**MINUTES OF THE SPECIAL MEETING OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD JULY 10, 2021**

THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD MET IN A SPECIAL MEETING ON SATURDAY, JULY 10, 2021, IN THE JOYCINA DAY BAKER CONFERENCE ROOM, LOCATED IN THE FRIENDSWOOD LIBRARY, 416 S. FRIENDSWOOD DRIVE, FRIENDSWOOD, TEXAS, WITH THE FOLLOWING MEMBERS PRESENT CONSTITUTING A QUORUM:

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| TRISH HANKS | COUNCILMEMBER |
| STEVE ROCKEY | COUNCILMEMBER |
| SALLY BRANSON | COUNCILMEMBER |
| ROBERT J. GRIFFON | MAYOR PRO TEM |
| JOHN SCOTT | COUNCILMEMBER |
| BRENT ERENWERT | COUNCILMEMBER |
| MIKE FOREMAN | MAYOR |
| MORAD KABIRI | CITY MANAGER |
| MARY KAY FISCHER | CITY ATTORNEY |
| LETICIA BRYSCH | CITY SECRETARY |

## 1. CALL TO ORDER

Mayor Foreman called the meeting to order with a quorum present at 8:32 A.M.; all members were present. Mayor Foreman led the Pledge of Allegiance of the United States and State of Texas Pledge.

## 2. PUBLIC COMMUNICATIONS

No one signed up to speak.

## 3. DISCUSSIONS

### A. Present Receive and discuss City operations, planning and goal settings for the City of Friendswood.

City Manager Mr. Morad Kabiri presented the item and stated that the meeting would be brief, and staff would be going over two main items: (1) the budget and (2) economic development.

Mr. Kabiri stated that as promised he wanted to give the council an update on what had been done in previous retreats. In February 2020, there were two major topics that dominated the discussion, the first being the city's bond program that had just been approved in November of 2019. At the time of that meeting, the city had had two General Obligation Bond issuances, $2,000,000 from Public Works Facility off of Blackhawk Boulevard, which is currently under engineering design for the renovations contained therein. Additionally, staff is working with the General Land Office in Harris County to add an emergency shelter in that same facility. The other debt issuances would've been for five or six million dollars for drainage in the first round and then another $5,000,000 was issued recently. Mr. Kabiri noted that the monies have been used thus far towards the Imperial Estate Project as well as some engineering services associated with some other drainage projects.

Mr. Kabiri noted that at this item, staff does not anticipate issuing the next round of debt until such time as there is a defined project to pursue. He noted that unfortunately, the Whitcomb Project did not get approved by the CDBG Mitigation Grant; however, the staff has already been in communication with the Harris County Flood Control District, and they are excited to work with the city both on that project as well as the detention basin at FM 1959. Mr. Kabiri: Yes, ma'am. The other bond projects, the debt issuance that we've done thus far, are for the Fire Station 2 Project over FM 528 near the Harbor Church and the Public Safety Building Expansion Project. As of right now, those projects are both under design. We issued a contract for the Construction Manager at Risk, who's actively involved with the architect in that process. We hope to have construction started later or early 2022 timeframe. There will be a budgetary impact on that project, and we can discuss that later when we go over the budget.

Mr. Kabiri stated that the other main topic discussed was that of the city's Comprehensive Plan update. Council has been receiving quarterly reports from the Community Development Director Aubrey Harbin at council meetings, and most recently, she spearheaded a whirlwind effort over a three-week period to get public engagement and input both online, through social media, as well as in-person meetings at various events that have been fruitful. He noted that much of the input received has been in regard to Friendswood Parkway connecting Pearland Parkway to League City Parkway and while the input is not necessarily supportive of this roadway project, it is vital to the mobility in the area, and in the region.

Mr. Kabiri reminded the Council that the election of the Mayor Pro Tem and council liaisons for the upcoming year are at their places and action will be taken on these items at the Monday council meeting.

Mr. Kabiri moved onto present the council with budget information and noted that he and the Administrative Services Director Katina Hampton would work together to give the council a quick overview of the budget information. Ms. Hampton stated that the information presented would be very, very preliminary budget information and noted that per the charter, staff will formally present the council with a proposed budget before August 1st. Ms. Hampton noted that she would focus on the general fund as well as water and sewer operations.

Ms. Hampton gave a list of the key budget drivers as follows:

- For the current fiscal year, the city adopted the no new revenue rate that impacted the budget in the form of a reduction of roughly $391,000, and while some of those reductions in services have been restored in the current year, this will have an impact on next year's operating budget.
- The city has issued debt service related to the GO bonds that the voters approved in 2019 as well as the issuance of revenue debt, so there will be some additional principal and interest payments that will need to be addressed in the coming year.

- The bond projects impact to the budget because once those projects are completed, they will have operational costs. She also noted that the costs of adding items not included in the bond, such as furniture, fixtures, and equipment for the Public Safety Building expansion will be paid for out of the general fund. This is done in order not to pay interest on smaller items like furniture.
- The operational costs for just doing day-to-day business, i.e., providing the current customer services are increasing,
- Insurance costs are increasing, i.e., health insurance, property insurance, windstorm insurance, and
- Personnel costs are also increasing, and staff is planning for employee merit pay in the proposed budget, as well as some increases to health insurance, and a little bit in employee retirement.

Ms. Hampton noted that as it relates to deferred maintenance, staff has talked about this in the past and noted that many of the deferred maintenance of city facilities and infrastructure have been kind of kicked down the road a little bit, which is only a temporary solution, and staff is planning to address some of those items in the proposed budget.

Mr. Kabiri noted that an example of what Ms. Hampton was referencing can be seen in Public Works, who has a $400,000 large tractor that grades ditches that has been out of service for the better part of five months. This means that staff as not able cut ditches effectively, and ultimately it does the city no good to have the crews, but not have the equipment to do what is needed. Mr. Kabiri noted that he has asked the staff to identify these types of one-time expenditures that can be purchased in this year's budget using the fund balance above the 90-day, which will be brought forward to the council for their approval as budget amendments.

Mr. Kabiri noted that other items that are issues for a deferred maintenance include the Activity Building's roof that needs repair. He noted that the roof can only be patched so many times before the whole thing needs to be replaced, and if it is not replaced, then it can damage the structural integrity of the building, like what happened with City Hall, where the roof was replaced a few years ago. Mr. Kabiri noted that every year that these types of maintenance issues are kicked down the road, it potentially becomes a larger problem.

Ms. Hampton noted that current preliminary revenue are estimates, as staff is still waiting for certified values on the city' property taxes. She noted that staff is taking a second look at all the revenue sources and is projecting preliminary revenues for the general fund to be at about 32.9 million, which is an increase over last year by about 2.7 million; most of the revenue increase coming from taxes (~81%) and (~19%) from misc. revenue sources.

Ms. Hampton stated that staff is developing the proposed budget based on the current tax rate. She further noted that in 2020, Senate Bill 2 allowed for an incremental rate carry over and staff is looking to utilize a portion of that carry over from this past year into the current year to get the city's current tax rate, which is the same as this year. Based on the preliminary numbers and without the certified values, staff is estimating the city's taxable values to go up by about 348 million.

Mr. Kabiri stated in response to Councilmember Scott's question regarding the amount of increase in revenue on a percentage basis if the city keeps the current tax rate, that it would be 1.7 million of a $30 million budget, so, less than 5%. Mr. Kabiri further noted that this item would not have to go before the voters because of the carryover allowed under Senate Bill 2.

Councilmember Scott stated that he appreciated the staff bringing this information to the council as it can be a bit confusing and at the end of the day, it's how much more revenue the city is going to take in, and so knowing that this would be a 5.1% revenue increase even with keeping the same rate is fine.

Councilmember Hanks noted that she is concerned about the deferred maintenance issue because it is important to dedicate the time and resources to appropriately deal with these items.

Ms. Hampton continued with the presentation and gave an overview of the city's tax rates and exemptions and noted that staff is expecting about 16.8 million in property taxes and about 8 million in sales tax. She noted that the franchise taxes are down due to recently passed telecommunications legislation; fines are up and inter-fund transfers, such as the water-sewer fund, the Friendswood Downtown Economic Development Corporation is repaying the general fund for expenses that are mainly salaries.

Ms. Hampton noted that as it related to the expenditures for the general fund; staff is projecting expenditures to balance the revenue coming in. She noted that Friendswood has always had a balanced budget of about 32.9 million in expenditures with personnel making up most of the debt at 67% and the other portion is non-personnel in capital improvements. Mr. Kabiri clarified that the 1.5 million in capital improvements is not inclusive of the $9,000,000 worth of bonds issued for the Public Safety Building and the Fire Station; these are located on a separate fund and recorded separately.

Ms. Hampton also noted that of the expenditures about 21.9 million of that is personnel and this amount is factoring in 2.75% for employee merit increases as well as the health insurance increase; non-personnel items are about 11 million, and includes items such as deferred maintenance, furniture, fixtures, equipment and the $500,000 for street improvements. Mr. Kabiri gave an overview of the sales tax revenue that is collected for street maintenance and the work being done with said funds.

Ms. Hampton then gave the Council an overview of the forces at work and decision packages that staff is hoping to include in the proposed budget, depending on funding availability. Mr. Kabiri explained the vetting and ranking process for the decision packages. He also gave the council a brief description of those items that are proposed for the FY2021-22 budget and they included:

- The addition of a vehicle to the public safety fleet,
- an increase in the EMS and Fire services contract, and
- health insurance increases.

Mr. Kabiri then listed the decision packages, which are things that aren't required to maintain the city's same level of service, but are needed in order to operate, and included:

- staff merit increases,
- a salary survey,
- IT infrastructure and desktop upgrades,
- a new position in the Library,
- a machine and design software update for Public Works,
- a comprehensive evaluation of critical infrastructure,
- a message board for the public at the Blackhawk facility off of FM2351,
- an IT Business Analyst 1, and
- the upgrade of a part-time position on Parks and Recreation to a full-time position.

Mr. Kabiri also identified one-time expenditures in the budget such as a retaining wall, the gazebo and some upgrades and/or replacements at certain parks. Ms. Hampton then gave an overview of those decision packages that remained unfunded in the proposed budget, which the council briefly discussed.

Ms. Hampton then moved onto discuss the city's water and sewer fund and noted that the preliminary revenue projections are at an estimated 17.9 million, the majority of which is user fees related to water and sewer services. The small remaining amount is from water meter sales, interest earnings on that fund, as well as some administrative fees. Taking a closer look, the city has about 8.5 million in water revenues, 8.9 million in sewer revenues, and then the remaining 480,000 comes from administrative fees, water meter sales, and interests. Mr. Kabiri stated that council will see a difference in the growth in water revenue versus the growth in sewer revenue, which are intended to offset the projects that are necessary on the water-sewer sides. Ms. Hampton noted that the numbers are trending in a way that staff anticipates the same level of revenue for the upcoming year; therefore, staff is recommending a rate increase or an adjustment to the water and sewer rates

Mr. Kabiri stated that staff needs council input as it relates to the tax rate and overall funding. He noted that some items or decision packages that were not included in the proposed budget will be brought forth to the council separately around August or September as a budget amendment for one-time purchases that will help keep or enhance city operations. The council discussed the decision package process, a micro versus micro approach to these items and how best to deal with deferred maintenance and contingency line items.

After a brief discussion regarding the proposed tax rate in the upcoming budget, Mayor Foreman recessed the meeting at 9:46 A.M.

Mayor Foreman reconvened the meeting at 10:01 A.M. and moved onto an economic development presentation by Assistant City Manager Stephen Rhea.

Mr. Rhea presented the item and stated that he wanted to touch base on the city's economic development path that has taken place over the last 6 to 8 months, as he and Ms. Harbin have taken the reins on the program. He noted that first and foremost, the CEDC is almost at full membership and is now a very good and well-rounded group. Secondly, he noted that they now have a business toolkit program in place that can help people understand city processes, how to get started, contact information for the development process, and the power of using social media to promote local businesses.

Mr. Rhea stated that he wanted some input from the council on the business façade and facelift program; specifically, around having a smaller incentive, maybe $5,000 or $10,000, something along those lines that could potentially help get people to move forward with opening a business or better the existing location by helping to clean up the outside of the building, or maybe a little bit of uplift on the inside of the building.

The council discussed the item briefly and recommended that staff go back to the CEDC to draft a plan and/or program that would outline the application process, how much the city would be willing to participate and some options on how to implement the program.

Mr. Rhea stated that the CEDC has been working with the Planning and Zoning Commission to provide them inputs on item such as zone changes, land use plans, comp plans, and items that take all kinds of input and thoughts from the public. He noted that the CEDC meetings that met with various representatives from the community, agencies, and city boards to make sure that the CDEC fills in the gaps between the many volunteer programs, other entities and programs for economic development purposes. He further noted that a part of this endeavor is the collection of data that will help the city as it moves forward with policy updates that the CDEC uses, such as the Vision 2020 Plan, the Economic Development Policy, etc.

The council noted that both Mr. Rhea and Ms. Harbin have done an exceptional job, tag-teaming it to development of the CDEC and its relationships with other important entities, such as the P&Z.

Councilmember Branson gave the council an overview of their tour of the economic development projects and programs of the City of McKinney. She noted that while McKinney was a much larger city with larger programs and funding, many of the programs could be tweaked to accommodate the needs and demographics of Friendswood; specifically, that of an innovation find, which would fund local entrepreneurial initiatives.

Mr. Kabiri noted that this program is a bit of a paradigm shift as historically, all of the city's incentives are for things that are physically on the ground, and this would be an investment for ideas, which are intangible; they could be successful, or they could fail. The council consensus was that they were open to the right type of program, and requested more information on this type of program.

Council asked how the CDEC planned to support existing businesses, so they don't leave existing businesses out of incentives or programs. Mr. Rhea noted that the CEDC does have discussions on how to incentivize and/or provide tool kits for local businesses that want to grow and maybe relocate within the city to a larger space. He noted that staff and the CDEC would continue to work on options for existing businesses to thrive in the community.

Lastly, Mr. Rhea gave the council an overview of the sidewalk project in the downtown area, its progress, and upcoming milestones.

## 4. COMMUNICATIONS FROM MAYOR, COUNCILMEMBERS AND/OR COTY MANAGER

Mayor Foreman invited members of the council to give any comments or updates.

Councilmember Rockey noted that the annual TML Conference is scheduled for early October and there will be information coming out on that soon.

Councilmember Scott stated that he was very appreciative of the staff's work on the budget and their willingness to reduce cost.

Councilmember Hanks wanted to thank Glenda for all of her hard work in the last few weeks and all her work over two consecutive Saturdays.

The council thanked the staff for the information and efficient budget discussion.

## 5. ADJOURNMENT

With there being no further business to discuss, Mayor Foreman adjourned the July 10, 2021, City Council Special Meeting at 10:36 A.M.

Mike Foreman, Mayor

Attest:

Leticia Brysch, City Secretary

CITY OF FRIENDSWOOD
STATE OF TEXAS