

CITY FINANCE PRESENTATION
MARCH 1, 2020
INCLUDED IN FIRST QUARTER BUDGET STATUS REPORT
HOW DOES CITY OF GALVESTON COMPARE?

1. Peer cities selection, comparison and results **TABLE A**
 - a. Population adjustment – U.S. Housing Census **TABLE B**
 - b. FY20 Budget – Positions and debt including principal and interest
 - c. Occupancy rate of 66% versus 92% for peers
 - d. Raises population estimate from 50,457 to 70,642
2. Why use bond financing?
 - a. Major projects that last longer than thirty years and cost is spread over 20 to 30 years.
 - b. PAY AS YOU USE versus PAY AS YOU GO – More equitable, less costly and project benefits begin sooner
 - c. Flexible form of financing: Pick principal payoff schedule with smooth declining balance and sell new bonds as needed for contracts for new project
3. Is Galveston overburdened with debt? Can we make payments on our debt
 - a. Galveston is not overburdened with debt: As of FY18, Galveston's debt per capita was two thirds of average for peer group **TABLE A**
 - b. Galveston has the lowest tax rate for debt payments **TABLE 1** and the Infrastructure set aside (Greenburg penny) equal to \$5M per year not
 - c. Declining balance makes it possible to “sit tight” on new issuance should conditions need to improve with economy or disaster response **GRAPH 1-2**
4. Have we gotten results for our investment? **GRAPH B**
 - a. Galveston's Capital Assets per capita net of depreciation (\$5,284) and less debt is larger than rest of the peer group courtesy of federal grants (\$337M) and local funds invested so far. **TABLE C AND GRAPH C**
 - b. Retention of value requires investment in maintenance through operating budget
5. Review bonds sold to date – All according to State law and project need as defined through the Five Year Capital Improvement Plan (rolling plan)
 - a. Balances are being committed with 100% required when contract is awarded by Council
 - b. Paying debt service on \$117.8 million **TABLE D-1**
 - c. Received \$132.4 million in cash for project construction funds - \$14.6 million gain for City
 - d. Interest earned to date - \$3.23 million **TABLE D-1**
 - e. Ratings: Fitch, AA Stable and Moody's AA3 Stable **TABLE A**
6. Is Galveston overstaffed? Top heavy? **TABLE E-2**
 - a. 99 positions added since 2014 are primarily in public works (57), public safety (33), Parks and Rec (17) and support for operations (9)
 - b. Administration has been virtually constant (+3 positions)
 - c. Overall administrative cost is lower that FY2015 (**TABLE F-1**) and lower than peer cities (**TABLE F-2**)

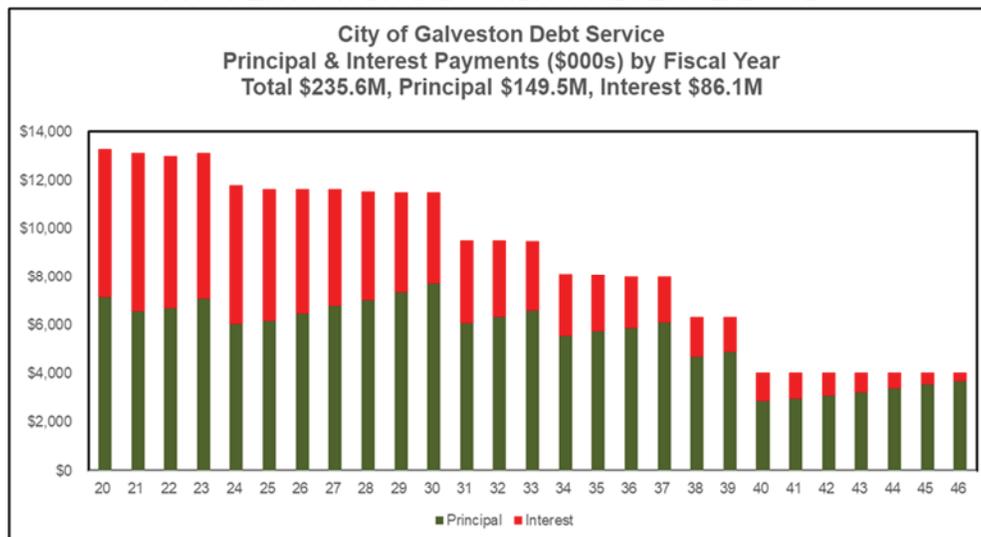
TABLE A – PEER CITIES KEY STATISTICS

| Peer Cities | Population per US Census 2018 | Total Property Tax Rate | Debt Tax Rate | General Fund + Debt FY 20 Budget (\$Mil) | Total Debt (Principal and Interest) \$Mil FY20 Budget | FY20 Budgeted Positions (FTE's) | Total Housing Units (per U.S. Census) | Occupied Housing Units (per U.S. Census) | GO Bonds Rating |
|------------------|-------------------------------|-------------------------|-----------------|--|---|---------------------------------|---------------------------------------|--|-----------------|
| Pasadena | 153,219 | \$0.5703 | \$0.1196 | \$138.3 | \$218.2 | 1159.00 | 52,392 | 46,703 | AA Stable |
| Pearland | 122,149 | \$0.7412 | \$0.4344 | \$122.2 | \$624.3 | 819.50 | 45,490 | 42,409 | AA Stable |
| Sugar Land | 118,600 | \$0.3320 | \$0.1350 | \$115.7 | \$501.3 | 839.75 | 40,684 | 39,378 | AAA Stable |
| League City | 106,244 | \$0.5486 | \$0.1444 | \$95.0 | \$299.7 | 632.75 | 40,046 | 37,234 | AA+ Stable |
| Conroe | 87,654 | \$0.4375 | \$0.1250 | \$94.8 | \$489.7 | 606.00 | 37,418 | 33,852 | AA+ Stable |
| Baytown | 77,024 | \$0.8020 | \$0.3411 | \$128.3 | \$395.4 | 922.00 | 31,056 | 27,351 | AA Stable |
| Pflugerville | 64,431 | \$0.4976 | \$0.1872 | \$54.8 | \$549.0 | 377.50 | 20,947 | 20,266 | AA Stable |
| San Marcos | 63,509 | \$0.6139 | \$0.2069 | \$99.6 | \$343.4 | 782.78 | 25,043 | 22,775 | AA Stable |
| Texas City | 49,153 | \$0.5400 | \$0.0829 | \$63.8 | \$52.9 | 486.00 | 19,602 | 16,875 | AA Stable |
| Average | 89,248 | \$0.5648 | \$0.1974 | \$101.4 | \$386.0 | 736.14 | 34,742 | 31,871 | AA Stable |
| Galveston | 50,497 | \$0.5799 | \$0.0525 | \$62.7 | \$241.6 | 868.95 | 31,780 | 20,920 | AA Stable |

