



City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes City Council

Tuesday, May 11, 2021

5:00 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 work session in Johnnie Arolfo Civic Center at 400 West Walker Street on the above date at 5:00 p.m.

Mayor:

Pat Hallisey

City Council Members:

**Andy Mann
Hank Dugie
Larry Millican
John Bowen
Justin Hicks
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

Executive Director of Development Services

David Hoover

Director of Budget/Project Management

Angie Steelman

Director of Engineering:

Christopher Sims

Director of Finance:

Kristine Polian

Interim Director of Human Resources/Civil Service:

James Brumm

Director of Parks & Cultural Services:

Chien Wei

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.

Absent 1 - Mr. Nick Long

Present 7 - Mayor Pat Hallisey, Mr. Andy Mann, Mr. Hank Dugie, Mr. Larry Millican, Mr. John Bowen, Mr. Justin Hicks and Mr. Chad Tressler

2. PRESENTATIONS

- 2A. 21-0281** Presentation and discussion regarding upcoming changes to the National Flood Insurance Program (Director of Engineering)

Christopher Sims, Director of Engineering, gave a presentation.

Contents of Presentation

NFIP History

Current Rating Structure

Proposed Risk Rating 2.0

Anticipated Impacts to Texas

NFIP History – The National Flood Insurance Act of 1968 Created the National Flood Insurance Program. The NFIP was created for 2 primary purposes: Share the risk of flood losses through flood insurance, and reduce flood damages by restricting floodplain development. Congress limited the availability of the NFIP to communities that adopted adequate land use and control measures with effective enforcement provisions to reduce flood damages. The program enabled property owners to purchase insurance protection but required flood insurance for all property loans within the Special Flood Hazard Area.

3 Primary Subsidies:

Pre-FIRM Subsidy – properties built/improved before 12/31/1974. As of 2018, represented 13% of all NFIP Policies.

Newly Mapped Subsidy – Properties newly mapped into SFHA after 4/1/2015. As of 2018, represented 4% of all NFIP Policies.

Grandfathering – 2 types (zoning & elevation). As of 2018, represented 9% of all NFIP Policies.

Biggert-Waters Flood Insurance Reform Act of 2012 began phasing out Subsidies.

In 1990, Congress created a NFIP Cross-Subsidy called the Community Rating System (CRS). This participation allows for Policyholders in that community to get a premium reduction in their flood insurance (range is 5% - 45%)

NFIP Current Rating Structure

Over 5 million active NFIP policies in US. Program collects approximately \$4.6 billion in annual revenues and provides over \$1.3 Trillion in coverage. Premiums are generally calculated off 3 components: Average Annual Loss (expected loss per year), The Risk, The Expenses.

Currently risk is determined by: Flood Zone using Flood Insurance Rate Map (FIRM), Structure Occupancy Type, and Elevation of Finish Floor relative to the Base Flood Elevation (BFE).

Nation-wide system is used in setting premiums. For example: A property in Texas and another property in Florida are both 1 story, single family homes, no basements, in the same flood zone, and have finish floor elevations are 1' above the BFE. Even though these homes are in different states and may have differing flood histories and/or topography, the flood insurance rates per \$100 of insurance will be the same.

In addition to Building & Content Premiums, NFIP policyholders are mandated by law to pay several fees/surcharges:

Federal Policy Fee (FPF) – authorized by Congress in 1990. Depending on where in the floodplain you are, fee varies b/w \$25 & \$50.

Reserve Fund Assessment (RFA) – authorized by Congress in 2012. Amount assessed is 18% of policy.

HFIAA (Homeowner Flood Insurance Affordability Act) Surcharge – authorized by Congress in 2014. Primary residences are assessed \$25 fee, all other are \$50.

Most policyholders are also required to pay the following:

Increased Cost of Compliance (ICC) – a separate \$30,000 policy to offset expense of complying with rigorous building code standards. Congress caps ICC coverage premiums at \$75.

Some policyholders may also be required to pay the following:

Severe Repetitive Loss (SRL) Premium – premium is 10% of policy but will increase to 15% in April 2021.

Probation Surcharge – if community is on NFIP probation, all policies are charged.

Surcharge is \$50 for 1-year, even if community program is removed from probation during that timeframe.

**NFIP Current Rating Structure – Standard Policy – Total NFIP Premium Due \$936.80
(premium breakdown components – premium breakdown costs)**

Standard Flood Insurance Policy \$730.34

Federal Policy Fee \$50.00

Reserve Fund Assessment (18%) \$131.46

HFIAA Surcharge \$25.00

NFIP Proposed Rating Structure

NFIP – Pricing Methodology Update. The National Flood Insurance Program has over 5 million policyholders. Provides approximately \$1.3 Trillion in coverage. Is available in 22,500 communities in the US. New Pricing Methodology is referred to Risk Rating 2.0.

Risk Rating 2.0

- Policy rates will be based on “True Risk” so that a fairer distribution of premiums can be achieved. An Iowa Flood Zone “A” can be vastly different than a League City Flood Zone “A”. More flood risk variables will be used. FEMA wants to incentivize homeowners to move to lower risk zones.
- Reduce the complexity of Flood Insurance. Variables like elevations and finish-floor elevations will be programmatically determined meaning property owners will no longer have to procure Elevation Certificates (ECs). The City will still require this as part of our CRS program. Reduce complexity for agents in generating the policies.
- Reduce the NFIP debt. Program has been considered high risk since 2017. At the end of 2019, NFIP owed \$20,525 Billion to the US Treasury.

NFIP – Premium Increases. FEMA has statutory authority to set premium rates but are limited on amount of annual premium increases. Insurance Premiums can increase by up to 18% for a given property each year, but the average increase for a given “risk classification” is 15%. Policyholders of Severe Repetitive Properties could see as much as a 25% increase.

Example: Homeowner A, B and C all have properties that fall into the same risk classification, but A is almost in a higher risk classification, while B is in the middle of the risk classification, and C is just barely into this level of risk classification. As a result, A may have an 18% increase, B a 15% increase and C a 12% increase so that the Risk Classification averages a 15% increase in annual premiums for any given year.

NFIP Risk Rating 2.0 Structure vs. Standard Policy – Total NFIP Premium Due \$1,068.26
(premium breakdown components – current premium breakdown costs - premium estimate)
Standard Flood Insurance Policy (current \$730.34) - \$861.80 premium estimate
Federal Policy Fee \$50.00
Reserve Fund Assessment (18%) \$131.46
HFIAA Surcharge \$25.00

Program is currently intended to take effect on new flood insurance policies beginning October 1, 2021. Some discussion on when renewing policies will shift to this program. Current thinking is that this will take effect on April 1, 2022 for renewing policies.

Anticipated Impacts to Texas – Texas Risk Rating 2.0

Active NFIP policies – 768,600. Properties without NFIP policies – 8.8 million. 10-year

average NFIP payout \$78,700. 10-year average individual claim payout \$7,300. FEMA estimates that approximately 2/3 of policyholders with older “pre-firm” homes will see a premium decrease.

WHAT DO WE NOT KNOW?

- **The future of FIRMS. Floodplain Management must continue to be evolved with the NFIP. Short term, FIRMs will still be used to determine flood insurance need. Long term, still used for floodplain regulations? Update frequency and by who? Impacts to CRS program?**
- **Risk Rating 2.0 Rollout and Education Plan. FEMA has been limited in releasing data. Floodplain managers and insurance agents will bear the burden of educating the public. How will program be interfaced to ensure a less complex process for insurance agents?**
- **Changes in property owner distribution. Living near water will become disincentivized due to higher rates. How will this impact coastal and riverine communities tax bases?**
- **Costs and Affordability for League City. COLC has approximately 4,000 homes in the 100-yr floodplain and approximately 7,600 homes in the 500-yr floodplain. COLC has 408 homes listed as repetitive loss properties. How many of these homes will be in the 7% of Texas homes seeing a \$120 or more per year rate increase? How many years will these homes see this kind of premium increase?**

- 2B. [21-0280](#) Presentation and discussion regarding proposed changes to the Future Land Use Plan
(Executive Director of Development Services)

David Hoover, Executive Director of Development Services, gave a presentation.

4. PUBLIC COMMENTS

5. ADJOURNMENT

At 5:55 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: May 25, 2021