



City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes City Council

Tuesday, August 31, 2010

6:00 PM

Council Chambers - 200 West Walker Street

Special Meeting

The City Council of the City of League City, Texas met in a special meeting in the Council Chambers at 200 West Walker Street on the above date at 6:00 p.m.

Mayor:

Toni Randall

City Council Members:

**Neil Baron
Mike Barber
Mick Phalen
Lee
Phyllis Sanborn
Tim Paulissen
Joanna S. Dawson**

City Manager:

S. Marcus Jahns

City Attorney:

Arnold Polanco

City Secretary:

Barbara F. Long (Absent)

Assistant City Manager-Mgmt. Services:

Michael Loftin

Assistant City Manager-Public Safety:

Chief of Police Michael Jez

Assistant City Manager-Public Works:

Rich Oller

Director of Human Resources/Civil Service:

Brian Hayes

Director of Parks & Cultural Services:

Chien Wei

Director of Planning & Research:

Tony Allender

1. CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Randall called the meeting to order at 6:01 p.m. and called the roll. All members of Council were present.

Present 8 - Mayor Toni Randall, Mr. Neil Baron, Mr. Mike Barber, Mr. Mick Phalen, Mr. Mike Lee, Ms. Phyllis Sanborn, Mr. Tim Paulissen and Ms. Joanna Dawson

2. **DISCUSS PROPOSED FY2011 BUDGET AND PROPOSED FY2011-FY2015 CAPITAL IMPROVEMENT PLAN** (Assistant City Manager, Management Services)

Mr. Jahns said our intention tonight is to give you an overview of everything in the budget document. We have tentatively scheduled another work shop for next Tuesday, September 7, 2010, if that is convenient for Council. I want to thank the Assistant City Managers, the department heads and all of staff. Taking into account the difficult economic conditions that the nation and the community are facing, staff has shown real restraint in their budget requests this year. In particular I want to thank Mr. Loftin's staff for developing this document, doing the analytical work, and for supporting Mr. Loftin and me.

Mr. Jahns continued. First, I want to start with this same performance management process chart that you have seen several times already. You will keep seeing it as we are trying to ingrain it into the culture here. Next, Council developed some core organizational values: promote trust and accountability, plan responsibly and act decisively, maintain world class customer service, and promote a healthy community. These are the values driving this whole process. We have completed three major tasks during this last year: development of the long-range financial forecast which you received in May 2010, the capital improvement plan (CIP) which you received a couple of weeks ago and tonight we are looking at the proposed budget. We have included performance measures in this budget which is one of the things you will notice different from past budgets. We are trying to get more and more in depth performance measures as we progress. We have planned for the next fiscal year beginning in October to develop action, or business, plans to actually carry out this budget, or work plan. In the fall we will present to you action plans detailing how we plan to proceed along with more performance measures.

Mr. Jahns said I mentioned the economic climate earlier. Staff has tried to be extremely cognizant of the impact this is having on our citizens. The national economy continues to be stagnant. Now there is fear we may possibly have a double dip recession. The unemployment rate remains high. Credit is tight. Probably even more depressing is the lack of demand. Our region has always been very strongly based on energy. A lot of uncertainty has been injected into the energy industry due to the oil spill, the moratorium and the uncertainty of how long all of that will continue. The good news is inflation remains flat in our area, just 1.3% for the last 12 months. There remains uncertainty about Johnson Space Center jobs. Our unemployment has increased slightly from March (6.9%) to June (7.6%).

Mr. Jahns said the proposed budget I have prepared and submitted to you totals \$164 million, \$92 million being the operating budget and \$72 million being CIP projects. In terms of keeping our reserves strong, we are proposing to maintain about 141 days of working capital in the General Fund and 181 days of working capital in the Utility Fund. We tried to focus on what we believed to be the priorities that Council identified during the retreat in the spring. It was clear the police station was your highest priority followed closely by streets and drainage. In terms of the Operating Budget we have focused on basic services. There is very few supplemental or program improvements included in this budget. We have focused a great deal on deferred maintenance because a lot has become necessary for city buildings, facilities, roofs, air conditioners, etc. We have focused on non-recurring capital projects. We are trying to position ourselves to get through this difficult economic downturn so that we will be positioned to move forward when the economy does improve. I am proposing a budget, or work plan, that can be brought about with a slight reduction in the tax rate from \$0.62 in last year's budget to \$0.616 this year which is about a \$0.014 reduction in the tax rate. This translates into a savings of about \$24.50 for the average homeowner. That is a summary of the big picture. Mr. Loftin is here to go into more detail.

