



City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes City Council

Monday, July 11, 2016

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 special work session in the Johnnie Arolfo Civic Center at 400 West Walker Street on the above date at 6:00 p.m.

Mayor:

Pat Hallisey

City Council Members:

**Dan Becker
Hank Dugie
Heidi Hansing
Todd Kinsey
Geri Bentley
Keith Gross
Nick Long**

City Manager:

Mark Rohr

Deputy City Manager:

John Baumgartner

Asst. City Manager/Director of Finance:

Rebecca Underhill

City Attorney:

Nghiem V. Doan

City Secretary:

Diana M. Stapp

Chief of Police:

Michael Kramm

Director of Engineering:

Earl Smith

Director of Human Resources/Civil Service:

Queenell Fox

Director of Parks & Cultural Services:

Chien Wei

Director of Planning & Development:

Paul Menzies

Director of Public Works

Vacant

1. CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Pro Tem Kinsey called the meeting to order at 6:00 p.m. and called the roll. All members of Council were present except Mayor Hallisey. Keith Gross arrived at 6:28 p.m.

Absent 1 - Mayor Pat Hallisey

Present 7 - Mr. Dan Becker, Mr. Hank Dugie, Ms. Heidi Hansing, Mr. Todd Kinsey,
Ms. Geri Bentley, Mr. Keith Gross and Mr. Nick Long

2. PRESENTATION OF THE PROPOSED BUDGET FOR THE FISCAL YEAR 2016-2017

City Manager Mark Rohr said we're going to start things off tonight with four boards that some of you have seen and some of you have not seen. If I had to come up with sources of information to convey to anyone, including Council, the public, City employees, about the nature of League City and why League City is the way we are and some of the challenges that we're faced it would be these four boards. These boards I believe have bearing on every decision that Council makes and I think they bear repetition because they are very informative and they give you the basis for moving forward. As a matter of fact, two of the things on the agenda this evening, including the budget discussions and the revenue fee adjustments, are directly related to the information we're about ready to go over. Many of you have seen the infamous 3-legged stool and it shows the breakdown of tax base within League City. I believe these numbers are based on a year ago, not necessarily the information you have in your budget here but nevertheless I don't think they have changed appreciably, although we are trying to change them and I think we'll make progress over time. We see 82% of the City's tax base comes from the residential sector, 18.1% comes from the commercial sector and approximately a third of that, although defined as commercial, is public sector oriented things like the school system process. That is deceptively high in terms of the contribution that actually makes two overall revenue streams. The last leg of the three is industrial and it is barely existent in League City, .1%. Very informative, very simple, very metaphoric in terms of its presentation, it gives you an idea of why we are the way we are.

Board 2, a lot of times we're compared to comparable cities within the area of similar size, the two that come to mind more often than not are Pearland and Sugar Land and once again these numbers are approximately a year old. If you look at the combined sales tax and property tax that all three of the cities, including League City, have on an annual basis to put their budget together, Pearland and Sugar Land's combined is approximately \$75 million almost to the dollar, we're at \$50 million. So they have half again as much as we have when they sit down to do their budget every year to work with. There is a reason for that, I don't want to get into that tonight. Those are things that we discussed in the past but they have resources they can devote to economic development that we don't have. That's not the purpose of this presentation, but I would argue that's the reason. So \$25 million more a year, when they're getting requests for additional personnel, improvements to the City, new projects, roadway improvements, \$25 million more than we have each and every year. This is our sixth meeting now that we spent on revenue shortfalls and the need for revenue enhancements within the City. In the current budget that we are in we devote approximately \$2 million a year to capital improvements.

We did an analysis with the help of Public Works, Finance, and everyone else that contributed and looked at hardcore infrastructure needs. We came away with the conclusion that we need to be devoting \$24.6 million a year. So there's a spread or a difference of over \$22 million a year that we need to come up with in terms of contributing on an annual basis that which we need to contribute and invest in capital improvements to keep pace.

The last board is something I used during the downtown presentation. It's called the ESRI analysis and it measures leakage. Monies we have going outside the community by us, the residents, to buy things elsewhere as opposed to money we have coming in from other cities to spend money in League City. The difference, same number that I used the evening on May 10 when we gave the downtown presentation, we spend more than \$13.1 million a year outside the City than we have coming in. That means we have leakage, more money going out, spending more money elsewhere than we have coming in. Most of the emphasis is on destination retail. I think it is interesting to point out that if you reverse this trend, instead of the \$13.1 going outside if that came back in, you double that \$26.2 million a year in the comparative shortfall in revenue for capital improvements which is \$22 million. So there is some synchronicity here between some of the different factors that we went over and they tie together and complement each other and there is a reason for all this. So obviously this defines who we are and the limitations that we are faced with and in my mind defines what it is we need to do to overcome this to improve the situation within League City. Having said that we can start going through the proposed budget and have some other discussions this evening but once again four very important boards that we are going to use and reuse and try to get out there to explain to people why League City is the way it is and what we need to do to improve it.

Rebecca Underhill, Assistant City Manager/Director of Finance said you have been given your books this evening and also sent you the link to Dropbox where the documents are available electronically. The City Manager has given you an overview of where we are coming from and we go through this process every year but it is not the same process every year. Every year is unique and this budget is different than the budget that we are operating under for FY2016. The major factors that make it different is the reinvestment in existing infrastructure. The City Manager alluded to we came to you in February and talked about a need for \$24 million on an annual basis to be reinvested in existing infrastructure and the first step in that direction is in this budget. We are continuing to work towards the 'Roadmap to the Future' and various projects and initiatives you will see reflected in this budget as well. We are going through and recapping the 'Roadmap to the Future' that was adopted in 2015 and those projects that we are working towards. Budget 101 – what is this budget? This budget is \$192.24 million. On the face it is \$16.2 million more than the current fiscal year 2016 budget but that is directly impacted by an infusion of \$10 million from the general fund into the capital project fund. The way fund accounting works is that \$10 million actually gets accumulated to \$20 million, it is an expense to the general fund, it is a transfer to the capital projects fund and then it is an expense in the capital project fund as it funds projects. So that \$10 million difference has inflated that number.

Also there is an additional \$1 million in capital project funding coming from the water utility fund. Last year when we sat here and talked about rate increases, we talked about the ongoing need for capital improvements in the water utility fund and dedicated a portion of that additional revenue in the cash funded capital project. So that is reflected in this budget as well. The budget is funded based on these assumptions, one is the property tax rate stays the current level at \$0.5735 per \$100 valuation. The revenue study enhancements that are on this agenda tonight for tomorrow night's action, for tonight's discussion the financial impact of all those items are included in that budget to the tune of approximately \$3 million in additional revenue. I also want to point out the five-year CIP will be coming to you in two weeks and it currently has programmed in another \$19.9 million in additional debt for FY2017, \$12.14 million on the tax supported side and \$7.78 million on the revenue supported (water utility). That is the first run at that and we will be looking at as we go through the budget process.

Mark Rohr said make sure you understand the \$10 million was our first foray in making up the \$22 million. So we added \$10 million more to the non-utility capital improvement fund in an effort to get to the \$22 million, but it includes the revenues that are included for discussion this evening and action tomorrow night.

Ms. Underhill said a few weeks ago I showed you how we could gradually approach that \$24.6 million need and the projections for FY2017 in included in this budget. The property tax revenue growth is reflected on the face page of your budget at \$3.4 million in additional revenue through growth. About half of it is new property growth, about half of it is value growth but the entire \$3.4 million growth is included in this budget. Also there is about \$3 million in revenue enhancements from the revenue study items and \$3.7 million in general fund balance. So when you look at the face of the general fund statement you will see that balance being drawn down \$3.7 million as a funding source for this budget. As we started in this process there were \$4.8 million in new department requests, for new personnel, new programs. Included in this budget are 8 new positions, additional fire department programs to enhance the safety of the community including night time staffing stipends. Added Personnel – for the Communications Department we have added a Specialist to enhance community dialog through all venues, especially television and a Convention and Visitors Bureau Administrator that we talked about two weeks ago. For the Purchasing Department we have added a Buyer position to assist the departments with policy and legal procurement requirements. For the Parks Operation we have added a Maintenance Worker to continue the maintenance of the growing number of city parks facilities. In the Police Department we have added two Lieutenant Positions to provide a higher level of authority (command staff) on all shifts and effectively what that will do is promote up through the ranks and then two new officers will be backfilled, and an additional Police Officer to support the Gulf Region Information and Dispatch (GRID) system. That position will be funded primarily through the 12 participating GRID agencies. And then we have added a Project Manager in the Engineering Department, again enhancing the CIP and there is help needed to move those projects along.

Other items that are included, the Fire Department has requested a replacement pumper at \$600,000 and there is funding included to fund a night time crew similar to the day crew that we started this year. Within the Communications Department there is \$165,380 for equipment from the Public Access funds to enhance communications efforts. When we get to the Human Resources Department we will talk about the comprehensive salary and position classification study and there is funding in the budget for that study.

On the capital side, the capital budget is \$68 million and includes the \$10 million in reinvestment projects that we have talked about for additional sidewalk repair and replacement \$1 million, street reconstruction/drainage improvements \$2.99 million, storm water improvements \$3.01 million, asphalt road rehabilitation \$2.77 million, and facilities reinvestment \$0.3 million. Other projects included, again you will get the entire CIP in two weeks and we have a meeting scheduled in August to go through it. What's next? We start next week with a meeting on Tuesday evening (July 19) to go over the general fund and departmental budgets. The following Monday evening (July 25) we will go over the remaining departments. In August (August 2) we will go over the Capital Improvement Program and any outstanding issues (August 8). The public hearing and first reading of the ordinance will be on August 23 with adoption on second reading at the next meeting on September 13.

Mr. Rohr said one additional comment, I believe this to be the first budget that the City has ever compiled that combines not only a fully and well-rounded CIP program as reflected in the information presented tonight but also the 'Roadmap to the Future'. So it is not just grass and trash, as I believe we have in the past and a lot of cities still do, it is directed targeted investment in the future that will make the future brighter as a result of that effort.

3. **CONDUCT A WORK SESSION OF THE CITY COUNCIL TO RECEIVE INFORMATION CONCERNING AGENDA ITEMS APPEARING ON THE MEETING AGENDA FOR THE JULY 12, 2016 MEETING OF THE CITY COUNCIL OF THE CITY OF LEAGUE CITY.**

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

4. **ADJOURNMENT**

At 7:00 p.m. Mayor Pro Tem Kinsey said, there being no further business this meeting is adjourned.

TODD KINSEY
MAYOR PRO TEM

DIANA M. STAPP
CITY SECRETARY

(SEAL)

MINUTES APPROVED: