



Meeting Minutes
City Council

Tuesday, July 9, 2019

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 5:00 p.m.

Mayor:

Pat Hallisey

City Council Members:

**Andy Mann
Hank Dugie
Larry Millican
Todd Kinsey
Greg Gripon
Chad Tressler
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

Chief of Police:

Gary Ratliff

Director of Budget/Project Management

Angie Steelman

Director of Engineering:

Christopher Sims

Director of Finance:

Kristine Polian

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 5:01 p.m. and called the roll. All members of Council were present except Mr. Dugie and Mr. Kinsey, with Mr. Mann arriving at 5:06 p.m.

- Absent 2- Mr. Hank Dugie and Mr. Todd Kinsey
- Present 6- Mayor Pat Hallisey, Mr. Andy Mann, Mr. Larry Millican, Mr. Greg Gripon, Mr. Chad Tressler and Mr. Nick Long

2. **DISCUSSION REGARDING CURRENT DEBT POSITION AND GENERAL OVERVIEW OF FUTURE PROJECT FINANCING**

Joe Morrow of Hilltop Securities gave a presentation regarding current debt position.

DEBT FOR CITIES IN TEXAS:

Must have specific authorization

Texas constitution gives authority

State statues give types of obligations

Valid and legal obligations are one of the few ways that the current City Council can commit future City Councils.

Texas Attorney General approve all debt issues for compliance with Texas Laws

TYPES OF DEBT OBLIGATION

General Obligation Bonds

Wide range of uses – public purpose

Voted

Ad Valorem Taxes

Certificates of Obligation

Wide range of uses – public purpose

Subject to petition

Ad Valorem Taxes and/or User Revenue

Contractual Obligations

Only for acquisition of personal property (equipment)

Non Voted

Ad Valorem Taxes – Maintenance Tax

Tax Notes / Revenue Notes

Wide range of uses – Public Purpose

Non Voted, Limited to seven year term

Ad Valorem Taxes and/or User Revenues

Revenue Bonds

Usually for Utility System improvement or extension

Non Voted

User Fees – Net Revenues from Operations

Contract Revenue Bonds

Example – Gulf Coast Water Authority

Non Voted

User Fees – Net Revenues from Operations – Maintenance Taxes

Mr. Morrow showed the following graphs for League City's Debt Profile:

Debt paid from Ad Valorem Taxes, Outstanding Tax Supported Debt as of FY 2019. It did not include any of the pending voted bonds to be issued.

Debt paid from Utility Revenue, Outstanding Utility Supported Debt as of FY 2019. It did not include any of the planned CIP issuance for utility projects.

Debt paid from PID Revenue, Outstanding PID Supported Debt as of FY 2019.

Debt paid from TIRZ Revenue, Outstanding TIRZ Supported Debt as of FY 2019.

Debt paid from Sales Tax Revenue, Outstanding 4B Corporation Debt as of FY 2019.

RATING CONSIDERATIONS:

Debt is a major category in rating scorecards

Moody's: 10%, 20% when factoring in Pension and Other Post Employment Benefits

Standard and Poor's: 10%

Structure – Individual and Aggregate

Term – Average Life: Individual and Aggregate

Metrics (Examples)

Debt to Assessed Valuation

Rate of Pay Down

Net Direct Debt

Debt per Capita

Wealth and Income

Net Direct and Overlapping Debt

ISSUANCE CONSIDERATIONS:

Project timing

Will certify expectations to spend proceeds within 3 years of issuance

Size of Issue Driven by Contract Size

Need to have all funds available at contract award – City Attorney

Planning and Design – Construction

Structure – try to maintain a downward slope on aggregate debt. This may be challenging given the amount of debt that may be issued in the next five years

Term – consider useful life, future resident vs. current

Reimbursement Resolutions – preserve ability to repay yourself for upfront contributions

Continue cash funding

Mayor Hallisey announced that Mr. Mann had arrived at 5:06, Mr. Kinsey arrived at 5:39, and Mr. Dugie joined the meeting via videoconference call at 5:40.

Present 8- Mayor Pat Hallisey, Mr. Andy Mann, Mr. Hank Dugie, Mr. Larry Millican, Mr. Todd Kinsey, Mr. Greg Gripon, Mr. Chad Tressler and Mr. Nick Long

Angie Steelman, Director of Budget/Project Management, gave a presentation regarding future project financing.

GO BOND ELECTION ASSUMPTIONS

- Issue \$145M over 7 years (FY2020-2026) at roughly \$20M each year
- We also looked at debt capacity in the out years and the effect on the property tax rate
- 0.25% Sales tax revenue for debt service payments on debt issued for GO Bond Projects
- In future years, after the GO Bond projects are funded, additional revenue above the debt service amount needed will be used to cash fund other street & drainage projects

GO BOND PROJECT IMPLEMENTATION

Staff has heard the call for action from the Council and citizens regarding the implementation of the GO Bond projects

Several projects already under design and construction funds are part of the GO Bond Election

- Calder Rd South from Ervin to Cross Colony
- Grissom Road
- North Landing Extension (land, environmental & construction)

Four Drainage projects have been added to the CIP and capital budget and design was approved by Council just weeks after the election

Projects with design contracts approved by Council on May 28.

- DR1901 Bay Ridge Flood Reduction, Phase III (\$260,500)
- DR1902 Deer Ridge Dr buy-out & Overland Flow Imp. (\$249,976)
- DR1903 Dove Meadows & Borden's Gully Detention Pond (\$255,500)

Project with design contract approved by Council on June 25.

- DR1904 Bay Ridge Flood Reduction, Phase IV (\$669,348)

CASH FLOW

Anticipate first GO Bond Issue of \$20 million in Nov. 2019

First payment due in FY2020 which is included in the proposed budget document

- Proposed budget keeps debt service rate at the same as previous year (\$0.150002 per \$100 valuation)
- The debt fund has an estimated fund balance of \$4.66 million at the end of FY2020 per the proposed budget

Drainage projects design total - \$ 1.435 million

- Currently funded in Misc Capital Projects Fund and based on other project timing may require additional cash from GF fund balance

Calder South construction will bid in September once utilities are relocated – estimated at \$7.7 million

Sales Tax collections will start in December 2019 for October sales

Second GO Bond issue for a second \$20 million may be needed as early as Summer 2020 with first payment due in 2021

- **Payment will be part of FY2021 budget process**
- **Sales tax collected from Dec 2019-Jan 2021 (\$3.5 million)**

Possible hurdles to overcome:

- **FY2020 Proposed Budget prepared based on same debt rate as previous year and preliminary values**
- **If drainage projects that have been submitted for grants are awarded, there is a 3-year timeline for completion and that may change amount of GO Bond issued each year**
- **Sales tax revenue for the 0.25% is also an estimate**
- **Accelerating the program to the point of debt service payments not fitting within neutral property tax rate**

Ms. Steelman showed the following graphs:

GO BOND \$145M issued FY2019—2023 – FY2027-2034 Debt Estimated \$165M

Potential Debt Payments outpace Estimated Revenue – FY2024-2025

Comparing Debt Payments by Year – 7 year GO Bond Assumptions vs 5 year Accelerated

Options:

- **Award of grants (bond issue amount would be decreased by amount of grants)**
- **Debt service payment structure – (defer principle)**
- **If taxable values grow faster than assumptions, there may be additional M&O portion of the property tax that can cash fund projects or use to pay debt service**
- **Debt Service Fund has fund balance of \$4.66 million**
- **GO Bond assumptions were at tax rate of \$0.5638, FY2020 proposed budget at \$0.55**

Unknowns:

- **Interest rate differing from rate used in forecast**
- **Actual Sales Tax Revenue and cash on hand at time of bond issue to reduce amount of debt issued**
- **Actual Property Tax Values in the future as compared to forecast**

Staff GOALS:

- **Start projects based on priority**
- **Maximize non-bond funding (grants & sales tax)**
- **Complete projects timely**
- **Be engaged and creative in cash management to maximize the number of projects that can be started each year based on financing options and sales tax revenue while staying within debt capacity that keeps property tax rate neutral**
- **Work with Financial Advisor to time sales for best rates, structure debt payments to meet debt capacity and desired tax rate, protect our credit rating**

3. **PUBLIC COMMENTS**

4. **ADJOURNMENT**

At 6:00 p.m. Mayor Hallisey said, there being no further business this meeting is adjourned.

**PAT HALLISEY
MAYOR**

**DIANA M. STAPP
CITY SECRETARY**

(SEAL)

MINUTES APPROVED: