

===== CAPITAL IMPROVEMENT PROGRAM =====



**TO:** Honorable Mayor Owen and City Council

**FROM:** Anthony J. Snipes, City Manager

**DATE:** July 1, 2016

**RE: Adopted Fiscal Year 2017 Annual Budget and Financial Plan**

In this banner 60th year of incorporation, the “Show Me City” is focused on building on a strong past with an eye toward the future. For decades, Missouri City has been nationally recognized as one of the nation’s “BEST” cities for our “safe streets”, “strong fiscal policies,” “citizen collaborations,” “scenic communities”, “premier parks” and “first-class amenities”. With that in mind, I am pleased to present you the Fiscal Year 2016-17 Budget. I appreciate your input throughout this budget process, along with the hard work of our dedicated staff.

The Fiscal Year 2016-17 adopted budget is balanced and reflects a fiscally responsible approach that addresses the challenges of our City, and it leverages the opportunities to improve the quality of life for Missouri City residents. The adopted budget will allow the City of Missouri City to “Invest, Improve, and Maintain”. To continue our efforts toward a High Performance Organization, we plan to: **Invest** in our employees and infrastructure, **Improve** the vitality of our neighborhoods, and **Maintain** our momentum in public safety and development/community services.

The budget before you provides functional alignment that positions our departments to strategically focus their resources on City Council’s Strategic Goals and the Community’s Comprehensive Plan. Departments will now be aligned under the following functional areas: Strong Neighborhoods & Development; Sound Economy & Business Investment; Safe Community; and Support & Financial Services.

**Economic Outlook**

Missouri City is excited to see the shift in the City’s economic outlook, from continued improvements in unemployment levels, new industries finding a home here, and upticks in residential and commercial development activity. The current City of Missouri City unemployment rate (March 2016) of 4.8% is below the national average of 5.0%, and existing home sales and commercial investments continue to grow. While the unemployment rate has fallen, job growth has slowed considerably in recent months. This is consistent with the downturn in the regional economy.

In the coming years, the tax abatement agreements and other investments provided by the City will come to an end, which will benefit our City with increased sales tax growth. Currently, sales tax rebates have dipped recently (slightly negative over the past eight months). The adopted budget for sales tax growth projects that over the next year there will continue to be a decline. The U.S. economy is showing signs of slowing, as leading production indicators such as factory orders/purchasing manager’s index are weak. We must exercise extreme caution due to declines in sales tax revenue and limited new growth opportunities in our incorporated areas. At near full employment, the pace of job growth and consumer spending is sluggish. Lastly, consumer prices are essentially flat locally, as the impact of oil offsets modest rises in other components.

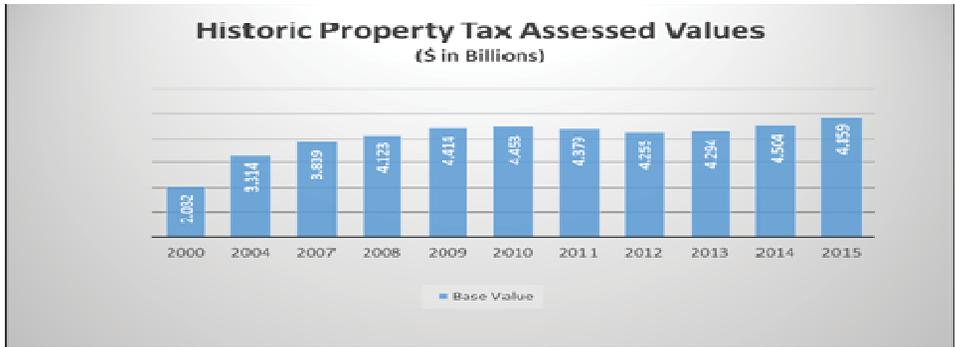
When examining our workforce, Missouri City residents largely work outside the city (Medical Center/downtown), with strong concentrations in Health Care and Professional Services. Half of the resident employment base is in Management occupations. Our building permit data suggests housing development has slowed. E-Commerce is steadily rising as a share of overall retail activity (Since online sales are untaxed, this undermines the local tax base).

Along with this growth, and challenges associated with sales tax growth, have come increased demands on City services and infrastructure, and ultimately City dollars. While our financial future is optimistic, paramount to developing the adopted FY2017 budget was building upon previous years’ efforts to make the City leaner and more efficient and ensure the long-term protection of our quality of life.

As stated earlier, our key revenue sources continue to show steady growth in some areas and consistent under-performance in others. Property tax values are up, and have grown 12.6% over Tax Year 2015, which represents a \$2.6 million increase to the General Fund. Property taxes account for 51% of the General Fund’s revenues.

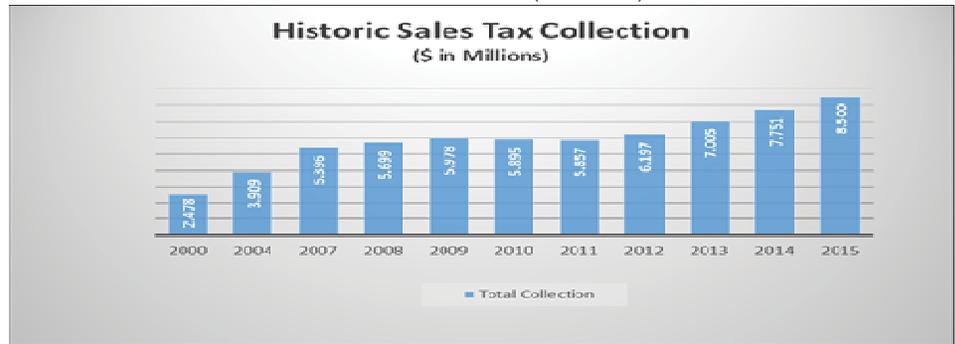
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Property Tax Base Values (\$ in Billions)



Sales tax revenue accounts for 19% of the General Fund revenues. Total sales tax revenue estimated for Fiscal Year 2017 is \$8,415,000. As stated earlier, sales tax rebates have continued to dip over the past 8 consecutive months. It is assumed the total sales tax collections will see a 6.3% decrease, or \$565,000, from the original budget assumption for Fiscal Year 2016. It is 1.7%, or \$145,000, lower than the Fiscal Year 2016 year-end estimate.

Sales Tax Revenue (\$ in Millions)



New construction appraised values continue to increase with Tax Year 2016 new value estimated at \$153 million. Of that number \$92 million was commercial, while the remaining was captured in residential construction.

New Construction Appraised Values (\$ in Millions)



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**Budget Development and Priorities**

On March 21, 2016, the City Council received for the first time in our recent history an economic forecast presentation by Jon Hockenyo, president of an economic analysis and policy consulting company, which provided the following:

- Examination of trends in the national/international economy, with focus on variables crucial to the Houston region (Overall Economic Growth, Consumer Activity/Prices, Monetary Policy, and Oil & Gas)
- Review of performance and outlook for Houston regional economy
- Review of Overall Trends/Key Sectors
- Examination of Third-party Forecasts
- Examination of current structure and trends in Missouri City (i.e. focus on sectors/occupations where residents are concentrated)
- Testing of a range of variables for predictive power (Regression and Extrapolation)
- Creation of Missouri City forecasts (Combination of analysis, statistics, input, and judgement)

Then, on March 28th, the City Council received a Long-Range Financial Forecast. That report presented the City Council with an overview of factors and their likely impact on City revenues and service demands. Caution was advised and careful planning recommended to accommodate a growing population and business community to ensure future revenue capacity to respond to projected residential, retail, and commercial growth, and the inevitable resulting increase in service demands.

Ultimately, our budgetary goals and objectives will be aligned to the City Council's vision and strategic goals for the coming years.

The guiding principles and development goals used to construct the FY2016-17 adopted budget are as follows:

- Sustain priority focus of public safety
- To ensure that the City lives up to its compensation philosophy, which suggests a commitment to continuously seek to recruit, retain and promote the best qualified individuals
- Continue to maintain and strengthen current services, while exploring enhanced services to address demand
- Review infrastructure needs and identify necessary capacity to address
- Implement strategic changes within the organization to take our services to the next level of High Performance

I am impressed with the focused and difficult decisions made by the Mayor and City Council over the past several years. Due to the diligence and persistence of the City Council and City staff, I am presenting you with a balanced \$43.7 Million General Fund budget that achieves the following:

- Provides the City's tax rate at \$0.51464 per \$100 of assessed value
- Increases the funding dedicated to capital projects, including additional dollars for street maintenance and repair
- Funds the ongoing operating and maintenance of facilities
- Begins a multiyear plan to fund IT priorities and infrastructure
- Invests resources for Police and Fire that address needs based on growth and priorities
- Eliminates the use of reserves to balance the General Fund budget

**Budget Summary**

The total adopted budget for Fiscal Year 2017 for the City of Missouri City is \$105,975,617, for all funds. The General Fund budget of \$43,766,630 accounts for 41% of the total. The Utility Funds total \$19,745,583 and account for 19% of the total. Capital Project Improvement Funds account for \$20,505,954, or 19%, of the total, and the Debt Service Fund totals \$8,940,922, accounting for 8%. In the General Fund, 48% of the total expenditures are allocated to Public Safety – Police and Fire. A total of 67% of the General Fund expenditures support expenses needed to fund personnel-related costs. The largest sources of revenue to the General Fund are property taxes (51%) and sales taxes (19%). At (9%), various franchise fees make up the third largest source of revenue to the General Fund. The budget funds a total of 353 full-time positions.

The City's budget priorities are closely aligned with our strategic plan and key focus areas. The FY 2016-17 adopted budget continues along the path of fiscal responsibility, adheres to established priorities, and continues our efforts to maintain services. The budget allows the City of Missouri City to meet its current obligations, while all current year service levels are maintained. As outlined below, staff was guided by the City Council's vision and strategic goals in shaping the FY2016-17 budget.

*By the year 2029, Missouri City will be commonly recognized as a Great Place to Live. Residents will be able to know Missouri City as a Premier Community that is beautiful, safe, inclusive, and active. Missouri City will also, by the year 2029, showcase successful village centers at Texas Parkway and Sienna Parkway, and boast a vibrant Town Center at Highway 6 and Toll Road and Thriving Major Corridors.*

To achieve the envisioned future for Missouri City, for 2016 through 2020, the Council's strategic goals are: 1) to create a great place to live: safe, beautiful, and active; 2) to maintain a financially sound city government: effective/quality services and infrastructure; 3) to grow business investments in Missouri City: More Business, More Jobs; 4) to develop a High Performance City Team: Working Together, Producing Results; 5) to have quality development through buildout: Active centers, neighborhoods, housing and mobility. The year's proposed budget does include several important service enhancement highlighted below:

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**2016-17 Focus**

City staff continues to evaluate the services provided to the citizens and businesses of Missouri City and staying within the confines of a relatively flat revenue stream.

• ***Comprehensive Plan***

This is the year that the City's Comprehensive Plan Update will be completed and begins our plans to meet the expectations and vision of our City. The City's Comprehensive Plan serves as the framework for guiding future development and redevelopment activities within the City and its Extraterritorial Jurisdiction over the next 20-plus years. This update process affords us the opportunity to reevaluate and consolidate the desires of our various stakeholders, our residents, businesses and landowners, major institutions, civic groups, and public officials. It also allows us to establish our unified vision along with realistic goals and strategies. The focus of this Plan will recognize and provide for our projected population growth, changing land development considerations, and continued infrastructure and utility needs as we move forward. A cross section of our stakeholders works with us as members of the Comprehensive Plan Advisory Committee. These stakeholders have dedicated both time and resources toward the success of the update process; helping to ultimately pave the way toward a Plan that is supported, realistic, and achievable.

• ***Compensation***

To ensure that the City lives up to its compensation philosophy, which suggests a commitment to continuously seek to recruit, retain and promote the best qualified individuals, the City allocated an estimated \$1.2 million to fund the recommended pay structure adjustments and time in position (TIP) calculations for Police, Fire, Exempt and Non-Exempt employees, based on market comparable city data gathered by compensation consultants. This figure also included the implementation of a three percent (3%) across the board salary increase for all employees, followed by an adjustment to the minimum of the new range. Salaries will also be adjusted by 2% above the minimum of the new range for each full year of time in position for all employees, where applicable.

• ***Health Insurance***

Another component of the City's Total Rewards (Salary & Benefits) is our pledge to provide quality, affordable medical, dental, vision, life, accidental death, dismemberment and long term disability to all eligible employees and their dependents. Over the past several years we have enjoyed the benefit of negative, zero, or minimal increases in employee premiums during renewals, due to several factors including, but not limited to, having a combination of a Preferred Provider Plan (PPO) and a High Deductible (Health Savings Account), with average utilization rates of 70% to 80% during the benefits calendar year. Notwithstanding, health insurance continues to be a major cost driver in most private and/or public organizations or corporations.

An evaluation of our current and projected Utilization Rates (used to determine cost of premium renewals each year) suggests that it is in our best interest to establish and/or renew our commitment to employee wellness, annual well person exams, recreation & fitness, and disease management to decrease the likelihood of a premium increase for the upcoming benefits calendar year, which is January 1 to December 31 of each year. As such, we have allocated funding for additional programs that we believe will positively impact renewals for 2017.

• ***Additional Police Officers and Public Safety Supplemental Personnel Support***

A total of \$45,190 has been added to the Police Department's budget for first year costs for one additional Police Officer, as well as providing matching funds for 4 Federal COPS Grant Police Officers. The first-year costs cover six months, or partial-year salaries and benefits, for the officer. The full year implementation costs to add the officer will be approximately \$90,380. The officer is being added to enable the Police Department to achieve its goals of improved response time, patrol coverage, and general law enforcement.

In an effort to address increased call volumes in the dispatch center and turnover, two Telecommunications Officers are being added to implement a squad that would have five TCO's per squad, with two squads per shift. Additionally, the proposed budget recommends funding for one Police Records Technician to address negative performance indicators for the Records Division. In the first six months of FY 2016, the processing of accident reports within 24 hours of submission has decreased from 95% in FY 2015 to 90% in FY 2016. Like the Police Officer position added, the two TCOs and the Records Technician will be funded for six months during FY 2017.

• ***Capital Improvement Projects & Infrastructure Assessment***

□ Parks

- Park Entry, Rules and Informational Signage will be redesigned, fabricated, and replaced in 21 existing parks. Additional Park Improvements will involve upgrades to existing facilities and construction of new facilities in selected parks.
- Funds will be utilized to offer an expansive Skate Park to an existing City Park.
- Design and construction services will be secured for American Legion Park to improve parking and provide a restroom building and pavilion. Professional services will also be secured to provide a design for the features identified in the MacNaughton Park Conceptual Master Plan.
- The Oak Hill Park Project addresses the need to replace the existing 20-year-old playground structures.
- Recreation and Tennis Center renovations will involve the addition of shade structures and benches for the 13 tennis courts. The underutilized Kid Zone will be converted to a Tennis Pro Shop with an administrative area providing juice and snack options. A storefront wall and door will be constructed behind the front desk. A gym divider will be installed and the basketball goal switches will be relocated to the gym wall from inside the storage closet.

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□ Drainage

- Cangelosi Detention Facility: City staff will secure design services and begin construction based on the 2009 Cangelosi Detention Facility Study Update recommendations to ensure regional detention requirements are met for future developments. Improvements include widening Cangelosi Ditch to ultimate conditions from Texas Parkway (FM 2234) to the Buffalo Run Detention Facility, widening the bottom width from 30ft. to 70ft., and raising the top of bank an average of 1.5ft for approximately 6,000 linear feet.
- Mustang Bayou Watershed – City staff will secure design services and oversee the construction of recommended improvements by the Mustang Bayou Watershed Evaluation to the Mustang Bayou Diversion Channel from the Kitty Hollow Detention Facility to the Old Channel, including excavation to improve drainage as the watershed develops.

□ Transportation

- Funds will be utilized to design and construct additional traffic signals throughout the City. These are necessary to maintain traffic circulation for future development. Bridge Rehabilitation funds will be used to secure design services for new construction or toward the repair of existing bridges (utilizing the 2016 Citywide Bridge Structure Rating and Inventory Evaluation) to ensure mobility and provide safe routes for residents as well as public safety vehicles.
- Trammel Fresno Road Improvements entail expanding this thoroughfare to a four-lane concrete curb and gutter, divided roadway with raised medians, necessary to handle expected traffic demands from increased development in the area.
- The Ashmont Drive Reconstruction Project involves completely rebuilding the roadway and sidewalks between La Quinta Drive and Valley Bend Drive. Additionally, the Adams Street Project will reconstruct the roadway and sidewalks between Texas Parkway and 5th Street. The Citywide Pavement Evaluation identified the need for complete reconstruction of these two locations.
- The two Glenn Lakes Bridge Projects, over Oyster Creek east of West Creek Club Drive and over the Oyster Creek Tributary east of Highland Lake Drive, will replace the existing bridge structures to provide safe routes and ensure continued mobility.
- The Independence Boulevard Projects involve the design and construction of a four-lane roadway from Staffordshire Road to South Revolution Way in two phases and will provide drainage conveyance for the area east of the GCWA canal.
- The Knight Road Extension Project will entail the design and construction of a two-lane, undivided concrete road with a new bridge over Lower Oyster Creek Channel and expanded bridge over the GCWA B Canal on Knight Road from Fort Bend Parkway to McKeever Road. This will provide relief to the overcapacity Sienna Parkway corridor.
- Staffordshire Road will be designed and constructed to provide a two-lane concrete curb and gutter roadway from Scanlin Road to Court Road.
- The Waterfall Drive Reconstruction will enter the design phase replacing the segment from Lexington Boulevard to Bright Meadows Drive. The Point Clear Drive Reconstruction also enters the design phase to replace the roadway from Turtle Creek Drive to Glenn Lakes Lane.
- Beautification projects will involve the placement of City monuments, landscaping and Wayfinder Signage in locations throughout the City as identified by Council.

□ Public Safety

- Currently, there is unused office in Fire Stations 3 & 4 that will be more effectively utilized if converted to a Police Office. Funds will be utilized to place critical infrastructure on the emergency generator, including the HVAC system. During a disaster response these facilities are used to house many first responders. The remodel will increase housing for existing staff and additional supplemental staff during disasters, and improve emergency power capabilities. The flooring in both facilities has reached end-of-life and will be replaced.
- Renovation of the Lobby of Public Safety Headquarters will address aesthetic, accessibility, and community interaction issues identified by staff and citizens. The redesign of the area will allow better interaction with and accessibility for visitors and staff as well as create a space for volunteer activity, while generating a more hospitable and welcoming foyer and waiting area.

□ Utilities

- Projects currently include the demolition and replacement of the 212,000-gallon Mustang Bayou Water Plant # 2 Ground Storage Tank which has reached end-of-life. Additionally, the Surface Water Treatment Plant Pump Station at B Canal will be upgraded to provide a more reliable water source from the Brazos River.

□ METRO Funds

- Funds will be utilized to secure professional services for traffic studies to identify traffic improvements with small traffic, speed and school zone studies and signal warrant analysis. Funds are also allocated to Signal Upgrade and Sequencing on existing thoroughfares for use in the City's Intelligent Transportation System (ITS).
- Funds will be provided to update software, acquire aerial imagery, and secure consultant services for GIS, which provides a variety of tools for staff and citizens.

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• **Technology**

The City's technology improvements will include a Citywide Video Surveillance System. This project will affect all departments within the City. As the City grows, we need to improve our surveillance and security system to meet our needs. Our current system does not serve as a consolidated enterprise system. However, as the City continues to grow in size, and additional buildings and facilities are added, changes and improvements to our system is crucial. Currently the City has several small solutions that support individual sites, causing disconnect in the system and maintenance. These systems cannot be accessed as needed for investigation without directly accessing the system from their respective remote location. A consolidated system will provide better access and a stable surveillance system. The project also aligns with the City's Strategic Plan 2019 goals of "Maintaining a Financially Sound City and Quality Development Through Buildout". This project further aligns with the City's Fiscal Year 2017 Priority #1 – Investment in Our Employees.

• **Service Enhancement**

A firefighter position will be reclassified to a driver position in the Fire Department's squad program and will provide an additional promotional opportunity for firefighters at a minimal cost to the City. This position reclassification will provide a state-certified driver/operator that has also undergone department driver training and will encourage employee retention by providing one additional promotional opportunity per shift.

The Development Services Department will add one full-time position during FY 2017 and a contract position for a Planning Technician. The full-time position included in the adopted FY 2017 budget is a Health Inspector. These full-time and contract positions are being offset through the consolidation of one part-time position and the reallocation of funds set aside to utilize an outside Plan Reviewer and Inspector. Adding these positions to the budget provides resources needed for this department to improve its responsiveness as the City continues to balance the volume of development activities throughout the community.

**Comparison of Budget for FY 2017**

General Fund	FY2014 (Actual)	FY2015 (Actual)	FY2016 Original Budget	FY2016 Estimatd Budget	FY2017 Adopted Budget
Beginning of Year Fund Balance	\$8,419,424	\$8,952,169	\$7,801,147	\$9,423,297	\$9,811,300
Revenues	\$34,297,670	\$37,008,075	\$42,086,137	\$42,796,188	\$43,766,630
Expenditures – Base Budget	(\$33,764,925)	(\$36,518,579)	(\$42,248,670)	(\$42,408,185)	(\$43,766,630)
Net Revenues Over/(Under) Expenditures	\$532,745	\$489,496	(\$162,533)	\$388,003	\$0
Ending Of Year Fund Balance	\$8,952,169	\$9,423,297	\$7,638,614	\$9,811,300	\$9,811,300
Percentage of Fund Balance to Budgeted Revenues	26.10%	25.46%	18.15%	22.93%	22.42%

**Debt Service Fund Summary:**

Total budgeted expenditures from the Debt Service Funds are for payments for issued general obligation bonds and certificates of obligations, including other associated payments, which total \$8,329,611. The Debt Service Fund balance is projected to be \$5.3 million on June 30, 2017, or 65% of the annual scheduled debt payments. Because of this healthy Debt Service Fund Balance, and due to the refunding of more than \$79 million in some bonds and certificates of obligation since the tax rate was established for the 2016 budget, the Fiscal Year 2017 budget is adopted with a decrease of \$0.032960 to the Interest & Sinking Tax Rate.

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**Comparison of Budget for FY 2017**

<b>Debt Service Fund</b>	<b>FY2014 (Actual)</b>	<b>FY2015 (Actual)</b>	<b>FY2016 Original Budget</b>	<b>FY2016 Estimatd Budget</b>	<b>FY2017 Adopted Budget</b>
Beginning of Year Fund Balance	\$5,750,142	\$5,559,289	\$5,804,147	\$5,583,379	\$5,788,752
Revenues	\$8,360,806	\$9,023,100	\$9,214,636	\$9,447,297	\$8,424,221
Expenditures	(\$8,755,751)	(\$8,999,008)	(\$9,749,208)	(\$9,241,924)	(\$8,940,922)
Other Financing Sources	\$204,089	\$364,520	\$0	\$0	\$0
Ending Of Year Fund Balance	\$5,559,287	\$5,583,379	\$5,269,575	\$5,788,752	\$5,272,051

**Property Tax Rate:** Due to a July 1 start of the fiscal year, Missouri City's property tax revenues are budgeted with the disadvantage of not having certified appraisals for taxable property. The total current Fiscal Year 2016 tax rate for the City of Missouri City is \$.54468 per \$100 taxable valuation. The budget is prepared using the tax rate of \$.51464/\$100. This rate assumes a Maintenance & Operation (M&O) rate of \$.37620 and the Interest & Sinking (I&S) rate of \$.13844. The total tax rate decrease is attributable to lower annual debt service payment for principal and interest on the Interest & Sinking side of the tax rate.

As the new City Manager, I am committed to our journey of investing, improving, and maintaining: **investing** in our employees and infrastructure, **improving** the vitality of our neighborhoods, and **maintaining** our momentum in public safety and the development/community services. These strategies are essential to our future. As we move forward, let's continue to set the bar high and achieve our goals with a High-Performance Organization structure that assures leadership across all levels. Just as important, we must prepare to address present and future challenges so we can continue to attract and keep the businesses and homeowners who choose to live and work in our City. In the upcoming fiscal year, my team will make positive changes in the way we do business and deliver excellent service to our citizens.

City employees are to be commended for continuing to provide superior service to residents, businesses and stakeholders. In spite of unanticipated vacancies and increased service demands, our Team has met each challenge with excellence; which is the Missouri City way. Our mission is clear, a collective vision is established and strategic goals are set. And, as we move into our sixth decade of municipal operations, we may be assured that success is imminent.

Sincerely,



Anthony J. Snipes  
City Manager