MINUTES OF THE BOARD OF DIRECTORS' MEETING
SWEENY HOSPITAL DISTRICT

July 11, 2022 Time 17:30

Members Present: Mason Nichols, President; Scott Swift, Vice President
Patti Foster, Secretary; Charlie Genella, Lisa Leal, Leeda Wood,

Members absent: Violet Weeks

Others Present: Kristin Bulanek, Tax Assessor Collector
Tom Ronayne

Employees Present: Kelly Park, Cindy Burge, Travis Alford, Stuart Butler, Stephanie Crowder

Doug Smith (by Teams meeting invite)

1. **Call to Order** Mr. Nichols called the meeting to order at 1732.

2. The invocation was given by Ms. Wood.

3. **Record Members Present and Establish A Quorum**
There being 6 members present, a quorum was established.

4. **Public Comments**
A. Tom Ronayne – He thanked Ms. Bulanek for coming and told her the Board has had good things to say about her for the previous help she's given them. He said the No New Revenue Rate over the last 5 or 6 years has added an average of $5 million per year to savings.

He commented he is not sure all of the Board members understand that when the abatements roll off, cutting the tax rate in proportion to the amount of property value added will still bring in an extra $4-5 million. For example, if property values are doubled and the tax rate is cut in half, it still brings in the same amount of excess revenue.

He told Ms. Bulanek he understood she wasn't the Appraisal District, but for long range planning purposes, did she know if there is any way to estimate what the actual values of the industrial properties would be when the abatements start to roll off in a few years.

5. **New Business:**

A. Training with Kristin Bulanek, Brazoria County Tax Assessor-Collector

Mr. Nichols said we have Ms. Bulanek here tonight and are gracious that she is here to teach and educate the board.

Ms. Bulanek said she is glad to be here and glad the board wants to hear from her and learn. She asked for direction from the board to proceed.

Ms. Wood said she has been talking with Kristen almost a year regarding the taxes. Mr. Nichols said during last tax season he and Ms. Wood had several conversations over this new form. It wasn't new to Kristin but was new to our board in comparison to the facts sheet that we had gotten in the past.

Ms. Wood said in the packet we have the calculations that we used last year. She said she does have questions concerning abatements, debt reduction calculations and maintenance and operations (M & O).

Ms. Bulanek said she would go through and review information at a very high level. She wants to address the No New Revenue rate and the Voter Approval rate. She said the District currently does not have debt therefore they don't have a debt rate that is factored into that rate. There are two rates that would apply to the district. She said we do not have 2022 numbers yet. The appraisal district is expected to get certified appraisals for 2022 out around July 25th.

The first section of the form is for the No New Revenue tax rate. They renamed it a couple of years ago to make it more clearly. This rate will not calculate any new revenue. It will look at properties that were taxed last year and this year. It will calculate a rate that is going to create as much tax revenue that is the same amount as the previous year. On number 1 – 17 it is taking the prior year values and starting to make adjustments out for property that may have been in 2020 but not in 2021. It is taking out values of property that was not in those years. That leads you to number 17 which is your adjusted 2020 levy. The next step is to take the 2021 value and making adjustments for new property, new construction, abatements rolling on and taking those values out of the equation to come up again to make sure we are calculating rates on properties that were in both years. On line 25 we have the adjusted 2021 taxable value. In her world they operate on the simple formula which is (levy = value x rate). Another word for levy is revenue that is going to come into the district.

Ms. Leal asked if it is anticipated revenue or actual revenue.

Ms. Bulanek said it is revenue that is calculated based on the calculations.

Scott Swift clarified that it is the actual tax revenue not the hospital profit. Mr. Nichols said the difference between line 25 (our 2021 value) and line item 3 (our 2020) it looks like a little bit of difference $300,000 or so. He inquired if that is the stuff that showed up for 2 years concurrent with new construction showing up on there.

Ms. Bulanek said those are adjusted values. She said the new construction, new projects that are coming on, that has been adjusted out of those two line items. If you look at 23, that is new improvements, new personal properties, any abatements that are coming off the tax role, they will be included in that line item. The first year that the abatement comes onto the tax roll, it gets reported in line 23. Now that is new property for that year, it was not in the prior year. That is an adjustment value that is coming out of the calculation for the No New Revenue rate. You still have that value, then your certified roll for calculation purposes for the No New Revenue rate, it gets adjusted out.

Ms. Leal said adjusted out based on what.

Ms. Bulanek said No New Revenue rate is based on a property here. You have new value coming on in this year and it has to be adjusted out because it was not in the previous year for that calculation year for the No New Revenue rate.

Mr. Nichols said that calculation is being done there for any new stuff or any abatements rolling off is actually going back to line 17 to maintain that number for the levy for the past year.

Ms. Bulanek confirmed that is correct.

Mr. Nichols said our levy is going to be a little bit more than this even though we went with the No New Revenue rate. We have to post it online that this year's tax rate will raise more taxes for maintenance and operations than last year's tax rate. He said it was around $300,000. Even though we went with the No New Revenue. Is that because of the new stuff came on and added to it or what gave us the extra $300,000.

Ms. Bulanek said we are doing the No New Revenue but we increase the M & O.

Mr. Nichols said technically we did get a little more than the previous year.

Ms. Bulanek said she would go back and look at that notice and see what that is using to calculate because she does not remember right off the top of her head. She said Sweeny is not the only district that has that issue.

Mr. Nichols said the last several years we have gone with the No New Revenue rate, and for a couple of years we went below the No New Revenue rate and it still exceeded the last years levy so we have to post it on our website. It makes people think we are raising our taxes when we are not.

He said if we truly want to go with No New Revenue, we don't want to go over the levy from the previous year.

Ms. Bulanek said the majority of the adjustments come from the appraisal roll that they get from the chief appraiser but a few things come from their office like refunds. Ms. Wood said if you apply for a homestead exemption, there is a period of time they can go back on and that would come out again. Ms. Bulanek agreed.

Ms. Leal asked is there a way to determine when the abatements come off. Ms. Wood said the first one comes off the end of 2024 and would affect 2025. Ms. Bulanek said on the industry account, they actually contract with Hugh Landrum to do all the appraisals for our industry, pipelines and things of that nature. Depending on the type of the account, it depends on how they are appraised. Mr. Nichols said several of the abatements are actual refineries. Ms. Bulanek said the chief appraiser is more than happy to talk with anyone on the board about the tax abatements. Briefly discussed were the abatements coming off 12/31/2024. Ms. Bulanek said when the abatements come off we will have all this extra value that is adding to the levy, this is where she will provide the board with the calculations and depending on the financial state of the district, the board will decide what to do.

Scott Swift said if we blindly adopt the No New Revenue rate then, that will put our tax to 70 million dollars. Mr. Nichols said it is not dollar for dollar. Ms. Bulanek said the value at whatever rate we are going to adopt divided by 100.

Ms. Bulanek asked if we want to venture into Voter Approval rate. Mr. Nichols said we probably wont ever get to the point that we would go in that direction. She said it probably is a mute point now. The hospital is leaning toward a No New Revenue rate. Mr. Nichols said there is a strong opinion we would like to go below the No New Revenue rate. He said it is just his opinion not the full board. She commented there are districts that do adopt below the No New Revenue rate and that generally is a tax cut. She said she cautions the board to be really careful and not lower too much and then the next year they have to do a tax increase. Mr. Nichols said our auditor also cautions them about lowering the taxes too much.

Mr. Butler said when we get the hospital loan, how will that affect a debt rate since we would have debt then. Ms. Bulanek said if the district plans to use property taxes to make the payments for that debt, then that would be figured into the calculations. Ms. Bulanek said she is not aware of other revenue for the district. Mr. Nichols said we have operating income then we make up the rest with subsidies with taxes.