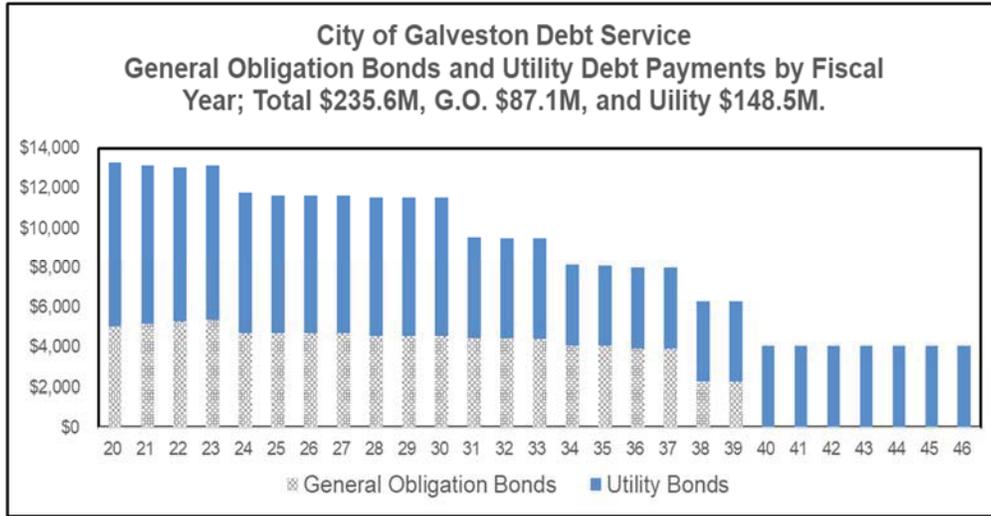
TABLE B – GALVESTON POPULATION ADJUSTED FOR RESIDENT POPULATION

| Peer Cities | Housing Occupancy Rate | Population Adjustment for Vacation Rental Occupancy |
|------------------|------------------------|---|
| Sugar Land | 97% | |
| Pearland | 93% | Assume that the low occupancy rate is due to the incidence of vacation rentals on the island and the real occupancy rate is closer to the average for the peer group when you include vacation rentals. Then the number of Occupied housing units would be 29,238. Multiply by the population count per occupied unit (50,497 divided by 20,920 = 2.41) and the adjusted population is 29,238 times 2.41 = 70,642. |
| League City | 93% | |
| Pasadena | 89% | |
| Baytown | 88% | |
| San Marcos | 91% | |
| Pflugerville | 97% | |
| Conroe | 90% | |
| Texas City | 86% | |
| Average | 92% | |
| Galveston | 66% | |

GRAPH A -1 GALVESTON DEBT SERVICE PRINCIPAL & INTEREST PROPERTY TAX AND UTILITY REVENUE BONDS



**GRAPH A -2 GALVESTON DEBT SERVICE FOR TOTALS:
PROPERTY TAX AND UTILITY REVENUE BONDS**



GRAPH B – GALVESTON CAPITAL ASSETS (\$MIL)
(NOTE: WILL BE INCLUDED IN FY 2019 AUDIT WHEN RELEASED
IN MARCH 2020)

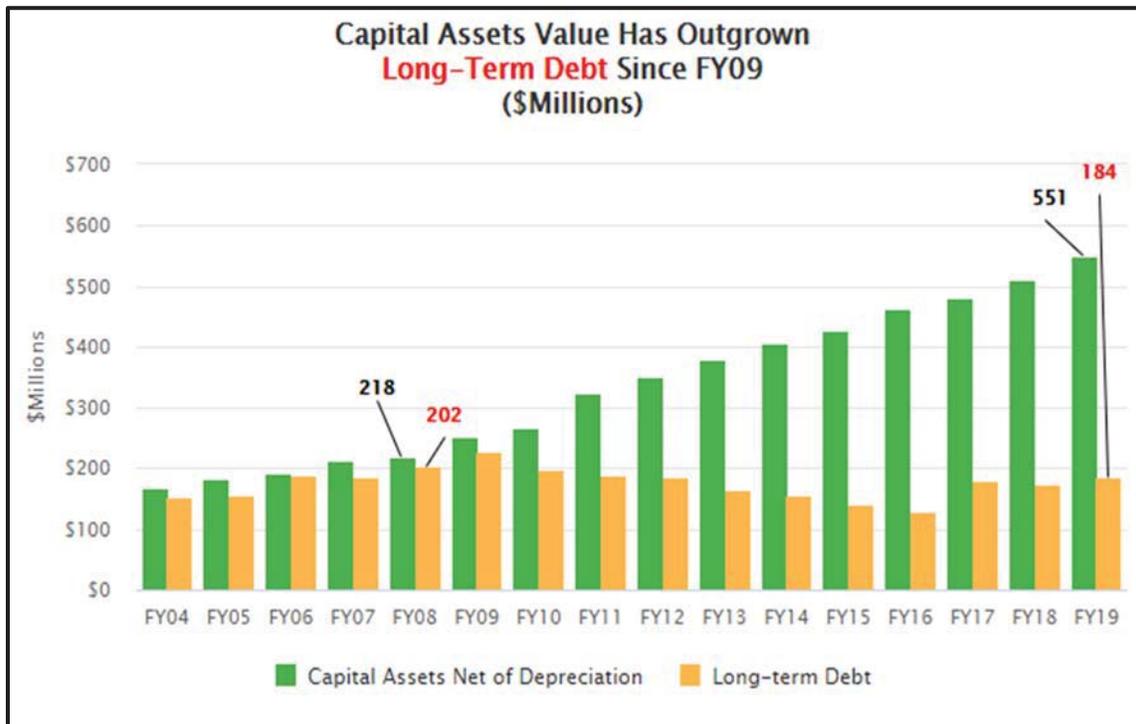


TABLE C
CAPITAL ASSETS AND DEBT PER CAPITA
(SOURCE: FY2018 CAFR/AUDIT)

| Peer Cities | Total Capital Assets | Total Debt (Principal Only) | Total Capital Assets Value per Capita | Total Debt per Capita (Principal Only) | Net Assets Over Debt |
|------------------|----------------------|-----------------------------|---------------------------------------|--|----------------------|
| Sugar Land | \$1,076,565,394 | \$476,291,105 | \$9,077 | \$4,016 | \$5,061 |
| Pearland | \$1,202,379,189 | \$637,500,000 | \$9,844 | \$5,219 | \$4,625 |
| League City | \$669,454,200 | \$229,850,001 | \$6,301 | \$2,163 | \$4,138 |
| Pasadena | \$889,271,102 | \$145,560,001 | \$5,804 | \$950 | \$4,854 |
| Baytown | \$516,608,578 | \$200,033,593 | \$6,707 | \$2,597 | \$4,110 |
| San Marcos | \$422,855,866 | \$339,322,147 | \$6,658 | \$5,343 | \$1,315 |
| Pflugerville | \$430,502,942 | \$242,968,396 | \$6,682 | \$3,771 | \$2,911 |
| Conroe | \$413,934,046 | \$241,490,000 | \$4,722 | \$2,755 | \$1,967 |
| Texas City | \$183,679,981 | \$43,582,875 | \$3,737 | \$887 | \$2,850 |
| Average | \$645,027,922 | \$284,066,458 | \$6,615 | \$3,078 | \$3,537 |
| Galveston | \$510,972,050 | \$137,649,000 | \$7,233 | \$1,949 | \$5,284 |

GRAPH C

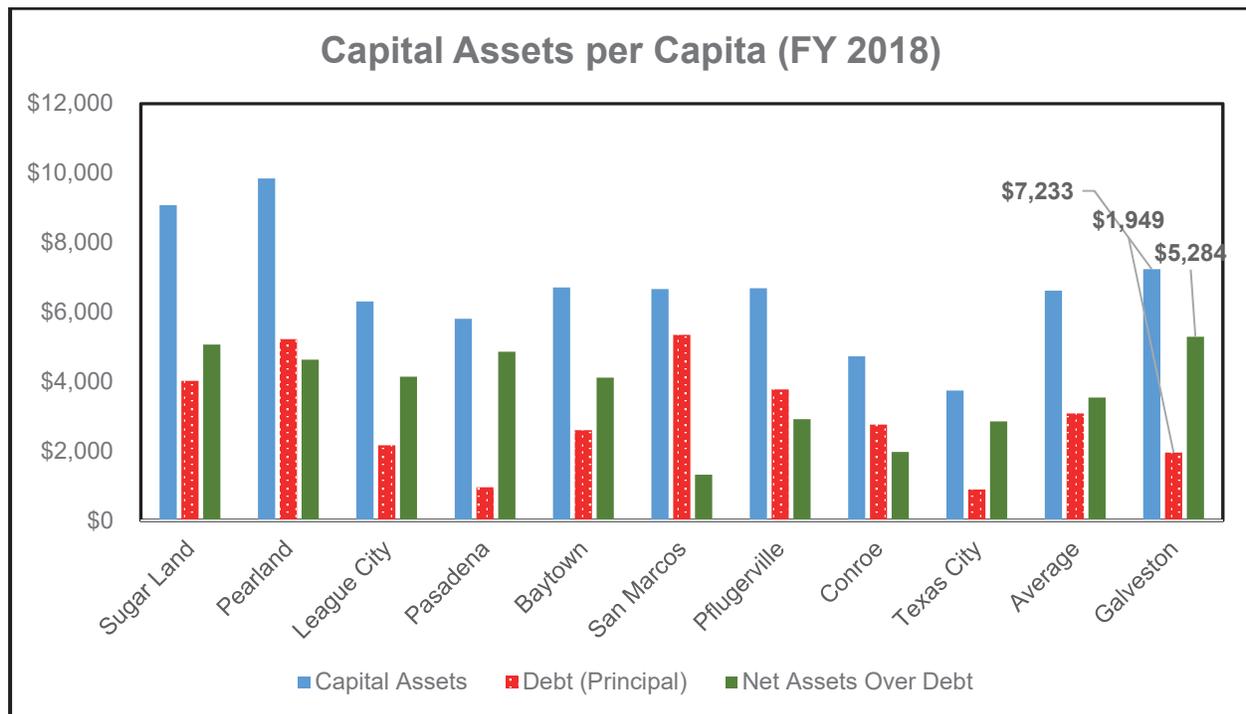


TABLE D-1 – BOND SALES CONDUCTED FROM FY 2015 TO 2020

| Type and Title of Sale | Purpose of Issue | Size of Issue | Savings/Benefits | Repayment Period | Total Interest Cost in Percentage terms | Pledged Revenues | Debt Service Paid With |
|---|--|---------------|--|---|---|--|-----------------------------------|
| 2014 General Obligation Refunding Bonds | Refunding primarily Water and Sewer debt | \$5,900,000 | \$428,000 estimated as of 8.28 2014 | Same ending date as Refunded Bonds - 2024 | 2.298% estimated as of 8.28 2014 | Property taxes (61%) Water and Sewer (39%) | Taxes and Water and Sewer revenue |
| 2016 General Obligation Refunding Bonds | Refunding primarily Water and Sewer debt and defeasing GO debt from 2005 | \$17,365,000 | Defeased \$1.48 million from 2005 GO Bonds with excess debt service fund cash and achieved total gross savings overall of \$4.23 million and \$2.06 million in Net Present Value savings | Same ending date as Refunded Bonds - 2033 | 2.830% | Property taxes for defeasance; Property taxes (10%), Water and Sewer revenue (90%) | Taxes and Water and Sewer revenue |
| 2017 Certificates of Obligation | Water and Sewer projects | \$33,300,000 | Netted \$35 million for Construction fund | 30 years | 3.890% | Water and Sewer revenue supported by Property taxes | Water and Sewer revenue |
| 2019 Certificates of Obligation | Water and Sewer projects | \$32,750,000 | Netted \$35 million for Construction fund | 30 years | 3.895% | Water and Sewer revenue supported by Property taxes | Water and Sewer revenue |
| 2017 General Obligation Bonds | Streets, Drainage, and directly related or required improvement | \$20,550,000 | Netted \$25 million for Construction fund | 20 years | 3.060% | Property taxes | Property taxes |
| 2019 General Obligation Bonds | Streets, Drainage, and directly related or required improvement | \$31,205,000 | Netted \$37 million for Construction fund | 20 years | 2.572% | Property taxes | Property taxes |

**TABLE D-2
BOND FUND BALANCES**

JANUARY 31, 2020 (CONTRACTS DETAIL AVAILABLE UPON REQUEST)

| GENERAL OBLIGATION BONDS | ORIGINAL DEPOSIT | INTEREST EARNED | TOTAL AVAILABLE | CONTRACTED AMOUNT | UNCOMMITTED BALANCE |
|---|----------------------|--------------------|----------------------|---------------------|---------------------|
| PUBLIC IMPROVEMENT BONDS, SERIES 2017 | \$25,000,000 | \$962,688 | \$25,962,688 | \$25,962,688 | \$0 |
| PUBLIC IMPROVEMENT BONDS, SERIES 2019 | \$37,000,000 | \$150,454 | \$37,150,454 | \$312,221 | \$36,838,233 |
| SUBTOTAL | \$62,000,000 | \$1,113,142 | \$63,113,142 | \$26,274,909 | \$36,838,233 |
| CERTIFICATES OF OBLIGATION | ORIGINAL DEPOSIT | INTEREST EARNED | TOTAL AVAILABLE | CONTRACTED AMOUNT | UNCOMMITTED BALANCE |
| Combination Tax and Revenue Certificates of Obligation, Series 2017 (Water) | 18,900,000.00 | 746,935.40 | \$19,646,935 | \$19,646,936 | (\$0) |
| Combination Tax and Revenue Certificates of Obligation, Series 2019 (Water) | 17,696,998.80 | 316,093.86 | \$18,013,093 | \$7,675,710 | \$10,337,383 |
| Combination Tax and Revenue Certificates of Obligation, Series 2017 (Sewer) | 16,100,000.00 | 740,683.93 | \$16,840,684 | \$12,012,675 | \$4,828,009 |
| Combination Tax and Revenue Certificates of Obligation, Series 2019 (Sewer) | 17,696,998.80 | 316,093.86 | \$18,013,093 | \$10,083,228 | \$7,929,864 |
| SUBTOTAL | \$70,393,998 | \$2,119,807 | \$72,513,805 | \$49,418,548 | \$23,095,256 |
| TOTAL | \$132,393,998 | \$3,232,949 | \$135,626,947 | \$75,693,458 | \$59,933,489 |

**TABLE E-1
PEER CITIES STAFFING COMPARISON WITH ADJUSTMENTS**

| Peer Cities | FY20 Budgeted Positions | Garbage Contracted Out (Pickup) | Volunteer Fire Dept | EMS Contract ed Out | Airport and/or Transit System | Inhouse Street Overlay Construction | Tourism Factor - Police | Adjusted to City of Galveston Structure | Population (000s) | Staff per 1000 Population |
|------------------|-------------------------|---------------------------------|---------------------|---------------------|-------------------------------|-------------------------------------|-------------------------|---|-------------------|---------------------------|
| Conroe | 606.00 | 0.00 | (127.00) | 0.00 | 0.00 | 0.00 | 0.00 | 479.00 | 87.65 | 5.46 |
| League City | 632.75 | 0.00 | 0.00 | (37.00) | 0.00 | 0.00 | 0.00 | 595.75 | 106.24 | 5.61 |
| Sugar Land | 839.75 | 0.00 | (95.00) | (16.00) | (50.00) | 0.00 | 0.00 | 678.75 | 118.60 | 5.72 |
| Pflugerville | 377.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 377.50 | 64.43 | 5.86 |
| Pearland | 819.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 819.50 | 122.15 | 6.71 |
| Pasadena | 1,159.00 | (42.00) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,117.00 | 153.22 | 7.29 |
| Texas City | 486.00 | (34.00) | (70.00) | 0.00 | 0.00 | 0.00 | 0.00 | 382.00 | 49.15 | 7.77 |
| Baytown | 922.00 | 0.00 | (197.60) | (45.60) | 0.00 | 0.00 | 0.00 | 678.80 | 77.02 | 8.81 |
| San Marcos | 782.78 | 0.00 | (77.00) | 0.00 | 0.00 | 0.00 | (25.40) | 680.38 | 63.51 | 10.71 |
| Average | 736.14 | (8.44) | (62.96) | (10.96) | (5.56) | 0.00 | (2.82) | 645.41 | 93.55 | 7.10 |
| Galveston | 868.95 | (59.60) | (111.00) | 0.00 | (39.25) | (11.00) | (43.09) | 605.01 | 70.64 | 8.56 |

**TABLE E-2
CITY OF GALVESTON POSITIONS ADDED/REDUCED SINCE FY 2014**

| Department | No. Positions |
|---|---------------|
| Public works | |
| Drainage Maintenance | 12 |
| Curb and Gutter crew | 4 |
| Crack seal crew | 3 |
| Street Construction (Mill and Overlay) Crew | 11 |
| Traffic Signs/Markings | 2 |
| New Wastewater Treatment Plant | 5 |
| Water Valve Crew | 6 |
| Water Maintenance Staff | 3 |
| Capital Project Implementation and Management | 11 |
| Subtotal Public Works | 57 |
| Public Safety | |
| Police Officers (Civil Service personnel) | 22 |
| False Alarm Permit Position | 1 |
| Fire Fighters (Civil Service Personnel) | 3 |
| City Marshal and Parking Enforcement Ofcrs | 5 |
| Municipal Court Clerks | 2 |
| Subtotal Public Safety | 33 |
| Parks and Recreation | |
| Lasker Pool | 4 |
| IDC Project Maintenance and Operations | 4 |
| Rights of Way Maintenance | 3 |
| General Park Maintenance | 4 |
| Recreation Program Staff | 2 |
| Parks Subtotal | 17 |
| Support Services | |
| Fleet Maintenance Mechanics | 2 |
| Technology Staff | 4 |
| Facilities Maintenance Staff | 3 |
| Support Services Subtotal | 9 |
| Island Transit | -20 |
| Subtotal Island Transit | -20 |
| Administration | |
| City Secretary | 1 |
| City Manager | -1 |
| City Auditor | 0 |
| City Attorney | 1 |
| Human Resources | 2 |
| Finance | 0 |
| Administration Subtotal | 3 |
| Total Position Growth | 99 |

**TABLE F-1 CITY OF GALVESTON ADMINISTRATIVE OVERHEAD
FY 2015-2020**

| Budget Category | FY 2015 Budget | FY 2016 Budget | FY 2017 Budget | FY 2018 Budget | FY 2019 Budget | FY 2020 Adopted Budget |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|
| Administrative Offices | | | | | | |
| City Secretary/Council | 401,771 | 418,399 | 510,774 | 547,175 | 536,270 | 544,646 |
| Elections | 0 | 60,000 | 60,000 | 70,000 | 68,000 | 58,500 |
| City Manager | 707,706 | 748,821 | 831,001 | 762,019 | 682,997 | 696,989 |
| City Attorney | 769,746 | 900,442 | 884,180 | 919,554 | 928,227 | 833,109 |
| City Auditor | 277,238 | 312,289 | 278,291 | 278,563 | 274,851 | 278,551 |
| Human Resources | 285,570 | 326,647 | 443,025 | 557,574 | 555,375 | 560,117 |
| Finance | 1,674,239 | 1,888,378 | 1,948,581 | 1,807,399 | 1,863,446 | 1,620,769 |
| Taxation | 213,158 | 247,073 | 255,314 | 265,449 | 270,000 | 271,723 |
| Community Outreach/Public Information Office | 0 | 0 | 0 | 0 | 208,502 | 246,534 |
| Subtotal Administration | 4,329,428 | 4,902,049 | 5,211,166 | 5,207,733 | 5,387,668 | 5,110,938 |
| Operating Budget | | | | | | |
| General Fund | 47,642,520 | 49,746,819 | 57,003,604 | 54,190,013 | 55,896,702 | 59,336,800 |
| Less Administrative Depts | 4,329,428 | 4,902,049 | 5,211,166 | 5,207,733 | 5,387,668 | 5,110,938 |
| General Fund Operations | 43,313,092 | 44,844,770 | 51,792,438 | 48,982,280 | 50,509,034 | 54,225,862 |
| Special Funds | 18,783,615 | 31,112,301 | 33,857,546 | 36,503,006 | 36,653,582 | 32,164,973 |
| Enterprise Funds | 44,072,594 | 48,632,005 | 43,552,270 | 45,608,695 | 46,845,944 | 48,465,713 |
| Debt Service Fund | 984,758 | 1,954,517 | 9,802,702 | 8,736,372 | 5,192,812 | 5,543,606 |
| Total Operating Budget | 107,154,059 | 126,543,593 | 139,004,956 | 139,830,353 | 139,201,372 | 140,400,154 |
| Capital Budget | | | | | | |
| Streets | 23,391,331 | 20,899,424 | 14,827,920 | 25,077,860 | 22,631,633 | 17,354,682 |
| Drainage | 1,884,045 | 2,531,692 | 2,493,025 | 4,038,247 | 15,084,500 | 13,303,665 |
| Water | 4,605,553 | 2,933,400 | 30,535,877 | 12,689,680 | 29,191,384 | 44,184,055 |
| Sewer | 6,551,018 | 7,880,758 | 20,593,518 | 23,111,345 | 15,219,422 | 5,084,173 |
| Parks | 5,177,680 | 3,850,000 | 4,212,500 | 3,295,750 | 415,000 | 1,875,000 |
| Other | 18,349,453 | 5,350,000 | 6,446,039 | 7,304,303 | 3,933,880 | 6,812,729 |
| Subtotal Capital Budget | 59,959,080 | 43,445,274 | 79,108,879 | 75,517,185 | 86,475,819 | 88,614,304 |
| Total Capital and Operating Budget | 167,113,139 | 169,988,867 | 218,113,835 | 215,347,538 | 225,677,191 | 229,014,458 |
| Admin as Pct of Op Budget | 4.04% | 3.87% | 3.75% | 3.72% | 3.87% | 3.64% |
| Admin as Pct of Cap & Op Budget | 2.59% | 2.88% | 2.39% | 2.42% | 2.39% | 2.23% |

**TABLE F-2 PEER CITIES ADMINISTRATIVE COST
AS PERCENT OF OPERATING BUDGET**

| Categories | Pasadena | Texas City | League City | Pearland | Baytown | Beaumont | Friendswood |
|----------------------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| Administration | 0 | 4,100,232 | | | 1,850,758 | | 3,642,527 |
| City Secretary/Council | 705,665 | | 599,020 | 524,849 | 771,198 | 420,100 | 857,272 |
| Elections | 67,150 | | | | | | |
| City Manager/Mayor | 640,935 | | 689,352 | 1,076,495 | | 1,787,200 | 1,015,737 |
| City Attorney | 1,714,886 | 196,309 | 557,557 | 818,855 | 1,105,867 | 1,076,300 | |
| City Auditor | 0 | | 123,863 | | | | |
| Human Resources | 1,087,393 | | 863,977 | 1,115,248 | 1,126,959 | 927,800 | |
| Finance | 3,401,983 | | 2,442,864 | 2,201,814 | 2,532,773 | 1,822,100 | |
| Taxation | 512,520 | | | | | | |
| Public Information Office | 1,793,496 | | 567,073 | 568,378 | | | |
| Subtotal Administration | 9,924,028 | 4,296,541 | 5,843,706 | 6,305,639 | 7,387,555 | 6,033,500 | 5,515,536 |
| Operating Budget | | | | | | | |
| General Fund | 116,263,380 | 54,962,945 | 76,396,528 | 80,424,112 | 108,256,539 | 126,717,000 | 28,211,899 |
| Less Administrative Depts | 9,924,028 | 4,296,541 | 5,843,706 | 6,305,639 | 7,387,555 | 6,033,500 | 5,515,536 |
| General Fund Operations | 106,339,352 | 50,666,404 | 70,552,822 | 74,118,473 | 100,868,984 | 120,683,500 | 22,696,363 |
| Special Funds | 13,899,921 | 2,521,431 | 3,923,933 | 3,292,676 | 11,330,963 | 19,504,539 | 380,984 |
| Enterprise Funds | 42,448,243 | 16,498,658 | 35,924,801 | 53,416,720 | 62,780,405 | 63,432,500 | 11,811,262 |
| Debt Service Fund | 11,764,701 | 10,320,539 | 12,475,869 | 38,806,367 | 22,190,038 | 17,153,500 | 3,217,119 |
| Total Operating Budget | 174,452,217 | 80,007,032 | 122,877,425 | 169,634,236 | 197,170,390 | 220,774,039 | 38,105,728 |
| Admin as Pct of Op Budget | 5.69% | 5.37% | 4.76% | 3.72% | 3.75% | 2.73% | 14.47% |