



City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes City Council

Monday, July 10, 2017

6:00 PM

Council Chambers
200 West Walker Street

Council Work Session

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

Mayor:

Pat Hallisey

City Council Members:

**Dan Becker
Hank Dugie
Larry Millican
Todd Kinsey
Greg Gripon
Keith Gross
Nick Long**

City Manager:

John Baumgartner

Assistant City Manager/Director of Finance:

Rebecca Underhill

Assistant City Manager:

Bo Bass

City Attorney:

Nghiem Doan

City Secretary:

Diana M. Stapp

Chief of Police:

Michael Kramm

Director of Human Resources/Civil Service:

Janet Shirley

Director of Parks & Cultural Services:

Chien Wei

Director of Planning/Development:

Paul Menzies

Director of Public Works:

Gabriel Menendez

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.

Absent 1 - Mayor Pat Hallisey

Present 7 - Mr. Dan Becker, Mr. Hank Dugie, Mr. Larry Millican, Mr. Todd Kinsey, Mr. Greg Gripon, Mr. Keith Gross and Mr. Nick Long

2. PUBLIC COMMENTS

3. PRESENTATION REGARDING THE DOG PARK

Chien Wei, Director of Parks & Cultural Services, gave a presentation. In February City Council approved \$150,000 for the Dog Park Project. An additional amenity proposed was a dog pond. Council asked staff to go ahead and proceed with the dog park project and as we get closer to the end of the project see what cost savings we might have and discuss options for a possible dog pond within the project. Listed below is an update on what has been performed on the project, completed (paid) and where we stand on remaining items: Fencing, complete - \$53,185.55; Plumbing, complete - \$12,544.47; Clearing, complete \$6,850; Hydromulch, waiting on final grading \$2,700.34; Fountains, ordered - \$10,965; Concrete, complete - \$32,281.88; Swale Work, City finishing installation of drain pipe - \$6,369.31; Sod, pending authorization/schedule after drain pipe - \$600; Dog Wash Tables, need authorization - \$4,000. The total to date is \$129,396.55 (84%), leaving a balance of \$24,603.45. Two weeks ago we had a meeting between the League City Dog Park Association and City Staff to talk about alternatives for the pond, besides digging a hole as previously presented (based on visit to City of Sugarland) which is basically a hole, outlined with concrete, and maintained by City Staff. The alternatives we looked at was a chlorine system and a bio filter system. Based on our meeting staff went out and contacted 10 pool companies to get estimates for a dog pond. We received 3 responses which ranged between \$50,000 and \$250,000. Proposed project: Chlorine System, pool size 30' x 45' x 3' deep, zero depth to 3' from one end of the pond, boulder rock outlining the perimeter, and design. We are estimating the project between \$75,000 - \$100,000.

4. PRESENTATION OF THE PROPOSED BUDGET FOR THE FISCAL YEAR 2017-2018

Rebecca Underhill, Assistant City Manager, Finance thanked the budget staff for compiling the information for the budget. The Department Heads and Directors worked hard to put together a budget to maintain service levels and keep in mind the fiscal restraints that we are going to talk about. This budget is prepared in keeping with City priorities to enhance mobility, secure water resources, promote economic development strategies that enhance the community, diversity the tax base, and meet the goals established for the City Manager. The budget will continue to progress on advancing priorities outline in the strategic plan as adopted by Council in the 'Roadmap to the Future'. That is exhibited through funding for the Animal Shelter, Fire Station Number 6, and the Downtown Revitalization project. The strategic plan is slated to be updated during the upcoming fiscal year (FY2018) and the budget includes funding for that process. Updates to the Master Mobility Plan, the Future Land Use Model, the Water and Wastewater Master plan, the Utility Fund Financial Plan and the Parks and Trails Master Plan are underway, or will be very soon. The City does look to the future in all these areas and this budget advances those plans.

When we look to the revenue for the City, our primary revenue source is property taxes. League City is considered a highly attractive area and continues to grow, resulting in an increase in property value. Increases in property value provide funds for investment in infrastructure and city services. The FY 2018 proposed budget is based upon 2017 taxable values estimated at \$7.75 billion, an increase of 8.9% over current year values. We have seen steady growth in the taxable values that have provided these resources for us. The Council has managed the revenue growth through property tax rate reductions and increase in homestead exemption. Since fiscal 2010, the property tax rate has been reduced from \$0.63 per \$100 valuation to \$0.57. In addition, the homestead exemption has been increased from 10% to 20% of taxable value. After adjusting for the effect of the homestead exemption, the rate borne by homeowners has been reduced from \$0.567 to \$0.456; over 11 cents. When I talk about the Effective Homestead Rate, we just apply the amount of reduction for the homestead value to the gross rate. So why commercial property owners in FY2017 are paying \$.5700 your homeowners are paying \$.4560. For FY2018 the rate that is included in the proposed budget is \$.5418, which is the estimated effective tax rate. In keeping with the goals that were established for the City Manager this budget was developed based upon the estimated effective property tax rate of \$0.54178. The final calculation of that rate won't be available until mid-late August when the certified values are complete. This is a tax rate reduction of \$0.02822 from the current tax rate of \$0.57, limiting additional property tax revenue to \$1.4 million over FY2017. This constraint will continue to make it difficult to keep up with the necessary city services to meet the expectations of our growing community.

The second general revenue source is Sales Tax. League City has seen healthy annual growth in sales tax revenue, averaging 11% over the last 10 years. Fiscal year 2017 revenue is estimated at \$17.8 million, 7.5% over FY 2016. The I-45 construction is expected to impact major retail centers and the FY2018 proposed budget tempers the rate of revenue growth to a 5% increase over the current fiscal year estimate. In this budget sales tax is projected at \$18.87 million and is expected to provide \$1 million in additional funding in FY 2018.

Water Utility Revenue is budgeted at the existing rates as adopted in 2015. Performance of these rates (compared to projection) are under review. If you remember we went to a block rate structure changing the consumption patterns and we are reviewing how those rates have performed compared to the models that we used in our projections. The proposed water capital program includes an investment of \$214 million in projects over the coming five-year period; including \$50-\$100 million to secure sufficient water resources for the future. These upcoming capital needs will require adjustments be made to capital recovery fees and utility rates in future years to fund these capital investments. The rates paid by the City for contract water purchases is a major operating cost. The City should evaluate and consider passing these rate adjustments directly to customers. The rates that we pay our providers of water are under review and we are working to finalize the rates. We expect there to be a rate increase just on the water that we purchase. That will be a policy decision that City Council will be asked to consider as we go forward.

After introduction, the proposed budget for all fund for FY2018 is \$204.57 million. This is an increase of \$12.64 million over the current (FY2017) budget \$191.93 million. The breakdown between Operating Budget (\$128.31 million) and Capital Budget (\$76.26 million) shows an increase of \$1.87 million to the Operating Budget and \$10.77 million to the Capital Budget over the FY2017 budget. The proposed 2018 capital program includes \$76.26 million in funding for 50 projects, including construction for the new Animal Shelter, Fire Station Number 6, reinvestment improvements, roadway, parks and downtown projects. The operating budget includes a \$3 million increase in the transfer of operating funds to the capital budget for the reinvestment program. When we look at the total budget this generates a \$6 million impact to the total budget. There is a \$3 million increase in operating budget for the transfer and a \$3 million increase in the capital budget for the reinvestment program. Increased reinvestment funding, the construction of the Animal Shelter and Fire Station Number 6 total \$18.02 million of the proposed budget.

While the proposed budget supports current funding levels, the demand for city services continues to grow. Funding was not available for many new and enhanced services. What is included in the budget are: Existing services, Expanded reinvestment program, Increased funding for employee health insurance, Compensation increases (related to both the Compensation Study and Merit Increases), Strategic planning, Increased contract mowing costs – for new facilities. A total of 3.25 full time equivalent (FTE) positions have been added: 2 part time kennel workers (1 FTE) at the animal shelter to replace contracted services; 1 full time customer service technician in the Utility Billing department (funded through water utility revenue) in order to respond more quickly to customer service requests; 1.25 FTEs for Park Operations and Recreation at Hometown Heroes Park (funded through the 4B sales tax) to support enhanced programming.

During the FY 2017 budget process, staff presented an ambitious plan to “reinvest” \$25 million annually in city infrastructure and facilities, such as annual needs to refurbish & renew existing streets, parks and facilities. The plan was to phase in funding from general revenue at an increasing rate over time. The FY 2017 budget included the initial funding level of \$9 million. The FY2018 was projected to increase that commitment to \$15 million, utilizing additional fund balance, growth in property tax revenue & revenue generated from fee enhancements implemented last year. Last year the projection was to use \$5.2 million in General Fund balance and that is included in this budget. Due to limited revenue growth, the proposed budget tempers reinvestment funding from the planned \$15 million to \$12 million. \$5 million of the reinvestment program is provided by a one-time expenditure of general fund balance. In order to sustain this program, we will need to develop additional revenue to meet the reinvestment funding needs in future years.

Related to employees, the compensation study will be completed in late summer & the proposed budget provides funding to begin the implementation of a revised compensation structure. The proposed budget also includes funding for a 2% performance based merit employee increase.

Health insurance is a major compensation component and this budget includes funding for a projected increase of up to 13% over current budget to be shared by the City and the employees at the current cost sharing levels. Review of this plan is ongoing and options will be discussed and the costs redefined during the coming weeks. Due to growth in the City, the police department staffing levels have dropped below the optimal number of officers per capita. This budget does not provide for additional sworn positions, the funding in the budget will allow for authorization to ‘hire over’ the current number of authorized officers (123) by 6. If the department is fortunate enough to meet full staffing plus six, City Council will be informed and we will bring forward additional funding recommendations at that time.

The proposed Capital Budget is \$76.26 million. There are 50 projects including Animal Shelter, Fire Station Number 6, SH3 waterline, and Waterline from SH3 to South Shore Harbour Booster Station. Funding for the FY 2018 includes \$18.6 million in anticipated bond funding. The detailed CIP will be presented to City Council in the coming weeks. The proposed budget was developed based upon the estimated effective tax rate which limited revenue available for service enhancements. It utilizes \$5 million of available General Fund balance and does not fund other priority projects totaling \$1,729,400:

Air packs for the Fire Department \$161,700
Ambulance and related staffing (6 FTEs) \$707,000*
Assistant Communications Manager – Police Department \$83,100
Pool Maintenance Specialist (1 FTE) – General Fund portion \$21,800
Grant Administrator (1 FTE) \$111,900
Additional 1% employee merit increase \$218,400
Keep League City Green initiative \$25,000
2 Tahoes for the Fire Marshal’s office \$94,000
Replacement of 10 AED units for EMS \$24,800
2 Vehicles for Police CID use \$65,800
EBSCO discovery services research subscription for Library \$8,900
Parks Maintenance Worker (1 FTE) \$48,200
Deputy Fire Marshal (1 FTE) \$128,800
July 3rd Fireworks Celebration \$30,000

Inclusion of these items could be funded at a property tax rate of \$0.56452. The \$707,000 proposal for the Ambulance and related staff is to purchase an ambulance and over the course of 12 months hire 6 full time paramedics. We have asked for some alternatives related to reducing the staffing required to run the ambulance service only during peak hours. So we are refining those numbers right now and feel we can bring that number down. Other items that were requested and not funded include: West Side store front Library \$1 million (or other options), Fire Boat \$284,100, Downtown facade program \$30,000, Christmas tree and decorations \$30,000, and Park and Ride \$40,000.

Next Steps – Budget Adoption:

July 18 - Special Meeting to review Public Works, Parks and Cultural Services, City Secretary, City Attorney, Mayor and Council, and Planning Directorate.

July 24 – Work Session meeting to review Police, Fire, Water Utilities, Fleet Maintenance, Finance, Human Resources, Communications, IT & Facilities, and Economic Development.

August 1 - Special Meeting to review Capital Improvement Plan.

August 7 – Work Session meeting is open – to wrap up any outstanding issues.

August 8 - Public Hearing

August 22 – Final Reading of the Budget ordinance

September 12 – Second Reading of the ordinance

5. PRESENTATION REGARDING THE EMPLOYEE BENEFITS PROGRAM

John Heerwagen, IPS Specialists, gave a status update on the RFP 17-041 and the items that are covered in the RFP, where we are in the process, and the preliminary medical renewal. As a part of the every three year process with contracts we took the (Fully-Insured) Dental contract out to bid, along with a self-funded basis (ASO) similar to the way you fund your medical plan today. The Dental is currently with Aetna as a provider. We have gone through the initial analysis and identified the following finalists and have gone back for competitive proposals. Dental (Fully-Insured): Aetna (Incumbent) Finalist, MetLife Finalist, and United Healthcare Finalist. Dental (ASO): Aetna (Incumbent) Finalist and Cigna Finalist.

We also released an RFP ahead of the Stop Loss renewal (the insurance for the insurance, the protection of the health plan) both on every covered member and on the plan as a whole. In anticipation based on the how the plan had been performing we released that ahead of time. We did not see favorable results on the response basically because of some of the liabilities that we will talk about. The two finalists were Cigna (Incumbent) Finalist and SunLife Finalist. We did also release an RFP at the direction of the City for Voluntary Products. Currently employees have access to voluntary financial protection products like accident, critical illness, those kinds of protections on an individual basis. We have released an RFP to see if that is more financially appropriate to be through a group contract to see if there is a rate relief to that and also dollars to help offset the cost of benefit administration for the City. Finalists include AFLAC, Colonial Life and Cigna. We did also release an proposal for Post-65 Medicare Advantage Products, this would be a new enhancement on a voluntary basis to help employees who have been on the retirement plan and have reached Medicare eligibility. We did not receive any response for that from any of the participating carriers due to the participation limits.

Just touching on RFP Next Steps for the In-Force coverages which is your fully-insured Dental, all of the initial proposals are above the current rates prior to Best and Final. There is a cost share between the City and employees for these items. The current dental loss ratios (premiums paid into the plan versus claims paid out of the plan):

Last 12 Months (3/1/16 – 2/28/17) = 108%

Last 24 Months (3/1/15 – 2/28/17) = 99%

Prior Plan Year (10/1/15 – 9/30/16) = 102%

Current Plan Year (10/1/16 – 2/28/2017) = 107%

What the percentages are indicating is that the plan is incurring more claims than the premiums are set at or dictate and that is driving the potential increases. We are looking at the self-funding of the dental plan (ASO) and those projections will be provided during the Best and Final Review and Recommendations meeting. The Stop Loss Best and Final Requires Claims through 6/30/2017 will be released this week so we will be seeing the final results to the Stop Loss Insurance or the Financial Protection to the plan by the end of this week ideally. On the Proposed Voluntary Benefits, again the initial proposals don't include any Fees To Off-Set The Cost of Benefit Administration but we do see indications that will take place in the Best and Final Proposals and those proposals do closely match Current Voluntary Benefits with some savings to employees.

Status Update - Medical Renewal – we have received the initial medical renewal and we are going to look at some plan performance. We are in the process currently of evaluating the medical renewal and looking at the alternatives and savings opportunity that we will be discussing. As far as the administrative component to the medical renewal, the Cigna contract for administration, there has been no impact to that cost. That is a small portion of the overall total plan cost (5-8%) but that contract remains in force for three years if the City renews every year and there is no increase to that. That includes a 15% wellness benefit per year for the City to use towards wellness initiatives. Plan Performance Through April 2017 - the plan is currently operating at 119% of expected claims; 95.1% of maximum liability. The May data moves that down to 118% of expected claims and 94% of maximum liability. Total incurred claims are up 42% compared to the prior plan year, which was a significant decrease from years prior to that. Through April 2017 there were 9 Large Claimants over 50% of the specific deductible (\$125,000) with \$1,757,240 in total claims (October 2016 – April 2017). Your specific deductible is the claims protection above a specific threshold (\$125,000). Any member that incurs claims beyond that, there is an insurance that picks up that liability. You had 4 of these last year in total for the plan. Looking at May data you are now at 12 Large Claimants over 50% of the deductible. Catastrophic claims overall are at about 62% above a normative average when we look at Cigna's overall block of business. The City is incurring a large number of catastrophic claims. There are 2 Large Claimants over the \$125K Spec with \$907,010 in claims over the spec (October 2016 – April 2017). The insurance is picking up that liability which is driving some of the Stop Loss increase and that is what has prevented respondents to the RFP from responding.

Medical Plan Summary: October 2016 – current. When we look at some of the cost drivers causing the large plan cost, some of the categories where the City of League City's plan is performing poorly compared to Cigna's benchmarking data are: Catastrophic claims (Large Claims), increase in overall cost of surgeries, Cost of diagnostic testing (up 16%), Spouse claims (some catastrophic claimants), Pharmacy claims (especially specialty pharmacy), Frequency and cost of Emergency Room visits. The 2016 – 2017 plan year per capita cost (per employee per year) is projected to return to 2013 levels. Total Incurred Claims – year over year you have ran about \$11,000 per capita. Last year was a little bit of anomaly with an \$8,600 per capita which was a 24% decrease from the prior year. And then this year on an annualized basis through April we are looking at a per capita increase returning to about \$12,000.

Preliminary Medical Renewal Highlights.

Administration - Medical Administration is a rate guarantee with Cigna which carries you through the next two additional years and both of those additional years will have the \$15,000 wellness incentive to assist the City with wellness goals.

Stop Loss – the attachment point (maximum liability) increases 34.6% compared to current. Expected claims increases by \$1.5 million for the 2017-2018 plan year (based on carrier projections). The stop loss renewal contains a laser of \$300,000 which increases overall laser liability by \$175,000 compared to current. The stop loss fixed fees increase 18.7% compared to current. IPS Advisors budget project was a 20% increase to stop loss fixed fees.

Total fixed costs (medical administration + stop loss fixed fees) increases by 14.7% compared to current, which equates to an \$108,310 increase based on current medical plan participation.

Total plan costs based on expected claims, including \$175,000 laser liability, is a 23% increase over current. **Total plan costs based on maximum liability, including \$175,000 laser liability,** is a 23.5% increase over current. **Total plan costs based on maximum liability, including \$175,000 laser liability,** is a 22.9% increase over current.

Budget - the medical renewal based on expected claims is a 32.9% increase over 2016 – 2017 health plan budget. The Cigna projected medical and pharmacy claims increase is 39.0% over current 2016 – 2017 budget. Based on annualized and projected figures for 2016 – 2017, the City of League City's health plan will have approximately \$1.4 million - \$1.8 million in reserve balance at the end of the current plan year.

Premiums - the medical renewal calls for a 23.2% increase to the fully-insured premium equivalent rates to fund the renewal for FY 2017 – 2018.

Renewal Considerations – again our goal is to bring a menu of options for the City and City Staff to review. Those options are going to include items around the Network. The City currently accesses a broad network, Cigna Open Access Plus. We are going to evaluate that network compared to a plan option with the Cigna Kelsey Care ACO Network, and a slightly smaller provider network to the Cigna Local Plus Network. Medical Benefits / Plan Design, we are looking at a Preferred Benefits contract with UTMB. Their care model and overall total cost of care is either at or better than market. They are right in the back yard so the idea is can we build a preferred benefit plan designed to incentivize employees to utilize UTMB.

We will evaluate reintroducing Prior Authorization for high-tech imaging (CT/MRI/PET Scan). We would like to look heavily at the Emergency Room Benefits, look at moving that to a copay plus some additional cost share. We are looking at the Pharmacy Plan, to introduce Step Therapy and the reintroduction of Generic incentive or members paying a difference when they chose a brand over a generic equivalent. Looking at the Pharmacy Network – looking at the formulary, benefit designs around specialty pharmacy. So there is going to be a menu option in each of these with an associated impact for the City and Council to review, both from a member perspective and from a cost perspective to help move the overall renewal numbers lower than the initial renewal that has come out today.

Renewal / RFP Timeline – we are currently in the process of going through the RFP and renewal with adjustments. This will be presented to the city staff within the next week or two and then the menu options will be brought to Council as well. We are targeting July 24 Work Session to start that initial discussion. We have a fall back meeting for presentation to Council and approval on August 1, and could also do August 8. We would be finalizing the Stop Loss Renewal in July / early August and plan to conduct open enrollment in late August.

6. **DISCUSSION REGARDING AN ORDINANCE AMENDING ARTICLE IV OF CHAPTER 74 OF THE CODE OF ORDINANCES OF THE CITY OF LEAGUE CITY, TO CREATE A SINGLE STANDARD FOR ALCOHOLIC BEVERAGES IN CITY PARKS**

Chien Wei, Director of Parks & Cultural Services gave a presentation. As requested City Staff reached out to several other cities to find out their policies in regard to alcohol. Some of the questions asked during the survey was if alcohol was allowed in city parks, when there are exceptions, and what is done with multi-use facilities. Surprisingly the majority of cities ban alcohol totally. Those that ban alcohol totally in all city parks do state the only places they allow is for example golf courses, fair grounds and event centers. There were some cities that do allow alcohol but none of them allow alcohol in youth related activities, athletic activities, or practices.

The City Attorney's office went out and looked at ordinances regarding alcohol in city parks. I took that document and categorized them as: Outright Bans (of city parks for alcohol); Allowed/with restrictions (similar to our city - by permit or not allowed for youth, athletic events or practices); and Allowed Outright. Outright Bans included Galveston, Sugarland, Baytown, Missouri City, Katy, Allen, Frisco, Plano, Killeen. Allowed with Restrictions included Austin, Amarillo, Friendswood, Pearland. Allowed Outright included Texas City and College Station.

One discrepancy found was in Texas City's ordinance where it stated no alcohol allowed in their parks. But when we contacted them we were told no alcohol is allowed in city parks by the public or renters. The exceptions are alcohol is only allowed during city event and during Adult Softball League operated by the city where only adults are present. For multi-use facilities, they do not allow alcohol use if any youth activities are present in the park. The only building that we have that is within a city park is the Butler Longhorn Museum and Hometown Heroes Park. We have renters and fundraisers that rent our facilities that do fill out a permit requesting to either serve or sell alcohol. If they sell alcohol they have to get the City Managers permission and provide a TABC permit.

Nghiem Doan, City Attorney said our current ordinance specifically names actual parks but there is a provision that prohibits alcohol possession within the fenced enclosures around pools which will capture that particular area at Hometown Heroes Park. Aside from that any new parks and those not named in the ordinance alcohol is allowed. The proposed revisions reflect changes as a result of the information I sent council about what mechanisms we have to enforce the ordinance.

7. CONDUCT A WORK SESSION OF THE CITY COUNCIL TO RECEIVE INFORMATION CONCERNING AGENDA ITEMS APPEARING ON THE MEETING AGENDA FOR THE JULY 11, 2017 MEETING OF THE CITY COUNCIL OF THE CITY OF LEAGUE CITY.

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

8. ADJOURNMENT

At 7:57 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: