



City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes City Council

Monday, May 11, 2015

6:00 PM

Johnnie Arolfo Civic Center
400 West Walker Street

Council Work Session

The City Council of the City of League City, Texas met in a work session in the Johnnie Arolfo Civic Center at 400 West Walker Street on the above date at 6:00 p.m.

Mayor:

Tim Paulissen

City Council Members:

**Dan Becker
Tommy Cones
Heidi Hansing
Todd Kinsey
Geri Bentley
Keith Gross
Nick Long**

City Manager:

Mark Rohr

Deputy City Manager:

John Baumgartner

City Attorney:

Nghiem V. Doan

City Secretary:

Diana M. Stapp

Chief of Police:

Michael Kramm

Director of Engineering:

Earl Smith

Director of Finance:

Rebecca Underhill

Director of Human Resources/Civil Service:

Queenell Fox

Director of Parks & Cultural Services:

Chien Wei

Director of Planning & Development:

Paul Menzies

1. CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Paulissen called the meeting to order at 6:00 p.m. and called the roll. All members of Council were present except Nick Long.

Absent 1 - Mr. Nick Long

Present 7 - Mayor Tim Paulissen, Mr. Dan Becker, Mr. Tommy Cones, Ms. Heidi Hansing, Mr. Todd Kinsey, Ms. Geri Bentley and Mr. Keith Gross

2. **PRESENTATION AND DISCUSSION REGARDING UPDATE FOR THE UTILITY RATE STUDY (DIRECTOR OF FINANCE)**

Rebecca Underhill, Director of Finance said as you recall we came to Council in January with some recommendations based on a Water/Wastewater rate analysis. To remind you what that recommendation was we are going to call it Scenario A. What that did was maintain the residential water minimum at 3,000 gallons. Instead of charging a flat \$5.90 per thousand gallons over the minimum, after you reach 10,000 gallons that rate would increase, and after you reach 25,000 gallons consumption in one month the rate would increase. Irrigation, there were deductions for the irrigation rate. On the Wastewater side, the minimum was reduced from 3,000 to 2,000 gallons per month and once you went over 2,000 gallons there would be an additional charge. Currently we have a maximum billed wastewater charge for 11,000 gallons and that would be reduced to 10,000 gallons. So after we had that conversation we were approached with looking at other things to generate additional revenue and to change the composition of the rate structure. So we have two options that we asked the consultant to help us with. The second option, which we are calling Scenario B, we would do basically the same on the water side that we were doing on the wastewater side in the original scenario, which would be reducing the minimum from 3,000 gallons to 2,000 gallons. So the customer would see an increased charge on both the water and wastewater side. The wastewater recommendation remains the same, the water recommendation changes from 3,000 to 2,000 gallons. So then Scenario C would be to take both of those minimums and reduce them to 1,000 gallons. At the same time that volumetric charge, what we charge per 1,000 gallons over 1,000 gallons, was reduced as to reduce the impact of that. Currently we charge \$5.90 per 1,000 gallons over 3,000 gallons. In Scenario A we would charge \$5.90 per 1,000 gallons over 3,000 to 10,000 gallons; \$6.79 per 1,000 gallons over 10,000 to 25,000; and \$7.80 per 1,000 gallons over 25,000. Those higher consumptions are seen as discretionary water, irrigation water. This rate structure is to encourage conservation. If you are going to use over 25,000 gallons per month you are going to pay a higher rate for that. Scenario B, those rates are the same as our original recommendation and the only difference is we dropped the minimum from 3,000 gallons to 2,000 gallons so you are going to pay that extra \$5.90. On Scenario C is where we dropped the minimum to 1,000 gallons, so we reduced those volumetric charges for those first few 1,000s to \$4.59. The goal for Scenario C was to generate the same total revenue that we did in Scenario B, it is just generated in a different way. How is this going to impact the residential customer? For a 5,000 gallon customer, currently I am paying \$42.05 and under the recommendation that came to Council in January (Scenario A) it would increase to \$46.67. With both of the minimums dropping to 2,000 gallons (Scenario B) it would be \$52.57 and with the minimums at 1,000 gallons (Scenario C) it would be \$55.81. Our average customer is the second group at 7,000 gallons. The current customer is paying \$63.09 and under Scenario A it would increase to \$67.71, Scenario B it would increase to \$73.61 and Scenario C would increase to \$73.21.

To remind the Council, on the original recommendation that came to Council a total estimated revenue that would be generated under that structure would be \$2.2 million. Scenario B, where we reduced both the minimums to 2,000 gallons to keep the rates the same would be \$4.5 million and Scenario C is very similar. The goal was to try to reduce those volumetric charges to get it in close to the \$4.5 million figure.

Mr. Baumgartner, Deputy City Manager said in the long term in the basic recommendation under Scenario A they have the increase as phased over two years, once in 2015 and the second one in 2017. If you look at the Long Range Financial Plan for the water and sewer system, there is a tremendous capital need and that drives the need for the new rates. It is really a preference on when you start generating the revenue. Obviously there are more needs than there are resources. What we project in the Long Range Financial Plan is to sell debt to bridge that gap. So today what we are looking for is guidance to develop a rate ordinance to bring back to you in late June or July. The difference between Scenario A and B is about \$2 million but we would presume we would cash fund what we can with that. The last increase was in 2008.

3. **PRESENTATION AND DISCUSSION OF THE CREATION OF A POTENTIAL MUNICIPAL DEVELOPMENT DISTRICT (ECONOMIC DEVELOPMENT MANAGER)**

Mark Rohr, City Manager said I would like to start in here before Owen covers his part of the presentation. If you will remember in our "Roadmap to the Future" our plan included Economic Development as the top priority and it received a vote from every member of the council. I call attention to bullet point #6 under Economic Development which talks about implementing the quarter-cent sales tax dedicated to economic development. Something that was brought up that day we had the meeting and had been discussed prior to that point. Council determined that as one of our priorities going forward. Having said that, we have been doing some research along those lines to stick with the Roadmap and start accomplishing some of the projects that are listed in there. Owen has done some research, along with others on staff, to develop a presentation for you here this evening.

Owen Rock, Economic Development Manager said as you all know we are at a competitive disadvantage with not having a funding source for economic development. Also there are infrastructure needs which we need in the community to increase our quality of life for the city residents and to help us go out there and compete for those economic development programs that are out there. What we did is look at three scenarios as far as the quarter-cent tax. We looked at a Type A Sales Tax, Type B Sales Tax, and a Municipal Development District (MDD). Type A is primarily intended for manufacturing and industrial development. It can be used to fund land, buildings, equipment, facilities expenditures, but mainly focuses on manufacturing and industrial facilities such as distribution centers and small warehouse facilities. It can also be used for research and development facilities and keeping primary jobs, and some certain infrastructure improvements that promote or develop an expanded business enterprise. The Type B can do everything a Type A can do, so it is basically a step up from a Type A. You are all familiar with the professional and amateur sports because you have one already that focuses on that. There are also opportunities for related restaurants, parking and transportation facilities and related street, water and sewer facilities. But it can also do public safety facilities, recycling facilities, streets, roads, demolition of existing structures, general municipally owned improvements and maintenance and operations. In 2005, the Texas Legislature passed legislation for the MDD and there are two advantages to this. It can do everything a Type A and Type B can do, but it can also generate sales tax in our extraterritorial jurisdiction. It can also utilize for any eligible Type A or Type B project. So it is really encompassing the Type A, the Type B with that extra on to it. It is a bit more flexible also because you can use it to construct a convention center and civic center hotels. You can accept grants and loans, buy and sale and lease property, employ necessary personnel, enter into contracts with public and private partners, adopt rules to govern its operations and perform any act necessary to the full exercise of the district's power. So where is the quarter-cent coming from? Texas State Law says we can charge 8.25% sales tax within the City limits. Currently the City charges 8% sales tax of which 6.25% goes to the State and 1.75% goes to League City. Of the 1.75%, a quarter-cent is dedicated to amateur athletics which is Type B, a quarter-cent goes to reducing the property tax and the rest goes into the General Fund. So we have a quarter-cent available. If you want us to move forward with capturing this quarter-cent our main focus would be infrastructure improvements, beautification and economic development programs. To take advantage I listed some dates if we want to call an election for November. We would propose first reading of an ordinance to call an election on July 28, second reading on August 11, and the deadline to order the election is August 24. Some of the infrastructure projects may include: League City Parkway/SH 96 Corridor Traffic Study and related projects; Egret Bay/FM 270 Corridor Traffic Study and related projects; Five Corners Improvements; Calder Road Corridor Improvements from League City Parkway to FM 517; North Landing Extension; Grissom Road Reconstruction. We would look at other roadway improvements that could be possible around the City. Some of the economic development projects and programs may include: identifying, implementing and developing an innovation/business park; Main Street/Downtown plan (multiple phases); business development, retention and expansion program; marketing campaign to attract new retail; provide support staff; identify a potential developer for the Urban Village Concept out on the west side of town. Some possible future projects include; an amphitheater; convention center; performing arts center; city beautification projects; and enhance street lighting in business and commercial areas.

Mr. Rohr said here are a few of the things that we would highlight and present to the citizens as a way to resonate with them to garnish support for the project but getting items that we think would impact their lives significantly, that we would get their attention and hopefully they support it.

Mr. Rock said so if we could get an innovation park, more businesses here and improve our infrastructure and make it more attractive for businesses to come to this community then our residents can work here and they don't have to travel to downtown Houston every day. Reducing the taxes by broadening the tax base, right now you know the residents are taking majority of it. If we could get more commercial and businesses within the community to help with broadening the tax base it would help take the burden off of our residents. Reduce the amount of City debt and improving more income would help. Finally improving the overall traffic efficiency for League City is important. Some other points include public involvement. We could bring this out once a year in a public hearing and get input from the citizens on what they see as priority projects. Citizens could apply to be members of the MDD board. It doesn't say in State Law that City Council has to approve the budget, but we would certainly be bringing the budget to the Council for approval every year.

Mr. Rohr said a couple of things left out that I think are important. We now have an economic development strategy to use this money for. We have four prongs of that effort. We have a goal in becoming a world headquarter using our housing stock to leverage that in attracting one or more for our business park. We have pharmaceutical and biotech opportunities with the expansion of UTMB. I met with the president the other day and I think it is important we consider going forward. They have several long term projects that could add 3-4 million additional square feet of space for that type of development within our city. So that is an opportunity to partner with companies that utilized those services going forward. We have the equal distance between the two ports. And the fourth aspect is a continuing development that we want to currently encourage entrepreneurship. We did not get the grant this year for the incubator, but we are moving up in the line to try and get it next year. When we have our business park in place we will have a place to go when the business is very successful and we have a continual development that could encourage the entrepreneur. Another thing that needs to be pointed out is the reduction of taxes. What we are proposing as part of this is that not only do you reduce the debt going forward, but you can offer short term and long term reduction of property taxes to the local resident. And what I mean by that is we are recommending that you consider in exchange from the support of the public and moving forward and approving this in November that you pledge to in 2% increments take the homestead exemption all the way up to 20% allowed by law. That is an immediate short term benefit that the citizens will see by passing this particular issue. Secondly, I harken back to the three-legged stool. If we are ever going to get support for sharing the tax burden, for rather than if, we have got to develop those other two legs and means this provides us the means to do that.

Mr. Rock said the majority of the cities around League City have adopted some form of sales tax. So when our residents go out to shop in other surrounding communities they are paying for that city's growth and economic development. Right now Baytown and Morgan's Point are the only communities that have a MDD but the majority has Type B.

4. CONDUCT A WORK SESSION OF THE CITY COUNCIL TO RECEIVE INFORMATION CONCERNING AGENDA ITEMS APPEARING ON THE MEETING AGENDA FOR THE MAY 12, 2015 MEETING OF THE CITY COUNCIL OF THE CITY OF LEAGUE CITY.

NO VOTE OR ACTION WILL BE TAKEN ON ANY ITEM UNDER CONSIDERATION

19. ADJOURNMENT

At 7:15 p.m. Mayor Paulissen said there being no further business this meeting is adjourned.

TIMOTHY PAULISSEN
MAYOR

DIANA M. STAPP
CITY SECRETARY

(SEAL)

MINUTES APPROVED: