NOTICE OF SPECIAL CITY COUNCIL MEETING
CITY OF TOMBALL, TEXAS

MONDAY, JUNE 5, 2017

4:00 P.M.

Notice is hereby given of a meeting of the Tomball City Council, to be held on Monday, June 5, 2017 at 4:00 P.M., City Hall, 401 Market Street, Tomball, Texas 77375, for the purpose of considering the following agenda items. All agenda items are subject to action. The Tomball City Council reserves the right to meet in a closed session for consultation with attorney on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code.

1.0 Call to Order

2.0 Public Comments and Receipt of Petitions *[At this time, anyone will be allowed to speak on any matter other than personnel matters or matters under litigation, for length of time not to exceed three minutes. No Council/Board discussion or action may take place on a matter until such matter has been placed on an agenda and posted in accordance with law.]*

3.0 New Business:

3.1 The Tomball City Council will enter into a Workshop Session regarding the Long Range Financial Forecast for Fiscal Years 2018-2022

4.0 Adjournment

C E R T I F I C A T I O N

I hereby certify that the above notice of meeting was posted on the bulletin board of City Hall, City of Tomball, Texas, a place readily accessible to the general public at all times, on the 1st day of June 2017 by 4:00 p.m., and remained posted for at least 72 continuous hours preceding the scheduled time of said meeting.

Doris Speer

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Doris Speer
City Secretary, TRMC

This facility is wheelchair accessible and accessible parking spaces are available Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please feel free to contact the City Secretary's office at (281) 290-1002 or FAX (281) 351-6256 for further information.

AGENDAS MAY ALSO BE VIEWED ONLINE AT www.ci.tomball.tx.us.

Special City Council
Agenda Item
Data Sheet

Meeting Date: June 5, 2017

Topic:
The Tomball City Council will enter into a Workshop Session regarding the Long Range Financial Forecast for Fiscal Years 2018-2022

Background:

Origination:

Recommendation:

Party(ies) responsible for placing this item on agenda:

ACTION TAKEN

Approval	Readings Passed	Other
☐ Yes ☐ No	☐ 1st ☐ 2nd	

ATTACHMENTS:

Five-Year Financial Plan

City of Tomball, Texas

LONG RANGE FINANCIAL FORECAST

FISCAL YEAR

2018-2022

CITY OF TOMBALL

Five-Year Financial Forecast
Fiscal Year 2018 to Fiscal Year 2022

MAYOR

Gretchen Fagan

MEMBERS OF THE CITY COUNCIL

Lori Klein Quinn
Mayor Pro-Tem
Councilmember, Position 5
Elected May 2014
Serving Second Term

John Ford
Councilmember, Position 1
Elected May 2017
Serving First Term

Mark Stoll
Councilmember, Position 2
Elected June 2009
Serving Third Term

Chad Degges
Councilmember, Position 3
Elected January 2014
Serving Second Term

Derek Townsend Sr.
Councilmember, Position 4
Elected May 2009
Serving Third Term

ADMINISTRATION

George Shackelford
City Manager

Rob Hauck
Assistant City Manager

Glenn Windsor, CPA
Finance Director

May 26, 2017

Honorable Mayor and City Council
City of Tomball, Texas

This letter introduces the City's Long Range Financial Forecast for FY2018-2022. The purpose of this forecast is to provide long-term context for annual decisions that will be made with the FY2018 Budget and FY2016-2020 Capital Improvement Program (CIP). With this forecast, we hope to advise City Council of prevailing economic conditions, the effect of our economic and operating environments on revenues and expenses, and options available for allocating funds in accordance with City Council goals and priorities.

Conditions and Considerations

The City of Tomball continues to experience steady growth that is similar to the Houston area. New home construction has been strong the past several years, but is slowing. Although strong, the growth the City experienced in new home construction in 2015 has slowed slightly in the first half of 2016 and in the first quarter of 2017. This forecast assumes a steady, conservative growth rate of 60 homes per year over the forecast period.

As the City continues to grow, demand for basic services will also grow. This forecast projects that our population, currently estimated at 11,540 in FY2016, will be 13,712 in FY2022. While the City will face increasing demand for service, we project a minimal increase in operating costs. Staff will continue to work toward identifying and implementing operating efficiencies and maximizing the existing dollars available.

The Capital Improvement Program (CIP) is the driver of the debt and related debt service burden. While the growth of the community increases the demand for infrastructure, staff continues to review the CIP to maximize our efforts and to focus available funding to provide the most immediate impact on the community. Based upon information presented to the City Council in August 15, 2016, increased funding for reinvestment in infrastructure is needed.

Basis of FY 2018 Budget

Based upon conservative revenue assumptions, and very limited expenditure growth, the baseline forecast anticipates the budget document will be relatively flat; however it will be necessary to utilize some unreserved fund balance to pay the final commitment of $1.5 million for the Main Street rebuild funded primarily by an H-GAC grant and TxDOT funding. In order to address the City's aging infrastructure additional funding will be necessary. New infrastructure projects reflect a substantial funding gap over time. Eliminating the gap is not fully attainable with current revenue resources, but the gap does narrow. Economic development is a leading priority of the City Council and along with new development could produce additional revenues required to fill this funding gap over time.

The Enterprise Fund continues to maintain strong fund balance in excess of policy requirements. The revenue projections are based upon the performance of the existing rate structure. A utility consulting firm has been contracted to provide a comprehensive rate analysis study. The result of that study is not available for this report, but the new rate structure will continue to secure the financial stability of the fund while providing funding toward the $37.93 million in capital projects outlined in the FY2016-2020 CIP.

We look forward to working with the Council to develop a sustainable financial plan for FY2018 and into the future.

Sincerely,

George T. Shackelford
City Manager

Glenn Windsor, CPA
Finance Director

CITY OF TOMBALL
LONG RANGE FINANCIAL FORECAST
FY2018-2022
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FY2018-2022
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LONG RANGE FINANCIAL FORECAST
ECONOMIC OUTLOOK

Economic Overview

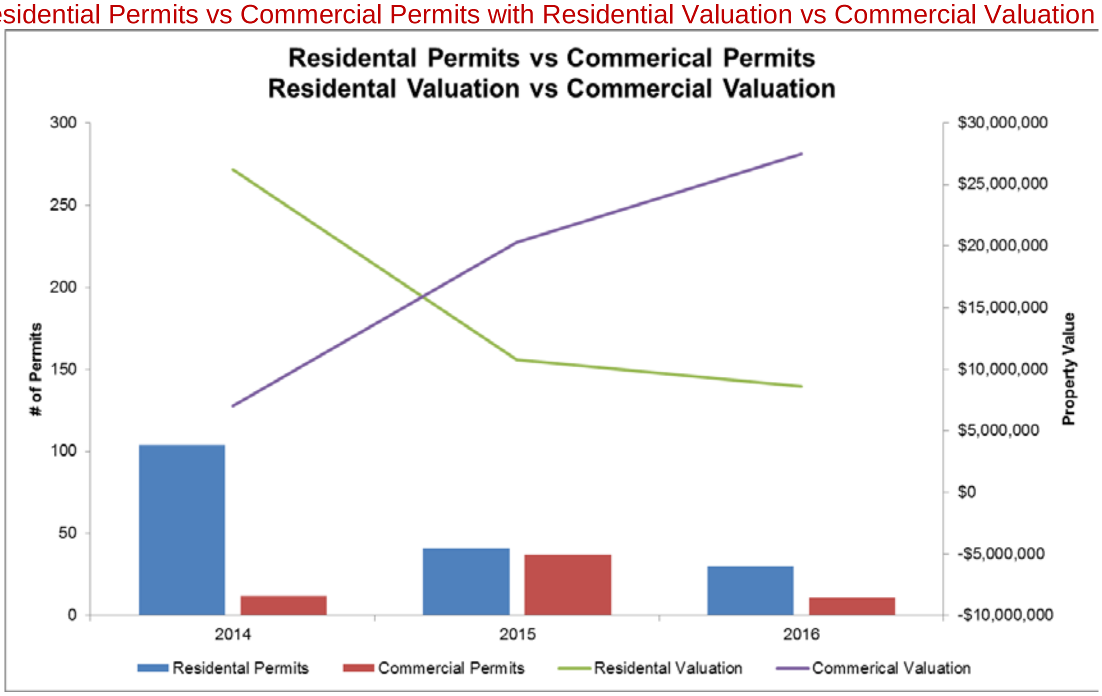
The City of Tomball, like the region, has been characterized by steady long-term growth. Texas and the Houston metropolitan area have fared better in recent decades during recessions than the rest of the country. This is due to the strong, reasonably priced housing sector and vibrant, diverse economy that while dominated by energy is balanced with medical, technology, and aerospace industries. The City of Tomball is considered a highly attractive location to families and businesses alike. In 2017, the City of Tomball continues to see new construction of all types of property. Locally, the downturn in oil prices and the accompanying impact on jobs in that sector has had an impact on the City.

The City of Tomball Economy

The City of Tomball's population grew from 9,089 in 2000 to 10,753 in 2010 according to the U.S. Census, and was currently estimated to be 11,540 in 2016. As a result of this residential growth, we have seen an addition of new local retail stores.

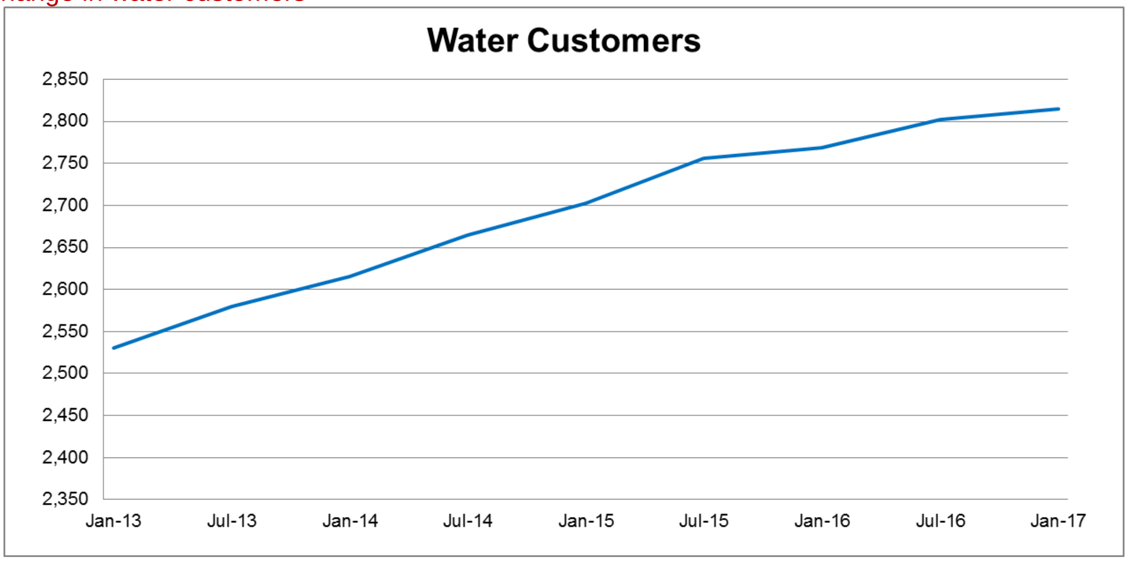
The number of new single family homes and commercial has been a major indicator of growth in the City of Tomball that underscores the population increase between 2000 and 2010. In January 2016, the City of Tomball's population was estimated at 11,540 supported by two key indicators: single family housing construction and new water customers. Table A below indicates single family homes permitted by the City.

A - Residential Permits vs Commercial Permits with Residential Valuation vs Commercial Valuation



The growth in water customers seen below paralleled the City of Tomball's growth in housing units and population over the last several years. As of January 2017, the City of Tomball had 1.66% more water customers than the previous year.

B - Change in water customers



Major new developments such as the Grand Parkway project are expected to build out during the forecast period.

General Economic Outlook for FY 2018 and Beyond

The economic outlook for the forecast is based on strong local and regional growth for the balance of 2017 and consistent growth thereafter. This assumption is applied to population, water customers and new commercial and home construction. The new commercial development mentioned in the previous section is not a part of the forecast assumptions because of the uncertainty associated with the timing of construction schedules.

C – Baseline Economic Assumptions

Area/Indicator	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast
Tomball					
Population Growth Rate	3.0%	2.9%	2.9%	2.8%	2.8%
City Water Customer Growth Rate	0.1%	0.1%	0.1%	0.1%	0.1%
Population	12,254	12,609	12,975	13,338	13,712
Tax Supported Bond Interest Rate	2.38%	2.41%	2.65%	2.88%	2.88%
All Construction (in millions) *	15.28	11.02	5.44	0.00	0.00

*Based on current expenditure plan as identified on Table T & Table U

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LONG RANGE FINANCIAL FORECAST
REVENUE OVERVIEW

Baseline Forecast Methodology

The City's revenue sources include sales taxes, services, property taxes, franchise tax, and miscellaneous revenue sources, all of which are driven by the growth of the local economy and the City's population. The revenue projections presented in the forecast use summary categories of City revenue. These projections are based on an analysis of ten (10) years of historical trends for each revenue category, as well as the effects of current economic conditions and projected economic activity. The table below details the City's revenues which are expected to grow as driven by the expected growth in the local economy and populations.

Long Range Revenue Forecast - General Fund

D - General Fund Revenue Projections

GENERAL FUND
REVENUE PROJECTIONS

Revenue Source	FY 2016 Actual	FY 2017 Budget	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast
Sales Taxes	$ 10,578,683	$ 10,700,000	$ 11,021,000	$ 11,351,630	$ 11,692,179	$ 12,042,944	$ 12,404,233
Services	$ 2,234,322	$ 2,200,000	$ 2,266,000	$ 2,333,980	$ 2,403,999	$ 2,476,119	$ 2,550,403
Property Taxes	$ 1,855,706	$ 1,881,250	$ 1,937,688	$ 1,995,818	$ 2,055,693	$ 2,117,363	$ 2,180,884
Franchise Taxes	$ 1,331,077	$ 1,299,000	$ 1,337,970	$ 1,378,109	$ 1,419,452	$ 1,462,036	$ 1,505,897
Other Revenue	$ 670,629	$ 720,147	$ 741,751	$ 764,004	$ 786,924	$ 810,532	$ 834,848
Fines & Warrants	$ 536,933	$ 556,200	$ 572,886	$ 590,073	$ 607,775	$ 626,008	$ 644,788
Permits & Licenses	$ 424,163	$ 441,300	$ 454,539	$ 468,175	$ 482,220	$ 496,687	$ 511,588
Contributions	$ 298,988	$ 430,049	$ 442,950	$ 456,239	$ 469,926	$ 484,024	$ 498,545
Interest	$ 39,147	$ 50,000	$ 51,500	$ 53,045	$ 54,636	$ 56,275	$ 57,964
Total	**$ 17,969,648**	**$ 18,277,946**	**$ 18,826,284**	**$ 19,391,073**	**$ 19,972,805**	**$ 20,571,989**	**$ 21,189,149**

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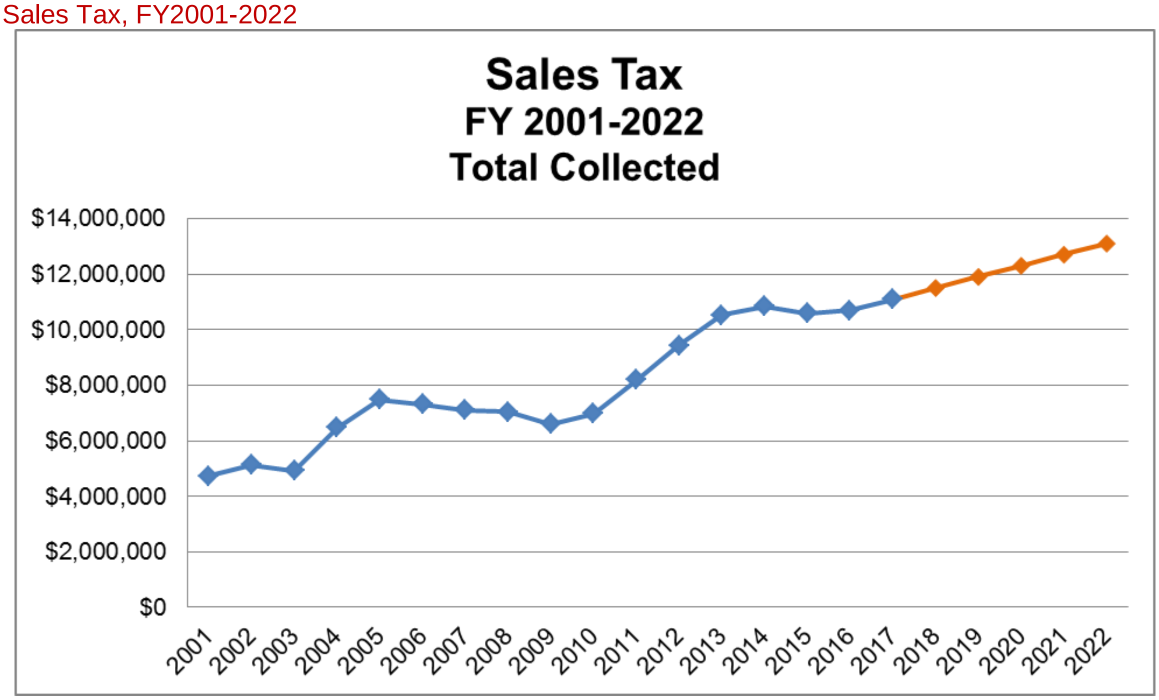
Sales Tax

The City sales tax is the largest source of revenue and is 2 cents (2.0%) on taxable items. Of this amount, one half cent (0.5) goes to the City's 4B economic development corporation to promote new development and job creation, one half cent (0.5) for tax reduction, and the remaining one cent (1.0) goes into the City's General Fund for operations. The local sales tax cap is 2 cents (2.0%).

Sales tax can be extremely volatile making it difficult to project. Even with the unpredictability of this revenue, sales tax increased 29.18% from $8,189,360 million in FY2012 to $10,578,683 in FY2016, due to major commercial expansion in past years. However, budget projections for FY2018 and future fiscal years will most likely have a minimal increase because of the current economic conditions.

E - Sales Tax, FY2001-2022



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Service Revenues

Service revenues, the second largest revenue source, are comprised of sanitation collection services.

Property Tax

Property taxes, the City's third largest revenue source, are based on the tax rate adopted annually by City Council as applied to the certified appraisal roll prepared by the Harris County Appraisal District. The rate is composed of two parts; the first to support general City operations (M&O) through the General Fund, and the second part to pay principal and interest on tax supported bonds through the Debt Service Fund (I&S). Revenue is deposited accordingly.

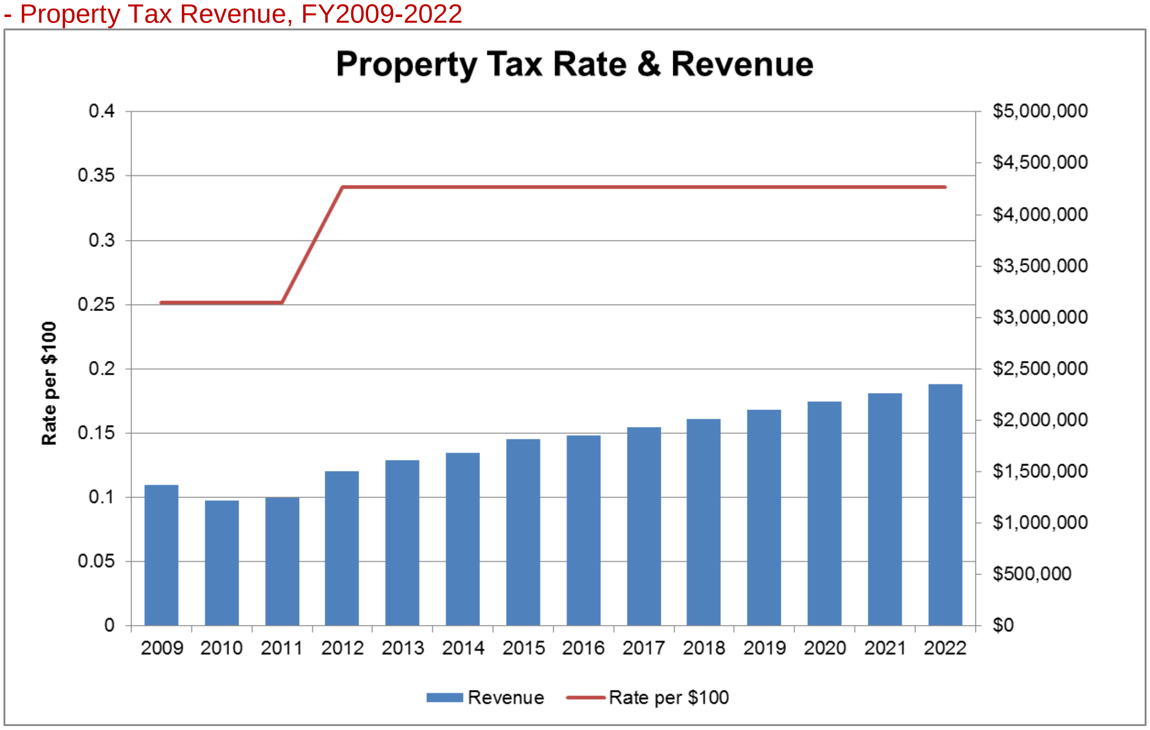
F - Property Tax Rates, FY2008-2017- Total Levied Per $100 Taxable Value

PROPERTY TAX RATES, FY08-FY17
TOTAL LEVIED PER $100 TAXABLE VALUE

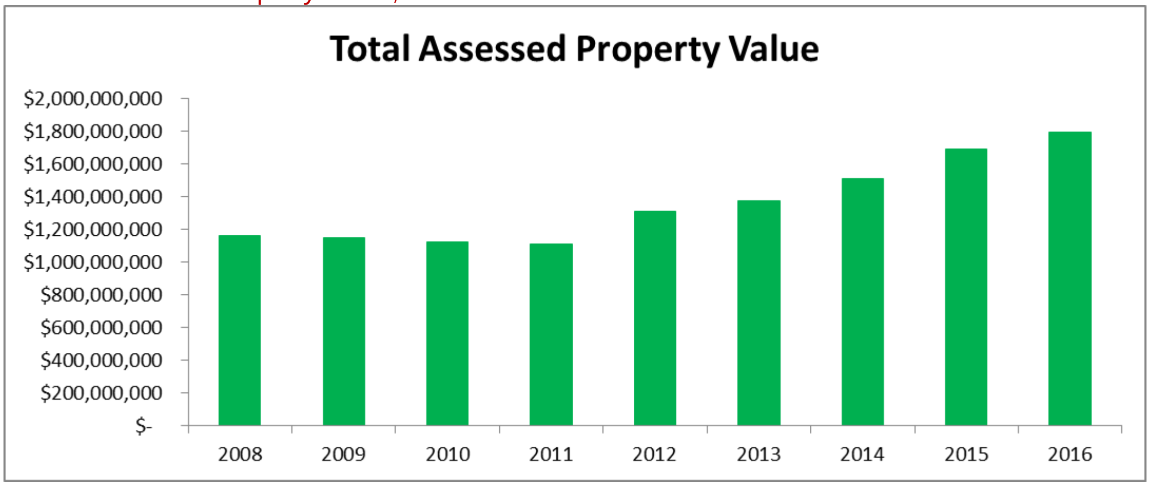
	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
General Fund (M&O)	0.131455	0.131455	0.121455	0.111455	0.111455	0.111455	0.111455	0.111455	0.111455	0.111455
Debt Service Fund (I&S)	0.120000	0.120000	0.130000	0.140000	0.230000	0.230000	0.230000	0.230000	0.230000	0.230000
Total Tax Rate	**0.251455**	**0.251455**	**0.251455**	**0.251455**	**0.341455**	**0.341455**	**0.341455**	**0.341455**	**0.341455**	**0.341455**

This important revenue source has steadily increased over the past years and expected to continue a steady growth in the upcoming year. Assuming a constant total tax rate of $0.341455 per $100 of taxable value, this forecast projects property tax revenue to grow by 5.09% each year from FY2018-2022. Table G-1 reflects property tax revenues where G-2 reflects total taxable values per year.

G-1 - Property Tax Revenue, FY2009-2022

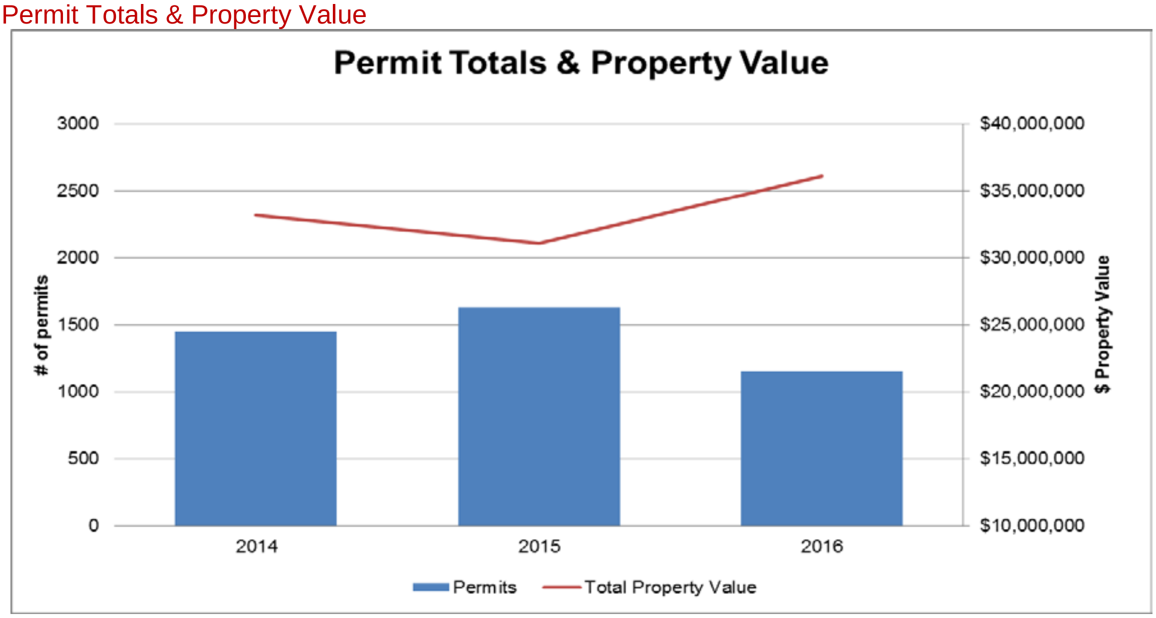


G-2 – Total Assessed Property Value, FY2008-2016



The estimates of new construction used to project the revenue growth shown in the table below are based on the number of new homes built each year and new construction of commercial properties. Significant commercial properties are projected to be built over the next several years that are not included in this forecast.

H - Permit Totals & Property Value



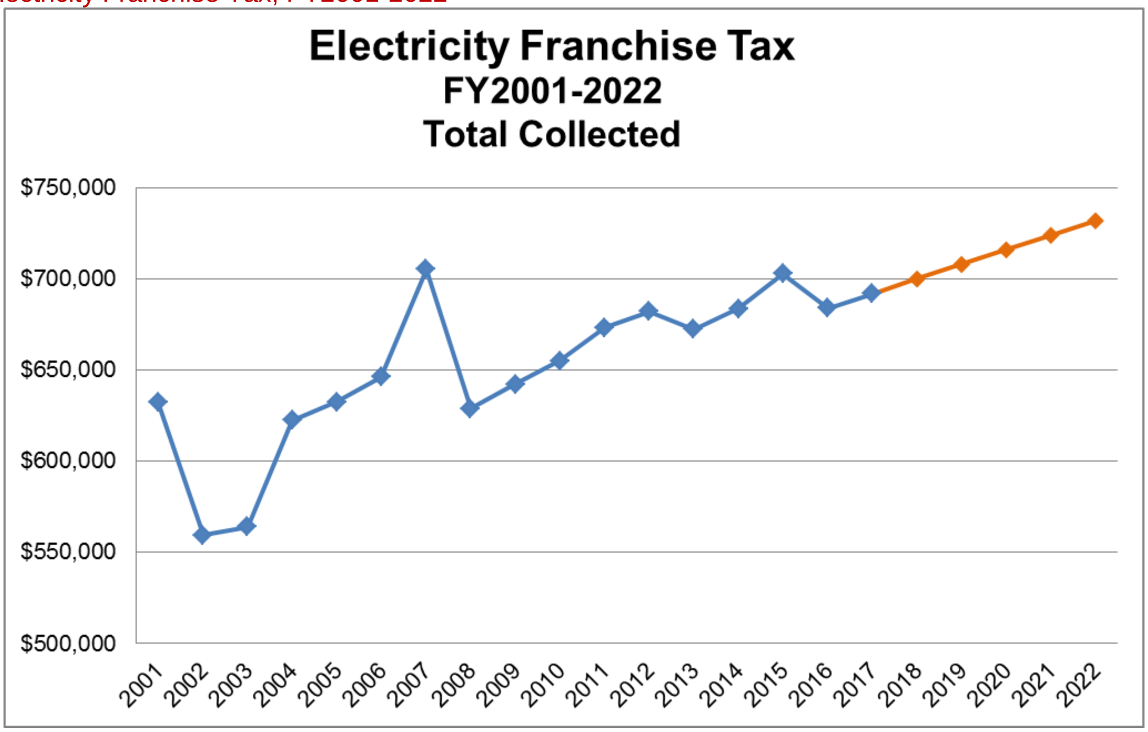
A major goal of the City is to achieve diversification of its taxable properties through selective use of economic development incentives and supportive policies that encourage businesses to locate and/or remain in the City of Tomball. Tomball Economic Development Corporation has a strong and positive history of maximizing economic development dollars with their one-half cent sales tax funding. Conservative long-term revenue estimates can remain the basis for projected financing of core services. Any additional growth can be viewed as a funding source for enhanced services and capital improvement funding.

Franchise & Other Taxes

These revenue sources are accounted for as part of the General Fund and include electricity, sanitation, cable television, and telephone franchise taxes, as well as alcoholic beverage tax.

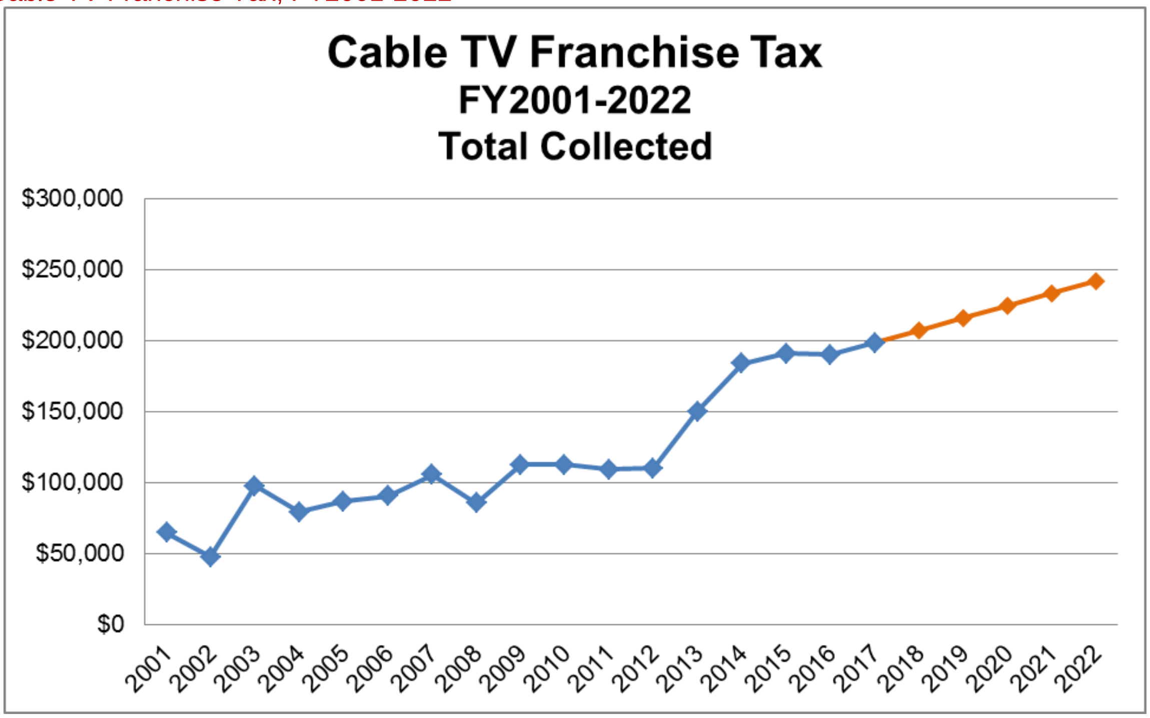
The electricity franchise tax is estimated to generate $692,000 in FY2017. This forecast assumes a 2.0% growth based on anticipated new construction in FY2018-2022.

I - Electricity Franchise Tax, FY2001-2022



Cable TV franchise tax, the second largest of this group of revenues will generate an estimated $198,670 in FY2017, and is projected using anticipated new construction in FY2018-2022.

J - Cable TV Franchise Tax, FY2001-2022



Telephone franchise taxes are held constant through the forecast period because of the increasing reliance on cellular technology in lieu of land-lines, and the assumption that this trend will be offset by the City's growth.

Remaining revenue categories projected in the forecast consist of

- Licenses and Permits - Construction permit revenue is tied to the dollar value of new construction projected for the forecast period. The remaining licenses and permits are projected to remain flat.
- Grants - Grant revenue and expenditures are held flat. Individual grants would be incorporated into budgeted operations as they are received.
- Charges for Service – revenue originating from garbage fees and park recreation fees.
- Fines and Forfeits –court costs, warrant fees, etc.
- Investment Earnings
- Miscellaneous Revenue – Birth/Death certificates, ESD fees, false alarm fees, etc.

Long Range Revenue Forecast - Enterprise Fund

K - Enterprise Fund Major Revenue Projections

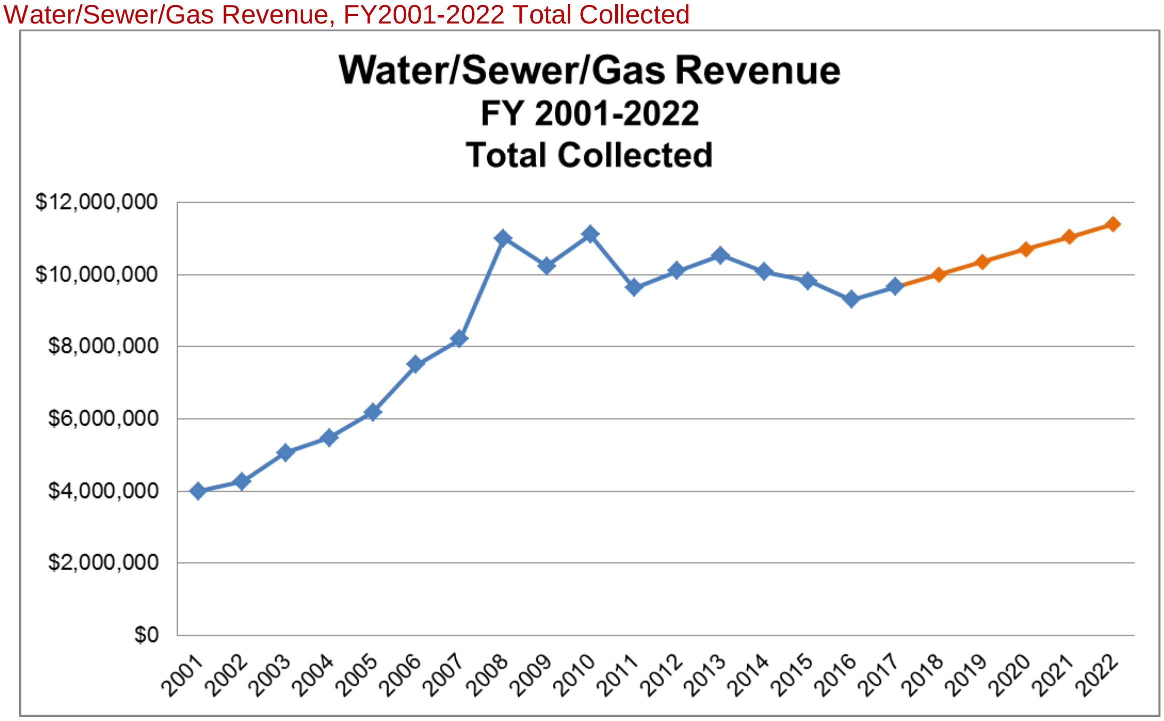
ENTERPRISE FUND
REVENUE PROJECTIONS

Revenue Source	FY 2016 Actual	FY 2017 Budget	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast
Water Sales	$ 4,654,043	$ 4,200,000	$ 4,326,000	$ 4,455,780	$ 4,589,453	$ 4,727,137	$ 4,868,951
Gas Sales	$ 2,844,005	$ 3,000,000	$ 3,090,000	$ 3,182,700	$ 3,278,181	$ 3,376,526	$ 3,477,822
Sewer Sales	$ 2,316,495	$ 2,100,000	$ 2,163,000	$ 2,227,890	$ 2,294,727	$ 2,363,569	$ 2,434,476
Contributions	$ 558,148	$ 558,148	$ 558,148	$ 558,148	$ 558,148	$ 370,000	$ 370,000
Other Revenue	$ 199,439	$ 167,500	$ 172,525	$ 177,701	$ 183,032	$ 188,523	$ 194,178
Tap Fees	$ 105,060	$ 125,000	$ 128,750	$ 132,613	$ 136,591	$ 140,689	$ 144,909
Reconnect Fees	$ 27,394	$ 30,000	$ 30,900	$ 31,827	$ 32,782	$ 33,765	$ 34,778
Interest	$ 32,616	$ 19,000	$ 19,570	$ 20,157	$ 20,762	$ 21,385	$ 22,026
Total	**$ 10,737,200**	**$ 10,199,648**	**$ 10,488,893**	**$ 10,786,815**	**$ 11,093,675**	**$ 11,221,593**	**$ 11,547,141**

Water, Sewer, and Gas Revenue

The Enterprise revenue source comes from monthly payments by the City's 2,815 water system customers. While the number of customers has grown at a steady pace during the past ten (10) years, the last two (2) years have had higher than normal rainfall and warmer winters, which has inhibited revenue growth.

L - Water/Sewer/Gas Revenue, FY2001-2022 Total Collected



The water revenue projection in this forecast: (1) is based on a "normal" or average climatic year in every year of the five year forecast and (2) assumes the total number of water customers will grow at the same rate as new homes through FY2022.

LONG RANGE FINANCIAL FORECAST
EXPENDITURE OVERVIEW

Baseline Forecast Methodology

Expenditures are forecasted for the City's three major funds: General, Enterprise and Debt Service. The baseline forecast presented herein includes expenditures already approved by and/or committed to by the City Council. Rising costs due to inflation, population growth, and/or interest rates are also anticipated and included in this forecast through growth factors applied to each forecast category. Transfers between funds, capital investments, and other expenditures are assumed to continue at baseline budget values unless there are other legal requirements or prescribed schedules.

Expenditure Growth Assumptions – General and Enterprise Fund

M - Expenditure Growth Assumptions

EXPENDITURE CATEGORY	EXPLANATION	FY2018 FORECAST	FY2019 FORECAST	FY2020 FORECAST	FY2021 FORECAST	FY2022 FORECAST
PERSONAL SERVICES						
SALARIES	BASED ON 5 YEAR TREND ANALYSIS	3%	3%	3%	3%	3%
BENEFITS	ESTIMATE	26%	26%	26%	26%	26%
SUPPLIES						
GENERAL SUPPLIES	ESTIMATE	2%	2%	2%	2%	2%
MAINTENANCE SUPPLIES	ESTIMATE	2%	2%	2%	2%	2%
REPAIRS & MAINT.						
MAINTENANCE SERVICES	ESTIMATE	3%	3%	3%	3%	3%
VEHICLE MAINTENANCE	ESTIMATE	3%	3%	3%	3%	3%
SERVICES & CHARGES						
OFFICE SERVICES	ESTIMATE	3%	3%	3%	3%	3%
OTHER SERVICES	ESTIMATE	3%	3%	3%	3%	3%
PROFESSIONAL SERVICES	ESTIMATE	3%	3%	3%	3%	3%
UTILITIES	ESTIMATE	3%	3%	3%	3%	3%
TRASH COLLECTION	ESTIMATE	2%	2%	2%	2%	2%
WATER	ESTIMATE	3%	3%	3%	3%	3%
SEWER	ESTIMATE	3%	3%	3%	3%	3%
GAS	ESTIMATE	3%	3%	3%	3%	3%
CAPITAL OUTLAY						
FLEET AND EQUIPMENT	ESTIMATE	3%	3%	3%	3%	3%

The growth assumptions shown above are based on previous trend analysis and used for future forecasting. Fleet replacement costs charged to the General and Enterprise Funds are based on need (3.0% used as assumptions).

Beyond Baseline

The forecast assumes that staffing and services will continue at existing levels. Potential increases in salary and benefits based on merit and O&M expenditures reflect increases to the costs that drive those expenditures rather than additional positions and services. No new programs or expanded service levels are included.

LONG RANGE FINANCIAL FORECAST
GENERAL FUND EXPENDITURE OVERVIEW

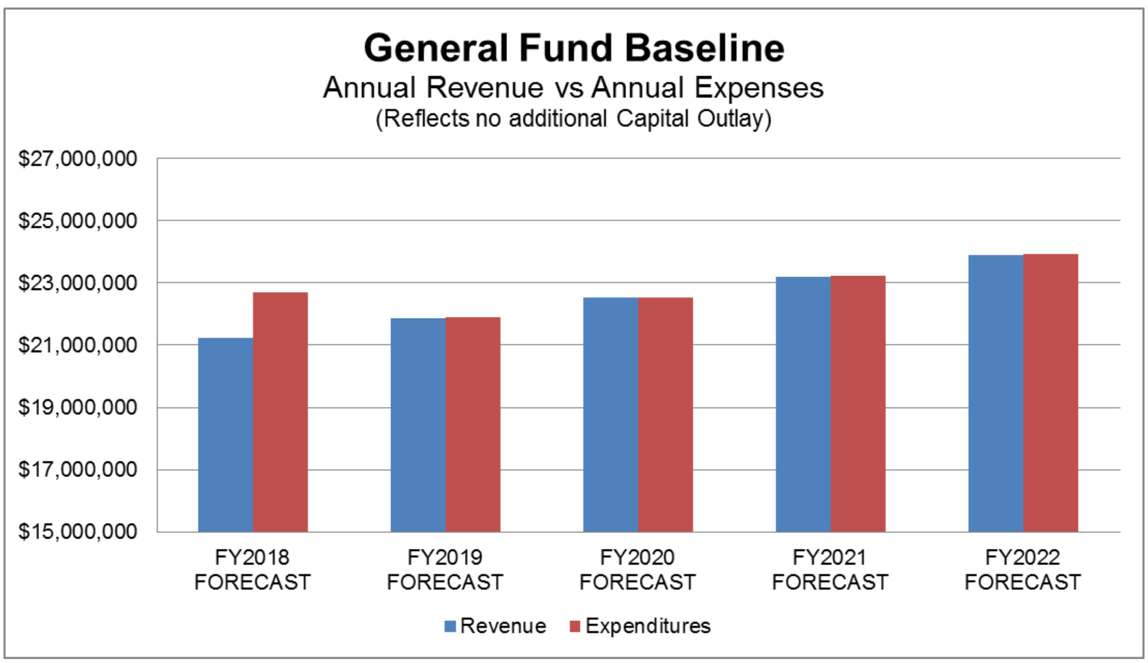
Baseline Forecast

The next several tables indicate General and Enterprise Funds with and without a yearly $2.0 million addition to capital project. In order to keep maintain strong fund balances, these projections indicate that current revenue resources will most likely be sufficient, with minor adjustments; however additional capital funding will need funding sources.

Table N below summarizes the General Fund forecast using baseline assumptions, including (1) the anticipated effect of inflation on costs, (2) no new staff but potential compensation increases, and (3) no increased funding for capital projects with the exception to a $1.5 million commitment to TxDOT in FY2018.

N - Forecast Summary General Fund Baseline Projections with no additional CIP

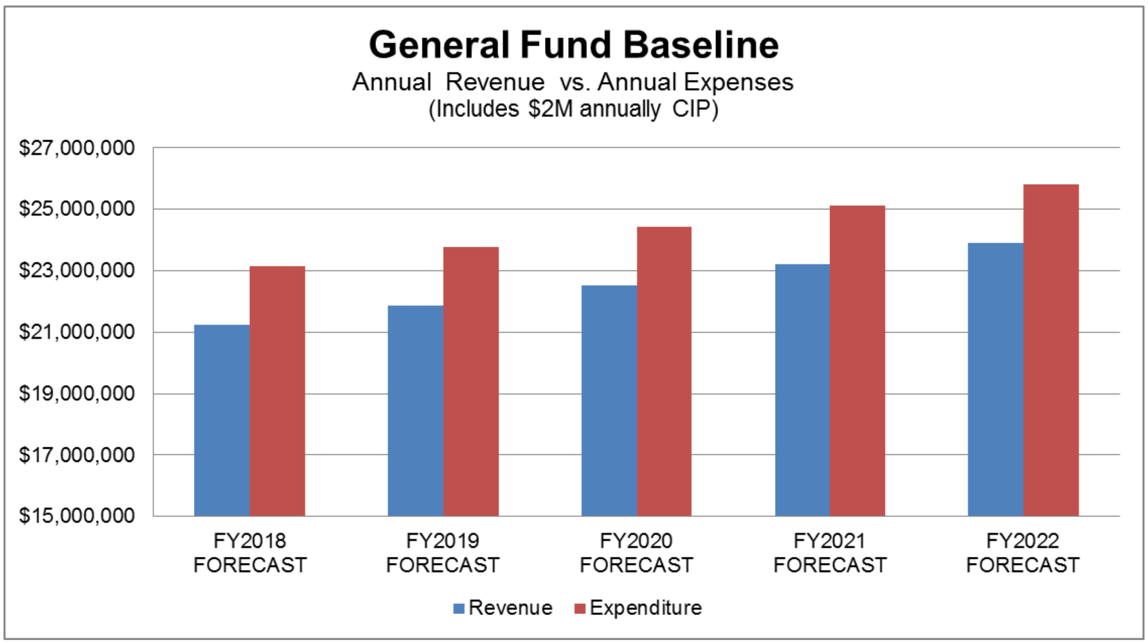
	FY2018 FORECAST	FY2019 FORECAST	FY2020 FORECAST	FY2021 FORECAST	FY2022 FORECAST
BEGINNING BALANCE	11,382,257	9,414,415	9,402,538	9,390,305	9,377,704
REVENUE	18,826,284	19,391,073	19,972,805	20,571,989	21,189,149
OPERATING EXPENDITURE	22,706,560	21,887,757	22,544,390	23,220,721	23,917,343
CAPITAL PROJECT APPROPRIATION	500,000	-	-	-	-
TRANSFER	2,412,434	2,484,807	2,559,351	2,636,132	2,715,216
REVENUE OVER/UNDER EXPENDITURES	(1,967,842)	(11,877)	(12,233)	(12,600)	(12,978)
ENDING BALANCE	9,414,415	9,402,538	9,390,305	9,377,704	9,364,726



In comparison to Table N prior, Table O includes $2.0 million annually for capital projects. If additional funding is made available for capital projects, annual operating revenue is below baseline operating expense in every year of the forecast. These new funds could come from a combination of increased sales tax revenues or increased tax rate, depending on the type project.

O – Forecast Summary General Fund Projection with $2M annually for CIP

	FY2018 FORECAST	FY2019 FORECAST	FY2020 FORECAST	FY2021 FORECAST	FY2022 FORECAST
BEGINNING BALANCE	11,382,257	9,474,415	7,569,338	5,667,109	3,767,813
REVENUE	18,826,284	19,391,073	19,972,805	20,571,989	21,189,149
OPERATING EXPENDITURE	21,146,560	21,780,957	22,434,386	23,107,417	23,800,640
CAPITAL PROJECT APPROPRIATION	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
TRANSFER	2,412,434	2,484,807	2,559,351	2,636,132	2,715,216
REVENUE OVER/UNDER EXPENDITURES	(1,907,842)	(1,905,077)	(1,902,229)	(1,899,296)	(1,896,275)
ENDING BALANCE	9,474,415	7,569,338	5,667,109	3,767,813	1,871,538



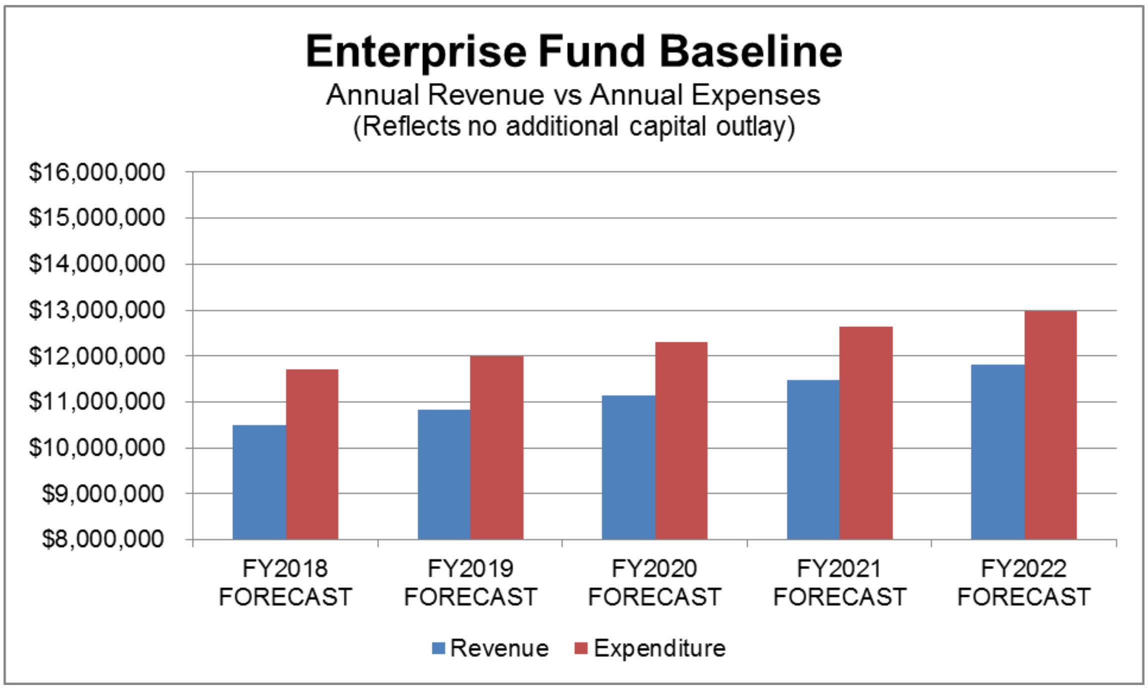
LONG RANGE FINANCIAL FORECAST
ENTERPRISE FUND EXPENDITURE OVERVIEW

Baseline Forecast

Table P below summarizes the Enterprise Fund Forecast using baseline assumptions.

P - Forecast Summary Enterprise Fund Projection with no additional CIP

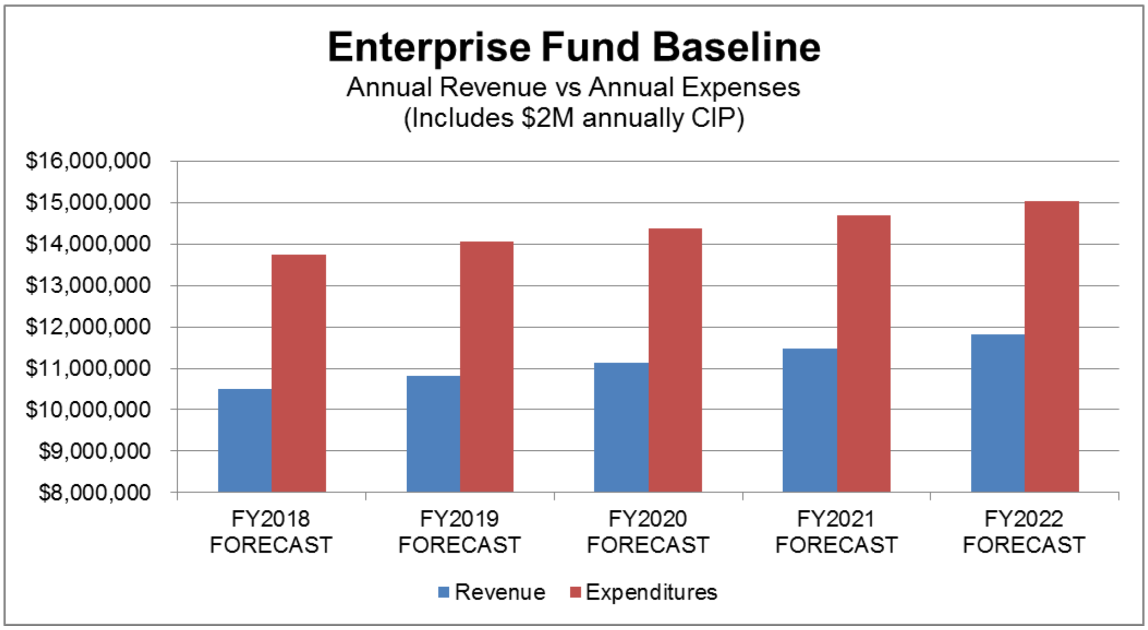
	FY2018 FORECAST	FY2019 FORECAST	FY2020 FORECAST	FY2021 FORECAST	FY2022 FORECAST
BEGINNING BALANCE	17,964,041	16,771,802	15,592,564	14,428,352	13,275,734
REVENUE	10,505,637	10,820,807	11,145,431	11,479,794	11,824,187
EXPENDITURE	11,019,218	11,349,794	11,690,288	12,040,996	12,402,226
CAPITAL PROJECT APPROPRIATION	-	-	-	-	-
DEBT SERVICE	678,659	650,251	619,355	591,415	561,000
REVENUE OVER/UNDER EXPENDITURES	(1,192,239)	(1,179,238)	(1,164,212)	(1,152,618)	(1,139,039)
ENDING BALANCE	16,771,802	15,592,564	14,428,352	13,275,734	12,136,695



In comparison to Table P prior, Table Q includes $2.0 million annually for capital projects. If additional funding is made available for capital projects, annual operating revenue is below baseline operating expense in every year of the forecast. The new funds could come from a combination of water, sewer, or gas rate increases.

Q - Forecast Summary Enterprise Fund Projection with $2M annually for CIP

	FY2018 FORECAST	FY2019 FORECAST	FY2020 FORECAST	FY2021 FORECAST	FY2022 FORECAST
BEGINNING BALANCE	17,964,041	14,718,062	11,483,471	8,262,246	5,050,905
REVENUE	10,505,637	10,820,807	11,145,431	11,479,794	11,824,187
EXPENDITURE	11,072,958	11,405,146	11,747,301	12,099,720	12,462,711
CAPITAL PROJECT APPROPRIATIONS	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
DEBT SERVICE	678,659	650,251	619,355	591,415	561,000
REVENUE OVER/UNDER EXPENDITURES	(3,245,979)	(3,234,591)	(3,221,225)	(3,211,341)	(3,199,524)
ENDING BALANCE	14,718,062	11,483,471	8,262,246	5,050,905	1,851,381



LONG RANGE FINANCIAL FORECAST
DEBT SERVICE OVERVIEW

The General Fund – Debt Service, also known as the interest and sinking fund (I&S), is established by ordinance authorizing the issuance of bonds and providing for the payment of bond principal and interest as they come due. In the Debt Service Fund, a property (ad valorem) tax rate and tax levy is required to be computed and levied that will be sufficient to produce the money to satisfy annual debt service requirements. General Obligation related debt of the City of Tomball carries a "AA+" rating from Standard and Poor's and "Aa3" from Moody's Investors Services.

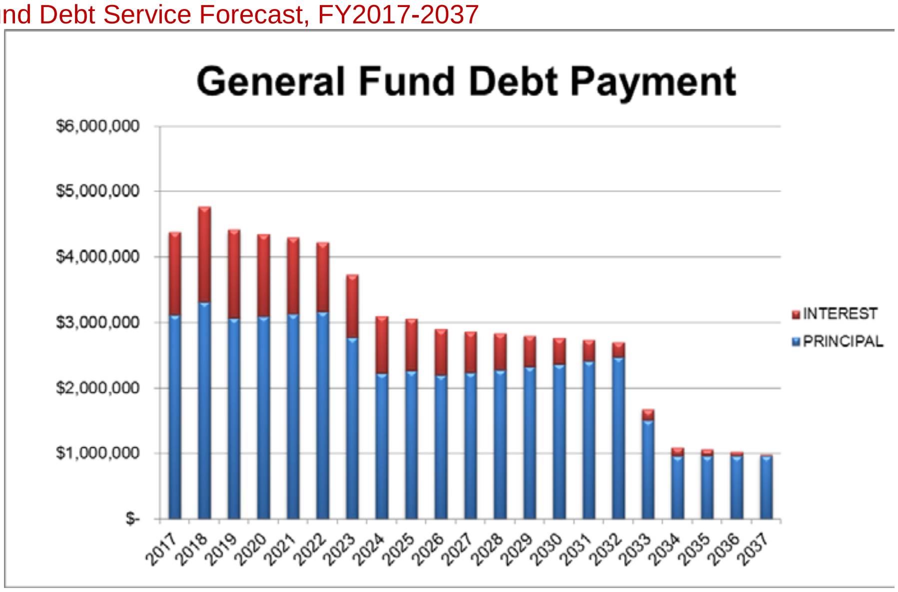
The City's legal capacity for additional debt is very large. Rules promulgated by the Office of the Attorney General of Texas stipulate that such Office will not approve tax bonds of any city unless the city can demonstrate its ability to pay debt service requirements on all outstanding tax debt, including the issue to be approved, from a levy of $0.23 per $100 of valuation. The City does not have a debt limit outlined in its Charter.

The principal and interest payments for the following bonds:

- 2010 General Obligation Refunding Bonds - $2,210,000
- 2011 General Obligation Refunding Bonds - $8,650,000
- 2012 Combination Tax and Revenue Certificates of Obligation - $14,500,000
- 2013 Combination Tax and Revenue Certificates of Obligation - $8,500,000
- 2013 General Obligation Refunding Bonds - $6,370,000
- 2015 Lease Purchase – Pierce Velocity Fire Truck - $856,600
- 2016 Combination Tax and Revenue Certificates of Obligation - $20,240,000

The debt structure is depicted in the table below.

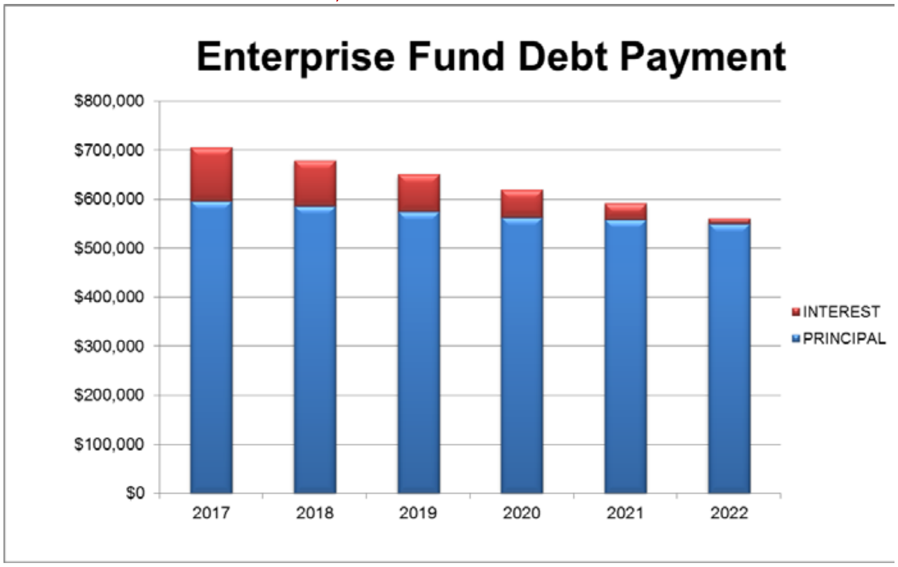
R - General Fund Debt Service Forecast, FY2017-2037



ENTERPRISE DEBT SERVICE

The remaining principal and interest payments for the 2011 General Obligation Refunding Bonds, is depicted in the table below.

S – Enterprise Debt Service Fund Forecast, FY2017-2022



LONG RANGE FINANCIAL FORECAST
CAPITAL PROJECTS OVERVIEW

Long Range Capital Forecast

The City of Tomball's Capital Improvement Program (CIP) has been developed in order to further our commitment to the citizens of Tomball by working to meet today's needs, as well as those of the future. From work on drainage and sewer lines to more visible projects, such as street paving and park development, CIP addresses the needs of the City through responsible city government with a comprehensive and cost-effective approach.

Capital Projects Funding

The FY2016-2022 CIP provides a long list of projects, of which no funding has been appropriated. Staff has provided in this report a 5-year plan assuming standard operational expenses as well as a plan providing for a minimal amount of $2.0 million annually for capital projects. For the General Fund, Table N reflects a prior Council commitment of $1.5 million for the Main Street rebuild, but subsequent years show only operating expenditures with no major capital projects. Table O in the report indicate operating expenditures with an addition of $2.0 million annually for capital projects. For the Enterprise Fund, Table P in the report indicates operating expenditures with no major capital projects and Table Q reflects $2.0 million appropriated for capital projects.

Based upon the current projects in the FY2016-2020 CIP, and other assumptions utilized in this forecast, the property tax rate dedicated to debt service is similar to the current rate for FY2017. Along with sales tax growth, the current tax rate will sustain the General Fund in the near future, however if additional capital projects are initiated by the Council, additional dollars will need to be appropriated.

In addition to the operating expenditures noted above, the City has significant capital projects ongoing. The past several years, the City has been in a financial position to appropriate funding for capital projects in conjunction with the yearly budget process. Through the Capital Improvement process, the City identifies and prioritizes capital projects from eligible funding sources.

Of the roughly $37.93 million in capital projects budgeted from the FY2016-2022 CIP, $33.56 million was dedicated for streets, drainage, sidewalks, and park improvements with $4.36 million for improvements to the City's utilities system. These allocations will likely be modified in the coming years as actual expenditures are identified.

General Fund

T – Capital Improvement Projects list- General Fund

Long Range Capital Spend-Down Forecast - General Fund								
Project #	Project Name	Funds Available as of 4/30/2017	FY 2017 Forecast as of 5/1/17-9/30/17	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast
71/203	Medical Complex Seg 4/Persimmon/M118	$ 20,237,000	$ 1,072,598	$ 7,300,000	$ 7,300,000	$ 4,437,000	$ -	$ -
103	M124 Willow Creek Tributaries	$ 71,919	$ -	$ -	$ -	$ -	$ -	$ -
180	M121 Final Phase (Bond Funded)	$ 8,624,686	$ 1,565,211	$ 5,000,000	$ 1,919,000	$ -	$ -	$ -
75/181	Medical Complex Seg 3 *	$ 410,259	$ 466,974	$ -	$ -	$ -	$ -	$ -
184	Infrastructure Master Plan and Capital Recovery Fee	$ 1,885	$ -	$ -	$ -	$ -	$ -	$ -
186/207	Downtown Development/2920 Main St Project *	$ 2,438,178	$ 489,445	$ 500,000	$ 1,000,000	$ 1,000,000	$ -	$ -
188	Broussard Community Park	$ 1,165,392	$ 398,448	$ 400,000	$ 400,000	$ -	$ -	$ -
192/192B	Zion Road Sidewalks-East & West of Quinn Road	$ (9,476)	$ -	$ -	$ -	$ -	$ -	$ -
194	Market Street Sidewalks	$ (82,959)	$ 48,574	$ -	$ -	$ -	$ -	$ -
195	Wayne Stovall Sports Complex Improvements	$ 14,256	$ 14,256	$ -	$ -	$ -	$ -	$ -
205	Sidewalks - Quinn & Holderrith	$ 609,375	$ 114,297	$ -	$ -	$ -	$ -	$ -
208	Sherwood Forest Drainage Improvements	$ (43,644)	$ 186,357	$ -	$ -	$ -	$ -	$ -
4 CORNERS	4 Corners Project	$ 125,000	$ 10,000	$ -	$ -	$ -	$ -	$ -
Total		**$ 33,561,871**	**$ 4,366,159**	**$ 13,200,000**	**$ 10,619,000**	**$ 5,437,000**	**$ -**	**$ -**

Enterprise Fund

U –Capital Improvement Projects list- Enterprise Fund

Long Range Capital Spend-Down Forecast - Enterprise Fund								
Project #	Project Name	Funds Available as of 4/30/2017	FY 2017 Forecast as of 5/1/17-9/30/17	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast
161	Rudolph Road Utilities	$ 265,268	$ 234,995	$ -	$ -	$ -	$ -	$ -
198/199/202	Critical Needs Assessment / Upgrades to the NWWTP & SWWTP	$ 3,164,188	$ 1,177,528	$ 1,500,000	$ 400,000	$ -	$ -	$ -
201	Sewer Modeling	$ 22,598	$ 40,000	$ -	$ -	$ -	$ -	$ -
206	2017 East Side Water Loop Line	$ 762,232	$ 180,000	$ 582,232	$ -	$ -	$ -	$ -
209	2017 Water Modeling	$ -	$ 40,000	$ -	$ -	$ -	$ -	$ -
SWWTP	SWWTP Sewer Effluent Reuse	$ 75,000	$ -	$ -	$ -	$ -	$ -	$ -
NWWTP	NWWTP Sewer Effluent Reuse	$ 75,000	$ -	$ -	$ -	$ -	$ -	$ -
Total		**$ 4,364,287**	**$ 1,672,523**	**$ 2,082,232**	**$ 400,000**	**$ -**	**$ -**	**$ -**

LONG RANGE FINANCIAL FORECAST

More detailed information will be available in the upcoming months with final reports on various projects being completed. Current projects ongoing are as follows:

1. **2017 Water Modeling (partially funded)**
   The City will engage an engineering firm to model the city water system. The costs associated with the portions of this study associated with the Grand Parkway Development shall be split between the City and the Development. Once the model is complete, different water demand scenarios including fire flow demands will be modeled of the Development. If there are any needed improvements to the City's water system in order for the system to provide the adequate water service, as required by the TCEQ regulations, the Development shall participate in the construction of said improvements.

2. **2017 Sewer modeling (funded)**
   Create a computer model of the sewer system using GIS to represent how it performs in the field to assess and predict performance changes.

3. **Plans and specifications on remodeling the north and south sewer plants (funded)**
   South Sewer Plant - Install new vertical turbine pumps, extend piping and relocate flow meters, renovate operations building.

   North Sewer Plant - Replace electrical conductors and clarifier equipment, inspect and rehab hydro tanks in the non-potable water system, replace air lift pump controls and new sluice gate, replace electric conduits in the dechlorination and chlorination systems and sludge thickener.

4. **Comprehensive Plan (funded)**
   Update the Comprehensive Plan which is a guide anticipating growth of the City in a manner that provides Tomball with a balance of land uses that promotes economic growth and improves the quality of life. The Comprehensive Plan is not a zoning ordinance and it does not affect existing zoning regulations. Rather, it provides the foundation for making changes or developing new regulations that implement identified goals, objectives, and actions.

5. **Major Thoroughfare Plan (funded)**
   Update the major thoroughfare plans (MTPs). These MTPs were developed and utilized by local governments and agencies as a planning tool to identify new roadway connections and existing infrastructure updates that will meet the needs of the community's system. These plans identify a functional classification system (or hierarchy) of roadways that designates the role of each major route within the local and regional transportation network. Each classification is intended to serve defined needs with a specific balance between movement and access, and each has specific right-of-way, pavement width and "number-of-

lanes" requirements. Adoption of a MTP not only serves to aid in transportation planning, it also provides the community the authority to request right-of-way through the development process, as well as the opportunity to coordinate local transportation planning activities with those occurring on a regional or state-wide basis.

6. **Master Drainage Plan (not funded)**
   Regional plan for channels completed. Updating needed to include localized planning for Drainage Plan. This will evaluate the City's existing storm drainage network, assess existing and proposal of future drainage facility needs, and identifies needed improvements based on projected future system demands.

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LONG RANGE FINANCIAL FORECAST
DEPARTMENTAL REPORTS

The attached appendixes from the Police, Fire, and Public Works Department are proposed projects from the respective department. In this report, there are no budget appropriations provided or recommended. Each would have to be addressed in detail during the yearly budget discussions.

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APPENDIX A – POLICE DEPARTMENT

Organizational Overview

The Tomball Police Department (TPD) strives to provide a safe community for Tomball's residents and visitors by maintaining a knowledgeable, well trained staff that works to prevent and investigate crime. A commitment to community policing—which focuses on crime and social disorder through the delivery of traditional law enforcement services, as well as prevention, problem-solving, and community engagement and partnerships—is central to the Department's work.

Tomball Police Department relies almost entirely on General Fund appropriations, which accounted for twenty-five percent (25%) of the total General Fund. Given the nature of police work, the Department's major expense is labor; roughly ninety percent (90%) of the Department's budget is spent on patrol and investigation activities.

Over the next five years, the Tomball Police Department recommends the following strategic initiatives:

1. Reduce crime and disorder with improvements in deployment, strategy, and use of technology.
   Recommendations: Replace current Computer-aided dispatch (CAD) and Records Management System (RMS) software. Estimated replacement cost: $250,000-$300,000.

2. Maintain public safety through strategic management of staffing resources.
   Recommendations: Request additional personnel. Estimated cost: TBD

3. Improve efficiencies and reporting efforts through technology upgrades.
   Recommendations: Replace radio system consoles, mobiles, and handhelds. Estimated replacement cost: $500,000

4. Manage costs associated with required public safety and training facility upgrades
   Recommendations: Upgrade shooting range. Estimated cost: TBD

APPENDIX B – FIRE DEPARTMENT

Organizational Overview

The Tomball Fire Department (TFD) protects the lives and property of Tomball's residents from fires, natural disasters, and hazardous materials incidents. It also provides emergency medical services and prevents fires through educational and planning programs. The Department staffs two (2) fire houses in the City and one (1) in the Emergency Service District #15 (ESD#15).

Tomball Fire Department relies almost entirely on the General Fund, which accounted for fourteen and a half percent (14.5%) of its total expenditure in FY 2016-17.

The Tomball Fire Department long range goals based on current and future population growth include the addition of two (2) new stations. One would be a city owned/operated station and the other would be built and owned by ESD#15 and staffed by the city via a contract similar to the contract with ESD #15 on Station #5.

1. New facilities

   a. Construction of Fire Station #4 (ESD #15 owned station)—ESD#15 would construct Station #4 located at Mahaffey and FM2920 would serve the eastern portion of the District and the City of Tomball. ESD #15 anticipates construction to begin in 2018. Staffing would necessitate the hiring of six (6) additional full time employees and 50% of station operational cost that would be paid for by ESD#15. Additional funding of part-time and volunteers and 50% of station operations cost to be paid for by the City of Tomball—total estimated personnel cost paid by the ESD #15 is $770,000 annually and estimated $230,000 paid for by the City of Tomball.

   b. Construct Fire Station #3 (City owned station): By constructing a third Fire Station the department will provide increased response times to the northeast quadrant of the City. The selected site provides access to the northern portions of the City along Zion and E. Hufsmith Roads as well as the eastern portion of the City along FM 2978. Anticipate construction to begin in FY2019-2020the land for the Stanolind station was donated and acquired in 2016. Estimated construction cost is $4,000,000 paid by the City. Staffing would necessitate the hiring of six (6) additional full time employees, additional funding for part-time and volunteers, and station operational cost all totaling an estimated $1.0 million annually.

2. Replace aging fire apparatus

   Anticipate replacing several of the major firefighting apparatus over the next four years including Engine 2, Tanker 5, Squad 1 Rescue Truck, and Tower 1 as they approach the end of their useful lives. These are not part of the regular fleet replacement schedule and the cost varies.

   - Estimated Cost of Squad 1 replacement: $250,000
   - Estimated Cost of Tower 1 replacement: $1.3million
   - Estimated Cost of Tanker 5 replacement: $850,000
   - Estimated Cost of Engine 2 replacement: $850,000

   Funding for the purchases may be available through lease agreements similar to the type used for the acquisition of Engine 5 in 2015.

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APPENDIX C – PUBLIC WORKS / CAPITAL IMPROVEMENTS PROGRAM

Organizational Overview

The Capital Improvement Plan Advisory Committee (CIPAC) meets bi-annually in June and December. Their report is currently being developed for presentation to the CIPAC Board June 12, 2017. It will then be presented to the Planning & Zoning Commission and City Council for review. Additional projects are being discussed for possible inclusion in that annual report. No funding appropriations are recommended at this time.

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