MINUTES OF THE SPECIAL MEETING OF THE
CITY COUNCIL OF THE CITY OF FRIENDSWOOD
JULY 09, 2022

THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD MET IN A SPECIAL MEETING ON SATURDAY, JULY 9, 2022, IN THE COMMUNITY ROOM, LOCATED IN THE FRIENDSWOOD LIBRARY, 416 S. FRIENDSWOOD DRIVE, FRIENDSWOOD, TEXAS, WITH THE FOLLOWING MEMBERS PRESENT CONSTITUTING A QUORUM:

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 8:30 A.M.; all members were present.

2. INVOCATION

City Manager Morad Kabiri gave the invocation.

3. PLEDGE OF ALLEGIANCE

Mayor Foreman led the Pledge of Allegiance of the United States and State of Texas.

4. PUBLIC COMMENT

No one signed up to speak.

5. DISCUSSIONS

A. Receive and discuss current and future City operations, plans, budgets, and goals for the City of Friendswood.

City Manager Morad Kabiri presented the item and stated that Katina Hampton, Director of Administrative Services, would present the City's Multi-year Financial Plan and FY23 Municipal Budget to the City Council.

Ms. Hampton introduced the members of her team that were present to help her answer questions and take down Council comments and direction regarding the proposed financials. Her staff consisted of:

1. Ms. Rhonda Bloskas, Deputy Director of Administrative Services,
2. Ms. Emily Peltier, Budget Manager, and
3. Mr. Stephen Shen, Accountant.

Ms. Hampton noted that the Multi-year Financial Plan consisted of forecasting out the City's financial plan for five years, 2023-2027. She noted that said forecast were being planned on certain assumptions, which are all projected very conservatively, and they include:

As it relates to revenues, the staff is estimating a 12% growth in net taxable values based on preliminary values, which includes growth in commercial properties that are not capped at 10% annually, new improvements, as well as any property tax exemptions in Year 1 of the plan with 3.8% in years 2-5. She also noted that sales tax revenues were estimated to increase by 3% annually and all other revenue sources were estimated to increase by 2% per year.

Mr. Kabiri noted that traditionally and historically, the City has seen a 3-4% increase per year in revenues, conservatively speaking. He further noted that the City is not seeing the same amount of commercial construction like what had been seeing in the last few years, and while there are some value increases to residential construction, these cap at 10% annually, the commercial construction does not.

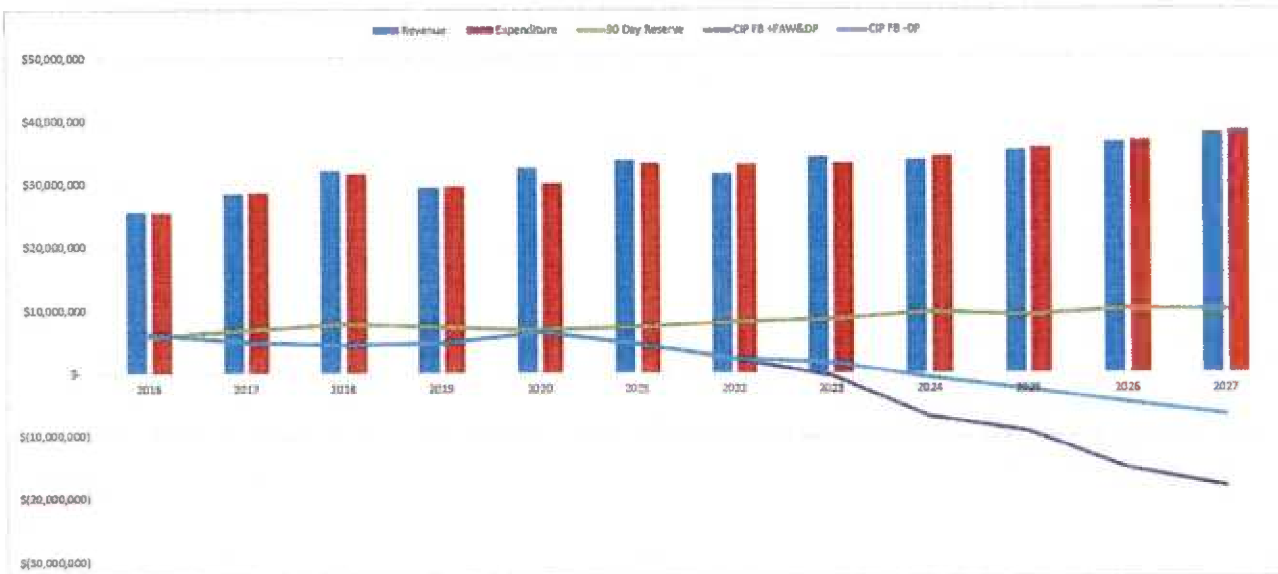
Ms. Hampton noted that as it related to Year 1 of the 5-year plan, staff is developing the proposed budget at the current tax rate; including the 20/21 unused tax increment with an estimated $34.2 million in General Fund revenues, which are mostly made up of taxes, with 15% from non-tax revenue sources such as fines, fees, intergovernmental revenues, and permits. Ms. Hampton also noted that there are several factors leading to the need to hold the City's flat tax rate; including (1) allowing the City to hold its level of services and operations as well as to complete some special projects; (2) absorbing the costs associated with an increase in some interest rates for bonds; (3) inflationary costs for work and services; and (4) costs increases to the City's health and property insurances. She also noted that the departments had submitted several decision packages in the amount of $4 million, which the budget will not be able to fund.

Mr. Kabiri noted that operations and maintenance (O&M) rates have been impacted by bond projects, beyond the debt service, which is impacting the City's operation. He provided the example of the cost to mow and maintain properties that are being purchased for drainage and green space. Mr. Kabiri stated that the year Council did not approve the recommended tax increase of a penny, staff had to cut $391,000 out of the General Fund budget to pay the City's debt service and maintain its level of services and operations; and this was accomplished through the elimination of some staff and a reduction in pay for the City Manager.

Mr. Kabiri in response to a question from Council, noted that this year, a penny is worth $475,000 to the budget.

Ms. Hampton noted that as it relates to the planning assumptions for the proposed budget, staff hopes to maintain the City's existing personnel with a 3% increase for wages and personnel costs; non-personnel costs have increased by 5% based on a 5-year historical average.

Ms. Hampton showed the Council a chart outlining the City's change and projections in revenues and expenses from 2016 to 2027. The chart is noted below:



Ms. Hampton stated that the City has maintained and will continue to maintain the required 90-day reserve monies and further noted that the use of those monies above the 90-day reserve has helped the City pay for certain increases to operations as well as projects and capital purchases. Mr. Kabiri noted that the infusion of the $2 million in COVID monies that came in last year helped the City cover the depletion of the above 90-day reserve; which would be roughly $1 million short.

Mr. Kabiri gave the Council an overview of the cost increases associated with the Friendswood Volunteer Fire Department (FVFD) and EMS Services due in part to the increase in EMS calls for service as well as the conversion of part-time staff to full-time required to cover the three existing ambulances. He further noted that the FVFD projects that it will need to add a fourth ambulance at some point which will require additional staffing, which is an estimated increase to the contract of $300,000 a year for the next five years. Mr. Kabiri noted that this increase has prompted staff to discuss bringing these services in-house and preliminary analysis show it to be more costs effective. Mr. Kabiri stated that staff would be bringing the Council more information on this item as discussions continue with the FVFD.

Ms. Hampton summarized the proposed Multi-year Financial Plan in that it will maintain the 90-day operation reserve through the five years; it has a flat tax rate in 2023, and a no-new-revenue rate through FY27; and does not include decision packages.

Ms. Hampton then moved on to give the Council an overview of the proposed FY2022-2023 budget for the General and Water Sewer Funds. Ms. Hampton noted that there are eight major key budget drivers, and they included the following:

Economic State and Inflation:

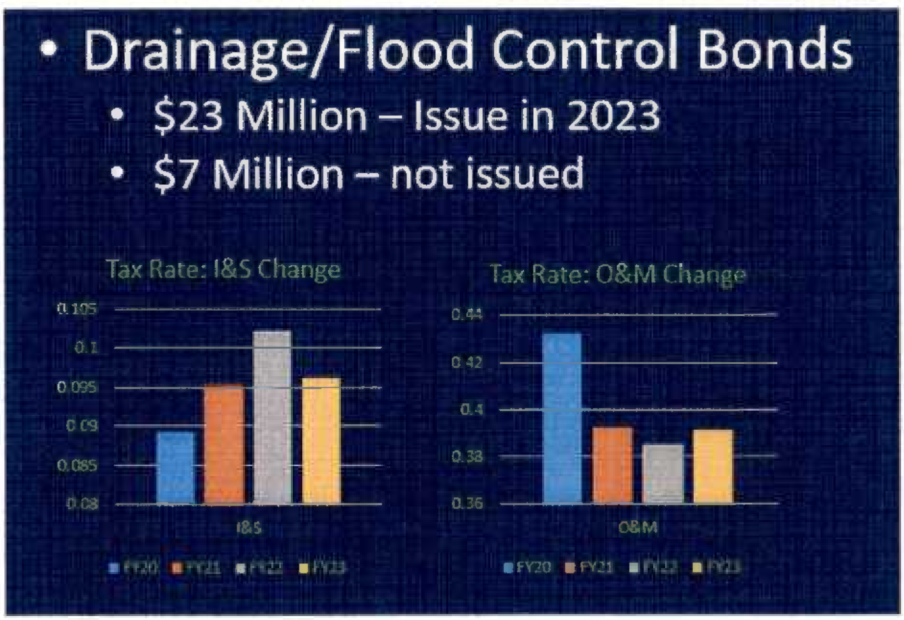
The current economic climate and inflation is causing increases to consumables, such as fuel (23%), and electricity (8%). She also noted that the purchase of vehicles and equipment (23%) is up due to the supply and demand, elimination of government incentives as there is no need for competition, and supply chain delays.

Operational Costs:

Supplies such as operating supplies and equipment, personnel supplies and fuel are up $262,500 (20%) from last year. Also, services such as contract services (janitorial, mowing, engineering, software), emergency services, insurance and internal leases are up $1,374,232 (12%). Mr. Kabiri noted that of the $1.3 million in services, $387,000 was just for landscaping services, and staff is trying to balance the costs and the level of service that citizens have come to expect from the City.

Debt Service Obligations:

Ms. Hampton went over the following chart showing the costs associated with the voter approved drainage/flood control bonds:



Insurance:

Ms. Hampton noted that insurance has also increased and while some of these are projections, staff is hoping that they will come in lower than what is noted below:

- Windstorm is increased by $70,000 or about 30%.
- Employee Health Insurance is still being negotiated but preliminary projections show a $240,000 or 10% increase.
- Property and Liability Insurance is increased to $63,000 of about 15%.

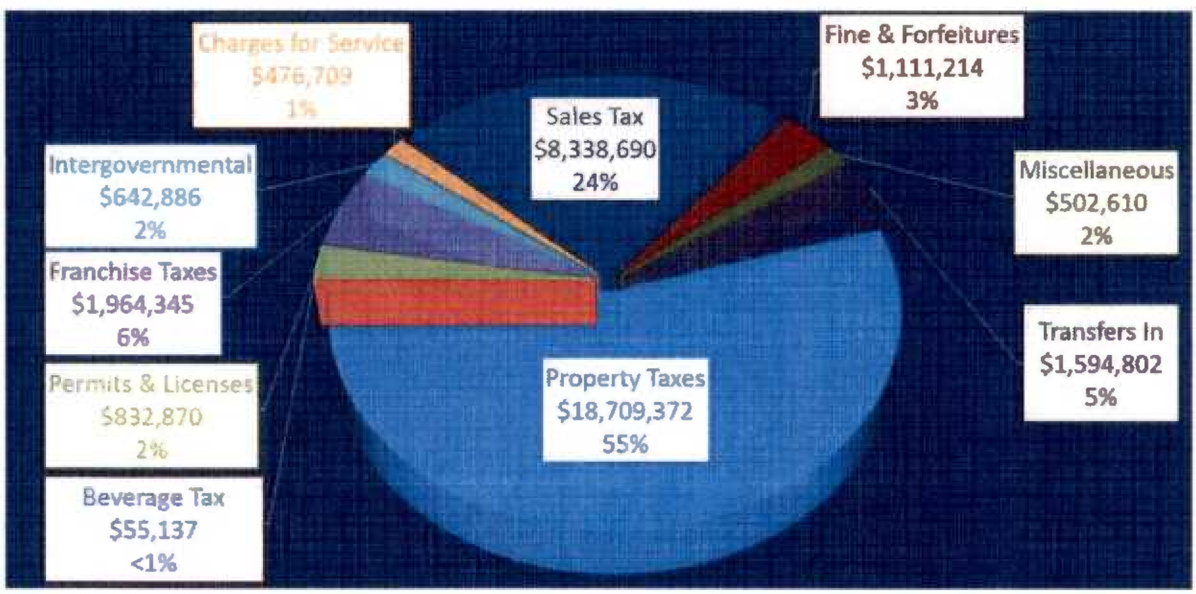
Deferred Maintenance & Equipment:

The decision packages being funded are about $2.4 million.

Bond Project Impacts and Grant Project Impacts:
Increases to these items include mowing and overhead; i.e., utilities, janitorial and maintenance, in the amount of $157,000 from last year's amounts.

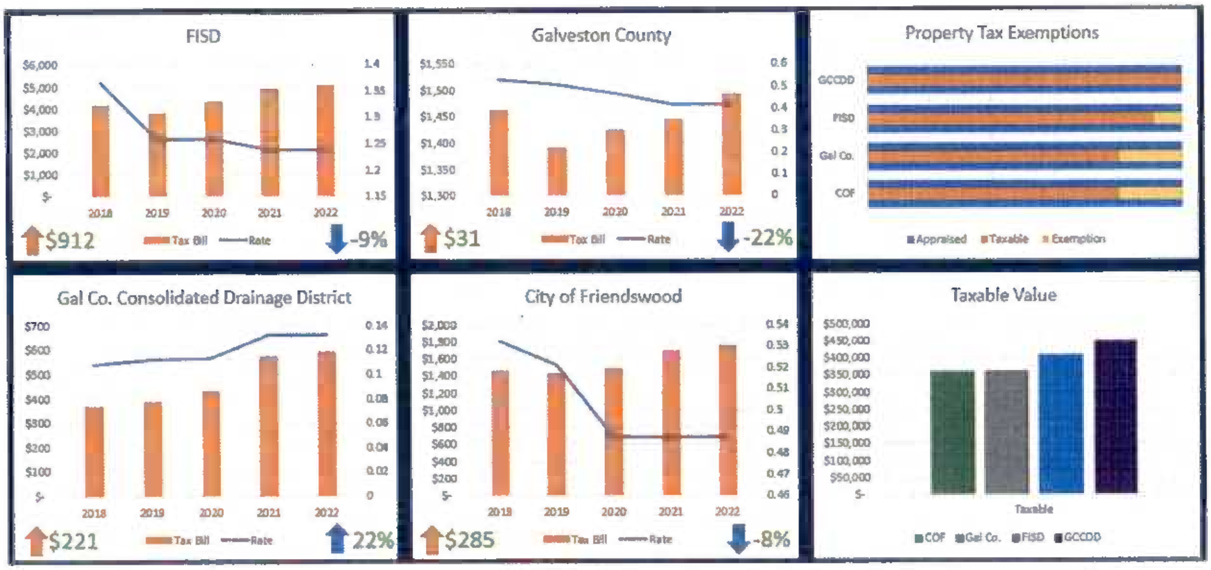
Personnel Costs:
There is a 2.75% merit-based increase listed in the proposed budget to help employees cover the costs of increases to living expenses. This is a $650,000 increase to the budget with $550,000 being in the General Fund and $80,000 being in the Water Sewer Fund. Mr. Kabiri noted that the City does not give staff a costs of living adjustment and instead provides merit increases, so those employees that do not perform, do not get the increase. Mr. Kabiri noted that Friendswood has the lowest staffing per capita of the Houston area.

Ms. Hampton gave the Council an overview of the General Fund and stated that its revenues are projects at $34.2 million using the current tax rate of ($0.487314) and noted that the City will need to use the 20/21 incremental rate provision utilized, and while there are 5 cents in savings, staff is recommending to only use 3/5 cents. Ms. Hampton showed the Council the following chart illustrating the breakdown of the funds revenues:



Ms. Hampton further noted that the estimated taxable value is $4.8 billion which is up from $320 million, and includes new construction, exemptions, and the over 65 freeze ceiling values. She further noted that staff is estimating $59 million in new construction value, $355 million in property values that are currently under protest and $4.5 million in tax debt service obligation, up to $200,000.

Ms. Hampton then showed a chart outlining the tax rate vs tax bill comparison for the last five years for a $450,000 as follows:



Ms. Hampton noted that 66% of the General Funds proposed expenditures are related to personnel costs, 28% is non-personnel expenditures, 3% is force of natures, non-personnel items, 2% is related to capital purchases and 1% is force of nature personnel costs. The breakdown of the General Fund expenses is noted below:

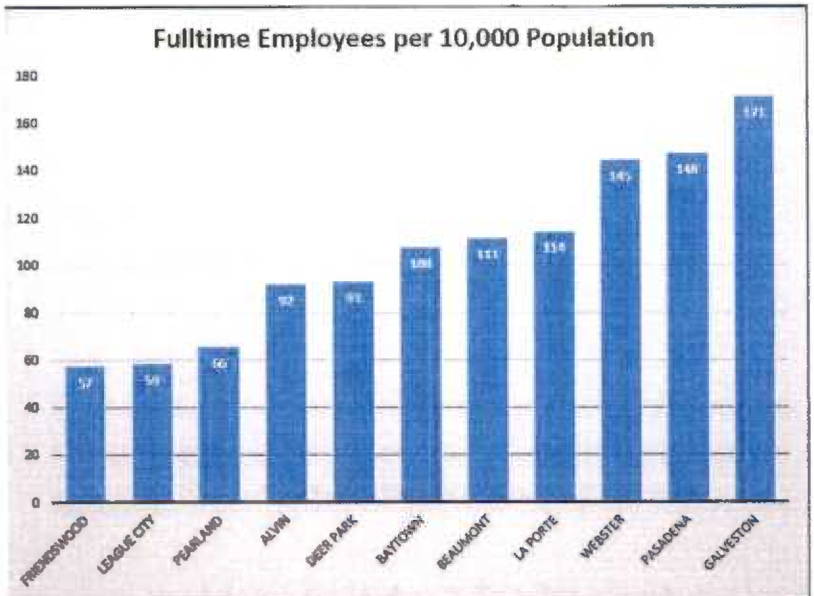
GENERAL FUND EXPENSES ~ $34.5M

Personnel $23.3M (up $1M)
Merit of 2.75%
Health & Dental increase 10%*
Communications Operator & GIS Tech
Overtime increase

FAW $1.2M	
Personnel	$375K
Non-Personnel	$863K

Non-Personnel $11.2M (up $616K)	
Consumables (Fuel, Elec)	$161K
Vehicles – Internal Lease	$125K
Software Upgrades**	$173K
Operational Impact	$157K

Ms. Hampton noted that the biggest question when looking at the General Fund is how staff balances the scale and do more with less and still serve citizens, mitigate inflation, keep the City's most valuable asset, its employees, and also prepare for a potential economic recession. Mr. Kabiri again noted that the city has the lowest number of staff per capita, 57 employees per 10,000 residents, the lowest in the Houston area, and while he was not a proponent of increasing staffing unnecessarily, he wanted to note that the current staff is not just maintaining services but has in many instances enhanced them with the same number of resources, and we want to be able to maintain that great staff moving forward.



The last discussion on the General Fund was an overview of the tax rate analysis with O&M growth from 2010 to 2023, and Councilmember Scott noted that he appreciated all the hard work that the City staff puts in to keeping service up while reducing the tax rate. He commended the Finance staff, the City Manager's Office and everyone who works to keep Friendswood financially secure and conservative.

Ms. Hampton gave the Council an overview of the Water Sewer Fund and stated that its revenues are projects at $18 million and noted that the revenues are mostly water service fees, water meter sales, and administrative fees. Mr. Kabiri noted in response to a question from Council that an estimated 45% of the new automatic water meters have been changed out, so staff cannot tell if and how much the revenues for this item will be moving forward. Ms. Hampton further noted that most of the expenditures in this fund are related to services and not personnel. The Water and Sewer Expenditures are for the upcoming year are noted below:

Personnel $2.9M	
Merit of 2.75%	$71K
Health & Dental increase	$35K
Preliminary – All Funded	
Decision Packages	$630K

Non-Personnel $13.3M	
Current Services	$6.3M
FAW-SEWPP Capital Improvements	$218K
FAW-Blackhawk Wastewater Operations	$280K
Sewer Line Maintenance	$300K
Debt Service Obligations	$4.3M
Transfer to General Fund	$1.7M
Other Force-at-Work	$156K

Ms. Hampton noted that the next steps in the process include the following key dates:

- ✓ 07/29/2022 - Proposed Budget Delivered
- ✓ 08/01/2022 - Budget Work Session
- ✓ 08/29/2022 - Proposed Budget Public Hearing

✓ 09/12/2022 - Public Hearing on Tax Rate
✓ 09/12/2022 - Budget & Tax Rate Adoption

Mrs. Hampton requested feedback from Council on this item.

Council comments were as follows:

- Mayor Foreman thanked the Finance team for a great presentation as this has been a taxing year due to all of the inflation and rate increasing; he appreciated all the attention to detail.
- Councilmember Griffon stated that it was a wonderful report and noted that residents are experiencing the same economic challenges as the City, and Council needs to be cognizant of that.
- Councilmember Scott commended the staff of another well done budget and asked if they are trying to keep the tax rate flat from last year, which is a 3.5% increase, and how much is that in revenue. Mr. Kabiri responded that it results in about $1.2 million in increased revenue.
- Councilmember Rockey requested that staff bring back numbers related to bringing the FVFD inhouse. Also asked staff to look at the option to bring in landscaping service inhouse, as well. Mr. Kabiri responded that staff has looked into the landscaping option and at this time, it is still less expensive to contract this services versus bringing it inhouse and paying for staff and the purchase of the necessary equipment.
- Councilmember Hanks stated that it was a really nice presentation and noted that she appreciated that staff is trying to maintain the level of service, which are good because the citizens still want the same level of service.
- Councilmember Scott stated that Council has been very fiscally responsible and should continue to keep that same fiscal responsibility moving forward and there might come a time when the level of services will need to be cut back to keep operational costs down. Mr. Kabiri noted that the citizens have an expectation of certain services from the City and staff would like to maintain those levels as much as possible.
- Councilmember Branson stated that she would like staff to consider creating relationships with local groups to partner with in order to help reduce some costs, similar to what is done with the baseball groups.

With no more comments Mayor Foreman recessed the meeting at 9:42 A.M.

Mayor Foreman reconvened the meeting at 9:54 A.M.

B. Review and discuss City policies and procedures, including but not limited to (1) Council Rules of Procedure, (2) Appointment Policy, and (3) City Facility Naming Policy.

Mr. Kabiri presented the item and stated that the first policy to be considered it that of the Appointment Policy. Mr. Kabiri noted that staff had completed a full audit of the City's current boards, commissions, and committees, and is recommending some updates that will be codified in order to make them clean and concise moving forward. The Council gave staff the following direction on this item:

- Remove the ex-officio listed in the Planning and Zoning Commission,
- Write that the City Attorney is required to attend Planning and Zoning Commission meetings,
- Add the 5th position of Interested Citizen to the Animal Control Advisory Committee,
- Remove the ex-officio from the Community and Economic Development Committee, and clarify responsibilities as an advisory board,
- Fourth of July Committee and Keep Friendswood Beautiful will have seven voting members, and the rest will be considered ex-officio members,
- Fourth of July Committee and Keep Friendswood Beautiful will be advisory in nature and will make recommendations to Council and/or the City Manager,
    - Discussion ensued about the Grand Marshal selection this past year. The Mayor and Councilmembers Hanks and Scott agreed to the next Fourth of July Steering Committee meeting
- No board, committee or commission will make decisions or apply for grants without the approval of council and/or the city manager, in order to fully understand the operational costs associated with the proposed project,
- All appointments and reappointments should go through the council liaison before asking the member if they desire reappointment, said process should be made clear in the policy,
- Term limits will be added to boards, commissions, and committees, similar to council, 12-consecutive years, with the provision that Council can override a term-limited appointment. Term limits are only for full members and not terms related to ex-officio members and alternates,
- Senior Citizen Advisory Committee will be made a nine-member board and duties will be clarified as an advisory board,
- Friendswood Downtown Economic Development Corporation (FDEDC) will need to bring items for Council approval,
- Keep Council Liaisons and revisit at the next retreat,
- Staff needs to review the handbook and present training on a biannual basis,
- Agreed to move appointment of council liaisons from July to August,
- Allows for boards, commissions, and committees to approve their own rules as long as they are consistent with those of Council,
- Agreed to note that the taxes referenced in membership are ad valorem taxes,
- As it related to the background checks, look to other cities to see what they consider a disqualifier,
- Agreed to remove Council requirements to the FDEDC rules as they are a separate corporation governed by article and bylaws,
- Agreed to codification of boards, commissions, and committees in Chapter 2 of the Code, and
- Agreed to add the attendance policy in the Code.

Mayor Pro Tem Griffon left the meeting at 10:38 A.M.

Council reviewed the proposed liaison lists and Mayor Pro Tem for the next year.

Mr. Kabiri presented the Council Rules of Procedure for proposed amendments. Council debated the following recommendations; no unanimous direction was given. Staff to bring back the proposal at a regular Council meeting for consideration:

- including a provision that recognizes that executive sessions are allowable under state law,
- removing the book requirement so to allow minutes to be kept electronically,
- delegating this duty to approve/disapprove absences of the City Council, the City Manager, the City Attorney, and the City Secretary to the Mayor, whether that duty is imposed by Charter or the rules of procedure,
- allowing all persons to vote regarding a presiding officer,
- removing conditions on recesses to rely on state law,
- mirroring the language in the Charter regarding the Mayor having no power of veto,
- removing language regarding Chapter 171 conflicts, as there are other conflict provisions, e.g., Chapter 176, with which Council would have to comply, thus, allowing Council just to rely on state law,
- referencing the charter, as to what action Council may take, and
- adding a Robert's Rules revision to allow for staff to summarize the item and answer questions prior to a motion by the council and changes to the table/debate/closing debate process, though this item was not unanimous.

The Council requested a full public forum, allowing a person to sign-up and speak once during the public comment period on any item or topic they desire.

Mayor Foreman recessed the meeting at 11:41 A.M.

Mayor Foreman reconvened the meeting at 11:45 A.M.

Mr. Kabiri presented the Council with the existing Facility Naming Policy and stated that there are different ways to honor people in the community, such as naming facilities, streets, benches, trees and other items. After reviewing the existing policy, the Council requested that the staff bring back a policy with all the different policies put into one, preferably with more options (volunteer wall, plaques, road signs) in a tiered system to allow for Council to consider any and all options when deciding how a person of note in the community will be honored. Further Council directed that no item; such as, a bench, tree, etc., will be paid for by the City unless approved by the Council. Mr. Kabiri stated that he would bring back the policy at a later date.

Mayor Foreman established an ad hoc committee composed of Councilmembers Branson, Hanks, and Erenwert to consider the manner in which to honor the contributions of Mrs. Joycina Baker.

Lastly, Mr. Kabiri went over some social media tips for Council personal social media accounts.

6. COMMUNICATIONS FROM MAYOR, COUNCILMEMBERS AND/OR COTY MANAGER

There were no council comments.

7. ADJOURNMENT

With there being no further business to discuss, Mayor Foreman adjourned the July 9, 2022, City Council Special Meeting at 12:15 P.M.

Mike Foreman, Mayor

Attest:

Leticia Brysch, City Secretary

CITY OF FRIENDSWOOD
STATE OF TEXAS