

**BRYAN CITY COUNCIL
MINUTES OF WORKSHOP MEETING
OCTOBER 27, 2015**

A workshop meeting of the Bryan City Council was held on Tuesday, October 27, 2015, in the Council Chambers of the Bryan Municipal Building, a notice of said meeting having been posted at least 72 hours in advance in accordance with Section 551, Texas Government Code. Mayor Jason Bienski and Councilmembers Al Saenz, Greg Owens, Mike Southerland, Art Hughes and Chuck Konderla were present. Councilmember Rafael Peña joined the meeting at 1:10 p.m. Councilmember Saenz left the meeting at 1:11 p.m. Also present were City Manager Kean Register, City Attorney Janis Hampton and City Secretary Mary Lynne Stratta.

1. CALL TO ORDER

The meeting was called to order at 11:39 a.m.

2. PRESENTATION BY THE CITY'S FINANCIAL ADVISOR, SPECIALIZED PUBLIC FINANCE, REGARDING FUND BALANCE RECOMMENDATIONS

Mr. Steven Adams with Specialized Public Finance reported the City's bond ratings with Standard & Poor's was AA and with Moody's was Aa2, which is equivalent to Standard & Poor's AA rating. He advised these ratings were very good ratings. He reported College Station had just been upgraded to AA by Standard & Poor's. He advised when Bryan was compared to similar size cities, Bryan was slightly weaker in demographics, but added the other cities tended to be suburban cities with stronger demographics. He advised that when the City's bond rating was upgraded in 2008, the key was the City's liquidity, or the amount of cash the City had in reserve. He said the City of Bryan had always offset the demographic weakness by having good fundamentals, good cash reserves and liquidity, and good management practices. He then explained why it was desirable to have a higher bond rating. He added that currently the difference between AA rating and A rating was approximately 40 basis points, which would translate into an additional interest cost of \$40,000 per year on a \$10 million bond issuance. He said that would amount to over \$400,000 on a 20 year bond. Mr. Adams advised that the higher the bond rating a city had, the lower the interest rate the city can obtain when selling bonds. This translates into savings for taxpayers. He also added that municipal utilities usually carry the same rating as the city.

Mr. Adams then advised there were four ways Moody's determined a city's bond rating: financial strength (30%), economic strength (40%), management and governance (20%), and debt profile (10%). He said under the category financial strength, one of the major factors considered was cash on hand and liquidity. Mr. Adams then described Standard & Poor's rating criteria, which also considers cash on hand and liquidity. He added rating agencies consider strongly how much cash a city has on hand in case of a downturn in the economy or unexpected expenses or emergencies. He said that weak liquidity could offset the other factors under the City's control.

Mr. Adams advised that as operating expenses increase year to year, it was very important that the fund balance also increase. In response to a question, Mr. Adams reported that unfunded obligations relative to the employee retirement system was a common weakness for many cities. It was reported the City had been setting aside cash to fund that liability. Mr. Adams also reported it was advisable for a city to have council approved policies, minimum targets, a long term view of fund balance, long term projections, and goals relative to fund balance.

Mr. Adams summarized the City of Bryan's rating strengths: strong economy with access to a broad and diverse metropolitan statistical area and a local stabilizing institutional influence; strong budgetary performance, with Fiscal Year 2014 operating surpluses in the general fund and at the total governmental fund level; very strong budgetary flexibility, with an available fund balance in Fiscal Year 2014 of 46 percent of adjusted operating expenditures; very strong liquidity, with total government available cash equal to 1.8 times total governmental fund expenditures and 12.4 times governmental debt service; strong management with good financial policies and practices under Financial Management Assessment methodology; weak debt and contingent liability position; and a strong institutional framework score.

Mr. Adams also advised that cities could have an unreserved fund balance and reserves set out in other funds, such as an oil and gas fund. This provides the same amount of cash on hand but reduces the liability on the general fund. Mr. Register reminded the Council its charge to him in the past was to increase the City's bond rating, which has been accomplished. He advised the City currently had 30 percent or about \$20 million in fund balance. He also advised the staff would be recommending the establishment of another reserve fund for one time revenues to the City, such as the sale of real estate. Mr. Adams then showed Bryan's and other cities' statistics relative to bond ratings.

Mr. Adams finished his presentation by stating in his opinion as the City's financial advisor, in order to maintain the AA rating or better, the City must maintain a 100 day fund balance target level over a long period of time. He advised following a long term approach that when expenses increase, the fund balance also increases. This, he said, was critical since it was within the City's control while demographics were not.

Mr. Adams summarized the recommended target for fund balance is 100 days of operating expenses. He said this is where the City should set its liquidity, even if a policy sets out a lower amount as the minimum amount. He also advised the fund balance be measured at the lowest point of the fiscal year, in Bryan's case being September 30 each year.

3. PRESENTATION BY BRAZOS CENTRAL APPRAISAL DISTRICT REGARDING NEW FACILITY

Mr. James Connor Smith, the City's representative on the Brazos Central Appraisal District (BCAD) Board of Directors, Chief Appraiser Mark Price, and Chairman of the BCAD Board Bill Lero presented a request for Council's support of their plans to build a new facility on land to be purchased located on Copperfield Drive with access off Pendleton Drive and Stone Park Drive. They explained the current BCAD offices were too small for a growing community. They advised the City would see a small increase in annual funding beginning in 2017. Mr. Price reported the estimated land cost was \$500,000 while the building construction would cost approximately \$2.7 million, for a total cost of \$3.2 million. It was stated the BCAD Board felt a location near the Brazos County tax office was important. Questions were posed by Councilmembers about other possible locations and concern was expressed that purchasing property in a highly desirable commercial area would remove a prime piece of property from the tax roll. It was asked if the BCAD Board had considered building on the 10 acres of land where the tax office was located. The BCAD representatives indicated they had not been successful in securing two acres of that property from Brazos County. A desire that they contact Brazos County once again to inquire about this possibility was expressed. Mr. Smith was thanked for his many years of service as the City's representative on the BCAD Board.

4. DISCUSSION REGARDING APPOINTMENT OF INDIVIDUALS AND CHAIRS TO TAX INCREMENT REINVESTMENT ZONE BOARDS

It was announced this item would not be discussed.

5. DISCUSSION REGARDING CONSENT/STATUTORY AGENDA ITEMS FOR REGULAR MEETING OF OCTOBER 27, 2015

Councilmembers briefly discussed agenda items 10 b, 10 d, 10 e, 10 f, 11 a, 11 d, 11 e and 11 g on the consent/statutory agenda for the regular meeting of October 27, 2015. No action was taken regarding the items discussed.

6. ADJOURN

Without objection, the meeting was adjourned at 1:31 p.m.

City Secretary Mary Lynne Stratta

Mayor Jason P. Bienski