Scott Swift said he knows this is a special district and a lot of districts don't have a way to increase revenue. He asked has she seen where income varies from year to year with the different districts. She said she doesn't usually get into the financial side of the districts. None of that income is factored into the calculations. He said with our tax levy, is that just a number historically that we gave the county and said we need this much. She commented she does no know when the district was created. She said normally when you have a district that is created, they would say this is our first year and this is what our budget is and the tax rate that we plan to adopt. From there the next year they start using the calculations and rate that is within the legislation's limit.

Mr. Nichols said if we manage our bottom line and our levy that is coming in, it really doesn't matter what tax rate we set then we really have a good year in operations we can do it with 8 or 8.5 million. We are looking at the budget and are looking at this elephant in the room with the new build out there that we are trying to do a budget on that we have seen the GMP on. There are some unknowns still this next two years. It depends on how many patients walk through the door, and the QIPP program.

Patti Foster said that program is a huge reimbursement for us that we don't know if we will continue to get. Ms. Park said if you take away the QIPP program and humans walking through the doors then you find yourself in trouble.

Ms. Leal said we just talked about how things became difficult and things change so fast, if we set our budget and adopt a tax rate then have a bang up year, and have tons on money, is there such a thing as giving rebates, giving some of the money back. Ms. Bulanek said no, we are increasing our fund balance.

The district is currently at the max that can be given for home stead exemptions. The district could increase the amount for over 65 exemptions or for disability but only one could be done. Mr. Nichols asked if there was a limit on that. Ms. Bulanek said no. To do this change it has to be adopted by July 1st. She could calculate if you increase the exemption to 100,000 for disabled, she could see what impact it would have on the levy for the district. Mr. Nichols asked if we did make the adjustment to the exemptions could we go back to a lower exemption if the impact hurt the district too much in future years.

Ms. Bulanek said yes. She commented when she sends out the information sheet to the district, that type of information is requested. Basically, what she gets from the district is the debt payment for this year is going to be 1 million dollars. That information would go into the calculation. It looks like the collection rate, based on the property tax rate, it looks like we need so much to raise enough property taxes to pay that debt. It could strictly only be used to pay that debt. Mr. Nichols asked it can't fund operations but is strictly for debt. Ms. Bulanek said yes that is where it gets split. She said the district currently has a M & O rate and zero for debt rate. She said if the district does have debt incurred, that debt calculated would be added to the M & O rate. The money generated for the debt rate has to be used for the debt only.

Ms. Leal asked what is the advantage to separating it out between M & O and debt. Ms. Bulanek said she would need to look into it.

Mr. Nichols asked if the voters have to vote on it for us to separate it out between M & O and debt service. Ms. Bulanek said the language has changed and she would have to check on it and get back to us.

Ms. Wood asked when you go with the voter approval tax rate does it bring in the adjustment to the indigent healthcare expenditure. Ms. Bulanek said they added that a couple of years back. It calculates a rate that would cover the loss and added to the voter approval rate. That number would be based on the number of indigent patients the district had.

Ms. Wood commented that voter approval tax rate is the highest that you can go without voter approval. Ms. Bulanek said section 5 covers Voter-Approval Tax rate adjustment for unused increment rate. Basically that is between the adopted rate and voter approval rate. She said if the District adopted below the Voter Approval rate, they call that the Unused Increment rate.

Mr. Nichols said the last time the District raised taxes was 2013. They had to have two public meetings and no body showed up.

Ms. Bulanek said she will be busy getting the information from the district and then will get the appraised value and will start plugging in numbers for the calculations. The next two months will be very busy.

Scott Swift said on the line it says total value of properties under protest, and not included on the roll but it ends up adding it to the taxable value, is that on there because it could be subject to change. Ms. Bulanek said when they receive the values some of them are still going through protest. They use 92% of the value in the calculations while under protest.

She said if you have additional questions regarding the taxes please don't hesitate to reach out.

6. **CLOSED EXECUTIVE SESSION**: None

7. **Action regarding Executive Session:** None

8. **Adjournment**
Mr. Genella moved for adjournment, seconded by Ms. Wood.

Meeting adjourned at 1835.

Mason Nichols, President
Recorder: Cindy Burge