana "Vish" Viswanath thanked Mayor Saenz recalled at the last Council meeting, this item was opened in a public hearing and closed before a speaker could even get to the podium, adding his opinion that this does not constitute an open meeting. He reminded Council that when the water and sewer rates were increased, Council directed staff to present them with two different budgets based on the effective tax rate and the proposed tax rate, including what services would need to be reduced or cut in order to balance the budget. The public never saw those two budgets.

Mrs. Cabello countered that staff did present those two budgets during the budget workshops. Mayor Saenz agreed, noting that Mr. Vish did not attend the budget workshop meetings. Mr. Vish countered that if those budgets were in fact presented, they were nicely hidden.

Mayor Saenz agreed with staff that it was presented; he was present at that meeting and recalled the presentation. Mrs. Cabello clarified that this comparison is found on page 25 of 36 in the budget presentation. Robert Eads, Co-Interim City Manager, added that this presentation laid out the different options, including what services or assets would need to be cut if needed.

Mr. Vish noted that Council and staff refer to increases in Police, Fire, and utility needs, but he clarified that the City also has about \$3.1 million in new development. Even if the City does not increase the citizens' taxes, they will receive \$3.1 million in new dollars. He emphasized that Council has not been open throughout the process. While Council is a democracy, if the Mayor did not agree with the majority he has the opportunity to voice his disagreement on the matter. Mr. Vish noted that Mayor Saenz never spoke out against the proposed tax rate or his dissent from Council's vote.

Mayor Saenz countered that he just gave his opinion on the matter, asking if it was too late for Mr. Vish's preference. Mr. Vish noted all of the citizens in attendance who came to voice their opposition to the tax rate, even though the meeting was held in the middle of the day.

He stated his opinion that Council is not listening to the people.

Dolores Medrano noted that despite the estimated increase of \$3 million, Council continues to nickel and dime the public. She recalled an incident where she tried to have a garage sale and was told that she needed to purchase a permit for \$25, adding that the City has many hidden costs and fees associated with everything, even a garage sale which is not very profitable. She stated that the citizens in attendance already know that Council made up their mind about adopting this tax rate, so voicing their comments and concerns is a waste of time. Despite that, the citizens have decided to show up anyway and share their concerns.

Mrs. Cabello reminded Council that while it may look like the City is getting an addition \$23 million, expenditures have risen as well as those revenues. This explains the balanced budget.

Victor Gomez asked for anyone in favor of the tax increase to make themselves known, to no avail. He asked what the 4.87% tax revenue amount to. Mr. Sanchez countered that it results in \$3.1 million.

Mr. Eads noted that the conversation is becoming repetitive. Mr. Gomez reported that Laredo's per capita income is about \$16,000; many households live with less than that. Of that amount, 40% goes towards housing, which is deplorable. Property taxes affect all residents of Laredo.

Ricardo Quijano stated his opinion that it is disrespectful for Council Members to leave the room when citizens are addressing the dais. He reminded Council that their decisions have put the City in the position that it is in and should not make citizens responsible for fixing the problem. He noted that when Rosie Cuellar was the Municipal Court Judge, she was given a raise for her excellent performance without any associates. Now, Jesus Dominguez is the Municipal Court Judge with two associates and has the same salary that Judge Cuellar had just before leaving office. Mr. Quijano noted that the two associates are part-time employees which do not qualify for benefits. However, these associates receive benefits.

Cm. Vielma noted that some of the other cities that Laredo uses for comparison have a 4A/4B taxation, which brings in much more revenues and investments; therefore, it is not exactly fair to compare Laredo's tax rate with those cities.

Dr. Marte Martinez assured the public that Council hears their concerns and have put a lot of thought into their decision-making process. To the criticism that Council did not try to cut any part of the budget, he countered that this is absolutely untrue. In fact, last year

each Department had to cut 5% from its budget and nearly 5% this year. These cuts were made months ago and not seen so clearly on the budget presentation. Part of the reason why there were not much cuts made by Council during the workshop is because Department cut their own budgets ahead of time and management performed further cuts before the presentations. The water and sewer rates were raised almost with no choice from Council because the current infrastructure was so dilapidated that the rates needed to be raised to fix them. He agreed that the appraisal district increase property values, and the City kept its same tax rate. While this gives the City more tax revenues in the next year, he clarified that the City has additional expenditures coming up that need to be paid for. Other cities actually raised their tax rates so that they would not have issues with the rollback rate later. Council did not want to do that to its taxpayers and determined that the best thing to do would be to keep the current tax rate because the City and its communities need the extra revenue. Dr. Martinez stated that if the City cuts anymore from its budget, it will have to be services to its citizens. The City cannot utilize its sports revenue tax for streets or any projects other than quality of life projects; the City tried to convert its taxation to a 4A/4B taxation so that it could invest in its communities, but the Governor vetoed it. The most vulnerable populations in Laredo are renters in apartment complexes, who will not have to pay property taxes. The homeowners and landlords will, but the renters will be excluded from those taxes.

Dr. Martinez reminded the public that Council gave senior citizens on fixed incomes a fixed rate on their utility bills as an example of Council considering the needs of this community.

Mr. Quijano voiced his opinion that the collective bargaining agreement for the Fire Department equates to “pay to play.” He noted that the City should have never agreed to the terms of that agreement, and staff should have done their jobs correctly to avoid getting the City into this situation. He also commented that Council’s priority/discretionary funds are inappropriate and criticized the action for a municipal water park if the City cannot afford it.

Jesus Francisco Guerra voiced his concern about the bonds, noting that every time a bond is issued to the City, taxes are increased. While eventually bonds are paid off and retired, the citizens never get any tax relief after the retirement of the bond. He asked where the offset is for the taxpayer. He encouraged Council to be more open and transparent on the issues that affect the taxpayers. Dr. Martinez reminded him that that budget was available online for public viewing.

Cm. Vielma reminded the public that along with new development come additional expenses and rising costs. She noted that many

grant or funding sources have very limited uses; sometimes, the only way to pay for much-needed street or sidewalk improvements is through a Council Member's priority/discretionary funds. Another major factor at play is the fact that Laredo is landlocked with very few landowners monopolizing the market. Council is trying to make amends for the poverty cycle and get to the root of the problem. She noted that she herself had to protest rising appraisal values for her home and business. She reiterated Dr. Martinez's sentiments that if Council cuts any more budgetary items or revenue sources, they will have to cut services for citizens.

Motion to adopt Ordinance 2019-O-159 and to approve that the property tax be increased by the adoption of a tax rate of \$0.634 which is effectively a 4.8% increase in the tax rate.

Moved: Dr. Marte Martinez

Second: Cm. Mercurio Martinez

For: 6

Against: 0

Abstain: 0

VI. EXECUTIVE SESSION

None

VII. ADJOURNMENT

Motion to adjourn.

Moved: Cm. Torres

Second: Dr. Marte Martinez

For: 6

Against: 0

Abstain: 0