

MINUTES OF THE SPECIAL WORK SESSION MEETING OF THE CITY COUNCIL OF THE CITY OF JERSEY VILLAGE, TEXAS, HELD ON OCTOBER 18, 2021 AT 5:30 P.M. AT THE CITY OF JERSEY VILLAGE CIVIC CENTER AUDITORIUM, 16327 LAKEVIEW DRIVE, JERSEY VILLAGE, TEXAS.

A. The meeting was called to order by Mayor Warren at 5:30 p.m. with the following present:

Mayor, Bobby Warren
Council Member, Drew Wasson
Council Member, Sheri Sheppard
Council Member, Michelle Mitcham
Council Member, James Singleton
Council Member, Gary Wubbenhorst

City Manager, Austin Bless
City Secretary, Lorri Coody
Financial Advisor, John Robuck

Staff in attendance: Isabel Kato, Director of Finance; Robert Basford, Director of Parks and Recreation; Matt Jones, Golf Pro; and Bob Blevins, IT Director.

B. CITIZENS' COMMENTS: Citizens who have signed a card and wish to speak to the City Council will be heard at this time. In compliance with the Texas Open Meetings Act, unless the subject matter of the comment is on the agenda, the City staff and City Council Members are prevented from discussing the subject and may respond only with statements of factual information or existing policy. Citizens are limited to five (5) minutes for their comments to the City Council.

Jim Fields, 16413 St. Helier, Jersey Village, Texas (713) 206-1184 – Mr. Fields spoke to City Council about bonds. He pointed out priorities for residents and the impact of bonds on the residents. He felt that the impact on residents should be the number one priority. He also wondered about the availability of bond information for residents. He did not see any numbers on the projected income from the Golf Course and felt that this information would be important in making decisions about going out for debt on a Golf Course Clubhouse. He feels that debt is not a good thing. He suggested that we sell the land on the south side of US HWY 290 and then use that money to build desired city facilities.

C. Discuss and take appropriate action concerning a potential bond election in May of 2022 for municipal projects such as the golf course clubhouse and city hall.

Austin Bless, City Manager, introduced the item. Background information is as follows:

The City Council is meeting to discuss the possible calling of a bond election for the Golf Course Convention Center or the City Hall. Both of these projects are high priority items in the 2020 Comprehensive Plan.

Currently I am estimating the Convention Center Clubhouse to have a cost, as designed, of approximately \$7,500,000 and the City Hall to have a cost, as designed, of \$10,500,000. These two projects have a total estimated cost of \$18,000,000.

With these two big construction projects looming I wanted to provide some information for the City Council as to funding and ideas. There are two main ways that the City could move forward with these construction projects. One is cash on hand, the other is bonding.

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Cash on hand

Right now this is the cash on hand that I feel comfortable recommending:

\$1,500,000 from Fund 7 (Vehicle/Equipment Replacement)

\$3,000,000 from Fund 10 (CIP)

\$3,000,000 from General Fund (This would leave us with approximately a 120 day reserve)

\$7,500,000 in total

For the sake of simplicity I am not considering any cash that will be received when the land is sold. I am only considering what is currently on hand as of today.

Right now the city is not making much money on interest, which is one thing to consider with our current funds.

Bonds

Right now the interest rate on bonds are at record lows, around 2.25%, as shown by our financial advisor in the last workshop. The presentation is included with this memo for easy reference. With interest rates being so low now, it would be a good time to bond, if the Council wanted to.

If and when interest rates go up, borrowing money today would keep our fund balance intact so in future years we could pay cash on hand for projects.

Depending upon how a bond is structured we could pay it back early.

Now to get into a bit more of the specifics for each project.

Golf Course Convention Center Clubhouse

Current estimated cost of \$7.5 Million (original bids came in at \$5 million, assuming 20% increase in costs given current market conditions, 10% for Furniture, Fixture, Equipment, and 10% contingency).

1. The City could bond for \$10 Million for “Golf Course Facilities.” We would spend \$7.5 on the Convention Center Clubhouse. We would spend \$450,000 on repaving the entire entrance/parking lot to 6” of concrete. (That number is estimated based on prices from Wall Street.) Estimated - \$100,000 for natural gas (Natural gas is a better option for restaurants than electric). We would do a new golf course maintenance facility for \$1.5 million. This is in the CIP for future years and would be split between GC and Parks/Rec. The remaining \$450,000 would be earmarked for a new cart barn. There is also some work to the course on the back 9 holes we would recommend doing at the same time as the rest of the construction, which has an estimated cost of \$250,000. This would bring our course into a great position for the future and take care of all or nearly all of the major issues and projects at once.

Total cost: \$10,250,000.

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2. The City could spend \$7.5 million of cash on hand for the Convention Center Clubhouse. This could leave us in a tight spot if the costs come in higher for the building. It would also mean we would not have a new parking lot, or natural gas for the restaurant. The other projects would happen in future fiscal years.

City Hall

As of right now there is no timeline for a new city hall to be built in Village Center.

From a City Planning perspective, it makes much more sense for City Hall to be located in a commercial area, rather than a residential area. Looking for a permanent solution in a commercial area is advisable for the city. This would get the bulk of the traffic, which is not from residents, out of the residential neighborhood. It would also have benefits to the businesses near where City Hall is located. The Civic Center could remain standing, as it is the better part of the building, and could be utilized by groups that are looking for cheap/free rent options, as we likely do not want those groups to be taking up the majority of the use of the Convention Center Club House.

But in the short term we should do something about the facility.

Pre-COVID we would have approximately 25 full time staff people in City Hall, along with 2-4 part time staff depending on the season/schedules, etc. Of that 25 full time, three people are “front facing” where their main duties rely on customer interaction, and 5 other positions need to be in the office the majority of the time. There are 6 positions that could be hybrid where they are in the office, but can also work from home. There are 9 positions that can be primarily work from home. They may need to come to the office on occasion, but would not need a dedicated work space.

With this information I am proposing three options for consideration.

1. We could remodel the current civic center and take approximately 2,000 – 3,000 square feet of space to create two to three offices, and bullpen spaces (cubicle areas) for 12 people that would be secured from the larger Civic Center. We could put cashier windows into the current vestibule area of the Civic Center. We would keep the executive session room intact that could be used for a conference room for city hall. We would need to remodel the bathrooms to take care of plumbing issues. I think all of this work could be done for \$300,000.
2. We could rent some office or retail space. We would need approximately 2,000 – 3,000 square feet of space to utilize. This would be the front counter, bullpen spaces with room for 12 people and 2-3 small offices. The civic center would be kept in the current condition to house City Council meetings.
3. Buy some commercial space with the same needs of Option 2.

For all three options I propose demolition of everything past the bathrooms, including the U-Shaped room, bay area, and current offices. We would need to send and retrieve more

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documents to/from Iron Mountain, rather than storing on site. But with our transition to digital we have a lot fewer paper documents anyway. There is some storage of other items that we would need to figure out, but that would be workable.

In any option this should be viewed as a temporary solution to cover a few years' time, no more than five years, until a new permanent city hall could be built.

Next Steps

Tonight staff needs guidance from the Council as to which way to move forward. If the Council wishes to move forward towards a bond election then staff will begin to work closely with the Financial Advisor to get the necessary paperwork and Council resolutions drafted.

If the city wants to consider a bond election there are a few issues that would need to be decided. These items do not need to be decided tonight, but would need to be decided in the coming months if Council chooses to go for a bond election.

Issue 1. Which projects would be paid for with the bond? Based upon the council discussion so far to this point it seems the Convention Center Clubhouse is a higher priority to complete right now than the City Hall.

Issue 2. The amount of the bond. The Financial Advisor recommends \$10,000,000 as the smallest amount to go out for a bond for. That is the lowest amount that makes it feasible for the city to expend the cash on the costs of the bond for the amount we get. The City can also refinance existing debt with a new bond issuance, but we do not have to if the Council wishes not to.

Issue 3. The type of bond. We could utilize a bank for the bond, or it could be bonds sold on the open market. The financial advisor discussed this last month. Both have their pros and cons. It comes down to what flexibility the Council would want in repaying the bond and what the tradeoffs for that would be.

The election would be held in May of 2022, and there is more discussion on the election itself in the next agenda item.

Council engaged in discussion about issuing bonds to construct city facilities. There were questions about the existence of a facilities replacement fund. City Manager Bleess explained that we do not have such a fund, but we do have a designated fund balance of 150 days. Any totals for the 150-day fund balances is not separate, but included in the general fund totals.

The three options presented by Mr. Bleess were considered. They include remodeling, purchasing, or leasing. Another option could be to leave everything as it currently exists. If we chose to remodel some wondered if it would be enough room for city activities/services. There were questions about using the Civic Center as a voting location.

The projected revenues from the Golf Course were discussed. There was a study that showed that the increase in revenues would significantly offset the cost of a bond to build a new clubhouse.

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Some pointed out that we have the cash on hand to build a golf course building and as a result were not in favor of issuing bonds to fund the project. Others pointed out that there really is not enough funds on hand to build out the golf course with other needed amenities such as a parking lot, natural gas for the restaurant, and other items that are truly needed.

Some felt it is better to borrow than spend all of the cash on hand as long as we have the ability to repay, especially with the current low interest rates. Also going the bond route gives residents that ability to have a voice on whether or not we should move forward with building this facility.

The amount we are looking at to cover all the extras that come with building a Golf Course Clubhouse is much more than \$7.5M. The projections in the packet are \$10.2M.

There was discussion about City Hall. Some felt that a new City Hall is well over due.

John Roebuck, Financial Advisor, addressed City Council. He stated that the Council is not limited by \$10M, stating that the Council can choose any amount needed to fund desired projects. He also stated that there are different types of bonds, but the type ultimately selected is decided later on in the process. Nonetheless, he explained the different types of bonds (private/public).

There was discussion about making the bond callable in order to avoid interest costs if the City is able to pay the bond off early. With that, there was discussion about interest rates on bonds. Mr. Roebuck stated that interest costs really depend upon timing and the type of bond ultimately chosen. He went over his presentation that included the following information:

1. Overview of Current Bond Market – Bond Buyer Index
2. Estimated Debt Service Requirements - \$10M (20 Year, 15 year, and 10 year debt structures)
3. Estimated Debt Service Requirements - \$18M - (20 Year, 15 year, and 10 year debt structures)

There was discussion about the projections. The numbers include rolling the current debt into new debt as well as the cost of any desired projects.

Public versus private bonding decisions are made later on in the process. The impact to the tax rate was discussed for a \$10M bond over 10 years. It was pointed out that going out for debt will increase the tax rate (1 cent is roughly \$110,000). Some wondered if we could cut operation costs in order to pay for any increases incurred by going out for debt. Others pointed out that cutting operation costs means cutting staff; and therefore, cutting services.

Some pointed out that if we wait two years to build this structure, the costs could go down and the Council could build the structure out of cash on hand, which would result in no tax increase. On the other hand, if we go out for debt, the Council will need to explain how they intend to pay for this debt.

The pros and cons of going out for debt were discussed. Some felt that waiting does not insure that construction costs will go down, and pointed out that they could increase.

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The numbers from the golf course revenue study on how the course will pay for the debt was reviewed. Robert Basford, Director of Parks and Recreation, presented the numbers in a presentation containing the following information.

- Overview
- Presentation Guide
- Project Outline
- Ideal Project Timeline
- Design Considerations
- Revenue Projections
- Expense Projections
- Revenue Vs. Expense & Cash Flow

There was discussion about the numbers. Some wondered what the revenue numbers would be with and without the new clubhouse so that a comparison could be determined. Mr. Basford explained the differences in terms of which items in the presentation would go up and which ones would go down, but there was no side-by-side view for comparison purposes. However, it was pointed out that revenue without a new clubhouse would be \$2.2M and it would be \$800,000 with a new Clubhouse, but that \$800,000 will grow overtime.

There was discussion about the Jersey Village Senior Outreach group that currently uses the golf course facility for free. Some wondered if this space will still be available for that group at no cost. Mr. Basford stated that he will look to City Council to set those parameters. Others wondered if the projections included resident usage without payments. Mr. Basford stated that his numbers did include for some free usage. The numbers he presented were discussed in detail.

The concession figures were discussed. Mr. Basford explained how these numbers were calculated. He reached out to a few chefs, food managers, and others with this expertise. The information gathered was used in his calculations.

Some members felt that we need to be able to compare apples to apples on economics in order to make a good decision about going out for debt for a golf course clubhouse. In connection with this discussion, some members wondered if our numbers were compared to surrounding golf courses that have restaurant services. Matt Jones, Golf Pro at the course, spoke to Council. He told City Council that the restaurant will have automatic customers since they will be there to play golf. With this in mind, it would not be comparable to regular restaurants.

Based upon the numbers presented, the project becomes profitable in 2031/2032. The payback period is 10 years or in 2032.

The concern in building this facility is timing and funding. Therefore, in having the structure two years earlier than paying for it with cash on hand, in the first year the cost to the City is \$300,000. Therefore, in determining the path forward, it must be determined if the course will make enough profit in the first year to offset the \$300,000 in expenses. If not, it may be better to wait two years and build the facility with cash on hand.

The pros and cons of postponing the project were discussed. The steps moving forward were discussed. Once a special bond election is called, the City cannot cancel the election.

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Some proposed that we move forward with the \$10M Bond. Others did not want to go out for debt. The consensus was for Staff to work with our Financial Advisor and Bond Council in order to bring back information on a \$10M for 10 years.

D. Discuss and take appropriate action regarding the desire to contract with the Harris County Clerk to perform election services for the City of Jersey Village.

Lorri Coody, City Secretary, introduced the item. She told Council that included in the meeting packet is an election memo that, in consideration of the recent climate concerning elections, outlines several issues to be considered concerning City Elections along with the following recommendations:

1. We hold off on purchasing the disabled voter machine until May of 2024;
2. We contract with Harris County to conduct the May 2022 election;
3. We contract with Harris County to conduct the May 2023 election; and
4. We make a decision about moving forward with the May 2024 election after the County makes its decision regarding same.

She explained that this item is to discuss contracting with Harris County to perform election services for our City.

Council engaged in discussion about elections. The consensus of Council was to move forward with contracting with Harris County.

E. ADJOURN

With no further discussion, the meeting was adjourned at 6:55 p.m.

Lorri Coody, City Secretary

