

MINUTES OF A SPECIAL MEETING OF THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS, HELD ON SATURDAY, AUGUST 11, 2018, AT 8:30 A.M. IN THE COUNCIL CHAMBERS, CITY HALL, 3519 LIBERTY DRIVE, PEARLAND, TEXAS.

Mayor Reid called the meeting to order 8:30 a.m. with the following present:

Mayor	Tom Reid
Mayor Pro-Tem	Trent Perez
Councilmember	Tony Carbone
Councilmember	Gary Moore
Councilmember	Adrian Hernandez
Councilmember	J. David Little
Councilmember	Woody Owens
City Manager	Clay Pearson
City Attorney	Darrin Coker
City Secretary	Young Lorfing

Absent: Councilmember Derrick Reed.

Others in attendance: Daniel Baum Deputy Fire Chief, Jon Branson Deputy City Manager, Matt Buchanan President of EDC, Trent Epperson Assistant City Manager, Roland Garcia Assistant Chief-Community Risk Reduction, Michelle Graham Director of Human Resource, John McDonald Director of Community Development, John McCarter Budget Officer, Chris Orlea Director of Parks and Recreation, Cynthia Pearson Director of Finance, Kim Sinistore Executive Director CVB, Johnny Spires Police Chief, Andrea Brinkley Assistant Director of Public Works, Joel Hardy Grants-Special Projects Administrator, Jennifer Huhn Court Administrator, Joshua Lee Communication Director and Daniel McGhinnis Chief Information Officer.

NEW BUSINESS

Presentation: Regarding the Fiscal Year 2019 Budget and Multi-Year Financial Plan Budget Workshop #1 – Overview, Highlights, General Fund, Debt Service and Property Tax.

City Manager Clay Pearson gave an overview on the Purpose of the 2019 City of Pearland Fiscal Year Budget. He stated the budget is based upon certified values received for Brazoria and Fort Bend County, with Harris County to be added shortly. He further stated the budget is presented with a sales tax growth in the General Fund and the Pearland Economic Development Corporation.

Budget Officer John McCarter made a presentation on strategic priorities for the Budget, centered on Citizenry and Community. He further presented General Fund highlights including staffing, streets and sidewalks, vehicle replacement and additional operational expenditures.

Council Input and Discussion: Information requests for Budget Discussion #2; any formal changes by vote.

Councilmember Carbone asked staff what is the current policy and the most recent communication from Moody's about the City's current bond rating and fund balance.

City Manager Clay Pearson stated the City's General Fund adopted operating policy is two months of recurring expenditures and credit rating companies are looking at the ability to pay back in the future and will error on the high side.

Councilmember Carbone stated in terms of appraised value, can staff provide how the Hurricane Harvey evaluation affected the City and how does the homestead cap play into that value at a later date. He asked staff if the City looked at teaming up with a non-profit agencies to fill the Park Naturalist position.

Director of Parks and Recreation Chris Orlea stated the City has worked with non-profits, however the Park Naturalist position is for Wildlife and Natural spaces management. He further stated the City is working with other agencies to decrease the additional position cost, since wages would be higher if the scope were larger for that position.

Councilmember Carbone stated positions were put on hold with the mid-year update and asked for a summary of what was done with the mid-year and how it affects this year's budget.

Budget Officer John McCarter stated the only position that was removed at the mid-year update and not added back in this year's budget is the Senior Planner position, vehicle replacement was also removed.

Mayor Pro-Tem Perez stated the Moody rating is just an evaluation of the City's future outlook and is not affecting the current rating with respect to the City's ability to take on debt.

City Manager Clay Pearson stated it is correct and the City's ability to take in debt is not affected.

Mayor Pro-Tem Perez stated it is Moody's perspective looking at our future outlook but they are not affecting our rate, that does not drive the Council to want to change the policy and it would likely require the City to affect the tax rate. He further stated the difference this year based on the states worksheet between the effective rate and the rollback rate is the City would only generate \$6000.00 more in revenue going to the rollback and is not a benefit.

Budget Officer John McCarter stated it depends on if it is considered with the Tax Increment Reinvestment Zone (TIRZ) or not and provided the balance with TIRZ funds.

Mayor Pro-Tem Perez stated with respect to the additional employees and the salary increases the City is going in the right direction by maintaining the 2% Cost of Living Adjustment, employees are the best investment. He further stated of the positions added, it's an absolute necessity that the City add a Traffic Engineer with a couple years' experience along with the software for them to be able to be effective. Mayor Pro-Tem Perez asked if there was any exploration with the Texas Commission on Environmental Quality or Environmental Protection Agency, grants for these kind of positions are a priority for those types of organizations. Mayor Pro-Tem Perez asked staff to speak on illicit businesses and what the City is doing to combat that, some of the discussion has been targeted through the development side and that would not be as efficient as addressing it on the enforcement side.

Chief of Police Johnny Spires stated the Police Department has two officers/cadets that will be graduating and those positions along with existing positions can be used to start a proactive unit. He stated illicit businesses are not a prolific issue in Pearland and four sting operations have been done in the past, three of those produced arrests. He stated right now the Police respond to complaints, but if the unit can be started there could be sting operations and would also provide the opportunity to address other crimes and work with Brazoria county taskforces.

Mayor Pro-Tem Perez asked staff what the budgetary cost to have a unit like that is or can it be made with existing officers without dedicated funds.

Chief of Police Johnny Spires stated he would dedicate two of the four new positions to this unit and would restructure to fill the new unit.

Mayor Pro-Tem Perez stated his confidence that the Police Department can develop a program under the current budget without any financial impact.

Chief of Police Johnny Spires stated there might be a need for some equipment mid-year but the program can be started without additional funding and there are several officers to bring up for specific operations when needed.

Councilmember Hernandez stated he had several conversations with concerned citizens about the overall debt and strides are being made to pay that down. He further stated there is a \$77 million bond proposed for next year and asked at what point the City would see it's debt aggressively paid down and not continually growing.

City Manager Clay Pearson stated there are no big businesses with zero debt and the City's ability to pay is the most important thing, with debt to value paying that. He stated the City has a very high credit rating with the people who review this, projects would not happen without issuing the debt. City Manager Clay Pearson stated when the City is built out there will be different kinds of capital expenses and recapitalization types of things and the City is where should be expected in the lifecycle as a growing city.

Councilmember Hernandez asked staff for a timeline of when the City will get to the point where we are focusing on maintenance rather than riding the growth.

City Manager Clay Pearson stated the trend is that The City is issuing debt and we have made our payment schedules more aggressive so that the City is now issuing 20 year debt instead of 25 years with the exception of the water plant, due to a longer lifecycle.

Councilmember Hernandez stated he had conversations with multiple people about the reputation that Pearland has as being difficult when communicating with new business, although some of the responsibility does have to be put on the business. He also stated the City is making strides and asked if there is potential for reinvestment or creating a district to encourage growth and bring in business.

City Manager Clay Pearson stated the evidence speaks for itself, hundreds of houses are being built and businesses are growing. He further stated the City needs to be realistic and realize the need to do better and feedback helps to point out those areas and attract new business. City Manager Clay Pearson stated infrastructure improvements to help people get around has a lot to do with the City's competitive approach and will help open up opportunity. He stated development is scattered throughout Pearland to improve not just one area but many areas simultaneously.

Conversation ensued between Councilmember Hernandez and Parks and Recreation Director Chris Orlea regarding the strategies in place to create funding and sponsorships, revenue sources and ways for the Parks system to generate some of its own revenue.

Councilmember Little, Budget Officer John McCarter and City Manager Clay Pearson discussed the staff's hard work and the City's year to date sales tax compare to last years, in addition to the tax calculation for 2017 as presented.

Councilmember Little stated Utility Billing is one of the issues he hears from citizens about the most and asked staff if there will be a request for additional staffing and shift towards addressing those issues.

City Manager Clay Pearson stated the City will continue to work on making sure the information is conveyed correctly and due to the large amount of accounts, additional staffing is needed and two new positions are included in the Utility fund.

Conversation ensued between Councilmember Moore and City Manager Clay Pearson regarding the bond rating and if it would affect the City's interest rate or debt.

Councilmember Little stated there is not much play in the budget but can anything be shifted to the bond during this budget cycle.

City Manager Clay Pearson stated the City has looked at Capital Leases for equipment but it is not advisable to do equipment leases as a City.

Councilmember Little asked what the City's relationship with the Texas Department of Transportation (TxDOT) is regarding the Traffic Engineering side because a lot of streets are not City owned and asked if TxDOT has any say in that.

City Manager Clay Pearson stated the City needs a Traffic Engineer to help communicate with TxDOT to get what is needed for the City and can focus just on the City of Pearland roads.

Assistant City Manager Trent Epperson stated when a city in Texas exceeds a population of 50,000 in a census year, TxDOT hands over the rights to traffic systems in the municipality. He further stated the City gets no help from TxDOT from an operational standpoint for day to day traffic operations but the City can request funds, this is something a Traffic Engineer could help acquire.

Councilmember Moore stated with the decrease in housing permits the City will be relying more heavily on the sales tax revenue. He further asked if the sales tax dollars are estimated to hold steady, increase or will it be lower this year versus last year.

City Manager Clay Pearson stated the sales tax revenue is not projected to decrease, it should hold steady and money can be allocated mid-year if Council deems it necessary.

Budget Officer John McCarter stated there is a 3% increase from year to date through July and is a conservation estimate.

Councilmember Moore stated if there is an overage in sales tax revenue it should go to the streets and sidewalks, as well as the motor pool fund.

Councilmember Owens and Director of Engineering Robert Upton discussed the recent purchase of a concrete truck and how it is going to be used for repair after Utility work and in the repair of streets and sidewalks.

Assistant City Manager Trent Epperson stated that since the streets and sidewalk funds are limited this year, the City will do more work in house and less work with Brazoria County.

Councilmember Owens stated last year the City had fall backs built in and asked if there is anything built into the General Fund in the case property taxes and revenue from the sales tax do not come in as projected.

City Manager Clay Pearson stated one of the advantages to a fund balance is that it cushions when you do not have revenue, but is confident that things will come in at the projected amounts. He stated that if things do not come in as expected then funds from other areas will have to be looked at, there is not a lot of room to move funds.

Mayor Reid stated the City needs to make better efforts to increase residential facilities as much as possible to help develop population and business, which will help to create sales tax and property tax revenue.

Council Input and Discussion: Policy direction on preparing subsequent Maximum Property Tax Rate publication for discussion and vote.

City Manager Clay Pearson stated nothing has to be decided now and staff will prepare the information needed for the meeting on August 20th meeting where Council is required to set the Maximum Property Tax Rate, staff will set the rates to the Effective rate in the packets for now.

Presentation: Water/Sewer Fund, Internal Service Funds, Special Revenue Funds, Multi-Year Forecast, and Capital Improvement Program.

Senior Budget Analyst Neelie Walker presented the Enterprise Fund including Staffing, Water and Sewer Fund for proposed 2019 year budget and the amount of bonds that will need to be sold by the City through the year 2021. She further provided Historical Revenue increases and projected Water and Sewer rates.

Budget Officer John McCarter presented on the Property/Liability Insurance Fund, Medical Self Insurance Fund, Motor Pool Fund, Special Revenue Funds and Miscellaneous Funds. He also presented on Fee Updates for Parks & Recreation and Development fees.

Council Input and Discussion: Regarding proposed Budget including information requests for session #2; any formal changes by vote.

Staff and Council discussed water usage and Revenue, the amount of water that runs through the Wastewater Treatment plant daily and how much water is being used from the City of Houston Treatment Plants.

Deputy City Manager Jon Branson spoke on the Utility Billing system the City uses and stated issues within the system have been corrected and the bills residents get is based on actual consumption. He also spoke about the process of verifying water usage from the meters and a diagram is made available on each bill to assist in reading the calculations. Deputy City Manager Jon Branson stated explaining bills to residents can be a long process and the plan is to bring in two Customer Service Associates to handle those call specifically.

Council and Staff discussed improvements that are going to be coming to the Water Department that will assist residents in understanding their bill and help them to understand water conservation and its importance. Also discussed was the cost of upgrading the meters and systems required to streamline the water usage tracking process for residents to track their usage.

Councilmember Moore stated he would like to know how accurate the new meters will be and when they will be installed.

Director of Engineering Robert Upton stated the new electromagnetic meters are accurate to 1/100th of a gallon and projected time for install will be the end of 2018 and beginning of 2019, after testing has been done on the new equipment.

Assistant City Manager Trent Epperson spoke in regards to the differences between the City of Pearland and the Cities that are compared in the presentation, citing systems and water source as main components that make up the differences. He also spoke of the strides the City is making toward the complete build out of water systems and Wastewater Plants, which is a cause for different pricing for water.

Councilmember Little stated he would like to know what causes the difference in the 2017/2018 comparisons and the 2019 proposed costs.

Assistant City Manager Trent Epperson stated it was the refinancing of bonds for that year.

Councilmember Little and Staff discussed the change in the rates to have a Certified Aquatics Instructor present for facility rentals.

Councilmember Hernandez asked staff to explain the advantages of the new meter and how they will help with more accurate reporting.

Assistant City Manager Trent Epperson stated the current meters are positive displacement meters and under a low flow, the mechanical parts sometimes do not read the water going through. He stated the new meters will be able to read that flow and have an accurate number for water going through the metering system. He further stated that it will help identify if there is a low level leak at a residence because the new meters will pick that up and the City will be able to identify those issues.

Councilmember Hernandez asked staff if different billing systems for water usage have been looked at and been determined that the current flat rate system based on meter size is the most appropriate.

Assistant City Manager Trent Epperson stated there are two components to the City's rates, the base rate for meter size and volumetric rates for amounts over the 2000 gallons included in the base rate. He further stated in the past the City used a block rate and after research it was determined the rates were unfair to residents using less water.

Councilmember Hernandez stated it is important for residents to realize the bill they receive is not just for water but encompasses other services such as sewer and trash pickup.

Mayor Pro-Tem Perez stated the hope of the investment in water meters and the surface Water Treatment Plant is that it will give the City more independence and a lower cost on the water production end, currently there are charges for use of water from the City of Houston. He further stated he would like to know a projection for when the City can realize a lower water production cost as more water is taken from the surface water as opposed to water provided from the City of Houston.

Assistant City Manager Trent Epperson stated the projection to be able to use water from the new surface Water Treatment plant is the year 2023 to allow time to get the Plant up and running in addition to making needed upgrades.

Mayor Pro-Tem Perez and Assistant City Manager Trent Epperson discussed how the rates, water production costs and amount of water purchased from the City of Houston will change once the new surface Plant comes into operation.

Mayor Pro-Tem Perez stated he supports the Development Funds because the City spends too much time refunding payments because a request was made prematurely, but would like to know about the non-refundable fee and if that is a one-time fee.

Director of Community Development John McDonald stated the fee would be broken into two parts, first part would be the application and review fee while the last part would be completion or recordation. He stated the fee would not go up, it would be split to compensate the City for the time and research put into a request so is not lost time.

Conversation ensued between Mayor Pro-Tem Perez and Director of Community Development John McDonald on what would be included in the Development fees and what would be non-refundable.

Councilmember Carbone asked staff if there was a way to get funds from the Traffic Improvement Fund and hire a Traffic Engineer.

Senior Budget Analyst Neelie Walker stated that could not be done because the funds are restricted to traffic improvements performed in areas where developers paid into the Traffic Improvement Fund.

Assistant City Manager Trent Epperson stated those funds are used for Capital Projects that are done in the area of the businesses that contributed to that fund.

Councilmember Carbone and Staff discussed the EDC amounts in revenue and ideas for how that money could be allocated to pay off debt to eliminate future debt issuance.

NEXT STEPS

Budget Officer John McCarter presented the schedule of meetings for Budget discussions and the Tax Rate.

Council and staff discussed what was expected for the upcoming meeting and what information would need to be discussed during that time.

PUBLIC COMMENT: None

ADJOURNMENT

Meeting was adjourned at 12:40 a.m.

Minutes approved as submitted and/or corrected this the ____ day of _____, A.D., 2018.

Tom Reid

Mayor

ATTEST:

Young Lorfing, TRMC

City Secretary