



City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes City Council

Monday, July 22, 2019

6:00 PM

Johnnie Arolfo Civic Center
400 West Walker Street

Budget Workshop

The City Council of the City of League City, Texas, met in a budget workshop in the Council Chambers at 200 West Walker Street on the above date at 6:00 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 6:00 p.m. and called the roll. All members of Council were present except Andy Mann.

Absent 1 - Mr. Andy Mann

Present 7 - Mayor Pat Hallisey, Mr. Hank Dugie, Mr. Larry Millican, Mr. Todd Kinsey, Mr. Greg Gripon, Mr. Chad Tressler and Mr. Nick Long

2. PRESENTATION OF THE FY 2020-2024 LONG RANGE FINANCIAL FORECAST

A short video was presented.

John Baumgartner, City Manager – I would like to thank Mayor and Council for their time. Obviously, the budget process is one of the most important policy decisions we make on a year by year basis. I would like to thank all the staff for their contributions in putting the budget together.

Angie Steelman, Director of Budget & Project Management – The purpose of the forecast is to provide long-term context for annual decisions that will be made with the FY2020 Budget and FY 2020-2024 Capital Improvement Plan. The Long Range Financial Forecast (LRFF) is a starting point for FY2020 budget preparation, in context of the 5 year horizon. With this forecast, we hope to advise City Council of prevailing economic conditions, the effect of our economic and operating environments on revenues and expenses, and options available for allocating funds in accordance with City Council goals and priorities. This forecast projects an increase in population and factors related thereto at approximately 2.2%. A steady, conservative growth rate of 720 home per year. When we talk about revenues, our largest revenue is property tax. In the 5-year forecast we adjusted those based on assumptions of the impact of Hurricane Harvey. There was an average of 3.9% growth over the 5 year period in values, and a decline in the total tax rate. Sales Tax revenue – FY2019 is estimated to end the year at \$19.75 million which accounts for sales disruption in the IH45 corridor due to construction. A conservative 5% increase is forecasted in FY2020. Utility revenue – Water and sewer revenue is based upon new customer growth at an average of 2.11% over the forecast period with no increase in rates.

Forecast Assumptions – Operating Expenditures

Cost increases are based on projected inflation applied, 3% annual merit, and 12 new positions each year citywide. Debt costs are based upon current debt outstanding and an anticipated 2019 GO bond issue. FY2020-2024 new debt is based on the GO bond election tax supported and the FY2019-2023 CIP for Utility Debt (graphs: Debt Service Payments, Year-End Outstanding Debt). The General Fund Forecast includes: the annualized cost of the FY2019 merit, 3% merit increase annually, 2% civil service cost of living and step increases, 10 additional positions each year, 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.

General Fund (graph) including new positions annually and enhanced CIP funding - Total Revenue vs. Total Expense. 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. In every year of the forecast, the policy goals of 110 days of working capital is met based on the forecast assumptions. **Utility Fund, water and sewer revenue is based upon new customer growth only with no increase in rates. Expenses:** The annualize cost of the FY2019 merit, 3% merit increase annually, 2 additional positions annually, other expenditure increases are based upon inflation assumptions as outlined with no additional programs. Projections include: continued cash funding for capital projects, debt issued as is scheduled in the FY2019-2023 CIP with 2019 Bond Issue postponed and to be issued in FY2020 (graphs: Utility Fund – Total Revenue vs. Total Expense). **Utility Fund Highlights –** Based on the assumptions outlined, the fund begins operating at an annual deficit with annual operating expenses exceeding annual operating revenue beginning in FY 2021 and fund balance is expended by FY20204. The policy goal of 90 days of working capital is met based on the forecast assumptions except in FY2024. This condition is driven by the capital demands as defined in the FY2019-2023 CIP. (graph: Utility Fund Debt Payments)

Going Forward – decisions will need to be made regarding funding of the long-term capital needs of the system. The Water and Wastewater Master Plans were updated in FY2019 along with the Capital Recovery Fee structure. This CRF fee increase is expected to result in significant potential increases in revenue that will be dedicated to projects that increase system capacity. The new fees and Master Plan projects will be included in the FY2020-2024 CIP.

3. DISCUSSION REGARDING THE CITY OF LEAGUE PROPOSED BUDGET FOR FY2020

John Baumgartner, City Manager – there are a few things in front of you. One is the listing of departmental budgets we hope to get through tonight and if we don't, we will start with those at the next workshop. Second is a memo from me to the Council. Much like last year we try to estimate as best we can the effective tax rate and those things we would like to include in the budget. I think we are a little concerned as to what the effective tax rate is. One of the things we hear fairly consistently is that taxes go up year after year, so I asked the budget staff to look at a 10-year period (2008 – 2018) for 21 individual properties. In many cases the taxes went down, that is primarily due to the tax rate going down and the increase in the homestead exemption from 10% to 20%. Inflation has been at about 20% over that time frame.

Property Tax – our growing community continues to benefit from property value increases that provide funds for investment in infrastructure and City services. The FY 2020 proposed budget is based upon 2019 taxable values estimated at \$8.84 billion, an increase of 9.7% over last year values.

Effective Tax - since fiscal 2010, the property tax rate has been reduced from \$0.63 per \$100 valuation to \$0.5638 in FY2019. The FY 2020 Estimated Effective Tax Rate is \$0.5500.

Sales Tax – we have seen a little flattening because of the I45 construction. The budget was prepared at 5 percent over the previous year. Sales tax revenue is averaging 8 percent over a five-year period of FY2013-FY2017. FY2018 was not included in the average since the increase due to Hurricane Harvey is part of the 14 percent increase over FY2017. FY2019 revenue is estimated at \$19.75 million; \$400,000 under FY2019 adopted budget and 2 percent under FY2018 actuals. IH45 construction from March to July 2019 impacted sales tax collections. FY2020 proposed budgeted sales tax revenue of \$20.47 million is 3.7% or \$723,345 more than FY2019 year-end estimate of \$19.75 million.

Utility Revenue – FY2020 budgeted at the existing rates as adopted in 2015. An update to the water and sewer rate study and financial plan is currently underway. Any adopted rate increases will be revenue added to the FY2020 proposed budget.

Proposed Budget Expenses includes:

Compensation increases

- 2% merit based on performance beginning January 1, 2020
- 2% Civil Service cost of living increase beginning January 1, 2020
- 1% funding for superior employee performance at City Manager's discretion
- Funding for STEP increases per the pay plan
- Health insurance estimated increase of 3%
- Continuation of the Reinvestment Program
- Anticipated increases in property insurance, windstorm insurance, janitorial contract services, solid waste due to growth in number of household services and 75% of CPI increase by contract, and utility cost due to additional street lights
- Includes additional 21.25 FTE:

Two full-time Paramedics in EMS (2 FTE)

Floodplain Administrator/Drainage Engineer (1 FTE)

Executive Assistant (1 FTE) in Project Management

IT Application Software Specialist (1 FTE)

6 Seasonal Camp Counselors (1.50 FTE) and a Seasonal Assistant Camp Director (0.25 FTE)

2 New Park Maintenance Workers (2 FTE)

Trade & Skilled Crew Leader for Parks Operations (1 FTE)

2 Kennel Workers (2 FTE)
Grant Administrator (1 FTE)
Purchasing Buyer (1 FTE)
Part-time Staff Writer (0.50 FTE)
Evidence Technician for Police department (1 FTE)
Administrative Assistant for Neighborhood Services (1 FTE)
Payroll Specialist (1 FTE)
Records Specialist for City Secretary (1 FTE)
Meter Technician in Utility Billing (1 FTE)
Wastewater Utility Maintenance Crew Leader (1 FTE)
Water Utility Operator (1 FTE)

The following departmental budgets were presented:
City Council

City Manager

City Secretary

City Attorney

City Auditor

Budget & Project Management Directorate:

- **Budget & Financial Planning**
- **Project Management**

Engineering

Public Works Directorate:

- **Public Works Administration**
- **Streets & Traffic**
- **Solid Waste**
- **Water**
- **Wastewater**
- **Line Repair**
- **Fleet**

Parks and Cultural Services Directorate:

- **Library**
SRF – Library Donated Fund
- **Parks Operations**
- **Parks Recreation**
SRF – 4B Park M&O

4. **PUBLIC COMMENTS**

5. **ADJOURNMENT**

At 9:19 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: