

WORKSHOP

Review of and discussion on service level implications for residents of Greatwood, New Territory, and current Sugar Land residents due to annexation of Greatwood and New Territory.

Council Member Mary Joyce, At Large #2

Purpose of this Presentation

- To update my fellow council members and residents of Sugar Land, Greatwood and New Territory of my findings when I looked more closely at the impact of the annexation from a service level and financial standpoint
- This is the only acceptable forum for me to address all of council due to legal restriction on discussing matters with fellow council members. Now that it is public, we are liberty to discuss.
- LEVEL OF SERVICE – Presented as a **NEED** in every workshop and discussion
 - Services to annexed area must be at same level as existing City
 - Providing services to annexed area cannot decrease level of service to existing City
 - Providing services to annexed area cannot increase COST of service to existing City
- At the end of my presentation I am hopeful council can have a conversation about how to address these concerns and determine some action items.

Timeline for Context

- Between September 20, 2016 and October 25, 2016 council participated in 3 workshops/meetings, council meetings that repeatedly stated that a new Dispatch/EOC Center and Animal Services Facility were necessary due to the increase of population of approximately 30,000 residents and resulting service requirements.
- City staff consistently stated that funds WERE available in the Debt Service Fund for these projects to be constructed in 2019.
- After each of these meetings my fellow council members and I were under the impression that, based on information provided by the staff, that this annexation is a net neutral to the city finances.
- Throughout this budget cycle, the measures taken to finalize the budget did not make sense to me. The more I looked, the more questions I had. The facts did not support the outcomes. This caused me to look at the annexation in more detail.
- I started coming to conclusions that were worrisome and I was hoping to be wrong. I reached out to 3 different independent experts in the field of debt service and budget and they confirmed that my concerns are legitimate.
- **PLEASE NOTE:** Everything I am addressing today is information that was presented to council PRIOR to Hurricane Harvey and PRIOR to our recent vote on the tax rate increase and subsequent approval of the FY 2018 budget.

Annexed Debt Service Fund - Presented 10/25/16

FY	P-Tax(\$M)	Utilities	GW-Debt	NT-Debt	Req. CIP*	Cum Bal
2018	\$10.420	\$0	-\$5.003	-\$0.170	-\$0.546	\$4.701
2019	4.416	1.632	-4.413	-1.666	-1.158	3.512
2020	4.548	1.596	-4.433	-1.482	-1.671	2.070
2021	4.685	1.532	-4.458	-1.168	-1.772	0.889
2022	4.825	1.526	-3.087	-0.968	-1.876	1.309
2023	4.970	1.531	-3.090	-0.976	-1.925	1.819
2024	5.119	1.569	-3.129	-0.619	-1.925	2.834
2025	5.273	1.296	-3.135	-0.321	-1.925	4.022
2026	5.431	0.682	-1.711	0.000	-1.925	6.499
Total	\$49.687	\$11.364	-\$32.459	-\$7.370	-\$14.723	\$6.499

* Req CIP = Facility NEEDS triggered by population growth. New Debt for Dispatch/EOC Center, Animal Services Facility.

* Req CIP = Capital Improvements NEEDED Infrastructure in GW & NT.

Annexed Debt Service Fund - @ 10/27/16

							ANNEX. DEBT SERVICE FUND REDUCTION FROM 10/25/16 TO 10/27/16 (IN MILLIONS OF \$)
FY	P-Tax(\$M)	Utilities	GW-Debt	NT-Debt	Req. CIP*	Cum Bal	
2018**	\$7.502	\$0	-\$5.003	-\$0.170	-\$0.546	\$1.783	-\$2.918
2019	4.416	1.632	-4.413	-1.666	-1.158	0.594	-2.918
2020	4.548	1.596	-4.433	-1.482	-1.671	-0.848	-2.918
2021	4.685	1.532	-4.458	-1.168	-1.772	-2.029	-2.918
2022	4.825	1.526	-3.087	-0.968	-1.876	-1.609	-2.918
2023	4.970	1.531	-3.090	-0.976	-1.925	-1.099	-2.918
2024	5.119	1.569	-3.129	-0.619	-1.925	-0.084	-2.918
2025	5.273	1.296	-3.135	-0.321	-1.925	1.104	-2.918
2026	5.431	0.682	-1.711	0.000	-1.925	3.581	-2.918
Total	\$46.769	\$11.364	-\$32.459	-\$7.370	-\$14.723	\$3.581	

* Req CIP = Facility NEEDS triggered by population growth. New Debt for Dispatch/SOC Center, Animal Services Facility.

* Req CIP = Capital Improvements NEEDED Infrastructure in GW & NT.

** FYI memo sent 10/27/16 - GW & NT Property Tax Revenue Increased by \$1.093M. In 2 days.

** FYI memo sent 10/27/16 - GW & NT Debt Service Fund Balances Decreased by \$3.071. In 2 days.

** FYI memo sent 10/27/16 - Net Impact is a Reduced Debt Service Balance of \$2.918M. In 2 days.

Annexed Debt Service Fund - Presented 8/10/17 Budget

FY	P-Tax(\$M)	Utilities	GW-Debt	NT-Debt	Cum Bal	Req. CIP*
2018	\$7.502	\$0	-\$5.003	-\$0.170	\$2.329	WHAT HAPPENED TO THE REQ./NEEDED CIP ?? FACILITIES, GW & NT INFRASTRUCTURE. NOT MENTIONED IN MEETING!!!
2019	4.074	1.632	-4.413	-1.666	1.956	
2020	4.196	1.596	-4.433	-1.482	1.833	
2021	4.412	1.532	-4.458	-1.168	2.151	
2022	4.436	1.526	-3.087	-0.968	4.058	
2023	4.568	1.531	-3.090	-0.976	6.091	
2024	4.706	1.569	-3.129	-0.619	8.618	
2025	4.847		-3.135	-0.321	10.009	
2026	4.993		-1.711	0.000	13.291	
Total	\$43.734	\$9.386	-\$32.458	-\$7.370	\$13.291	

NOTE: Revenue for FY2019 - FY2026 has **DROPPED** by another \$5.058M. Not mentioned in this Budget meeting.

NOTE: Revenue # for 2018 **still** reflects 2016 Data. Not mentioned in this Budget meeting.

NOTE: All Required/NEEDED Annexation CIP was *removed without mention*. (@ least \$14.723M in Projects.)

NOTE: Transfer of Utility Funds for 2025 & 2026 eliminated. **WHY?** Not mentioned in this Budget meeting.

These changes are **BEFORE** Hurricane Harvey **AND BEFORE** setting the 2017 Tax Rate on 9/19/17.

Annexed Debt Service Fund - @ 8/10/2017 with Req. CIP

							ANNEX. DEBT SERVICE FUND REDUCTION FROM 10/25/16 TO 8/10/17 (IN MILLIONS OF \$)
FY	P-Tax(\$M)	Utilities	GW-Debt	NT-Debt	Req. CIP*	Cum Bal	
2018	\$7.502	\$0	-\$5.003	-\$0.170	-\$0.546	\$1.783	-\$2.918
2019	4.074	1.632	-4.413	-1.666	-1.158	0.252	-3.260
2020	4.196	1.596	-4.433	-1.482	-1.671	-1.542	-3.612
2021	4.412	1.532	-4.458	-1.168	-1.772	-2.996	-3.885
2022	4.436	1.526	-3.087	-0.968	-1.876	-2.965	-4.274
2023	4.568	1.531	-3.090	-0.976	-1.925	-2.857	-4.676
2024	4.706	1.569	-3.129	-0.619	-1.925	-2.255	-5.069
2025	4.847		-3.135	-0.321	-1.925	-2.789	-6.811
2026	4.993		-1.711	0.000	-1.925	-1.432	-7.931
Total	\$43.734	\$9.386	-\$32.459	-\$7.370	-\$14.723	-\$1.432	

NOTE: P-Tax(\$M) Revenue Amounts for FY2019 - FY2026 has **DROPPED** by another \$1.055M. Not mentioned in this Budget meeting.

NOTE: P-Tax(\$M) Revenue Amount for 2018 **still** reflects **2018** Estimate. Not mentioned in this Budget meeting.

NOTE: Transfer of Utility Funds for 2025 & 2026 eliminated. **WHY?** Not mentioned in this Budget meeting.

These changes are **BEFORE** Hurricane Harvey **AND BEFORE** setting the 2017 Tax Rate on 9/19/17.

**ANNEX. DEBT
SERVICE FUND
REDUCTION
FROM
10/25/16 TO
9/26/17 (IN
MILLIONS OF \$)**

**Annexed Debt Service Fund - @ 8/10/2017 with Req. CIP AND
Updated 2018 Revenue # Presented @ 9/26/2017 CC Meeting**

FY	P-Tax(\$M)	Utilities	GW-Debt	NT-Debt	Req. CIP*	Cum Bal	
2018	\$6.110	\$0	-\$5.003	-\$0.170	-\$0.546	\$0.391	-\$4.310
2019	4.074	1.632	-4.413	-1.666	-1.158	-1.140	-\$4.652
2020	4.196	1.596	-4.433	-1.482	-1.671	-2.934	-\$5.004
2021	4.412	1.532	-4.458	-1.168	-1.772	-4.388	-\$5.277
2022	4.436	1.526	-3.087	-0.968	-1.876	-4.357	-\$5.666
2023	4.568	1.531	-3.090	-0.976	-1.925	-4.249	-\$6.068
2024	4.706	1.569	-3.129	-0.619	-1.925	-3.647	-\$6.481
2025	4.847		-3.135	-0.321	-1.925	-4.181	-\$8.203
2026	4.993		-1.711	0.000	-1.925	-2.824	-\$9.323
Total	\$42.342	\$9.386	-\$32.459	-\$7.370	-\$14.723	-\$2.824	

NOTE: P-Tax(\$M) Revenue Amounts for FY2019 - FY2026 has **DROPPED** by another \$8.095M. Not mentioned in this Budget meeting.

NOTE: Transfer of Utility Funds for 2025 & 2026 eliminated. **WHY?** Not mentioned in this Budget meeting.

These changes are **BEFORE** Hurricane Harvey **AND BEFORE** setting the 2017 Tax Rate on 9/19/17.

NOTE: P-Tax(\$M) Revenue # of **\$6,110,000** for 2018 is **NOT** based on City Tax Rate. It is the expected Property taxes ("District Debt Service Tax Levy") the GW & NT MUDs will collect.

Takeaways

- Imperative that we, the council members sit down together and have a discussion about my findings and the immediate impacts.
- We need to determine was there a failure in the process to appropriately notify council of potential deficits, where the failure could have occurred and how to prevent it in the future.
- This impacts not only our constituents and the residents of many communities, but us as a governing body, the Sugar Land City Council.
- On a personal note, I feel that I was not adequately informed and this is my effort to inform you, my fellow council members and our residents.
- This potentially has a big impact on a very large community.

Next Steps

- In consideration of time and ease of understanding for citizens unfamiliar with the budget, I have kept this presentation at a high level. I have packets put together for my fellow council members and staff. I strongly believe we need to sit down together and go through them in depth.
- AT MINIMUM I propose we consider bringing in an independent third party to work directly with City Council to assess these findings and determine the financial impacts to our city and our citizens.
- RED FLAG -Vital information that had serious financial implications on the annexation which was presented to council on 10/25/16 was sent in the FYI package Friday night, 10/28/16 with the annexation vote 2 business days away, on 11/1/16. Upon reflection, I would have expected city staff to call a special meeting of Council to discuss this critical information that could have affected the vote.

In Conclusion

“As an elected member of the Sugar Land City Council, I feel it is my fiduciary responsibility to look out for our tax payers and residents. I also believe that this not only impacts us financially, but if not addressed immediately, will effect our city services.

Let's let logic prevail and let the data drive our ultimate decision”

Council Member Mary Joyce, At Large #2