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September 13, 2022

Mayor and Council
City of League City, Texas

Dear Mayor and Council,

Transmitted herewith is a program for unfunded future projects for fiscal years 2023 through 2027. As it stands today the CIP has more great ideas than available funding. Many of the projects submitted during the annual CIP process for FY2023 do not have an identifiable or reliable funding source. The current list of unfunded CIP projects is approaching \$300-\$400 million, lending itself to an additional GO Bond conversation in the near future.

Each year the CIP budget is funded according to needs and availability of general fund dollars outside of the operations budget. For Fiscal Year 2023 the General Fund Reinvestment Program has been reduced from \$7.8 million to \$4.5 million to maintain the no-new-revenue tax rate. This creates potential concern when striving to construct a sustainable annual budget capable of maintaining existing infrastructure, while continuing to prioritize the construction of quality community amenities.

The rising construction costs continue to diminish available funding for the current FY2022 CIP leading into the FY2023 program. Projects exceeding available funding in FY2023 will need to be pushed to future years where funding is available or can be programmed for future debt. A prime example of the cost escalation the city is experiencing is the expansion of the SWWRF. Programmed in the FY2022 CIP at \$26 million (which is reflected in the Long-Range Financial Forecast (LRFF) debt projections), current construction cost estimates received in June of 2022 are approaching \$100 million; these updates are reflected in the FY2023 CIP. To bridge the gap on costs associated with utility projects, new water and wastewater Capital Recovery Fee (CRF) rate studies have advanced a year with the goal of adoption and applying new rates beginning FY2024.

If a \$300 million dollar GO Bond program is considered to address the needs and desires of the community, the debt service will increase approximately \$25 million per year or \$0.25 cents on the tax rate at the current taxable values. I would suggest this decision be taken into consideration prior to the FY2024 budget season to plan for these funding needs.



I would like to thank the City Council for your support and look forward to implementing desirable capital improvement projects that continue to make League City a safe and desirable community.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "John Baumgartner", is written over the typed name.

John Baumgartner
City Manager