



City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes City Council

Tuesday, June 12, 2018

5:00 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

Bo Bass

Assistant City Manager

Michael Kramm

City Attorney:

Nghiem Doan

City Secretary:

Diana M. Stapp

Interim Chief of Police:

Gary Ratliff

Director of Budget/Project Management

Angie Steelman

Director of Engineering:

Christopher Sims

Director of Finance:

Allena Portis

Director of Human Resources/Civil Service:

Janet Shirley

Director of Parks & Cultural Services:

Chien Wei

Director of Planning/Development:

David Hoover

Director of Public Works:

Jody Hooks

1. CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Hallisey called the meeting to order at 5:00 p.m. and called the roll. All members of Council were present except Mr. Long. Mr. Dugie arrived at 5:12.

Absent 1 - Mr. Nick Long

Present 7 - Mayor Pat Hallisey, Mr. Dan Becker, Mr. Hank Dugie, Mr. Larry Millican, Mr. Todd Kinsey, Mr. Greg Gripon and Mr. Keith Gross

2. **PRESENTATION OF THE FY2019-2023 LONG RANGE FINANCIAL FORECAST (DIRECTOR OF BUDGET & PROJECT MANAGEMENT)**

Angie Steelman, Director of Budget and Project Management gave the following presentation:

This analysis is prepared in compliance with City financial policies and Government Finance Officers Association “Best Practices”. The Long Range Financial Forecast (LRFF) is a starting point for FY2019 budget preparation, in context of the 5-year horizon, and was resented to Finance Committee on May 21, 2018.

Economic Outline - We look at the local and Houston metro area economy and are mindful of factors that impact jobs and revenues. The Houston metro area oil prices and the accompanying impact on jobs in that sector and the reconstruction at FM646 & IH45 impact on sales tax are the two most notable for this forecast. This forecast projects an increase in population and factors related thereto at approximately 2.6% and a steady, conservative growth rate of 846 homes per year.

Forecast Assumptions - Revenue

Property Tax Revenue:

Property values were adjusted based on assumptions of the impact of Hurricane Harvey, an average of 5.6% growth over the 5-year period in values, and a decline each year in the total tax rate.

Sales Tax Revenue:

Even with the continued growth in sales tax in FY2018, for the forecast, FY2019 has been held flat due to the lack of Harvey related work when compared to FY2018 and the sales disruption in the IH45 corridor as construction removes the bridge at FM646.

Utility Revenue:

Water and sewer revenue is based upon new customer growth only with no increase in rates.

Forecast Assumptions – Operating Expenditures

Cost increases are based on projected inflation applied to the base budget only –No expanded operating programs or staff. Debt costs are based upon current debt outstanding and the 2018 bond issue. FY2019-2022 new debt is based on the FY2018-2022 CIP

The General Fund Forecast includes:

- The annualized cost of the FY2018 merit and compensation study implementation
- 3% merit increase annually
- 2% civil service step increases (based on the compensation study changes)
- Other expenditure increases are based upon inflation assumptions as outlined
- Annual funding of CIP
- Staff develops recommendations on the expansion of programs and staffing annually as part of the budget process

The projection reflects annual operating revenue exceeds annual operating expense in every year of the forecast as a result of the continuing, slow growth rate and the exclusion of increasing staff costs from current expense. These expenses are the baseline budget adjusted for inflation with no additional programs, staff, etc. In every year of the forecast, the policy goal of 110 days of working capital is met based on the forecast assumptions.

Utility Fund Highlights

Water and sewer revenue is based upon new customer growth only with no increase in rates.

Expenses include:

- The annualized cost of the FY2018 merit and compensation study implementation
- 3% merit increase annually
- Other expenditure increases are based upon inflation assumptions as outlined with no additional programs, staff, etc.

Utility Fund projections include continued cash funding for capital projects and debt issued as is scheduled in the FY2018-2022 CIP with 2018 Bond Issue postponed, to be included in the 2019 Bond Issue amount. Based on the assumptions outlined, the fund begins operating at an annual deficit with annual operating expenses exceeding annual operating revenue beginning in FY2020 and fund balance is expended by FY2023. The policy goal of 90 days of working capital is met based on the forecast assumptions except in FY2023. This condition is driven by the capital demands as defined in the FY2018-2022 CIP. Going forward decisions will need to be made regarding funding of the long-term capital needs of the system. Options that will be presented to City Council include both developer and customer participation.

Water and Wastewater Master Plans – These plans are currently being updated with completion anticipated in August 2018. These plans will provide a basis for an updated capital recovery fee (CRF) structure. The CRF analysis is anticipated to be completed in FY2019. It is expected to result in significant potential increase in revenue that could be dedicated to projects that increase system capacity.

Water/Wastewater Revenue Study – the long range water/wastewater revenue study which was performed in 2015 anticipated additional revenue that would be required for future years to fund the capital demands of growing system. This study is scheduled to be updated in FY2019 and will assist staff in developing options for City Council consideration. Future debt needs can be reduced based upon these decisions.

FY2019 Budget Process – the operating budgets are currently being examined in detail. The goal is to continue to identify potential cost savings. The CIP is also under review with reprioritization of projects based on priority, staff workload, and available funding. Meeting with City Council will begin in July and proceed through final adoption on September 11. Four council budget discussions are planned on Monday, July 23, Monday, July 30, Tuesday, July 31 and Tuesday, August 7. The schedule has flexibility for additional meetings if needed. On July 10 the proposed budget will be presented to council and on July 24 the proposed CIP will be presented to council. A work session is scheduled on July 31 to discuss the CIP. First reading of the budget ordinance is scheduled for August 28, with the second reading following on September 11. Per City Charter the budget must be adopted by September 19.

3. PRESENTATION REGARDING THE PROPOSED 2018 CERTIFICATES OF OBLIGATION (DIRECTOR OF BUDGET & PROJECT MANAGEMENT)

Angie Steelman, Director of Budget and Project Management gave the following presentation:

Total Tax Supported Projects and Funding per FY2018 CIP (\$44,278,616)

Projects include: Reinvestment - \$15,017,000; Streets/Traffic - \$7,818,020; Drainage - \$3,045,519; Animal Control - \$6,850,000; Fire - \$5,175,500; Facilities - \$875,000 Parks - \$1,837,070; Economic Development \$200,000; and Downtown Revitalization \$3,460,507

Funding Sources include: Existing Funds \$27,718,440;
Other – 4B, County Grants - \$2,575,666; and Debt – \$13,984,510

Tax Supported Projects needing current funding include: Brittany Lakes/Fennigan Traffic Signal Construction; Ervin Connector; Animal Shelter; and Public Safety Annex Station 6, with Engine.

Total Revenue Supported Projects and Funding per FY 2018 CIP (\$31,429,849):**Projects: Water \$27,667,224 and Wastewater \$3,762,625****Funding: Existing Funds \$27,051,049 and Debt \$4,378,800**

Staff recommends not selling Revenue Supported Debt at this time and use cash on hand from previous bond sales for CIP project WT1109 36" Waterline from SH3 to SSH BPS. This project is not ready for construction at this time, construction funds to be re-issued with another sale.

The purpose of the proposed bond issue (\$11.54 million) is to fund projects as defined in the FY2018-2022 Capital Improvements Plan (CIP) as adopted in the budget ordinance 2017-21 on September 12, 2017 with revisions based on project schedules and available funding. Projects include Ervin Connector at \$1.55 million, New Animal Shelter at \$6.85 million, and Fire/EMS Station 6 at \$3.14 million. The Ervin Connector project will construct Ervin from Calder Road to the new Hobbs Road extension. In FY2018-2019 construction of a 2-lane concrete roadway with curb and gutter will extend to Calder (\$4.51 million). The new Animal Shelter project, total estimated project cost at \$7.54 million, will replace the current shelter building. The Fire/EMS Station 6 project, total estimated project cost of \$5.675 million, will support 24-hour operations and include living quarters for six, three bays and a pumper.

Types of bonds include General Obligation Bonds, Revenue Bonds, and Certificates of Obligation. General Obligation (GO) Bonds are voted by the taxpayers and are a property tax pledge at a best interest rate. Revenue Bonds pledge water utility system revenues at a higher interest rate and reserve funds are required. Certificates of Obligation are council authorized, after posting proper notice and are a property tax pledge at an interest cost similar to a GO Bond. Notice provides taxpayer the opportunity to petition for an election.

Recommendation is Single Certificates of Obligation Issue Bonds, that provide the lowest issuance cost by combining the tax supported and revenue supported into one issue. These have the lowest interest rate; no reserve fund is required, and no separate dedicated reserve fund is required. Council will consider the Notice of Intent to Issue Certificates of Obligation at their June 26, 2018 meeting.

4. PUBLIC COMMENTS

5. ADJOURNMENT

At 5:29 p.m., there being no further business this meeting was adjourned.

PAT HALLISEY
MAYOR

DIANA M. STAPP
CITY SECRETARY

(SEAL)

MINUTES APPROVED: