CITY COUNCIL SPECIAL MEETING
MONDAY, AUGUST 28, 2023, 5:30 PM
COUNCIL CHAMBERS, CITY HALL
910 S. FRIENDSWOOD DR.
FRIENDSWOOD, TX 77546

AGENDA

1. CALL TO ORDER

2. INVOCATION

3. PLEDGE OF ALLEGIANCE

United States Pledge and State of Texas Pledge.

4. COUNCIL COMMENTS AND REPORTS

Notice is hereby given in accordance with Section 551.0415 of the Texas Government Code, the City Council of the City of Friendswood may receive reports about items of community interest from City staff and/or a member of the City Council, but no action or possible action shall be taken or discussed concerning the subject of such report.

5. PUBLIC COMMENT

n order to comply with the provisions of the Texas Open Meetings Act, the City Council may not deliberate any item not listed on the agenda, as such, the City Council will listen to public comment and may (i) refer the item to City Management for further action or (ii) direct staff for the placement of said item on a future agenda. During public comment, the public shall comply with the Council's rules of decorum.

6. CITY OF FRIENDSWOOD FY2023-24 PROPOSED BUDGET

A. Conduct a public hearing regarding the Proposed Fiscal Year 2023-2024 Municipal Budget for the City of Friendswood.

B. Discuss and take action concerning the City of Friendswood's Proposed FY2023-24 Municipal Budget.

C. Consider on first reading an ordinance amending Chapter 74 "Taxation" of the Friendswood City Code, to add a new article to be numbered and entitled Article V "Hotel Occupancy Tax" to impose a tax on hotel occupancies within the City of Friendswood.

7. PUBLIC IMPROVEMENT DISTRICT/TAX INCREMENT REINVESTMENT ZONE

A. Receive a report concerning the establishment and use of public improvement districts and tax increment reinvestment zones in the City of Friendswood.

B. Consider a resolution adopting the City of Friendswood Public Improvement District Policy.

8. BUSINESS ITEMS

A. Consider approving the renewal of the water meter reading services contract between the City of Friendswood and Inframark, formerly known as SevernTrent.

9. CONSENT

All Consent Agenda items listed are considered to be routine by the City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Council Member requests, in which event the item will be removed from the Consent Agenda and considered in its normal sequence on the agenda.

A. Consider on second reading an ordinance repealing Chapter 54 "Offenses and Miscellaneous Provisions," Article II "Curfew for Minors" of the Friendswood City Code to comply with H.B. 1819, which repealed the authority of political subdivisions to adopt or enforce juvenile curfews.

B. Consider a resolution verifying the percentage of completion of cybersecurity training and authorizing the City Manager or his designee to submit all documentation required by Section 2054.5191 of the Texas Government Code.

C. Consider approving the minutes of the City Council Regular Meeting held on July 10, 2023.

D. Consider approving the minutes of the City Council Regular Meeting held on August 7, 2023.

10. ADJOURNMENT

PUBLIC NOTICE IS GIVEN THAT IN ADDITION TO ANY EXECUTIVE SESSION LISTED ABOVE, THE CITY COUNCIL RESERVES THE RIGHT TO ADJOURN INTO EXECUTIVE SESSION AT ANY TIME AS AUTHORIZED BY THE TEXAS GOVERNMENT CODE SECTIONS 551.071 - 551.090 TO DISCUSS ANY MATTERS LISTED ABOVE.

THE CITY OF FRIENDSWOOD IS COMMITTED TO COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT. REASONABLE ACCOMMODATIONS AND EQUAL ACCESS TO COMMUNICATIONS WILL BE PROVIDED UPON REQUEST. PLEASE CONTACT THE CITY SECRETARY'S OFFICE BY PHONE AT (281) 996-3270, FAX (281) 482-1634, OR CONTACT (281) 996-3270 VIA RELAY TEXAS AT 711 OR 1-800-735-2988 FOR TYY SERVICES. FOR MORE INFORMATION CONCERNING RELAY TEXAS, PLEASE VISIT: HTTP://RELAYTEXAS.COM.

Leticia Brysch, City Secretary
Posted in compliance with the Open Meetings Act on this 25th day of August, 2023, at 3:00 p.m.

FRIENDSWOOD CITY COUNCIL
AGENDA ITEM FORM

This form should be completed and forwarded to the City Manager's Office as soon as possible prior to the first date that the item is expected to be placed on the Friendswood City Council agenda.

Date requested for City Council consideration: August 28, 2023

Date submitted: 06/20/2023

Prepared by: Leticia Brysch, City Secretary

Subject: Conduct a public hearing regarding the Proposed Fiscal Year 2023-2024 Municipal Budget for the City of Friendswood.

Originating Department: City Secretary

Degree of importance: Critical.

SUMMARY / ORIGINATING CAUSE

This item allows the City Council to receive public comment regarding the Proposed Fiscal Year 2023-2024 Municipal Budget for the City of Friendswood.

On August 7, 2023, the City Council called for a public hearing regarding the City's proposed FY 2023-24 municipal budget to occur on Monday, August 28, 2023, at 5:30 P.M. in the City Council Chamber, located in City Hall, 910 S. Friendwood Drive, Friendswood, Texas 77546.

Notice of said public hearing as posted on the City's notice boards and website on August 10, 2023, and published in the *Reporter News* on Wednesday, August 16, 2023. A copy of the notice is attached for your review.

IMMINENT CONSEQUENCES / BENEFIT TO COMMUNITY

Failure to conduct the public hearing impacts the validity of the City's municipal budget process.

RECOMMENDATIONS

Conduct the public hearing in compliance with all applicable laws.

ATTACHMENTS

1. Notice of Public Hearing for FY2023-24 Proposed Budget Hearing
2. FY24 PUBLIC HEARING ON PROPOSED BUDGET PRESENTATION - 8.28.2023 - REVISED -v2
3. Financial Management Policy (considered with FY24 budget adoption) - 8.28.2023

CITY OF FRIENDSWOOD
OFFICE OF THE CITY SECRETARY

NOTICE OF PUBLIC HEARING REGARDING CITY OF FRIENDSWOOD FY2023-24 PROPOSED BUDGET

NOTICE OF PUBLIC HEARING is hereby given in accordance with Section 8.03(c) of the Charter of the City of Friendswood, Texas, and Section 102.006(a) of the Texas Local Government Code, that the City Council of the City of Friendswood will hold a public hearing giving all interested parties the right to appear and express their views, both written and oral, regarding the City of Friendswood FY2023-24 Proposed Budget. The City Council will hold this public hearing at a Special Council Meeting on **Monday, August 28, 2023**, at **5:30 p.m.** in the **Council Chambers, Friendswood City Hall, located at 910 S. Friendswood Drive, Friendswood, Texas 77546**.

This budget will raise more total property taxes than last year's budget by $3,051,172 or (13.6%), and of that amount $546,392 is tax revenue to be raised from new property added to the tax roll this year.

The public may inspect the proposed budget at any time on the City's website: https://www.ci.friendswood.tx.us/573/Annual-Budget, or by appointment from 7:30 a.m. to 5:30 p.m., Monday through Thursday, and 8:00 a.m. to 5:00 p.m., Friday, in the City Secretary's Office, City Hall, 910 S. Friendswood Drive, Friendswood, Texas 77546 or by appointment at the Friendswood Public Library, 416 S. Friendswood Drive, Friendswood, Texas 77546, during regular operating hours.

The City of Friendswood is committed to compliance with the Americans with Disabilities Act. Reasonable accommodations and equal access to communications will be provided upon request. For assistance, please contact the City's ADA Coordinator Brian Rouane at 281-996-3285 via phone, 281-482-1634 via fax or contact 281-996-3285 via Relay Texas at 711 or 1-800-735-2988 for TYY services. For more information concerning Relay Texas, please visit http://relaytexas.com.

CITY OF FRIENDSWOOD
STATE OF TEXAS

Leticia Brysch, City Secretary
Posted: August 10, 2023
Posting time: 12:00 p.m.

FY2023-2024 Proposed Budget PUBLIC HEARING

August 28, 2023

KEY BUDGET DRIVERS

- Economic State & Inflation
- Personnel Costs
- Debt Service Obligations
- Deferred Maintenance
- Bond Project Impacts
- Grant Project Impacts
- Operational Costs
- Insurance Costs

PROPOSED BUDGET CHANGES

(since August 7th Council Meeting)

GENERAL FUND

REVENUES – $37.8M (net increase of $609K)

- **Interfund Transfer from W/S Fund - $609K**
  - **Indirect Cost Allocation Revised**
- **Property Tax Decrease – ($333K)**
- **Use of Unassigned Fund Balance – $333K**

EXPENDITURES – $37.8M (increase of $609K)

- **Additions**
  - **EMS Chief (salary and benefits) - $178K**
  - **Admin Assistant (IT/CDD) - $97K**
  - **Friendswood Pkwy Traffic Impact Analysis - $315K***
  - **Brigadoon Lane HAZ Mitigation Scoping - $18K***

*Use of Unassigned General Fund Balance

WATER AND SEWER

REVENUES – **NO CHANGE**

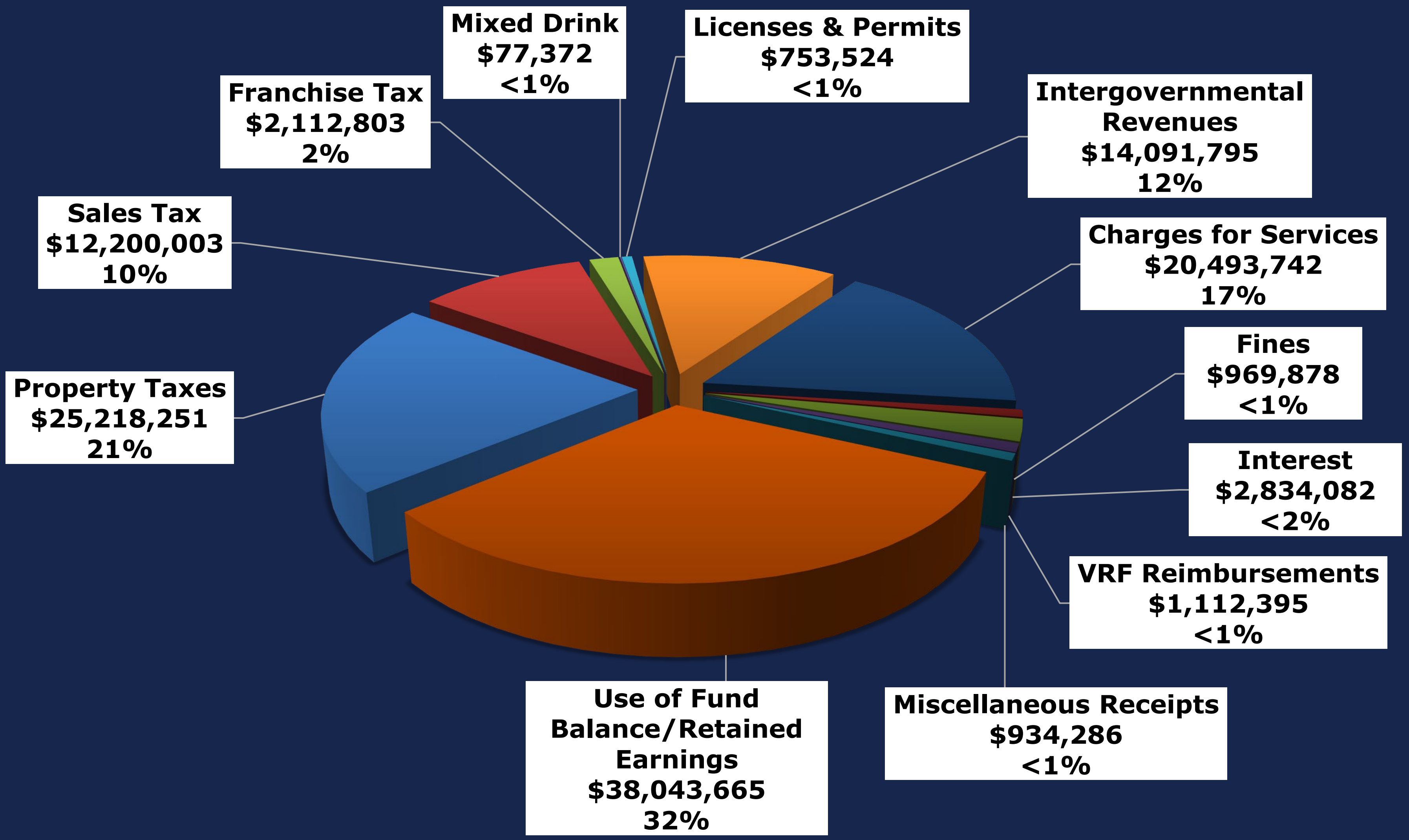
EXPENDITURES – $19.6M (net increase of $606K)

- **Addition:**
  - **Interfund Transfer to General Fund - $609K**
    - **Indirect Cost Allocation Revised**
- **Reduction:**
- **Employee Incentive Pay Transfer to GF - $3K**
  - **Project Manager**

FINANCIAL MANAGEMENT POLICY UPDATE

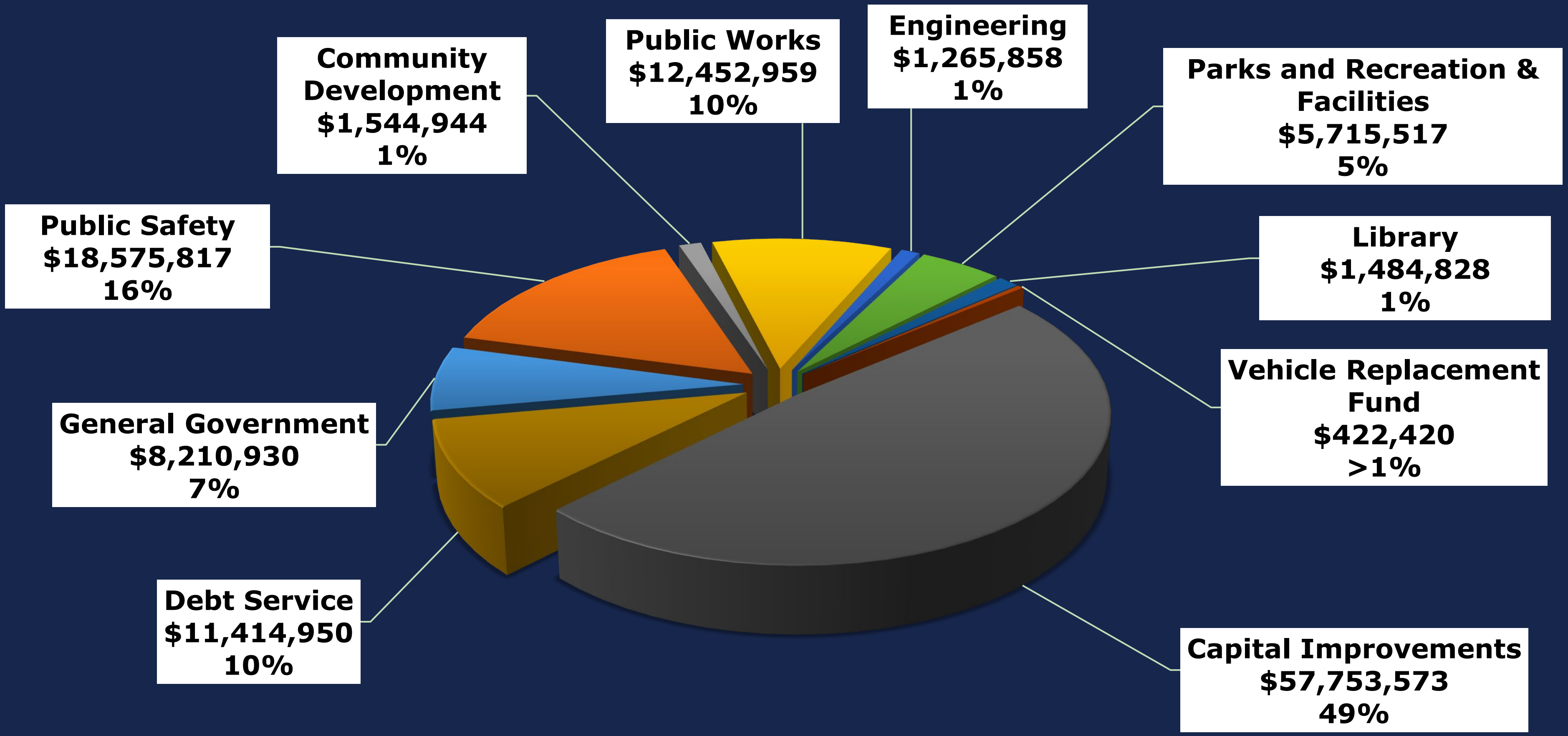
- **Addition of Policy and Procedures related to federal, state, and local grant procurement**

Total Proposed Revenue (All Funds) ~ $118.8M



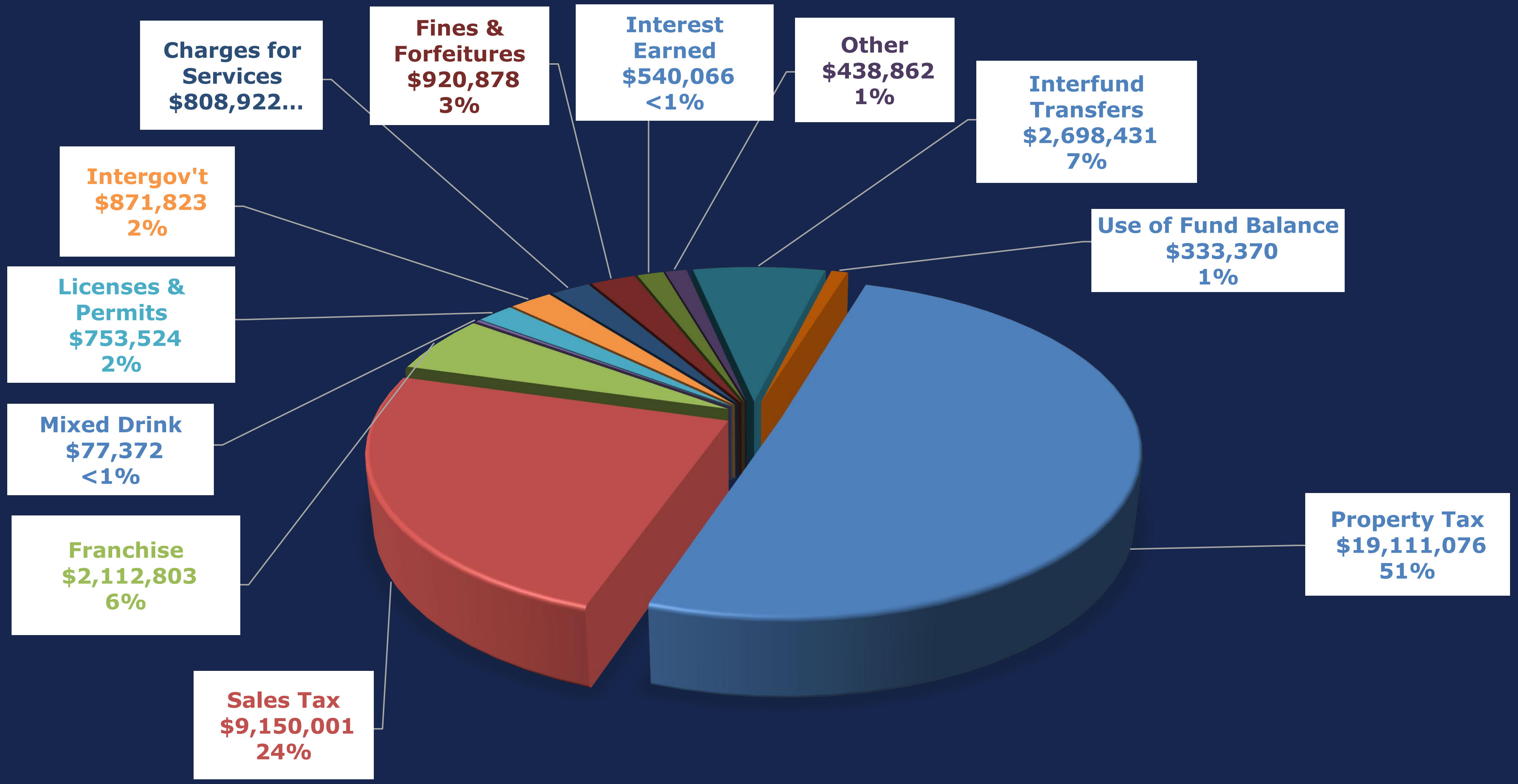
Use of fund balance/retained earnings includes bond funds issued and grant funds received in prior years to complete capital improvement projects in FY24

Total Proposed Expenditures (All Funds) ~ $118.8M



GENERAL FUND

FY 2024 Proposed Revenue (General Fund) ~ $37.8M



General Obligation bond proceeds revenue is not included in the General Operating Fund; but, separately, in Bond Construction Funds.

Reduced Proposed Budget Tax Rate ($0.500728)

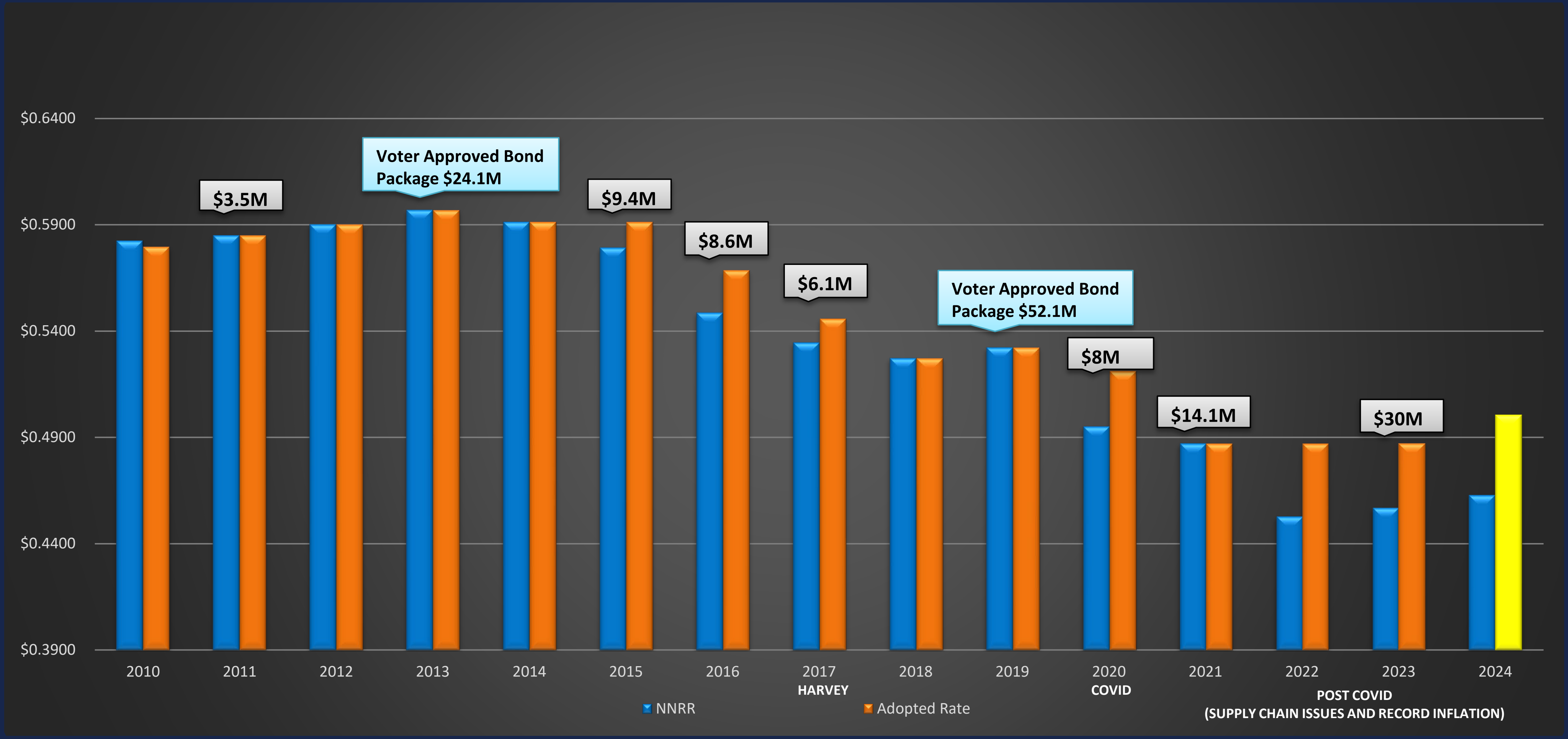
- 1.3 cents above current rate of 48.73 cents
  - NNRR – 46.31 cents
- Unused Increment Rate – 59.9 cents
  - 13.5 cents higher than NNRR
  - 11.1 cents higher than Current
  - 5.4 cents higher than VATR
- Estimated Taxable Value $5B (up $130M)
  - Includes new construction
  - Includes exemptions
  - Includes over 65 freeze ceiling values
    - $1.1B (up $137M YOY)

$107M
Projected new construction value
(up from $54M last year)

$191M
Property Values Under Protest (7/25/23)
($12M less than last year at certification)

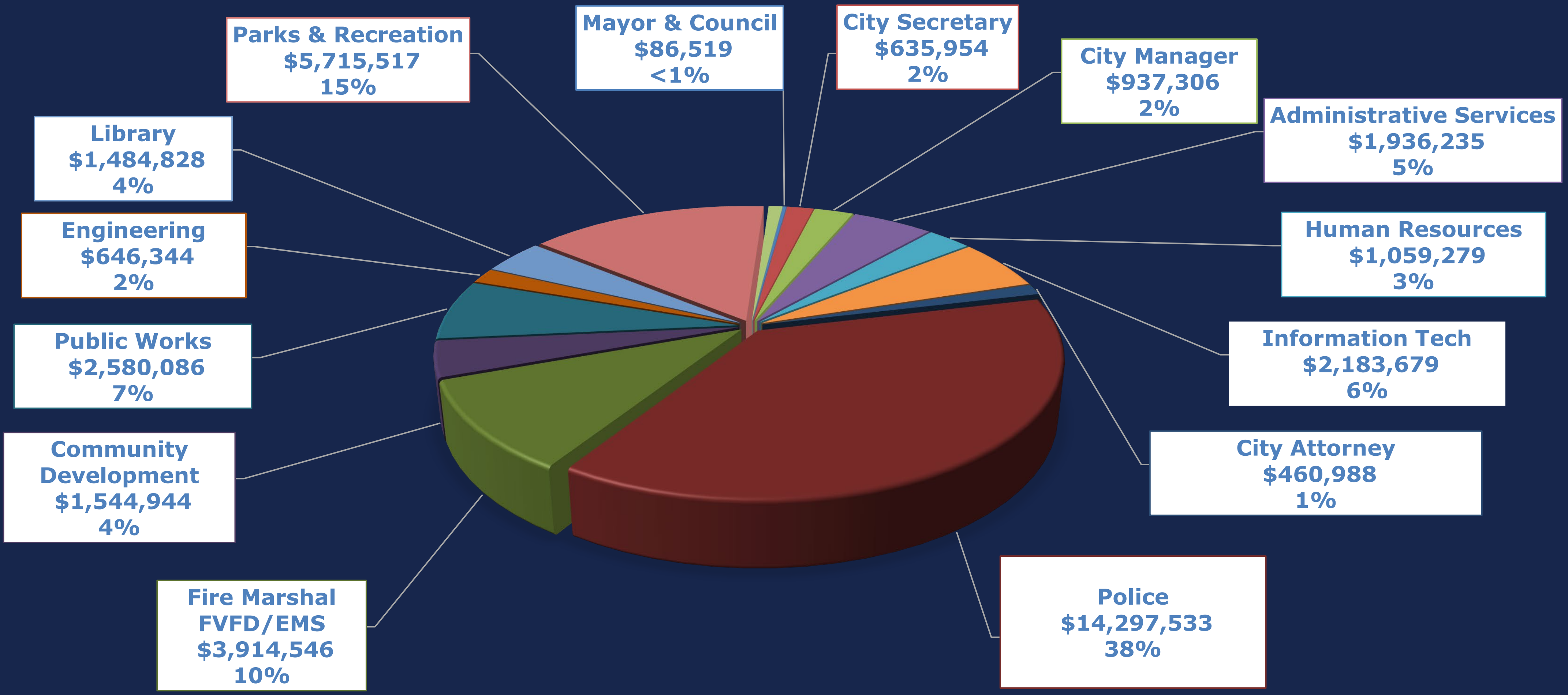
$6.1M
Tax Debt Service Obligation
($1.5M more than last year)
(Up $2.9M since 2019 bond election)

Tax Rate Analysis w/ Debt Issuance



Yellow bar indicates tax rate of 50.84 cents used to develop the proposed budget

FY 2024 Proposed Expenditures (General Fund) $37.8M



Personnel Costs

KEY BUDGET DRIVERS

Personnel Costs

- Decision Package – Merit $758K
  - ~$670K – General Fund
  - ~$88K – Water/Sewer Fund
  - Includes: Wages, Taxes, Benefits, and Overtime Adjustments

Cost of Living

$5,300

Laborer ($4,268)
- $37,544
  - 2.75% $1,032

Deputy Court Clerk ($4,260)
- $37,835
  - 2.75% $1,040

Crew Leader/Building Inspector ($3,972)
- $48,298
  - 2.75% $1,328

Assistant Director - Library ($2,898)
- $87,360
  - 2.75% $2,402

FY24 COMPENSATION INCREASES COMPARISON

CITY	CIVILIAN STAFF	PUBLIC SAFETY STAFF
Friendswood	2.75% Merit No COLA	2.75% Merit No COLA
Pearland	4% (2% COLA + Step Increases + 2% Merit)	5% (2% COLA + 3% Merit Step Increase per CBA
League City	5% (2.5% COLA + 2.5% Merit)	5% (2.5% COLA +2.5% Merit) Step Increase (per CBA)
Alvin	7% (5% COLA + 2% merit)	10% - 20% Step Increase (per CBA)

General Fund – Forces At Work (Funded)

Dept	Description	One Time Cost	Ongoing Cost	Total	Outside Revenue Sources	Net Total
City Wide	Windstorm and Liability Insurance Increase	$0	$73,340	$73,340	$0	$73,340
City Wide	Electricity Increase (24.75%)	0	176,508	176,508	0	176,508
City Wide	Health Insurance Increase (4.43% Medical, 10.3% Dental)	0	104,898	104,898	0	104,898
FVFD	Fire Services Contract Increase	0	71,995	71,995	0	71,995
EMS	EMS Services Contract Increase	0	284,748	284,748	0	284,748
FMO	EMS Chief	5,500	181,319	186,819	0	186,819
PD Patrol	Addition Police Officer (Per Capita Requirement) (Addition mid-year)	15,250	74,635	89,885	0	89,885
PD	Motorola/Watchguard Body Worn Camera Contract (5 Year Contract)	0	98,200	98,200	0	98,200
Library	Add Vehicle to VRP	0	6,039	6,039	0	6,039
P&R_Fac	Exisiting Facilities and Park Maintenance	97,250	0	97,250	0	97,250
P&R_Fac	Facility Expansion Maintenance and Utility Cost	0	144,769	144,769	0	144,769
P&R_Fac	New - FB Park Maintenance, Bay Area Medians, Deepwood, Frenchman's Buyout Lot Maintenance	0	67,782	67,782	0	67,782
P&R_Seniors	Add Senior Citizen Vans to VRP Schedule	0	23,884	23,884	0	23,884
Total Forces at Work		**$118,000**	**$1,308,117**	**$1,426,117**	**$0**	**$1,426,117**

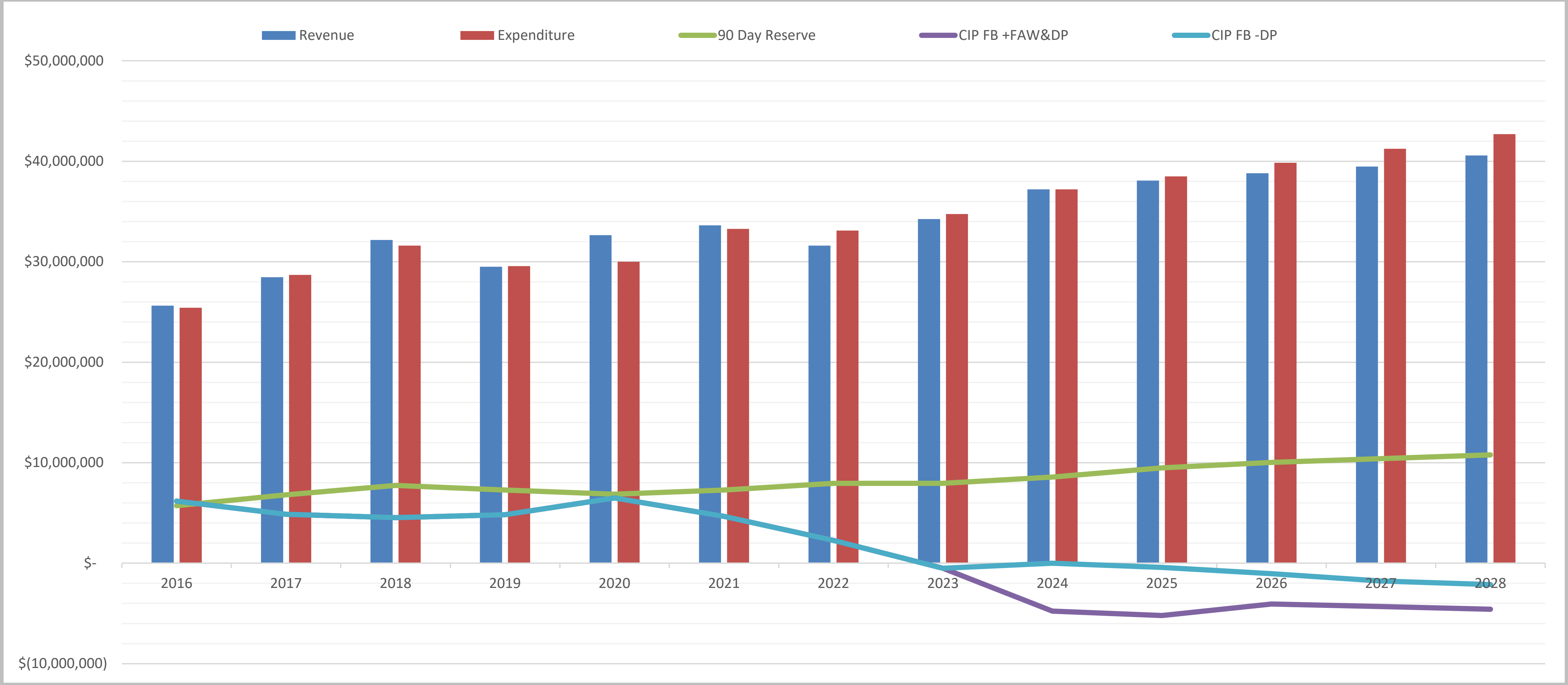
General Fund – Decision Packages (Funded)

Dept	Description	One Time Cost	Ongoing Cost	Total	Outside Revenue Sources	Net Total
PD Patrol	FISD School Crossing Guards - Cline Elementary	$200	$34,952	$35,152	$35,152	$0
P&R_SDC	Summer Day Camp Expansion	0	175,084	175,084	175,084	0
P&R_Parks	Daddy Daughter Dance	0	3,500	3,500	3,500	0
P&R_Parks	Flapjack Fun Run	0	6,000	6,000	6,000	0
City Wide	Merit 2.75%	0	670,000	670,000	0	670,000
CAO	Recodification of Friendswood City Code	26,000	0	26,000	0	26,000
ENG_CIP	2023 HAZ Mit Grant Scoping - Brigadoon Lane	18,000	0	18,000	0	18,000
ENG_CIP	Friendswood Parkway Traffic Impact Analysis	315,370	0	315,370	0	315,370
IT_PW	IT Support Specialist - Public Works	3,440	97,446	100,886	100,886	0
IT CDD Admin	IT/CDD Administrative Assistant	13,440	83,769	97,209		97,209
Total Decision Packages		**$376,450**	**$1,070,751**	**$1,447,201**	**$320,622**	**$1,126,579**

General Fund – Decision Packages (Unfunded)

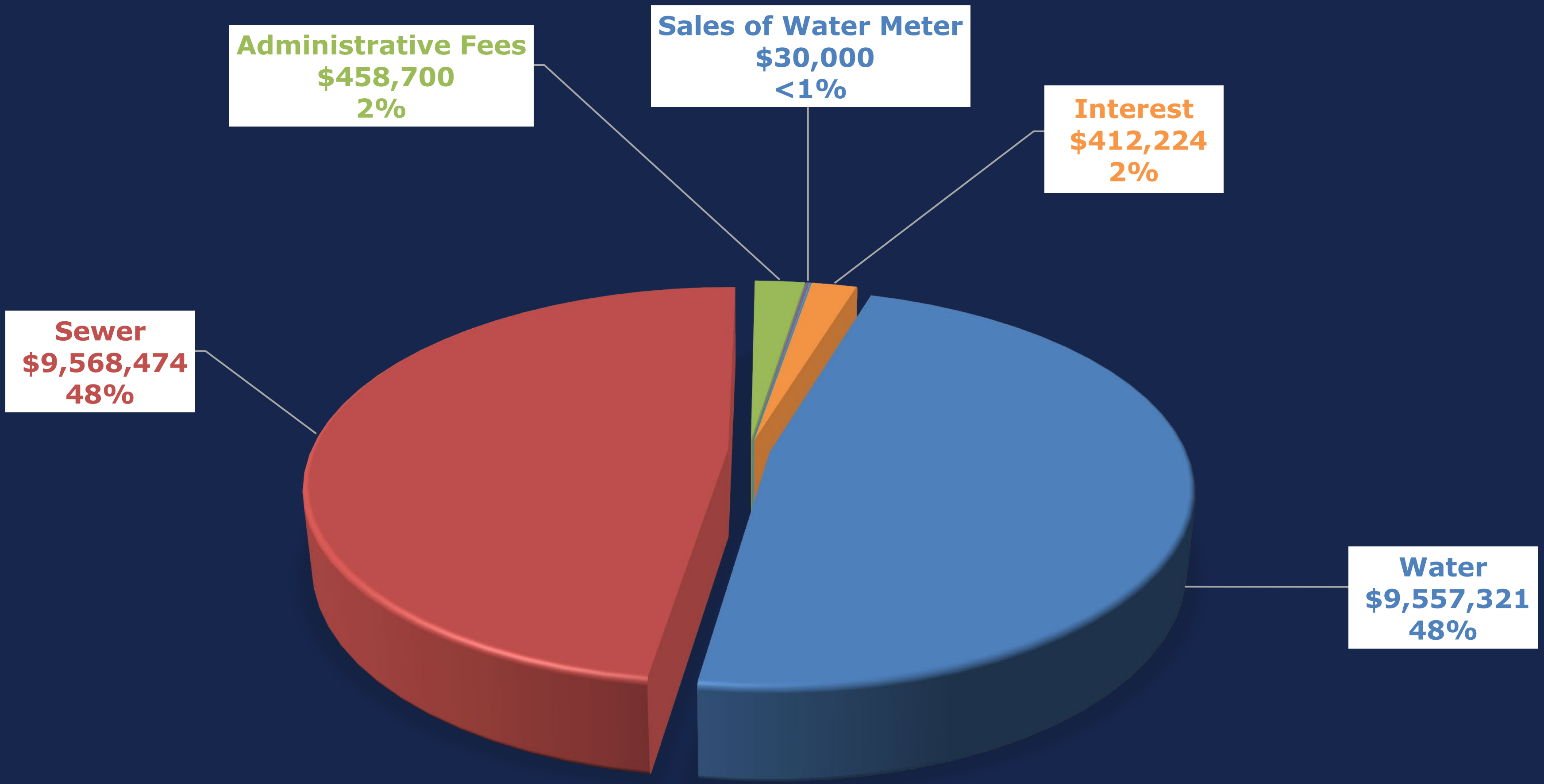
Dept	Description	One Time Cost	Ongoing Cost	Total	Outside Revenue Sources	Net Total
IT	Electronic Bidding Solution (W/S Fund Admin Transfer Covers Portion)	25,000	5,000	30,000	15,000	15,000
IT_PD&LIB	Website Platform	17,000	3,000	20,000	0	20,000
PD_CID	Flock Safety Contract Renewal & Expansion (2 Year Contract)	12,000	19,000	31,000	0	31,000
PD_AC	Animal Control Officer + Vehicle (+1 FTE)	78,750	95,929	174,679	0	174,679
PW_Streets	VRP Addition - Half Ton Truck - Streets/Sign Shop	40,000	4,500	44,500	0	44,500
PW_Streets	PW155 Replacement - Tractor Mower	61,000	2,500	63,500	0	63,500
PW_Streets	PW160 Replacement - Tractor Mower	61,000	2,500	63,500	0	63,500
ENG_CIP	Parking Lot Construction, Old City Park, Shadwell, Stevenson Park	2,600,000	0	2,600,000	0	2,600,000
P&R Facilities	Parks Laborer (+1 FTE)	0	65,090	65,090	0	65,090
P&R Seniors	Recreation Aide (+0.50 FTE)	0	15,128	15,128	0	15,128
Total Unfunded Decision Packages for General Fund		**$2,894,750**	**$212,647**	**$3,107,397**	**$15,000**	**$3,092,397**

General Fund – Change in Fund Balance



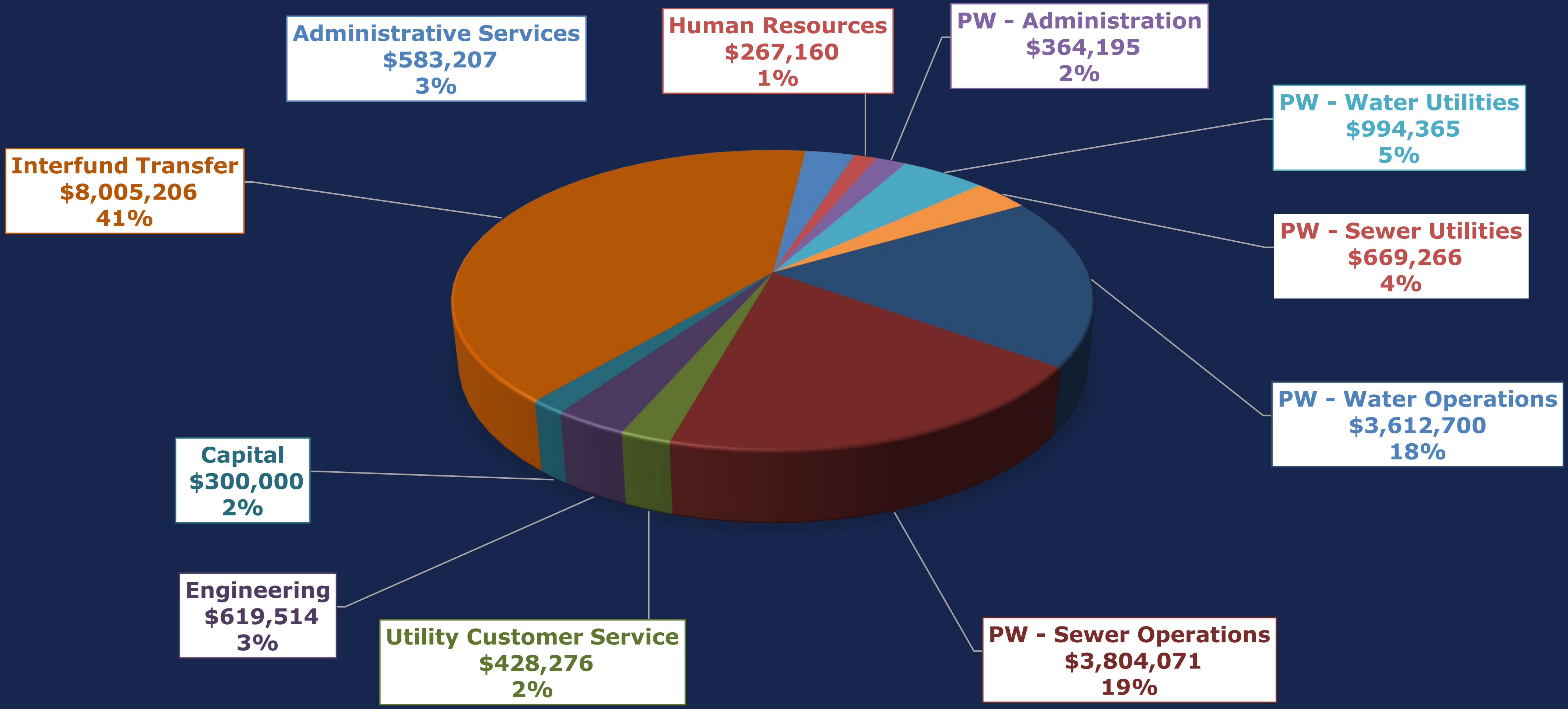
WATER & SEWER FUND

FY 2024 Proposed Revenue (W&S Fund) $20M



Revenue Bonds proceeds revenue is not included in the Water & Sewer Operating Fund; but , separately, in Bond Construction Funds.

FY 2024 Proposed Expenses (W&S Fund) $19.6M



Project construction expenditures supported by Revenue Bonds are not included in the Water & Sewer Operating Fund Capital Improvements.

Water & Sewer Fund – Forces at Work (Funded)

Dept	Description	One Time Cost	Ongoing Cost	Total	Outside Revenue Sources	Net Total
City Wide	Windstorm and Liability Insurance Increase (30%)	$0	$24,019	$24,019	$0	$24,019
City Wide	Health Insurance Increase (4.43% Medical, 10.3% Dental)	0	18,640	18,640	0	18,640
PW_SU	Blackhawk WW Operations Increase @ 9% (07/01/2023)	0	231,771	$231,771	0	231,771
PW_SU	Southeast Water Purification Plant - CIP Program 2023-2027 (Year 2)	481,829	0	$481,829	0	481,829
PW_SU	Purchased Water Rate Increase	0	456,333	$456,333	0	456,333
City Wide	Electricity Increase (24.75%)	0	66,809	$66,809	0	66,809
Total Forces at Work		**$481,829**	**$797,572**	**$1,279,401**	**$0**	**$1,279,401**

Water & Sewer Fund – Decision Packages (Funded)

Dept	Description	One Time Cost	Ongoing Cost	Total	Outside Revenue Sources	Net Total
City Wide	Merit 2.75%	$0	$87,500	$87,500	$0	$87,500
PW_SU	PW59 VRP Replacement Upgrade	44,214	0	44,214	0	44,214
PW	PW Mobile Water Meter Data Collectors	30,000	0	30,000	0	30,000
PW	PW Water Meter Technician + Vehicle (+1 FTE)	45,000	80,468	125,468	0	125,468
ENG	Office Clerk - Engineering (+1 FTE)	5,000	80,257	85,257	0	85,257
ENG	DR-4586 Severe Winter Storm Grant - Generator	12,570	0	12,570	0	12,570
Total Decision Packages		**$136,784**	**$248,225**	**$385,009**	**$0**	**$385,009**

NEXT STEPS

- ✓ **Key Dates**
  - ✓ Proposed Budget Delivered – 07/31/2023
  - ✓ Budget Work Session – 08/07/2023
  - ✓ Proposed Budget Public Hearing – 08/28/2023
  - ✓ Budget Adoption – 08/28/2023 or 09/11/2023
  - ✓ Public Hearing on Tax Rate – 09/11/2023
  - ✓ Tax Rate Adoption – 09/11/2023

- ✓ **Council Input & Direction Needed**

Introduction
The City of Friendswood assumes an important responsibility to its citizens and customers to carefully account for public funds, to manage City finances wisely and to plan for the adequate funding of services desired by the public.

The main goal of this Policy is to help the City achieve a long-term, stable and positive, financial condition. The City's financial management, as directed by this Policy, is based on the foundation of integrity, prudent stewardship, planning, accountability and full disclosure.

The purpose of the Policy is to provide guidance for planning and directing the City's daily financial affairs. This Policy provides a framework in pursuit of the following objectives.

Financial Objectives

Revenues
- Design and administer a revenue system that will assure a reliable, equitable and sufficient revenue stream to support desired City services.

Expenditures
- Identify priority services, establish and define appropriate service levels and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of these services.

Fund Balance/Retained Earnings
- Maintain the fund balance and retained earnings of the various operating funds at levels sufficient to protect the City's credit worthiness, as well as its financial position, during times of emergency.

Capital Expenditures and Improvements
- Annually review and monitor the condition of the City's capital equipment and infrastructure, setting priorities for its replacement and renovation based on needs, funding alternatives and availability of resources.

Debt Management
- Establish guidelines for debt financing that will provide needed capital equipment and infrastructure improvements, while minimizing the impact of debt payments on current and future revenues.

Investments
- Invest the City's operating cash to ensure its safety, provide necessary liquidity and maximize yield. Return on investment is of least importance compared to the safety and liquidity objectives.

Intergovernmental Relations
- Coordinate efforts with other governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis and support appropriate favorable legislation at the state and federal levels.

Grants
- Aggressively investigate, pursue and effectively administer federal, state and foundation grants-in-aid, which address the City's current priorities and policy objectives.

Economic Development

- Initiate, encourage and participate in economic development efforts to create job opportunities and strengthen the local economy and tax base.

Fiscal Monitoring

- Analyze financial data and prepare reports that reflect the City's financial performance and economic condition.

Accounting, Auditing and Financial Reporting

- Comply with prevailing federal, state and local statutes and regulations. Conform to generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB), American Institute of Certified Public Accountants (AICPA) and the Government Finance Officers Association (GFOA).

Internal Control

- Maintain an environment to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

Risk Management

- Prevent and/or reduce financial impact to the City of claims and losses through prevention and transfer of liability.

Budget

- Develop and maintain a balanced budget (defined as a term signifying budgeted expenditures being offset by budgeted revenues), which presents a clear understanding of goals, service levels and performance standards. The document shall, to the extent possible, be "user-friendly" for citizens.

I. Revenues

The City shall use the following guidelines to design and administer a revenue system that will assure a reliable, equitable and sufficient revenue stream to support desired City services.

Balance and Diversification in Revenue Sources

- The City shall strive to maintain a balanced and diversified revenue system to protect the City from fluctuations in any one source due to changes in economic conditions, which adversely impact that source.

User Fees

- For services that benefit specific users, where possible, the City shall establish and collect fees to recover the full direct and indirect cost of those services. City staff shall review user fees on a regular basis to calculate their full cost recovery levels, to compare them to the current fee structure and to recommend adjustments where necessary.

Property Tax Revenues/Tax Rate

- The City shall endeavor to reduce its reliance on property tax revenues by revenue diversification, implementation and continued use of user fees and economic development. The City shall also strive to stabilize its tax rate and minimize tax rate increases.

Utility/Enterprise Funds User Fees

- Utility rates and enterprise funds user fees shall be set at levels sufficient to cover operating expenditures, meet debt obligations, provide additional funding for capital improvements and provide adequate levels of working capital.

Administrative Services Charges

- The City shall prepare a cost allocation plan annually to determine the administrative services charges due the General Fund from enterprise funds for overhead and staff support. Where appropriate, the enterprise funds shall pay the General Fund for direct services rendered.

Revenue Estimates for Budgeting

- In order to maintain a stable level of services, the City shall use a conservative, objective and analytical approach when preparing revenue estimates. The process shall include analysis of probable economic changes and their impacts on revenues, historical collection rates and trends in revenues. This approach should reduce the likelihood of actual revenues falling short of budget estimates during the year, which otherwise could result in mid-year service reductions.

Revenue Collection and Administration

- The City shall maintain high collection rates for all revenues by keeping the revenue system as simple as possible to facilitate payment. In addition, since a revenue source should exceed the cost of producing it, the City shall strive to control and reduce administrative costs. The City shall pursue to the full extent allowed by state law all delinquent taxpayers and others overdue in payments to the City.

II. Expenditures

The City shall use the following guidelines to identify necessary services, establish appropriate service levels and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of services.

Current Funding Basis

- The City shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues.

Avoidance of Operating Deficits

- The City shall take immediate corrective action, if at any time during the fiscal year, expenditure and revenue estimates are such that an operating deficit is projected at year-end.

Maintenance of Capital Assets

- Within the resources available each fiscal year, the City shall maintain capital assets and infrastructure at a sufficient level to protect the City's investment, to minimize future replacement and maintenance costs and to continue acceptable service levels.

Periodic Program Reviews

- Periodic program review for efficiency and effectiveness shall be performed. Programs not meeting efficiency or effectiveness objectives shall be brought up to required standards, or be subject to reduction or elimination.

Purchasing

- The City shall make every effort to maximize any discounts offered by creditors/vendors. The City will follow state law and the City of Friendswood Purchasing Manual concerning formal bidding procedures and approval by the City Council. For purchases where competitive bidding is not required, the City shall obtain the most favorable terms and pricing possible.

- The City Manager, or his designee, shall have the authority to approve and sign contracts and/or purchases for budgeted goods or services that do not exceed the state law bid limitation of $50,000. Contracts or purchases for items in excess of the state law bid limit shall be placed on a Council agenda for action authorizing the Mayor, or his designee's, signature.

III. Fund Balance/Working Capital/Net Assets

The City shall use the following guidelines to maintain the fund balance and retained earnings of the various operating funds at levels sufficient to protect the City's creditworthiness as well as its financial position from unforeseeable emergencies.

General Fund Unassigned Fund Balance

- The City shall strive to maintain the General Fund unassigned fund balance at a minimum of 90 days of prior year audited operating expenditures.
- Any unassigned funds after the fiscal year-end audit will be allowed to accumulate to build this 90-day reserve.
- After the General Fund has gathered sufficient resources, additional unassigned funds will be allowed to accumulate for future General Fund capital improvements.

Unrestricted Net Position of Other Operating Funds; Water and Sewer Working Capital

- In other operating funds, the City shall strive to maintain a positive unrestricted net position to provide sufficient reserves for emergencies and revenue shortfalls. The minimum working capital in the Water and Sewer Fund shall be 90 days of prior year audited operating expenses.
- Any unrestricted funds after the fiscal year-end audit will be allowed to accumulate to build this 90-day reserve.
- After these funds have gathered sufficient resources, additional unrestricted funds will be allowed to accumulate in working capital for future utility/operating fund capital improvements.

Use of Fund Balance/ Working Capital

- Fund Balance/ Working Capital may be used in one or a combination of the following ways:
  - Emergencies;
  - One-time expenditures that do not increase recurring operating costs;
  - Major capital purchases; and
  - Start-up expenditures for new programs undertaken at mid-year, provided such action is considered in the context of multiyear projections of program revenues and expenditures.

- Should such use reduce the balance below the appropriate level set as the objective for that fund, the City shall take action necessary to restore the unassigned fund balance or working capital to acceptable levels within three years.

IV. Capital Expenditures and Improvements

The City shall annually review and monitor the condition of the City's capital equipment and infrastructure, setting priorities for its replacement and renovation based on needs, funding alternatives and availability of resources.

Capital Improvements Planning Program

- The City shall annually review the Capital Improvements Planning Program (CIP), the current status of the City's infrastructure, replacement and renovation needs and potential new projects and update the program as appropriate. All projects, ongoing and proposed, shall be prioritized based on an analysis of current needs and resource availability. For every project, all operation, maintenance and replacement costs shall be fully costed. The CIP shall also present the City's long-term borrowing plan, debt payment schedules and other debt outstanding or planned, including general obligation bonds, revenue bonds and certificates of obligation.

Replacement of City Vehicles

- The City shall annually prepare a schedule for the replacement of its vehicles. Within the resources available each fiscal year, the City shall replace these assets according to this schedule.
- The Vehicle Replacement Fund will purchase all City vehicles. Departments will then make annual contributions to this fund, based on the life expectancy of their equipment, to replace the funds used to purchase vehicles.
- Heavy equipment that cost more than $50,000 may be funded by one of the capital expenditure financing methods discussed below.

Capital Expenditures Financing

- The City recognizes that there are several methods of financing capital items. It can budget the funds from current revenues; take the funds from fund balance/working capital, as allowed by the Fund Balance/working capital Policy; utilize funds from grants; or it can borrow the money through some form of debt instrument. Debt financing includes general obligation bonds, revenue bonds, certificates of obligation and capital lease agreements.

Capitalization Threshold for Tangible Capital Assets
The Government Finance Officers Association (GFOA) recommends that "best practice" guidelines be followed in establishing capitalization thresholds for tangible capital-type items. Accordingly, the following criteria shall be established with the adoption of this policy.

- Individual items costing $5,000 or more will be capitalized and depreciated according to Governmental Accounting Standards Board rules. This amount will be adjusted as changes are recommended in GFOA's "best practices" guidelines.
- Tangible capital-type items will only be capitalized if they have any estimated useful life of at least five years following the date of acquisition.
- Capitalization thresholds will be applied to individual items rather than to groups of similar items (e.g., desks and tables).
- Adequate control procedures at the department level will be established to ensure adequate control over non-capitalized tangible items.

V. Debt Management

The City shall use the following guidelines for debt financing used to provide needed capital equipment and infrastructure improvements, while minimizing the impact of debt payments on current and future revenues.

Use of Debt Financing

- Debt financing, to include general obligation bonds, revenue bonds, certificates of obligation and capital lease agreements, shall only be used to acquire capital assets.

Amortization of Debt

- Amortization of debt shall be structured in accordance with a multi-year capital improvement plan. The term of a debt issue will never exceed the useful life of the capital asset being financed.

Affordability Targets

- The City shall use an objective, analytical approach to determine whether it can afford to assume new debt beyond the amount it retires each year. This process shall compare generally accepted standards of affordability to the current values for the City. These standards shall include debt per capita, debt as a percent of taxable value and debt service payments as a percent of current revenues and current expenditures. The process shall also examine the direct costs and benefits of the proposed expenditures as determined in the City's annual update of the Capital Improvements Planning Program. The decision on whether or not to assume new debt shall be based on these costs and benefits and on the City's ability to afford new debt as determined by the aforementioned standards.

Sale Process

- The City shall use a competitive bidding process in the sale of debt unless the nature of the issue warrants a negotiated bid.

Rating Agencies Presentation

- Full disclosure of operations and open lines of communication shall be made available to the rating agencies. City staff, with assistance of financial advisors, shall prepare the necessary materials and presentation to the rating agencies.

Continuing Disclosure

- The City is committed to continuing disclosure of financial and pertinent credit information relevant to the City's outstanding issues.

Debt Refunding

- City staff and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. A proposed refunding of debt, for interest cost savings, should provide a present value benefit as a percent of refunded principal of at least 3%.

Continuing Compliance with Federal Tax Covenants

- **Arbitrage Compliance**
  Federal income tax laws generally restrict the ability to earn arbitrage in connection with the Obligations. The Responsible Person (as defined below) will review the Closing Documents periodically (at least once a year) to ascertain if an exception to arbitrage compliance applies.

  - Procedures applicable to Obligations issued for construction and acquisition purposes. With respect to the investment and expenditure of the proceeds of the Obligations that are issued to finance public improvements or to acquire land or personal property, the Issuer's City Manager (such officer, together with other employees of the Issuer who report to such officer, is collectively, the "Responsible Person") will:

  - Instruct the appropriate person who is primarily responsible for the construction, renovation or acquisition of the facilities financed with the Obligations (the "Project") that (i) binding contracts for the expenditure of at least 5% of the proceeds of the Obligations are entered into within 6 months of the date of closing of the Obligations (the "Issue Date") and that (ii) the Project must proceed with due diligence;

  - Monitor that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of the Project are expended within 3 years of the Issue Date;

  - Monitor the yield on the investments purchased with proceeds of the Obligations and restrict the yield of such investments to the yield on the Obligations after 3 years of the Issue Date;

  - Monitor all amounts deposited into a sinking fund or funds pledged (directly or indirectly) to the payment of the Obligations, such as the Interest and Sinking Fund, to assure that the maximum amount invested within such applicable fund at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding 12-month period; and

  - Ensure that no more than 50% of the proceeds of the Obligations are invested in an investment with a guaranteed yield for 4 years or more.

- Procedures applicable to Obligations with a debt service reserve fund. In addition to the foregoing, if the Issuer issues Obligations that are secured by a debt service reserve fund, the Responsible Person will:

  - Assure that the maximum amount of any reserve fund for the Obligations invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date.

- Procedures applicable to Escrow Accounts for Refunding Issues. In addition to the foregoing, if the Issuer issues Obligations and proceeds are deposited to an escrow fund to be administered pursuant to the terms of an escrow agreement, the Responsible Person will:

  - Monitor the actions of the escrow agent to ensure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;

  - Contact the escrow agent on the date of redemption of obligations being refunded to ensure that they were redeemed; and

  - Monitor any unspent proceeds of the refunded obligations to ensure that the yield on any investments applicable to such proceeds are invested at the yield on the applicable obligations or otherwise applied (see Closing Documents).

- Procedures applicable to all Tax-exempt Obligation Issues. For all issuances of Obligations, the Responsible Person will:

  - Maintain any official action of the Issuer (such as a reimbursement resolution) stating the Issuer's intent to reimburse with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;

  - Ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and

  - Assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (i) at least every 5 years after the Issue Date and (ii) within 30 days after the date the Obligations are retired.

- Private Business Use
  Generally, to be tax-exempt, only an insignificant amount of the proceeds of each issue of Obligations can benefit (directly or indirectly) private businesses. The Responsible Persons will review the Closing Documents periodically (at least once a year) for the purpose of determining that the use of the facilities financed or refinanced with the proceeds of the Obligations (the "Project") do not violate provisions of federal tax law that pertain to private business use. In addition, the Responsible Persons will:

  - Develop procedures or a "tracking system" to identify all property financed with tax-exempt debt;

  - Monitor and record the date on which the Project is substantially complete and available to be used for the purpose intended;

  - Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;

- Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);

- Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;

- Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, has a naming right for the facilities or any other contractual right granting an intangible benefit;

- Monitor and record whether, at any time the Obligations are outstanding, the facilities are sold or otherwise disposed of; and

- Take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Order related to the public use of the Project.

▪ Record Retention
The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Obligations. If any portion of the Obligations is refunded with the proceeds of another series of tax-exempt Obligations, such records shall be maintained until the three (3) years after the refunding Obligations are completely extinguished. Such records can be maintained in paper or electronic format.

▪ Responsible Persons
Each Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the Project financed or refinanced with the proceeds of the Obligations. The foregoing notwithstanding, each Responsible Person shall report to the Council whenever experienced advisors and agents may be necessary to carry out the purposes of these instructions for the purpose of seeking Council approval to engage or utilize existing advisors and agents for such purposes.

VI. Investments

The City's cash shall be invested in such a manner so as to ensure the absolute safety of principal and interest, to meet the liquidity needs of the City and to achieve the highest possible yield in accordance with the City's Investment Policy. Interest earned from investments shall be distributed to the City's funds from which the money was provided.

VII. Intergovernmental Relations

The City shall coordinate efforts with other governmental agencies to achieve common policy objectives, share the cost of providing government services on an equitable basis and support appropriate favorable legislation at the state and federal levels.

Interlocal Cooperation in Delivery of Services

- In order to promote the effective and efficient delivery of services, the City shall work with other local jurisdictions to share on an equitable basis the costs of services, to share facilities and to develop joint programs to improve service to its citizens.

Legislative Program

- The City shall cooperate with other jurisdictions to actively oppose any state or federal regulation or proposal that mandates additional City programs or services and does not provide the funding necessary for implementation.

VIII. Grants

The City shall seek to obtain and effectively administer federal, state, and local grants that address the City's current and future priorities and policy objectives identified by City Council.

- Allowability of Costs
    - Grant funds must be expended for the programs, activities, and strategies that meet the needs of the citizens served. All applicable requirements of the Federal and grant funds regulations, other applicable laws and regulations, and the Uniform Guidance apply to the use of Federal awards. All costs must be reasonable and necessary to carry out the intent of the award/program.

  - The Department Director or his/her designee shall review invoices to ensure costs meet the following general criteria to be allowable under 2 CFR 200:
      - Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
      - Be allocable to Federal awards under the provisions of the Uniform Guidance.
      - Be authorized or not prohibited under State or local laws or regulations.
      - Conform to any limitations or exclusions set forth in these principles, Federal laws, terms, and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
      - Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the City.
      - Be accorded consistent treatment. A cost shall not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
      - Except as otherwise provided for in the Uniform Guidance, be determined in accordance with generally accepted accounting principles (GAAP).
      - Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation. See 2 Code of Federal Regulations (CFR) 200.306(b).
      - Be the net of all applicable credits.
      - Be adequately documented. See 2 CFR 200.300 through 200.309.

        - Cost shall be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent periods pursuant to 2 CFR 200.308 (e)(3).

- Reasonable Costs
    - A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominantly federally funded. In determining reasonableness of a given cost, consideration must be given to:
        - Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the City or the proper and efficient performance of the Federal award.
        - The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, and other laws and regulations; and terms and conditions of the Federal award.
        - Market prices for comparable goods or services for the geographic area.
        - Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.
        - Significant deviations from the established practices and policies of the City which may unjustifiably increase the Federal award's cost.

- Allocable Costs
    - A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. This standard is met if the cost:
        - Is incurred specifically for the Federal award;
        - Benefits both the Federal award and other work of the governmental unit and can be distributed in proportions that may be approximated using reasonable methods; and
        - Is necessary to the overall operation of the governmental unit and is assignable in part to the Federal award in accordance with the principles in this subpart.

    - All activities which benefit from the governmental unit's indirect facilities & administrative (F&A) cost, including unallowable activities and donated services by the governmental unit or third parties, will receive an appropriate allocation of indirect costs.

    - Any cost allocable to a particular Federal award or cost objective under the principles provided for in the Uniform Guidance may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms and conditions of the Federal awards, or for other reasons.
        - This prohibition would not preclude the governmental unit from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

- The City shall recover indirect costs to the maximum amount allowed by the funding source. The City may waive or reduce indirect costs if doing so will significantly increase the effectiveness of the grant.
  - Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required.

- Direct cost allocation principles are applicable:
  - If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.
  - If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding the Uniform Guidance, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.
  - Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also 2CFR 200.310 through 200.316 and 200.439.
  - If a contract is subject to Cost Accounting Standards (CAS), costs must be allocated to the contract pursuant to the CAS. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over other allocation provisions in this part.

Accounting Control of Purchases and Invoices

- Invoices shall be submitted to the relevant department head for approval. His or Her review shall include verification of work/quantities completed and to ensure no duplication of work exists. The department representative will consult with appropriate staff, consultants, and agencies to determine eligibility of proposed costs.

- The Finance division of Administrative Services shall keep a detailed ledger identifying the budgeted funds for each program as well as a list of all expenditures to determine allowability of costs. Expenditures will be compared to the budget prior to approval to ensure costs are within budgeted amounts.

- Once approved, invoicesshall be provided to Administrative Services for processing and submittal to appropriate agency (if applicable) and for issuance of checks or electronic payment consistent with existing financial policies. Administrative Services will then send to the appropriate vendor in accordance with the terms of the contract and in accordance with program requirements.

- All purchases made shall be pursuant to written or electronic authorization from the Department Director or agency whose appropriation will be changed, and no contract or order shall be issued to any seller unless and until Administrative Services verifies that there is to the credit of such department or agency a sufficient unencumbered appropriation balance to pay for the supplies, materials, equipment or contractual services for which the contract or purchase order is to be issued.

Grant Review

- The City shall review all grant submittals requiring an in-kind match requirement to determine their potential impact on the operating budget, and the extent to which they meet the City's policy objectives. If there is a cash match requirement, the source of funding shall be identified and approved prior to application.

- Prior to submission, all grant requests will be reviewed by Administrative Services to ensure the benefits to the City exceed the administrative costs incurred throughout the life of the grant.

Grant Program Termination

- The City shall terminate grant-funded programs and associated positions as directed by the City Council when grant funds are no longer available, unless alternate funding is identified.

IX. Economic Development

The City shall initiate, encourage and participate in economic development efforts to create job opportunities and strengthen the local economy and tax base.

Commitment to Expansion and Diversification

- The City shall encourage and participate in economic development efforts to expand Friendswood's economy and tax base, to increase local employment and to invest when there is a defined, specific long-term return. These efforts shall not only focus on new areas, but on established sections of the City where development can generate additional jobs and other economic benefits.

Tax Abatements

- The City of Friendswood is committed to the promotion of quality development in all parts of the City. On a case-by-case basis, the City will give consideration to providing tax abatement on the increment in value added to a particular property by a specific development proposal, which meets the economic goals and objectives of the City.
- The tax abatement shall not apply to any portion of the inventory or land value of the project.
- Tax abatement may be offered on improvements to real property owned by the applicant and/or on new personal property brought to the site by the applicant.
- Tax abatement will not be ordinarily considered for projects which would be developed without such incentives unless it can be demonstrated that higher development standards or other development and community goals will be achieved through the use of the abatement.

Increase Non-Residential Share of Tax Base

- The City's economic development program shall seek to expand the non-residential share of the tax base to decrease the tax burden on residential homeowners.

Coordinate Efforts With Other Jurisdictions

- The City's economic development program shall encourage close cooperation with other local jurisdictions to promote the economic well-being of this area.

X. Fiscal Monitoring

Reports shall be prepared and presented on a regular basis that analyze, evaluate and forecast the City's financial performance and economic condition.

Financial Status and Performance Reports

- Monthly reports shall be prepared comparing expenditures and revenues to original and amended budgets. Explanatory notes will be included, as needed.

XI. Accounting, Auditing and Financial Reporting

The City shall comply with prevailing local, state and federal regulations. Its accounting practices and financial reporting shall conform to generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB), American Institute of Certified Public Accountants (AICPA) and the Government Finance Officers Association (GFOA). The City Council shall select an independent firm of certified public accountants to perform an annual audit of its accounting and financial reporting practices.

XII. Internal Control

The Director of Administrative Services is responsible for developing citywide, written guidelines on accounting, handling of cash and other financial matters. The Director of Administrative Services will assist Department Directors as needed, in tailoring these guidelines into detailed written procedures to fit each department's specific requirements.

Each Department Director is responsible to ensure that good internal controls are followed throughout his or her department, that all guidelines on accounting and internal controls are implemented and that all independent auditor internal control recommendations are addressed.

XIII. Risk Management

The City will utilize a safety program, an employee health program and a risk management program to prevent and/or reduce the financial impact to the City due to claims and losses. Transfer of liability for claims through transfer to other entities through insurance and/or by contract will be utilized where appropriate. Prevention of loss through the safety program and the employee health program will be employed.

XIV. Operating Budget

The City shall establish an operating budget that shall link revenues and expenditures to City Council goals, service and performance standards.

Any transfer of intradepartmental appropriations shall be authorized, in writing, by the City Manager. Transfers from personnel expenditure category line items to non-personnel expenditure category line items of the adopted budget are permitted, with City Manager approval, when the expense for which the transfer is made is directly related to personnel. No transfer of more than $50,000 shall be authorized by the City Manager without prior approval of the City Council. Written justification shall be attached to each request to the City Manager for a transfer of appropriation and, if authorized, the written justification shall be attached to the City Manager's written authorization. All applicable bidding and purchasing laws shall be followed. New capital projects or projects not otherwise provided for in the budget shall not be funded through transfers.

FRIENDSWOOD CITY COUNCIL
AGENDA ITEM FORM

This form should be completed and forwarded to the City Manager's Office as soon as possible prior to the first date that the item is expected to be placed on the Friendswood City Council agenda.

Date requested for City Council consideration: August 28, 2023

Date submitted: 08/08/2023

Prepared by: Leticia Brysch, City Secretary

Subject: Discuss and take action concerning the City of Friendswood's Proposed FY2023-24 Municipal Budget.

Originating Department: City Secretary

Degree of importance: Critcal importance.

SUMMARY / ORIGINATING CAUSE

This item allows the City Council to discuss the City of Friendswood's Proposed FY2023-24 Municipal Budget and the input received at the public hearing and to take action as required by Section 102.007 of the Texas Government Code.

Specifically, such section requires that at the conclusion of the public hearing on the municipal budget, the City Council "take action on the proposed budget." As such, the Council may at this time either:

1. vote to approve the proposed budget and then separately vote to ratify the property tax increase reflected in the proposed budget, or
2. postpone the approval of the budget until September 11, 2023, the date the City Council is scheduled to consider the adoption of the tax rate.

IMMINENT CONSEQUENCES / BENEFIT TO COMMUNITY

Compliance with the Local Government Code and the City Charter.

RECOMMENDATIONS

ATTACHMENTS

1. Ordinance - Budget Adoption
2. Exhibit A - FY2023-2024 Proposed Budget Summary

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, APPROVING AND ADOPTING THE CITY OF FRIENDSWOOD, TEXAS, GENERAL BUDGET FOR FISCAL YEAR 2023-24; MAKING APPROPRIATIONS FOR THE CITY FOR SUCH FISCAL YEAR AS REFLECTED IN SAID BUDGET, AND MAKING CERTAIN FINDINGS AND CONTAINING CERTAIN PROVISIONS RELATED THERETO; AND PROVIDING FOR THE PUBLICATION AND EFFECTIVE DATE THEREOF.

****

WHEREAS, on July 31, 2023, the City Manager submitted to the City Council a proposed budget of the expenditures of the City of Friendswood for the fiscal year 2023/2024 along with an accompanying budget message, a summary copy of which is attached hereto as Exhibit "A" and is made a part hereof; and

WHEREAS, on August 7, 2023, the City Council called a public hearing on the budget for August 28, 2023, at 5:30 p.m. in the Council Chambers of the Friendswood City Hall; and

WHEREAS, after posting proper notice, the City Council, on August 28, 2023, conducted a public hearing on the proposed budget, at which hearing any person had the opportunity to be present and participate in the hearing; and

WHEREAS, the City Council has considered the proposed budget and has made such changes therein as, in the City Council's judgment, were warranted and were in the best interests of the citizens and taxpayers of the City; and

WHEREAS, in accordance with Section 8.03(a) of the City Charter, the City Council has reviewed estimates of revenue to be derived by the City during the 2022-23 fiscal year, and has determined that the proposed budgeted expenditures will not exceed total estimated income plus funds available from prior years; NOW, THEREFORE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, STATE OF TEXAS:

Section 1. The facts and matters set forth in the preamble of this ordinance are hereby found to be true and correct.

Section 2. In accordance with Section 8.03(e) of the City Charter, the City Council hereby approves and adopts the budget for the ensuing fiscal year beginning October 1, 2023, and ending September 30, 2024, as finally submitted to the City Council by the City Manager, a copy of which is on file with the City Secretary.

Section 3. In support of said budget and by virtue of the adoption thereof, there are hereby appropriated out of available cash funds and out of the general and special revenues of the City that will be received in the treasury during the fiscal year 2023-24, the amounts set forth in said approved budget for the various purposes stated therein. The total amounts now thus appropriated and the funds from which the same are derived are as follows and are further summarized in Exhibit A," which is attached hereto and incorporated herein for all intents and purposes:

Beginning Fund Balance, 10/1/2023 ....$ 87,495,839.00
Total Revenues ....$ 80,798,131.00
Total Resources Available for Appropriation* $168,293,970.00

Total Expenditures and Other Financing Uses $118,841,796.00
Ending Fund Balance...$ 49,452,174.00

* Includes Planned Use/Carry Over Fund Balance/Retained Earnings

Section 4. This ordinance shall remain in full force and effect from and after its passage and approval of the City Council, and it shall be published in accordance with law.

PASSED, APPROVED and ADOPTED by the affirmative, record vote of a majority of all members of the City Council of the City of Friendswood on this the 28th day of August, 2023.

____
MIKE FOREMAN, Mayor

ATTEST:

____
LETICIA BRYSCH, City Secretary

APPROVED AS TO FORM:

____
KAREN L. HORNER, City Attorney

"Exhibit A"
CITY OF FRIENDSWOOD
PROPOSED BUDGET SUMMARY
FISCAL YEAR 2023-2024

	PROPOSED BUDGET
REVENUES	
Taxes	39,608,429
Charges for Services	20,493,742
Permits and Licenses	753,524
Fines	969,878
Intergovernmental Revenues	14,091,795
Interest	2,834,082
Vehicle Lease Reimbursements	1,112,395
Miscellaneous Receipts	934,286
TOTAL REVENUES	**80,798,131**
Fund Balance Used or (Carried Forward)	
General Fund	333,370
Police Investigation Fund	(4,876)
Community Development Block Grant Fund - Harris County	-
Community Development Block Grant Fund - Galveston County	(122,484)
2021 Coronavirus State & Local Fiscal Recovery Grant Fund	312,288
Fire/EMS Donation Fund	158,456
Municipal Court Building Security/Technology Fund	3,344
Tax Debt Service Fund	(57,556)
2016/2017 GO Bond Funds	47,158
2020 GO Bonds Fund	-
2021 GO Bonds Fund	2,288,693
2023 GO Bonds Fund	24,245,767
Sidewalk Installation Fund	(11)
Park Land Dedication Fund	(51,003)
Streets Improvement Fund	1,317,805
Fwd Downtown Economic Development Improvements Fund	1,033,820
1776 Part Trust Fund	(348)
Water & Sewer Operations Fund	(387,483)
2016 Water & Sewer Bond Construction Fund	995,689
2018 Water & Sewer Bond Construction Fund	1,419,957
2021 Water & Sewer Bond Construction Fund	7,626,829
Water Impact Fees	(105,925)
Sewer Impact Fees	(213,000)
Water and Sewer Revenue Debt Service	(78,300)
Vehicle Replacement Plan Fund	(718,525)
	38,043,665
Total Resources Available	**118,841,796**
EXPENDITURES	
General Government	8,210,930
Public Safety	18,575,817
Community Development	1,544,944
Public Works	12,452,959
Engineering	1,265,858
Parks & Recreation	5,715,517
Library	1,484,828
Vehicle Replacement Fund	422,420
Capital Improvements	57,753,573
Debt Service	11,414,950
TOTAL EXPENDITURES	**118,841,796**
REVENUES OVER (UNDER) EXPENDITURES	**-**
BEGINNING FUND BALANCE	**87,495,839**
ENDING FUND BALANCE	**49,452,174**

FRIENDSWOOD CITY COUNCIL
AGENDA ITEM FORM

This form should be completed and forwarded to the City Manager's Office as soon as possible prior to the first date that the item is expected to be placed on the Friendswood City Council agenda.

Date requested for City Council consideration: August 28, 2023

Date submitted: 08/07/2023

Prepared by: Karen Horner, City Attorney

Subject: Consider on first reading an ordinance amending Chapter 74 "Taxation" of the Friendswood City Code, to add a new article to be numbered and entitled Article V "Hotel Occupancy Tax" to impose a tax on hotel occupancies within the City of Friendswood.

Originating Department: City Attorney

Degree of importance:

SUMMARY / ORIGINATING CAUSE

This proposed ordinance amends Chapter 74 "Taxation" of the Friendswood City Code to add a new article to be numbered and entitled Article V "Hotel Occupancy Tax" to impose a tax on hotel occupancies within the City of Friendswood.

This article includes the following:

Section	Title	Description
74-81	Definitions	This section includes the following definitions: • Complete, accurate report, • Consideration, • Director, • Hotel, • Occupancy, • Occupant, • Permanent resident, • Short-term rental, • State governmental entity, and • Quarterly period.
74-82	Tax imposed; amount	This section imposes a HOT tax of seven percent (7%) of the consideration paid for a hotel room, enumerates exceptions and statutorily required refunds.
74-83	Collection of tax	This section requires the hotelier to collect HOT taxes on behalf of the City, allows a collection cost reimbursement in certain situations, and provides for audits to ensure proper reporting and collections.
74-84	Quarterly reports and taxes due	This section requires hoteliers to file quarterly reports showing the consideration paid for all rooms in the preceding quarter.
74-85	Rules and Regulations	This section allows the Director of Administrative Services to make rules necessary for the proper and efficient collection of the tax.
74-86	Penalties	This section establishes civil and criminal penalties for failure to make the required payment.

The effective date of the ordinance will be October 1, 2023. The second reading of this ordinance is scheduled for September 11, 2023.

IMMINENT CONSEQUENCES / BENEFIT TO COMMUNITY

RECOMMENDATIONS

Staff recommends approval.

ATTACHMENTS

1. Ordinance -- Hotel Occupancy Tax

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, AMENDING CHAPTER 74 "TAXATION" OF THE FRIENDSWOOD CITY CODE, BY ADDING A NEW ARTICLE TO BE NUMBERED AND ENTITLED ARTICLE V "HOTEL OCCUPANCY TAX" TO IMPOSE SUCH A TAX WITHIN THE CORPORATE LIMITS OF THE CITY OF FRIENDSWOOD; PROVIDING A MAXIMUM PENALTY OF FIVE HUNDRED AND NO/100 DOLLARS ($500.00); REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INCONSISTENT OR IN CONFLICT HEREWITH; PROVIDING FOR SEVERABILITY, PUBLICATION AND AN EFFECTIVE DATE.

****

WHEREAS, Section 351.002 of the Texas Tax Code authorizes municipalities to impose a tax on a person who, under a lease, concession, permit right of access, license, contract or agreement, pays for the use or possession or for the right to the use or possession of a room that is in a hotel, costs $2.00 or more each day, and is ordinarily used for sleeping; and

WHEREAS, revenues from such tax must be used to promote tourism and the convention and hotel industry, and that use is limited to one (1) of nine (9) statutorily provided categories designed to put "heads in beds"; and

WHEREAS, the City Council of the City of Friendswood desires to impose such hotel occupancy tax on hotels within the corporate limits of the City of Friendswood; NOW THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, STATE OF TEXAS:

Section 1. That Chapter 74 "Taxation" of the Friendswood City Code is hereby amended by adding a new article to be numbered and entitled Article V "Hotel Occupancy Tax," which article shall read as follows:

Chapter 74. TAXATION

ARTICLE V. HOTEL OCCUPANCY TAX

Sec. 74-81. Definitions.

The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Complete, accurate report shall mean provision of each and every element contained or required, in a form(s) prescribed by the or approved in advance by the director.

Consideration shall mean the cost of the use, possession or right to use or possess a room, which room is ordinarily used for sleeping. This term shall not include the cost of any food served by the hotel or personal services rendered by the hotel to the occupant of such room, which service is not related to the cleaning and readying of such room for occupancy.

Director shall mean the director of administrative services of the city.

Hotel shall mean any building or buildings in which members of the public may obtain sleeping accommodations for consideration. This term shall include a hotel, motel, tourist home, tourist house, tourist court, lodging house, inn, rooming house, bed and breakfast, short-term rental, or other building. This term shall not include a hospital, sanitarium, or nursing home.

Occupancy shall mean the use or possession, or the right to the use or possession, of any room in a hotel if the room is one ordinarily used for sleeping.

Occupant shall mean anyone, who, for consideration, uses, possesses, or has a right to use or possess any room in a hotel under any lease, concession, permit, right of access, license, contract, or agreement.

Permanent resident shall mean a person who has the right to use or possess a room in a hotel for at least 30 consecutive days, so long as there is no interruption of payment for the period.

Short-term rental shall mean the rental of all or part of a residential property to a person who is not a permanent resident.

State governmental entity shall mean this state, or an agency, institution, board, or commission of this state, other than an institution of higher education as defined in V.T.C.A., Education Code § 61.003.

Quarterly period shall mean the regular calendar quarters of the year – the first quarter being composed of the months of January, February and March; the second quarter being the months of April, May and June; the third quarter being the months of July, August and September; and the fourth quarter being the months of October, November and December.

Sec. 71-82. Tax levied; amount.

(a) *Tax*. There is hereby levied within the corporate limits of the city, a tax upon the cost of occupancy of any room furnished by any hotel where such cost of occupancy is at the rate of $2.00 or more per day, such tax to be equal to seven percent (7%) of the consideration paid by the occupant of such room to such hotel.

(b) *Exemption*.

(1) No tax shall be imposed hereunder upon the following:

a. a permanent resident;

b. the United States, a governmental entity of the United States, or an officer or employee of a governmental entity of the United States when traveling on or otherwise engaged in the course of official duties for the governmental entity.

c. an officer or employee of a state governmental entity who is entitled to reimbursement by the state governmental entity for the cost of lodging and for whom a special provision or exception to the general rate of reimbursement under the General Appropriations Act is applicable if such person provides photo identification verifying the identity and exempt status of the person.

(2) The right to use or possess a room in a hotel is exempt from taxation under subsection (a) if the person required to collect the tax receives, in good faith from a guest, an exemption certificate stating qualification for an exemption provided in subsection (b)(1)(c). The exemption must be supported by the documentation required under rules adopted by the comptroller and the director.

(c) *Refund***.** A tax imposed on the following persons or entities shall be paid but is subject to refund to the state governmental entity in accordance with subsection (d):

(1) a state governmental entity; or

(2) an officer or employee of a state governmental entity who is entitled to reimbursement by the state governmental entity for the cost of lodging and for whom a special provision or exception to the general rate of reimbursement under the General Appropriations Act is not applicable.

(d) *Refund procedure*.

(1) A state governmental entity that is entitled under subsection (c) to a refund of taxes paid under this article must file a refund claim with the director.

(2) The claim must be filed on a form provided by the director, which shall be substantially similar to that prescribed by the state comptroller, and shall be submitted along with all documentation required by director, which information shall include, but not be limited to, the following:

a. A copy of the hotel folio, billing statement, invoice, or other document, that contains the following information:

1. Name of the hotel;

2. Location address of hotel;

3. Name of city where hotel is located;

4. Name of county where hotel is located;

5. Date(s) of lodging;

6. Amount of municipal hotel tax paid;

7. Method of payment (travel voucher reimbursement, state credit card, state purchase order, direct billing, other); and

8. Name of employee, if tax reimbursed on travel voucher; and

9. Additional documentation as may be required by the director to ensure a proper refund is processed.

(3) A claim for a refund may be filed only for each calendar quarter for all reimbursements accrued during that quarter.

(4) A state agency may apply for a refund of state hotel tax no later than two years after the end of the fiscal year in which the travel occurred.

(5) A hotel may apply for a refund of hotel occupancy tax erroneously paid under this article no later than twelve (12) months after the end of the month in which the payment was incurred.

Sec. 74-83. Collection of tax.

(a) *Collection*. Every person owning, operating, managing or controlling any hotel shall collect the tax imposed by this article for the city.

(b) *Withholding amount due in the event of a sale*. Under the provisions of V.T.C.A., Tax Code § 351.0041, if a hotel is sold, the purchaser shall withhold an amount of the purchase price sufficient to pay any amount due under this article until the seller produces a receipt showing that any amount due has been paid or a certificate issued by the city showing that no tax is due. If the purchaser fails to withhold an amount, the purchaser is liable to the city for the amount required to be withheld.

(c) *Collection cost reimbursement*.

(1) Those persons who are required to collect the tax imposed herein and who report and pay such tax to the city in a timely manner, as required herein, may deduct and withhold from the payment to the city, as reimbursement for the cost of collecting such tax, an amount equal to one percent (1%) of the amount of tax collected in accordance with section 74-82 of this article. The reimbursement provided for

herein shall be forfeited for failure to pay the tax or to file a complete, accurate report in a timely manner as required in this article.

(2) Any person participating in a hotel occupancy tax rebate with the city shall be prohibited, during the term of the rebate agreement, from withholding the one-percent reimbursement provided for in subsection (c) of this section.

(3) If the city finds any underreporting of hotel revenue or late reporting of hotel revenue, the hotel will pay the city any amounts previously withheld pursuant to subsection (c)(1) of this section for any month that hotel revenue was not properly and timely reported.

(d) *Audit.*

(1) *Performance of Audit.* The city may perform or cause an audit to be performed to ensure the proper payment of tax under this article.

(2) *Costs*. If the city finds that the underreporting of hotel revenue is greater than two percent (2%) of the hotel's reported receipts for any audit period, the hotel shall pay a fee for the cost of the audit. This audit fee will be assessed if (i) the taxes have been delinquent for at least two (2) complete municipal fiscal quarters at the time the audit is conducted and (ii) the city has not received a disbursement from the comptroller as contemplated in V.T.C.A. Tax Code §351.004.

Sec. 74-84. Quarterly reports and payments.

On or before the last day of the month following each quarterly period, every person required to collect the tax imposed by this article, shall file a report with the director. The report shall show the consideration paid for all room occupancies in the preceding quarter, the amount of the tax imposed by this article that was collected on such occupancies, the number of persons exempt from the tax imposed by this article during the quarter, and any other information the director may reasonably require. Such person shall pay the taxes due on such occupancies at the time of filing such report. For example, the report and taxes due for the quarterly period of January, February and March of a given year shall be paid to the city on or before April 30 of the same year. At the time of the quarterly report and payment of the state hotel occupancy tax, there shall also be furnished to the director a copy of such quarterly report.

Sec. 74-85. Rules and regulations.

The director shall have the power to make such rules and regulations as are reasonable and necessary to effectively collect the tax levied in this article, and shall, upon reasonable notice, have access to all books and records of each person who owns, operates, manages or controls a hotel, necessary to verify the accuracy of any report filed, as required by this article and the amount of taxes due under the provisions of this article.

Sec. 74-86. Penalties.

(a) *Criminal Penalties.* Any person violating any of the provisions of this article, including persons who fail to collect the tax, fail to file a report, file a false report, fail to pay the tax, or who are delinquent in their payment, shall, upon conviction, be punished as provided in section 1-14 of this code.

(b) *Civil Penalties.* A penalty of fifteen percent (15%) of the tax due shall be imposed on a person, who fails to pay a tax imposed by this article when due if the tax has been delinquent for at least one complete municipal fiscal quarter.

(c) *Interest on delinquent taxes*. The tax imposed by this article that is not paid to the city when it is due shall accrue interest on the delinquent amount at the rate provided for in V.T.C.A., Tax Code § 351.0042.

(d) *Assessment*. If any person fails to file a report for any period as required by this article, or shall fail to pay the tax for any period as required by this article, then the director is hereby authorized to make an assessment of the tax for such period. The tax assessed, together with any penalties provided by statute, shall be a prior and superior line on all property of the hotel.

(e) *Additional remedies*. The city is hereby authorized to take additional actions against any person who violates any provision of this article in accordance with V.T.C.A., Tax Code ch. 351. The penalties provided for in this section, are in addition to other remedies and/or actions for collection available to the city by law.

Section 2. That a person who violates any provision of this ordinance shall be deemed guilty of a misdemeanor and upon conviction, shall be fined in an amount not to exceed FIVE HUNDRED AND NO/100 DOLLARS ($500.00). Each day of violation shall constitute a separate offense.

Section 3. All ordinances or parts of ordinances in conflict or inconsistent with this ordinance are hereby expressly repealed.

Section 4. In the event any clause, phrase, provision, sentence, or part of this ordinance or the application of the same to any person or circumstances shall for any reason be adjudged invalid or held unconstitutional by a court of competent jurisdiction, it shall not affect, impair, or invalidate this ordinance as a whole or any part or provision hereof other than the part declared to be invalid or unconstitutional; and the City Council of the City of Friendswood, Texas, declares that it would have passed each and every part of the same notwithstanding the omission of any such part thus declared to be invalid or unconstitutional, whether there be one or more parts.

Section 5. The City Secretary shall give notice of the enactment of this ordinance by promptly publishing the caption of this ordinance after final passage in the official newspaper of the City.

Section 6. This ordinance shall become effective on October 1, 2023, after its date of adoption and its publication, as provided by law.

PASSED and APPROVED on first reading by the affirmative vote of the City Council this 28th day of August, 2023.

____

MIKE FOREMAN, Mayor

ATTEST:

____

LETICIA BRYSCH, City Secretary

APPROVED AS TO FORM:

____

KAREN L. HORNER, City Attorney

PASSED, APPROVED and ADOPTED on second and final reading by the affirmative vote of the City Council 11th day of September, 2023.

____

MIKE FOREMAN, Mayor

ATTEST:

____

LETICIA BRYSCH, City Secretary

APPROVED AS TO FORM:

____

KAREN L. HORNER, City Attorney

FRIENDSWOOD CITY COUNCIL
AGENDA ITEM FORM

This form should be completed and forwarded to the City Manager's Office as soon as possible prior to the first date that the item is expected to be placed on the Friendswood City Council agenda.

Date requested for City Council consideration: August 28, 2023

Date submitted: 08/07/2023

Prepared by: Karen Horner, City Attorney

Subject: Receive a report concerning the establishment and use of public improvement districts and tax increment reinvestment zones in the City of Friendswood.

Originating Department: City Attorney

Degree of importance:

SUMMARY / ORIGINATING CAUSE

Jonathan Frels of Bracewell LLP, will present information concerning public improvement districts and tax increment reinvestment zones, including their use, establishment, and operation.

IMMINENT CONSEQUENCES / BENEFIT TO COMMUNITY

RECOMMENDATIONS

ATTACHMENTS

1. Friendswood PID/TIRZ Presentation

PUBLIC IMPROVEMENT DISTRICTS

August 2023

Jonathan K. Frels
Phone: 713.221.1599

Julie Melton Partain
214.758.1606

BRACEWELL

WHAT IS A PUBLIC IMPROVEMENT DISTRICT?

- Public Improvement Districts (“PIDs”) are created pursuant to Chapter 372, Local Government Code.
- A PID is formed over a defined, contiguous area in the corporate limits of the City or the City’s ETJ.
- Cities use PIDs as an economic development incentive tool to promote annexation, urban infill, and quality development.
- Assessments are levied on property within the PID based on the benefit received from PID improvements (public improvements including roads, water, sewer, parks, etc.).

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PUBLIC IMPROVEMENT DISTRICTS - CREATION

- Public Improvement Districts ("PIDs") are created pursuant to Chapter 372, Local Government Code.
- City receives a petition from a majority of the property owners within the proposed boundaries of the PID.
- City conducts a public hearing on the creation of the PID and the PID is created by a resolution adopted by the city council.
- City files the creation resolution in the real property records of the county within seven (7) days of city council approval.

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HOW DOES A PID WORK?

- The PID assessments are used to pay:
  - Debt service on tax exempt bonds issued to fund PID improvements, or
  - Amounts owed under a reimbursement agreement with developer, including interest to reimburse the developer for the costs of the PID improvements.

- Administrative expenses are included in the annual installment.

- The distribution of assessments among properties within the PID is determined by a benefit analysis conducted by the City's PID Administrator. Each property pays for the benefit it receives from the public infrastructure.

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HOW DOES A PID WORK?

- Assessments can be paid in full or paid in annual installments
  - Assessments do not increase as home values increase.
  - Assessments terminate after payment in full (either via prepayment or annual installments).
  - Assessments are a lien that run with the land.

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HOW DOES A PID WORK?

- Assessments are liens on property (like taxes) and are superior to all other liens, except for ad valorem taxes.
- Assessments are collected and enforced like property taxes.
  - They are billed at the same time as property taxes (ideally on the county tax bill).
  - They are delinquent February 1 of each year.
  - They incur penalties and interest.
  - The City can foreclose on property for non-payment of an assessment.

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WHY UTILIZE A PID?

- PIDs are used as an economic development incentive tool to promote annexation and development.
- PIDs are often used for urban infill rather than creating an in-city municipal utility district.
- PIDS are used to incentivize the inclusion of amenities that would not be provided by the developer <u>but for</u> the creation of the PID
  - Enhanced plan, design, architecture and building materials that exceed subdivision building standards
  - Lot and residential unit size that align with the City's goals for economic growth
  - Private amenities tailored to the community
    - Playgrounds
    - Fitness Centers
    - Enhanced Trails

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WHY UTILIZE A PID?

- PIDs may help accelerate construction of improvements described in City's Comprehensive Plan, Thoroughfare Plan and Parks Plan.

- The City can require cash contribution from developer (non-PID funds) to fund City projects.

- A PID charges property owners for the costs of public infrastructure that specifically benefits their property, rather than taxing all residents for such infrastructure.

- By issuing bonds backed by the assessments, the City can generate funds to construct the public improvements.

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WEIGHING PID BENEFITS/CHALLENGES

- Benefits
  - Annexation and urban infill
  - Increased/accelerated tax base growth
  - Enhanced projects and amenities
  - Advancing City master plans

- Potential Challenges
  - Public perception
  - Headline risk
  - Market risk (financing)
  - Administrative burden
  - Covenant to foreclose

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TYPES OF PIDS

- Pay-As-You-Go PID: allows future long-term reimbursements from assessments to developer
  - Interest rates predetermined; 2-5% above bond index
- Reimbursement Bonds PID: allows reimbursement soon after infrastructure is installed
  - Appraisal to establish market value
  - Contracts with 3rd party builders
  - Less perceived market risk = lower interest rates = lower annual installments to homeowners
  - Interest rates lower since infrastructure construction is complete and homes beginning construction
  - The further the project is in the development cycle the less perceived market risk
- Construction Bonds PID: up front bond funds to construct infrastructure
  - Appraisal to establish market value
  - Typically, contracts with 3rd party builders
  - More perceived market risk as land is undeveloped = higher interest rates
    - Generally, one owner; single assessment payer

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FINANCIAL IMPLICATIONS FOR CITY

- PID Debt
  - Non-recourse to the City – they are City bonds, but they are non-recourse (bondholders cannot demand payment from the City's general fund or from City property tax revenues).
    - Bonds or reimbursement agreements are backed only by the assessments on the property within the PID.
  - Issuance of PID debt by City does not reduce City's bonding capacity.
  - City keeps all of its ad valorem and sales tax revenues.
  - Counts against bank qualified debt limit.
  - The bonds are typically non-rated and are sold to a limited number of bond buyers.
  - The annual payments of the assessments will be sufficient to fully pay for the debt service on the bonds.
  - The City's only obligation with respect to the bonds is enforcement of collection of the assessments and a continuing disclosure obligation.

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FINANCIAL IMPLICATIONS FOR CITY

- PID Debt
  - A default on the bonds means that enough property owners did not pay their annual installment of the assessments to pay debt service on the bonds. The risk is higher when there is only one property owner or only a few property owners.
  - A default on the bonds is not likely to be reflected in the City's credit rating and bondholders are aware of the risk of nonpayment. It would, however, be a default of bonds that contain the City's name.
  - When property owners don't pay their assessments, the City's obligation is to enforce collection, which means foreclosure on the property.
  - The bond indenture will create reserve funds to bridge the gap when property owners pay late or the City has to go through the foreclosure process.

FINANCIAL IMPLICATIONS FOR CITY

- PID Creation and Administration
  - All City costs incurred as a result of creating the PID should be paid by the developer via a cash escrow deposit with the City.
  - Administration is typically contracted to a third party, overseen by the City and paid for by PID assessments.
  - The City will have to annually approve updates to the PID plan (the “Service and Assessment Plan” or “SAP”).

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BIG PICTURE CONSIDERATIONS

- PIDs are ***NOT*** separate political subdivisions. The City Council is the de facto board.
- PIDs allow cities to extend public infrastructure without burdening rate payers and taxpayers.
- PIDs are an economic development tool that can be useful when negotiating with developers (annexation, oversizing, amenities, design standards, etc.).
- PIDs help grow the City's tax base without obligating City revenues (TIRZ, 380 Agreements, etc.).

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CITY OBLIGATIONS ASSOCIATED WITH PIDS

City's Obligations:

- Inspect public improvements
- Hire and oversee PID administrator

City's Obligations in Conjunction with PID Administrator:

- Review request for draws by developer
  - Verify infrastructure costs against SAP
  - Certify compliance with the terms of the certificate of payment prior to the release of bond proceeds
  - Verify appropriate release of lien and all bills paid affidavit prior to release of payments to developer
- Maintain database of all property within PID, update assessment roll, allocate assessments upon subdivision, track payment history
- Send assessment roll to county for collection with property taxes
- Prepare delinquency reports
- Account for dollars withdrawn from trust estate against approved draws/debt service payments (account reconciliation)
- Review developer quarter disclosure to ensure accuracy with construction and ownership/platting status
- File annual continuing disclosure reports as issuer/obligated party
- Pursue and enforce collection of delinquencies (via county contract)
- Prepare and adopt annual SAP update

Blue bullet denotes activities for bonded PIDs
Red bullet denotes activities for all PIDs.

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PUBLIC IMPROVEMENT DISTRICTS - ADMINISTRATION

- The costs to administer the PID and the bonds and to enforce collection of the assessments is paid for by the assessments. The assessments will have an administrative expense component that will go to the City to pay administrative costs relating to the PID.
- The City will have a PID administrator that works for and on behalf of the City to administer the PID. The PID administrator works with the trustee for the bonds to administer the bonds. The fees of the PID Administrator can be paid from the administrative expense portion of the assessments.

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PUBLIC IMPROVEMENT DISTRICT - MISCELLANEOUS

- The proceeds of the bonds will be held by a trustee but the funds will only be released to the developer upon approval by the City to ensure that the public improvements are being built to City standards and all bills are paid and liens are released.
- The process to create a PID and levy assessments and issue bonds is typically a 90+ day process.
- Creating a PID and levying assessments will require multiple actions by city council.

PUBLIC IMPROVEMENT DISTRICTS - MISCELLANEOUS

- If the City issues assessment revenue bonds, what would happen in a worst case scenario (*i.e.*, no property owners (or most) did not pay their assessments)?
  - The City would draw on the reserve funds to make payments as long as funds are available under the indenture.
  - The City would foreclose on the delinquent property.
  - The foreclosure sale proceeds of the property would go to redeem bonds.
  - Nonpayment of the assessments by the developer as property owner would be evidence of a distressed development. The City would likely not get the original development it had planned on from the developer, but the public infrastructure would be constructed and owned by the City and ready for the next development.

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TIRZ OVERVIEW

- Chapter 311 of the Texas Tax Code (the Tax Increment Financing Act) establishes the steps for creating a tax increment reinvestment zone (TIRZ):
  - Create boundaries for the proposed TIRZ
  - Prepare a preliminary reinvestment zone financing plan
  - Conduct a public hearing on creation of the TIRZ
    - Publish notice of the hearing at least seven days prior to the hearing
  - Consider and act upon ordinance creating the zone, describing the boundaries, finding that the TIRZ meets the criteria for creation, and establishing the board, the increment contribution, the duration of the TIRZ, and the tax increment fund
  - Future Date (e.g. bond sale date) – adopt a project plan and reinvestment zone funding plan for the TIRZ

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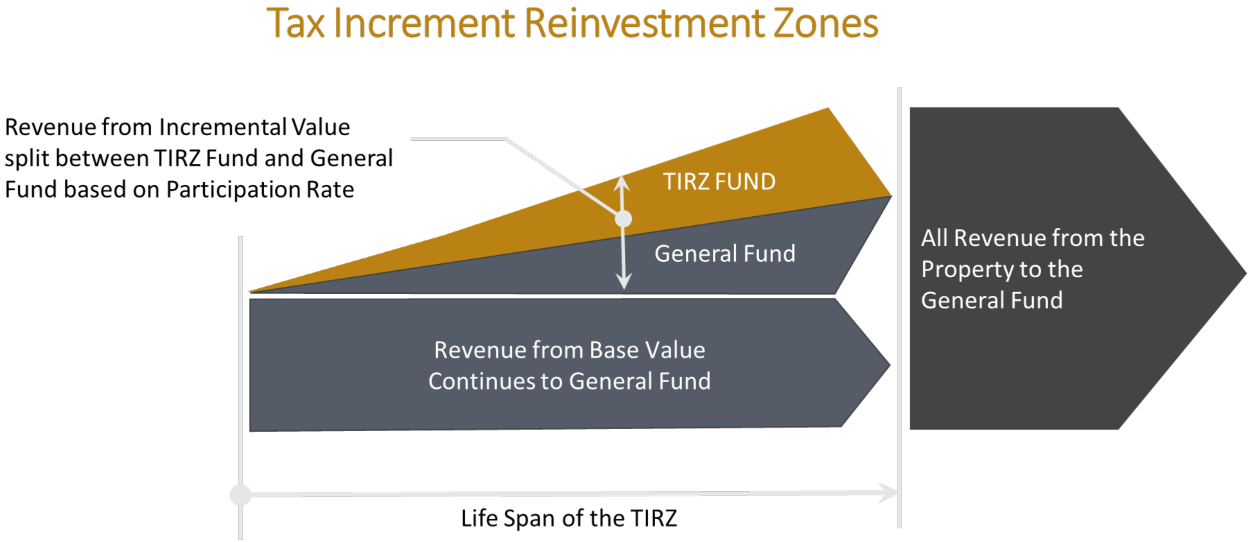
TAX INCREMENT REINVESTMENT ZONES



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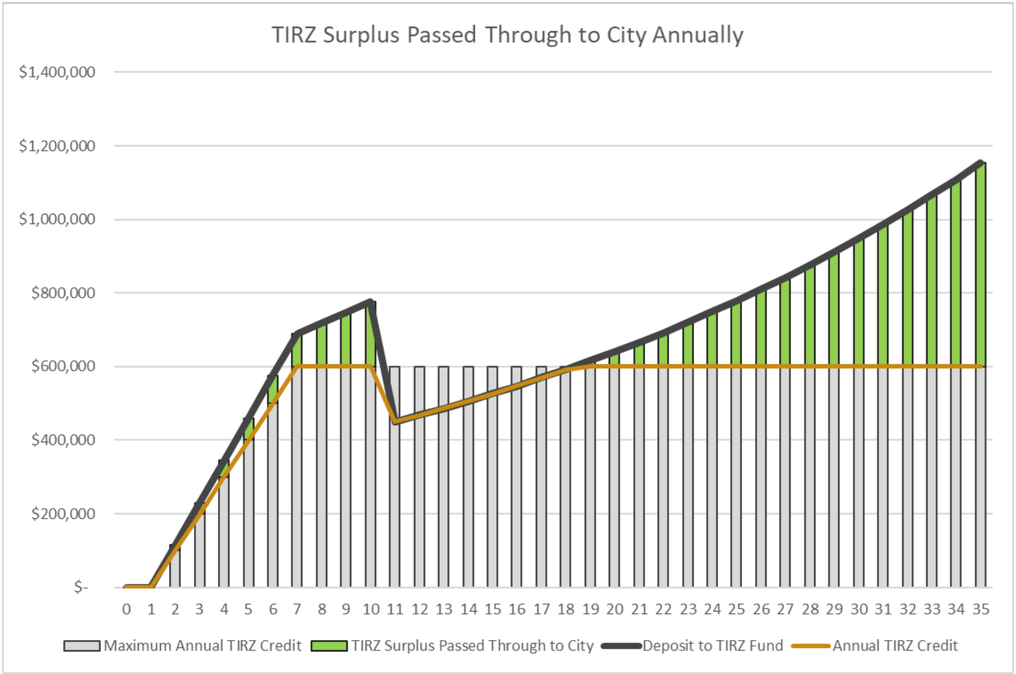
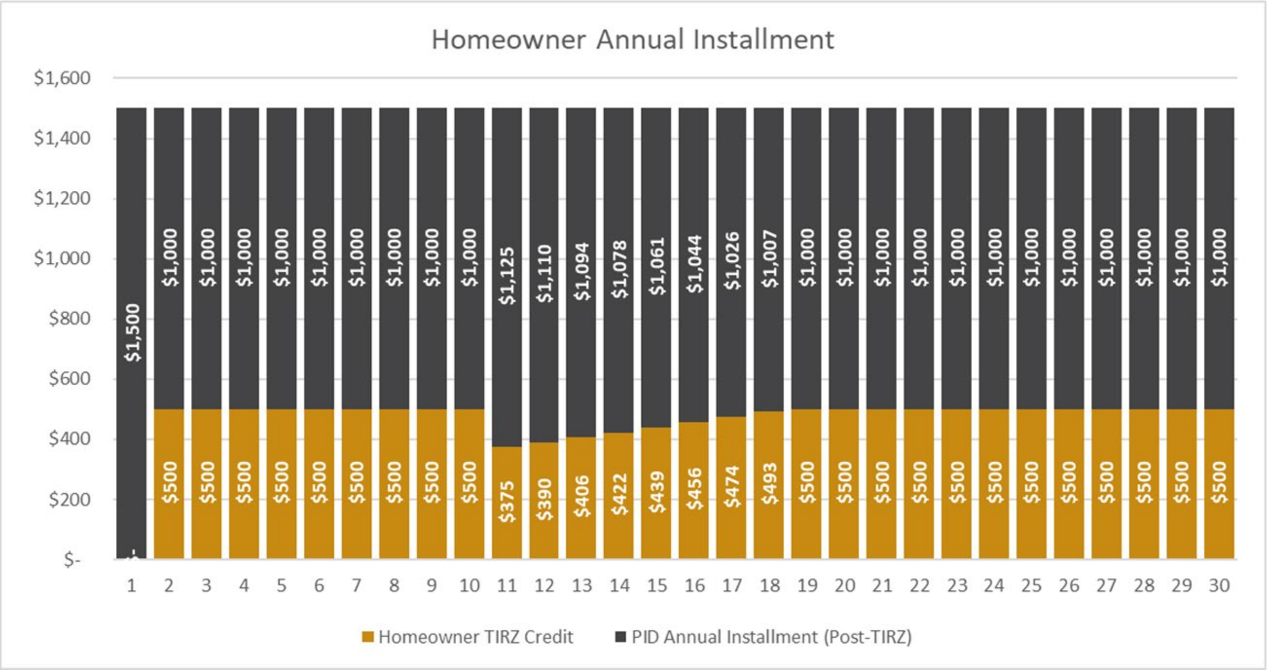
TIRZ BIG PICTURE CONSIDERATIONS

- A TIRZ is a tool that cities and counties can use to finance infrastructure in a defined area.
- The TIRZ board of directors makes recommendations to the governing body of the city or county on the implementation of the tax increment financing.
- Each taxing unit can choose what percentage, if any, it will contribute.
- A TIRZ obligates future tax revenues from each participating taxing unit to pay for project costs described in the project plan and reinvestment zone financing plan.
- TIRZ revenues can be used to offset annual installments of PID assessments.

PID/TIRZ OFFSET



HOMEOWNER ANNUAL INSTALLMENT (POST-TIRZ)



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WHO IS ON THE CITY'S TEAM?

City Council/Staff

- City Financial Advisor
- Bond Counsel
- City Attorney
- PID Administrator
- Dissemination Agent

FRIENDSWOOD CITY COUNCIL
AGENDA ITEM FORM

This form should be completed and forwarded to the City Manager's Office as soon as possible prior to the first date that the item is expected to be placed on the Friendswood City Council agenda.

Date requested for City Council consideration: August 28, 2023

Date submitted: 07/25/2023

Prepared by: Glenda Faulkner, Executive Secretary

Subject: Consider a resolution adopting the City of Friendswood Public Improvement District Policy.

Originating Department: City Attorney

Degree of importance:

SUMMARY / ORIGINATING CAUSE

The proposed policy establishes parameters for the establishment and use of Public Improvement Districts ("PIDs") within the City of Friendswood. Under the policy, PIDs:

- can be used to create sustainable developments with a higher level of public improvements than exists in a development that meets the City's minimum standards.
- are a viable alternative for construction of enhanced public open space and maintenance of enhanced public parks and trails.
- should be self-supporting, should not place an undue administrative burden on the City nor involve extensive management or oversight by the City for their daily activities.

The proposed policy is intended to provide guidance to developers and City Staff in the creation of a PID and outline pertinent matters, including, but not limited to, petition requirements, qualified costs, financing criteria, information disclosures to property owners, and the determination of annual plans of services, budgets and assessments. The City Council shall have the authority to establish PIDs that vary from this proposed policy as long as they are in accordance with State law.

IMMINENT CONSEQUENCES / BENEFIT TO COMMUNITY

RECOMMENDATIONS

Staff recommends approval.

ATTACHMENTS

1. Resolution -PID Policy
2. Exhibit A - PID Policy

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, ADOPTING THE CITY OF FRIENDSWOOD'S PUBLIC IMPROVEMENT DISTRICT POLICY; AND PROVIDING FOR AN EFFECTIVE DATE.

****

WHEREAS, public improvement districts ("PIDs") can provide funding for supplemental services and improvements that meet the needs of the community, that could not otherwise be constructed or provided; and

WHEREAS, such supplemental services and improvements may include, but not be limited to, landscaping, construction of sidewalks or roads, security, street lighting, and water facilities; and

WHEREAS, the City Council desires to consider PIDs that are designed to create sustainable developments with a higher level of public improvements and that are self-supporting and do not place an undue administrative burden on the City nor involve extensive management or oversight by the City for their daily activities; and

WHEREAS, City Council desires to adopt a policy to provide guidance to developers and City Staff in the establishment and use of PIDs within the corporate limits of the City of Friendswood, including, but not limited to, parameters for petitions, costs, financing, disclosures, plans of services, budgets and assessments; NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, STATE OF TEXAS:

Section 1. That the facts and matters set forth in the recitals of this resolution are hereby found to be true and correct.

Section 2. That the City Council of the City of Friendswood hereby adopts the City of Friendswood Public Improvement District Policy, which is attached hereto as Exhibit "A" and incorporated herein for all intents and purposes. Until the PID Application Review Fee referenced in Section 4.01.b of such policy is included in Appendix D of the Friendswood City Code, the City Council sets such fee at TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($2,500.00).

Section 3. That this resolution shall be effective immediately from and after its passage and approval by the City Council of the City of Friendswood.

PASSED, APPROVED and ADOPTED by the affirmative vote of the City Council of the City of Friendswood on this the 28th day of August, 2023.

MIKE FOREMAN, Mayor

ATTEST:

LETICIA BRYSCH, City Secretary

APPROVED AS TO FORM:

KAREN L. HORNER, City Attorney

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CITY OF FRIENDSWOOD PUBLIC IMPROVEMENT DISTRICT POLICY

1. Purpose and Intent

The purpose and intent of this Public Improvement District Policy (the "Policy") is to provide the policy parameters for establishment and use of Public Improvement Districts ("PIDs") within the City of Friendswood and to outline the issues to be addressed before the City Council can support the establishment of a PID. The City Council supports the use of PIDs to create sustainable developments with a higher level of public improvements than exists in a development that meets the City's minimum standards. PIDs are a viable alternative for construction of enhanced public open space and maintenance of enhanced public parks and trails. PIDs should be self-supporting, should not place an undue administrative burden on the City nor involve extensive management or oversight by the City for their daily activities. This Policy is intended to provide guidance to developers and City Staff in the creation of a PID and outline pertinent matters, including, but not limited to, petition requirements, qualified costs, financing criteria, information disclosures to property owners, and the determination of annual plans of services, budgets and assessments. The City Council shall have the authority to establish PIDs that vary from this Policy as long as they are in accordance with State law.

2. PID Objectives and Criteria

2.01 Objectives Specified

The Texas Local Government Code allows for PID funds to be used in the construction of roadways, water, wastewater, drainage, landscaping, parks, and expenses incurred in the establishment, administration and operation of the PID. Generally, PID consideration may be granted for projects that achieve some or all of the following objectives:

a. Generate economic and superior development benefits to the City beyond what normal development would generate and must be self-sufficient and not adversely impact the ordinary service delivery of the City;

b. Provide for improvements in the public right of way (e.g., entryways, landscaping, fountains, specialty lighting, art, decorative and landscaped streets and sidewalks, bike lanes, multi-use trails, signage, etc.);

c. Meet community needs (e.g., enhanced drainage improvements, parks and off-street public parking facilities, pedestrian connectivity, water and wastewater on or off-site improvements) including without limitation development's pro-rata share of the regional facilities and services;

d. Meet or preferably enhance the City of Friendswood's comprehensive plan and master plans, including its water, wastewater, drainage, roadway, transportation, and capital improvement plans;

e. Advance the City's parks master plan, including providing enhanced parks, trails, open space and recreational amenities that are available to the public;

f. Exceed the development requirements in the City, including, but not limited to, enhanced architectural design standards, building standards, building materials, amenities, landscaping, and design of lots or buildings;

g. Are of mixed residential and commercial use;

h. Accomplish a particular housing objective or goal established by City Council;

i. Are master-planned residential communities with active homeowners' associations;

j. Will generate greater economic development benefits to the City beyond the project; and/or

k. Provide enhanced aesthetic features (e.g., entryways, landscaping, fountains, specialty lighting, art, decorative and landscaped streets and sidewalks, bike lanes, multi-use trails, signage).

2.02 Other Objectives and Waivers

The City Council reserves the right, on a case-by-case basis, to consider other projects that may be different from those listed in Section 2.01 in accordance with the applicable State law and to waive specific requirements listed in this Policy. Such waived requirements shall be noted in the approval of any petition together with a finding that the deviation from the Policy is in the best interest of the City. Additionally, the City Council maintains discretion to approve or disapprove the creation of the PID.

2.03 General Criteria

a. PIDs must be established carefully and only when related to a public purpose to avoid a proliferation of special districts.

b. PIDs must be self-sufficient and not require the City to incur any costs associated with the formation of the PID, bond issuance costs, PID administration or the construction or maintenance of PID improvements.

c. Priority will be given to PID improvements that meet the greatest number of objectives as specified in this Policy and that meet specific community needs.

d. No PIDs will be allowed to be created that overlap the boundaries of another PID, unless authorized by City Council.

e. All PIDs must be located within the City limits.

3. Process

3.01 Process Established

Generally, the City will follow the process below for consideration of PIDs:

a. Applicant shall submit a completed PID petition, application, and supporting documentation.

b. Applicant shall pay a non-refundable PID Application Review Fee.

c. The City will review the petition and application for compliance with statutory PID petition requirements and requirements set forth in this Policy.

d. Upon the City's approval of compliance with this Policy, City Council may accept the PID petition.

e. If accepted, the City and applicant shall execute a professional services reimbursement agreement.

f. The City and applicant shall execute a Development Agreement.

g. The City Council may create PID.

h. City and applicant shall work together to complete the required steps as set forth in Chapter 372 of the Texas Local Government Code and all steps and procedures set forth in this Policy to create the PID.

3.02 Development Agreement as Prerequisite

The City Council will not take any action to commence the creation of a PID prior to the approval of a final development agreement governing the development in question.

3.03 Discretionary Act

Completion of any individual step in the PID creation process is not a guarantee of PID approval. Creation of a PID is a discretionary action of City Council.

4. Application Requirements

4.01 Minimum Requirements

In agreeing to consider a petition for creation of a PID, the City will require the following from the applicant at the time the petition is submitted. These requirements reflect the minimum requirements and the City, at its discretion, may require additional items:

a. A completed PID petition in compliance with Section 5;

b. Payment to the City of a non-refundable PID Application Review Fee in the amount adopted in Appendix D of the Friendswood City Code, which is designed to cover all administrative or operational costs incurred by the City during the review period and beginning stages of the PID process until the escrow account is established pursuant to the Professional Services Agreement;

c. A PID application packet, which shall include:

   (1) A completed City of Friendswood PID Application Form;

   (2) Letter from developer requesting consideration of a PID and containing

      (a) summary of the special benefits to be received by the development; and

      (b) the benefit of the PID to the affected property owners and to the City;

   (3) Evidence that the developer has the expertise, experience, necessary capital, and financial capability, solvency, and backing to complete the new development to be supported by the PID financing;

   (4) A site plan or general plan of development that outlines, at a minimum, land use and thoroughfare connections and is consistent with the City's Comprehensive Plan, Strategic Plan, and all other City plans formally approved by City Council, as amended;

   (5) Identification of how the project will contribute to funding the expansion of arterial and connector streets, major collector roadways or highways, and trunk line utility infrastructure, as applicable, when necessary to address the projected demand for services and the impacts of the development;

   (6) Identification of all project expenses and costs, including acquisition, construction, and any applicable long-term management cost;

   (7) Sources and uses budget and project pro forma detailing projected cash flows over the life of the proposed PID including other public sources, private financing, and developer equity contribution to the project;

   (8) Demonstration of previous experience developing similar scale and types of projects;

   (9) Demonstration the proposed development is consistent with the zoning of the property; and

Zoning for the proposed development must be in place prior to PID creation or concurrent with PID creation, at the discretion of the City.

(10) Indication of the estimated costs of proposed improvements, maximum assessment, maximum bond issuance, and maximum tax equivalent rate (in dollars, $);

(11) Description of all City-owned land within the PID as well as its share of the project costs;

(12) a current tax roll of owners in the PID; and

(13) Any plan for phasing both real estate development supported by the PID and construction of public improvements in the PID, including a breakdown between major improvements serving large areas of the entire PID versus phase-specific improvements as well as a list of improvements that the developer and/or homeowners' association will maintain.

5. Petition Requirements

5.01 Compliance with Law
Petitions for creating a PID must satisfy all requirements under Chapter 372 of the Texas Local Government Code and other applicable law.

5.02 Petition Contents

a. Map of the area, a legal description of the boundaries of the PID for the legal notices and a "commonly known" description of the area to be included in the PID.

b. Identification of the benefit of the PID to the affected property owners and to the City as a whole (i.e., public purpose).

c. Statement that the petitioners understand that the improvements assessed for, the amount of the assessments and any annual budget for the PID is subject to review by City staff with final approval by the City Council.

5.03 Signature Requirements

a. Signatures and Verifying Information
Signatures on the PID petition will include the signature of the owner, the owner's printed name, the address of the property, the GCAD/HCAD

account number of the property and any other information deemed appropriate by the City.

b. Date of Signatures
Signatures for PID petitions must be gathered not more than three (3) months preceding submittal of the PID Application.

c. Methods to Obtain Signatures
PID petition signatures should reflect that a reasonable attempt was made to obtain the full support of the PID by the majority of the property owners located within the proposed PID. Such petition shall also explain the methods used to obtain support of the PID. Priority will be given to PIDs with the support of 100% of the landowners within a PID.

6. Professional Services Reimbursement Agreement & Deposit

6.01 Agreement
If, during the initial review of the application, the City determines that it will proceed to pursue creation of a PID, or the City determines it is in its best interest to establish a PID, a professional services reimbursement agreement will be entered into with the applicant. The professional services reimbursement agreement will require the applicant to deposit funds with the City to pay for City staff time, third-party consultants, including but not limited to, legal study analysts, City Attorney, bond counsel, financial advisors, PID consultants/administrators, trustees, underwriters, appraisers, and market study analysts. The payment of such fees is not a guarantee that the City will approve the PID. The costs a petitioner will pay include, but are not limited to:

a. reviewing the PID petition and application;

b. publishing required legal notices;

c. preparation and review of creation proceedings and levy of assessments;

d. cost of the appraisal and reviewing the appraisal, the feasibility study, and engineering report including the cost of services provided by City consultants, attorneys, bond counsel, financial advisors and PID consultants or administrators;

e. preparation of the initial Service and Assessment Plan ("SAP") by a third party PID Administration Firm or PID Consultant engaged by the City based upon an engineer's opinion of probable cost of the public improvements to construct and complete the project and with parameters based upon the City's direction regarding the amount to be reimbursed relative to the type of the PID, the Policy objectives, and the recommendation of the City's consultants;

f. review and approval of plans for and inspection of construction of PID improvements; not including fees paid for review and inspection required by the City's Code of Ordinances, as amended; and

g. procurement of contracts for PID administration and operation or other similar matters.

6.02 Deposit

The initial deposit made by the applicant shall be $50,000. The applicant is required to make an additional $25,000 deposit anytime the deposit balance reaches $10,000. Certain unused balances will be returned to the applicant. The applicant may be eligible to be reimbursed these costs through bond proceeds or PID assessments as applicable. The PID deposits are in addition to administrative costs associated with the PID, the cost of bond issuance, and the PID application fee.

7. Development Agreement

7.01 Development Agreement as a Prerequisite

The City Council will not take any action to commence the creation of a PID prior to the approval of a final development agreement governing the proposed development.

7.02 Necessary Information

The following shall be required prior to the preparation of a development agreement:

a. The basic terms and conditions of the creation of the PID, including the provision of special conferred benefit;

b. Contingency plan to address the maintenance or disposition of PID improvements and or property that has not been dedicated to the public if a PID is dissolved.

c. Specified assurances to the City that the construction of improvements in the public right-of-way will be maintained by the HOA and in no way obligates the City to future maintenance or operational costs, unless otherwise stated in a subsequent agreement.

8. Miscellaneous

8.01 Plan and Construction Approvals

a. Plan Approval

Plans for the proposed development shall be prepared and reviewed by the City in compliance with the City's development ordinances regarding land use, development, infrastructure design, permitting, and inspections. Applicants shall seek City development approvals prior to the commencement of any construction.

b. Construction Approval

All construction of improvements is subject to the City's review and approval and if applicable, provisions shall be made for dedication to the City or to another appropriate governmental entity, as authorized by law.

8.02 Certain Property in the PID

Property in the PID owned by the City shall not be subject to PID assessments. Property in the PID owned by another governmental entity may be assessed only pursuant to an interlocal agreement between the entity and the City, or alternately, must be prepaid by the Developer if an interlocal agreement cannot be finalized.

8.03 Ineligible Improvements

The PID may not finance improvements or services that would not be accessible to the general public. Additionally, the following are expressly ineligible for funding and/or reimbursement by the PID:

a. Swimming pools;

b. Perimeter fencing;

c. Retention/detention ponds;

d. Acquisition, construction, improvement or maintenance of privately owned roads, facilities or land; and

e. Any trails, parks, streets or other public amenities that are located within a gated community or otherwise inaccessible location to the general public.

8.04 PID Reimbursable Costs

a. The City's ongoing administrative and operational costs related to an approved PID, such as collection of PID assessments, review and approval of Service and Assessment Plan updates, and other costs shall be reimbursed from PID assessments. The City's costs will be determined on an annual basis.

b. Administration and management of ongoing PID responsibilities, such as preparations and updating of the Service and Assessment Plan, issuance of notices for annual City Council action on the Service and Assessment Plan, operation and maintenance of PID improvements, and other related matters shall be paid by PID assessments and performed by a third-party firm under contract with the City.

8.05 Developer Reimbursement

a. The developer will submit expenses for reimbursements in accordance with the requirements of the applicable financing agreement and bond documents.

b. The City's appointed designee(s) will verify the eligibility and validity of such reimbursement requests in accordance with the applicable agreements and/or PID documents.

c. Once expenses have been verified, payment will be processed within the timeframe stipulated in the applicable agreements and/or PID documents.

8.06 Default

In the event of default by the developer under the terms of any agreement between the developer and the City relating to the PID, or the property within the PID, the City shall, after providing notice and an opportunity to cure, have the right to capture reimbursements to complete development of public infrastructure, and/or terminate its obligations to the developer.

9. Assessments

9.01 Assessment Term

The maximum term of a PID assessment is not to exceed 30 years and the assessment term must equal the bond term (if applicable).

9.02 Collection

Prior to the levy of assessments, the City will enter into an agreement with Galveston or Harris County, as appropriate, to include the annual PID installments on the Galveston/Harris County Tax Bill.

10. Special Assessment Revenue Bond Issuance (PID Bonds) Limitations

10.01 Permissible Use of PID Bonds

The City may issue PID Bonds solely for the purposes of acquiring, reimbursing or constructing authorized improvements. The developer may request issuance of PID Bonds by filing with the City a list of the authorized improvements to be funded with the PID Bonds and the estimated costs of such authorized improvements pursuant to an engineer's estimate of probable costs. The developer acknowledges that the mandatory PID Professional Service Reimbursement Agreement obligates the developer to fund the costs of the City's professionals relating to the preparation for and issuance of PID Bonds, which amount shall be considered a cost payable from such PID Bonds.

10.02 Performance Standards for PID Bonds

The following performance standards shall apply to PID bonds:

a. To receive consideration by and approval from the City for PID financing through a bond to facilitate a residential development, the proposed boundaries of the development shall be no less than 50 acres;

b. Minimum appraised value to lien ratio of 3:1 based upon third-party appraisals approved by the City;

c. Maximum of two years capitalized interest for each bond issuance;

d. No annual assessment increases of principal once assessments are levied. Assessments for future phases will remain competitive with original phases and lot types as defined in the SAP;

e. The developer is required to demonstrate committed capital in the form of cash deposit, to the City with an amount confirmed by an engineer's opinion of probable cost, which represents the difference between budgeted cost to complete the public improvements assumed to be complete in the appraisal and the net proceeds of the PID bonds. The form of acceptable committed capital (cash deposit) will be determined by the City (in consultation with its financial advisors, consultants and participating underwriters) on a case-by-case basis.

10.03 Considerations and Limitations

The following additional considerations and limitations will apply when a developer requests PID bonds:

a. A developer or landowner may request the issuance of PID bonds to reimburse the costs of public improvements upon completion, all subject to compliance with this Policy and pursuant to the terms of the development agreement.

b. No general obligation bonds or certificates of obligations will be utilized by the City to directly or indirectly pay, or guarantee payment of, PID bonds.

c. If in any calendar year the City issues bonds that would constitute a bank qualified debt issuance but for the issuance of the PID bonds, then the developer shall pay to the City a fee to compensate the City for the interest savings the City would have achieved had the debt issued by the City been bank qualified provided that all other developers or owners benefitting from the City issuing debt are similarly burdened with an obligation to compensate the City.

d. All initial and subsequent PID bond issues, if any, will be subject to approval by the City Council.

e. If the City Council authorizes the issuance of PID bonds, the City shall issue all such PID bonds in accordance with the protocols and procedures adhered to by the City’s Director of Administrative Services for issuing long-term debt instruments including tax notes and bonds.

f. The City shall not be obligated to provide any funds for any improvement except from the proceeds of the PID bonds and PID assessments.

g. Each PID bond indenture will clearly state that all debt service payments for the PID bonds shall be payable solely from and secured by the pledged assessments levied against properties within the PID or funds held under a bond indenture for such purposes, and that the City will have no obligation to make debt service payments for the PID bonds from any other sources.

h. A PID will be responsible for payment of all the City's reasonable and customary costs and expenses including the cost of any appraisal.

i. Any new money PID bonds issued will include a Reserve Fund in an amount to be determined.

j. Pursuant to the PID Act, the interest rate for assessments may exceed the interest rate of the bonds by no more than one half of one percent (0.50%).

k. All developers and significant landowners will provide any required continuing disclosure obligations associated with the issuance of PID bonds as required under the respective bond indenture or any other regulatory agreement or regulatory agency. Failure to abide by continuing disclosure requirements may limit access to proceeds and/or future bond issues.

l. The developer is required to deposit cash with the City, or a bond trustee on or prior to the sale date of the PID bonds in an amount confirmed by an engineer's estimate of probable cost, which represents the difference between the budgeted cost to complete the public improvements assumed to be complete in the appraisal and the net proceeds of the PID bonds.

10.04 Expenditure of PID Bond Proceeds

The City will use PID bond proceeds only to pay or reimburse the cost of PID improvements that have been designed and constructed to the applicable standards, and accepted for maintenance, or otherwise approved by the governmental entity responsible for them.

11. Disclosures

11.01 General Requirements

A notice and the assessment ordinance must be recorded in the official public records of the county in which the PID is located, which, among other things, will notify any prospective owner of the existence or proposal of assessments on the property. All closing statements and sales contracts for lots must specify who is responsible for payment of any existing assessment, or a pro rata share thereof. Any applicable proration of assessments at land sale closing shall be the responsibility of the buyer and the seller.

11.02 Disclosures to Homeowners

To satisfy disclosure to homeowners, the City will require the petitioner to comply with the following:

a. Landowner Consent or Agreement to be recorded in the Official Public Records of Galveston or Harris County, as appropriate;

b. Signage and information flyers in any sales centers within the PID in accordance with the PID Act;

c. Disclosure documents in accordance with Section 5.014 of the Texas Property Code to be signed both at contract signing and at closing with such agreements maintained on file by each homebuilder and available for inspection by the City; and

d. The developer's contracts with homebuilders must require the homebuilder to disclose the PID on any MLS listing.

12. PID Creation, Administration, and Management

12.01 City Consultants

a. Selection
The City will independently select a Bond Counsel, Financial Advisor, PID Administrator, Trustee and Market Study Analyst. With input by the developer, the City will select an Underwriter and Appraiser. The City's PID Administrator, in conjunction with the developer's PID Consultant, will draft the Service and Assessment Plan and prepare all annual updates.

b. PID Administrator
The City will contract with an outside consultant to administer the PID and to bill, collect, and track PID assessments, subject to appropriate oversight by City staff and in compliance with the Act, as amended. This cost will be considered a reimbursable project cost and shall be included in the PID Service and Assessment Plan.

12.02 Authority

a. This Policy does not bind the City Council to approve, authorize or create a PID or take any related action. PID creation, PID bond issuance and all related matters are legislative acts solely with the discretion of the City Council.

b. Any requests for adjustments, exceptions, or waivers to this Policy must be reviewed and approved by the City Council of the City of Friendswood.

c. No public official or employee shall be personally responsible for any liability arising under or growing out of any approved PID. Any obligation or liability of the developer whatsoever that may arise at any time under the approved PID or any obligation or liability which may be incurred by the developer pursuant to any other instrument, transaction or undertaking as a result of the PID shall be satisfied out of the assets of the developer only and the City shall have no liability.

FRIENDSWOOD CITY COUNCIL
AGENDA ITEM FORM

This form should be completed and forwarded to the City Manager's Office as soon as possible prior to the first date that the item is expected to be placed on the Friendswood City Council agenda.

Date requested for City Council consideration: August 28, 2023

Date submitted: 08/23/2023

Prepared by: Glenda Faulkner, Executive Secretary

Subject: Consider approving the renewal of the water meter reading services contract between the City of Friendswood and Inframark, formerly known as SevernTrent.

Originating Department: Administrative Services

Degree of importance: Significant

SUMMARY / ORIGINATING CAUSE

In February of 2013, Severn Trent agreed to assume and honor the terms of the original contract between the City and SouthWest Water Company (SWWC) when SWWC eliminated the water meter reading segment of its business. Severn Trent has since changed its company name to Inframark.

The original contract includes a rate of $1.05 per meter reading, the required insurance, performance bond, and change of the termination clause from 60 days to 1 year.

The original contract term was 5 years (ending in January 2018) with an option to renew for an additional 5-year term to be extended 1 year at a time; provided renewal with no changes to the original contract terms with the exception/allowance for a rate increase of no more than 5% of the original contract rate for services. In 2018, the contract was renewed at a rate of $1.10 per meter reading. In 2021, the contract was renewed for a 2-year term ending August 15, 2023 at a rate of $1.60 per meter read per month with an option to extend for an additional 2-year term.

With the final phase of the automated metering infrastructure project expected to be completed in September 2023, renewal of the contract for manual meter reading service through December 31, 2023 will allow redundancy of the meter reading data for 3 months after the new system's full implementation.

Section 4.07 of the City's current contract with Inframark, rate increases are allowable if related to modifications in service by the City. Due to an increase in the number of water meters added by the City since the contract execution and renewal and Inframark's escalation of costs of personnel wages and associated benefits, vehicles, equipment and associated insurance and maintenance expense over the years, a rate adjustment is warranted. The proposed rate increase is from $1.60 to $1.63 per meter read per month.

IMMINENT CONSEQUENCES / BENEFIT TO COMMUNITY

Approval will allow for continuation of the contract providing for timely and efficient meter reading service. Renewal of the contract for manual meter reading service through December 31, 2023 will allow redundancy of the meter reading data for 3 months after the new system's full implementation.

RECOMMENDATIONS

Staff recommends approval of the contract renewal agreement between the City and Inframark through December 31, 2023. Staff also recommends a rate increase from $1.60 to $1.63 per meter reading.

ATTACHMENTS

1. Renewal - Inframark (Water Meter Reading Services)

SECOND RENEWAL AGREEMENT BETWEEN INFRAMARK, LLC, AND THE CITY OF FRIENDSWOOD, TEXAS

THIS SECOND RENEWAL AGREEMENT is entered into and executed on the date hereinafter set forth by and between the City of Friendswood, Texas (the "City") and Inframark, LLC, for the purpose of revising the Professional Services Contract's terms and conditions as hereinafter set forth.

WHEREAS, on January 7, 2013, the City and SWWC Operations, Inc. ("SWWC") entered to the Professional Service Contract (the "Contract") in which SWWC provided certain meter reading services for the City; and

WHEREAS, on February 28, 2013, SWWC assigned to Severn Trent Environmental Services, Inc. ("STES") all SWWC's right, title, and interest in and to the Contract and the City consented to that assignment; and

WHEREAS, in June of 2017, STES changed its structure to Severn Trent Environmental Services, LLC, which then changed its name to Inframark, LLC ("Inframark") and assumed all rights and obligations of STES and Severn Trent Environmental Services, LLC on December 1, 2017; and

WHEREAS, the City and Inframark renewed the Contract for an additional one (1) year term, beginning January 8, 2018 through January 7, 2019; and

WHEREAS, on August 13, 2018, the Parties entered into a First Amendment for a three (3) year term, with the option to extend the term of the Contract for two (2) successive two (2) year terms, unless terminated in writing by either party at least one hundred eighty (180) days prior to the expiration of the then current term; and

WHEREAS, on August 2, 2021, the Parties entered into a Renewal Agreement to extend the term of the Contract until August 15, 2023; and

WHEREAS, this Second Renewal Agreement is effective upon execution by both parties.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and other good and valuable consideration the City and Inframark agree as follows:

1. The Contract shall be renewed for an additional term, beginning August 16, 2023, and ending December 31, 2023, unless sooner terminated by the City. The Contract may be terminated by the City, with or without cause, by giving Inframark at least thirty (30) days advance written notice of such termination.

2. In consideration of Inframark performing its obligations identified in the Contract, the City agrees to pay Inframark $1.63 per meter/ per month beginning August 16, 2023.

3. With the exception of the mutually agreed upon changes specified in Sections 1 and 2 hereinabove, this Second Renewal Agreement shall be under the same terms and conditions as the original Contract, as amended, and shall control over any contrary provisions contained therein.

SIGNATURES COMMENCE ON FOLLOWING PAGE

IN WITNESS WHEREOF the parties have made and duly executed this Second Renewal Agreement this the 28th day of August 2023.

CITY OF FRIENDSWOOD, TEXAS	**INFRAMARK, LLC**
By: ______________________	By: ______________________
Printed Name: ______________________	Printed Name: Todd Burrer
Title: ______________________	Title: President, Texas MUDs
Date: ______________________	Date: ______________________

FRIENDSWOOD CITY COUNCIL
AGENDA ITEM FORM

This form should be completed and forwarded to the City Manager's Office as soon as possible prior to the first date that the item is expected to be placed on the Friendswood City Council agenda.

Date requested for City Council consideration: August 28, 2023

Date submitted: 07/06/2023

Prepared by: Karen Horner, City Attorney

Subject: Consider on second reading an ordinance repealing Chapter 54 "Offenses and Miscellaneous Provisions," Article II "Curfew for Minors" of the Friendswood City Code to comply with H.B. 1819, which repealed the authority of political subdivisions to adopt or enforce juvenile curfews.

Originating Department: City Attorney

Degree of importance:

SUMMARY / ORIGINATING CAUSE

The City of Friendswood originally enacted a juvenile curfew ordinance on March 6, 1995, and last enacted such an ordinance on November 2, 2020. The ordinance has to be renewed every three years in accordance with Section 370.002 of the Texas Local Government Code. As such, City staff was preparing to bring the renewal of the curfew ordinance to the City Council in September and October of this year. However, as you are aware, the Texas Legislature this past legislative session enacted H.B. 1819, which states, in part:

> Notwithstanding any other law, a political subdivision may not adopt or enforce an order, ordinance, or other
> measure that imposes a curfew to regulate the movements or actions of persons younger than 18 years of age.

This ordinance repeals the City's juvenile curfew ordinance in its entirety and is effective on September 1, 2023. The City Council considered this ordinance on first reading at its regular meeting held on August 7, 2023.

IMMINENT CONSEQUENCES / BENEFIT TO COMMUNITY

RECOMMENDATIONS

Staff recommends approval.

ATTACHMENTS

1. Ordinance - Repealing Juvenile Curfew

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, REPEALING CHAPTER 54 "OFFENSES AND MISCELLANEOUS PROVISIONS," ARTICLE II "CURFEW FOR MINORS" OF THE FRIENDSWOOD CITY CODE, IN ITS ENTIRETY, TO COMPLY WITH H.B. 1819, WHICH REPEALED THE AUTHORITY OF POLITICAL SUBDIVISIONS TO ADOPT OR ENFORCE JUVENILE CURFEWS; REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INCONSISTENT OR IN CONFLICT HEREWITH; PROVIDING FOR SEVERABILITY, PUBLICATION AND AN EFFECTIVE DATE.

****

WHEREAS, the City of Friendswood originally enacted a juvenile curfew ordinance on March 6, 1995; and

WHEREAS, such juvenile curfew ordinance was last adopted on November 2, 2020; and

WHEREAS, the Texas Legislature in the 88th Legislative Session enacted H.B. 1819, which states, in part:

> Notwithstanding any other law, a political subdivision may not adopt or enforce an order, ordinance, or other measure that imposes a curfew to regulate the movements or actions of persons younger than 18 years of age;

and

WHEREAS, H.B. 1819 will become effective on September 1, 2023; and

WHEREAS, in order to comply with such newly enacted state law, Chapter 54 "Offenses and Miscellaneous Provisions," Article II "Curfew for Minors" of the Friendswood City Code must be repealed; NOW THEREFORE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, STATE OF TEXAS:

Section 1. That Chapter 54 "Offenses and Miscellaneous Provisions," Article II "Curfew for Minors" of the Friendswood City Code is hereby repealed in its entirety.

Section 2. All ordinances or parts of ordinances in conflict or inconsistent with this ordinance are hereby expressly repealed.

Section 3. In the event any clause, phrase, provision, sentence, or part of this ordinance or the application of the same to any person or circumstances shall for any reason be adjudged invalid or held unconstitutional by a court of competent jurisdiction, it shall not affect, impair, or invalidate this ordinance as a whole or any part or provision hereof other than the part declared to be invalid or unconstitutional; and the City Council of the City of Friendswood, Texas, declares that it would have passed each and every part of the same notwithstanding the omission of any such part thus declared to be invalid or unconstitutional, whether there be one or more parts.

Section 4. This ordinance shall become effective after its adoption on September 1, 2023.

PASSED and APPROVED on first reading by the affirmative vote of the City Council this 7th day of August, 2023.

____
MIKE FOREMAN, Mayor

ATTEST:

____
LETICIA BRYSCH, City Secretary

APPROVED AS TO FORM:

____
KAREN L. HORNER, City Attorney

PASSED, APPROVED and ADOPTED on second and final reading by the affirmative vote of the City Council 28th day of August, 2023.

____
MIKE FOREMAN, Mayor

ATTEST:

____
LETICIA BRYSCH, City Secretary

APPROVED AS TO FORM:

____
KAREN L. HORNER, City Attorney

FRIENDSWOOD CITY COUNCIL
AGENDA ITEM FORM

This form should be completed and forwarded to the City Manager's Office as soon as possible prior to the first date that the item is expected to be placed on the Friendswood City Council agenda.

Date requested for City Council consideration: August 28, 2023

Date submitted: 07/28/2023

Prepared by: Karen Horner, City Attorney

Subject: Consider a resolution verifying the percentage of completion of cybersecurity training and authorizing the City Manager or his designee to submit all documentation required by Section 2054.5191 of the Texas Government Code.

Originating Department: Information Technology

Degree of importance: High

SUMMARY / ORIGINATING CAUSE

Section 2054.5191 of the Texas Government Code requires the City, at least once a year, (i) to identify all City employees and elected/appointed officials who have access to the City's computer system and use such system for at least 25 percent of their duties and (ii) to mandate those individuals to complete a certified cybersecurity training program. Thereafter, the City Council is required to verify the completion of the training and to report on the same. This resolution confirms that all those required to complete the training (i) have done so, (ii) will do so by August 31, 2023, or (iii) will be denied access to the City's computer system(s)/database(s) on August 31. The resolution also directs the City Manager or his designee to perform periodic audits to ensure compliance with this law and to submit information to the Texas Department of Information Resources regarding the City's compliance.

IMMINENT CONSEQUENCES / BENEFIT TO COMMUNITY

Failure to comply can result in loss of grants and return of grant funding given.

RECOMMENDATIONS

Staff recommends approval.

ATTACHMENTS

1. Resolution - Cybersecurity Training

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, VERIFYING THE PERCENTAGE OF COMPLETION OF CYBERSECURITY TRAINING AND AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO SUBMIT ALL DOCUMENTATION REQUIRED BY SECTION 2054.5191 OF THE TEXAS GOVERNMENT CODE; AND PROVIDING FOR AN EFFECTIVE DATE.

****

WHEREAS, Section 2054.5191 of the Texas Government Code requires the City at least once each year (i) to identify all City employees and elected and appointed officials who have access to the City's computer system or database and use a computer to perform at least 25 percent of the employee's or official's required duties and (ii) to require them to complete a certified cybersecurity training program; and

WHEREAS, the City Manager has identified those employees and officials of the City required to complete the certified cybersecurity training program; and

WHEREAS, the City Manager has ensured that all such employees and officials of the City have had an opportunity to complete this required training; and

WHEREAS, the City Manager has provided the results of the completion of this required training to the City Council; and

WHEREAS, the City Council must verify and report on such results and require periodic audits to ensure compliance with this statutorily required cybersecurity training; NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, STATE OF TEXAS

Section 1 That the facts and matters set forth in the recitals of this resolution are hereby found to be true and correct.

Section 2. That the City Council has verified the completion of the certified cybersecurity training program by not only City employees but also its elected and appointed officials subject to the requirements of Section 2054.5191 of the Texas Government Code. The City Council hereby reports that all of those required to complete such program (i) have done so, (ii) will have done so by August 31, 2023, or (iii) will be denied access to the City's computer system(s)/database(s) on August 31, 2023.

Section 3 That the City Manager or his designee is authorized to submit documentation evidencing the City's compliance with requirements of Section 2054.5191 of the Texas Government Code to the Texas Department of Information Resources.

Section 4. That the City Council hereby directs the City Manager or his designee to perform periodic audits to ensure compliance with this law

Section 5. That this resolution shall be effective immediately upon its passage and approval.

PASSED, APPROVED and ADOPTED by the affirmative vote of the City Council of the City of Friendswood on this the 28th day of August, 2023.

____
MIKE FOREMAN, Mayor

ATTEST:

____
LETICIA BRYSCH, City Secretary

APPROVED AS TO FORM:

____
KAREN L. HORNER, City Attorney

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FRIENDSWOOD CITY COUNCIL
AGENDA ITEM FORM

This form should be completed and forwarded to the City Manager's Office as soon as possible prior to the first date that the item is expected to be placed on the Friendswood City Council agenda.

Date requested for City Council consideration: August 28, 2023

Date submitted: 07/05/2023

Prepared by: Leticia Brysch, City Secretary

Subject: Consider approving the minutes of the City Council Regular Meeting held on July 10, 2023.

Originating Department: City Secretary

Degree of importance:

SUMMARY / ORIGINATING CAUSE

This item allows the City Council to review and approve the minutes of the City Council Regular Meeting held on July 10, 2023.

IMMINENT CONSEQUENCES / BENEFIT TO COMMUNITY

RECOMMENDATIONS

Staff recommends approval.

ATTACHMENTS

1. July 10, 2023, CC Meeting Minutes (draft)

MINUTES OF THE REGULAR MEETING OF THE
CITY COUNCIL OF THE CITY OF FRIENDSWOOD
JULY 10, 2023

THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD MET IN A REGULAR MEETING ON MONDAY, JULY 10, 2023, AT 6:00 P.M. IN THE COUNCIL CHAMBERS, FRIENDSWOOD CITY HALL, LOCATED AT 910 S. FRIENDSWOOD DRIVE, FRIENDSWOOD, TEXAS, WITH THE FOLLOWING MEMBERS PRESENT CONSTITUTING A QUORUM:

Steve Rockey	Councilmember
Sally Branson	Councilmember
Trish Hanks	Councilmember
Joe Matranga	Councilmember
Brent Erenwert	Mayor Pro Tem
Mike Foreman	Mayor
Morad Kabiri	City Manager
Karen Horner	City Attorney
Leticia Brysch	City Secretary

1. CALL TO ORDER

Mayor Foreman called the meeting to order with a quorum present at 6:00 P.M.; all members were present.

2. INVOCATION

The invocation was led by Pastor David Lorenz of First Baptist Friendswood

3. PLEDGE OF ALLEGIANCE - United States and State of Texas

Mayor Foreman stated that the Pledge of Allegiance of the United States and to the State of Texas would be presented by the Knights Templar of Park Place Commandery Number 106.

4. COUNCIL COMMENTS AND REPORTS

Mayor Foreman recognized the staff for the wonderful 4th of July event and noted that this was the 128th consecutive 4th of July celebration, many people at the parade, and James Toney, the staff and volunteers made it a success.

Councilmember Branson stated that on June 24th, Pearland lost its Mayor Emeritus Tom Reid from Pearland, and send condolences to our neighbors to the north in Pearland.

Councilmember Griffon mentioned Galveston County Consolidated Drainage District (GCCDD) appointed Lonnie Moffitt, to the board so they are fully seated. Last month at the Clear Creek Watershed Committee Meeting, the board received a great presentation from Scott Elmer from the Harris County

Flood Control District on tunneling and are looking at eight possible tunnels for Harris County in the Houston area. Also, they have reached out to Captain Aaron Brown and Kelly Burks-Copes of the US Army Corps of Engineers Galveston District to try to get them to do a presentation on the Coastal Project so hopefully going to try to get that set up, if not by the end of this year, maybe next year.

5. PUBLIC COMMENT

There was no one signed up to speak.

6. COMMITTEES OR SPECIAL REPORTS

A. Receive the West Ranch Management District Annual Report.

Ms. Heather Trachtenberg, attorney for West Ranch Management District presented the report. Below are the main highlights:

- The residential development portion of the District is now complete; however, some commercial areas remain undeveloped.
- The new Cline Elementary School has been completed.
- The Homeowner’s Association (HOA) owns and maintains most of the greenspace. The District is working with the HOA in joint projects to improve common areas, and sidewalks for the elementary school that will be completed before the beginning of school year. Other enhancements included the addition of flock safety cameras, the replacement of benches and trash receptacles at the ponds, and repairs to the Lake Mist Bridge.
- Presented a general overview of the District’s historical tax rates, showing that its trend is to continue to go down.
- Presented an update on the District’s ongoing drainage maintenance, and noted that in the past four years, they have spent $125,000 over and above routine maintenance costs to ensure that all the components of the drainage system continue to function properly.

Ms. Trachtenberg stated that as it relates to the District’s goals, they remain focused on reducing the District’s tax rate, and continuing to seek out developers interested in developing a town square. Lastly, she expressed the District’s gratitude for Councilmember Matranga’s work on the board.

Mayor Foreman thanked Ms. Trachtenberg for the District’s report and requested that she extend those sentiments to the members of the board.

7. WORK SESSION TOPICS

A. Receive an update regarding the drainage projects in the City of Friendswood.

Deputy Director Samantha Haritos presented the item and gave the following updates on the City’s ongoing drainage projects.

Harold Whitaker Detention Basin Expansion: This is not a City project; however, this project does impact the City. This project is funded by the Galveston County Consolidated Drainage District and is located in the former Imperial Estates neighborhood. Ms. Haritos noted that the hydraulic modeling is happening at this item in order to see if it is feasible to increase capacity, and if so, what types of outfall and pipe replacements would be required. Additionally, an Army Corps of Engineer permit would be required for this project as it would change the outfall into the creek.

Frenchman's Creek Green Space: This project is a Community Block Grant Development Project (CDBG) project. It was part of an acquisition grant that also includes acquisitions at Deepwood and is located in the Polly Ranch Subdivision. As it related to the Friendswood side, buildings 4 and 5 have been closed out. A demolition contractor has been procured and should be starting shortly; asbestos inspection is pending. On the Galveston County side, they have completed asbestos testing and the demolition estimates will occur in the next three months. The remaining items include the hydro mulching of the project area and project closeout, which would include the HOA turning the properties over to the City and then closing out the grant with the GLO.

Forest Bend Offline Detention: Forest Bend is another Community Block Development Disaster Recovery grant and in addition to the original grant amount, the City recently received approval for an additional $300,000 from Harris County in order to complete the 53 acre-feet off-line detention that will kind of meander. In other words, it is not just one detention pond but several that will feed into each other. Additionally, there is a nice new concrete trail system and solar lighting surrounding the detention ponds. On or around June 14, this project was 83% complete with a total of 83,000 cubic yards having been excavated. Staff anticipates a fall completion for this project.

Councilmember Matranga asked who would be responsible for the maintenance of these spaces. City Manager Morad Kabiri stated that the City would be responsible for the maintenance of this area upon its completion, as it is a condition of the agreement signed with the Forest Bend HOA to utilize their property for this drainage project.

Clear Creek Utility Rack Relocation: This project is a Community Block Grant – Disaster Recovery from Hurricane Harvey (CDBG-DR). Ms. Haritos noted that the engineering for this project is complete, and the environmental assessment is pending completion. Unfortunately, this item has been delayed due to the Federal Government's 8-step review process; however, staff feels that approval will be received soon. Once the staff receive authorization to use the grant funds, construction will begin shortly thereafter.

Deepwood Flood Control: This project is a Community Block Grant – Disaster Recovery from Hurricane Harvey (CDBG-DR). The preliminary engineering report and drawings for this project are in review and the Environmental Assessment is expected to be completed by late summer/early fall 2023. Ms. Haritos noted that the construction start date is contingent upon the completion of the Deepwood Acquisition Project.

Mayor Foreman asked if the City has acquired all the necessary properties, Mr. Kabiri noted that this is a voluntary acquisition, and eminent domain cannot be used, therefore, the City has acquired as many as possible. He noted that the two biggest constraints, as it relates to this effort as well as that of Frenchmen's Creek, is that the City was allocated a certain amount of dollars to which staff needed to find a project that these funds can be used for; so, it acquired as many properties as it could within the scope of the project and funding rules. Mr. Kabiri further noted that for those individuals that were not interested in selling at the time the City approached them, the Drainage District is now working with them for the purchase of said properties, using another funding source that is not as restrictive as those from the Federal and State grants.

Three Detention Basins Along Coward's Creek: This project is located at 2 Queens Lane, 310 West Castlewood, and 301 West Castlewood. The project is part of an interlocal project with Galveston County Consolidated Drainage District (GCCDD). Ms. Haritos noted that the way in which the interlocal agreement worked is that these were City buyout properties that are being used by, with the City's permission, by GCCDD in order to build off-line detention ponds at those locations. Ms. Haritos further noted that GCCDD is reviewing the engineering of this off-line detention to make sure that everything is done according to the city's standards. The engineering and environmental work for this project has been completed; the clearing of the properties started around June 22, and staff believes that it will result in an estimated 20 to 25 acre-feet off-line detention. The construction phase of this project started onsite June 22, 2023.

Comprehensive Master Drainage Plan: Ms. Haritos noted that this project will hopefully be a joint effort between the Galveston County Consolidated Drainage District and the City. She noted that on the consent agenda for that evening, there was an interlocal agreement by which GCCDD is looking to provide up to $400,000 for the Comprehensive Urban and Riverine Flood Mitigation Plan. Once the agreement is finalized and executed, staff will put out a Request for Qualifications for a Regional Master Drainage Plan around mid to late summer 2023.

Friendswood Regional Stormwater Detention Basin: This project related to the detention pond near FM 1959 at the border of Pearland and Friendswood. This project is a regional effort in funding partnership with the City of Friendswood, Galveston County, Galveston County Consolidated Drainage District, and Harris County Flood Control District. This project is in the preliminary engineering stage which has three alternative design concepts in process, and one alternative will be recommended at a meeting in late fall 2023. Concurrently to the preliminary engineering, environmental investigations, geotechnical, the hydrology and hydraulics modeling, surveying and rough grading design are in progress as well.

Mayor and Council thanked Ms. Haritos and the Engineering staff for all of their hard work on moving these numerous and critical projects forward.

B. Receive an update concerning the 2023 State Legislative Session

Ms. Karen Horner, City Attorney presented the item and stated that in this year's State Legislative Session, they passed 1,258 bills, with 230 of those related to the city. She noted that earlier in the year, the Council established some legislative priorities and identified 60 different bills and 14 more companions that Council and staff were hoping would make it, and of those identified, two good bills passed, and five bad bills passed, and the rest just remained on the cutting room floor.

Ms. Horner gave a brief update of the 88th legislative regular session as follows:

Good:
So the good related to the Planning and Zoning (P&Z) public hearings, and the law is now clarified to show that there's only one public hearing required on a preliminary report before bringing it to the council. Another good bill related to Chapter 380 and property conveyance. She noted that the City can now convey

property via 380 agreements. She further noted that there are certain conditions that must be met as far as notices, hearings, and different things of that nature, but so long as the conveyance is for a public purpose and there are significant conditions in the agreement to make sure that public purchase is accomplished.

The bad:
A new bill requires that the City now have a third-party review, so if staff does not approve, disapprove, or do something with an application within 30 days, 15 days thereafter, a third party can review the statute and decide. She noted that the City cannot recoup any costs related to this review, and the bill also provides an appeal procedure should the applicant not be satisfied with the review. Ms. Horner noted that a bill passed that eliminates the juvenile curfew, so it will be going away. This item will be placed on the Council's next agenda in order to begin the process to repeal this ordinance. The next item relates to the reauthorization of building fees, which becomes effective on January 1st. She noted that for those building fees that have already been adopted, the City must review them every 10 years, or else they will be abolished. Therefore, between now and January 1st, staff will hold a public hearing and adopt those fees, and then move forward with that.

Really Ugly:
This item relates to the Texas Regulatory Consistency Act, which is a preemption bill. She noted that the legislature took aim at cities and appeared to really take some of the authority that the cities have away, especially home rule authorities. Ms. Horner noted that unlike general law cities, home rule cities can do anything unless expressly prohibited by statute. General law cities must look to the statute like counties do for their authority. The intent of this bill is to peel back home rule cities of their authority. The bill itself, has some express preemptions, some potential preemptions because no one really know what they mean, and it also creates a cause of action that basically flips the burden of proof. Ms. Horner noted that typically, the Council's actions are constitutionally deemed valid, and someone would have to come in and challenge that said actions were not valid. Now, this burden of proof is kind of flipped on its head now, which is an interesting thing that staff will have to take a look at and see how it moves.

Ms. Horner noted that the bill has a good provision in that if somebody has a problem with one of the ordinances or anything passed by the Council, there is a three-month review period before they would be able to file suit or go forward. So that gives the City an opportunity to take a look closer to see if the ordinance needs any revisions.

Mayor Foreman asked if this was the bill that the City of Houston is suing the state over. Ms. Horner stated that he was correct, and the City of Houston has sued that State in Travis County for a DEC action and is challenging the bill's constitutionality based on the Supreme Court's establishment of many years that when cities are preempted, it has to be done with unmistakable clarity, which in this case it is not. She further noted that even the authors of the bill have indicated they're leaving it up to the judicial system to establish what that is, and that's really not how laws should be made. Ms. Horner noted that many cities are filing amicus briefs in this suit, and everyone is following this case closely.

Ms. Horner stated that the bill's express preemptions relate to certain employment matters. Some cities have gone out and established employment regulations for others, not themselves, but for other employers that include back hiring, breaks and benefits that they were required provide, this is no longer available under this law. Another express preemption includes the breeding, care, treatment, and sale of animals, if they're licensed by the federal or state, cities cannot regulate them. Another item relates to eviction regulations, and basically cities can't restrict or prohibit or delay an eviction.

As it relates to possible preemptions, this is where the legislature said that cities can't regulate in a field of regulation that's occupied by provision of following codes:

- Agriculture Code
- Business & Commerce Code
- Finance Code
- Insurance Code
- Labor Code
- Local Government Code §229.901 (authority to regulate animal businesses)
- Natural Resources Code
- Occupations Code
- Property Code.

So, this is a big challenge because cities do not really know what that means, what is occupied? What is a field of regulation? So, these are some of the things that are involved in that suit. Fortunately, these are codes that are not dealt with a lot in municipalities, but there are certain things that Friendswood does have in each of these codes. She noted that the staff is currently reviewing these codes and will bring some changes back to for Council consideration.

As it relates to the no preemption items, cities can still regulate massage parlors, retail sale of dogs. That is until the state adopts their regulation. Roadway construction taxes, maintenance fees, and things like that, we're still good. Policies related to city employees and public awareness campaigns, payday lending and credit access businesses, that is only if a city had an ordinance in place on January 1. An interesting thing on that item is that if a city amends its existing credit access business ordinance, they run the risk of no longer being able to regulate it, so cities are stuck with whatever they had at the time.

Mrs. Horner quickly gave an overview of the following bills:

HB 1707 deals with charter schools and if the administrators have no personal interest or financial interest in the charter school, they could provide a certification to the city, and then the city would have to treat them as any other public school with the exception of impact fees. Charter schools will not be able to get the benefit of impact fees that school district does; however, besides that, the city would have to treat these charter schools like an ISD; i.e., citing and zoning things.

HB 1750/HJR126 relate dot AG operations and is subject to a constitutional amendment. This basically allows certain timber, wildlife, different ranching, and things of that nature to remain if they are currently operational in the city. The city could not regulate these uses unless it provides harm to the public health and safety, and it would have to be some sort of imminent harm, so there is a little heightened standard as well.

HB 3699 related to plans and plats. This is a very broad statute that covers a lot of different things. The city has 30 days to approve plans, and so this item removes plans from the 30-day shot-clock. It also establishes different things that are required for a plat application. And we have to provide a list of what those are and adopt that list and then also publish that on the website.

SB 929 deals with compensation for non-conforming uses, and this basically allows a non-conforming use to continue, which is currently what is done in Friendswood; however, if the city is going to change the zoning district and to make a non-conforming use, there are notice provisions. The City has to mail notice and do certain things in order to provide those impacted with notice. If perhaps the city tells them that they can no longer continue with their nonconforming use, there is a compensation provision and potentially just allow them to continue to have the nonconforming use for a certain period of time.

HB 4082 related to public works for certificates of obligation (COs) and defines 12 different things that are related to public works for which cities can issue COs and makes it so cities cannot use value-based fees. The city would have to do base its fees basically on the cost of the city to do different inspections and things of that nature, which would have to be established. This item also requires the city to provide notice of these fees and post those on its website.

SB379 deals with no sales tax allowed for no sales tax to be imposed on certain hygiene items, such as baby bottles, diapers, and different things of that nature.

SB 1340 relates to a requirement for a tax abatement database, which is the same to what is currently done with 380 agreements, which is to report these types of agreements to the state comptroller, so anybody can go and see what the city's done as far as tax abatement agreements.

SB 1999 deals with the unused increment rate. This bill will not go into effect until January 1, 2024, and basically revises the calculation of the increment rate a little. It is still for three years, but just changes how it is actually calculated.

HB 1819 repeals the city’s juvenile curfew; and SB 29 prohibits cities from having any vaccine mask enclosure mandates.

SB 1445 is the TCOLE Sunset Bill, which continues TCOLE, that's the Texas commission on Law Enforcement until 2031, and establishes certain databases that they have to keep and certain requirements that they have to do. It also requires that the city's policies be substantially similar to those created by TCOLE, i.e., hiring, discipline, and things of that nature.

HB 471 deals with first responders and adds required injury leave, which basically mirrors the requirement in Section 143.073, I believe, of the Local Government Code, which is a civil service statute.

HB 1486 deals with the telecommunicator's mental health leave, which is similar to what was done last year for police officers.

HB 30 deals with law enforcement records subject to 552.108 of the Open Texas Public Information Act allows us to withhold certain law enforcement records if there was not a conviction or if there was no deferred, and this chips away at that exception.

HB 3033 relates to many changes to the Public Information Act including the chipping away of some more exceptions, requiring the city to file AG opinions via their database system and no longer via ground mail.

HB 3440 relates to agenda posting and requires them to be posted on the website as well.

As it relates to elections, the city is now required to have a website for political contribution and expenses, and each report must be on said website for five years from the date of filing and the recount deadlines have been changed.

As it relates to Purchasing, currently there are 1295 forms in place and HB 1817 just talks about how contract could be voidable if a 1295 is received after the city has provided notice and they don't respond within a reasonable period of time.

HB 2518 relates to lease terms and if the city leases any city property, there are some provisions that the City must require, such as, a performance bond, payment bonds, and different things to protect the city's properties. Should they fail to provide those, or if they go ahead and make an alteration to one of the city's facilities without providing the appropriate notice and approval first, there are now some associated criminal penalties.

HB 3485 deals with unsigned change orders and this just allows contractors not having to go forward with a change order if they do not have a sign change order in place.

Miscellaneous bills include SB 232 for the removal from office, which says that if someone's convicted of bribery or certain theft or some terms like that, they automatically forfeit their office, and SB1893 is the TikTok bill that states that cities cannot have TikTok on any city computers or any other type of electronic device.

Councilmember Rockey stated that the legislature comments that many of these bills are to make it easier for business to function in Texas, which is absolutely not true, as businesses can conduct business in cities all across the state. He noted that what he feels is really happening is that the State is trying to control certain cities, and smaller cities, like Friendswood got lumped in with the rest of them.

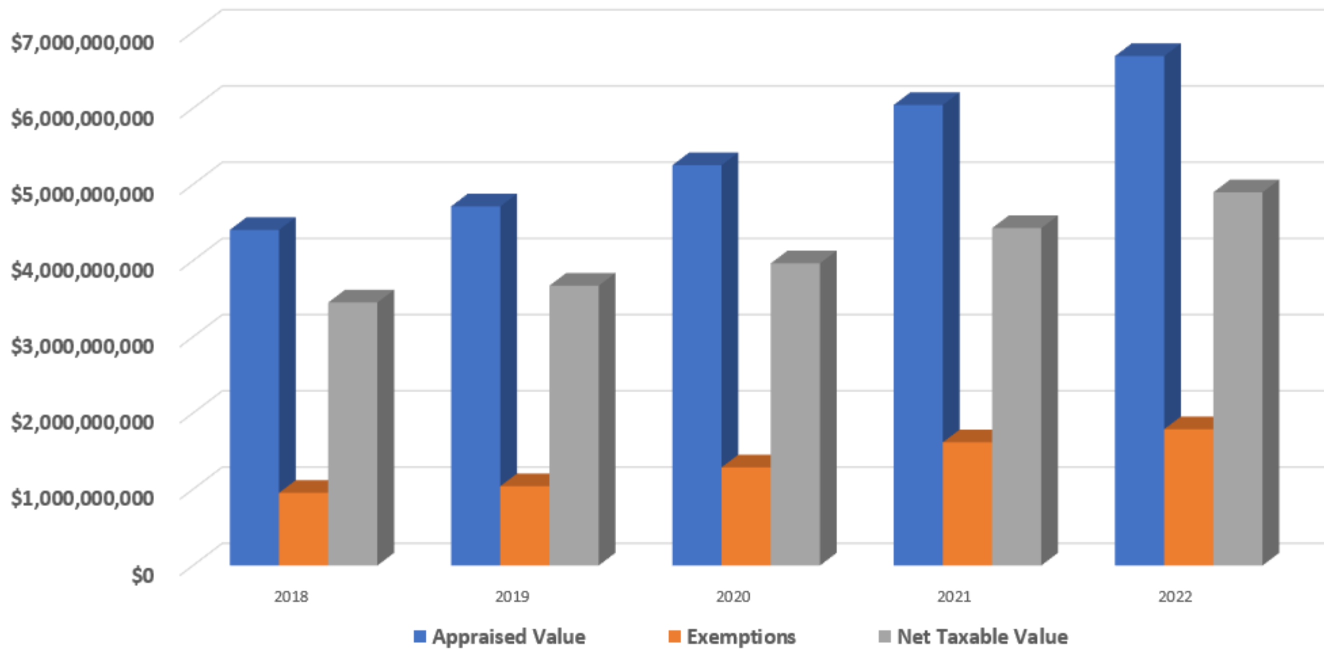
Ms. Horner concluded her presentation and noted that she is available to answer any questions should they have any. Mayor Foreman thanked Ms. Horner for her presentation and hard work.

C. Receive and discuss an update regarding the FY2023-24 Budget.

City Manager Morad Kabiri presented the item and stated he would provide Council with updates relative to the 2023-2024 budget since their last budget discussion at the Council Retreat. He noted that as it relates to property taxes, there are a variety of things that go into that assessment, i.e., the value of the home, the tax rate that the various local entities adopt and then there are also the exemptions that a homeowner may or may not qualify for, depending on their circumstances.

Mr. Kabiri presented the Council with a chart outlining a five-year running tab of the City's valuations. The bar in blue represents the total appraised value, which in 2018 was roughly about $4.1 billion and in

2022, the current fiscal year for tax purposes, it was a little over $6 billion. However, each year we have exemptions that are deducted from the total valuation which determine what we collect in actual tax levy and revenue received for the City for property tax purposes.



In 2018, that value was a little under $1 billion at approximately $900 million and in 2022, it is nearly $2 billion so this is the over 65 exemptions, homestead exemptions, disabled veteran, etc. If an individual has the over 65 exemptions, their taxes are frozen, and the City does not get to collect a penny more for that property; regardless of what is done in terms of the City's rate. Mr. Kabiri noted that there is a 20% homestead exemption for properties in Friendswood if residents file their homestead, as well as a variety of other exemptions that citizens may or may not qualify for, whether it is disability or veterans' support. Mr. Kabiri further noted that one other big exemption that continues to creep up, properties that are taken off the tax rolls for churches and other nonprofit organizations because if commercial properties that were previously taxed are instead used for religious reasons, then those properties come off the tax rolls as well.

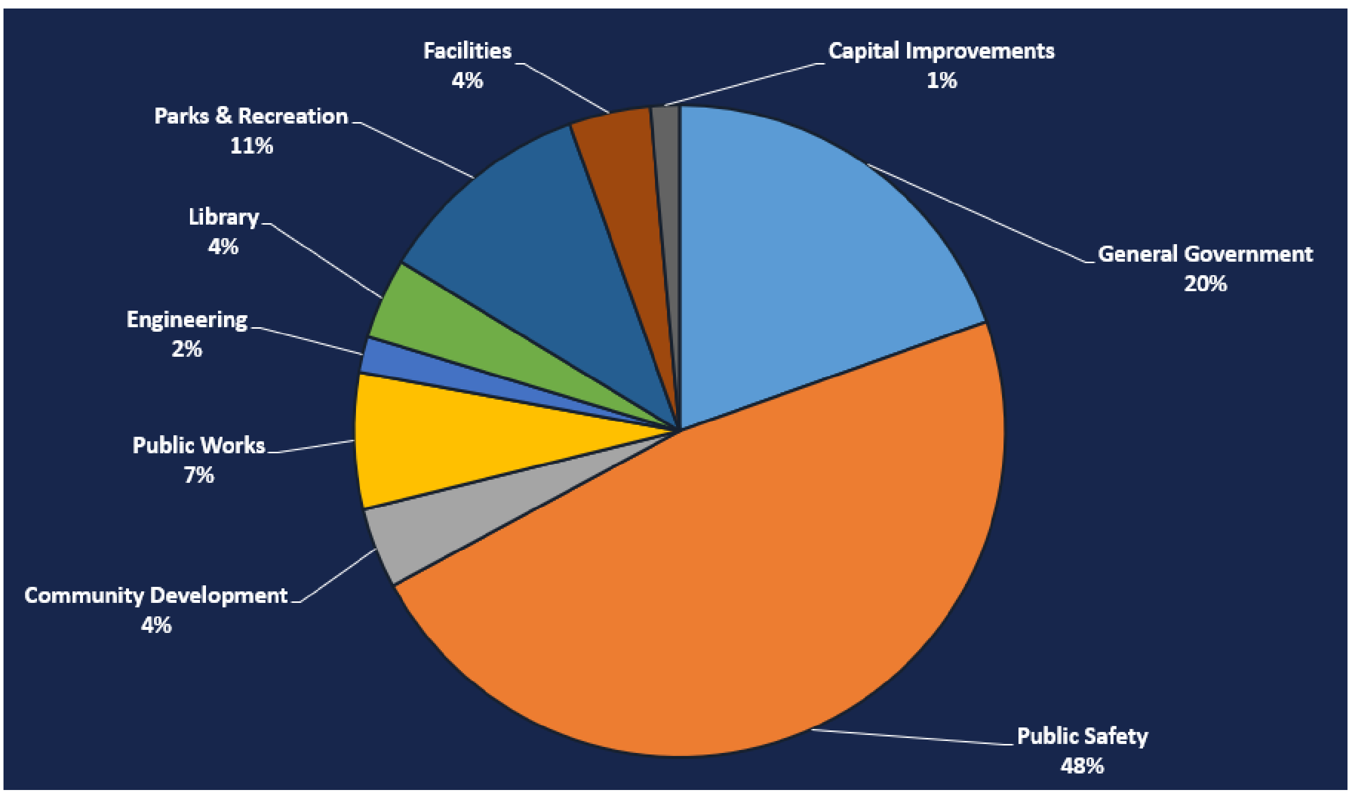
Mr. Kabiri stated that the total tax rate is made up of two components: 1) an interest and sinking component that pays the City's debt service, and 2) an operations and maintenance component that pays for the City's operational expenses, such as mowing the grass, responding to 911 calls, and so forth. He indicated that of the 52-cent tax rate that is being proposed for the fiscal year 23-24, which again, these are based on preliminary values, as staff does not have the certified values from the two counties.

He further noted that the debt service component of the tax rate is 12.21 cents and roughly $6.1 million of the revenue the City collects goes to paying debt. He noted that the debt services are related to the debt issuances that took place in prior years and is part of the voters approved bonds for certain drainage related and other projects. Mr. Kabiri noted that the remaining tax rate is made up of the City's operations and maintenance, which is 40.73 cents per $100 in valuation. Last year it was roughly a little under 39 cents and on the debt service side, it was a little around 9 cents; therefore, they are going up nearly 3 cents on the debt service and going up a penny and a half, or thereabouts, on the operations and maintenance.

Mayor Foreman asked what was the total that the City has raised the tax rate since 2019 for debt service. Mr. Kabiri responded that in that time frame the City's debt service increased from $3.2 million to $6.1 million, which is roughly 6 cents increase on the tax rate for debt services. However, due to staff's hard work and financial strategies, the City has been able to absorb those increases in debt services by reducing operations, which resulted in the tax rate being flat.

Councilmember Hanks ask how many pennies more of the tax rate is the City spending on debt service since that time. Mr. Kabiri responded that the City had gone up nearly 6 pennies based on valuation, etc. He further noted that the City has increased from $3.2 million in FY2018, to $6.1 million in FY2024, so a $3 million increase, and currently a penny equates to half a million dollars based on the value of a penny today.

Mr. Kabiri proceeded to explain what the general fund pays for since a lot of times when people think of property taxes, it is a nebulous term that they do not know exactly what it relates to or means. He noted that in regard to the total general fund expenditures, nearly half goes to public safety, which includes Police, Fire and EMS services and the latter part goes to general government, which includes the City Manager's Office, City Secretary's office, Administrative Services, IT and HR. Mr. Kabiri noted an organization cannot have an operation with 100 plus public safety employees between Police, Fire, and EMS without the departments that offer them support services to 1) pay the salaries, 2) to do the audits, and 3) to make sure their equipment is functioning. The other categories are noted below:



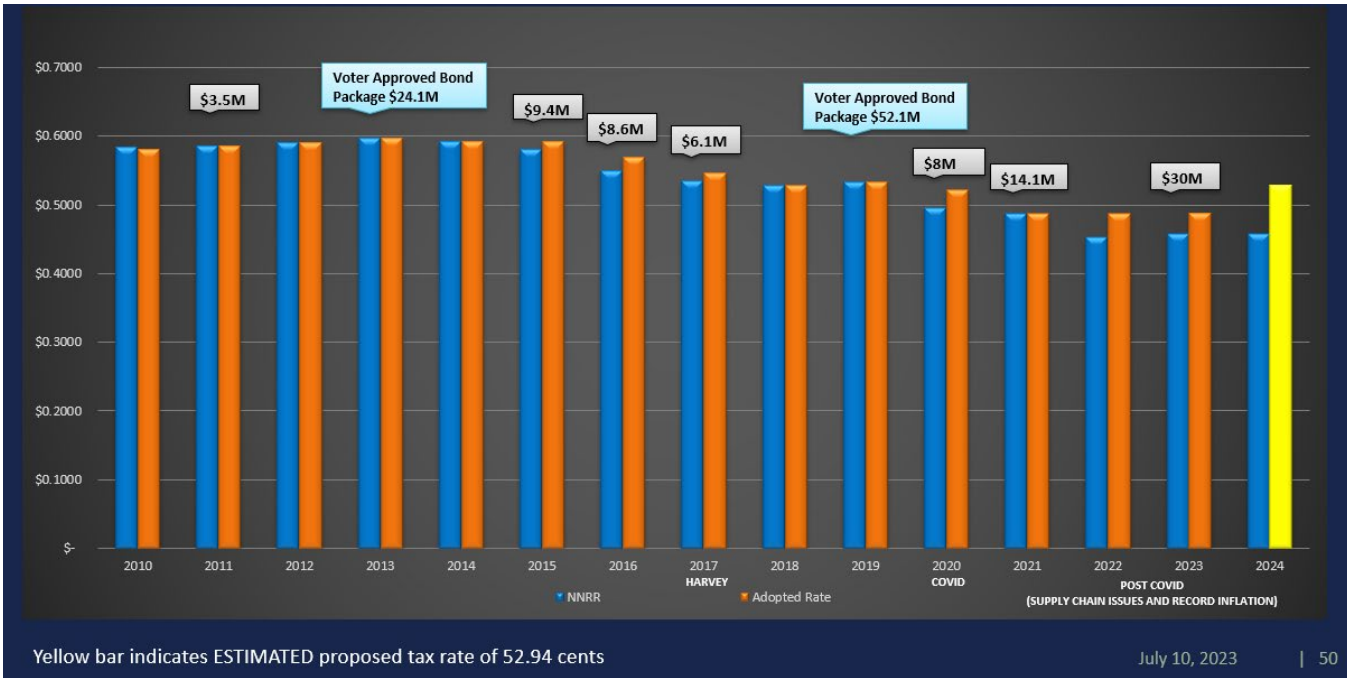
Councilmember Matranga noted that as a service organization, most of the expenses relate to its people. Mr. Manager Kabiri noted that he was correct and indicated that while staff leverages technology, when possible, to reduce the growth in the need for more people, as the city continues to grow, so will its need for personnel. He noted that for example, last November when Council adopted a ratio of police officers of 1.56 officers per 1000 in population, as the population grows, the City is supposed add officers to make sure there is appropriate coverage throughout the community. However, recently the Police Department instituted the Flock camera system and the use of cameras at a variety of locations to sort of improve the assets and the tools that police officers have in order to work more efficiently. As they employ more of those things, they can help reduce the need for personnel in the long run, but as of right now, they are predominantly a service organization that has to have to have people.

Councilmember Hanks noted that 65% of the budget is personnel related and City Manager Kabiri confirmed that of the general fund, nearly 68% is personnel related.

Councilmember Erenwert inquired if the Community Development Department budget included the funding economic development related items. Mr. Kabiri noted that Community Development represents the building permits, the planning and zoning component of the City, so they are the ones that are reviewing the plans for new construction, and for private developments, as well as their related inspections. Councilmember Erenwert noted he was thinking back on the economic side, because it takes money to make money and to grow things, so in thinking of ways to help the City's budget, it is important to consider strategies that will help bring in businesses.

Mr. Kabiri stated that a community to live off the no new revenue rate from year-to-year, they have to be in a high growth area and noted that the only additional revenue the City receives when Council adjusts the tax rate down when values go up is on new construction which was nearly nonexistent in the prior tax year. Mr. Kabiri stated that unfortunately, there is not a linear equation when it comes to property taxes, because when home valuations may go up to the state cap at 10%, there might also be commercial properties that may be devalued more significantly causing an imbalance. Mr. Kabiri stated that there was one commercial property, in particular, that went down in value at such a high rate that it was the equivalent of about eighteen, half-million homes coming off the City's tax rolls. Therefore, when calculating the no new revenue rate, many factors are taken into account, including these different fluctuations. Mr. Kabiri noted that the one thing that holds true is that the City's service obligations remain the same as operations also have a debt service obligation, and that obligation is to city employees by ensuring that their salaries are paid and given the resources to effectively operate and provide all necessary city services that are in place.

Mr. Kabiri gave Council an overview of the next slide outlining the tax rate and debt issuance over the last 15 years. He noted that the chart represented what the no new revenue rate was for each calendar year and along with the actual adopted tax rate. The bar in blue is the no new revenue rate and the bar in orange is the actual adopted tax rate for those years. Above the bars are the various tax boxes to reflect the $3.5 million, voter-approved bond programs for $24.1 million, which are debt issuances and bond programs that the city undertook. The City went out to the voters in 2013 and indicated that they wanted to do fire station number one, and a few other projects, such as street projects – Mary Ann Drive, Woodlawn Drive, Townes Road, and Blackhawk Blvd. Also included were certain park improvements in response to the City having acquired Lake Friendswood, and at that the time, $24.1 million were authorized. In the subsequent years, the debt associated with that was issued; however, each time the city issued the debts, its obligations to pay that mortgage payment continued to go up. From 2013 and subsequent years, the City adopted in most cases the no new revenue rate, which basically meant that when debt service went up, the city absorbed that cost in its operations and maintenance, or through new growth and construction that was not present in the prior year.



Mr. Kabiri listed some of the hardships encountered by the City, which included the following:

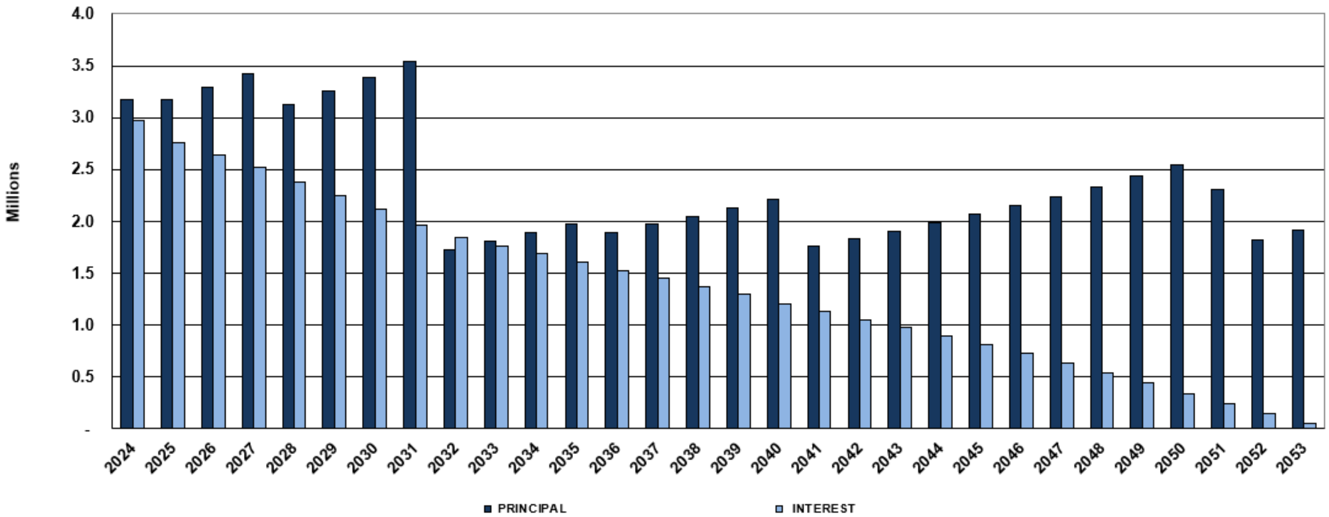
- In 2017, Hurricane Harvey had a major impact to not only on the community, but it also had a significant impact on the City's operations and finances. The City spent over $5 million in debris pickup that did not come out of tax revenue, but from the City's emergency reserve. In the subsequent years, as staff waited for federal reimbursements, the City had to absorb these costs in its operations and maintenance in order to ensure a balanced budget and that there was no issue with regard to not being able to pay bills or obligations.

- In 2019, as a result of Harvey, they went out to the voters, and approved the single biggest bond program that this city has ever had of $52.1 million. In the subsequent years, the City issued the debt associated with said bonds, which impacted the tax rate's debt service component.

- In 2020, COVID happened, which not only wreaked havoc on the economic viability across the country and across the world for that matter, but it also impacted things that can still be seen today, which is the compression on inflation. Factories shut down so, as they started back up, it was harder to get materials for the demand that existed as things started opening up and supply chains issues became a real thing. Things that at one time cost a dollar, now costs $5 or $6. A good example of that dynamic is the City's mowing contract that a year ago was $362,000 per year, and is now $700,000 a year, and this was after staff bid the contract out twice and scaled back the scope of the work in order to reduce the costs. The City continues to deal with the impacts and repercussions of COVID.

- Lastly, the City issued $8 million in 2020 for the 2019 bond program, $14 million in 2021, and tonight the Council will approve the completion of the 2019 bond program with the sale of $30 million worth of bonds, which is bigger than any previous bond program.

Mr. Kabiri referred to the General Obligation Bonds Debt Service to Maturity slide and noted that it was a static snapshot of the current debt service. The dark blue line represents the principal payments for debt while the light blue line represents the interest payments from today till 2053, when the last bit of debt is retired. Mr. Kabiri further noted that with the addition of the $30 million being approved by the Council that evening, this chart will likely change.



Mr. Kabiri noted that in 2031, the principal and interest payments drop nearly in half because of retiring old debt, but there will always be a new project to replace it. He further noted that with the amount of infrastructure out there, he could not say that the City will ever be done, as there are maintenance and repair projects being done in perpetuity because much like a home, in a City, something is going to break, and failure to maintain its infrastructure will result in more serious and expensive projects to repair and/or replace items.

Mr. Kabiri noted that in looking at an average home in Friendswood with a valuation of $450,000 and a 20% homestead exemption, the tax for this home is a little under $400,000, which equates to $1,754.28 per year using the City's current tax rate of 48.73 cents. This home, using the proposed tax rate of an estimated 52.94 cents, is an increase of about $12.63 a month and $151.56 a year. Adopting the proposed tax rate helps reduce the pressure on the operational budget by nearly $2 million, which is a significant impact to the City's to 1) pay its debt service, which is required under state law, 2) to pay existing contracts, and 3) to pay employees which make up two thirds of the City's operational cost on the general fund side.

In comparing the current fiscal year budget versus the proposed, there are a variety of components that go into it; such as personnel, supplies, maintenance, services, capital, and debt service. Mr. Kabiri stated that every year, staff works diligently to scrub their budgets through an active collaborative effort to make sure that they identify saving opportunities to maximize or leverage existing resources in order to not raise taxes. Mr. Kabiri noted that personnel costs are increasing because of the merit pool and the addition of staff; specifically, the City is bringing on an EMS Chief next year and moving part-time EMS employees to full-time in order to ensure adequate coverage on the City's emergency medical personnel side as well as the addition of a new police officer for public safety. With regard to supplies, this item has gone down slightly, but since personnel makes up the lion's share of the general fund budget, supplies are not as high an item. Maintenance costs are going up due to the City's existing obligations to maintain the additional properties brought online, whether it be mowing or expanded facilities; such as the City's Public Safety Building which has been expanded by nearly 9,000 square feet, in the form of utilities, electricity and janitorial service to name a few. The services budget has gone down slightly, which is a result of the City's push to close up the subsidizing gap with FISD for City provided school resource officers. This year, the cost for this agreement is going to be $104,000 for that subsidy, which is less than the City's cost of service in terms of personnel, but the City will continue to work to reduce the City portion to ultimately eliminated that subsidy. On the Capital side, this year, there are one-time expenditures because something needed to be replaced, a good example of that was the resurfacing of the City's tennis courts and basketball facilities. Lastly, as previously noted, the debt service is going up nearly $1.6 million from this year to next.

Mr. Kabiri went over the General Fund's forces-at-work, decision packages, and budget neutral items and noted that insurance premiums are going up, not just for the City, but for your individual households. He noted that windstorm insurance is going up significantly and property maintenance insurance is going up as well. The City is contractually obligated for Fire and EMS services with the Friendswood Volunteer Fire Department (FVFD), and staff worked with them to increase their contract cost in accordance with CPI and continue to work with them on staffing shortages relative to their part-time employee pool. Mr. Kabiri noted that their EMS is predominantly a paid service and not a volunteer service as it used to be years ago. He noted that the Fire Marshal's Office's budget includes the addition of one EMS Chief to the City's rank and file as staff begins to transition EMS services from the FVFD to the City. In the Police Department's budget is the addition of another officer but are planning to hit the position at mid-year to allow for a reduction in those costs and keep it around $63,000 for salary, benefits, and the outfitting of their equipment. Mr. Kabiri also stated that the current body worn cameras are no longer being serviced by Motorola, and staff is looking for an alternate software solution, so today more than ever, it is critical PD and emergency interactions have this recording capabilities in order to: 1) identify issues or 2) be able to go back and look at things if there is a potential problem.

Mr. Kabiri stated that in line with his comments about expanding the City's footprint as it relates to both buildings and land area that the City is required to maintain, the City is taking over maintenance of the Forest Bend Detention Pond once it is completed as well as the Bay Area Boulevard medians which are currently being maintained by the Autumn Creek Homeowner's Association. Regarding the senior bus, which will be discussed a little later tonight, the senior bus is no longer operational or repairable, therefore, the City is purchasing two vans, which are more economical and helpful in terms of transporting the seniors. However, as with all things, those vans will eventually need to be replaced as well, so they will be added to the City's vehicle replacement plan, which is in place to plan for these purchased without having a major spike in the City's tax rate when it comes time to repair and/or replace those assets.

As it relates to merit, Mr. Kabiri stated that he could not stress enough the importance of merit pay for staff. He noted that stated he would go on record that if the Council did not want to give him a raise this year, he would forgo it, but the staff needed and was deserving of a pay raise. The City of Friendswood has the lowest staffing ratio of any Houston metro area city, and there are over 100 cities in the Houston metro area, and that feat cannot be achieved without paying the employees adequately, because a lot of times they are being asked to do the job of two or three employees.

Councilmember Griffon inquired that for 2022-23, the City had the revenue available in the general fund to pay merit and if they did not raise taxes and brought in the same revenue brought in 2022-23, then we would be able to pay merit, wouldn't we? Unless they had hired one or two more people, which they are probably doing so, this is not a total add to our budget, but this is revenue we probably would have in our current budget for the general fund if we did not raise taxes at all. We would have that money for merit. City Manager Kabiri answered that when you raise someone's salary, it does not impact just that fiscal year, it impacts future fiscal years as well. In addition to that, our costs for contract services have gone up so, if we were to adopt the $48.73 tax rate, we would not have sufficient funds to pay any of these forces at work to and include merit.

Councilmember Griffon stated that Galveston (GCAD) had noted that Friendswood had about $110 million worth of new revenue from new construction, remodels, and the addition of other amenities to their homes, which results in about $503,000 to the City, which could easily pay for the majority of the merit pay without raising any taxes. He further noted that even with the reduction in commercial appraisal revenue from the Tannos property, GCAD noted that commercial appraisals were up 55%, which is not necessarily accounted for in the proposed budget. Mr. Kabiri noted that as he and staff had mentioned before, the numbers in the budget are based purely on preliminary values and would not be finalized until such time as the City received the certified rolls from the counties. He further noted that staff brings the budget to the Council early, in order to allow the time to review, discuss and identify Council's priorities, and staff always brings the worst-case scenario up front and scale back as the certified values are received. Mr. Kabiri stated that it was preferable to let the scenario get better instead of at the last minute having to announce in later August or September that the Council needs to raise taxes. The picture should get better, especially towards the end of July.

Councilmember Hanks asked if there was a requirement to publish the anticipated tax rate before it is passed. Mr. Kabiri answered there have been a number of times that the Council adopted a different tax rate than was published in the paper, but by law, the City is required to publish that tax rate notice regardless of whether it is the same or different than what is actually adopted.

Mr. Kabiri then went over the general fund unfunded decision packages slide and noted none of the items are funded today, as well as some options for the Council's review on potential budget reductions.

Councilmember Branson noted they always earmarked the $500,000 for streets and understands they have some substantial funds coming in from the street sales tax. When looking at the unfunded decision packages, several of those things are one-time expenditures, and not ongoing expenses. She expressed that she would like for Council, to consider as they come to the end of the year, if those funds have not already been used on streets, that they be used to pay for some of those unfunded items. Mr. Kabiri stated staff could definitely look at that option, and if the Council collectively wants to fund any and all of these one-time expenditures with those $500,000, to pay for those, staff will bring that back for approval. Councilmember Griffon noted that the pavement management study in Friendswood Parkway traffic impact analysis would be a very good thing to do with those $500,000 because it does something for the streets. Mr. Kabiri indicated what with the $500,000 in question, they could fund:

1) the 2023 hazard mitigation grant scoping project for Brigadoon,
2) the rectification of the city's code for $26,000;
3) the pavement management study at $100,000, and
4) the $315,000-traffic study for Friendswood Parkway.

He further noted that of the $17,385,000 currently in fund balance at the start of the fiscal year, October 1, 2022, there are a number of non-spendable prepaid items that are required to be set aside by law, including $260,000 in PEG dollars that come out of that $17 million, and right now, that running tab is at $351,000. There are the funds for the City's 90-day emergency reserve per required per City policy because that reserve is leveraged when the City goes out to the credit rating agencies for debt issuances. These agencies like to see that the City has the ability to take care of things if a rainy day were to occur, and this amount continues to grow each year with this year being estimated to $7.9 million. Additionally, Mr. Kabiri noted they have prior year encumbrances for purchase orders, and there are a number of activities that are executed by contract and when they open a purchase order for services and it exceeds one fiscal year to the next, those dollars cannot just be carried over, so those items have to be closed out and then reopen with a new purchase order the following year, which from 2022 to 2023, equates to nearly $4 million of the prior year. Mr. Kabiri also noted that the unencumbered capital, is comprised of projects that were started in one fiscal year but did not get completed so those funds are moved to the next year to ensure that the City pays for those bills, which is about $1.2 million. So, with the advanced grant funds to purchase those buyout lots that Ms. Haritos referred to earlier, the FY22 in the amount of $654,000, leaves a remaining balance at the end of all of that at roughly $3 million.

Mr. Kabiri stated that since October 1 of this year, inclusive of tonight's council meeting, Council has approved eight budget amendments that total $2.8 million, which includes grant funds that have been advanced. However, there is about $2.1 million that staff anticipates in reimbursement from the state, and the rest are onetime expenses such as the resurfacing of the courts, the Activity Building roof repair, furniture for the new spaces at Blackhawk and the Fire Station 2. The running tab with all these deductions is a little under $800,000 below the City's emergency reserve, but this will change once the City receives the anticipated reimbursements. Mr. Kabiri noted that the purpose of sharing this slide of Unassigned (Unaudited) General Fund Balance Projection is to illustrate that although the City shows it has $17 million in the bank, there are prior obligations, and it is spoken for, which actually puts the City in the red as it has dipped into its emergency reserves.

Mayor Foreman asked if it was in any particular order and City Manager Kabiri answered no, he did not list the Mayor and City Council (M&CC) items first to pick on the Mayor and Council intentionally, but that has to be at the top of the list.

Mr. Kabiri then presented the Water and Sewer Fund Forces-At-Work and Decision Packages slide and noted this is not funded by the general tax fund or the property taxes, this is paid for by your utility bills. There are operational cost increases at our wastewater treatment plant that they do not quite have the number on just yet, but they will go up. The Gulf Coast Authority has already notified staff of this already. There are insurance increases on the City's water sewer facilities that are anticipated to be at about $50,000. The other items included in this budget are as follows:

DEPT	DESCRIPTION	ONE TIME COST	ONGOING COST	TOTAL	OUTSIDE REVENUE SOURCES	NET TOTAL
City Wide	Merit 2.75%		$ 83,000	**$83,000**		**$83,000**
PW_SU	PW59 VRP Replacement Upgrade	$44,214	$0	**$44,214**		**$44,214**
ENG	DR-4586 Severe Winter Storm Grant - Generator	$12,570		**$12,570**		**$12,570**
IT_PW	IT Support Specialist - Public Works	$3,440	$95,463	**$98,903**		**$98,903**
ENG	Office Clerk - Engineering (+1 FTE)	$5,000	$76,712	**$81,712**		**$81,712**
TOTAL DECISION PACKAGES		**$65,224**	**$255,175**	**$320,399**	**$0**	**$320,399**

After concluding his presentation, Mayor Foreman commended Mr. Kabiri, Mr. Hampton, and the Administrative Services staff for doing a fantastic job with the budget. He noted the Council is looking forward to those final numbers and have their fingers crossed that maybe staff is a little too conservative, and the numbers come in better than initially projected.

At 7:41 p.m. Mayor Foreman recessed the meeting.

At 7:51 p.m. Mayor Foreman reconvened the meeting.

8. CITY MANAGER'S REPORT

A. Provide an update on Movies in the park.

City Manager Morad Kabiri presented the item and stated that Movies In The Park series this Friday. There are five family friendly movies that will take place at the Evelyn Newman Amphitheatre at Centennial Park. He did not have an exact start time because it depends on when the sun sets, but it is a fun activity for all. There will be food vendors out there for you to get some food and refreshments during the evening.

B. Receive an update regarding the Friendswood Library Summer Reading Challenge.

City Manager Morad Kabiri presented the item and stated that Summer Reading Challenge has started. They have 1,100 kids and teens already signed up. The challenge runs through August 12 with various events and programs to promote more reading, and if interested in having your child sign up, the website is shown on the screen, it is our Friendswood library website.

C. Receive an update regarding City waterline breaks and repairs.

City Manager Morad Kabiri presented the item and stated as it happens this time of year, every year, there have been a lot of shifting in the soils especially as dry as it has been so there have been a number of water main breaks that the Public Works Director René Ibarra and his team have been out attending to, 24 hours a day in some cases. They worked eight hours this past Saturday on a waterline break, they do not have a choice but to address it as quickly as possible. He commended René and his team's efforts and just asked that folks to be patient.

Lastly, Mr. Kabiri recognized the City's illustrious Police Chief Bob Wieners who was celebrating a birthday and presented him with a gift on behalf of the Council and staff.

9. BUSINESS ITEMS

A. Consider the election of the Mayor Pro Tem

Mayor Foreman nominated Councilmember Rockey for Mayor Pro Tem. No other nomination was presented.

A motion was made by Councilmember Griffon and seconded by Mayor Pro Tem Erenwert, to elect Councilmember Rockey as Mayor Pro Tem. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Councilmember Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Mayor Pro Tem Brent Erenwert

Nays: None.

The item passed unanimously.

B. Consider authorizing an agreement with Pavecon LTD. Co. for Fiscal Year 2023-2024 Striping Maintenance through the Interlocal Purchasing System.

A motion was made by Councilmember Erenwert and seconded by Councilmember Hanks, to approve construction contracts with Pavecon LTD. Co. for Fiscal Year 2023-2024 Striping Maintenance. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert.

Nays: None.

The item passed unanimously.

C. Consider concurring with the City Manager's appointment of a Director of Information Technology.

A motion was made by Mayor Pro Tem Rockey and seconded by Councilmember Griffon, to concur with the City Manager's appointment of Mr. Terry Prindle as the City's new Director of Information Technology. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert.

Nays: None.

The item passed unanimously.

10. PROPOSED RESOLUTIONS & ORDINANCES

A. Consider an ordinance amending the City's General Budget for Fiscal Year 2022-2023 by approving "Budget Amendment IX" and providing for supplemental appropriation and/or transfer of certain funds.

This budget amendment approves the following amendments and budget transfers:

1. **Parks & Recreation – Video Wall Sponsorship for July 4th Event, $5,000**. Appropriate directed sponsorship received from H-E-B. The sponsorship will go towards the rental of a video wall to be used for the July 4th celebration. Funds will be appropriated to the Parks and Recreation Department's July 4th division.

2. **Public, Educational, and Governmental Access (PEG) Channel Enhancement, $109,857**. Appropriate PEG funds for conference room audio visual equipment at the Blackhawk Building project. Construction Master's Change Order #1 is to provide audio visual equipment and installation to the Blackhawk Building's large conference room. The cost associated with this change will be to provide audio visual equipment for the room to host and broadcast public meetings in person and virtually. The purchase is initially funded by the Blackhawk Building Project's Furniture, Fixtures, and Equipment funds. This appropriation will reimburse the FF&E account.

3. **Police Department - Vehicle Insurance Reimbursement, $4,681**. Appropriate insurance proceeds received from TML-IRP related to the loss of equipment located at upfitting company. Equipment is related to P431, P432, P433, P434, P435, P436, and P441. Proceeds will be appropriated to the patrol division's vehicle capital account.

4. **Police Department - Vehicle Insurance Reimbursement, $1,811**. Appropriate insurance reimbursement received from TML-IRP. Funding will be appropriated to the patrol division vehicle maintenance account for repairs made to unit P422.

5. **Police Department - Vehicle Insurance Reimbursement, $4,261**. Appropriate insurance reimbursement received from TML-IRP related to the loss of P429. Funding will be appropriated to cover a portion of the replacement vehicle, P443.

6. **Capital Projects – Blackhawk Blvd Phase II-B, $1,200,000**. Blackhawk Blvd Phase II-B is a cost share project in partnership with Harris County Precinct 2. The contract for construction was awarded by council at the May 1, 2023, council meeting. Harris County's portion of the cost is $1,200,000. The payment was received by the City and the proceeds will be appropriated to concrete streets capital expenditure account.

7. **Blackhawk Shelter Engineering Change Order, $13,000.** Correct prior appropriation of 2021 General Obligation bonds for the change order related to additional engineering costs to revise the bid documents with a modified scope for construction of the Blackhawk Shelter. A reduction in the project scope was required so that the project does not exceed grant funds available. The construction project will be rebid with the reduced scope of work. The 2021 General Obligation will be reimbursed, and funds will be appropriated from unassigned General Fund Balance.

8. **City Secretary's Office – Advertising and Publication, $4,500**. Transfer funds from the Engineering publication budget to the City Secretary's Office advertising and public notices budget for increased publication costs related to capital improvements projects publication requirements.

9. **Police Department – Rad Program, $300**. Appropriate funds donated to the Police Department Rape Aggression Defense (R.A.D.) Program. Donations were received from the citizens participating in the R.A.D. classes. Funds will be appropriated to the Police Department Patrol division for R.A.D. operating equipment related to R.A.D. program expenses.

A motion was made by Councilmember Griffon and seconded by Mayor Pro Tem Erenwert to approve Ordinance No. 2023-16, related to Item 10.A, as submitted. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

ORDINANCE NO. 2023-16

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, AMENDING ORDINANCE NO. 2022-19, PASSED AND APPROVED AUGUST 29, 2022, SAME BEING AN ORDINANCE APPROVING AND ADOPTING THE CITY'S GENERAL BUDGET FOR FISCAL YEAR 2022-23, BY APPROVING "BUDGET AMENDMENT IX" THERETO; PROVIDING FOR SUPPLEMENTAL APPROPRIATION AND/OR TRANSFER OF CERTAIN FUNDS; PROVIDING FOR SEVERABILITY; PROVIDING OTHER MATTERS RELATED TO THE SUBJECT; AND PROVIDING FOR THE EFFECTIVE DATE.

B. Consider an ordinance authorizing the issuance and sale of City of Friendswood, Texas, General Obligation Bonds, Series 2023; approving the official statement, paying agent/registrar agreement and a deposit agreement and engaging bond counsel; calling certain outstanding bonds for redemption prior to maturity; providing for the pledge of tax receipts for the payment of the Bonds and agreeing to levy taxes to pay Bonds; and enacting other provisions relating to the issuance and sale of the Bonds.

In November 2019, the voters approved $52,100,000 in general obligation bonds. In order to effectively manage the bond projects, the City Staff discussed with Council in February 2020 how the projects would be divided into multiple proposed issuances:

- Round 1 ($8,000,000) – Drainage (Imperial Estates) & Public Works Building ($2M)
- Round 2 ($9,100,000) – Public Safety Building Improvements & new Fire Station #2
- Round 3 ($5,000,000) – Drainage Improvements (Lower Clear Creek Study Project)
- Rounds 4 – 9 ($5,000,000 each) – Future Drainage Improvements

Following the initial Round 1 issuance of $8M, the bond issuance plans changed to accommodate the earlier than anticipated readiness of drainage improvement projects. Round 2 issuance was $14.1M to fund the Public Safety Building Improvements, construction of the new Fire Station #2, and drainage improvements for lower Clear Creek. Instead of 6 issuances of $5M each, the remaining $30M will be the final issuance to fund drainage projects.

GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2023

On June 5, 2023, Council approved the Schedule of Events for the issuance of the City of Friendswood General Obligation Improvements Bonds, Series 2023. These bonds will fund the 3rd and final round of the proposed bond program ($30,000,000).

Standard and Poor's (S&P) conducted a bond rating call with the City on June 16, 2023, and we anticipate the City's current AA+ rating to be re-affirmed for this General Obligation Bonds issuance. This rating will indicate the City's strong capacity to meet its financial commitments.

A motion was made by Councilmember Hanks and seconded by Councilmember Matranga to authorize the issuance and sale of City of Friendswood, Texas, General Obligation Bonds, Series 2023; approving the official statement, paying agent/registrar agreement and a deposit agreement and engaging bond counsel; calling certain outstanding bonds for redemption prior to maturity; providing for the pledge of tax receipts for the payment of the Bonds and agreeing to levy taxes to pay Bonds; and enacting other provisions relating to the issuance and sale of the Bonds, related to Item 10.B. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

ORDINANCE NO. 2023-17

AUTHORIZING THE ISSUANCE AND SALE OF CITY OF FRIENDSWOOD, TEXAS GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2023; LEVYING AN ANNUAL AD VALOREM TAX FOR THE PAYMENT OF SAID BONDS; APPROVING AN OFFICIAL STATEMENT AND PAYING AGENT/REGISTRAR

AGREEMENT; APPROVING ENGAGEMENT OF BOND COUNSEL; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

C. Consider a resolution adopting a Grand Marshal Selection Policy

A motion was made by Councilmember Hanks and seconded by Mayor Pro Tem Rockey to approve Resolution No. R2023-16, related to Item 10.C, with the additional amendment being added. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

RESOLUTION NO. R2023-16

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, ADOPTING A GRAND MARSHAL SELECTION POLICY FOR THE CITY OF FRIENDSWOOD'S 4TH OF JULY GRAND PARADE; AND PROVIDING FOR AN EFFECTIVE DATE.

11. CONSENT AGENDA

A motion was made by Councilmember Branson and seconded by Councilmember Hanks to approve the Consent Agenda, Items 11.A through 11.M. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert.

Nays: None.

The item passed unanimously.

A. Consider adopting the appointments of the City Council Liaisons to Committees, Boards, and Commissions.

B. Consider appointing Mr. Dennis Barber as the City of Friendswood's direct appointment to the West Ranch Management District to complete an unexpired term, which begins immediately and will expire on June 1, 2025.

C. Consider authorizing a Buyout License Agreement with Jorge Calle for property located at 128 Cherry Tree Lane.

This item authorizes a new license agreement for the property located at 128 Cherry Tree Lane in accordance with the Open Space Guidelines. The property is located in Enchanted Woods Subdivision, next-door to the residing homeowner Jorge Calle, who lives at 130 Cherry Tree Lane.

D. Consider authorizing agreements with Friendswood Independent School District and Clear Creek Independent School District for School Crossing Guards.

E. Consider authorizing the City Manager to finalize and execute an Agreement for School Resource Officers and an Agreement for School Zone Officers with the Friendswood Independent School District.

F. Consider approving the disposal of Police Department vehicle P290 through Houston Auto Auction.

G. Consider authorizing an interlocal agreement with Galveston County for the FY2024 Meal Program.

H. Consider ratifying the Master Services Agreement with LCT Software LLC, for fully integrated electronic plan review software.

I. Consider authorizing an Interlocal Agreement with Galveston County Consolidated Drainage District for a Master Drainage Plan.

Under the Agreement, The City is responsible for:

- publish an RFQ for the Master Drainage Plan,
- provide statements of qualifications received to the district,
- rank the statement of qualifications, and
- negotiate and enter into a contract with the most highly qualified firm.

GCCDD is responsible for:

- rank the statement of qualifications, and
- contribute $400,000 towards the Master Drainage Plan.

The scope of services in the Agreement includes a base model development phase as well as an alternate development phase, which phases include:

Task 1: Public Involvement,
Task 2: Study Coordination and Project Management,
Task 3: Data Collection,
Task 4: Master Development (1D/2D SWMM, InfoWorks, Etc.),
Task 5: Model Development (1d/2D SWMM, InfoWorks, Etc.),
Task 6: Study Documentation, and
Task 7: Right-of-Way and Easement Assessment.

J. Consider authorizing an Interlocal Agreement with Galveston County Consolidated Drainage District for flood mitigation improvements at 23 Wilderness Trail.

K. Consider ratifying the purchase of office furniture for the Blackhawk Building Renovation Project from Hallmark Office Products, Inc., through The Interlocal Purchasing System.

L. Consider authorizing the final acceptance of the Lift Station #23 Re-construction Project.

M. Consider authorizing a license agreement to allow a portion of private fencing to be constructed within the public right-of-way fronting 307 W. Spreading Oaks.

N. Consider awarding the One-Time Purchase of a Transit Bus/Van With and Without a Wheelchair Lift (Bid No. 2023-12) Sunset Vans.

This item authorizes the one-time purchase of two (2) transit buses/ vans, one with a wheelchair lift and one without, from Sunset Vans in the amount of $175,932.82.

O. Consider approving the ad valorem tax report for May 2023.

P. Consider approving the minutes of the City Council Regular Meeting held on May 1, 2023.

Q. Consider approving the minutes of the City Council Regular Meeting held on June 5, 2023.

R. Consider approving the minutes of the City Council Special Meeting held on June 17, 2023.

12. EXECUTIVE SESSION

A. Recess into and conduct an executive session pursuant to Section 551.071 of the Texas Government Code to seek the advice of the City Attorney Financial or other incentive to a business.

B. Recess and convene into an executive session pursuant to Sections 551.071 and 551.076 of the Texas Government Code to deliberate the deployment or specific occasions for implementation of security personnel and to seek the advice of the City's attorney on legal matters related thereto.

At 8:07 P.M., Mayor Foreman recessed and convened into an executive session pursuant to Section 551.071 of the Texas Government Code to seek the advice of the City Attorney.

At 8:50 P.M., Mayor Foreman reconvened the regular meeting and announced that in accordance with Section 551.102 of the Texas Government Code, no action was taken in executive session.

13. DISCUSSION AND POSSIBLE ACTION

A. Consider an Economic Development Agreement for the construction and build-out of a commercial education facility.

A motion was made by Councilmember Branson and seconded by Mayor Pro Tem Rockey to approve Economic Development Agreement for the Construction and build-out of a commercial education facility, as submitted. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: Councilmember Griffon.

The item passed.

B. Consider an Economic Development Agreement for the build-out of 27,000 square feet of medical facilities.

A motion was made by Councilmember Griffon and seconded by Councilmember Branson to approve Economic Development Agreement for the 27,000 square feet of medical facilities, as submitted. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: Councilmember Griffon.

The item passed.

14. ADJOURNMENT

With there being no further business to discuss, Mayor Foreman adjourned the July 10, 2023, City Council Regular Meeting at 8:52 P.M.

____
Mike Foreman, Mayor

Attest:

____
Leticia Brysch, City Secretary

FRIENDSWOOD CITY COUNCIL
AGENDA ITEM FORM

This form should be completed and forwarded to the City Manager's Office as soon as possible prior to the first date that the item is expected to be placed on the Friendswood City Council agenda.

Date requested for City Council consideration: August 28, 2023

Date submitted: 08/22/2023

Prepared by: Leticia Brysch, City Secretary

Subject: Consider approving the minutes of the City Council Regular Meeting held on August 7, 2023.

Originating Department: City Secretary

Degree of importance:

SUMMARY / ORIGINATING CAUSE

This item allows the Council to review and approve the minutes of the City Council Regular Meeting held on August 7, 2023.

IMMINENT CONSEQUENCES / BENEFIT TO COMMUNITY

RECOMMENDATIONS

Staff recommends approval.

ATTACHMENTS

1. August 7, 2023, CC Meeting Minutes (draft)

MINUTES OF THE REGULAR MEETING OF THE
CITY COUNCIL OF THE CITY OF FRIENDSWOOD
AUGUST 7, 2023

THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD MET IN A REGULAR MEETING ON MONDAY, AUGUST 7, 2023, AT 5:30 P.M. IN THE COUNCIL CHAMBERS, FRIENDSWOOD CITY HALL, LOCATED AT 910 S. FRIENDSWOOD DRIVE, FRIENDSWOOD, TEXAS, WITH THE FOLLOWING MEMBERS PRESENT CONSTITUTING A QUORUM:

Steve Rockey	Mayor Pro Tem
Sally Branson	Councilmember
Trish Hanks	Councilmember
Robert J. Griffon	Councilmember
Joe Matranga	Councilmember
Brent Erenwert	Councilmember
Mike Foreman	Mayor
Morad Kabiri	City Manager
Karen Horner	City Attorney
Leticia Brysch	City Secretary

1. CALL TO ORDER

Mayor Foreman called the meeting to order with a quorum present at 5:30 P.M.; all members were present.

2. INVOCATION

The invocation was led by City Manager Morad Kabiri.

3. PLEDGE OF ALLEGIANCE

Mayor Foreman led the pledges to the United States and State of Texas.

4. COUNCIL COMMENTS AND REPORTS

Mayor Foreman welcomed the Boy Scout troop present at the meeting. He also stated that last week he recently attended the badge pinning ceremony for five new volunteer firefighters with the Friendswood Volunteer Firefighters Department, the first in about five years. Mayor Foreman thanked the new firefighters for their service and willingness to volunteer to serve the residents of Friendswood.

Councilmember Rockey stated the planning for the Library Gala scheduled for the last week in September is going well and tickets and sponsorship opportunities are still available.

Councilmember Griffon stated that there is a lot of good work being done by the Galveston County Consolidated Drainage District as it relates to drainage and inline detention and welcomed everyone to attend the upcoming meeting of the Clear Creek Watershed Steering Committee.

Councilmember Branson reminded everyone that on Labor Day, September 4th, is the annual free Labor Day Ice Cream Social at the Perry Home from 5:00 p.m. to 7:00 p.m., and everyone is invited. She noted that the event is sponsored by many businesses in town, but some of the main sponsors include the Friendswood Historical Society, Friends of Downtown Friends Association, Rotary, Keep Friendswood Beautiful, and H-E-B.

Councilmember Hanks stated that she is very proud to announce that the Library has been very busy this summer with over 1300 young people participating in its summer reading program. She also noted that the Library is graduating its first high school graduate from the Gale Excel Adult High School Scholarship Program. Ms. Megan Mays will now be eligible for a paying job at a daycare center that she has been working with as a volunteer, and to honor her achievement, the Library is holding a small graduation for her on August 12th. She was also happy to report that the Library's bookmobile is up and running delivering books to people who are unable to physically visit the Library.

Councilmember Hanks stated that she is also the liaison to Keep Friendswood Beautiful (KFB), and noted that this past summer, at the Keep Texas Beautiful Conference in June, Ms. Kay Cory was awarded Volunteer of the Year for Texas and is now the face of Keep Texas Beautiful. Also, KFB was again recognized for its Gold Star affiliate status, which is the highest membership that an affiliate can achieve. Councilmember Hanks recognized Parks staffer and KFB coordinator, Ms. Kimberly Ramirez, who was also recognized as a Keep Texas Beautiful mentor and served as a judge on the GCAA grant panel.

Councilmember Matranga recognized a local animal rescue group named the Three Little Pitties who he had the opportunity to work with last week to load 135 dogs onto their air-conditioned 18-wheeler for transportation to forever homes. Councilmember Matranga noted that these animals are mostly local strays that have been abandoned or let go, and through this organization are cared for and adopted to families in the Pacific Northwest. In the last five years Three Little Pitties has moved and transported over 11,000 animals from this area to the Pacific Northwest. Councilmember Matranga thanked the organization and its many volunteers for helping these dogs find their forever homes.

5. PUBLIC COMMENT

There was no one signed up to speak.

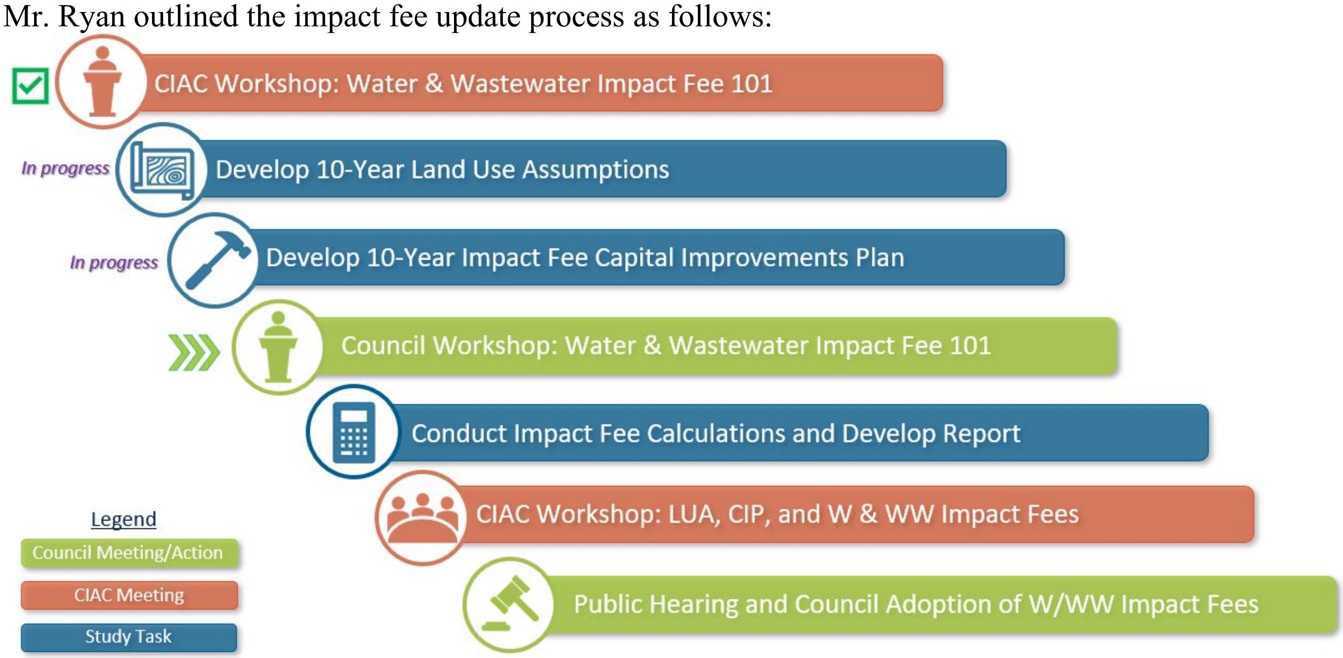
6. WORK SESSION TOPICS

A. Receive and discuss an update regarding Utility Impact Fees:

Kendall Ryan, PE with Freese and Nichol presented the item and stated that the City does have an existing Impact Fees Ordinance and Friendswood has been running water and wastewater impact fees since the '90s, with the required five-year updates. Mr. Ryan noted that the City's existing impact fees are those adopted by the Council in 2018, which are currently, about $1,400 for water and $2,800 for wastewater for a total of $4,227, for a one-inch meter or a one-service unit. However, as the water meter gets bigger and there is more impact on the system, the impact fee increases. Mr. Ryan clarified that the impact fees are a one-time fee that comes into play when the building permit gets pulled that is asking the developer to help pay for a portion of the cost associated with the water and wastewater infrastructure necessary to serve the new development. Friendswood is a maturing city in its growth curve, so there will not be an astronomical amount of growth in the future, but there will be some growth and continued development, which will require the use of the impact fee program. Mr. Ryan further noted that with impact fees, new development shares in a portion of the costs related to projects that will serve the growth without impact fees, so that the City's existing and future water and sewer payers do not have to foot the entire cost of capital projects. Mr. Ryan noted that every year through the budget process, the Council is presented with the rate model and any potential increase in water and sewer rates to cover the costs of related infrastructure costs. He further noted that impact fees come in to help offset how high those rate increases have to be to cover the costs of that infrastructure.

Mr. Ryan stated that impact fees in Texas are governed by Chapter 395 of the Texas Local Government Code, which lists out the requirements for adopting, maintaining, and updating said fees. So, the City is at the point where it needs its five-year update to its impact fees. This update requires an impact rate study that must be done by an engineer, which is what Freese and Nichols will be handling for the City. Mr. Ryan noted that there is not a lot of room for creativity in developing an impact fee as Chapter 395 lays out the process and formular by which they are to be developed. The CIAC or Capital Improvement Advisory Committee, which is the City's Planning and Zoning Commission, will be responsible for working with them on putting this study together. Mr. Ryan noted that the Commission had already started the process and had recently been briefed on the process, the requirements, and the general plan moving forward. Mr. Ryan stated that he wanted to clarify that impact fees can only pay for capacity-related infrastructure and its related surveying, land acquisition, debt service, etc., but may not be used to pay for operations and maintenance (O&M), repairs on existing infrastructure, any debt service associated with non-capital improvement projects (CIP), non-impact fee CIP projects.

Mr. Ryan outlined the impact fee update process as follows:



Mr. Ryan stated that City Council is the rate and policy-setting body for the impact fee. He noted that they will be presenting the Council with the maximum allowable impact fee that can be charged for the city, and they will then decide whether or not to adopt the maximum allowable fee or something lower.

Mr. Ryan stated that Friendswood's city limits are pretty simple because it is bounded by other cities, so there are no questions as to where to go outside the city limits, which then helps identify existing population and commercial developments along with any anticipated future growth and then boil that down to service units. Friendswood's Capital Improvement includes its Water and Wastewater Capital Improvement Plans which will be used to calculate the water and wastewater impact fee. Again, the calculation will only include those projects that are growth-related ones, and not necessarily the whole CIP; i.e., only those that will serve growth over the next 10 years.

Mr. Ryan gave the Council an overview of the impact fee calculation, which included the following:

$$\text{Impact Fee Per ESU} = \frac{\text{Eligible CIP Cost} - \text{Rate Credit}}{\text{Service Unit Growth}}$$

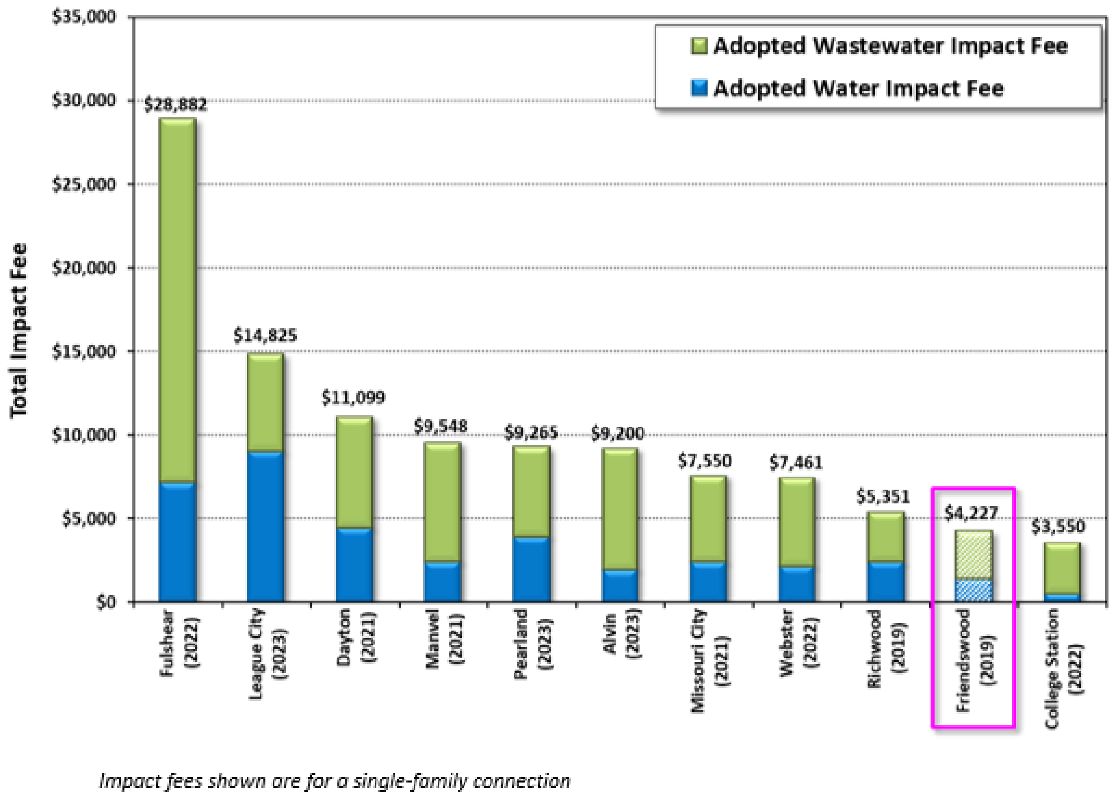
ESU = Equivalent Service Unit (connection for a single-family home)

Eligible CIP Cost = 10-year capital cost (2023 - 2033)

Rate Credit = Chapter 395: Reduce eligible CIP Cost by a credit equal to 50 percent of the total projected cost of implementing the CIP

Service Unit Growth = Derived from land use assumptions for 10-year growth in **ESUs**

Mr. Ryan stated that the ESU or the Equivalent Service Unit, is a one-inch meter concept that is the impact that a single-family home has on the average inside of Friendswood with everything else being scaled up from that point. When the City builds a pump station or a water line, it is not built to serve 10-year growth but is instead built with a capacity to handle the next 20, 30, 40 years. The study being done creates the Eligible CIP Costs by looking at the portion of that pipeline capacity, that pump station's capacity that will serve growth in 10 years, and it distills that portion of the cost that goes into the numerator. The Rate Credit is a term found in Chapter 395 of the Local Government Code that is a fancy way of saying that a City can take the Eligible CIP Costs and you cut it in half; i.e., reduce it by 50%. The denominator in this equation is the Service Unit Growth, which is the growth in service units that the City thinks will happen in the next 10 years based on the land use assumptions. Mr. Ryan stated that the impact fees will all come together by using this equation and working with the Planning and Zoning Commission, the City's Comprehensive Plan and Capital Improvement Plan. Mr. Ryan further showed the Council an impact fee comparison with other surrounding cities:



Mr. Ryan noted that Friendswood is on the bottom right of the graph at $4,227, which is the combined water and wastewater impact fee. He noted that the impact fees for surrounding cities have gone up 50 to 75%, sometimes even at 100%, which is mostly based on cost because project costs have gone up so dramatically.

Councilmember Griffon inquired if the reason why those other municipalities are so much higher than Friendswood is based on the calculation allowed under Chapter 395 or is that just a factor of how big the other municipalities are, like a Pearland. Councilmember Griffon stated that if these other cities are larger and have a different rate credit based on their land use then they would not be comparable to Friendswood because the City does not use the calculation based on land use.

Mr. Ryan responded that there are two options noted in Chapter 395 for figuring out what that cap will be; i.e., what that maximum allowable rate will be, and Friendswood has since the inception of the water and wastewater impact fees, utilized the 50% method. The other option allowed in this Chapter is based on a rate credit analysis, which looks at the water and sewer ratepayers' water bills, and it goes through all the math and all the debt service to figure out how much of the water bill is paying current debt on impact fee-related projects with everything else being included in the impact fee. So, instead of reducing the fee by 50%, it would run all of those previously mentioned numbers to find that fee amount, and this method has a number of nuances that are particular to each city, so it is not uniform.

City Manager Morad Kabiri stated that this calculation functions off of the utility infrastructure cities will need in order to meet their growth demands in the next 10 years. He further noted that Friendswood is fairly limited in its growth, so there isn't a lot of growth-related infrastructure costs associated with the

City's impact fee, and because the City has always opted for the 50% rule, whatever the calculations end up being, they will be cut it in half, which is why Friendswood tends to be in the lower end of these fees.

Mr. Ryan stated that he thinks that the reason Friendswood always selected the 50% calculation option is because it takes so much work to compute it the other way and the 50% method just ensures that cities are not double-dipping based on the rate and at the end of the day, it results in, developers somewhat helping with the costs. Mr. Kabiri noted that historically, previous Councils have not wanted to hinder development and growth, so they have always opted for a rate much lower than the maximum allowable rate. Mr. Ryan noted that this process will bring the Council the calculation of the City's maximum allowable rate for its impact fees and then they can decide if they adopt that number or something less.

Mr. Ryan noted the next steps on the study are as follows:

COUNCIL Workshop – Impact Fees 101	**8/7/2023**
Resolution to set Public Hearing for Impact Fees	**9/11/2023**
CIAC Workshop – Review LUA, CIP, & W/WW Impact Fees	**9/14/2023**
Advertise for Public Hearing	**By 10/4/2023**
CIAC Submits Written Comments to Council	**By 10/25/2023**
PUBLIC HEARING – W/WW Impact Fees	**11/6/2023**
COUNCIL – Reading and Adoption of the Ordinance Updating Impact Fees	

Mr. Kabiri stated that as they were on the topic of impact fees, he wanted to remind the Council that in the last legislative session, the State made some changes to platting requirements as it pertains to roadway construction, and if the Council is interested, staff can bring back an item to discuss potentially a roadway impact fee for some of regional major thoroughfares that would not otherwise be dedicated or built and as a component of development any longer.

Mayor Foreman thanked Mr. Ryan and staff for their work on this item and looked forward to the results.

7. MUNICIPAL BUDGET FOR FISCAL YEAR 2023-24

A. Receive and discuss a presentation regarding the City of Friendswood Proposed FY2023-24 Municipal Budget.

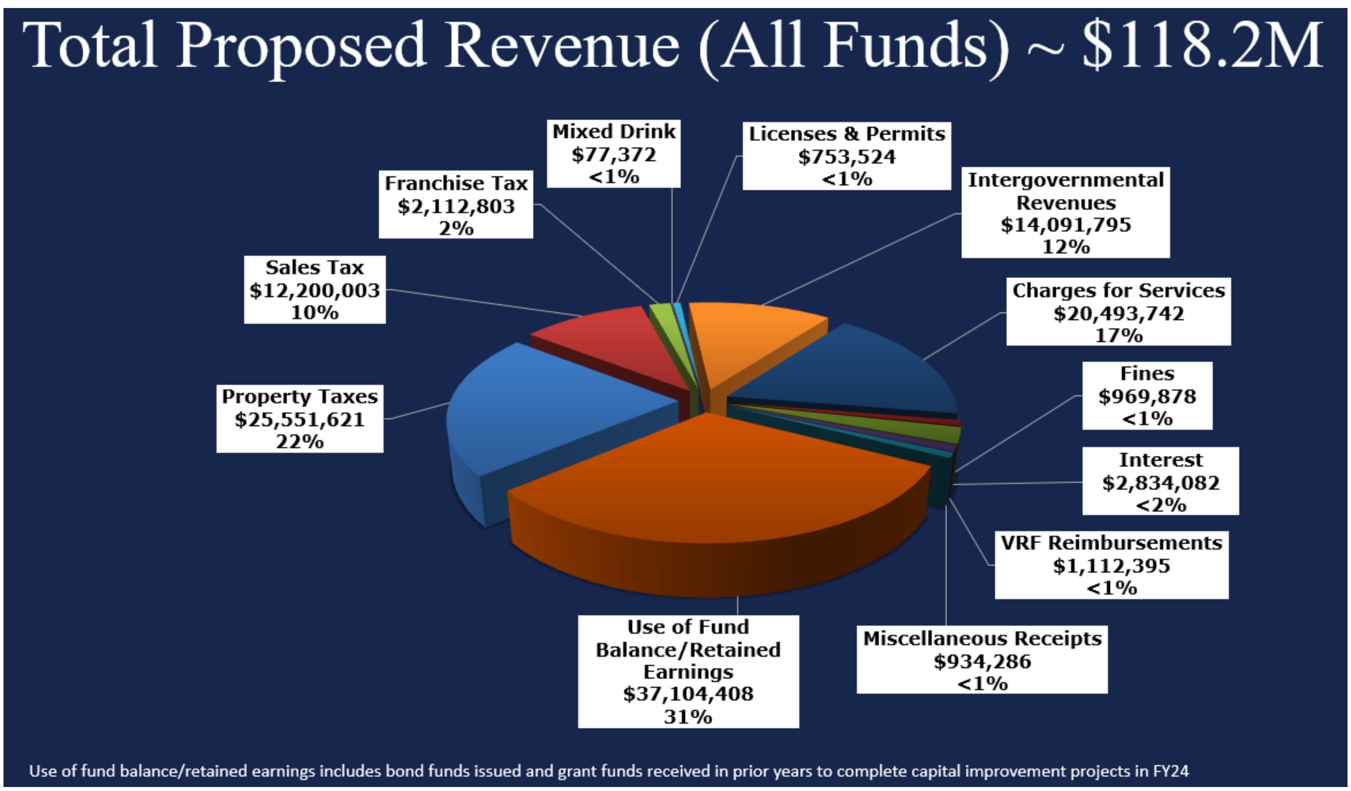
Katina Hampton, ASO Director presented the item and began by giving the Council a summary of what items changed in the proposed FY2023-24 proposed Municipal Budget from the Council's Retreat and last month's Council Meeting, which included the following:

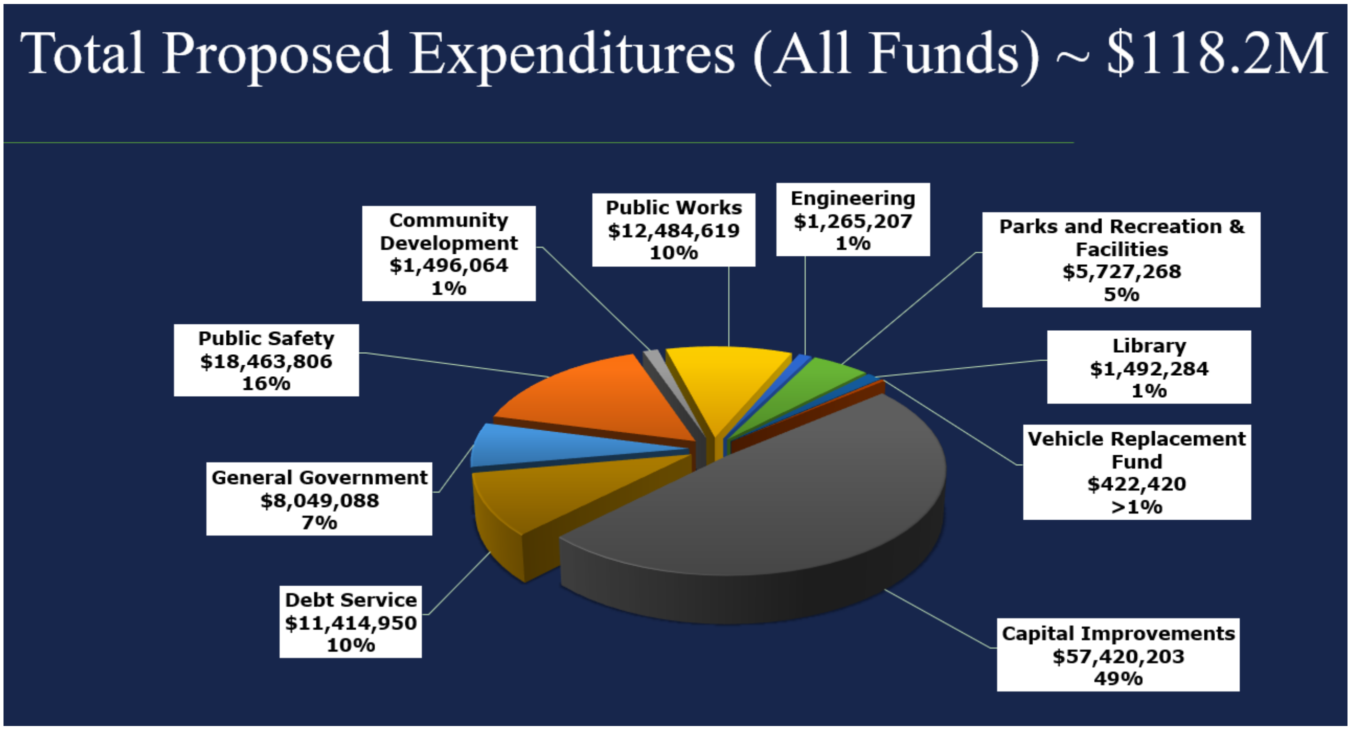
The tax rate used to develop the proposed budget is about 2.1 cents less than what staff had originally projected.

- Merit funding is about $50,000 more than what was originally projected.
- The forces at work and decision packages are now included in the proposed budget.
- The Water and Sewer Revenues and Expenditures are a little different than what was originally presented.

Ms. Hampton stated that she would be going over these changes throughout the presentation. Ms. Hampton went over the key budget drivers for this fiscal year, which were the same as those presented in her previous presentations. She noted that these are the items that are were used to develop the proposed budget with a focus on maintaining and when possible, enhancing the City's customer service and service levels for the residents of Friendswood.

Ms. Hampton stated that the overall proposed budget, inclusive of all funds, is at $118.2 million with the largest portion of this being the City's taxes and revenues. The breakdowns of both the overall taxes and revenues were outlined in the following graphs:

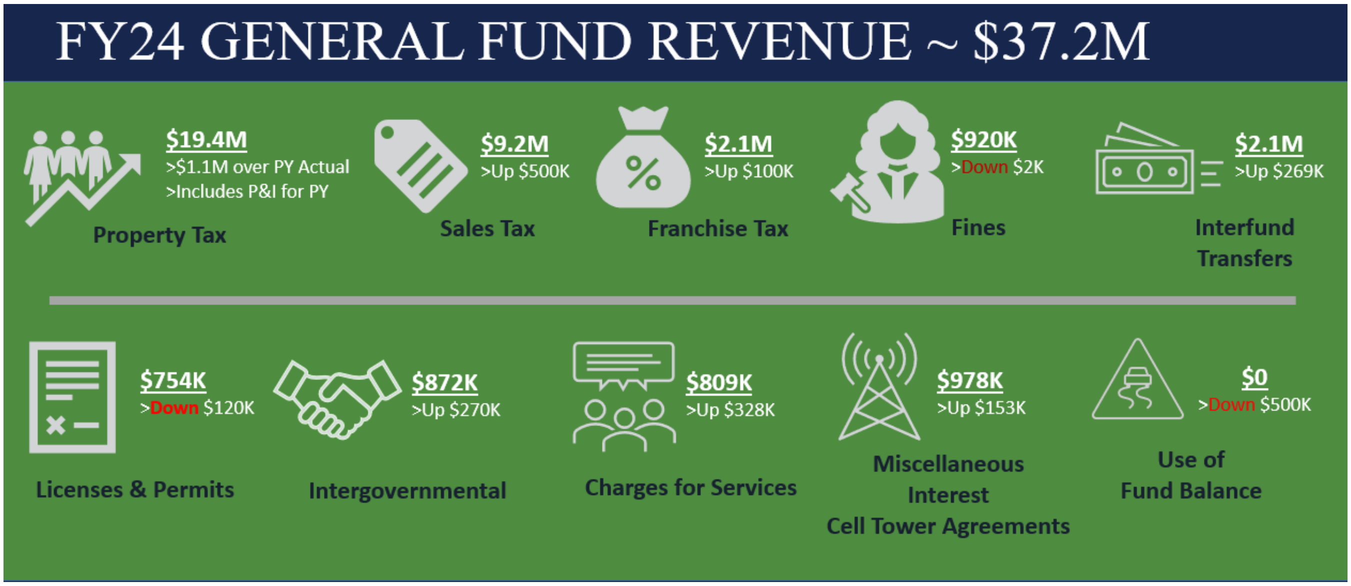




Ms. Hampton stated that as it related to the City's General Fund, which is its main operating fund, staff, as required by the Charter, is presenting a balanced budget. She noted that its total revenues are $37.2 million, which is up about $2.4 million from the last adopted budget. She noted that overall, about 83% of the overall general fund revenues are tax-related and include property taxes, sales tax, and franchise taxes, with the exception of the half-cent sales and use taxes for Street Maintenance and Improvements and the Friendswood Downtown Economic Development Corporation which are recorded in separate funds. The remaining 17% that is non-tax revenues are for various things such as inter-fund transfers from other funds into the General Fund for the administrative costs of doing business to support those other functions of the city. She noted that fines that are generated through the Municipal Court for misdemeanor violations, intergovernmental revenues, are for building permits, Parks and Recreation services fees, other charges for services, and any interest earnings.

Ms. Hampton stated that there is a zero use of fund balance for streets budgeted in the General Fund, and that is because in the past, staff has budgeted $500,000 out of fund balance for street improvements; however, this year, staff feels that the 3/8th cents sales tax for street improvements is adequate to cover what has been identified as the foreseeable future street improvements, as such, that amount has been reallocated for some of the other decision packages that were presented at previous meeting. In response to Councilmember Branson's questions, Ms. Hampton clarified that this reallocation is for one-time costs and are not recurring. Mr. Kabiri stated that this change is a direct result of Council's direction at the last Council meeting for this year's proposed budget.

Ms. Hampton showed the Council the previously noted information in the following graph:

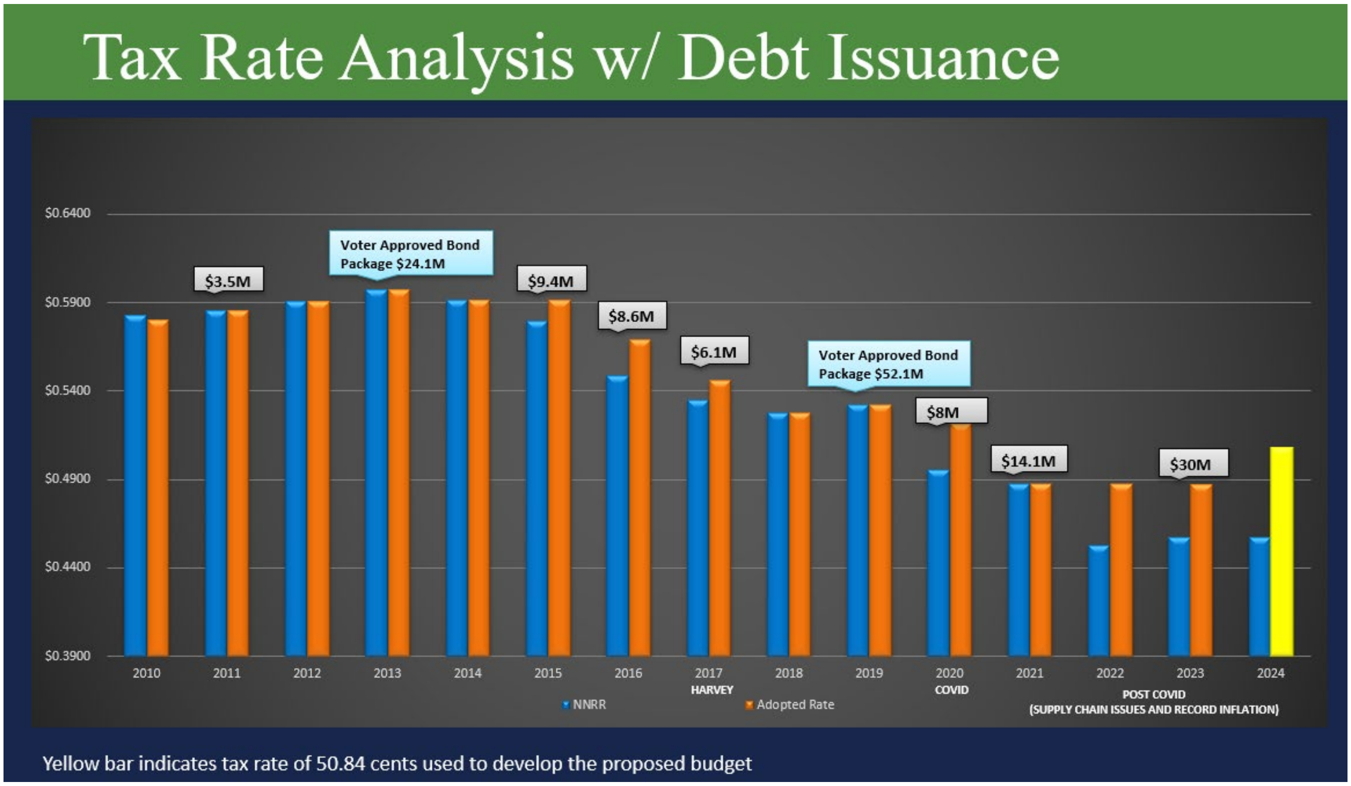


Ms. Hampton then reviewed the tax rate that was discussed in previous meetings that was in developing our proposed budget. She noted that that rate would be 50.84 cents rounded, which is about four and a half cents above the estimated no new revenue rate. Ms. Hampton clarified that she is using the term estimated because at this point staff has a number of properties that are still in protest; however, at this item the Galveston County Tax Office certified the estimated no new revenue rate to be at about 46.31 cents. So again, the rate that was used to develop the budget is about four and a half cents above that, but it is only about a little over 2 cents more than the City's current tax rate. Ms. Hampton stated that the rate used for the budget is though about 9 cents less than the voter-approved rate, which is lower than the voter approval rate, which is the rate that would trigger a rollback election for the taxes.

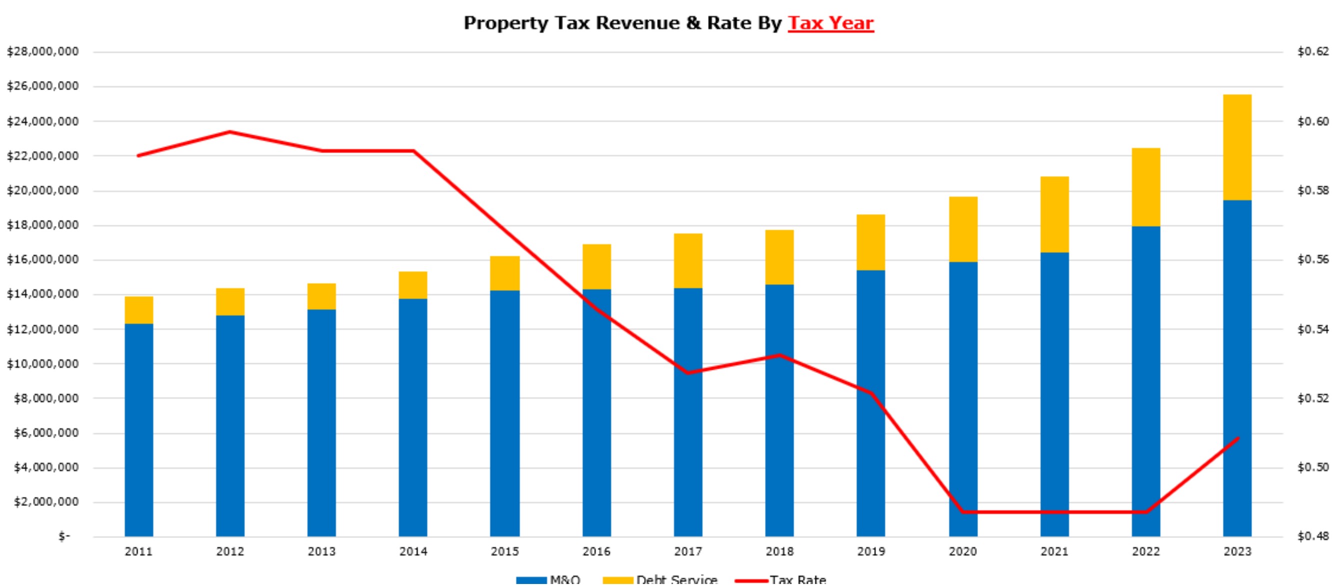
Ms. Hampton noted that the estimated net taxable value is estimated to be over $5 billion for the city, which is up about $129 million over the City's current tax year with new construction of about $107 million being included in the projection for the proposed tax rate. Also incorporated into the budget development, are the allowed exemptions that total nearly $2 billion in value. So, staff has to try and estimate how much of that freeze ceiling value is incorporated into the tax rate. Ms. Hampton stated that she wanted to mention that the City's values were certified by Harris County and Galveston County on July 25th and at that time there was about $191 million in value under protest. As such. Staff is still waiting for Appraisal Review Board decisions on those properties under protest. Pending these decisions, staff has incorporated 80% of that outstanding value, into the City's budget estimates.

Ms. Hampton noted that the proposed tax rate used to develop the budget would cover the City's debt service obligation on current General Obligation Bonds of about $6.1 million, which is significantly less than what was anticipated at the time that those bonds were voted on and approved by the voters in 2019. Still, the City overall debt service has grown by about $2.9 million in the past four years as those bonds have been issued. Mr. Kabiri stated that the bonds have increased by about a $1.6 million increase, or a little over three pennies.

Ms. Hampton showed the Council the following slide which captures the City's historical tax rate data in relation to successful General Obligation Bond elections and the subsequent debt that's been issued since that time.

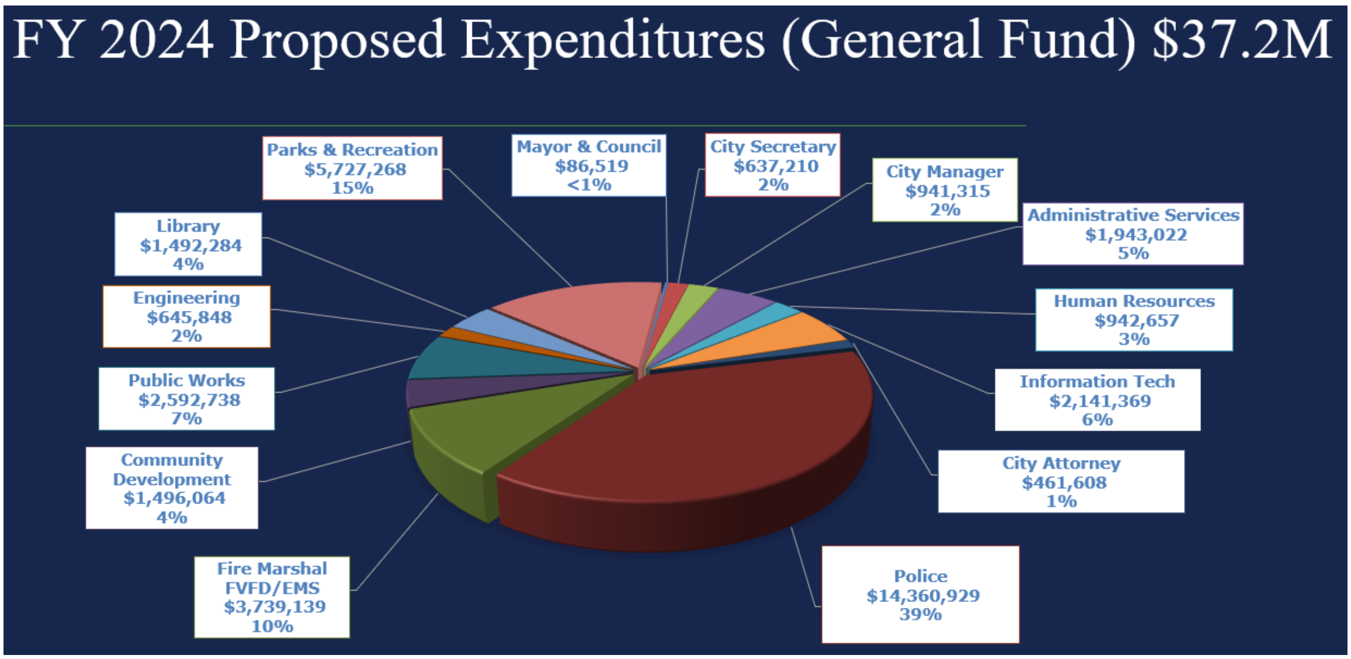


In the next slide the graph is intended to show the inverse relationship between the City's property tax rate and the property tax revenue that those rates generated each year, for the past 12 years.



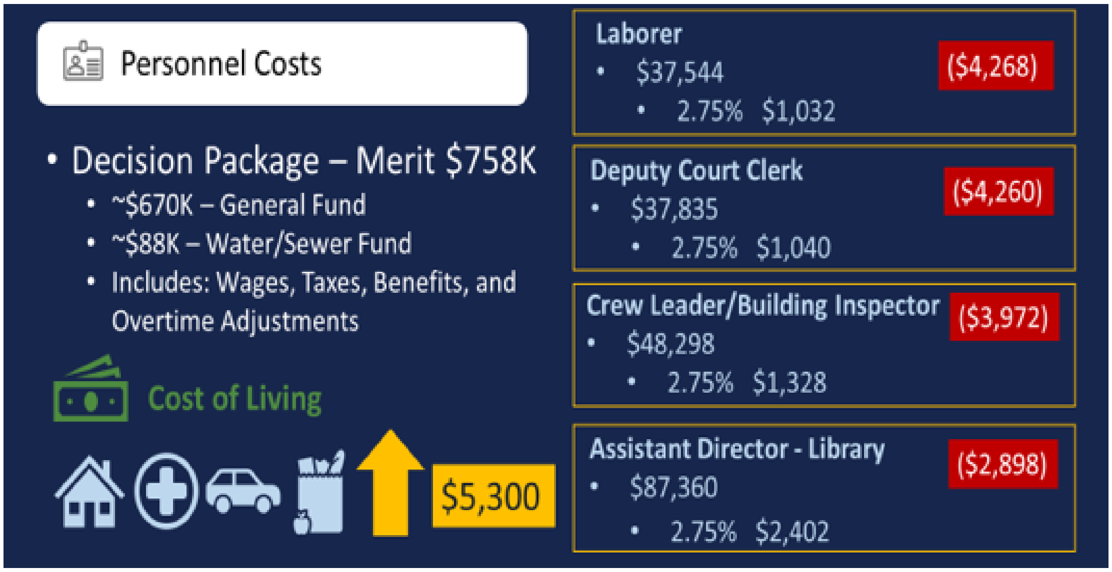
Ms. Hampton noted that in 2011, the City adopted a tax rate just under 58 cents, and the City's levy at that time being just under $14 million and as values increased, the City's tax rate has been lowered. As such, in 2023, the tax rate used to develop the proposed budget is almost 7 cents less than 14 years ago, and it is projected to generate about $25.5 million in levy for the General Fund and the Debt Service Fund. Ms. Hampton reiterated that the City has been able to lower the tax rate in that way because the values have increased over at that time period; e.g., the City was at $2.4 billion in 2011, and is now over $5 billion in value with that growth and value being is inclusive of new construction over that same 14-year period.

Ms. Hampton reviewed the following slide with the FY 2024 proposed expenditures:



As it related to the proposed personnel costs, Ms. Hampton stated that staff updated said information to show merit being $758,000, with roughly $670,000 of that being in the General Fund and then about $88,000 on that being on the Water and Sewer side; i.e., Public Works and those employees that support the City's utility infrastructure.

Ms. Hampton showed the Council the impact of the estimated 2.75% merit increase has on a few salaried in relation to the cost-of-living increases being experienced and stated that she appreciated the Council's consideration of the proposed employee merit, which helps to show how valued and appreciated the city's employees, its most valuable resource, are.



Ms. Hampton also showed the Council the City's compensation package in comparison to other surrounding cities:

FY24 COMPENSATION INCREASES COMPARISON		
CITY	CIVILIAN STAFF	PUBLIC SAFETY STAFF
Friendswood	2.75% Merit No COLA	2.75% Merit No COLA
Pearland	4% (2% COLA + Step Increases + 2% Merit)	5% (2% COLA + 3% Merit Step Increase per CBA
League City	5% (2.5% COLA + 2.5% Merit)	5% (2.5% COLA +2.5% Merit) Step Increase (per CBA)
Alvin	7% (5% COLA + 2% merit)	10% - 20% Step Increase (per CBA)

Councilmember Hanks stated that there seemed to be quite a difference in the percentage increases with neighboring cities and asked if Friendswood was having difficulty recruiting and/or retaining police officers, EMS staff members, and other first responders and if their salaries were competitive or a little bit higher than market. Mr. Kabiri responded that employee salaries, are reviewed on an annual basis and if there is a position that is unable to compete with neighboring cities, then staff makes adjustments to those positions along with any necessary adjustments to the City's overall salary ranges/positions. Mr. Kabiri noted that at this time, the City is not that far off from what the neighboring cities are doing and unfortunately, they are in a position where they are able to offer more simply because of their circumstances. However, he did want to note that historically, a lot of these cities forwent merits on an annual basis and are playing catch up on their salary. An example of this is the City of Pearland who had not given many of its employees a raise in about four years, and that is why this year they are proposing a COLA as well as a, a merit pool to try to play some catch up. Mr. Kabiri stated that he and his predecessor did not want to have to take herculean efforts to catch up on having competitive salaries in this matter, and intentionally conduct annual salary surveys because he does not want to ever be in a position where he has to come before the Council and $2 million worth of additional salaries because not only would it be detrimental to the budget, by that point, the City would have already lost many valuable employees.

Councilmember Matranga inquired if having a merit increase of 2.75% versus four , five or seven, puts the City of Friendswood at a higher risk of losing people to those cities or do the salaries compensate for that. Mr. Kabiri responded that everybody's circumstances are always unique. He noted that the City has lost employees to other cities based upon their circumstances, many times specific to family issues. He stated that in his opinion, the 2.75% merit keeps the City competitive, and also noted that he had asked Ms. Hampton, Director do Administrative Services and Ms. Haley Brown, HR Director, to look at possibilities for capping the executive staff merit pool in order to provide additional funding for the City's non-executive staff, to ensure that those positions become even more competitive.

Ms. Hampton showed the Council the slides related to the forces at work items that were included in the proposed budget for the General Fund and noted that they are a total 1.4 million this list can also be found in the proposed budget document on page 378. Below are those items that have been funded:

City Wide	Windstorm and Liability Insurance Increase	$0	$79,750	$79,750	$0	$79,750
City Wide	Electricity Increase (24.75%)	0	176,508	176,508	0	176,508
City Wide	Health Insurance Increase (4.43% Medical, 10.3% Dental)	0	104,898	104,898	0	104,898
FVFD	Fire Services Contract Increase	0	71,995	71,995	0	71,995
EMS	EMS Services Contract Increase	0	284,748	284,748	0	284,748
FMO	EMS Chief	5,500	179,707	185,207	0	185,207
PD Patrol	Addition Police Officer (Per Capita Requirement) (Addition mid year)	15,250	63,763	79,013	0	79,013
PD	Motorola/Watchguard Body Worn Camera Contract (5 Year Contract)	0	98,200	98,200	0	98,200
Library	Add Vehicle to VRP	0	6,039	6,039	0	6,039
P&R_Fac	Exisiting Failities and Park Maintenance	97,250	0	97,250	0	97,250
P&R_Fac	Facility Expansion Maintenance and Utility Cost	0	144,769	144,769	0	144,769
P&R_Fac	New - FB Park Maintenance, Bay Area Medians, Deepwood, Frenchman's Buyout Lot Maintenance	0	67,782	67,782	0	67,782
P&R_Seniors	Add Senior Citizens Bus to VRP Schedule	0	18,000	18,000	0	18,000
Total Forces at Work		**$118,000**	**$1,296,159**	**$1,414,159**	**$0**	**$1,414,159**

Dept	Description	One Time Cost	Ongoing Cost	Total	Outside Revenue Sources	Net Total
PD Patrol	FISD School Crossing Guards - (2) Cline Elementary	$200	$34,952	$35,152	$35,152	$0
P&R_SDC	Summer Day Camp Expansion	0	175,084	175,084	175,084	0
P&R_Parks	Daddy Daughter Dance	0	3,500	3,500	3,500	0
P&R_Parks	Flapjack Fun Run	0	6,000	6,000	6,000	0
City Wide	Merit 2.75%	0	670,000	670,000	0	670,000
CAO	Recodification of Friendswood City Code	26,000	0	26,000	0	26,000
ENG_CIP	2023 HAZ Mit Grant Scoping - Brigadoon Lane	18,000	0	18,000	0	18,000
ENG_CIP	Friendswood Parkway Traffic Impact Analysis	315,370	0	315,370	0	315,370
IT_PW	IT Support Specialist - Public Works	3,440	95,463	98,903	98,903	0
Total Decision Packages		**$363,010**	**$984,999**	**$1,348,009**	**$318,639**	**$1,029,370**

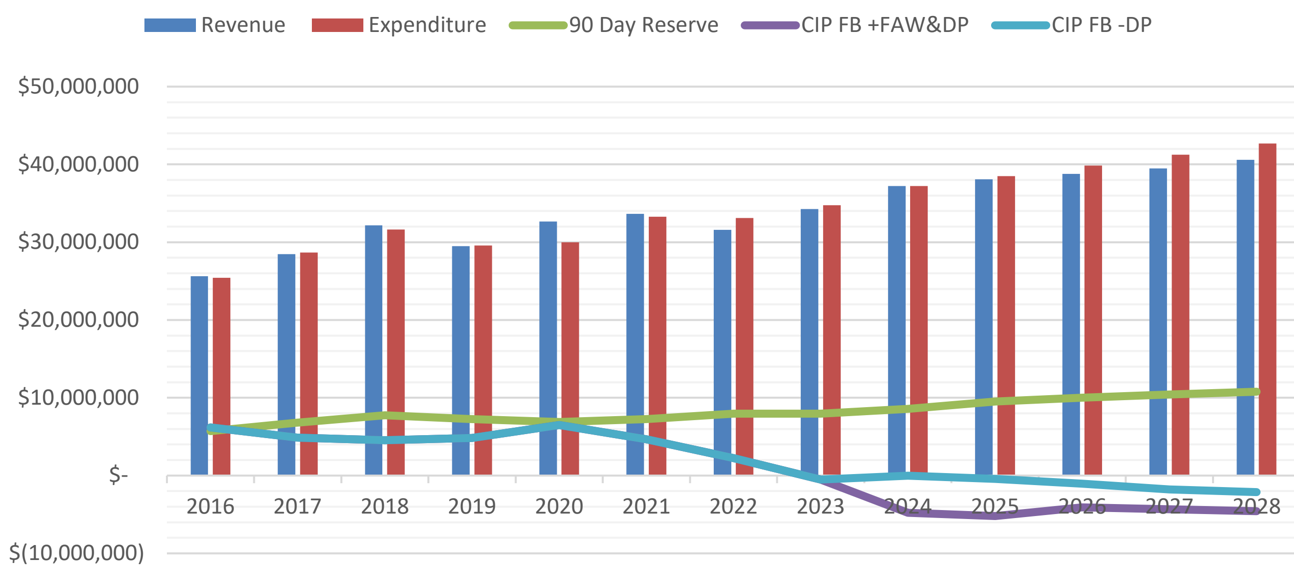
Councilmember Matranga asked if the forces at work were just escalations, i.e., the cost of doing business that is not within the City's control or just payments that have escalated. Ms. Hampton agreed with Councilmember Matranga and noted that these are things that for the most part out of the City's control.

Councilmember Griffon asked if the Fire Marshal's Office was going to change with the bringing in of the EMS division. Mr. Kabiri stated that this will be a multi-year transition with the first year being the one that brings the EMS Chief on board that will be considered a division in the Fire Marshal's Office. He noted that there will be some changes to the department's name and some of the positions, but those are all things that will be worked through in the next year.

Ms. Hampton reviewed the list of unfunded decision packages and noted that in order to fund all of these items, it would need an estimated 6.30 cents on the tax rate. She further noted that this list is included on page 380 of the proposed budget document and are listed by rank.

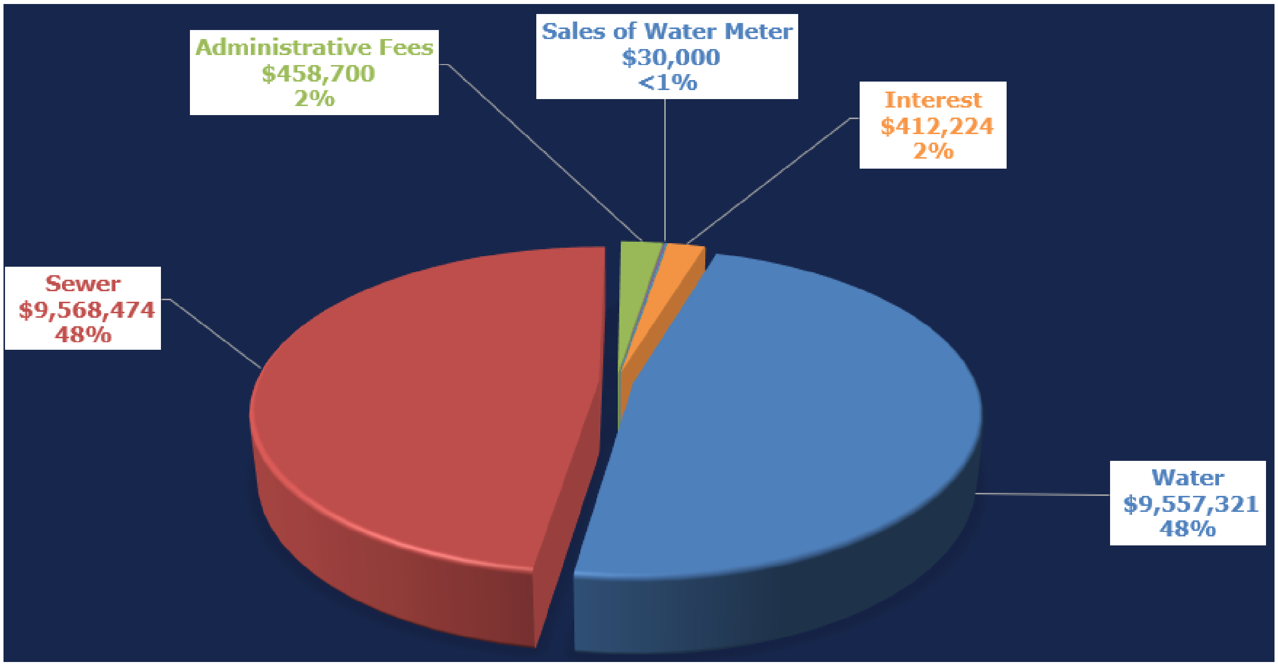
Dept	Description	One Time Cost	Ongoing Cost	Total	Outside Revenue Sources	Net Total
IT_CDD&IT	Administrative Assistant	$13,440	$85,852	$99,292	$0	$99,292
IT	Electronic Bidding Solution (W/S Fund Admin Transfer Covers Portion)	25,000	5,000	30,000	15,000	15,000
IT_PD&LIB	Website Platform	17,000	3,000	20,000	0	20,000
PD_CID	Flock Safety Contract Renewal & Expansion (2 Year Contract)	12,000	19,000	31,000	0	31,000
PD_AC	Animal Control Officer + Vehicle (+1 FTE)	78,750	95,929	174,679	0	174,679
PW_Streets	VRP Addition - Half Ton Truck - Streets/Sign Shop	40,000	4,500	44,500	0	44,500
PW_Streets	PW155 Replacement - Tractor Mower	61,000	2,500	63,500	0	63,500
PW_Streets	PW160 Replacement - Tractor Mower	61,000	2,500	63,500	0	63,500
ENG_CIP	Parking Lot Construction, Old City Park, Shadwell, Stevenson Park	2,600,000	0	2,600,000	0	2,600,000
P&R Facilities	Parks Laborer (+1 FTE)	0	65,090	65,090	0	65,090
P&R Seniors	Recreation Aide (+0.50 FTE)	0	15,128	15,128	0	15,128
Total Unfunded Decision Packages for General Fund		**$2,908,190**	**$298,499**	**$3,206,689**	**$15,000**	**$3,191,689**

Ms. Hampton showed a slide outlining the City's fund balance and the General Fund balance operating reserve, which is the 90-day reserve that is recommended per the City's financial policies. She noted that the slide showed the change in the City's 90-day operating reserve.

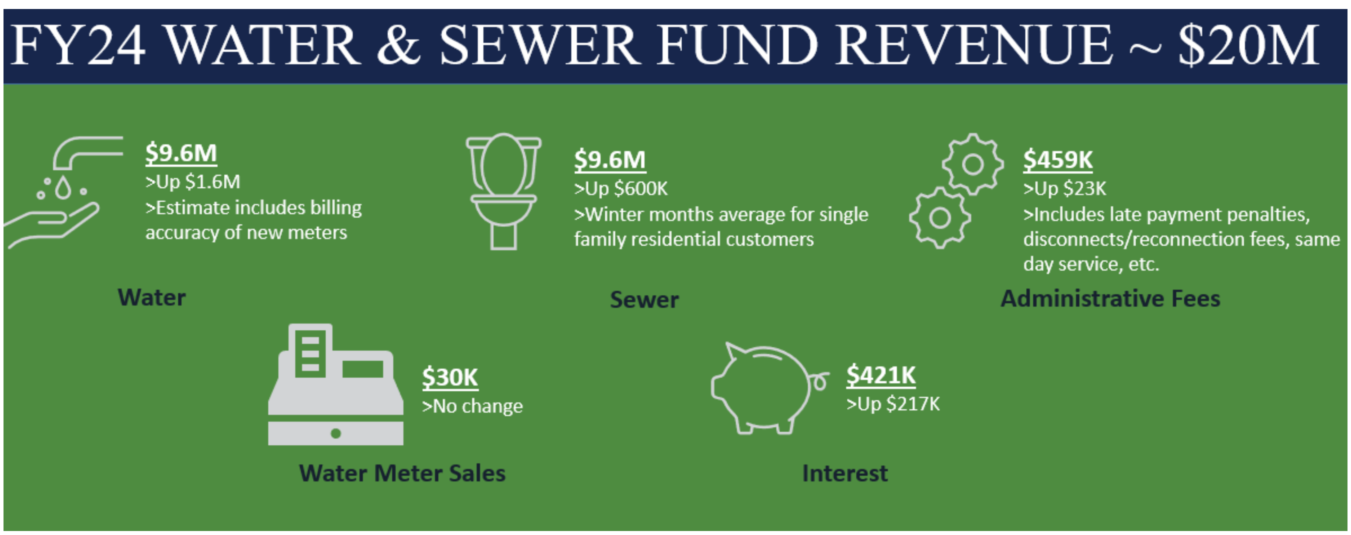


Mr. Kabiri stated that there are two things of note on this slide. The first being that staff is going to present the Council with a balanced budget every year, so whether or not the City's expenditures outpace its revenues, staff will make adjustments to ensure that expenditures don't outpace revenue. The second item of note is that no one knows what the City's future growth is going the be like, so obviously values should change from year to year, just as exemptions change from year to year. However, staff can only anticipate new developments and new construction at a minimum for the next two to three-year window, so this forecasting without additional data, is a guesstimate at best.

Ms. Hampton stated that the next few slides would be dealing with the City's Water and Sewer Fund, which is the operational side of the City's utility operations. The proposed budget has an estimated $20 million in revenue, and about 96% of that is related to the City's water and sewer utility fees and then the other 4% is for administrative fees related to utility billing; i.e., late or non-payment or late fees and/or assessments. Along with some interest earnings sales of water meters; such as disconnection and reconnection service-related expenses or fees.



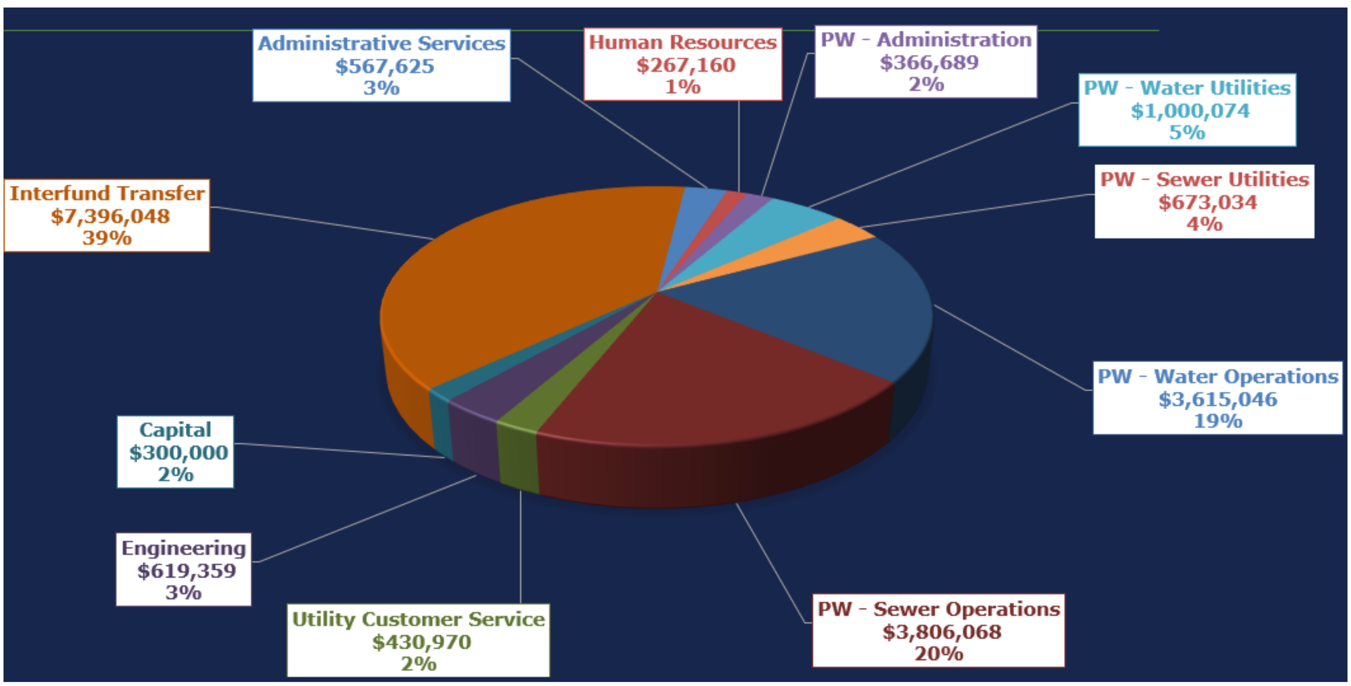
Ms. Hampton then showed another look at the water sewer revenues showing the difference between the City's adopted budget and what is in the proposed budget as it related to the revenues for water and sewer fees, including the trends for where staff expects to be at end the year.



So, in looking at the revenues that are being seeing from the meter change out and trying to incorporate that information as best as possible, there are some fluctuations in the data related to utility revenues because residents are able to increase or decrease their water usage when they see their water bills. Ms. Hampton stated that the Council should keep in mind that there may be a point where revenues outpace expenditures, and if this should happen, that revenue would go into the City's retained earnings, which could be used to fund capital projects related to the utilities and not necessarily have to go out for revenue bonds. Ms. Hampton stated that staff will be planning a utility rate study similar to what is being done with the impact fee study within the next few months to determine if the City's utility rates are sufficient to meet the City's obligations.

Councilmember Matranga asked if at this point the current budget forecast for the next cycle included any material rate increases. Ms. Hampton noted that at this point, it does not. She further noted that as staff moves through the utility rate study, this data will be taken that into consideration so that if changes need to be made in the coming year, the City has that flexibility. However, rates are set by City ordinance, so any changes to the rates would be brought forth to the Council for it would be council's decision on how to proceed with the information that comes from the utility rate study.

Ms. Hampton stated that on the expenditure side of the Water and Sewer Fund the estimated expenditures are at $19 million. The pie chart below shows the breakdown by City department that are, related to those expenditures or encompassed in those expenditures. She also noted that as it relates to the Water and Sewer bond funds that include the City's revenue bond related projects are recorded in bond construction funds and are not reflected in the City's Water and Sewer operating fund and are instead recorded separately.



Ms. Hampton noted that the forces at work for this fund are included in the proposed budget on the water and sewer side, and totals about $1.3 million. She further noted that the list below can be found on page 379 of the proposed budget documents. Ms. Hampton did clarify a typo on the slide and stated that on that fourth line down, this item is a duplicate of the Meter Data Collector position and is instead a Meter Tech position that will be brought in to help with the maintenance of those meters, which will help protects the warranty of those new meters. M. Kabiri noted that the individual in this position will also be able to work on other things beyond just the meters, such as waterline breaks.

Dept	Description	One Time Cost	Ongoing Cost	Total	Outside Revenue Sources	Net Total
City Wide	Windstorm and Liability Insurance Increase (30%)	$0	$49,112	$49,112	$0	$49,112
City Wide	Health Insurance Increase (4.43% Medical, 10.3% Dental)	0	18,640	18,640	0	18,640
PW_SU	Blackhawk WW Operations Increase @ 9% (07/01/2023)	0	231,771	$231,771	0	231,771
PW_SU	Southeast Water Purification Plant - CIP Program 2024-2028	481,829	0	$481,829	0	481,829
PW_SU	Purchased Water Rate Increase	0	456,333	$456,333	0	456,333
City Wide	Electricity Increase (24.75%)	0	66,809	$66,809	0	66,809
Total Forces at Work		$481,829	$822,665	$1,304,494	$0	$1,304,494

Dept	Description	One Time Cost	Ongoing Cost	Total	Outside Revenue Sources	Net Total
City Wide	Merit 2.75%	$0	$87,500	$87,500	$0	$87,500
PW_SU	PW59 VRP Replacement Upgrade	44,214	0	44,214	0	44,214
PW	PW Mobile Water Meter Data Collectors	30,000	0	30,000	0	30,000
PW	PW Water Meter Data Collectors	45,000	80,468	125,468	0	125,468
ENG	Office Clerk - Engineering (+1 FTE)	5,000	76,712	81,712	0	81,712
ENG	DR-4586 Severe Winter Storm Grant - Generator	12,570	0	12,570	0	12,570
Total Decision Packages		$136,784	$244,680	$381,464	$0	$381,464

Ms. Hampton noted that there were no unfunded decision packages in this fund.

Ms. Hampton went over the next steps in the budget approval process which included the following:

- Proposed Budget Public Hearing – 08/28/2023,
- Budget Adoption – 08/28/2023 or 09/11/2023,
- Anticipated Public Hearing on Tax Rate – 09/11/2023, and
- Tax Rate Adoption – 09/11/2023.

Ms. Hampton stated that as always, she appreciated Council's guidance and noted that the budget is one of the most collaborative things that is done in the city as it touches every single department. She extended her gratitude to her staff, the department and Council for all of their contributions in this budget process.

Mayor Foreman thanked Ms. Hampton and her team for always doing a marvelous job with the budget. He noted that the Council really appreciate staff's conservative approach to the whole budget process because, with that, Council received good news at the end of the process, and not worse news. He noted that when the staff first came in with an estimated 4.20 cents in the tax increase, there was a lot of hand ringing up here, but when the numbers actually come in and staff is able to come back with really good news, it allows the Council to better explain the tax increase to residents, especially since the increase of 2.10 cents is related to the 2019 voter approved bonds.

Councilmember Rockey asked that staff clarify how the debt increased due to floating more of the bonds and to what extent were those cents approved in the 2019 bond election. Mr. Kabiri stated that back in 2019 the voters approved up to 10 cents to cover the cost of the bonds for those projects. He further stated that staff had projected anywhere from 5 to 10 cents depending on what the staff saw in the annual growth in the City's property values. Mr. Kabiri noted that since the 2019 bond program, the City went roughly from $3.2 million in tax-backed debt to $6.1 million, so there has been an increase of $3 million in additional debt service, annualized debt service, but the tax rate has only increased 2.10 cents.

Mayor Foreman thanked Ms. Hampton for the presentation.

B. Consider setting the public hearing regarding the City of Friendswood FY2023-24 Municipal Budget for August 28, 2023, at 5:30 p.m. in the Council Chamber, City Hall 910 S. Friendswood Drive, Friendswood, Texas 77546.

A motion was made by Councilmember Hanks and seconded by Councilmember Griffon, to set the public hearing for the Municipal Budget for August 28th, 2023, at 5:30 p.m. in Council Chamber. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

C. Receive the 2023 appraisal rolls certified by the Galveston Central Appraisal District and the Harris County Appraisal District, the anticipated collection rate and the excess debt collections certified by the City's tax collector, and the new revenue and voter-approved tax rates.

Mayor Foreman stated that the certified rolls have been received.

D. Consider approving the ad valorem tax rate for 2023 (Fiscal Year October 1, 2023 – September 30, 2024.)

A motion was made by Mayor Pro Tem Rockey to propose that the City of Friendswood propose a tax rate of 50.84 cents per a $100 valuation. This rate is effectively a 9.8% or 4.5% increase in the tax rate above the no-new-revenue rate of 46.3131. The proposed rate is 2.10 cents more than the city's current tax rate of 48.73 cents. Councilmember Griffon seconded the motion. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

E. Consider setting the public hearing regarding the ad valorem tax rate for 2023 on September 11, 2023 at 6 p.m. in the Council Chamber, City Hall, 910 S. Friendswood Drive, Friendswood, Texas 77546.

A motion was made by Councilmember Branson and seconded by Councilmember Rockey to set the public hearing regarding the ad valorem tax rate for 2023 on September 11, 2023 at 6 p.m. in the Council Chamber, City Hall, 910 S. Friendswood Drive, Friendswood, Texas 77546 . The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

8. APPENDIX C ZONING ORDINANCE AMENDMENTS REGARDING PERMITTED USE TABLE AMENDMENTS

A. Conduct a public hearing regarding a request for proposed amendments to Appendix C, Zoning Ordinance, Section 7.P.6 Permitted Use Table, including updates to categories because of changes to the North American Industry Classifications System (NAICS) reference book, changes in allowed uses in the commercial zoning districts, and to remove sub note (b.) 5. S1, which was inadvertently left off changes made with Ordinance 2022-01.

At 6:32 P.M., Mayor Foreman opened the public hearing and requested staff give council an overview of the item.

Director of Community Development Aubrey Harbin presented the item and stated that the proposed changes to the permitted use table have been something that the Planning and Zoning Commission have been working on over the past year. She noted that that the proposed changes to the table are as follows:

The changes to the table are a result of the following:

- Amendments to match changes to the updated NAICS code book (2022). The NAICS codes are updated every 5 years. A few examples of these changes include:
  - Definition changes - several categories under Retail 44-45 changed from "stores" to "retailers."

- 442 is no longer a valid code; code changed to 4491.
- 448 is no longer a valid code; code is now 458.
- 518 - definition changed from "Data processing, hosting, and related services" to "Computing infrastructure providers, data processing, web hosting and related services."

- Cumulative zoning use whereby, if a use is allowed in Community Shopping Center (CSC) or Downtown District (DD), it would also be allowed in Industrial (I) and Light Industrial (LI).
- Allow breweries and wineries in the Downtown District, (NAICS Use 3121) and Community Shopping Center (CSC) and remain Office Use in commercial and Specific Use Permit (SUP) in industrial areas. This item was on the P&Z To Do List for this year. Tobacco Manufacturing (NAICS 3122) was separated out and left unchanged.

Mr. Harbin stated that the Planning and Zoning Commission held their public hearing related to this item on July 13th and approved the changes in a 5 to 0 vote.

There being no one signed up to speak on this item, Mayor Foreman closed the public hearing at 6:36 P.M.

B. Consider an ordinance approving amendments to Appendix C, Zoning Ordinance, Section 7.P.6. Permitted Use Table, including updates to categories because of changes to the North American Industry Classification System (NAICS) reference book, changes in allowed uses in the commercial zoning districts, and to remove sub note (b). 5. S1, which was inadvertently left off changes made with Ordinance 2022-01.

A motion was made by Councilmember Matranga and seconded by Councilmember Branson, to approve Ordinance No. 2023-18 approving the amendment to Appendix C, Zoning Ordinance, Section 7.P.6 Permitted Use Table, as submitted, and related to Item 8.B. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

ORDINANCE NO. 2023-18

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, AMENDING APPENDIX C "ZONING," SECTION 7 "SCHEDULE OF DISTRICT REGULATIONS," SUBSECTION P.6 OF THE FRIENDSWOOD CITY CODE (I) TO UPDATE THE PERMITTED USE TABLE BASED UPON CHANGES TO THE NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM REFERENCE BOOK, (II) TO AMEND USES ALLOWED IN THE COMMERCIAL ZONING DISTRICTS, AND (III) TO REMOVE THE REFERENCE TO S1 FROM THE PERMITTED USE TABLE'S LEGEND; PROVIDING A MAXIMUM PENALTY OF TWO THOUSAND AND NO/100 DOLLARS ($2,000.00); REPEALING ALL

ORDINANCES OR PARTS OF ORDINANCES INCONSISTENT OR IN CONFLICT HEREWITH; PROVIDING FOR SEVERABILITY, PUBLICATION AND AN EFFECTIVE DATE.

9. CITY MANAGER'S REPORT

A. Receive an update regarding the Friendswood EMS receiving the American Heart Association's Mission: Lifeline Gold achievement award and the Target: Hart Attack Honor Roll Recognition.

City Manager Morad Kabiri presented the item and stated that for the seventh year in a row, the Friendswood EMS is being recognized with the Mission Lifeline EMS award. This is a recognition by the American Heart Association, for the City's STEMI-capable EMS services and the efforts that they go through to make sure that they're able to respond and take care of patients in Friendswood with issues related to heart attacks and strokes.

B. Receive an update regarding the Friendswood Library Gala ticket sales.

City Manager Morad Kabiri presented the item and reminded everyone that the gala tickets are available for this year's Friendswood Library Gala. He encouraged everyone to attend as it is a lot of fun and helps raise funds for the City's amazing library.

C. Recognize Engineering Project Manager, Ivan Ortega for successfully achieving the Certified Public Infrastructure Inspector (CPII) earned through American Public Works Association (APWA).

City Manager Morad Kabiri presented the item and recognized Ivan Ortega, a Project Manager in the Engineering Department who received his American Public Works Association certification in capital project inspections, which are the standards and guidelines associated with a number of different Federal and State regulations related to infrastructure projects. This was a huge endeavor that included 120 hours of study and work, so well-done Ivan.

D. Recognize City Secretary, Leticia Brysch on her acceptance to the 2024 class of the Texas Women's Leadership Institute program.

City Manager Morad Kabiri presented the item and recognized Leticia Brysch for being selected as one of 20 applicants across the state of Texas to participate in the Texas Women's Leadership Institute program training to become a city manager. He noted that he was encouraged and excited about her growth potential and noted that she also received a scholarship to help pay for some of the associated costs for this program.

E. Receive an update regarding naming the Emergency Medical Services Chief.

City Manager Morad Kabiri presented the item and introduced Lisa Camp, a stalwart in the Friendswood community and is currently the Friendswood Volunteer Fire Department's EMS Chief. Mr. Kabiri stated that it was his distinct pleasure to welcome Ms. Camp as the City's new and first EMS Chief. Chief Camp will start with the City on November1st, and staff is thrilled to death that she is joining Friendswood.

F. Receive an update regarding the City of Friendswood being named among the top Safest Cities in Texas.

City Manager Morad Kabiri presented the item and stated that the Police Department has once again been recognized by SafeWise for making Friendswood one of the safest cities in the State of Texas. This year, Friendswood has moved up four spots from number 19 to number 15 in the State. As it pertains to the Houston metro area, Friendswood remains number one by nearly half when comparing crime statistics with that of neighboring cities, so many thanks to FPD for the work done day in and day out to keep this community safe.

10. RECESS THE CITY COUNCIL MEETING

At 6:41 P.M., Mayor Foreman recessed the meeting.

11. RECONVENE THE CITY COUNCIL MEETING

At 6:53 P.M., Mayor Foreman reconvened the meeting.

12. BUSINESS ITEMS

A. Consider authorizing the monthly transfer of funds to the City of Friendswood Employee Benefit Trust contingent upon sufficient appropriations in the FY203-24 City of Friendswood Budget.

A motion was made by Councilmember Branson and seconded by Councilmember Tem Erenwert, to the monthly transfer of funds to the City of Friendswood Employee Benefit Trust contingent upon sufficient appropriations in the FY203-24 City of Friendswood Budget. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

B. Consider authorizing an Agreement for Public Improvement District and Tax Increment Reinvestment Zone Creation and Administrative Services with P3Works LLC.

City Manager Morad Kabiri presented the item and stated that this item approves a consultant contract with P3 to represent the City with items related to the creation of a Public Improvement District and a Tax Increment Reinvestment Zone. Mr. Kabiri stated that over the past year and a half, staff has been communication with a couple of developers interested in creating a Tax Increment Reinvestment Zone and a Public Improvement District to finance some regional infrastructure projects. The Council has indicated over the course of this past year and a half that there is an interest in getting some additional information on this item and in further evaluating opportunities to create those districts in the hopes of getting certain projects completed. P3Works and ultimately Bracewell will represent the City of

Friendswood and it interest when negotiating the creation of these types of districts. Mr. Kabiri clarified that the awarding of the consultant contract did not create the districts, nor would the item at the Council's next meeting related to the establishment of a PID Policy create these districts. Mr. Kabiri stated that these actions would basically establish the Council's priorities in accordance with State Law as it related to what they desired to achieve with PIDs and potentially with a TIRZ. Mr. Kabiri further noted that as the costs of these services would be borne by the PID district and/or the application fee to create a PID, there is no costs to the City of Friendswood.

Councilmember Rockey inquired as to when the Council will receive information of what can and cannot be done in relation to these items; i.e., what rights the Council can exercise or what restrictions can be imposed on these land developers in order to obtain the PID or a TIRZ. Mr. Kabiri stated that this information would be provided and discussed at the Council's August 28th meeting.

Councilmember Hanks stated that she really liked the idea of having some parameters and information readily available so that the Council has a clear understanding of what they want and don't want before developers come before them asking for these types of approvals. Mr. Kabiri noted that P3 is a subject matter expert in this field and has worked on hundreds of similar projects, so they have the ability and historical expertise to represent the City of Friendswood well.

Councilmember Matranga inquired as to what was driving this item. Mr. Kabiri responded that the City has been working with a particular developer on the Whitcomb property for well over a year now. He noted that the Council has had multiple meetings with this developer on the creation of a Tax Increment Reinvestment Zone (TIRZ) and a Public Improvement District (PID) for the Whitcomb track and their timeline, based upon their infrastructure needs and when they plan on moving dirt, predicates the need to get the consultant on board now.

A motion was made by Councilmember Branson and seconded by Councilmember Erenwert, to authorize an agreement for PID and Tax Increment Reinvestment Zone creation and Administrate Services with P3Works, LLC. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Joe Matranga, and Councilmember Brent Erenwert.

Nays: Councilmember Robert J. Griffon

The item passed.

C. Consider approving the formation of an Ad Hoc Committee related to City-wide parking issues.

Councilmember Branson stated that this item was brought for to the Council through her request, as she had noted that there have always been some issues with parking, specifically in the Downtown area, largely in part because there are some properties that could be developed but become cost prohibitive when the parking requirements are added. She further noted that the Friendswood Downtown Economic Development Corporation (FDEDC) has been dusting off their plans associated with creating a more walkable city and the through of putting together a group of interested citizen that can look at creating some synergy in ways to encourage walkability within the Downtown are by reevaluating parking requirements not just in Downtown but throughout the city.

Councilmember Branson recommended that this ad hoc committee have representatives from the FDEDC, Planning and Zoning Commission, the Community Economic and Development Committee (CEDC) and some local developers that can think outside of the proverbial box and bring back some recommendations for Council's consideration.

The Council discussed this item briefly and at its conclusion, a motion was made by Councilmember Branson and seconded by Mayor Pro Tem Rockey, to approve the formation of an Ad Hoc Committee related to City-wide parking issues. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert.

Nays: None.

The item passed unanimously.

13. PROPOSED RESOLUTIONS & ORDINANCES

A. Consider a resolution approving an update to the City of Friendswood Personnel Policy.

City Manager Morad Kabiri presented the item and stated that the City's current personnel policy has been in place since 1996. The City Charter stipulates that the City Manager must present the Council with a Personnel Policy for adoption. The Council has over the years approved some updates, but they've been very limited and as the Council can imagine, a lot has changed in the 27 years since that policy was written both at the Federal and State levels. As such, staff is bringing forth a new Personnel Policy for Council's approval that includes all necessary updates to include Federal laws with respect to medical issues lactation room for employees, mental health leave for police officers and dispatchers, adjusting City holidays to reflect those in Federal law and then relegating certain items to the City Manager for operational efficiencies to include dress code and other things that are germane to the city management.

Mr. Kabiri wanted to thank HR Director Haley Brown and City Attorney Karen Horner for the many hours of work put into bring this new personnel policy to fruition, as it was not an easy task.

A motion was made by Mayor Foreman and seconded by Councilmember Branson, to approve Resolution No. R2023-17, related to Item, 13.A.,as submitted. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert.

Nays: None.

The item passed unanimously.

RESOLUTION NO. R2023-17

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, ADOPTING THE CITY OF FRIENDSWOOD'S PERSONNEL POLICY MANUAL; DIRECTING THE CITY MANAGER TO ADOPT ADMINISTRATIVE RULES CONSISTENT THEREWITH; REPEALING THE CITY OF FRIENDSWOOD'S PERSONNEL POLICIES ADOPTED ON DECEMBER 13, 1995, AND ALL AMENDMENTS THERETO; AND PROVIDING FOR AN EFFECTIVE DATE

B. Consider a resolution approving the City of Friendswood's Public Funds Management and Investment Policy.

A motion was made by Mayor Pro Tem Rockey and seconded by Councilmember Erenwert to approve Resolution No. R2023-18, related to Item 13.B, as submitted. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

RESOLUTION NO. R2023-18

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, APPROVING THE PUBLIC FUNDS MANAGEMENT AND INVESTMENT POLICY IN ACCORDANCE WITH THE PUBLIC FUNDS INVESTMENT ACT; AND PROVIDING FOR AN EFFECTIVE DATE.

C. Consider a resolution authorizing an Advance Funding Agreement for Bridge Replacement or Rehabilitation with the Texas Department of Transportation for the bridge at Dunbar Estates Drive at Mary's Creek.

Councilmember Griffon inquired as to how long this item had been on TxDOT's radar. Engineering Director Jil Arias responded that this item has come up every two years for at least the last sixteen years, and this bridge had finally reached a point where its functionally was called not necessarily obsolete, but more structurally deficient. Mr. Arias noted that while this bridge is not in any danger of falling down tomorrow, it is to a point where it's weaker than what it should be, and it is time to get replaced. Mr. Arias stated that this project is going to be put in the 2027 fiscal year budget for construction.

Councilmember Rockey noted that this project has been number one on TxDOT's list for Friendswood. City Manager Kabiri stated that Councilmember Rockey was correct and noted that every two years, the

Texas Department of Transportation evaluates all of city bridges with a bridge being defined as any span greater than 20 feet across a body of water, across another roadway, or what have you. He further noted that this particular bridge was identified several times over the last 16 years by TxDOT as something that needed to be fixed and had conditions to place on it, which the City does, however, at this point it's better to replace the bridge altogether versus continued repairs.

A motion was made by Councilmember Hanks and seconded by Councilmember Branson to approve Resolution No. R2023-19, related to Item 13.C, as submitted. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

RESOLUTION NO. R2023-19

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, AUTHORIZING AND DIRECTING THE CITY MANAGER TO EXECUTE AN ADVANCE FUNDING AGREEMENT FOR BRIDGE REPLACEMENT OR REHABILITATION OFF THE STATE SYSTEM WITH THE TEXAS DEPARTMENT OF TRANSPORTATION FOR THE BRIDGE AT DUNBAR ESTATES DRIVE AT MARY'S CREEK; AUTHORIZING PAYMENT IN THE AMOUNT OF SEVENTY-THREE THOUSAND EIGHT HUNDRED TEN AND NO/100 DOLLARS ($73,810.00); APPROVING CERTAIN MATTERS RELATED THERETO; AND PROVIDING FOR AN EFFECTIVE DATE.

D. Consider on first reading an ordinance repealing Chapter 54 "Offenses and Miscellaneous Provisions," Article II "Curfew for Minors" of the Friendswood City Code to comply with H.B. 1819, which repealed the authority of political subdivisions to adopt or enforce juvenile curfews.

Councilmember Rockey stated that he understood why this item was being considered; however, he did not agree with the change in state law eliminating the City's ability to have a juvenile curfew. H stated that all this did was take a tool out of the Police Department's bag that has been very useful in helping to monitor and maybe even prevent a number of crimes from occurring.

Councilmember Hanks stated that she felt very strongly about this item and noted that she would be voting again it because she felt so strongly that this was a safety issue for the City and its young people.

Mr. Kabiri stated that he understood the Council's frustrations but noted that it is better for the Code to only have those laws that are enforceable. This item is not only to conform to state law, but also to ensure that both the public and officers are not confused as to what can be enforced.

A motion was made by Councilmember Erenwert and seconded by Councilmember Griffon to approve the proposed resolution as submitted. The vote was the following:

Ayes: Mayor Mike Foreman, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: Councilmember Trish Hanks.

The item passed.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, REPEALING CHAPTER 54 "OFFENSES AND MISCELLANEOUS PROVISIONS," ARTICLE II "CURFEW FOR MINORS" OF THE FRIENDSWOOD CITY CODE, IN ITS ENTIRETY, TO COMPLY WITH H.B. 1819, WHICH REPEALED THE AUTHORITY OF POLITICAL SUBDIVISIONS TO ADOPT OR ENFORCE JUVENILE CURFEWS; REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INCONSISTENT OR IN CONFLICT HEREWITH; PROVIDING FOR SEVERABILITY, PUBLICATION AND AN EFFECTIVE DATE.

E. Consider an ordnance amending the City's General Budget for Fiscal Year 2022-2023 by approving "Budget Amendment X" and providing for supplemental appropriation and/or transfer of certain funds.

This budget amendment approves the following amendments and budget transfers:

1. **23 Wilderness Trail, $832,798.** Appropriate funds for the purchase of property at 23 Wilderness Trails. City Council approved the purchase of 2.019 acres located at 23 Wilderness Trails for flood mitigation improvements at the July 10, 2023 council meeting. Council also approved an interlocal agreement with Galveston County Drainage District (GCCDD) which would compensate the City $295,000 for a 20-foot access corridor off Wilderness Trails (approx. 0.13 ac) and approximately 0.58 acres adjacent to the creek. Funds were received in the amount of $295,000 from GCCDD on July 25, 2023. The funding source will be water and sewer working capital to cover the City's share of $537,798 which includes $1,250 for the environmental assessment and $775 for the appraisal survey.

2. **Lift Station Mitigation Project – Materials Testing, $16,808**. Appropriate funds for material testing services in connection with the construction phase of the 2020 Lift Station Mitigation Package 3 project. The city entered into an agreement with Paradigm/CMT Technical Services on June 23, 2023 to perform materials testing at lift stations 22, 27, 28 and 31. The funding source will be water and sewer working capital.

3. **Parks & Recreation, Parks Division** – Donations for Benches at Lake Friendswood, $2,425. Appropriate donations received from Chad Fernandes and Patricia Dugas for the purchase of two benches to be installed at Lake Friendswood. Funds will be appropriated to the Parks and Recreation Department's Parks division operating equipment account.

4. **Library Donations, $713**. Appropriate donations received to the Library's operating budget. The funds will be used to purchase children books and supplies for outreach event.

5. **2017 CDBG-DR (Harris County) Grant Reimbursement, $887,491.** Appropriate funds received from the CDBG-DR (Harris County) grant program for the Forest Bend Detention Pond construction. The City received a reimbursement of $887,491 for construction services. Advance funding for pay application #7 and #8 was originally approved at the June 5, 2023 City Council meeting. Therefore, the funds will be appropriated back to unassigned general fund balance.

6. **Forest Bend Detention Pond** – Construction Pay Application #9 and #10, $600,331. Appropriate advanced funding for Jerdon Enterprise Pay Application #9 and #10 for the construction of the Forest Bend Detention Pond. The City applied for and was awarded a reimbursement grant through the 2017 Community Development Block Grant – Disaster Recovery with Harris County to engineer and construct offline detention in coordination with the Forest Bend Homeowners Association. The funding source will be unassigned general fund balance and will be reimbursed once grant funding has been received from the grantor.

7. **Forest Bend Detention Pond – Legal Publications, $6,868**. Appropriate funds for expenditures related to the Forest Bend Detention Pong project. The required legal publications are not reimbursable expenses through the CDBG-DR (Harris County) grant. Therefore, the funding source will be unassigned general fund balance.

8. **Centennial Wall project - Boundary and Utility Survey, $4,825**. Appropriate funding for a boundary and utility survey to be performed along the 2,700' long wall near the common line of Centennial Park and Lakes of Falcon Ridge section 1. The funding source will be water and sewer working capital.

A motion was made by Councilmember Branson and seconded by Councilmember Matranga to approve Ordinance No. 2023-19, related to Item 13.E, as submitted. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert

Nays: None.

The item passed unanimously.

ORDINANCE NO. 2023-19

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD, TEXAS, AMENDING ORDINANCE NO. 2022-19, PASSED AND APPROVED AUGUST 29, 2022, SAME BEING AN ORDINANCE APPROVING AND ADOPTING THE CITY'S GENERAL BUDGET FOR FISCAL YEAR 2022-23, BY APPROVING "BUDGET AMENDMENT X" THERETO; PROVIDING FOR SUPPLEMENTAL

APPROPRIATION AND/OR TRANSFER OF CERTAIN FUNDS; PROVIDING FOR SEVERABILITY; PROVIDING OTHER MATTERS RELATED TO THE SUBJECT; AND PROVIDING FOR THE EFFECTIVE DATE

14. CONSENT AGENDA

A motion was made by Councilmember Hanks and seconded by Councilmember Griffon to approve the Consent Agenda, Items 14.A through 14.F. The vote was the following:

Ayes: Mayor Mike Foreman, Councilmember Trish Hanks, Mayor Pro Tem Steve Rockey, Councilmember Sally Branson, Councilmember Robert J. Griffon, Councilmember Joe Matranga, and Councilmember Brent Erenwert.

Nays: None.

The item passed unanimously.

A. Consider approving the closure of W. Spreading Oaks between Woodlawn Drive and Cedarwood Drive for the Friendswood Independent School District even "Under The Oakes" on August 10, 2023.

B. Consider approving the disposal of Police Department vehicle P289 through Houston Auto Auction

This item approved the decommissioning and disposal of a police vehicle (P289 – 2013 Dodge Charger) through services provided by Houston Auto Auction. The vehicle in question will be decommissioned per the standards set by Local Government Code, Section 272.006 Sale or Transfer of Law Enforcement Vehicle, which includes the removal of any equipment or insignia that could mislead a reasonable person to believe that the vehicle is a law enforcement motor vehicle.

C. Consider ratifying the Second Amendment to the Lease Agreement with the Friendswood Community Church, d/b/a The Harbor, to extend the agreement for a three-month period.

During the construction phase of Fire Station #2, a temporary station was set up at 1710 Lundy Lane, which is owned by The Harbor Church. This location was chosen as it is approximately 1/2 mile south of Station #2 and operating a temporary station in that area helps ensure continued adequate coverage.

The original lease agreement was entered into for a 12-month term expiring on February 1, 2023. Thereafter, the lease agreement was amended to extend the term of the agreement for approximately another six months, such term expiring on July 31, 2023. The current amendment extends the term an additional three months to October 31, 2023. Construction of the fire station is expected to be completed within this term. Council is asked to ratify the Second Amendment to the Lease Agreement with the Friendswood Community Church, d/b/a The Harbor, to extend the term until October 31, 2023.

D. Consider ratifying the purchase of office furniture for the Blackhawk Building Renovation Project from Hallmark Office Products, Inc., through the Interlocal Purchasing System.

This item approves a Hallmark Office Products quote for a furniture package for the Blackhawk Building Renovation building that will furnish the Public Works Department. This furniture will replace broken and outdated office furniture, items salvaged after Hurricane Harvey, and will replace hand-me-down furniture that has been used in previous departments within the City. The total quoted amount is $69,417. Purchase of this furniture is through TIPS, a purchasing cooperative.

E. Consider the authorizing the final acceptance of the Challenge Elite Sports – Beamer Water Line Extension Project.

The City began its one-year maintenance period for the Challenge Elite Sports - Beamer Water Line Extension Project in July 2022. The maintenance bond has reached its obligation. This agenda item is to authorize the final acceptance of the Challenge Elite Sports - Beamer Water Line Extension Project and to formally release the bond.

F. Consider approving the ad valorem tax report for June 2023.

15. EXECUTIVE SESSION

A. Recess into and conduct an executive session pursuant to Section 551.071 of the Texas Government Code to seek the advice of the City Attorney regarding pending or contemplated litigation involving the City of Friendswood.

At 7:10 P.M., Mayor Foreman recessed and convened into an executive session pursuant to Section 551.071 of the Texas Government Code to seek the advice of the City Attorney.

At 7:31 P.M., Mayor Foreman reconvened the regular meeting and announced that in accordance with Section 551.071 of the Texas Government Code, no action was taken in executive session.

16. ADJOURNMENT

With there being no further business to discuss, Mayor Foreman adjourned the August 7, 2023, City Council Regular Meeting at 8:52 P.M.

____
Mike Foreman, Mayor

Attest:

____
Leticia Brysch, City Secretary