

**OFFICIAL MINUTES OF THE CITY COUNCIL
LAGO VISTA, TEXAS
SEPTEMBER 1, 2011**

BE IT REMEMBERED that on the 1st day of September, A.D., 2011, the City Council held a Regular Meeting at 6:30 P.M., at City Hall, 5803 Thunderbird, in said City, there being present and acting the following:

Randy Kruger	Mayor	Bill Angelo	City Manager
Bob Bradley	Mayor Pro Tem	Frank Robbins	Assistant City Manager
D'Anne Gloris	Council Member	Danny Smith	Police Chief
Ron Smith	Council Member	Christina Buckner	City Secretary
Dale Mitchell	Council Member	Jan Steele	Library Director
Darrel Hunt	Council Member		
Richard Bohn	Council Member		

Mayor Kruger called the Regular Meeting to order and recognized that all Council Members were present.

The numbering below tracks that of the agenda, whereas the actual order of consideration varied, primarily for the convenience of the guests.

CITIZEN INQUIRY:

City Manager Bill Angelo announced that as of September 15 the North Lake Travis LOG newspaper will no longer be published and distributed in the community. He stated it is very concerning that there will no longer be a local newspaper, noting that area civic groups, institutions and businesses use the paper to get information out to the people, and without it we will lose a great sense of community. He requested the Mayor consider appointing a committee of interested and affected individuals to get together and talk about alternative strategies for dealing with the situation.

Mayor Kruger stated he would look into it.

John Moody, resident on Lincoln Cove, stated he heard that a traffic light is planned to be installed at Lohman Ford Road and Boggy Ford Road and questioned the status.

Bill Angelo stated a study will be conducted in the fall and they will see if a light is warranted.

John Moody questioned whether a 4 way stop could be considered.

Bill Angelo stated they can look at that also.

Mayor Kruger stated that it is currently listed as a future CIP item.

Peter Crane stated the stop sign at Rockwood and Outpost, when coming down the hill from Boggy Ford, is not visible until you're right on top of it and requested the City look into it.

Theresa Hemphill stated the stop sign at Crossbow and Coyote is not visible.

PUBLIC HEARINGS:

1. Mayor Kruger stated the purpose of the **FIRST PUBLIC HEARING** is to receive public comments on the proposed initiation of annexation proceedings of certain parcels of land adjacent to the city limits, to-wit:

Public Hearing. A public hearing will be held on the proposed annexation of all portions of those certain tracts or parcels of land being a 27.636 acre tract of land, more or less, out of the William Hensley Survey #538, situated in Travis County, Texas; and being a portion of "Travis Hollow Section Two", a subdivision of record in Book 78, Pages 398 thru 400 of the plat records of said county; and a portion being that tract of land conveyed to Pedernales Electric Co-op Inc. by a deed recorded in Volume 3978, Page 1267 of the deed records of said county, along with the portion of Alfalfa Drive right-of-way adjacent to that 1.987 acre tract

Public Hearing. A public hearing will be held on the proposed annexation of all portions of those certain tracts or parcels of land being a 75.340 acre tract of land, more or less, out of the William Hensley Survey #538, situated in Travis County, Texas; and being a portion of "Travis Hollow Section Three", a subdivision of record in Book 78, Pages 394 thru 397 of the plat records of said county; along with the portion of Alfalfa Drive right-of-way being adjacent to tracts 88 thru 96 as shown on said "Travis Hollow Section Three".

Mayor Kruger opened the floor for comments from the audience.

Steve Frick stated he and his wife Carol own two properties being considered for annexation: 19701 Alfalfa and 6519 Sierra Vista Trail. He submitted 3 petitions opposing the annexation. He stated the first petition is signed by 100% of the residents that live on Alfalfa, the second petition is signed by all of the business owners, with the exception of 2 that he could not reach, and the third petition is signed by the property owners, with the exception of a couple that he could not reach. He stated there is 100% opposition from everyone he was able to contact. He

expressed his opposition to the annexation stating the City will be taking property taxes but there is nothing being returned to the property owners and the annexation is of no benefit to them. He stated times are tight economically right now. He stated he leases property to several small businesses but his increase in taxes would be about \$3,500 which he cannot pass on to his tenants stating it will have to come out of his pocket. He stated the annexation has a real impact but no value because, as he has been told by Frank Robbins, there is no money in the budget to improve the road and there are no immediate plans to bring water or sewer. He stated that most people don't need the water or sewer as they are pretty much self dependent. He stated his property at 6519 Sierra Vista Trail has a small piece that touches Alfalfa but the main entrance is on Sierra Vista Trail. He stated it is a 10.5 acre tract with a house, which they were planning on retiring on, and perhaps having horses and a commercial olive grove. He stated this would not be allowed under Lago Vista City Ordinances. He stated this, combined with the added taxes, will ruin his retirement plans. He stated this will affect him financially and limit the use of his property. He stated there are no plans for maintenance of Sierra Vista Trail or Alfalfa. He stated the annexation has a real impact on people's lives.

Mayor Kruger stated there will be improvements. He stated the City has letters of credit that can be called that will make the improvements happen. He stated, more than likely, your property value will go up when you get a good road and water and sewer out there. He stated something could be worked out with regard to raising Alpacas and such.

Bill Angelo stated it can be brought in as an agricultural type property.

Steve Frick questioned the letter of credit as it relates to litigation between Jonestown and The Hollows.

Bill Angelo stated that has nothing to do with it.

Steve Frick questioned his understanding, from Frank Robbins, that there are no immediate plans or money in the budget to do anything.

Bill Angelo stated there are immediate plans to start with the sewer line extension down that road to the lift station that will be located near the end of Alfalfa. He stated they hope to start construction after the first of the year and once that line is completed they will do the road. He stated water is already at the intersection of Ming and Alfalfa that could be extended into the area.

Jim McCann questioned who was going to pay for it.

Bill Angelo stated the money is set aside, most of which is coming from The Hollows. He stated The Hollows has put up a \$1.6 million letter of credit to ensure that construction, and it is callable at this point and time. He stated they also have \$540,000 from Western United Life Assurance Company to put into that project. He stated they have roughly \$2.1 million in funds available. He stated The Hollows letter of credit is a very secure financial document and the \$540,000 from WULA is in an escrow account that the City can call when they start the project. He stated the budget is predicated on starting that work after the first of the year.

Mayor Kruger asked Mr. Frick whether he pays school and county taxes.

Mr. Frick stated yes and added that he also pays EMS taxes.

Mayor Kruger stated all of the people of this area do use city services whether they agree with that or not stating it is not a 100% tax grab. He stated, with regard to tax values, PEC will probably overshadow all of the property values out there.

Steve Frick stated that using that logic, the City would have to annex all of the properties down Lohman Ford Road to Point Venture and all the way down Austin Boulevard because they use the same services and questioned plans to annex those areas.

Mayor Kruger stated he was absolutely correct and stated they haven't announced all of their plans for annexation yet.

Steve Frick stated his 10.5 acres on Sierra Vista Trail is being annexed because there is a small finger that touches Alfalfa and the road, water and sewer will not have much impact on that property.

Bill Angelo asked Frank Robbins to display a map of the area and point out a creek line that runs through the middle of the property. He stated when they looked at annexing just the properties on the Alfalfa side of the creek, half of the creek would be in the city limits and half would be out of the city limits, and there would always be a question as to who is responsible for maintenance of the drainage way and creek line. He stated they decided to annex over the creek line, up to the Sierra Vista Trail, so it would all be in the City and so the maintenance and obligations related to that drainage facility would be the responsibility of the City of Lago Vista. He stated this would ensure that there wouldn't be future questions or speculations as to who had to do what.

Steve Frick indicated his property on a map.

D'Anne Gloris questioned whether the City would consider annexing only a portion of Mr. Frick's property.

Bill Angelo stated that was a possibility although they would like to stay with the property lines as that makes it

easier to administer and deal with.

Linda Crane questioned what the City is going to do with the property once it's annexed.

Mayor Kruger stated they are not buying it they are just annexing it.

Linda Crane asked why we want it and why we want to put that kind of money into it.

Mayor Kruger stated tax revenue is part of it, but the City and The Hollows are obligated to put lines in and complete the infrastructure there. He stated that will be done and during that time they are annexing the property. He stated he pays more taxes than Mr. Frick does.

Bill Angelo stated this annexation has been part of the Comprehensive Master Plan for a number of years and has been identified as Light Industrial development property, which is some of the motivation here. He stated getting water and sewer and roads into the area will create a place for light industrial, commercial and other uses.

Steve Frick questioned why there had been no discussions with the property owners if it has been part of the Master Plan and long term strategy of the City.

Bill Angelo stated it has been discussed at public meetings off and on for 7 or 8 years now. He stated several people in the audience have been at those meetings opposing the annexation. He stated this is nothing new.

Steve Frick stated it is new to some of the people in the area and his point was that there should have been work groups and discussions to come up with strategy that worked for all of the parties.

Mayor Kruger announced that John Holoubeck did not wish to speak at the hearing but is opposed to the annexation.

Johnny Butler, of 703 Burberry Drive, stated he is one of the most impacted property owners. He stated he has owned his property on Alfalfa and Lohman Ford Road for 20 years. He stated he went through this with the City in 1996 when they annexed portions of Lohman Ford Road. He stated they only annexed the first 200' of property to be able to control growth along Lohman Ford Road. He stated he has been paying taxes on that for 15 years and not getting anything out of it. He stated most of the properties are already developed as self storage lots and don't need City services. He stated it will not make his property more valuable. He stated his main reason for protest is due to the fact that, in the 20 years he has owned his property, the City has not spent any money on Alfalfa Drive. He stated he believes the City wants to annex it now because Centex wants to run a sewer line there and the City has help to pay for it. He stated the annexation will cost him about \$8,000 per year. He stated he has been paying City taxes for 15 years on his other property for nothing, and now the City wants to take the rest of it. He stated the people in Lago Vista have moved here and set up businesses where they can do the best. He stated he purchased his property because it was not in the City and he paved the road on Alfalfa. He stated the City should let Centex pay for the sewer and leave them alone. He stated they don't want it.

Wes Buckner stated he has been a resident of Lago Vista for 12 years and is representing his father-in-law who owns the property at 20103 Alfalfa Drive. He stated they have an outdoor boat and RV storage facility and have spent a lot of time cleaning the property and making a viable business. He stated he has worked as an inspector for the City of Austin for 18 years in the Code Enforcement field. He questioned what impacts to the properties they can expect from the Development side and Code Enforcement side once they're annexed, specifically what types of things are going to be addressed. He questioned whether they will be complaint based or from a proactive stance. He questioned what the City is currently doing inside the City limits. He stated typically, when properties are annexed, they are brought in as existing non-conforming non-complying.

Mayor Kruger stated they are complaint driven inside the City limits.

Bill Angelo stated the City is complaint driven in most instances, but there are specific areas of the community that have been highlighted as problem areas, and they will become more proactive with those. He stated most of these are generally safety and nuisance violations. He stated, in this particular area, there are a lot of code violations and each one will be addressed on a case by case basis. He stated, if it is public health or public safety related, they will take action on it. He stated they will try to work with the property owners to remediate everything they can in a manner that is fairly compatible with the property owner and the community. He stated they recognize that there will be a lot of non-conforming uses. He stated if they go out and find out someone is dumping raw sewage out there, they are going to nail them.

Linda Crane questioned how the Council handles something like this when there is such strong opposition, stating it sounds like their minds are already made up.

Mayor Kruger stated he cannot recall any annexation that there is not strong opposition to, but they hope to convince some of the property owners that there is a benefit. He stated if they cannot, they will probably go through with it anyway, or they may change or modify it.

Linda Crane questioned where their voice is in their elected Council members.

Mayor Kruger stated those people didn't elect these Council members. He stated they will have strong support from the people already in the City. He stated there are 6,000 people in the City that pay property taxes and have services

such as roads, police protection and fire protection. He stated these same services, in most cases, are offered to them. He stated they don't have water or sewer but the City plans on providing that to them. He stated everyone in the City would see that as a fair exchange.

Linda Crane stated she sees it as spreading their resources thin.

Clyde Hance, of 3746 Country Club Drive, stated he is a citizen and questioned the Mayor's reference that most of the citizens were for the annexation. He stated he should not speak for him.

Mayor Kruger clarified that he used the word most, which is not all inclusive.

Clyde Hance asked what percentage they were talking about and stated the citizens should be given actual figures.

Darrel Hunt stated he has had ten to fifteen people wonder why these properties were not already in the City.

Mayor Kruger stated that people paying for the same service would expect that people receiving the same service, who are not yet part of the community, to pay for them also.

Bob Bradley stated he has not made up his mind on this yet. He stated if the City is not growing it is dying. He stated the City has no land for light industry.

Davey Chen, owner of Texas Hills Storage and The Shipping Post, stated his businesses have been there for more than 15 years and have had no water or sewer, so being part of the City doesn't help him. He stated the only thing he is getting is paying approximately \$6,000 more in taxes.

Mayor Kruger stated he will most likely get water and sewer.

Davey Chen questioned whether he was sure, because he spoke with Frank who told him there is no plan to add utilities, and that he would have to pay for the extension himself.

Mayor Kruger stated he cannot answer that for sure at this point and time, but they hope to get those services to everybody.

Keith Rodebush, resident of 6403 Lohman Ford Road, stated he is vehemently opposed to the annexation and questioned how many people in the audience were in support of the annexation, stating there were none. He stated this is a meeting for the people to say what they feel and the entire room is saying no. He stated we are in the worst economy since the great depression and the Council has decided now is the time to expand and spend more money on sewer lines, and that this is not about gaining tax dollars. He stated if it is not about gaining tax dollars, then they must be losing money, not making money. He stated this is the time they should be trimming their budgets and scaling back on long term plans. He stated they are digging in people's pockets at the absolute worst time they could possibly do that.

Carol Frick questioned the statement that most of the people in Lago Vista are in favor of this and asked what they get out of this.

Mayor Kruger stated they will have the people who are using the services paying for them. He stated they get a reduction of revenue to the other folks.

Steve Frick questioned what services they're receiving.

Mayor Kruger questioned Steve Frick how he gets out of his property, stating he uses their roads and gets police protection.

Steve Frick stated Travis County provides police services. He stated he spoke with Captain Hernandez and Lago Vista police have been out their maybe twelve times in two years and some of those have been joint task forces assisting ICE, which amounts to six times per year. He stated the Travis County Sheriff patrols those roads.

Mayor Kruger questioned what Mr. Frick gets out of the school system.

Steve Frick stated they pay school taxes and get schools for their kids.

Mayor Kruger asked Mr. Frick if he has kids.

Steve Frick stated he has two kids who have gone through the school system from Kindergarten through High School. He stated he pays sales tax when he does business locally and the City gets revenue from that.

Mayor Kruger stated it is pointless to argue about that. He stated he expects that people that live outside the City limits would be opposed to the annexation and he understands them. He stated he also understands that the people living inside the City would like to have fair treatment on their services.

Steve Frick stated they keep referring to the use of roads but, under that, they would have to keep annexing until they hit every other city limit because everyone that lives outside the City uses the same services. He stated there is

no limit to where they would want to annex under that argument. He stated they don't use that many services. He stated he does not use the amount of services that he will be taxed for by far.

Johnny Butler questioned Bob Bradley's statement that if a city quits growing it will die. He questioned whether he truly believed that Lago Vista would die if it quit expanding right now. He stated the lake is what keeps Lago Vista alive.

Mayor Kruger stated they have had several businesses try to come to Lago Vista and there is no place for them to locate other than outside of the services that are offered by Lago Vista. He stated those opportunities have been lost. He stated they do not have any big areas to put businesses. He stated they have talked about acquiring some property and making a business park. He stated the City of Lago Vista needs more of a balance than we have and that ad valorem taxes are currently our primary source of income. He stated, in many cities, 50 or 60% of their operating budget comes from businesses, ours is 10% or less.

Johnny Butler stated there is only around 20 acres left on Alfalfa that is able to be developed.

Mayor Kruger stated many businesses want to locate here and they need services.

Johnny Butler stated he located here and he didn't need services.

Tonie McElroy, resident of Lincoln Cove, questioned why the shopping center is empty if there is no place for people to open a business.

Mayor Kruger stated it has been through a series of bankruptcies, but it has now been sold and maybe things will start happening. He stated nothing has ever been available for people to rent.

Carol Frick questioned whether the City could zone something within the City Light Industrial. She stated they have been there so long and get along fine. She stated they don't have a need for water and sewer and there is nothing the City can offer them that they need.

Jim McCann, resident of 8700 Blue Sky and owner of two lots on Alfalfa, stated he is opposed to the annexation. He stated he voluntarily annexed another lot behind the electrical substation, when Centex was developing, in order to get water and sewer. He read from the minutes of the November 18, 2004 Council meeting which indicated he would get water and sewer. He stated he asked the City about it two years later and he was told the water tanks were leaking. He has a 600' well on that lot which ran out and he asked the City again, but was told to go back to Centex. He stated after six months of calling he finally got enough money from Centex to get the tap. He stated he got the water in October of 2010, six years later, and is still waiting on sewer. He stated, with regard to police protection, his storage building has been broken into several times and he has had 3 pieces of property stolen since he's been annexed and Ming Trail opened up. He stated he has had batteries stolen from some trucks he had parked on the front of the property. He stated he sees no reason to let his other property be annexed into city because he doesn't see any services.

Steve Frick stated there is no feeling of trust. He stated The Hollows annexation ordinance says the City would maintain public streets and rights-of-way including routine maintenance and emergency maintenance of potholes. He stated half of the dirt road is owned by the City and has been for almost seven years. He stated the City has been out once and done two hours of work and the rest of the residents have spent tens of thousands of dollars in maintenance and labor maintaining a City road that they were told was still in the County. He stated Frank Robbins is still telling him there is some doubt as to whether that part of the road is in the City. He stated the City's annexation documents clearly show the street is in the City and has been for seven years. He stated there is not a lot of trust based on past experience.

Mayor Kruger questioned whether the road needs maintaining now.

Steve Frick stated yes. He stated Frank Robbins has told him the City will only maintain "similar" roads. He stated the ordinance does not say "similar". He stated the standard for maintaining a dirt road, according to the County, is to blade and oil it four times per year, keep the ditches clean, keep the culverts cleared out and fill potholes. He recommended the City annex only the road and use the letter of credit for the sewer and road which won't cost the taxpayers anything. He expressed concerns with regard to the economy, stating people aren't opening new businesses but are losing money and letting employees go. He stated having the road and utilities will give future businesses a reason to look at Alfalfa. He stated he understands the City's long term plans and agrees Alfalfa is a logical place for industrial but thinks, given the current circumstances, the City is jumping the gun by annexing them.

Mayor Kruger questioned whether Mr. Frick would be opposed to the annexation if they paved the road.

Steve Frick suggested the City pave the road stating, as people come in and buy property and need utilities, they will request voluntary annexation and it will eventually make sense to annex the entire area. He stated annexing the property will not make people want to come out here and open businesses, especially with the current economy.

Jim McCann stated that the County told him the junction at Lohman Ford and Alfalfa was not a legal junction which was the main reason they wouldn't upgrade Alfalfa.

2. Mayor Kruger stated the purpose of the public hearing, Pursuant to the Texas Local Government Code, Chapter 102, is to obtain the views of the citizens regarding the proposed budget for the fiscal year October 1, 2011 through September 30, 2012. He stated a copy of the proposed budget is available at the Lago Vista City Hall, and at the Lago Vista Community Library located at 5803 Thunderbird, and on the city's website www.lagovistatexas.org.

Mayor Kruger opened the floor for comments from the audience.

Clyde Hance Jr., resident of 4736 Country Club Drive, stated he has lived here for 22 years. He questioned where the City stands on the Highland Lakes and Lago Vista Golf Courses, asking how much they are in the red this year and what is projected for next year. He questioned where the water comes from used to water the Highland Lakes Golf Course and how much it costs the City. He questioned current lake levels and water rationing asking what the City plans to do regarding reducing water usage for the course.

Mayor Kruger stated the water the Highland Lakes Course comes from the lake and this year it will cost approximately \$30,000 to \$35,000. He stated currently water rationing does not include the Highland Lakes course as it does not include any raw water pump out of the lake.

Clyde Hance Jr. questioned whether the City will continue to use the same amount of water out of the lake to water the Highland Lakes Golf Course.

Mayor Kruger stated that was correct.

Clyde Hance Jr. questioned whether water was part of the budget.

Mayor Kruger stated they continue to water Highland Lakes with water out of the lake.

Clyde Hance Jr. questioned how much they are envisioning being in the red for the Highland Lakes Golf Course.

Mayor Kruger stated the accounts are not separated, they are blended together. He stated they have budgeted to lose \$108,000 this coming year. He stated that is predicated on the weather and business. He stated 60-70% of their revenue is coming from outside of Lago Vista which means people are coming here and spending money and the real estate and tourist industry are very much in favor of the courses. He stated they have other services in the City that cost almost as much; the pool costs close to \$200,000 per year and the library costs in excess of \$100,000 per year. He stated there are reasons to keep the courses open, one of which is effluent, and they do not put any of that money back on the effluent side. He stated it is a viable option as opposed to pumping effluent on the Cedar Breaks.

Clyde Hance Jr. questioned the justification for buying the Highland Lakes course, stating it was to maintain property values. He questioned whether that actually occurred and if that is being returned to the tax payers who bought both of the courses.

Mayor Kruger stated property values around Highland Lakes remain reasonably constant however property values for the whole city went down approximately \$30 million. He stated, had there not been a golf course, there would be a significant reduction to their property values. He stated that wasn't the only justification for buying the course. He stated it is a tourist attraction and there are ramifications when an amenity like that fails referencing a closed course in Houston that has affected property values. He stated, with regard to the budget, they are talking about a flat budget of what they had last year, with a little reduction in revenue, stating there is no property tax increase.

Clyde Hance Jr. stated there is for those people whose property value appraisals stayed the same. He stated the City tax rate went up 8.7% last year and now they are proposing another 4.8% for the coming year.

Mayor Kruger stated that 4.8% gets us to an even keel for what we had last year. He stated he will not pay more taxes this year than last year because he had a reduction in his property value, as did the majority of properties in the City.

Clyde Hance Jr. stated his appraisal went up.

Richard Bohn stated maintaining the Highland Lakes course has created a good fire break.

Keith Rodebush questioned whether they were actually lowering taxes.

Mayor Kruger stated most people will pay the same or less. He stated prior to these economic times the City lowered the tax rate from around \$0.70 to \$0.59.

Keith Rodebush questioned how many Council Members live on the Highland Lakes Golf Course and whether it was a conflict of interest that the Mayor did something to boost his own property value while everyone else's went down. He stated he did not support the City purchasing the golf courses.

An unknown member of the audience stated they bought their home because of the golf courses and if they failed they would sell their home.

Mayor Kruger stated they have had more supporters than opponents for purchasing the golf courses. He stated it benefits the real estate market and without the courses the City wouldn't grow and would start looking like a refuge

camp. He stated it is not a money making business at this point and time, but in three or four years down the road you will say we made a good move.

Keith Rodebush stated there are other options such as selling off a portion and using the money to develop it into a green space/park which will have an initial investment but won't cost as much to maintain.

Mayor Kruger stated his proposal is a pure outlay of money, whereas currently people pay to play on the courses. He stated maintaining a park costs money with no revenue coming in. He stated the Hines Group is planning to build 1700 units with no golf courses planned, and The Hollows wants to build houses and some of those people will play golf.

Keith Rodebush questioned what their limit of losses is stating everyone else in the City that doesn't live on the golf course has to pay for the losses. He stated the golf course is losing \$500,000 a year.

Mayor Kruger stated there are several things in the City that lose a lot of money, such as the pool and library, and questioned whether they would propose getting rid of them.

Bryan Vincent stated the pool lost \$57,000 in 2010.

Mayor Kruger stated that is not true.

He stated last year the golf course lost over \$400,000 plus the \$257,000 loan that won't be repaid, and he estimates the golf courses will continue to lose \$750,000 per year.

Mayor Kruger stated he doesn't know where he's getting that number from.

Bryan Vincent stated the numbers are coming from the budget.

Mayor Kruger stated the budget does not show a \$750,000 loss.

Bryan Vincent said it's going to be now that they have 2 courses. He stated that was a little more than losing \$57,000 on the pool. He stated he cannot support a Board that continues to spend \$700,000 on a golf course and cut all of the other benefits for the City such as improving the library. He stated there are other options for Municipal Courses such as hiring a management company and leasing it. He stated they are a long way from making a profit and it is longer than 3 years away. He stated their estimate of a \$180,000 loss for next year is incorrect.

John Thomas, resident on Northland Drive, stated they do not have a good track record of estimating losses or profits. He stated the first year they missed it by \$90,000 which was a 319% larger loss than what they estimated. He stated the next year they lost \$137,000 which is a 152% larger loss than estimated. He stated they have a rosy picture for this year but they don't have a good track record and he sees no reason it's not going to continue.

Mayor Kruger stated they have increased revenue. He stated they added the Highland Lakes course last year and they exceeded their expectations.

John Thomas stated they missed on the revenue too.

Bryan Vincent stated the Cedar Breaks was purchased for \$6 million specifically to provide for effluent disposal for 20 years/20,000 people in the future. He stated it was at 16% usage when the Lago course was purchased. He stated effluent disposal was a lie for a reasoning for purchasing that golf course.

John Thomas stated the budget states the year end actual revenues for 09/10 were \$945,500.00, and the year end revenues for 09/30/10 were \$908,000.00 which is a decrease in revenue.

Mayor Kruger asked if he looked at what it's projected to be for this year.

John Thomas stated yes, \$1.3 million which is a 50% increase over last year.

Mayor Kruger stated this year ending September, 2011 should be close to \$1.2 million. He stated they projected \$1.4 million.

Linda Crane questioned whether anyone has done a feasibility study of what size community it takes to support one or two golf courses. She stated golf courses all over the country are closing and that is when we purchased two courses. She stated people come to the area for the lake and the beauty of the area and it's not all about golf.

Mayor Kruger questioned whether she knew how many municipal golf courses there are around the area. He stated in many cases they were faced with deciding where to get rid of effluent and what to do with the course when it went under. He stated there are probably 15 municipal courses around here.

Jim Orr stated he is not a golfer and he doesn't like the idea of the City being in the golf course business, but at the time the decision was made to purchase the courses, it was the best of some not so great alternatives. He stated the decrease in appraisal values would have been a good portion of what is now in the red. He stated if someone were to come in and want to buy it, selling would be good thing. When he was on Council they were sweating to keep the

tax rate below a dollar and the fact that it is now at 2/3's of that is a significant. He thanked the Council.

Keith Rodebush requested the Council understand they're angry for a reason. He stated they were elected to be good stewards of their money and they want them to be creative and recognize there are other options other than letting it go to a weed patch.

Mayor Kruger stated they have been very good stewards of the City's money. He stated when they came on board there was \$75,000 in reserves and it is now over \$2 million. He stated this Council and the current Management are very prudent in what they do. He stated he didn't want to be in the golf course business either but the options were not good. He stated it is optimistic to think you can turn the courses into a greenbelt and maintain it without any revenue. He stated it cannot be re-subdivided and there are restrictions that won't allow you to do that.

Keith Rodebush stated cities all over America have greenbelts that have minimal maintenance costs and they can subdivide the property and make it available to developers.

Bill Angelo stated all recreational facilities in cities across the country do not make money and they are not a revenue producing part of government but are there for the benefit of the community. He stated whether one is more beneficial than another is a political decision for the Council to make. He stated they are putting more money into other areas of the community this year like tennis and ball fields which will make this a better City and a more enjoyable place to live. He stated he is not a golfer but still recognizes golf as a benefit to the community in terms of the value to the community.

Bryan Vincent stated he is not opposing the golf courses but they cannot continue to lose this kind of money.

Steve Allers, resident of 20707 Henry Ave., stated it is a smart Council that looks out for the tax base. He stated if property values go down, taxes are guaranteed to go up. He stated the courses are integrated into the community and there is no way to extricate them. He stated he supports the golf courses.

Linda Crane stated with regard to tax values in the community the lakes lots are the premium lots. She stated the golf course lots hold almost no valuation over interior lots.

Mayor Kruger stated he would like to see documentation of that.

Linda Crane stated high tax rates will run people off. She requested clarification with regard to the fact that taxes are going up but they are not paying more taxes, stating there is a big difference between appraisals and tax increases. She stated when Travis County raises values to where they were then everyone will see the tax increases.

Mayor Kruger stated if appraisals go up the tax rate goes down and it has for the three or four years prior to the last two years.

Linda Crane stated those are two separate entities and if the City raises its taxes it's still a tax increase.

Bill Angelo stated it is not. He explained that taxes in the State of Texas are a mathematical calculation of total property value times the tax rate. He stated if the money generated goes down, it's a decrease and if it goes up, it's an increase. He stated when they have a big increase in property value, they lower the tax rate so they generate the same amount of revenue as the previous year and when there is a decrease in values, they tend to increase the tax rate to generate the same amount of money as the previous year.

Mayor Kruger questioned Linda Crane whether she considers the money she pays out to be the tax and asked her if she doesn't pay any more this year than she did last year would she call that a tax hike or neutral.

Linda Crane stated neutral until the appraisal goes up.

Mayor Kruger stated they will have to make another decision next year and if all of the appraisals go up they will probably have to decrease the tax rate. He stated this year the budget is at a neutral position.

Keith Rodebush stated his budget is 20% – 30% less due to the depression they're in and the City wants to keep everything the same. He stated it is time to trim not remain neutral.

Bill Angelo stated they have made decreases. He stated they cut 6 positions in the year before last and reduced funding to a number of departments. He stated this year almost every departmental budget is less than it was in previous years.

Dale Mitchell stated when Jim Orr was on the Council they realized they had one of the highest tax rates in the state at around \$0.99. He stated the Council worked on that and brought it down to \$0.57, which was during a period of economic growth and property values were going up. He stated 2 years ago, when property values started dropping, they had the opportunity to raise the tax rate to the effective rate but chose not to. He stated that was probably a little bit of an error and they should have bumped it up a penny or two. He stated last year they decided they did need to raise the rate \$0.05 to keep from cutting further into the employee base and services. He stated this year the effective rate is \$0.6567 which will generate the same amount of revenue. He stated it will probably end up less than that. He stated they have raised the rate the last two years, but it was not raised to the point where they were equal in terms of revenue, it was always lower.

Keith Rodenbush requested the Council do due diligence and decide what the number is at which they decide to do something else with the golf courses.

Pete Crane, resident on National Drive, stated golf course lots along National appraise at approximately \$20,000 and interior lots appraise at \$15,000 to \$18,000.

Mayor Kruger stated lake lots are certainly premium lots but golf course lots typically have a 15% premium.

Pete Crane referred to the consolidated statement stating it shows a 2.7% increase in the budget for this year. He stated there is no money for employee increases. He stated the City uses the previous year's budget as a comparison, but in his experience with budgets, he has always used previous years experience. He questioned the fact that the proposed budget is 7.5% higher than this year's experience.

Bill Angelo stated they saved money this year and they attempt to save money every year.

Pete Crane questioned the fact that they are not generating more revenue.

Bill Anglo explained that there were also some increases, and some of them are funded from other sources such as Capital Metro and the park dedication fund and are not part of tax revenue.

Pete Crane stated their budget is essentially the same as it was last year with no effort to tighten belts.

Bill Angelo stated they started making significant cuts two years ago due to the economic condition stating there are significant cuts in the budget.

Linda Crane questioned what has been taken away from city services in order to maintain the golf courses.

Bill Angelo stated nothing has been taken away from City services.

Pete Crane stated they are showing a projected loss of \$400,000 on the golf course and questioned the transfer of \$250,000 from the general fund to the golf course. He stated the statement in the budget says it is a short term loan but a loan should never show up in an income statement. He stated they are showing it as revenue which reduces their loss. He stated they are saying \$400,000 but it's really \$700,000.

Bill Angelo stated it's being expensed on the other side so it's a wash.

Bob Graff, of 20804 High Drive, congratulated the Mayor and Council Members for building the greatest Police Department he's ever seen in his life. He stated it was the wisest decision the City has ever made and he is appreciative of their efforts. He stated it is a marvelous tribute to all of them and thanked them.

Mayor Kruger stated a lot of the accolades should go to the Police Department as they input a lot of information and spearheaded the project.

Clyde Hance Jr. questioned whether the eleven additional employees on the City's payroll were hired to operate and maintain the Highland Lakes golf course.

Mayor Kruger stated yes.

Clyde Hance Jr. stated they cut two police officer positions.

Bill Angelo stated they are down one police officer position which was cut in 2009 before they bought the Highland Lakes Golf Course.

Pete Crane stated they make all that a wash but it's still tax money being sent.

Bill Angelo stated it is still tax money being spent but it doesn't show up on their income statement because they are expensing it from one account and showing it as revenue in another account. He stated Mr. Crane is wrong on the accounting part of it.

Mark Hackett stated it is still money in total being lost towards the golf course. He questioned that the budget says it's to be paid back when the golf course shows a profit but they don't define how much of a profit or a timeline for when it is to be paid back. He stated they want to borrow another \$257,000 this year but they need to expense that as a loss and can't say that it is revenue coming in. He stated that money could be used for the Police Department, to improve roads, drainage, street lights and to address maintenance of lots for fire prevention. He stated this is the worst economy since the 1930's and everyone is cutting back but the City is spending money like drunken sailors. He stated they could have bought the golf courses to protect property values and for effluent disposal and just maintained them instead of operating them and losing money. He referred to a statement by the Mayor regarding the annexation that people want the people using the services to pay for them. He suggested doubling the membership fees of the MGA, raising the price of beer to \$2.75 instead of \$2.00, and raising the green fees to get revenue coming in to offset the losses.

Mayor Kruger stated that is always a possibility but there comes a point where you raise it high enough and no one will come out there. He stated they are going to generate \$1.2 to \$1.3 million in revenue this year.

Mark Hackett stated last year's revenue was \$193,000 less than projected and the actual loss for the first six months of this year was \$492,000.

Mayor Kruger stated they projected \$1,050,000 revenue for this year and they know they are going to exceed that. He stated a big majority of their annual memberships come in during August and September so revenue generally comes up. He stated the heat is not helping them much.

Richard Bohn stated if they stopped the golf proceeds, the expense to maintain the courses would be about \$500,000.

Pete Crane stated outside play generates 70% of the revenue but is only 40% of the play. He stated based on their report for the period ending in March, the cost of a round of golf is \$48.60. He stated the revenue per round is \$29.00. He stated outside play revenue is \$38.75 per round and member revenue is \$12.80. He stated there was an 11% increase in daily fees and memberships when they bought the Highland Lakes course.

Mayor Kruger stated a family membership is \$3,000 which is probably not even competitive. He stated there are municipal courses charging a lot less than that.

Pete Crane stated they are cutting the hours of operation for the pool and suggested they consider that for the golf course. He stated the average household is paying about \$150 out of their taxes to subsidize the golf members.

Don Brown stated he is speaking on behalf of the Library Advisory Committee and is addressing their needs. He stated this year's budget includes \$200,000 for remodeling the library and he understands the limitations of funds. He stated four or five years ago, when they prioritized projects, the library was first, Police Department was second and the golf course was third. He stated the golf courses moved to first, the Police Department moved to second, and they moved to third. He stated they need \$1.3 million to complete the library and suggested they put the \$1.2 million short in the CIP for the 2013 budget and defer the Water Treatment Plant #3 one year to get the funding. He stated they are guessing on the population in three or four years when the water plant is done but the library knows their population needs right now and those demands are there. He suggested they re-look at the numbers in the CIP to get the library done in the 12/13 budget.

Mayor Kruger stated Water Plant #3 has become somewhat of a priority due to the lake level. He stated if it keeps going like it is now we will be sucking air in a short period of time. He stated they are trying to get the intake deeper as they are very concerned about water. He stated some of that money is coming from the WULA settlement and that money stays there. He stated he would like to get out of the bind of worrying where they're going to get water every two years.

Bill Angelo stated if they don't proceed with Water Plant #3 expeditiously, they will have problems with serving the new high school and would have to tell the Hines group that they cannot commit to providing service to the number of units they're looking at putting in. He stated a lot if it is to get the intake deeper, down to 540' or 520'.

Don Brown requested they look at it and come to their advisory committee meeting and tell them their rationale.

Theresa Hemphill, of 7102 Crossbow Trail, stated her water smells like fish and she gets sick at her stomach when she drinks it and the sewer treatment plant stinks terribly.

Bryan Vincent stated they finally admitted that there was \$700,000 loss on the golf courses last year.

Mayor Kruger stated they are not losing \$700,000 to golf. He stated it is \$400,000.

Bryan Vincent stated it is \$400,000 plus the \$257,000 temporary loan.

Mayor Kruger stated there is a big difference between \$400,000 and \$700,000.

Bryan Vincent asked whether the loan has been repaid and asked what the transfer amount is this year.

Mayor Kruger stated it is the same amount.

Bryan Vincent stated that money is being taken away from the citizens of Lago Vista that have other desires and interests besides golf. He stated Council Member Dale Mitchell has an option and maybe they could look at selling it. He stated he has researched the golf course industry and there are very few making money, and many are turning to management and consulting companies.

Mark Hackett questioned whether they have any kind of business plan and asked how long the City can keep giving general fund transfers until its exceeding the cost of any savings that would have been gained from not having to use the Cedar Breaks. He stated it should be run like a business if they were CEOs of a company the share holders would have kicked them to the curb a long time ago. He referenced an article from the LOG which said it would be cost neutral in 2010.

Mayor Kruger stated that was the Lago course and he thinks they would have been cost neutral on Lago.

Mark Hackett stated he thought the Lago course made sense but this community can't support two courses. He stated this is the time to cut back. He stated the pool is public and if people want to play golf they can play at private courses.

Mayor Kruger confirmed that Mark Hackett lives on the golf course and stated if they shut the course down he suspects he would suffer financially.

Mark Hackett stated it costs him more now that the City owns it. He stated the reason for purchasing it was for effluent disposal and but now there are costs for operation and equipment. He asked what it would cost to keep it as a greenbelt and spray effluent a. He stated there is \$18,000 for seeding the golf course in the water department budget and asked why that wasn't in the golf course budget.

Bill Angelo stated it allows them to put effluent out in the winter otherwise they would have to pay for property elsewhere.

Linda Crane stated the maintenance crew laid pipe last winter at the Lago course and the sprinklers on the lady tee box side on #9 are not operational.

Mayor Kruger stated they will find out why not.

Linda Crane stated the equipment is not being utilized to its maximum potential referring to there often being one golfer per cart and suggested this could be a cost savings item.

Peter Crane questioned whether they have set the fees for this coming year.

Mayor Kruger stated they have not.

Dale Mitchell stated they are assumed because they have already made their revenue projections.

Bill Angelo stated they can change the revenue projections if the rates are changed.

Pete Crane stated their revenue projections show a 27% increase over this year and asked where that comes from.

Mayor Kruger stated it comes from tournaments and outside play. He stated they have a 20% increase in membership.

He stated when the year ends they will probably have at least a 25-30% increase in revenue this year.

Pete Crane asked when they'd have these numbers.

Bill Angelo stated it takes about 30 days to close the books. He stated there will be a preliminary report but they won't have the final numbers until the auditors come which is usually around March.

Pete Crane stated they need to get the fees to \$29.12.

There being no further comments, Mayor Kruger closed the public hearings at 8:58 p.m.

CONSENT AGENDA:

3. On a motion by Darrel Hunt, seconded by Bob Bradley, the Council unanimously approved the following minutes:
August 4, 2011 Special Meeting and Executive Session
August 4, 2011 Regular Meeting
August 16, 2011 Budget Work Session

ACTION ITEMS:

4. On a motion by Darrel Hunt, seconded by Richard Bohn, the Council unanimously adopted Ordinance 11-09-01-01 pursuant to Vernon's Texas Codes Annotated, Local Government Code, Chapter 102, Section 102.007(b) providing for amendments to Ordinance No. 10-09-23-02 for the fiscal year beginning October 1, 2010 and ending September 30, 2011.
5. On a motion by D'Anne Gloris, seconded by Ron Smith, the Council unanimously authorized the City Manager to execute a Service Agreement for Plan Administrator with TML Intergovernmental Employee Benefits Pool.
6. On a motion by Darrel Hunt, seconded by Richard Bohn, City Council unanimously voted to let the City Manager decide who to cast a ballot for for the TML IEBP Board of Trustees – TML Region 10.

WORK SESSION:

7. The Council discussed an Ordinance amending Article 4.800, "Signs and Graffiti", Chapter 4, Code of Ordinances, concerning temporary signs for non-profit organizations, political signs, declaring bandit signs abandoned trash;

and providing a severability clause; and providing an effective date.

Frank Robbins stated the Building Committee has made recommendation for signs for non-profit charitable organizations, declares signs in the right-of-way abandoned trash, adds standards to the LI district since there were none and makes the ordinance consistent with state law with regard to political signs.

Bill Angelo stated there is obviously a perception of need in the community for this type of thing but it also presents concerns. One concern is with regard to the overall appearance of the community and he suggested putting a limit of how many you can have within a certain area. He stated the second concern is that allowing these types of signs for non-profit groups may create a situation where commercial entities want the same rights which might bring up a constitutional issue. He stated they are allowed to regulate appearance and location but not content.

8. The Council discussed the impact of the amended accessory building ordinance on front yard accessory garages.

Dale Mitchell stated it appears that during their discussions on accessory buildings they dwelled on RV barns but forgot about the other clauses in there. He stated the proposed ordinance has screening requirements for accessory buildings but noticed there were no screening requirements for front yard accessory buildings and he passed out photos. He requested the Council take the time to look at this and see if it merits any further review.

There was a brief discussion by Council.

9. The Council received a report from the Impact Fee Advisory Committee.

Frank Robbins stated this report is essentially the same as the one presented six months ago with a date change.

It was the consensus of the Council that the report was accepted.

10. The Council received the Planning and Zoning Commission's Recommendation Concerning the Five Year Capital Improvement Plan.

There was a lengthy discussion by the Council regarding the CIP.

11. The City Manager updated Council on the following:

a. Commercial Development

- Seeing a lot of improvements at the shopping center, owner sprucing up for marketing
- The POA is having difficulty irrigating their soccer fields, they are no longer allowing play because it will ruin the grass so there will be no fall soccer, he thinks they can get them out into deeper water for a nominal cost, \$2,500, considering offering to pay for half the cost if our people do the work, they also have the option of getting on City water

b. Residential Development

- Still working with Hines and Hollows, will hopefully have update on Hollows by next meeting
- Received letter from Brian Atlas that will need to be addressed

c. AMR Program

- As of today have replaced 700 meters, radio system and software is not active, will probably be end of September or October, has already helped pinpoint instances where people had excessive water usage due to problems with their irrigation system, discovered two bays at car wash weren't tied into the water system and had been getting free water for years, Canyon Oaks irrigation system was connected illegally and we assessed approximately \$20,000 in back fees, on schedule and getting benefits

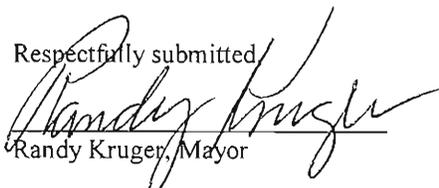
d. Effluent on Lago Vista Golf Course

- Discovered problem with meter at waste water plant, it did not equate with the meter at the Cedar Breaks and what Pond 17 says is going out, needs to be fixed and calibrated
- Issues due to drought will exceeds permits limits on golf course irrigation, working with TCEQ to get extension based on drought conditions, will look at increasing that permanently

12. The Council scheduled items for future Council meetings.

Mayor Kruger adjourned the meeting at 9:53 p.m.

Respectfully submitted


Randy Kruger, Mayor

ATTEST:


Christina Buckner, City Secretary

On a motion by Council Member Darrel Hunt, seconded by Council Member Dale Mitchell, the above and foregoing instrument was passed and approved this 17th day of November, 2011.