MINUTES OF THE SPECIAL MEETING OF THE
CITY COUNCIL OF THE CITY OF FRIENDSWOOD
AUGUST 28, 2023

THE CITY COUNCIL OF THE CITY OF FRIENDSWOOD MET IN A SPECIAL 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, WITH THE FOLLOWING MEMBERS PRESENT CONSTITUTING A QUORUM:

Steve Rockey	Mayor Pro Tem
Sally Branson	Councilmember
Trish Hanks	Councilmember
Robert J. Griffon	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 with the exception of Councilmember Matranga who was absent.

2. INVOCATION

The invocation was led by Pastor Bobby Kirkpatrick with Friendswood Friends Church.

3. PLEDGE OF ALLEGIANCE

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

4. COUNCIL COMMENTS AND REPORTS

Councilmember Rockey 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.

5. PUBLIC COMMENT

There was no one signed up to speak.

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.

At 5:34 P.M., Mayor Foreman opened the public hearing and requested staff give council an overview of the item.

Ms. Katina Hampton, ASO Director, presented the item and noted that this public hearing is required by the Texas Local Government Code, as well as the City Charter in order to allow for public comment regarding the City's proposed budget for fiscal year 2024. Ms. Hampton provided the Council with a very high-level overview of the proposed FY2023-24 Municipal Budget as most of the information had already been discussed at length at the Council's Retreat and the past two Council meetings. She noted that in the proposed budget, the allocation of revenues for the expenditure growth were based on the following budget drivers:

Ms. Hampton then focused on the changes to the proposed budget since it had last been presented to the Council at its August 7th meeting. Ms. Hampton noted that due to some growing pains with the new budget document development software, staff identified that a few items that had been presented as being included in the proposed budget or funded, were actually not included in the budget's expenditure totals. Staff went back to find funding for the following:

- EMS Chief salary and benefits,
- the Friendswood Parkway Traffic Impact Analysis, and
- the Brigadoon Lane Hazard Mitigation Scoping.

Therefore, the updated proposed budget had an anticipated use of fund balance in the General Fund to cover the cost of the (1) Traffic Impact Analysis and (2) the Hazard Mitigation Scoping.

Additionally, in the process of identifying additional funding, Staff reviewed every revenue source and identified that the City's interfund transfer from the Water and Sewer Fund to the General Fund had not kept pace with the expenditures on the General Fund, so that amount was adjusted to the tune of a little over $600,000. This transfer adjustment into the General Fund allowed for the funding of a few additional items; such as:

- A further reduction to the proposed tax rate,
- The addition of an Administrative Assistant position to support the Information Technology Department and the Community Development Department, and
- Fund those items that were intended to be funded through the General Fund.

Also, Ms. Hampton mentioned one last change related to the proposed budget. She noted that during the budget development process the City was reviewed by the General Land Office Auditors, in regard to the City's Community Development Block Grant (CDBG) funds used for the Hurricane Harvey property acquisitions. The auditors had only one recommendation at the completion of the audit, which was for the City to incorporate language in its Financial Management Policy related to the procurement and administration of federal and state local grants. Staff had incorporated that language in the proposed budget via its City's Financial Management Policy, which is a part of the budget document. Below is a synopsis of the changes to the General Fund proposed budget:

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)

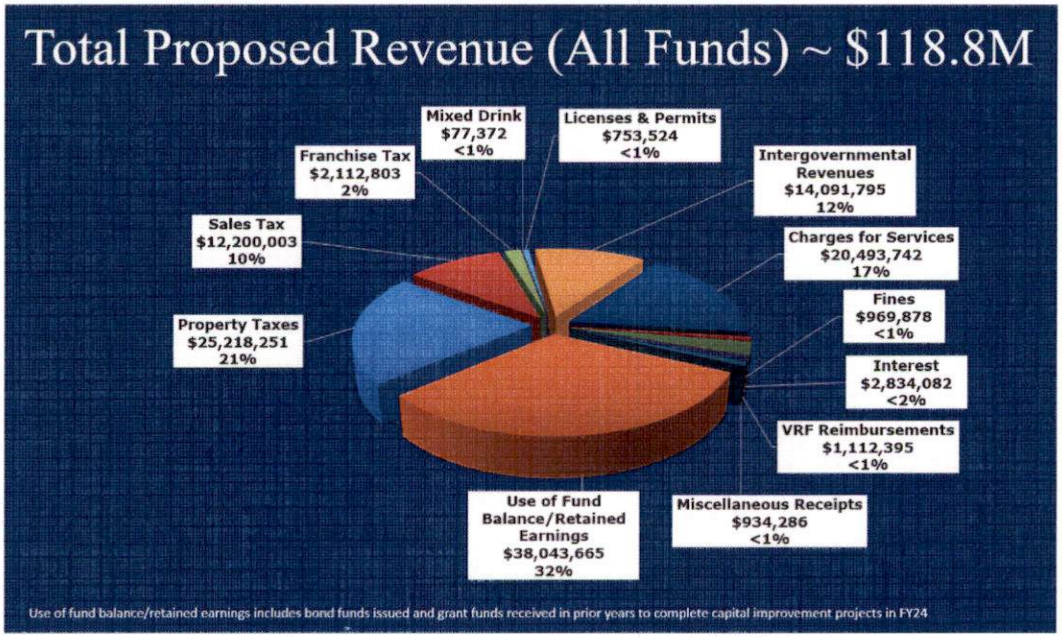
- **Additions**
  - **EMS Chief (salary and benefits) - $178K**
  - **Admin Assistant (IT/CDD) - $97K**
  - **Friendswood Pkwy Traffic Impact Analysis - $315K***
  - **Brigadoon Lane HAZ Mitigation Scoping - $18K***

*Use of Unassigned General Fund Balance

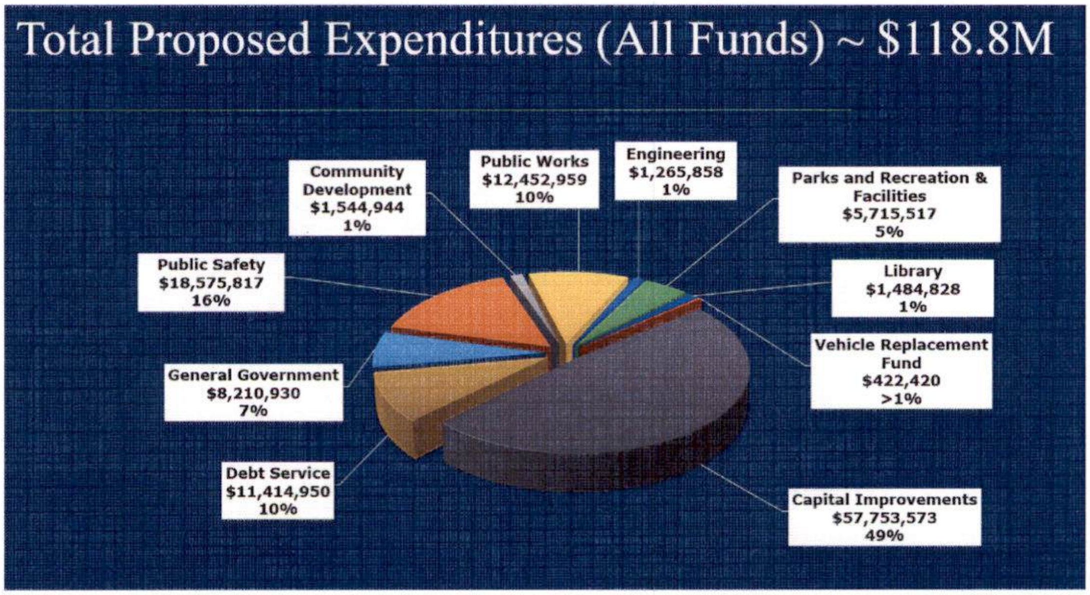
FINANCIAL MANAGEMENT POLICY UPDATE

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

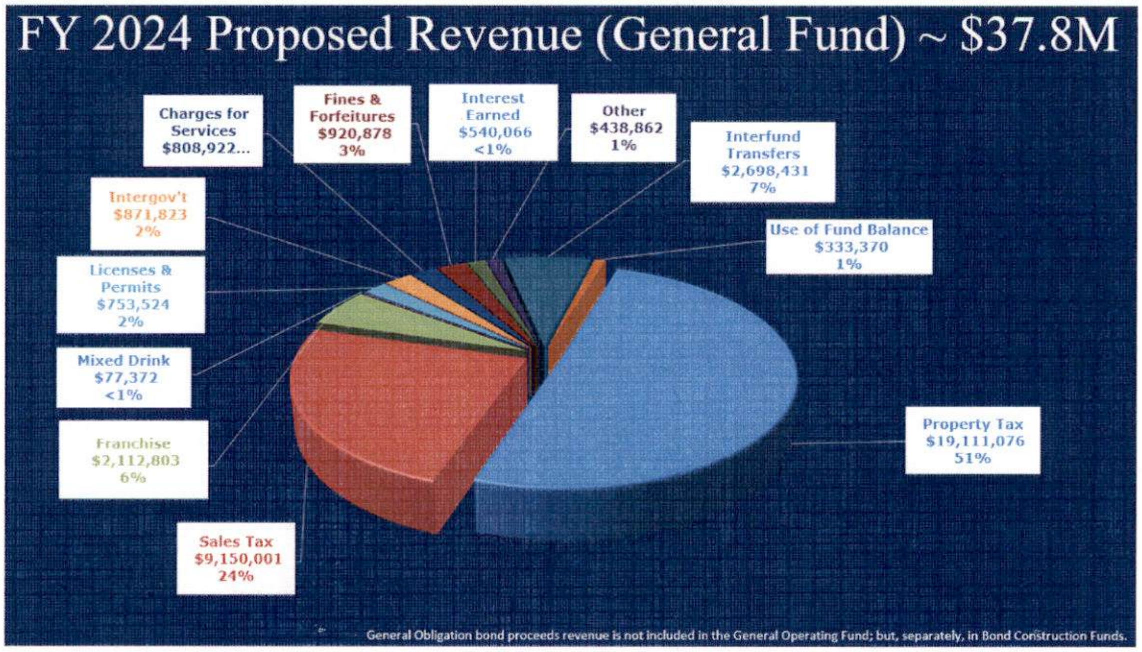
Ms. Hampton indicated that the revised proposed budget's overall revenues were $118.8 million, versus the $118.2 million in the previous budget presentation. Below is a chart showing the breakdown of those revenues by sources and percentages of the overall budget:



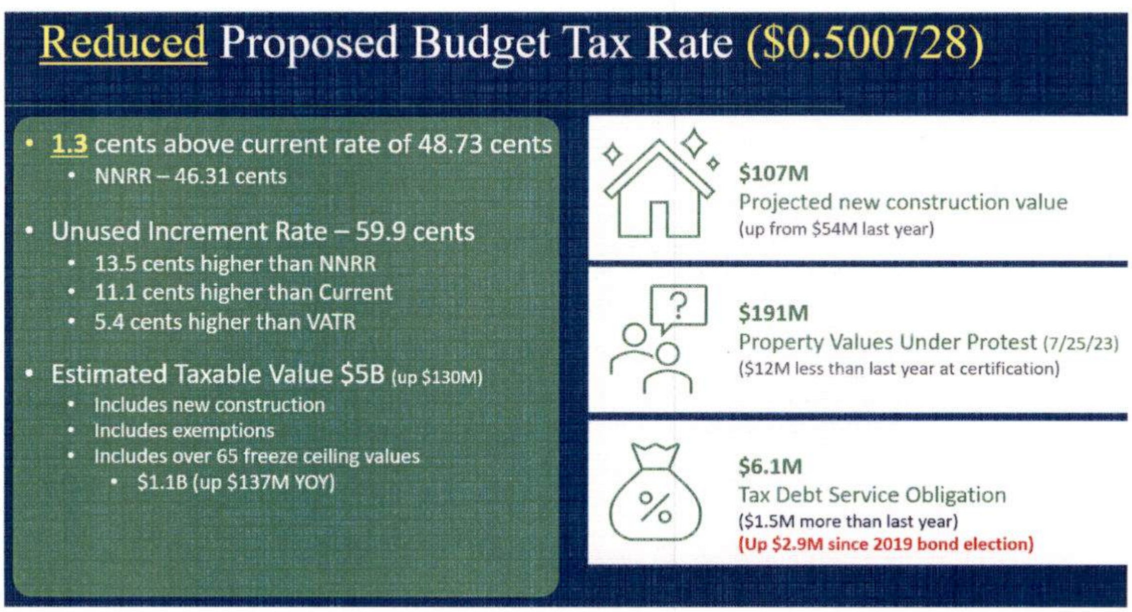
The total proposed expenditures, this is all funds, is now $118.8 million as well, and are shown in the chart below:



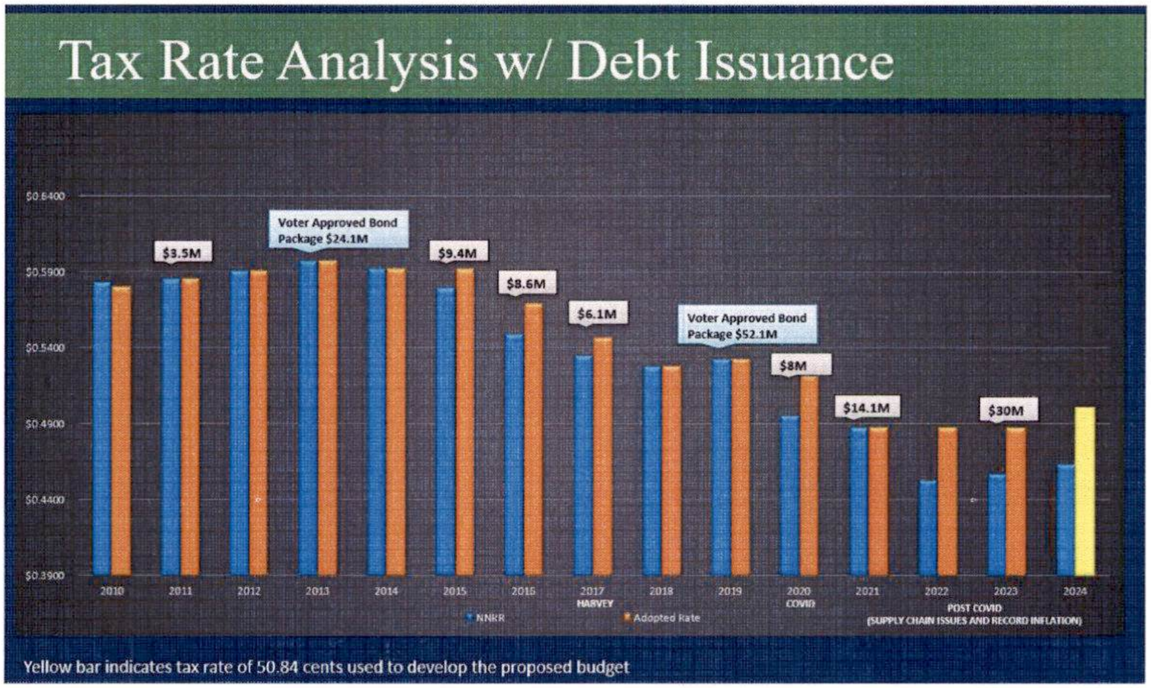
Ms. Hampton proceeded to review the General Fund and noted that the General Fund proposed revenue is now $37.8 million versus $37.4 million as previously presented. There is an increase or a reduction of the property tax amount by $333,000, a little over that amount, and the interfund transfer amount is a little over $600,000 more.



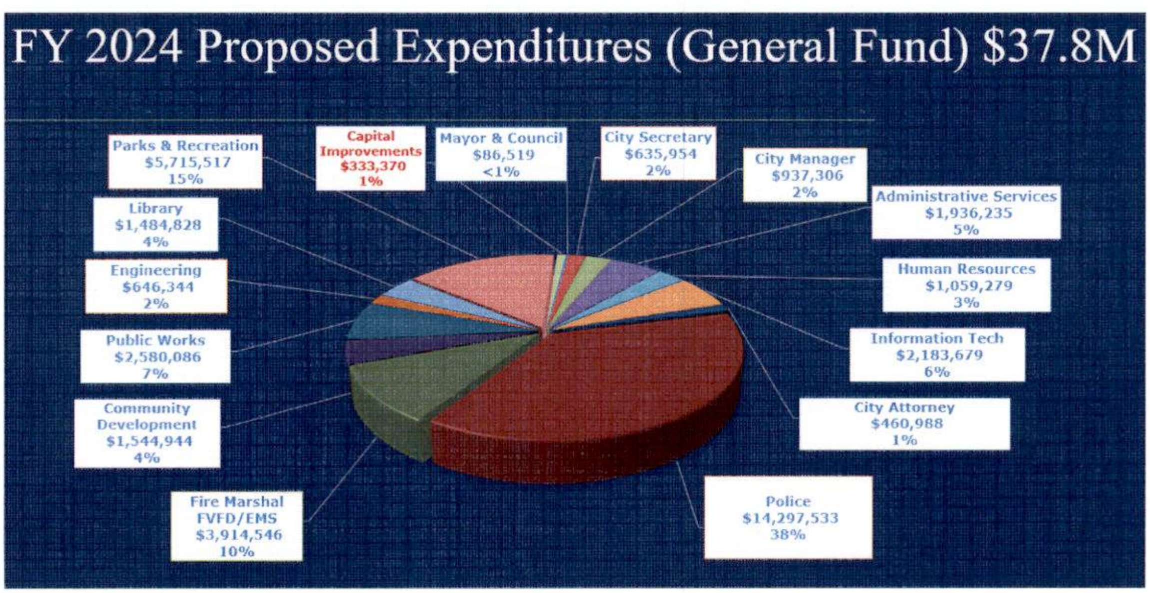
As previously mentioned, by increasing that interfund transfer from the Water-Sewer Fund to the General Fund allowed the City to reduce the property tax revenue needed to support the budget. She noted that the initial proposed budget was using a tax rate of 50.84 cents; however, staff was able to reduce that amount to 50.07 cents, which is just over three-quarters of a penny less than what was originally proposed, but it is only 1.3 cents more than the current tax rate. Ms. Hampton noted that the new tax rate will still allow the City to support maintenance and operations as well as the $6.1 million general debt service obligation for the year.



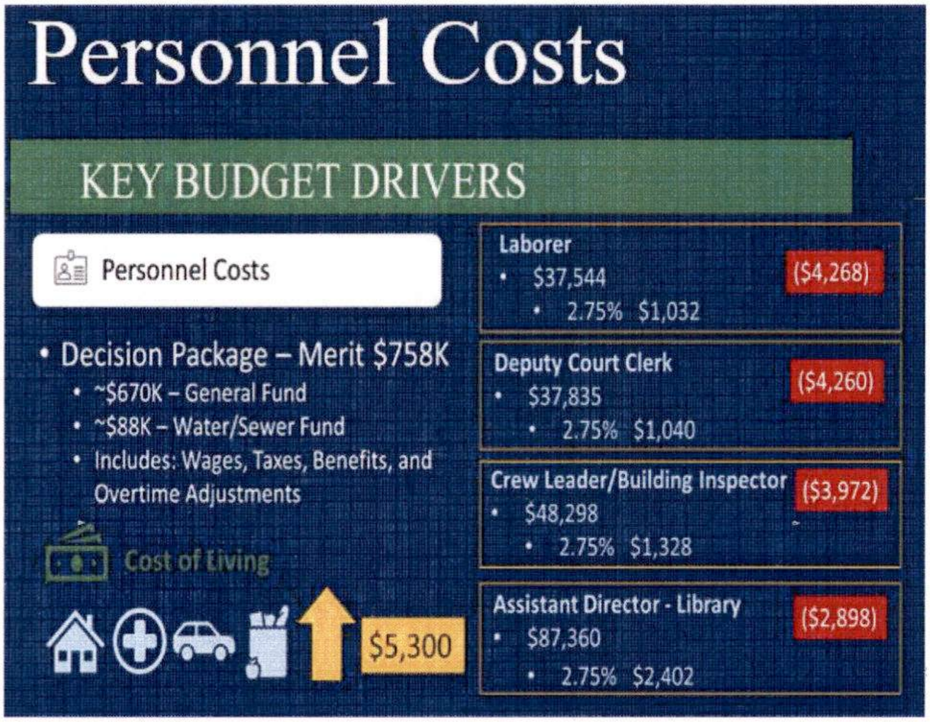
Ms. Hampton then gave the Council an overview of the City's No New Revenue Tax Rate to the Adopted Tax Rate for the past 14 years as well as the proposed tax rate.



The General Fund expenditures are now about $37.8 million. She noted that the slide below reflects the amount of each expenditure category by department, as well as the $333,000 in capital improvements, which is for the previously mentioned traffic impact study and the hazard mitigation scoping.



Ms. Hampton went over the proposed budget's personnel costs including the employee merit along with some comparative data to neighboring 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)

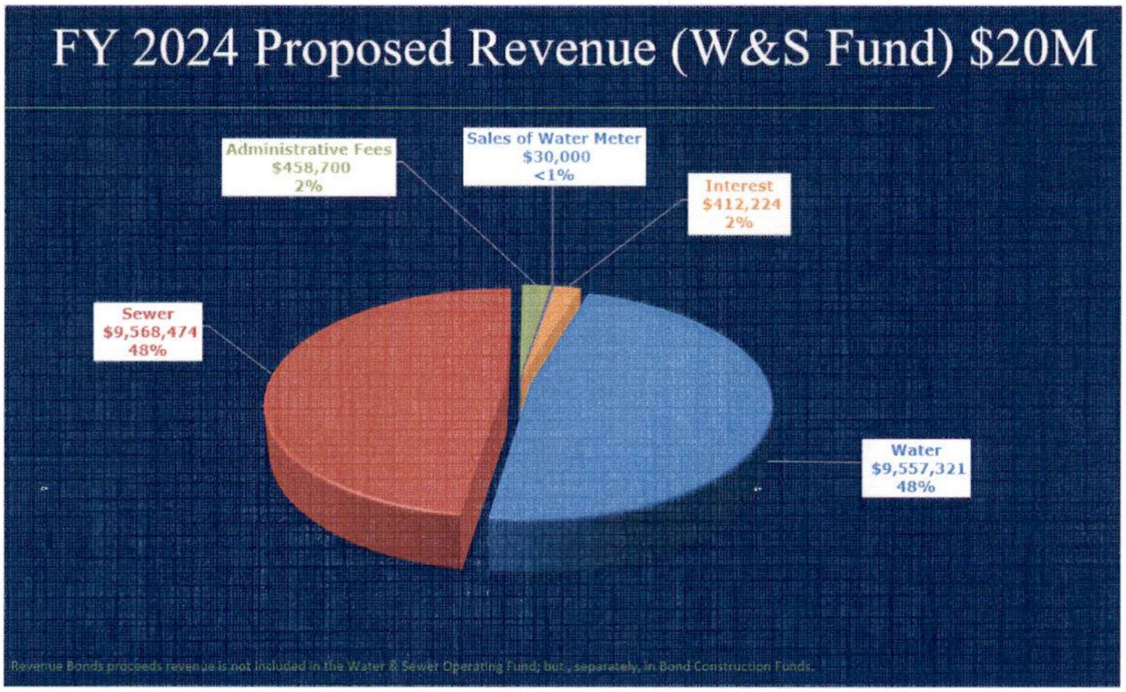
Ms. Hampton stated that the following forces at work items were funded in the proposed budget in the amount of $1.4 million and is inclusive of the Information Technology Community Development Administrative Assistant which was mentioned at the beginning of the presentation:

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**

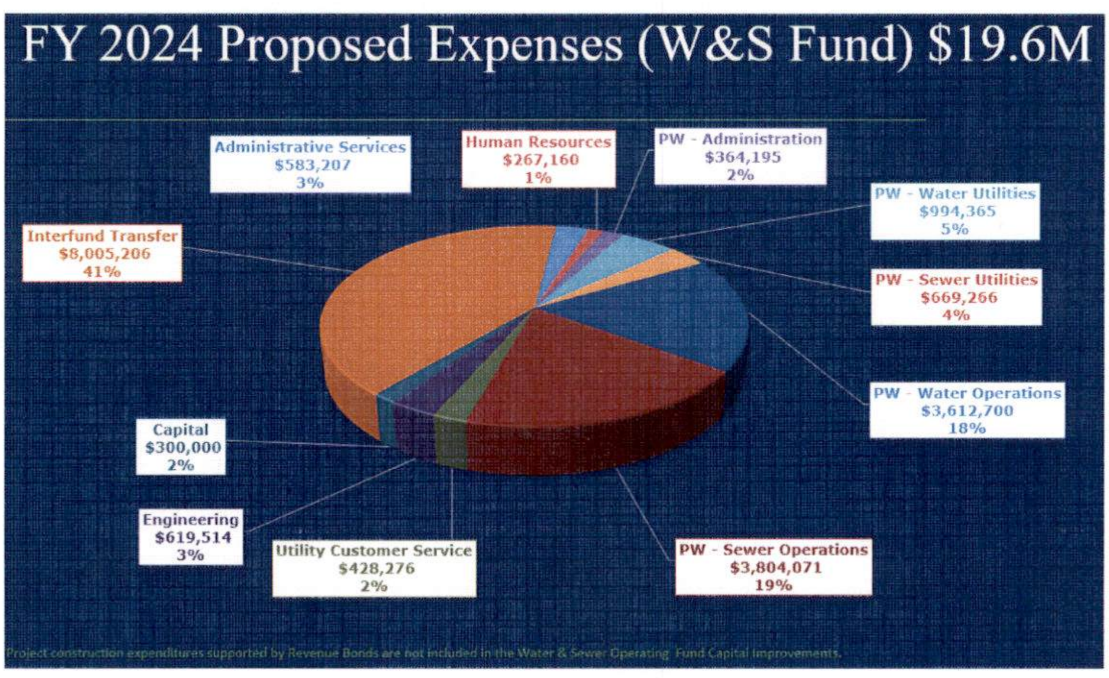
Dept	Description	One Time Cost	Ongoing Cost	Total	Outside Revenue Sources	Net Total
PD Patrol	FISD School Crossing Guards - Cline Elementary	$200	$34,952	$35,152	$35,152	$0
P&R_SDC	Summer Day Camp Expansion	0	175,084	175,084	175,084	0
P&R_Parks	Daddy Daughter Dance	0	3,500	3,500	3,500	0
P&R_Parks	Flapjack 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**

Ms. Hampton stated that there were about $3 million in unfunded decision packages. She noted that these were items that the departments identified but were not included in the proposed budget because of funding limitations.

Ms. Hampton then proceeded to discuss the Water and Sewer Fund whose revenues did not change from what was previously submitted to Council and remained at $20 million. The slide below shows the revenue sources in percentages.



The next slide outlines the proposed expenditures in the Water and Sewer Fund, which includes that increase of a little over $600,000 for that interfund transfer to the General Fund. As such, the total expenditures on the Water and Sewer Fund are now $19.6 million.



The Water and Sewer Fund forces at work and decision packages were all funded are just a little over $385,000.

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**

Below is the chart of those unfunded decision packages:

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**

Ms. Hampton outlined the next steps in the budget adoption process which are listed below:

- ✓ **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**

Ms. Hampton thanked Council for their support, guidance, and input in this process and extended her thanks to City staff, the ASO staff, and the City Manager for their support as they have worked toward this year's budget development and presentations.

Mayor Foreman thanked Ms. Hampton for the great job in presenting this year's proposed budget, as always and expressed appreciation to her staff as well.

Councilmember Branson echoed Mayor Foreman's sentiment for the amazing presentation and journey that Ms. Hampton took them on as she presented this year's budget.

Councilmember Hanks also wanted to commend Ms. Hampton for not only lowering the tax rate but did it with the most recent sell of the large bonds that were just sold, so being able to cover those bond payments and still be able to accomplish what her and her staff did, is a testament to all of their hard work. Ms. Hampton added that the great property values helped the overall outcome as well and Councilmember Hanks agreed.

There being no one signed up to speak on this item, Mayor Foreman closed the public hearing at 5:46 P.M.

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

Mayor Foreman asked City Manager Morad Kabiri to provide Council with a clarification of voting options. Mr. Kabiri noted that the Council had multiple options:

1) Adopt the budget this evening with the revisions that were presented tonight,
2) Adopt the budget as originally presented to them earlier this month, or
3) Postpone action on the budget until September 11th.

A motion was made by Councilmember Hanks and seconded by Councilmember Griffon, to approve Ordinance No. 2023-20 approving the adoption of the City of Friendswood's Municipal Budget for Fiscal Year 2023-24, as revised and presented, which includes revenue projections of $118,841,796 and expenditure appropriations totaling $118,841,796, as submitted, and related to Item 6.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, and Councilmember Brent Erenwert

Nays: None

Other: Councilmember Joe Matranga (Absent)

The item passed unanimously.

ORDINANCE NO. 2023-20

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.

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.

A motion was made by Councilmember Rockey and seconded by Councilmember Branson, to approve the first reading of 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, as submitted, and related to Item 6.C. The vote was the following:

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

Nays: None

Other: Councilmember Joe Matranga (Absent)

The item passed unanimously.

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.

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.

City Manager Morad Kabiri presented the item and stated that staff and Council have been discussing the potential of creating a Tax Increment Reinvestment Zone (TIRZ) and Public Improvement Districts (PID) for well over a year now. He noted that in their multiple meetings, public meetings with potential developers on the creation of a PID and TIRZ and with that in mind, Representatives from Bracewell, Jonathan K. Frels, Julie Melton Partain, and Mary Buzack, will present Council an educational component of what TIRZ and PIDs are and what they can accomplish for the City. Mr. Kabiri stated that later in the agenda, should the Council be ready, they can act on creating a policy, not establishing a district but creating a policy, that will outline a process and system under which the City will consider the creation of a PID and/or TIRZ.

Mr. Jonathan Frels, a partner at Bracewell thanked the Mayor and Council for the opportunity to speak to them and introduced his colleagues: Ms. Julie Partain also a partner that specializes in representing cities in connection with urban and suburban development, and Ms. Mary Buzack who also specializes in TIRZ and is also a former Assistant City Attorney.

Mr. Frels stated that a Public Improvement District is a specific entity that is created over a defined area either in a city's ETJ or within its corporate limits. A PID is not a separate district, it is not a separate entity from the City, it is just a defined area that is created under Chapter 372 of the Texas Local Government Code and is just a tool in a city's development toolbox. In other words, they are there to help cities incentivize the types of development desired and are frequently used for urban infill projects, which is what is being considered here. PIDs are also often used in ETJs when to incentivize annexation into the city as opposed to utilizing a special district, like a Municipal Utility District (MUD) or something like that in those areas.

He noted that a couple of things that are really important items to keep in mind are the following:

PIDs require the consent of property owners; therefore, the city must have the majority of the property owners involved in the PID. In Friendswood's case, the developer owns all the property to be considered for the PID, as such, he is the one that the City will work with on that creation.

A PID does not increase the taxes on the people outside of the district nor does increase the taxes on people inside of the district. A PID finances the infrastructure that is going to benefit those people that live inside of the PID through an assessment that is only for those people the folks that live inside of the PID or have businesses inside of the PID. So, again, these are assessments on property owners who have consented to the creation of this development tool.

The PID creation process includes:

- The city receives a petition from a majority of the property owners within the proposed boundaries of the PID.

- The city conducts a public hearing on the creation of the PID and the PID is created by a resolution adopted by the city council.
- The city files the creation resolution in the real property records of the county within seven (7) days of city council approval. This means that the PID creation petition will go into the deed records and thus allows property owners to know that they are in a PID.

Mr. Frels stated that PIDs are like drawing a big circle in the city, everybody inside the circle is going to get assessed for the payment of infrastructure; such as water, sewer, roads, parks, and open space, and will pay according to the benefit they receive.

Mr. Frels stated that the City would have PID assessment consultant that will create a service and assessment plan that will outline the benefit everybody gets, and the improvements being put in, in order to identify an assessment amount that is paid on top of what a person would pay for their taxes. He also noted that an assessment under Texas Law can be paid at any time; in other words, if someone buys a home in a PID, they can pay the assessment in one lump sum at the beginning and not worry about it again.

Mr. Frels noted that they have a mechanism in their bond documents that allows them to call bonds because they always want to make sure that the assessments are the same as the debt service on any bonds that are issued. Mr. Frels stated that an assessment is like a lien that runs with the land, and is not specific to the property owner, but instead sits on the property itself. They are also collected and enforced like property taxes, so same penalty, same scheme, they are due February 1st, and they can be foreclosed.

Mr. Frels noted that he always tells his cities that PIDs are a way to get a development that would not happen otherwise, so as cities are being more and more limited by the legislature and what they can require, PIDs allows cities to negotiate things like development standards that could not be had via zoning via a development agreement. Standards can include items such as better trails, maybe larger lots, a nicer amenity center, a park or a pool or something that will make the development unique. Additionally, PIDs can help accelerate construction in a city's Capital Improvement Plan (CIP). They are a way to get some additional revenue.

Mr. Frels went over the pros and cons of a PID noted in the following slide:

- 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

Mr. Frels gave an overview of the three types of PIDs, as follows:

- 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 are lower since infrastructure construction is complete, and homes begin 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.

Ms. Julie Partain proceeded to discuss the financial implications for the City. She noted that PID debt is a non-recourse which means that it is only payable from the assessments levied on the property owners. In other words, the bondholders cannot demand payment from the City's General Fund or from City property tax revenues, but rather said assessments are only paid from the assessments levied on the property within the PID. These types of assessments do not reduce the City's bonding capacity because they are not considered General Obligation debt and the City would keep all of its ad valorem and sales tax revenues. However, assessments do count against the City's bank qualified debt limit of $10 million, and Bracewell has a mechanism within its development agreements that makes the developer pay the interest differential if their issuing PID bonds forces the City out of bank-qualified debt, which is generally at a little bit lower interest rate. Typically, the bonds are non-rated and are sold to a limited number of investors because under state law, assessments can be prepaid at any time, which means that the City will need the ability to call those bonds at any time. As such, there are only maybe a dozen big bonds, high yield bond funds who are interested in this type of transaction who would typically do a limited offering memorandum with a rate that is a little bit higher since there is a smaller pool of buyers. The annual installments, which is what is charged annually, will be enough to pay the debt service on the bonds plus administrative costs.

A question that is asked a lot is, what happens if there is a default on the bonds; i.e., property owners fail to pay their annual installment of the assessments. Mr. Frels noted that it is really more of a financial advisor question, however they have never seen this scenario happen because again, this is non-recourse debt, so they are not going to be paid back from property taxes. Again, it is the City's obligation to enforce collection, which means that the City would have to foreclose on the property in question. The City would have an agreement with the bondholder that if people do not pay the assessment, the City would foreclose on the properties in question.

In regard to the PID creation and administration, Ms. Partain noted that they typically recommend to their issuers that when they start negotiating with a developer, that they enter into an agreement with them in order for them to put up some money towards paying the City's professionals. The developer can then get that money back out of the bond issuance; however, it really should be an upfront cost to the developer. The City would hire a PID administrator to handle this endeavor on its behalf, and that position would be paid out of the assessment, which is made up of three main components: (1) the principal, (2) interest, and (3) the administrative costs that is inclusive of the administrator fees.

Ms. Partain pointed out some big picture considerations, one being that PIDs are not a separate entity, the City is the PID. It is associated with the City's obligation, again, the City collects and enforces the assessment and must enter into a continuing disclosure agreement should bonds be issued. The developer would also have to enter into a continuing disclosure with the market in relation to the development. Thus, there would be two continuing disclosure agreements through the life of the PID. She further noted that the City would hire a PID Administrator that would work for and on behalf of the City to administer the PID. The Administrator would create a Service and Assessment Plan, which must be updated annually and would then interface with the County to have assessment added to the county tax bill. The Administrator would notify the City when someone is delinquent and interface with the developer on the City's behalf, Again, the PID Administrator would be paid out of the PID's administrative costs, so the City wouldn't have to add these costs to its budget. Ms. Partain also noted that the proceeds of the bonds would be held by a trustee, and they would only be released to the developer upon approval by the City to ensure that the agreed upon public improvements are being built to the City's standards and that all bills are being paid and liens are released appropriately.

Ms. Partain noted that the process to create a PID, levy assessments, and issue bonds is typically a 90-day plus process, which would require multiple actions by the City Council. She outlined what would happen if people do not pay their assessments. She explained that the reserve funds of the bond deal would be withdrawn and used by the City to make the payments of the debt service and would being the foreclosure on the delinquent properties. The proceeds from the foreclosures would then be used to redeem the bonds.

Councilmember Rockey asked who they would go after first if the City had to foreclose on an individual property. Ms. Partain responded that the assessment lien is superior to everything except property taxes, as such, it is superior to a bank's mortgage deed of trust on a piece of land. She recalled an instance in which they had a PID where the developer went bankrupt and failed to develop the lots per the agreement; therefore, the city in question began the foreclosure process. Since the developer had financed that land, the bank had a mortgage debt of trust on the property and what the bank, in this instance, was to foreclose on the loan, take ownership of the property, and pay the assessment in order to not lose their interest in the property. The bank continued to pay the assessment until such time as they sold the property to another developer who continued on with the development, which is often what happens in these scenarios.

Councilmember Erenwert, based on Ms. Partain's estimated costs of $20 million for a PID, and understanding that these are on a case-by-case basis, asked if once the City gets this in place, does a developer come to the City with a project for Council to evaluate its feasibility and to figure out the assessment amount, who would be involved in that process. Ms. Partain responded that the City's financial advisors and PID consultant would be a part of the described process.

Councilmember Erenwert inquired whether a developer could put such a big assessment, like $20 million, and what would happen if they were then unable to sell anything. Ms. Partain indicated that developers are incentivized to not want to make homes unaffordable within the PID, and they most likely negotiate contracts, if they are not already in place, with builders who are not going want to overpay for the lots, so developers have a cap of sorts they work under to make the product attractive to buyers. Ms. Partain also noted that the City's financial advisor and PID Assessment Consultant would run through all possible scenarios to figure out the right numbers by looking at surrounding developments and see what amount a potential buyer would be willing to pay to buy in the PID versus anywhere else in the Friendswood area, would it be a dollar, more or less. Ms. Partain noted that the development agreements bind developers on how much they can charge and ultimately limit the amount of public improvements.

Mr. Frels mentioned that when it is time to negotiate the development agreement; i.e., the contractual obligation of the developer, they work very closely with the City Administration to ensure that the City gets what it wants out of this development. Mr. Frels further noted that said development agreement is brought before Council for approval. This is done in order to ensure that the Council has full visibility into the projects and there is full transparency for everyone involved. Ms. Partain concurred that this is a collaborative process and is something that they have a lot of experience with, so they understand the challenges that come with this type of development.

Councilmember Hanks inquired if during the negotiating of the development agreement, the City could request additional studies of the land; such as an environmental assessment for toxic substances. She also noted her concern about the City having any kind of responsibility related to the discovery of toxins on and in the land. Ms. Partain responded that because the City does not own the land, it does not have any responsibility in that instance; however, she noted that when the City issues bonds, there is a big document called a Limited Offering Memorandum, which is an extensive disclosure document that walks developers through (1) what they can develop, (2) their ability to have money to develop, (3) what the property will look like, (4) what the homes will look like, (5) who the builders will be, and finally, that they are required to have a Phase One Environmental Study completed. By adding this last requirement, the developers understand that they have a liability if they sell land with environmental used to a builder. She further noted that if a developer is borrowing money from a lender, they are going to require all environmental studies, and the developer will have to disclose any findings to their lender and to their builders, so that will all be taken care of contractually.

Councilmember Rockey asked if the environmental studies in question could be paid from the PID funds. Ms. Partain responded that these studies would need to be paid for by the developer using private funds.

Mr. Kabiri noted as a matter of clarification that without a PID, or any sort of Tax Increment Reinvestment Zone, the City cannot require a developer to provide those types of environmental reports for developments on properties that are already zoned for the allowable use; therefore, this additional development tool give the City some additional leverage to ensure that an added layer for safety is put in place.

Ms. Partain stated that typically, assessments will go on the county tax bill, that way they make sure it gets paid, and that is important to bondholders. She noted that when a PID is created, it is filed in the property records, this includes the assessment ordinance levying the tax and the big service assessment plan, which is required under state law. Ms. Partain noted that the City's PID Assessment Consultant will work with the developer to make sure that the proper notices get sent out, and include other special measures as desired by the City; such as, additional signage, in the development agreement, in order for buyers that purchase a house within the PID development, are well aware of what they are buying into, which in this case would mean paying the regular tax rate, plus the assessment.

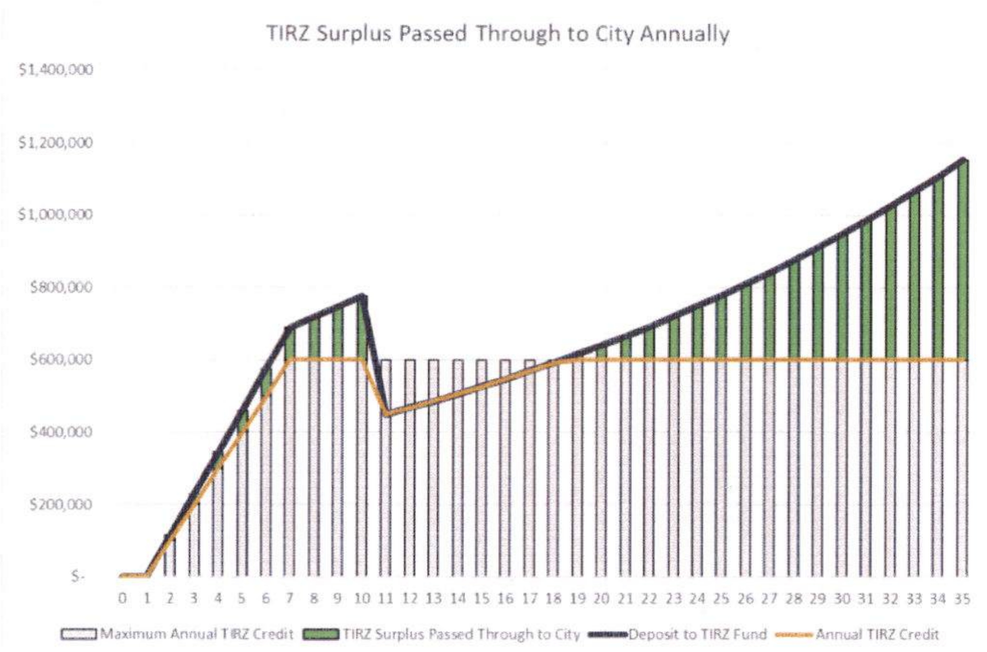
Mr. Frels informed the Council that after the presentation, they will be able to consider adopting a PID Policy with a lot of the best practices discussed in the presentation included. He noted that said policy creates a consistent baseline that will assist Administration in reviewing potential PID request and ensure that whatever is considered will protect the City.

Ms. Mary Buzack stated that she would be providing the Council with an overview of a Tax Increment Reinvestment Zone (TIRZ) and stated that a TIRZ is another tool in the City's toolbox that is often used as an overlay with a PID. She noted that it is a financing tool that allows the City to use the tax increment revenues in a defined geographical area to pay for public improvements in that area. She indicated that when a TIRZ is created, the city sets the base year value of the property included in that area (the "Zone") and any increment that is generated year to year over that base year value is increment that is available for use to reinvest into the public infrastructure in that area. Ms. Buzack noted that one of the things that the City can do is decide how much it wants to contribute out of its tax increment back into the Zone versus into its General Fund. She further noted that once a TIRZ is created, the basic steps in the process are governed by statute and are outlined below:

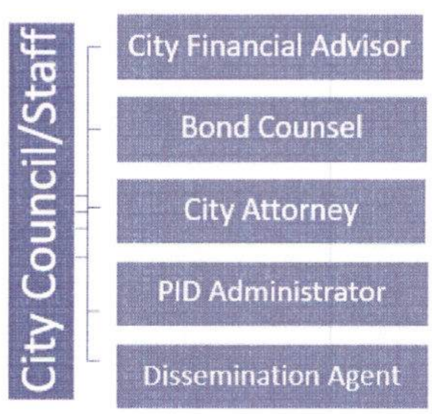
- Chapter 311 of the Texas Tax Code establishes the steps for creating a tax increment reinvestment zone (TIRZ):
  - Create boundaries for the proposed TIRZ.
  - Prepare a preliminary reinvestment zone financing plan.
  - Conduct a public hearing on creation of the TIRZ.
    - Publish notice of the hearing 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.

Ms. Buzack reiterated the notion that once the City sets the base year value, they would split between how much they contribute back into the Zone, versus how much they retain for the General Fund. The City can decide to contribute up to 100%, or it can contribute any amount underneath that so, it is at the City's discretion, but it is a way of using the increased property revenues to invest into Zone and to make sure that the City has the monetary infrastructure that can pay for the development that the City is trying to generate. She further noted that the reason that TIRZ were being discussed in conjunction with PIDs is because one of the things that the City can use tax increment revenue for is to offset the City's PID assessments. Ms. Buzack reviewed the following chart with the Council as an example of the use of TIRZ increment revenues to offset the PID assessment:

PID/TIRZ OFFSET



Mr. Frels concluded the presentation by stating it is important that as a City, they have people representing them and looking out for the City's best interests, which included the following:



Mr. Frels noted that they will all work together in order to help deliver the Council a project that is going to be successful and that will execute the goals laid out by the City lays. Mr. Frels thanked the Council for the opportunity to speak with them and offered to answer any questions.

Mayor Foreman thanked entertained questions from Council.

Councilmember Rockey inquired about the old Exxon property, and asked how soon they would have something of this nature coming before the Council. Mr. Kabiri stated that staff does not have a timeline on this project as of yet and noted that there is still a lot of due diligence that needs to take place in terms of some preliminary engineering and assessments regarding the amount of infrastructure that will be needed to develop the property and address their environmental concerns.

Mayor Foreman thanked the Bracewell team for the presentation.

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

City Manager Morad Kabiri presented the item and stated that this item was a continuation of the previous item. He noted that Ms. Karen Horner, the City's attorney, had written the policy before them based on her many years of experience in working with these types of developments with her previous employer.

Councilmember Erenwert inquired as to why this type of policy had not been instituted before. Mr. Kabiri responded that there were multiple reasons for this, the first being that the City, historically, has not been a fan of special financing districts. He noted that Friendswood only has one within its city limits, that of the West Ranch Management District, and although these types of districts are fairly common outside of Friendswood, the City has always been the eye of the hurricane, for lack of a better term. Secondly, the properties that have developed to date have been easier to develop so they did not need these special financing districts. The properties that are left to be developed in Friendswood are the most difficult to develop due to a number of reasons; such as: (1) a lack infrastructure, (2) floodplain issues, (3) drainage concerns, and (4) lack of access to roadways. Mr. Kabiri stated that these special financing districts can assist developers in creating a development in a manner that is consistent with the long-term goals of the city, while limiting any negative impact on neighboring properties. Mr. Kabiri reiterated that the approval of this item, does not approve the creation of any PIDs or TIRZs, and is instead only the approval of a policy that will allow the City to consider these types of developments should it be in the City's best interest.

A motion was made by Councilmember Hanks and seconded by Councilmember Branson, to approve Resolution No. R2023-20 adopting the City of Friendswood Public Improvement District Policy, as submitted, and related to Item 7.B. The vote for the motion on the table was the following:

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

Nays: None

Other: Councilmember Joe Matranga (Absent)

The item passed unanimously.

RESOLUTION NO. R2023-20

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.

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.

A motion was made by Councilmember Hanks and seconded by Councilmember Erenwert, to approve the renewal of the water meter reading services contract between the City of Friendswood and Inframark, formerly known as SevernTrent, as submitted, and related to Item 8.A. The vote was the following:

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

Nays: None

Other: Councilmember Joe Matranga (Absent)

The item passed unanimously.

9. CONSENT

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, and Councilmember Brent Erenwert

Nays: None

Other: Councilmember Joe Matranga (Absent)

The item passed unanimously.

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.

ORDINANCE NO. 2023-21

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.

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.

RESOLUTION NO. R2023-21

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.

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

With there being no further business to discuss, Mayor Foreman adjourned the August 28, 2023, City Council Special Meeting at 6:24 P.M.

Mike Foreman, Mayor

Attest:

Leticia Brysch, City Secretary

CITY OF FRIENDSWOOD
STATE OF TEXAS