Mr. Loftin said this budget includes a couple of sections that look at our revenues and expenses in total. We are expecting to collect \$86 million in revenues this year, 39% in property taxes, 30% in water revenue, 12% in sales tax, and the balance in franchise and other taxes, charges for services, and fines/forfeits. In general our revenue is up 0.5% over the amount we estimated to collect this year. Property taxes are our largest revenue source. Total base value has dropped by 0.8% which reflects the sluggishness we are seeing in the single family market. In water revenue we are continuing to see steady growth in our customer base in the range of 3%. We had thought sales tax was going to grow as much as 3% this next year until this past month or two when some key indicators of business purchasing in the Houston area turned downward. We moderated our estimate to a 1% growth which still assumes our water customer base will continue to grow. Charges for service, mostly garbage fees and ambulance fees, are up about 3.1% due to growth in households. Fines and other, primarily Municipal Court fines but now also red light camera fines, is a relatively small part of the budget. The estimate is lower by about 6.2% most of which is a drop in the grants category.

Mr. Loftin continued. We are proposing to spend \$89.5 million this year, 41% in personnel services, 21% in Debt Service, 22% in outside contractual services (utilities, mowing contracts, consulting services, etc.), 6% in payments to municipal utility districts and tax increment reinvestment zones and 10% in supplies and other.

Mr. Jahns said I wanted to bring our recurring expenses in line with recurring revenues so that we are staying level. We have spent some reserves but we are not dipping into reserves for recurring expenses.

Mr. Loftin continued. Expenditures are up 2.8% over what we had estimated to spend this year. A significant portion of that is for personnel services. We do have a 2% performance pay allowance for civilians effective April 1, 2011 and step increases for police officers are budgeted on their anniversary dates as they have been. What is not listed is a cost of living increase for any of our employees above and beyond the step increases for police officers or the performance pay for civilians. Under health benefits, we have an allowance for a 10% increase effective January 1, 2011. It is my understanding we have received bids from five different companies. Our Human Resource staff and our consultants are pouring through those and it appears as though this allocation will be in the right range. The personnel category is increasing by \$2.5 million over the estimated for FY2010 with \$249,000 for FY2011 pay increases, \$799,000 for a net of 9 new/reassigned positions, \$387,000 for rising health insurance expenses for this Fall over last Fall plus what we will have to pay for the rate increase on January 1, 2011, \$617,000 for the net cost in FY2011 of the raises and personnel that were added in April of FY2010, and \$442,000 for other positions that are proposed to be filled for a portion of FY2010 but all of FY2011. We did have some high level contract personnel who became employees during the year.

Mr. Loftin continued. Expenditures are up 2.8% over what we had estimated to spend this year. A significant portion of that is for personnel services. We do have a 2% performance pay allowance for civilians effective April 1, 2011 and step increases for police officers are budgeted on their anniversary dates as they have been. What is not listed is a cost of living increase for any of our employees above and beyond the step increases for police officers or the performance pay for civilians. Under health benefits, we have an allowance for a 10% increase effective January 1, 2011. It is my understanding we have received bids from five different companies. Our Human Resource staff and our consultants are pouring through those and it appears as though this allocation will be in the right range. The personnel category is increasing by \$2.5 million over the estimated for FY2010 with \$249,000 for FY2011 pay increases, \$799,000 for a net of 9 new/reassigned positions, \$387,000 for rising health insurance expenses for this Fall over last Fall plus what we will have to pay for the rate increase on January 1, 2011, \$617,000 for the net cost in FY2011 of the raises and personnel that were added in April of FY2010, and \$442,000 for other positions that are proposed to be filled for a portion of FY2010 but all of FY2011. We did have some high level contract personnel who became employees during the year.

Mr. Loftin said Debt Service includes sufficient funds to support two bond sales tied to the CIP including \$12.6 million of tax-supported projects, adding \$780,000 in debt service, and \$13 million for revenue supported bonds, adding \$1.1 million in debt service.

Mr. Loftin said Supplies and Services are actually going down by \$372,000. A big reason for this is the net effect of the large number of one-time items, such as the Comprehensive Plan, the major master plans, drainage work, etc., that were funded in FY2010.

Mr. Loftin continued. We estimate at this point that payments to Municipal Utility Districts (MUD's) are going to go down by \$274,000. Primarily because one or two of the MUD's have a declining debt service schedule which will dramatically drop the amount the City will pay them under the contract funding formula. One of the big stories in this budget is Council voted at its last meeting to dissolve the Magnolia Creek TIRZ #1 freeing up \$1 million which we are recommending for the CIP through the debt service fund which allows us to sell about \$4 million more in new debt per year than we would have without it.

Mr. Loftin said the General Fund is the primary fund where our basic services are provided and where tax revenue goes. This budget actually proposes to spend \$45,000 less than FY2010. We have basically held the budget to the level of FY2010 spending and current revenue. We told you we would look at the contingency funds budgets that had not been spent over a period of years. We looked at actual spending trends by department and tried to lock in on a level that would cover them at the current spending level. We are looking at a proposed property tax cut of \$0.014 which translates into a \$24.50 savings for the average homeowner. We talked earlier about the \$2.12 million for deferred maintenance and working capital of 141 days. Under new programs, we are proposing a full-time Fire Chief, 3 positions for a CIP implementation staff in Engineering, 4 positions for a concrete crew in streets (sidewalks), and 2 positions for facility maintenance staff (electrical and plumbing).

Mr. Loftin continued. The Utility Fund is seeing an increase of \$1.9 million, \$890,000 for debt service for \$13 million in new bonds and \$518,000 for the annualized effect of FY2010 raises for filling positions vacant in FY2010 and four new positions. We are assuming current water and wastewater rates will hold. In this budget we are proposing an adjustment in the amount the Utility Fund pays to the General Fund of \$1 million more for support, engineering and concrete repair services.

Mr. Loftin said I would like to touch quickly on some of the other major funds. The major part of the Motor Pool is vehicle replacement totaling \$4.3 million including CIP of \$2.3 million and an operating budget of \$2 million. Even with all of the proposed major purchases, the ending balance in the fund is projected to be \$719,000. The reason is we bit the bullet this year and increased the General Fund's and Utility Fund's contributions to the Motor Pool Fund to an amount that would cover the vehicle replacement program. That was not the case in FY2010.

Mr. Loftin said continuing with other major funds, the major story in the Debt Service Fund is the dissolution of TIRZ#1-Magnolia Creek. We are proposing the entire \$1 million that would have gone to TIRZ#1-Magnolia Creek be transferred directly into the Debt Service Fund to support a \$30 million bond sale next fiscal year.

Mr. Loftin continued. We have a number of special revenue funds that are dedicated by act of Council or by State law to be spent for a limited purpose. We need to spend those monies for the purpose intended. They are not intended to be used as any sort of general reserve fund. We have allowed some of those funds to accumulate substantial reserves. We have attempted to come up with some good forward looking plans to spend the money. The most visible of these funds is the Safelight Program Fund. After administrative costs and the State share are deducted from revenue, these funds can be spent for public safety programs which may include school zone lighting, K-9 units, teen crash avoidance programs, and Emergency Medical Services (EMS) dispatch software.

Mr. Loftin said we want to talk about Capital Budget highlights for the General Fund. The Capital Budget is the first year of the CIP. Projects (\$44.3 million total) include a new police station and jail at \$4.8 million, fire apparatus at \$2.3 million, renovation of City Hall at \$4 million, major repairs to facilities and parks \$1.61 million, Five Corners Bypass at \$11.5 million, Louisiana Avenue, Calder Drive, Caroline Avenue, and Houston Avenue construction at \$25 million, Robinson Bayou bank stabilization at \$2.7 million and the Eastern Regional Park. We will be presenting a financing plan to cover capital and operating costs for the Eastern Regional Park which will constitute an amendment to the Proposed CIP and Capital Budget.

Mr. Loftin continued. Capital Budget highlights for the Utility Fund include water and wastewater projects (\$27.6 million total): Beamer Road water extension and north side water booster station at \$7.1 million, South Shore Harbour and SH3 pump stations rebuilt at \$7.5 million, raise the west side elevated water tower at \$2.5 million, water meter replacement Phase 1 at \$2 million, Butler Road and West Main Street lift stations and force mains rehab at \$3.3 million, and Calder Drive 24" gravity sewer at \$2.9 million.

Mr. Loftin said now we have some technical budget highlights. The General Fund does have a transfer to the Debt Service Fund of \$665,000 for the operating portion of TIRZ#1-Magnolia Creek. The Utility Fund transfer to the General Fund has been increased from \$1 million to \$2 million for support and administration at \$1.3 million, engineering services at \$500,000 and concrete repair services at \$200,000. The General Fund and Utility Fund transfers to the Motor Pool Fund have been increased from \$1.1 million to \$1.7 million. Also if you try to compare this document to previous years, the sales tax revenue for the Section 4B Industrial Development Corporation (4B Corporation) is not shown in this budget. Technically speaking, it probably should not have been before. It is not City revenue. It is legally 4B Corporation revenue. In the General Fund we have made an attempt to centralize in a non-departmental budget a number of kinds of costs including consulting studies, contingencies, and reserves for compensation and health benefits. You will also notice the basic departmental summaries includes a different look. The positions and expenditures are shown in summary form instead of detail form. There are performance measures and goals and objectives so that you are looking at a management type document as well as a financial document. Total spending and revenue are presented without inter-fund transfers so as to keep it simple. However, when you look at the entire budget, the inter-fund transfers have to be a part of that. The Motor Pool Internal Service Fund should not properly be a part of the budget. That double counts the payments made by the General Fund and Utility Fund. We will be working with the city attorney on language that adopts the Motor Pool Internal Service Fund Budget separately through a clause instead of a part of the total budget itself.

Mr. Jahns, the Assistant City Managers and Directors were available to answer questions.

Mr. Jahns said we have tentatively scheduled next Tuesday, September 7, 2010, for another work shop if that is the desire of Council.

Mayor Randall requested the City Secretary poll Council to determine if there is a need for a meeting on Tuesday, September 7, 2010.

3. EXECUTIVE (CLOSED) SESSION (S)

At 8:02 p.m. Mayor Randall announced City Council will now go into executive session to discuss the following items:

- 3A Texas Open Meetings Act, Section 551.072 Government Code - Deliberations concerning real property
- Discussions concerning possible amendments to Interlocal Easement Agreement between City of League City and MB Harbour, Ltd. (Council Member Baron)

3B Texas Open Meetings Act, Section 551.071 Government Code - Consultation with City Attorney

Consultation with City Attorney regarding the following pending and threatened or contemplated litigation:

- a. Appellate Cause No. 14-09-00386-CV; Cause No. 07-CV-0817; Paul Smith, et al vs. City of League City, Texas; In the 212th Judicial District Court of Galveston County, Texas
- b. Threatened litigation by League City Glen Cove Home Owners Association, Inc. vs. City of League City, Texas (Council Member Baron)

3C Texas Open Meetings Act, Section 551.072 Government Code - Deliberations Concerning Real Property

Discussion of feasibility of contract for purchase of land within the City of League City, Texas (City Attorney)

At 10:05 p.m. Mayor Randall reconvened the regular meeting and announced there was no final action, decision, or vote with regard to any matter considered in the executive session just concluded.

4. ACTION ITEM(S) FROM EXECUTIVE SESSION(S)

4A Consider and take action on discussions concerning possible amendments to Interlocal Easement Agreement between City of League City and MB Harbour, Ltd. (Council Member Baron)

A motion was made by Mr. Lee, seconded by Ms. Sanborn, for Toni Randall, Tim Paulissen, and Mike Barber to open discussions with the Glen Cove Home Owners Association regarding threatened litigation. The motion passed by the following vote:

For: 7 -

Mr. Baron, Mr. Barber, Mr. Phalen, Mr. Lee, Ms. Sanborn, Mr. Paulissen and Ms. Dawson

4B Consider and take action on consultations with City Attorney regarding the following pending and threatened or contemplated litigation:

- a. Appellate Cause No. 14-09-00386-CV; Cause No. 07-CV-0817; Paul Smith, et al vs. City of League City Texas; In the 212th Judicial District Court of Galveston County, Texas
- b. Threatened litigation by League City Glen Cove Home Owners Association, Inc. vs. City of League City, Texas (Council Member Baron)

No Action

4C Consider and take action on discussion of feasibility of contract for purchase of land within the City of League City, Texas (City Attorney)

No Action

5. ADJOURNMENT

At 10:06 p.m. Mayor Randall said there being no further business this meeting is adjourned.

**TONI RANDALL
MAYOR**

**DIANA M. STAPP
DEPUTY CITY SECRETARY**

(SEAL)

MINUTES APPROVED: