

LOUIS R. RIGBY
Mayor
JOHN ZEMANEK
Councilmember At Large A
STEVE GILLETT
Councilmember At Large B
DANNY EARP
Councilmember District 1



CHUCK ENGELKEN
Councilmember District 2
BILL BENTLEY
Councilmember District 3
KRISTIN MARTIN
Councilmember District 4
JAY MARTIN
Councilmember District 5
NANCY OJEDA
Mayor Pro-Tem
Councilmember District 6

CITY COUNCIL MEETING AGENDA

Notice is hereby given of a Regular Meeting of the La Porte City Council to be held March 11, 2019, beginning at 6:00 PM in the City Hall Council Chambers, 604 W. Fairmont Parkway, La Porte, Texas, for the purpose of considering the following agenda items. All agenda items are subject to action.

- 1. CALL TO ORDER**
- 2. INVOCATION** – The invocation will be given by Councilmember Nancy Ojeda.
PLEDGES – Will be led by Councilmember Steve Gillett.
U.S. Flag
Texas Flag: Honor the Texas Flag. I pledge allegiance to thee, Texas, one state, under God, one, and indivisible.
- 3. PUBLIC COMMENTS** Limited to five minutes per person.
- 4. CONSENT AGENDA** *Approval of Consent Agenda items authorizes each to be implemented in accordance with staff recommendations provided. An item may be removed from the Consent Agenda and added to the Statutory Agenda for full discussion upon request by a member of the Council present at this meeting.*
 - (a)** Approve the minutes of the City Council meeting held on February 25, 2019. [Lee Woodward, City Secretary]
 - (b)** Adopt Ordinance 2019-3735, for the purpose of vacating, abandoning, and closing a portion of two separate alleys located in Block 715, Town of La Porte. [Ian Clowes, City Planner]
 - (c)** Receive the 2018 Comprehensive Annual Financial (CAFR) Report. [Michael Dolby, Finance Director]
 - (d)** Award Bid #19009 for replacement of a Ground Storage Tank at Collegeview Water Plant. [Don Pennell, Public Works Director]
 - (e)** Authorize the La Porte Area Water Authority Manager to negotiate a contract between the La Porte Area Water Authority and the City of Shoreacres for the design and construction of an additional La Porte Area Water Authority waterline and metering station. [Don Pennell, Public Works Director]
- 5. PRESENTATION, DISCUSSION AND POSSIBLE ACTION**
 - (a)** Discussion and possible action regarding appointment to the vacant position on the Chapter 172 Employee, Retiree Insurance & Benefits Board. [Lee Woodward, City Secretary]
 - (b)** Discussion and possible action regarding update of the La Porte Parks, Recreation, and Open Space Master Plan. [Roz Epting, Parks and Recreation Director]
 - (c)** Discussion and possible action authorizing the City Manager to execute a two-year lease agreement with the Fairmont Park West Homeowners Association for the use of Fairmont West Park and swimming pool. [Jason Weeks, Assistant City Manager]
- 6. REPORTS**

(a) Receive a report on the Fiscal Affairs Committee meeting. [Councilmember Engelken]

7. ADMINISTRATIVE REPORTS

- Planning and Zoning Commission Meeting, Thursday, March 21, 2019
- Council Budget Retreat, Saturday, March 23, 2019
- City Council Meeting, Monday, March 25, 2019
- Zoning Board of Adjustment Meeting, Thursday, March 28, 2019

8. COUNCIL COMMENTS Hear announcements concerning matters appearing on the agenda; items of community interest; and/or inquiries of staff regarding specific factual information or existing policy from the Mayor, Councilmembers, and City staff, for which no formal action will be discussed or taken.

9. EXECUTIVE SESSION

The City Council reserves the right to meet in closed session on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code, in accordance with the authority contained in:

Texas Government Code - Section 551.072 - Deliberation regarding purchase, exchange, lease or value of Real Property: Meet with City Manager and City Attorney to discuss value of real property in industrial districts, concerning negotiations with industry representatives for terms of new Industrial District Agreements.

10. RECONVENE into regular session and consider action, if any, on item(s) discussed in executive session.

11. ADJOURNMENT

If, during the course of the meeting and discussion of any items covered by this notice, City Council determines that a Closed or Executive Session of the Council is required, then such closed meeting will be held as authorized by Texas Government Code, Chapter 551, Section 551.071 - consultation with counsel on legal matters; Section 551.072 - deliberation regarding purchase, exchange, lease or value of real property; Section 551.073 - deliberation regarding a prospective gift; Section 551.074 - personnel matters regarding the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; Section 551.076 - implementation of security personnel or devices; Section 551.087 - deliberation regarding economic development negotiation; Section 551.089 - deliberation regarding security devices or security audits, and/or other matters as authorized under the Texas Government Code. If a Closed or Executive Session is held in accordance with the Texas Government Code as set out above, the City Council will reconvene in Open Session in order to take action, if necessary, on the items addressed during Executive Session.

In compliance with the Americans with Disabilities Act, the City of La Porte will provide for reasonable accommodations for persons attending public meetings. To better serve attendees, requests should be received 24 hours prior to the meeting. Please contact Lee Woodward, City Secretary, at 281-470-5019.

CERTIFICATE

I, Lee Woodward, City Secretary, do hereby certify that a copy of the March 11, 2019, City Council agenda was posted on the City Hall bulletin board, a place convenient and readily accessible to the general public at all times, and to the City's website, www.LaPorteTX.gov, in compliance with Chapter 551, Texas Government Code.

DATE OF POSTING _____
 TIME OF POSTING _____
 TAKEN DOWN _____

Lee Woodward, City Secretary



**Council Agenda Item
March 11, 2019**

1. **CALL TO ORDER**
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PLEDGES – Will be led by Councilmember Steve Gillett.
U.S. Flag
Texas Flag: Honor the Texas Flag. I pledge allegiance to thee, Texas, one state, under God, one, and indivisible.
3. **PUBLIC COMMENTS** Limited to five minutes per person.



Council Agenda Item March 11, 2019

4. **CONSENT AGENDA** *Approval of Consent Agenda items authorizes each to be implemented in accordance with staff recommendations provided. An item may be removed from the Consent Agenda and added to the Statutory Agenda for full discussion upon request by a member of the Council present at this meeting.*
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 - (b) Adopt Ordinance 2019-3735, for the purpose of vacating, abandoning, and closing a portion of two separate alleys located in Block 715, Town of La Porte. [Ian Clowes, City Planner]
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Councilmember District 6
Mayor Pro-Tem

MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF LA PORTE FEBRUARY 25, 2019

The City Council of the City of La Porte met in a regular meeting on Monday, February 25, 2019, at the City Hall Council Chambers, 604 West Fairmont Parkway, La Porte, Texas, at 6:00 p.m., with the following in attendance:

Councilmembers present: Louis Rigby, Steve Gillett, Danny Earp, Chuck Engelken, Bill Bentley, Kristin Martin, Jay Martin, John Zemanek, Nancy Ojeda
Councilmembers absent: None
Council-appointed officers present: Corby Alexander, City Manager; Lee Woodward, City Secretary; Clark Askins, Assistant City Attorney

1. **CALL TO ORDER** – Mayor Rigby called the meeting to order at 6:00 p.m.
2. **INVOCATION** – The invocation was given by Councilmember Jay Martin.
3. **PLEDGES** – The pledges of allegiance to the U.S. and Texas flags were led by Councilmember Kristin Martin.
4. **PUBLIC COMMENTS** (Limited to five minutes per person.) - Chuck Rosa and Thomas Garza offered public comment.
5. **CONSENT AGENDA** *(All consent agenda items are considered routine by City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Councilmember requests an item be removed and considered separately.)*
 - (a) Consider approval or other action regarding minutes of the meeting held on February 11, 2019. [L. Woodward, City Secretary]
 - (b) Consider approval or other action regarding Resolution 2019-01 authorizing the resale of tax delinquent property located at Lots 9 and 10, Block 80, Town of La Porte. [Shelley Wolny, Treasurer]
 - (c) Consider approval or other action regarding Resolution 2019-02 nominating Valvoline LLC to the office of the Texas Governor's Office of Economic Development and Tourism. [Ryan Cramer, Economic Development Coordinator]
 - (d) Consider approval or other action regarding Resolution 2019-03 supporting H.B. 1192 which decreases the administration fee for collection of sales tax from 2% to 1% for the City of La Porte and La Porte Fire Control District. [Jason Weeks, Assistant City Manager]

Councilmember Engelken moved to approve the consent agenda; the motion was adopted, 9-0.

6. **DISCUSSION AND POSSIBLE ACTION**
 - (a) Discussion and possible action changing the voluntary contribution option on the monthly utility bill to be used for animal control services instead of beautification and trail system projects. [Corby Alexander, City Manager]

Councilmember Engelken moved to split the donation options on the utility bills into two (one for the current beautification option and another for the animal shelter), have the current funds used for beautification, and have staff track the funding. Councilmember Ojeda moved to amend by striking “split the donation options” and add “add an option for donating to the animal shelter.” The motion to amend was lost, 4-5, Councilmembers Earp, Engelken, Bentley, and Zemanek, and Mayor Rigby voting against. The main motion was adopted, 7-2, Councilmembers Ojeda and K. Martin voting against.

7. REPORTS

- (a) Receive 2018 La Porte Police Department Racial Profiling Report. [Ron Parker, Police Chief]
- (b) Receive report of the La Porte Drainage and Flooding Committee Meeting. [Councilmember J. Martin]
- (c) Receive report of the La Porte Development Corporation Board Meeting. [Councilmember Ojeda]

8. ADMINISTRATIVE REPORTS – City Manager Corby Alexander announced there were no reports to be provided.

9. COUNCIL COMMENTS regarding matters appearing on the agenda; recognition of community members, city employees, and upcoming events; inquiry of staff regarding specific factual information or existing policies.

Councilmembers thanked the Parks Department for a successful basketball season and the success of *Mardi Gras on Main Street*, as well as for the PD report. Councilmember Bentley said he and the Mayor enjoyed the Civic Clubs events of the weekend, Councilmember Gillett said he had attended the groundbreaking for the upcoming Highway 146 projects. Mayor Rigby reminded all of the importance of fighting for local control in the activities of the Texas Legislature. He also shared that Thursday, April 4, will be the last day to register for the May general election.

10. EXECUTIVE SESSION – The City Council reserves the right to meet in closed session on any agenda item, should the need arise, and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code, in accordance with the authority contained in:

Texas Government Code – Section 551.072 – Deliberation regarding purchase, exchange, lease, or value of real property: Meet with City Manager and City Attorney to discuss value of real property in industrial districts, concerning negotiations with industry representatives for terms of new Industrial District Agreements.

(Councilmember Earp has a Conflict of Interest affidavit on file for this item, did not participate in the deliberations, and left the meeting as the Council adjourned into executive session.) The Council adjourned into executive session at 6:28 p.m.

11. RECONVENE into regular session and consider action, if any, on item(s) discussed in executive session.

The Council reconvened into open session at 7:22 p.m. No action was taken.

10. ADJOURN – Without objection, Mayor Rigby adjourned the meeting at 7:23 p.m.

Lee Woodward, City Secretary

REQUEST FOR CITY COUNCIL AGENDA ITEM

Agenda Date Requested: <u>March 11, 2019</u>
Requested By: <u>Ian Clowes</u>
Department: <u>Planning and Development</u>
Report: ____ Resolution: ____ Ordinance: <u>X</u>

<u>Appropriations</u>	
Source of Funds:	<u>N/A</u>
Account Number:	<u>N/A</u>
Amount Budgeted:	<u>N/A</u>
Amount Requested:	<u>N/A</u>
Budgeted Item:	<u>N/A</u>

Exhibits: **Ordinance**
 Deed
 Area Map
 Appraisal Summary

SUMMARY & RECOMMENDATION

The City received an application from Mr. Mark Domingue of Chem Spray, Inc. to vacate, abandon, and close a portion of two separate 16-foot wide alleys, adjacent to the property legally described as Lots 16-24, Block 715 and Lots 6-15, Block 715, Town of La Porte, located at the northwest corner of N. 17th Street and Spencer Highway. Mark Domingue of Chem Spray Inc. owns Lots 16-24, while a second property owner, Analytic Stress, Inc., owns Lots 6-15. (See the area map for details.)

The abandonment process requires that all adjacent property owners either participate in the closure or sign away rights to their portion of the proposed closure. Analytic Stress, the only other adjacent property owner, decided to participate in Mr. Domingue’s request to close and purchase the right-of-way (ROW). If approved by Council, there will be two deeds produced, one for each property owner.

The total area of the requested closure equals 4,728 square feet. Upon Council approval, 3,856 square feet will be sold to Mark Domingue of Chem Spray, with the remaining 872 square feet going to Analytic Stress, Inc. The applicants are seeking to purchase the ROW in order to expand their current business operations and enhance security on the site. Staff have determined that there are no City or franchised utilities existing within the alleys. Comcast, AT&T, and CenterPoint Energy, the three franchise companies, have all provided letters of no objection to the proposed ROW closure.

In accordance with Sections 62-32 of the City’s Code of Ordinances, the City obtained an appraisal of the subject ROW to establish fair market value. The appraisal report established a value of \$2.50 per square foot. The applicant has submitted closing fees in the amount of \$11,820 (4,728 sq. ft. x \$2.50) to the City. These funds are being held in escrow subject to final consideration and action by Council.

Action Required by Council:

Consider approval of an ordinance or other action vacating, abandoning, and closing two separate alleys, adjacent to the property located on N. 17th Street and Spencer Highway, legally described as Lots 16-24, Block 715 and Lot 6-15, Block 715, Town of La Porte, and authorize the City Manager to execute two separate deeds to the adjacent property owners for the subject ROW.

Approved for City Council Agenda

Corby D. Alexander, City Manager

Date

ORDINANCE NO. 2019-_____

AN ORDINANCE VACATING, ABANDONING AND CLOSING A PORTION OF TWO SEPARATE ALLEYS LOCATED IN BLOCK 715 TOWN OF LA PORTE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DEEDS TO THE ADJOINING LANDOWNERS; FINDING COMPLIANCE WITH THE OPEN MEETINGS LAW; CONTAINING A SEVERABILITY CLAUSE; CONTAINING A SAVINGS CLAUSE; AND PROVIDING AN EFFECTIVE DATE HEREOF.

WHEREAS, the City Council of the City of La Porte has been requested by the record owners of the properties abutting the hereinafter described portion of two separate alleys located within Block 715 of the Town of La Porte, to vacate, abandon and close said portion of the existing alley-ways, and;

WHEREAS, the City Council of the City of La Porte has determined and does hereby find, determine, and declare that the hereinafter described portion of ~~the~~ two separate alleys located within Block 715 of the Town of La Porte is not suitable, needed, or beneficial to the public as a public road, street, or alley, and the closing of the hereinafter described portion of ~~the~~ said two separate alleys located within Block 715 of the Town of La Porte is for the protection of the public and for the public interest and benefit, and that the hereinafter described portion of ~~the~~ said two separate alleys located within Block 715 of the Town of La Porte should be vacated, abandoned, and permanently closed.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LA PORTE:

Section 1. Under and by virtue of the power granted to the City of La Porte under its home rule charter, Chapter 62 of the City of La Porte Code of Ordinances and Chapter 253, Texas Local Government Code, the hereinafter described portion of ~~the~~ said two separate alleys located within Block 715 of the Town of La Porte is hereby permanently vacated, abandoned, and closed by the City of La Porte, such rights-of-way being generally illustrated on Exhibit "A" incorporated herein, and further described to wit:

Tract 1

Being a tract of land containing 3,856 square feet, situated in Block 715, Town of La Porte, Harris County, Texas, being more particularly described by metes and bounds as follows:

BEGINNING at the southeast corner of Lot 20, Block 715, Town of La Porte, said point being located at the intersection of the easternmost line of the east/west alley in Block 715, Town of La Porte, and North 17th Street;

THENCE in a westerly direction along the southern line of the east/west alley in Block 715, Town of La Porte, a distance of 141 feet to a point on the northern boundary of Lot 15, Block 715, Town of La Porte;

THENCE in a northerly direction across the east/west alley in Block 715, Town of La Porte, a distance of 16 feet to the southeast corner of Lot 10, Block 715, Town of La Porte;

THENCE in a northerly direction along the west line of the north/south alley in Block 715, Town of La Porte, a distance of 100 feet to the southeast corner of Lot 6, Block 715, Town of La Porte;

THENCE in an easterly direction across the north/south alley in Block 715, Town of La Porte, a distance of 16 feet to the southwest corner of Lot 25, Block 715, Town of La Porte;

THENCE in a southerly direction along the east line of the north/south alley in Block 715, Town of La Porte, a distance of 100 feet to the southwest corner of Lot 21, Block 715, Town of La Porte;

THENCE in an easterly direction along the southern line of Lot 21 in Block 715, Town of La Porte, a distance of 125 feet to the southeast corner of Lot 21, Block 715, Town of La Porte;

THENCE in a southerly direction across the east/west alley in Block 715, Town of La Porte, a distance of 16 feet to the POINT OF BEGINNING of the herein described tract.

Tract 2

Being a tract of land containing 872 square feet, situated in Block 715, Town of La Porte, Harris County, Texas, being more particularly described by metes and bounds as follows:

BEGINNING at the southeast corner of Lot 10, Block 715, Town of La Porte, said point being located at the intersection of the westernmost line of the north/south alley in Block 715, Town of La Porte, and the northern most line of the east/west alley in Block 715, Town of La Porte;

THENCE in a southerly direction across the east/west alley in Block 715, Town of La Porte, a distance of 16 feet to a point on the northern most line of lot 15, Block 715, Town of La Porte;

THENCE in a westerly direction along the south line of the east/west alley in Block 715, Town of La Porte, a distance of 54.5 feet to a point on the north line of lot 13, Block 715, Town of La Porte;

THENCE in an easterly direction along the southern line of Lot 10 in Block 715, Town of La Porte, a distance of 54.5 feet to the POINT OF BEGINNING of the herein described tract.

Section 2. That the abandonment, vacation and closure provided for herein is made and accepted subject to all present zoning and deed restrictions if the latter exist, and all easements, whether apparent or non-apparent, aerial, surface or underground.

Section 3. That the abandonment, vacation and closure provided for herein shall extend only to the public right, title, easement and interest and shall be construed to extend only to that interest which the governing body for the City of La Porte may legally and lawfully abandon, vacate and close.

Section 4. That the City Manager is hereby authorized to execute and deliver a Deed Without Warranty to each of the abutting owners upon completion of all conditions and requirements set forth in this Ordinance.

Section 5. That the abutting property owners shall pay all costs associated with procedures necessitated by the request to abandon the portion of the two separate alleys described in this Ordinance, plus compensation for the market value of such abandoned property in accordance Chapter 62 of the City of La Porte Code of Ordinances.

Section 6. The City Council officially finds, determines, recites, and declares that a sufficient written notice of the date, hour, place, and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code; and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, considered, and formally acted upon. The City Council further ratifies, approves, and confirms such written notice and the contents and posting thereof.

Section 7: All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of the conflict only.

Section 8: If any part or portion of this ordinance shall be invalid or unconstitutional, such invalidity or unconstitutionality shall not affect or impair any remaining portions or provisions of the ordinance.

Section 9. This ordinance shall be effective from and after its passage and approval, and it is so ordered.

PASSED AND APPROVED THIS _____ DAY OF _____ 2019.

CITY OF LA PORTE, TEXAS

By:

Louis R. Rigby, Mayor

ATTEST:

Lee Woodward, City Secretary

APPROVED:

Clark T. Askins, Assistant City Attorney

DEED WITHOUT WARRANTY

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Date: March ____, 2019

Grantor: CITY OF LA PORTE, TEXAS, a municipal corporation

Mailing Address: 604 West Fairmont Parkway, La Porte, TX 77571

Grantee: MARK L. DOMINGUE

Mailing Address: 4903 Linden St., Bellaire, Texas 77041

Consideration: Ten and No/100 Dollars (\$10.00) cash
and other good and valuable considerations

Property: (including any improvements):

Being a tract of land containing 3,856 square feet, situated in Block 715, Town of La Porte, Harris County, Texas, being more particularly described by metes and bounds as follows:

BEGINNING at the southeast corner of Lot 20, Block 715, Town of La Porte, said point being located at the intersection of the easternmost line of the east/west alley in Block 715, Town of La Porte, and North 17th Street;

THENCE in a westerly direction along the southern line of the east/west alley in Block 715, Town of La Porte, a distance of 141 feet to a point on the northern boundary of Lot 15, Block 715, Town of La Porte;

THENCE in a northerly direction across the east/west alley in Block 715, Town of La Porte, a distance of 16 feet to the southeast corner of Lot 10, Block 715, Town of La Porte;

THENCE in a northerly direction along the west line of the north/south alley in Block 715, Town of La Porte, a distance of 100 feet to the southeast corner of Lot 6, Block 715, Town of La Porte;

THENCE in an easterly direction across the north/south alley in Block 715, Town of La Porte, a distance of 16 feet to the southwest corner of Lot 25, Block 715, Town of La Porte;

THENCE in a southerly direction along the east line of the north/south alley in Block 715,

Town of La Porte, a distance of 100 feet to the southwest corner of Lot 21, Block 715, Town of La Porte;

THENCE in an easterly direction along the southern line of Lot 21 in Block 715, Town of La Porte, a distance of 125 feet the southeast corner of Lot 21, Block 715, Town of La Porte;

THENCE in a southerly direction across the east/west alley in Block 715, Town of La Porte, a distance of 16 feet to the POINT OF BEGINNING of the herein described tract, and containing 3,856 square feet, more or less, which tract was vacated, abandoned and closed by City of La Porte Ordinance No. 2019-_____ passed and approved by the City Council of the City of La Porte on the _____ day of March, 2019.

Reservations from and Exception to Conveyance and Warranty: This conveyance is made subject to all and singular the restrictions, conditions, oil, gas, and other mineral reservations, easements, and covenants, if any, applicable to and enforceable against the above described property as reflected by the records of the county clerk of the aforesaid county.

Grantor for the consideration and subject to the reservations from and exceptions to conveyance, conveys to Grantee the property without express or implied warranty, and all warranties that might arise by common law and the warranties in §5.023 of the Texas Property Code (or its successor) are excluded.

Attest:

City of La Porte, Texas

Lee Woodward
City Secretary

By: _____
Corby D. Alexander
City Manager

Approved:

Clark T. Askins
Assistant City Attorney

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on ____ day of _____, 2019, by Corby D. Alexander, City Manager of the City of La Porte, Texas, a municipal corporation.

Notary Public, State of Texas

AFTER RECORDING RETURN TO:

ASKINS & ASKINS, P.C.
P.O. Box 1218
La Porte, TX 77572-1218

PREPARED IN THE LAW OFFICE OF:

ASKINS & ASKINS, P.C.
P.O. Box 1218
La Porte, TX 77572-1218

DEED WITHOUT WARRANTY

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Date: March ____, 2019

Grantor: CITY OF LA PORTE, TEXAS, a municipal corporation

Mailing Address: 604 West Fairmont Parkway, La Porte, TX 77571

Grantee: ANALYTIC STRESS RELIEVING, INC.

Mailing Address: 117 Board Rd., Lafayette, Louisiana 70508-3404

Consideration: Ten and No/100 Dollars (\$10.00) cash
and other good and valuable considerations

Property: (including any improvements):

Being a tract of land containing 872 square feet, situated in Block 715, Town of La Porte, Harris County, Texas, being more particularly described by metes and bounds as follows:

BEGINNING at the southeast corner of Lot 10, Block 715, Town of La Porte, said point being located at the intersection of the westernmost line of the north/south alley in Block 715, Town of La Porte, and the northern most line of the east/west alley in Block 715, Town of La Porte;

THENCE in a southerly direction across the east/west alley in Block 715, Town of La Porte, a distance of 16 feet to a point on the northern most line of lot 15, Block 715, Town of La Porte;

THENCE in a westerly direction along the south line of the east/west alley in Block 715, Town of La Porte, a distance of 54.5 feet to a point on the north line of lot 13, Block 715, Town of La Porte;

THENCE in an easterly direction along the southern line of Lot 10 in Block 715, Town of La Porte, a distance of 54.5 feet to the POINT OF BEGINNING of the herein described tract, and containing 872 square feet, more or less, which tract was vacated, abandoned and closed by City of La Porte Ordinance No. 2019-_____ passed and approved by the City Council of the City of La Porte on the _____ day of March, 2019.

Reservations from and Exception to Conveyance and Warranty: This conveyance is made subject to all and singular the restrictions, conditions, oil, gas, and other mineral reservations, easements, and covenants, if any, applicable to and enforceable against the above described property as reflected by the records of the county clerk of the aforesaid county.

Grantor for the consideration and subject to the reservations from and exceptions to conveyance, conveys to Grantee the property without express or implied warranty, and all warranties that might arise by common law and the warranties in §5.023 of the Texas Property Code (or its successor) are excluded.

Attest:

City of La Porte, Texas

Lee Woodward
City Secretary

By: _____
Corby D. Alexander
City Manager

Approved:

Clark T. Askins
Assistant City Attorney

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on ____ day of _____, 2019, by Corby D. Alexander, City Manager of the City of La Porte, Texas, a municipal corporation.

Notary Public, State of Texas

AFTER RECORDING RETURN TO:

ASKINS & ASKINS, P.C.
P.O. Box 1218
La Porte, TX 77572-1218

PREPARED IN THE LAW OFFICE OF:

ASKINS & ASKINS, P.C.
P.O. Box 1218
La Porte, TX 77572-1218



AREA MAP

SAC

#18-25000004

Alley, Block 715
Town of La Porte

Legend

-  Analytic Stress Property
-  Chem Spray Property
-  Proposed Closure: Analytic Stress
-  Proposed Closure: Chem Spray



This product is for informational purposes and may not have been prepared for or be suitable for legal purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries

1 inch = 71 feet

MARCH 2019
PLANNING DEPARTMENT



R.C. Chuoke & Associates, Inc.

Appraisers & Consultants

P.O. Box 1447
League City, Texas 77574

Office- 281-338-9633
Fax- 281-338-9533

March 28, 2017

City of La Porte
P.O. Box 1115
La Porte, Texas 77572

RE: Restricted Appraisal regarding the estimated **Market Value** of a portion of an existing 16 foot alleyway out of Block 715 of the Town of La Porte, Harris County, Texas.

Dear Sirs:

In accordance with your request, I have inspected the following described property for the purpose of estimating the **Market Value** following described property as of the date of this Restricted Appraisal. As per our agreement, the data and analysis is presented in an abbreviated Restricted Appraisal format and is not intended to contain the full analysis.

BRIEF LEGAL DESCRIPTION OF PROPERTY

Known as a portion of the existing 16 foot alley out of Block 715 of the Town of La Porte located in Harris County, Texas per the site plan provided. (See Site plan in addenda).

I hereby certify that I have personally inspected the property described via a street inspection and that all data gathered by my investigation is from sources believed reliable and true. In preparing this Restricted Appraisal, a study of comparable sales and other related market data was performed.

.....Page 2 Continued.....

It should clearly be understood that this letter only constitutes only a statement of the final value and that does not presume to be the complete analysis of the subject property nor a complete appraisal format and is subject to the preparation of a detailed appraisal report.

The market values in the subject neighborhood appear to vary generally from +-\$1.50 PSF to over \$5.00 PSF for tracts generally similar to the subject property with locations that range from primary to secondary type roadways. The "parent tracts" surrounding the subject parcels consists of commercial and light industrial tracts. Some of these parcels are improved with office/warehouse facility most with open storage yards. These sites are reported to have general access public utilities. The site appears to be generally flat and level. The subject property is located in the 100 year flood plain. The adjacent properties are primarily improved with commercial office/warehouse properties some of which include large open paved or stabilized yard areas. The Highest and Best Use of the subject property is determined to be for commercial or light industrial use. The client and intended user of this appraisal is the City of La Porte only. The intended use is to estimate the current market value of the subject property of this analysis as described above. There has been no other transfer of the subject property noted for the past 36 months per client data. The effective date of the appraisal is March 25, 2017. The date of the report is March 28, 2017. The estimated exposure time is up to 24 months.

After a review of the comparable sales it is my opinion the estimated unit value range of between **\$1.50 to \$5.00 PSF** would be placed on the subject property with a mid-range value of **\$2.50 PSF** being indicated for the parent tract. Therefore the unit market value of the subject tract is estimated at **\$2.50 PSF which is based on 100% fee simple ownership with no discounting applied.**

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Chris Chuoke", written over a horizontal line.

Chris Chuoke, President
R.C. CHUOKE & ASSOCIATES, INC.

REQUEST FOR CITY COUNCIL AGENDA ITEM

Agenda Date Requested: <u>March 11, 2019</u>
Requested By: <u>Michael Dolby, Director of Finance</u>
Department: <u>FINANCE</u>
Report: <u>xx</u> Resolution: <u> </u> Ordinance: <u> </u>

<u>Amount Budgeted</u>
Source of Funds: <u>General Fund/Finance</u>
Account Number: <u>6141-5001</u>
Amount Budgeted <u>\$66,100</u>
Amount Requested: <u>\$66,100</u>
Budgeted Item: <u>YES</u> NO

Exhibits: _____

Exhibits:

SUMMARY & RECOMMENDATION

In accordance with the City Charter, the fiscal year ending September 30, 2018, Comprehensive Annual Financial Report (CAFR) will be presented to Council by the external auditors Whitley Penn. The audit report provides the City with reasonable assurance that the financial statements are free of material misstatements. The auditors designed tests that provide evidence that the financial statements conform to the highest level of accounting standards. The City of La Porte received an unmodified (clean) opinion from the auditors and no management comments or deficiencies in internal control were identified.

The City of La Porte has won the Award for Excellence in Financial Reporting from the Government Finance Officers Association for thirty-seven (37) consecutive years.

Action Required by Council:

Consider approval or action to accept the Fiscal Year Ending September 30, 2018, Comprehensive Annual Financial Report (CAFR).

Approved for City Council Agenda

Corby Alexander, City Manager

Date

CITY OF LA PORTE, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2018

Corby Alexander, City Manager

Prepared by:

Department of Finance

DRAFT 02.23.19

CITY OF LA PORTE
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CITY OF LA PORTE
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City of La Porte

Established 1892

City Manager's Office

The City of La Porte embraces our heritage, community values and opportunities, while enhancing the quality of life for our citizens.

March 11, 2019

To the Honorable Mayor,
Members of City Council, and
Citizens of the City of La Porte, Texas:

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report for the City of La Porte, Texas for the fiscal year ended September 30, 2018. This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. This report consists of management's representations concerning the finances of the City of La Porte. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of La Porte's financial statements in conformity with GAAP. The cost of internal controls should not outweigh their benefits; therefore the City of La Porte's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of La Porte's financial statements have been audited by Whitley Penn LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of La Porte for the fiscal year ended September 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent audit concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of La Porte's financial statements for fiscal year ended September 30, 2018 are fairly presented in conformity with GAAP. The independent auditors' report is presented as a component of the financial section of this report.

The independent audit of the financial statements of the City of La Porte included a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of La Porte's separately issued Single Audit Report. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of La Porte's MD&A can be found immediately following the report of the independent auditors.

604 W. Fairmont Parkway ♦ La Porte, Texas 77571 ♦ (281) 470-5011 ♦ www.laportetx.gov

Profile of the City

The City of La Porte, incorporated in 1892, is located in the southeast quadrant of Harris County and is bounded on the north by the Houston ship channel, on the east by Galveston Bay and the south by the Bayport channel. The City of La Porte currently encompasses 19 square miles and serves a population of 35,371.

The City is a home rule city operating under the Council-Manager form of government. Policymaking and legislative authority are vested in a governing council consisting of the mayor and eight other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager, City Secretary and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of various departments. The Council is elected on a non-partisan basis. The Mayor and Council members serve three-year staggered terms. Six of the council members are elected by district. The Mayor and the two remaining council members are elected at large. The City of La Porte provides a full range of services, including police and fire protection, the construction and maintenance of streets and other infrastructure and recreational activities and cultural events. Certain services are provided through a legally separate Water Authority, which functions, as a blended component unit and in essence, is a department of the City of La Porte, and, therefore, has been included as an integral part of the City of La Porte's financial statements. Additional information on the Water Authority and other blended component units can be found in Note 1B of the notes to the financial statements. The City has established a Taxing Increment Reinvestment Zone one (the Zone). The zone is presented as a blended component unit and is being reported as a governmental fund type (see Note 1B). The City has also established a section 4 B Sales Tax Corporation (see Note 1B). The City also has established a Fire Control, Prevention and EMS District (see note 1B). The City's accounting records for general governmental operations are maintained on modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

The annual budget serves as the foundation for the City of La Porte's financial planning and control. Budgetary control has been established at the fund level. All agencies of the City of La Porte are required to submit requests for appropriation to the City Manager on or before May 26 of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to council for review prior to August. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than September 30th. The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The directors are given latitude to approve transfers of appropriations within a department. Transfers of appropriations between funds, however require the special approval of the city council. Budget-to-actual comparisons are provided in financial reports for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 80 as part of the required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 92. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds. Formal budget integration is not employed for the Debt Service and Capital Projects Funds because effective budgetary control is alternatively achieved through bond indenture provisions and legally binding construction contracts, respectively.

Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of La Porte operates.

Local Economy

The City of La Porte is located in the southeast quadrant of Harris County, which is a 1,723 square mile county is a leading oil, gas and petrochemical areas. The County has more than 3,200 manufacturing plants, the nation's largest concentration of petrochemical plants, and the third largest United States seaport and is a corporation management center. A significant part of the County's major employers, manufacturers, education and financial institutions are located in Houston, the County seat. The Texas Medical Center, located in Harris County, is one of the nation's largest, providing medical care and educational opportunities. Higher education facilities include: University of Houston, Rice University, Texas Southern University, St. Thomas University and Houston Baptist University, all offering full four- year as well as postgraduate programs. The Lyndon B. Johnson Space Center is also located here. Located some 20 miles southeast of Houston on Galveston Bay in Harris County are the three communities that make up the La Porte Bayshore Area: La Porte, Morgan's Point and Shoreacres. The area has a combined population of approximately 40,000. Though much of the image of this area is industrial, the La Porte- Bayshore area is still characterized by an expanse of resort homes.

Strategic Plan

- **Overview**

On October 27, 2012, the Mayor, City Council, City Manager and key staff of the City of La Porte met together in a retreat planning session. The purpose of that meeting was to establish the Council's Strategic Plan for the next five years. A report was prepared outlining the City Council's Mission, Vision and Core Values, as well as six overall goals. Each goal had identified objectives and strategies, with time lines for beginning and completing the goals.

On March 9, 2013, the City Manager and his key staff met. Their purpose was two-fold. First, staff reviewed and discussed the Mission, Vision and Core Values developed by the City Council and created Leadership Statements for the staff to follow to ensure their work is consistent with the value of the City Council. Secondly, staff reviewed and clarified the goals, objectives and strategies identified by the City Council; if necessary identify additional goals consistent with the overall mission, vision and values; and establish the framework for an action plan. The result of their work is documented in this report.

The Strategic Plan will provide a blueprint for action over the next five years. When developing the annual budget, staff will be tasked with making sure that expenditures and programs further the goals and Core Values stated in this document. This provides clear direction to the staff as to what priorities are important to the Council and plans can be made accordingly to make sure that resources are allocated towards those ends. Additionally, this plan is an excellent communication tool that the Council and the staff can use when speaking with residents and businesses. Many times, ad hoc requests can derail longer-term plans. The Strategic Plan outlines a framework for receiving, prioritizing, and budgeting for resident requests.

All participants, staff and Council, agreed to commit to the success of this plan. A plan only becomes a useful and working document when all the participants (as a whole and as individuals) make a commitment to review it regularly, use it monthly, and modify it as needed. It is a tool that can and should be used regularly to track progress, make notes of variations between expectations and actuals, of timelines and expenses, to help accomplish each goal, and to hold one another accountable for updates and completion.

- **Mission Statement**

The Council reviewed and revised the Mission Statement & Vision Statement of the City and the results are as follows:

The City of La Porte embraces our heritage, community values, and opportunities, while enhancing the quality of life for our citizens

Vision Statement

To provide improved infrastructure, to drive economic growth, and to enhance quality of life for our citizens.

- **Core Values**

The City Council wanted to specify the core values under which the City and its staff function. Core values are the general guidelines that establish the foundation for how an organization will operate. Staff then discussed these value statements to define and gain an understanding of what those Core Value meant to staff from a leadership perspective. Staff first discussed what the elements of each Core Value represented, then prepared a Leadership Statement for each one.

The following are the Core Values of the City of La Porte:

- **Health & Public Safety:** City employees will ensure the health and safety of our citizens by providing and maintaining superior public infrastructure and public safety services.
- **Integrity & Accountability:** City employees will be open, honest and transparent, and be accountable to the Council so that Council can be responsive to the citizens.
- **Superior Customer Service:** City employees will proactively provide superior customer service in a positive and timely manner.
- **Quality in everything we do:** City employees will strive for superiority in all services we provide.

- **Goal and Plan Development**

During the Council Retreat in October 2012, six goals were developed by the Council, with staff providing assistance in the development of objectives. In March 2013, the staff further added “meat to the bone” to outline more specifically the actions that would be necessary to achieve the stated goals. The development and implementation of the action plan will serve to provide Council a clear understanding of how and when each of their goals will be accomplished. The action plan proposes to do the following:

- Identify a team leader: Each Goal needs a champion who will lead the effort to accomplish the goal and be held accountable for the action plan that is developed. A team leader for each goal was assigned.
- Identify team members. Likewise each goal needs a larger team, consisting of fellow staff from across all departmental lines where appropriate, to assist in the implementation process.
- Identify partners. Each team should identify the partners, outside the city organization, who can provide expertise and resources to accomplish the goal.
- Define action steps. Each objective needs defined action steps showing Council how the goal will be accomplished. The action steps provide the basis for benchmarks.
- Prepare a timeline. Timelines were prepared for each of the objectives. Staff reviewed those timelines and recommended adjustments.

The Council-identified goals are:

- Improve Infrastructure
- Preserve Heritage – to preserve the structure and amenities that make La Porte unique
- Ensure that all departments and facilities are ready for any disaster
- To encourage economic development/retail development
- To provide Superior Customer Service

- To revitalize blight/146

In addition to the six Council-identified goals, it was agreed that key areas of city government were not included in the goals identified by Council. Staff was tasked with discussing other areas where they would establish goals and objectives and bring them to Council for consideration and approval to include in the Strategic Plan. Several new goals were identified and are proposed for Council consideration:

- To provide and maintain superior public safety
- Continue to improve the quality of life through recreational amenities
- Create a Neighborhood Preservation Program
- Provide diverse and timely communications that promote and influence a positive public perception of La Porte

One critical component to ensuring that the elements of the Strategic Plan are being implemented is to provide regular status reports to the City Council. Staff prepares and presents to council quarterly written reports supplemented with oral reports or action items for implementation that may be necessary in-between written reports.

In fiscal year 2014, City staff appointed key department directors to carry out the major components of the strategic plan. Staff developed a matrix that identifies target dates for completion of the components of the strategic plan.

Relevant Financial Policy

City staff is complying with the new GASB pronouncements regarding other post-employment benefits reporting.

Major Initiatives

Staff is overseeing the design and construction of our fitness center addition. Also, public works is overseeing the construction of the multi-million dollar infrastructure water/ sewer project.

Long Term Planning

Given the current economy and the uncertainty of the next few years, the City's existing financial position remains strong. The City has incorporated several strategies to decrease the expenses to the City over the next several years. Rising costs of personnel and the related benefits have been a challenge to the City; however, over the last few years, a healthy fund balance in the General Fund has allowed the City to weather these rising costs.

During the upcoming year, the city will monitor the effects of a new municipal utility district that will have 640 single family homes with an average value of \$280,000. Also included in this development is \$40,000,000 in multifamily housing and \$4,000,000 in senior living housing. Build out is projected over the next five years, and city property tax revenue from this project is estimated to \$1,580,000 annually.

During the upcoming fiscal year, staff will re-negotiate our industrial district agreements with companies within our industrial district zones. Also the city will benefit annually from increased estimated taxes of \$3.3 million from new construction being taxed at 63% (which becomes available in 2020).

Conservative revenue estimates and efforts to reduce expenditures have contributed to the City's strong financial position and have allowed the City to weather the economic slump. We are especially pleased that there have been no property taxes rate increases for (28) twenty-eight years. Additional capital projects are being funded by utilizing excess fund balances and previously issued debt that had been stranded.

With the associated fund draw downs, the remaining fund balances continue to meet operational objectives and current fiscal policies.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the thirty-seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. In addition, the city also received the GFOA's Distinguished Budget Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device. Other financial awards to the City are the Popular Financial Report Award from GFOA, the Investment Policy Award from the Government Treasurer's Organization of Texas, the Transparency Stars Award from the State of Texas Comptroller and the Achievement of Excellence in Procurement Award from the National Procurement Institute.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and city council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of La Porte's finances.

Respectfully submitted,

Corby Alexander
City Manager

Michael G. Dolby
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of La Porte
Texas**

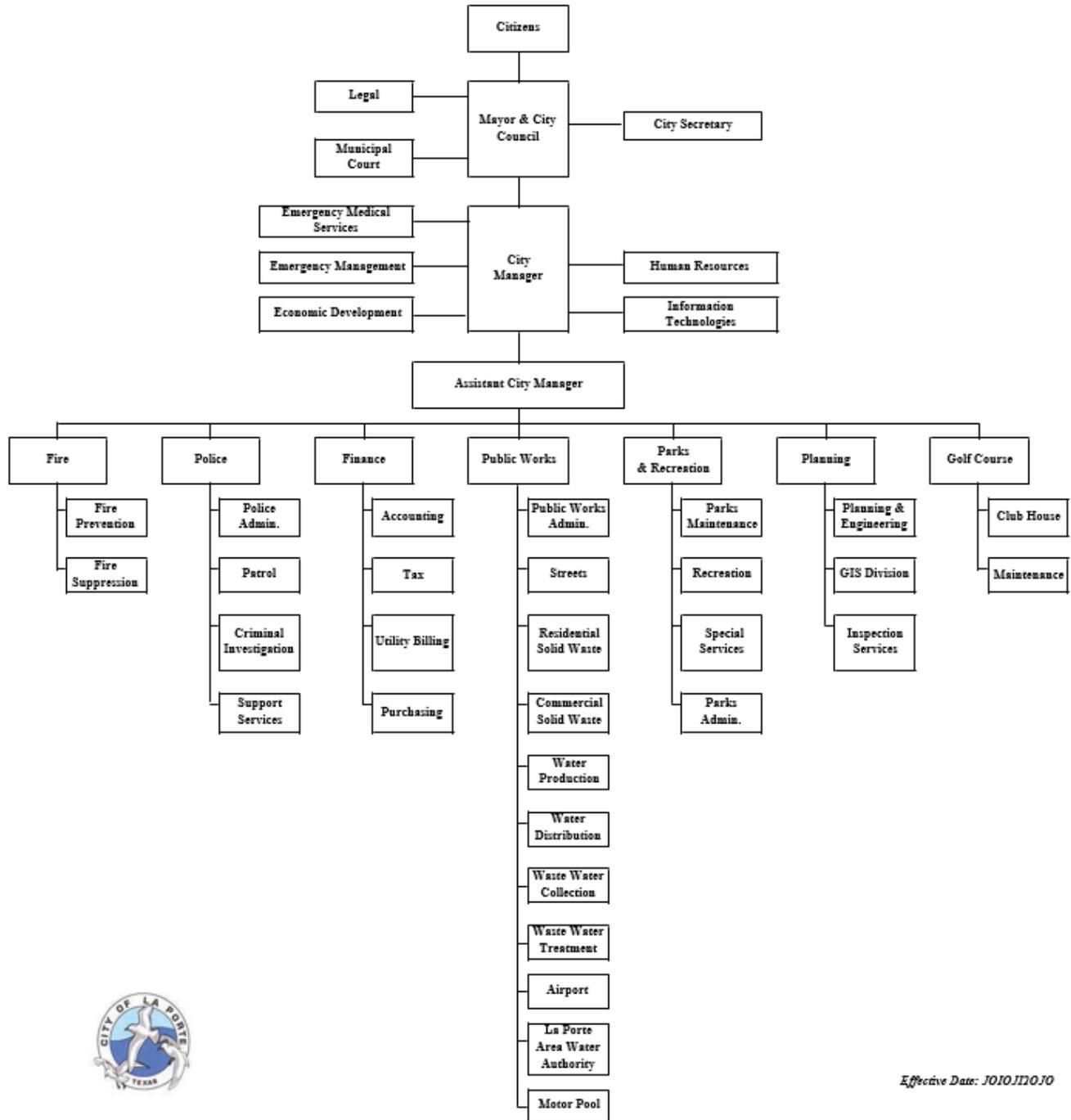
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF LA PORTE ORGANIZATIONAL CHART



Effective Date: 10/10/10/10

CITY OF LA PORTE
LIST OF ELECTED AND APPOINTED OFFICIALS
For the Year Ended September 30, 2018

<u>Elected Officials</u>	<u>Position</u>
Louis Rigby	Mayor
Danny Earp	Council Member – District One
Chuck Engelken	Council Member – District Two
William Bentley	Council Member – District Three
Kristin Martin	Council Member – District Four
Jay Martin	Council Member – District Five
Nancy Ojeda	Mayor Pro Tem – District Six
John Zemanek	Council Member – At Large A
Steve Gillett	Council Member – At Large B
<u>City Management</u>	<u>Position</u>
Corby Alexander	City Manager
Jason Weeks	Assistant City Manager
Ron Parker	Police Chief
Don Pennell	Director of Public Works
Lee Woodward	City Secretary
Denise Mitrano	Municipal Judge
Michael G. Dolby	Director of Finance

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FINANCIAL SECTION

DRAFT 02.23.19

REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and
Members of City Council
City of La Porte, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of La Porte, Texas (the “City”), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and
Members of City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and Note 9 to the financial statements, the City adopted the provisions of Government Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the budgetary comparison, required pension system information and other post-employment benefit information on pages 7 through 18 and 80 through 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and
Members of City Council

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Houston, Texas
March 11, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF LA PORTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

As management of the City of La Porte, we offer readers of the City of La Porte's financial statements this narrative overview and analysis of the financial activities of the City of La Porte for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of La Porte exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$116 million (net position). Of this amount, \$31.0 million is restricted for special purposes. The remaining balance is unrestricted net position, \$9.5 million, which can be used to meet the City's ongoing obligations to residents and creditors.
- Net position increased by \$5.7 million as a result of operations. As a result of the prior year restatement, net position decreased by \$27.0 million.
- The City of La Porte's total expenses were \$70.4 million. Program revenues of \$19.8 million reduced the net cost of the City's functions to be financed from the City's general revenues to \$56.4 million.
- The City of La Porte's total long-term liabilities and debt increased by \$18.9 million, or 21%, during the current fiscal year. This due primarily to the increase in total OPEB liability as a result of the implementation of GASB Statement No. 75.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of La Porte's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way that helps answer the question of whether the City is better off this year as compared to last year. These statements include all assets and liabilities and are presented on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

The Statement of Net Position presents information on all of the City of La Porte's assets, deferred outflows, liabilities and deferred inflows with the difference between the three reported as net position. Over time, deferred outflows, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of La Porte is improving or deteriorating.

CITY OF LA PORTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health, welfare and sanitation and culture and recreation. The business-type activities of the City consist of water and sewer utilities, airport, and the La Porte Area Water Authority.

The government-wide financial statements can be found on pages 21 - 23 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories – governmental and proprietary – and utilize different accounting approaches.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, 2017 Certificate of Obligation Bond Fund, Debt Service Fund and Tax Increment Reinvestment Zone ("TIRZ") which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 24 through 30 of this report.

CITY OF LA PORTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary Funds

The City maintains two types of proprietary funds. Proprietary funds are used to report the same functions presented as business type activities in the government-wide statements. The City uses proprietary funds to account for its utilities, airport and water authority. Internal services funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for motor pool services, technology services and insurance. Because these services predominately benefit the governmental rather than business type functions, they have been included in the governmental activities in the government-wide financial statements.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its utility operations, La Porte Area Water Authority and the Airport. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 31 - 34 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 35 - 78 of this report.

OTHER INFORMATION

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide other post employee benefits, pension information and general fund budgetary comparisons. Required supplementary information can be found on pages 80 - 87 of the City's Comprehensive Annual Financial Report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal services funds are presented immediately following the required supplementary information. Combining and individual fund statements and supporting schedules can be found beginning on page 92 of the City's Comprehensive Annual Financial Report.

CITY OF LA PORTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows exceed liabilities and deferred inflows by \$116 million as of September 30, 2018, in the primary government as follows:

SUMMARY OF STATEMENT OF NET POSITION
As of September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 104,687,724	\$ 96,892,982	\$ 15,951,689	\$ 12,559,374	\$ 120,639,413	\$ 109,452,356
Capital assets, net	78,992,278	84,277,933	32,199,968	33,782,624	111,192,246	118,060,557
Total Assets	183,680,002	181,170,915	48,151,657	46,341,998	231,831,659	227,512,913
Deferred Outflows	6,380,346	8,569,349	697,304	822,088	7,077,650	9,391,437
Other liabilities	6,734,276	6,257,937	1,038,918	1,006,905	7,773,194	7,077,925
Long-term Liabilities	103,146,798	87,284,296	7,108,959	4,115,794	110,255,757	91,587,007
Total Liabilities	109,881,074	93,542,233	8,147,877	5,122,699	118,028,951	98,664,932
Deferred Inflows	4,227,851	715,816	490,100	77,683	4,717,951	793,499
Net Position:						
Net investment in capital assets	43,421,145	44,468,918	32,199,968	33,782,624	75,621,113	78,251,542
Restricted	31,025,084	24,105,852	-	520,000	31,025,084	24,625,852
Unrestricted	1,505,194	26,907,445	8,011,016	7,661,080	9,516,210	34,568,525
Total Net Position	\$ 75,951,423	\$ 95,482,215	\$ 40,210,984	\$ 41,963,704	\$ 116,162,407	\$ 137,445,919

Net Investment in Capital Assets

The largest portion of the City's net position (65.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position

A portion of the City's net position, \$31.0 million or 26.7% represents resources that are subject to external restriction on how they may be used.

Unrestricted Net Position

The City reports an unrestricted net position of \$9.5 million or 8.2%. This is a decrease of \$25.1 million. The decrease is a result of the implementation of GASB Statement No. 75 and the changes in total OPEB liability.

CITY OF LA PORTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following table provides a summary of the City's operations for the year ended September 30, 2018, with comparative data total for the year ended September 30, 2017. Governmental activities increased the City's net position by \$4.2 million as a result of operations, and Business-type activities increased net position by \$1.5 million as a result of operations.

Statement of Activities

The following table provides a summary of the City's changes in net position:

	CHANGES IN NET POSITION					
	For the Fiscal Years Ended September 30, 2018 and 2017					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for Services	\$ 8,569,995	\$ 8,433,091	\$ 10,109,405	\$ 9,594,729	\$ 18,679,400	\$ 18,027,820
Operating grants and contributions	356,095	1,243,409	-	-	356,095	1,243,409
Capital grants and contributions	595,260	582,045	126,359	126,359	721,619	708,404
General revenues:						
Property taxes	25,413,898	23,857,654	-	-	25,413,898	23,857,654
Other taxes	15,165,838	13,111,468	-	-	15,165,838	13,111,468
Industrial payments	14,147,728	14,270,899	-	-	14,147,728	14,270,899
Investment earnings	1,228,759	563,868	152,557	110,828	1,381,316	674,696
Miscellaneous	251,508	601,136	-	-	251,508	601,136
Total Revenues	<u>65,729,081</u>	<u>62,663,570</u>	<u>10,388,321</u>	<u>9,831,916</u>	<u>76,117,402</u>	<u>72,495,486</u>
Expenses						
General government	15,832,003	15,735,976	-	-	15,832,003	15,735,976
Public safety	21,673,188	21,446,421	-	-	21,673,188	21,446,421
Public works	9,796,326	4,930,721	-	-	9,796,326	4,930,721
Culture and recreation	6,513,794	3,899,678	-	-	6,513,794	3,899,678
Health, welfare and sanitation	4,685,795	6,177,554	-	-	4,685,795	6,177,554
Interest on long-term debt	1,059,007	2,506,004	-	-	1,059,007	2,506,004
Water services	-	-	8,788,113	6,269,356	8,788,113	6,269,356
Sewer seerivces	-	-	1,926,133	4,267,901	1,926,133	4,267,901
Airport	-	-	133,093	210,324	133,093	210,324
Total Expenses	<u>59,560,113</u>	<u>54,696,354</u>	<u>10,847,339</u>	<u>10,747,581</u>	<u>70,407,452</u>	<u>65,443,935</u>
Increase in Net Position						
Before Transfers	6,168,968	7,967,216	(459,018)	(915,665)	5,709,950	7,051,551
Transfers	(1,922,963)	(2,397,175)	1,922,963	2,397,175	-	-
Change in Net Position	4,246,005	5,570,041	1,463,945	1,481,510	5,709,950	7,051,551
Net position, Beginning	95,482,215	89,912,174	41,963,704	40,482,194	137,445,919	130,394,368
Change in accounting policies/standards	(23,776,797)	-	(3,216,665)	-	(26,993,462)	-
Net Position, Ending	<u>\$ 75,951,423</u>	<u>\$ 95,482,215</u>	<u>\$ 40,210,984</u>	<u>\$ 41,963,704</u>	<u>\$ 116,162,407</u>	<u>\$ 137,445,919</u>

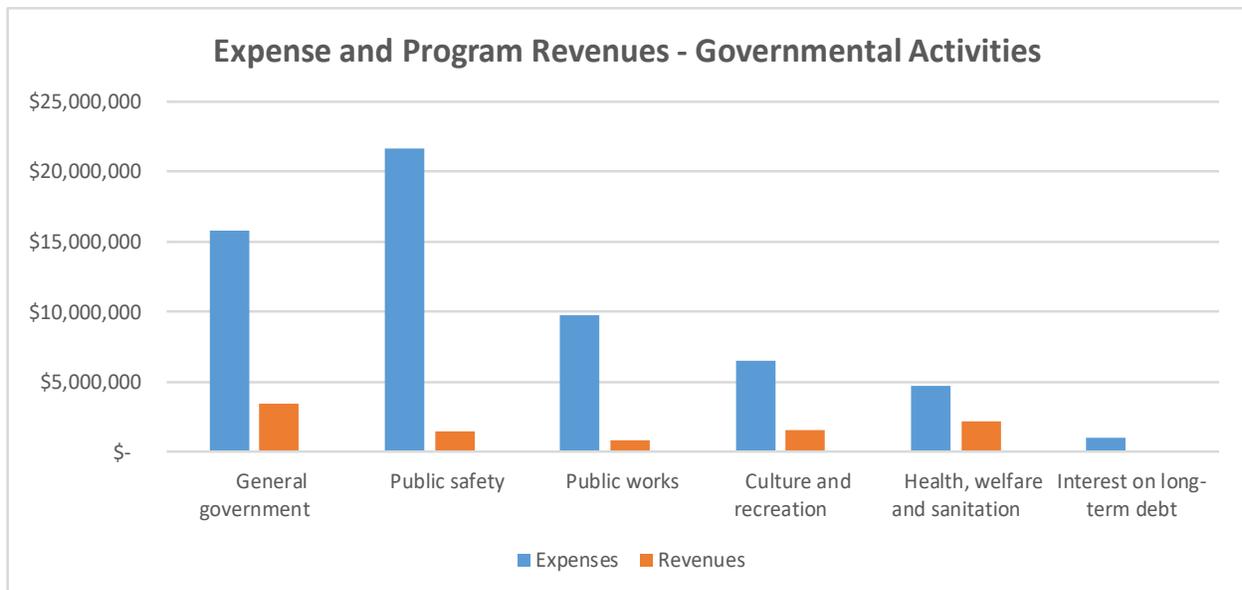
CITY OF LA PORTE
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The government’s total net position as a result of operations increased by \$5.7 million during the current fiscal year. Charges for services represented 25% of total revenues, property taxes and industrial payments were 52% of total revenues, sales taxes and other taxes were 20%, the remaining revenues accounted for 4% of total revenues. On the expense side, public works expenses were 14%1% of the total, while public safety was 31%13% and general government was 22%. Water and wastewater, surface water and solid waste collection expenses were 15% of total expenses. Interest on long term debt was 2% of total expenses.

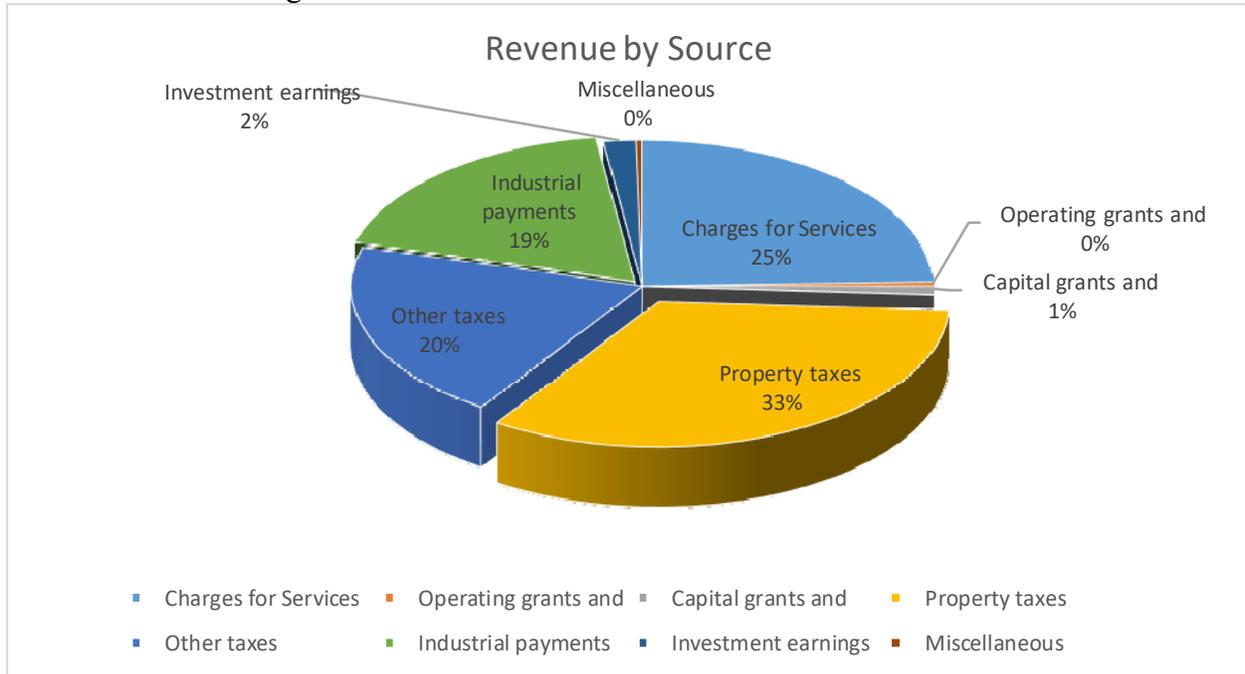
GOVERNMENTAL ACTIVITIES

A comparison of program expenses to program revenues and revenues by source for governmental activities follows:



GOVERNMENTAL ACTIVITIES (continued)

Revenues sources for governmental activities were distributed as follows:

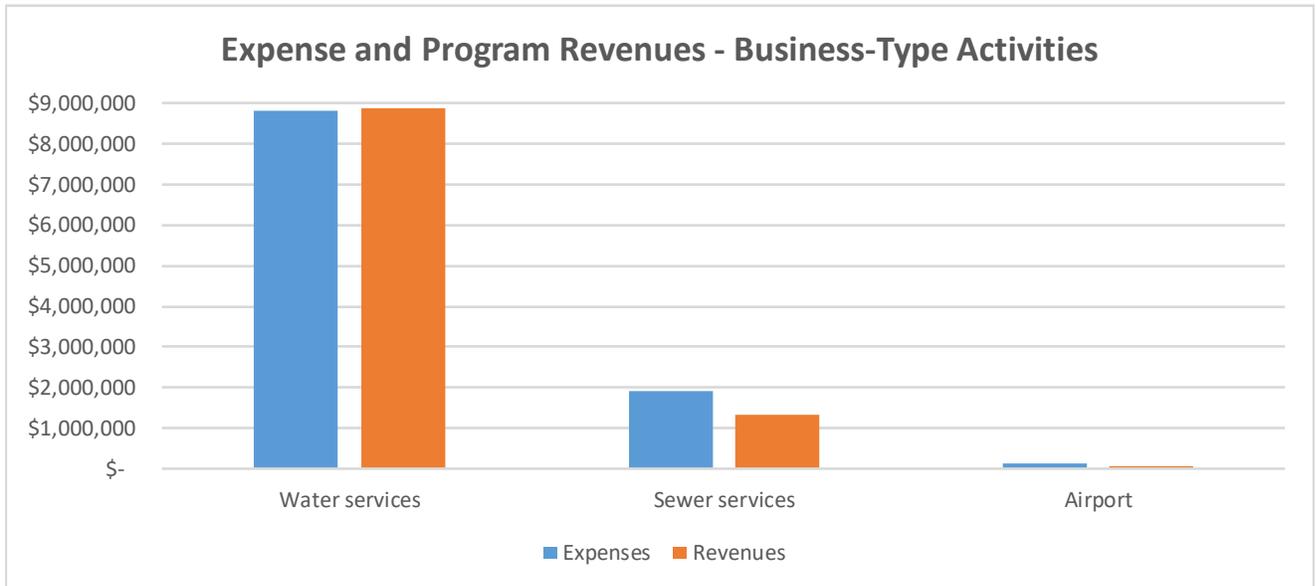


For the year ended September 30, 2018, revenues without transfers in the governmental activities totaled \$65.7 million. This represents an increase of approximately \$3.1 million or 4.9% due primarily to an increase in sales and other taxes.

CITY OF LA PORTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

BUSINESS-TYPE ACTIVITIES

Revenues without transfers or interest in the business-type activities totaled \$10.4 million, a \$556 increase from the prior year. This increase is due to an increase in charges for services. A comparison between expenses and program revenues (charges for services) relating to Utility operations follows. Increase in investment earnings was due to the purchase of new investment securities. Charges for services increased to an increase in water sales billings.



CITY OF LA PORTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$88.6 million, an increase of \$6.6 million from the prior year. This increase is due to an increase in property taxes and cost containment.

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$46.8 million, an increase of \$6.3 million due to an increase in revenue collections and cost containment. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 117% of total general fund expenditures and total fund balance represents 118% of the same.

The Debt Service fund has a total fund balance of approximately \$4.4 million, all of which is restricted for the payment of debt service. The net increase in fund balance from the prior year of \$515 thousand was due to an increase in property tax revenue.

The 2017 Certificate of Obligation Bonds Fund had a total fund balance of approximately \$10.3 million, all of which is restricted for capital projects. The net decrease in fund balance from the prior year of \$127 thousand was due to the expenditures related to public works.

The Tax Increment Reinvestment Zone Fund had a total fund balance of approximately \$1.3 million, all of which is restricted for capital projects. The net increase in fund balance from the prior year of \$426 thousand was due to an increase in property tax revenue.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net position of the respective proprietary funds are Utility - \$4.8 million, La Porte Area Water Authority - \$7.3 million and Airport - \$2.2 million. The changes in net position of the proprietary funds for 2018 were as follows: Utility – increase of \$2.0 million, La Porte Area Water Authority – decrease of \$448 thousand and Airport – decrease of \$68 thousand. Increase in the Utility Fund is due to an increase in water sales billings. The decrease in the La Porte Area Water Authority is due to an increase in operating expenses, specifically water purchases and a true-up of water purchase cost.

CITY OF LA PORTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

Actual revenues exceeded the final General Fund budgeted revenues by \$4.0 million. The two major drivers were sales and use taxes exceeded budget by \$1.3 million, property taxes and industrial payments exceeded budget by \$792 thousand and \$773 thousand respectively.

The total appropriations exceeded expenditures by \$2.7 million, the majority of which can be attributed to three departments. General government had a positive variance of \$1.7 million, public safety had a positive variance of \$707 thousand and culture and recreation had a positive variance of \$253 thousand.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$111.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, water and wastewater plants and service lines, machinery and equipment, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was approximately \$6.9 million. The following table shows capital assets activity for the 2018 fiscal year:

SCHEDULE OF CAPITAL ASSETS
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 10,387,209	\$ 10,387,209	\$ 447,791	\$ 447,791	\$ 10,835,000	\$ 10,835,000
Construction in progress	2,445,613	12,655,665	2,035,288	2,287,458	4,480,901	14,943,123
Infrastructure	22,014,466	13,724,090	-	-	22,014,466	13,724,090
Buildings and improvements	33,792,544	35,861,538	27,449,863	28,827,546	61,242,407	64,689,084
Machinery and equipment	10,352,446	11,649,431	2,267,026	2,219,829	12,619,472	13,869,260
Totals	\$ 78,992,278	\$ 84,277,933	\$ 32,199,968	\$ 33,782,624	\$ 111,192,246	\$ 118,060,557

Major capital asset events during the current year include the reporting of a drainage master plan study.

Construction in progress at year-end represents ongoing projects; to include various water and sewer projects. Additional information on capital assets activity can be found on pages 52 – 53 in the notes to the financial statements.

CITY OF LA PORTE
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

LONG-TERM DEBT

At the end of the current fiscal year, the City had total bonded debt outstanding of \$39.6 million. This amount is backed by the full faith and credit of the City.

The City of La Porte maintains an “Aa2”, “AA”, and “AA” by Moody’s, Standard and Poor’s, and Fitch, respectively, for general obligation debt.

Additional information on long-term debt activity can be found on pages 54 – 56 in the notes to the financial statements.

SCHEDULE OF LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities		Total Activities	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	18,895,000	\$ 21,090,000	-	-	\$ 18,895,000	\$ 21,090,000
Certificates of Obligation	20,670,000	21,845,000	-	-	20,670,000	21,845,000
Premium on Issuance	1,335,219	1,481,277	-	-	1,335,219	1,481,277
Developer Agreements	5,722,791	6,503,334	-	-	5,722,791	6,503,334
Compensated Absences	3,246,904	2,924,755	143,999	156,940	3,390,903	3,081,695
Net Pension Liability - TMRS	10,341,647	19,342,457	1,197,227	2,099,132	11,538,874	21,441,589
Net Pension Liability - TESRS	156,731	227,199	-	-	156,731	227,199
Total OPEB Liability	42,778,506	13,870,274	5,767,733	1,859,722	48,546,239	15,729,996
Totals	\$ 103,146,798	\$ 87,284,296	\$ 7,108,959	\$ 4,115,794	\$ 110,255,757	\$ 91,400,090

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The unemployment rate for the City of La Porte is currently 4.6 percent which is a decrease from the rate of 5.8 percent a year ago. This is slightly higher than the state’s average unemployment rate of 3.8 percent which is more than the national average of 3.7 percent.

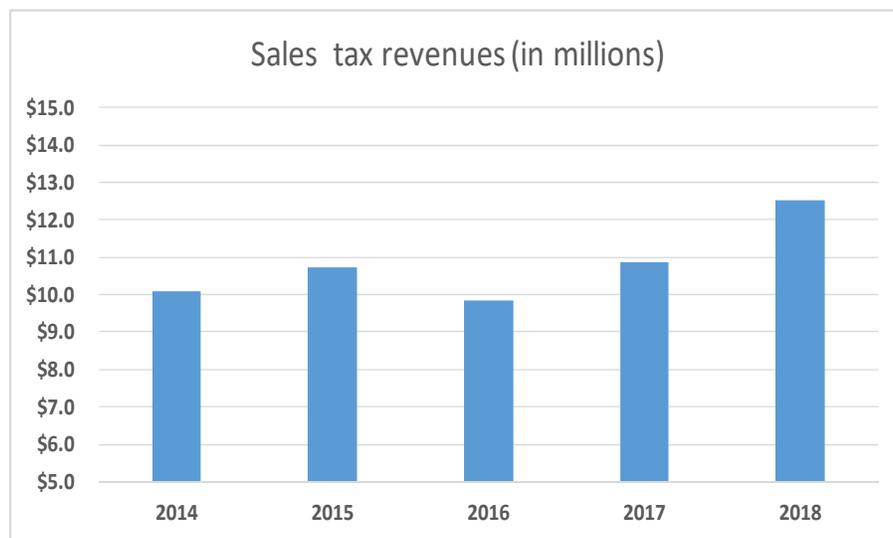
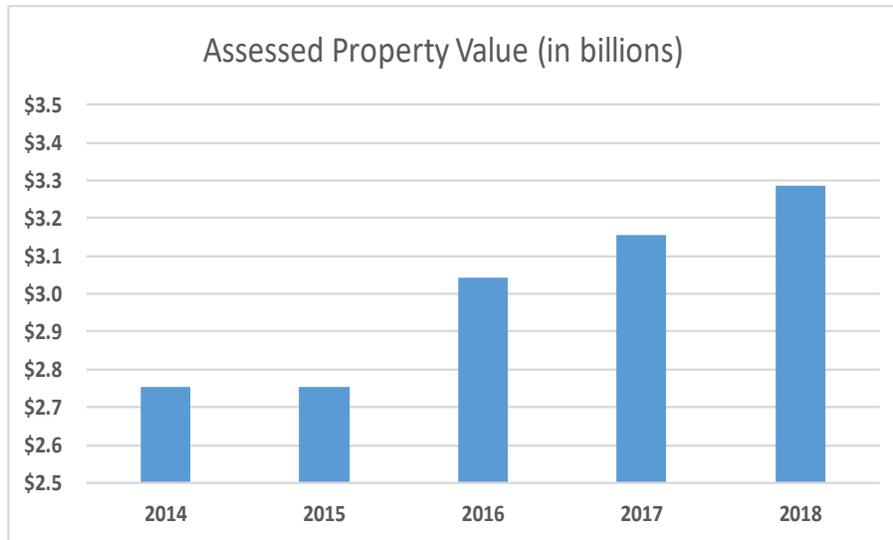
During the upcoming year, the City will have no increase in the tax rate, no utility fund rate increase, and will have merit pay and meet and confer increases for non-civil service and civil service employees in the amount of \$732,612. The capital projects include \$1.8 million for park and maintenance improvements, \$650,000 for private fiber optic lines, \$1.8 million for utility improvements, \$10.3 million for utility improvements funded by bond issue, \$1.2 million for street improvements, \$922,000 for drainage maintenance improvements and \$433,000 for East Main Street sidewalk project. Also in fiscal year 2019 are included vehicle replacement for \$664,590, a \$1.2 million transfer from the General Fund for capital improvements and a \$2.0 million transfer from the General Fund for health insurance.

CITY OF LA PORTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (continued)

Overall the upcoming General Fund budget represents a decrease of \$578,626 from the current year estimated expenditures. Additionally, an \$866,856 surplus is projected for the General Fund. As shown below, our property values and sales taxes continue to increase

The trend for total assessed values has fluctuated slightly over the past five years resulting in a total increase of 19% .



REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of La Porte's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, 604 West Fairmont Parkway, La Porte, Texas 77571.

BASIC FINANCIAL STATEMENTS

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CITY OF LA PORTE
STATEMENT OF NET POSITION
September 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 62,169,992	\$ 7,914,156	\$ 70,084,148
Investments	34,849,769	6,800,863	41,650,632
Receivables, net allowance for uncollectable	4,943,853	1,223,470	6,167,323
Due from other government	2,556,291	-	2,556,291
Inventories	167,819	13,200	181,019
Capital assets:			
Capital assets not subject to depreciation	12,832,822	2,483,079	15,315,901
Capital assets, net of accumulated depreciation	66,159,456	29,716,889	95,876,345
Total capital assets, net	78,992,278	32,199,968	111,192,246
Total Assets	183,680,002	48,151,657	231,831,659
Deferred Outflows of Resources			
Deferred charge on refunding	801,301	-	801,301
Deferred outflows - OPEB	3,053,571	411,574	3,465,145
Deferred outflows related to TMRS pensions	2,468,138	285,730	2,753,868
Deferred outflows related to TESRS pensions	57,336	-	57,336
Total Deferred Outflows	6,380,346	697,304	7,077,650
Liabilities			
Accounts payable	6,160,107	366,895	6,527,002
Accrued liabilities	513,216	53,536	566,752
Unearned revenue	17,550	1,709	19,259
Customer deposits	-	616,778	616,778
Other liabilities	43,403	-	43,403
Long-term liabilities:			
Due within one year	3,897,354	7,728	3,905,082
Due in more than one year	45,972,560	136,271	46,108,831
Net pension liability	10,498,378	1,197,227	11,695,605
Total OPEB liability	42,778,506	5,767,733	48,546,239
Total Liabilities	109,881,074	8,147,877	118,028,951
Deferred Inflows of Resources			
Deferred inflows - pension	4,194,526	485,590	4,680,116
Deferred inflows - OPEB	33,325	4,510	37,835
Total Deferred Outflows	4,227,851	490,100	4,717,951
Net Position			
Net Investment in capital assets	43,421,145	32,199,968	75,621,113
Restricted for:			
Debt service	5,482,613	-	5,482,613
Economic development	6,855,654	-	6,855,654
Senior citizen programs	10,543	-	10,543
Replacement of trees	576,940	-	576,940
Municipal court building & technology	478,343	-	478,343
Park improvements	260,794	-	260,794
Public safety	1,531,944	-	1,531,944
Public works	2,882,710	-	2,882,710
Other	224,776	-	224,776
Capital projects	12,720,767	-	12,720,767
Unrestricted	1,505,194	8,011,016	9,516,210
Total Net Position	\$ 75,951,423	\$ 40,210,984	\$ 116,162,407

See Notes to Financial Statements.

CITY OF LA PORTE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Governmental activities:				
General government	\$ 15,832,003	\$ 3,397,779	\$ -	\$ 57,474
Public safety	21,673,188	1,125,345	352,886	-
Public works	9,796,326	267,358	2,559	537,786
Culture and recreation	6,513,794	1,547,786	650	-
Health, welfare and sanitation	4,685,795	2,231,727	-	-
Interest on long-term debt	1,059,007	-	-	-
Total governmental activities	<u>59,560,113</u>	<u>8,569,995</u>	<u>356,095</u>	<u>595,260</u>
Business-type activities:				
Water services	8,788,113	8,726,710	-	126,359
Sewer services	1,926,133	1,320,816	-	-
Airport	133,093	61,879	-	-
Total business-type activities	<u>10,847,339</u>	<u>10,109,405</u>	<u>-</u>	<u>126,359</u>
Total Primary Government	<u>\$ 70,407,452</u>	<u>\$ 18,679,400</u>	<u>\$ 356,095</u>	<u>\$ 721,619</u>
General revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Industrial payments				
Franchise taxes				
Unrestricted Investment earnings				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position, beginning				
Prior period adjustment				
Net Position, Ending				

See Notes to Financial Statements.

Exhibit A-2

Net (Expense) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (12,376,750)	\$ -	\$ (12,376,750)
(20,194,957)	-	(20,194,957)
(8,988,623)	-	(8,988,623)
(4,965,358)	-	(4,965,358)
(2,454,068)	-	(2,454,068)
(1,059,007)	-	(1,059,007)
<u>(50,038,763)</u>	<u>-</u>	<u>(50,038,763)</u>
-	64,956	64,956
-	(605,317)	(605,317)
-	(71,214)	(71,214)
<u>-</u>	<u>(611,575)</u>	<u>(611,575)</u>
<u>(50,038,763)</u>	<u>(611,575)</u>	<u>(50,650,338)</u>
25,413,898	-	25,413,898
12,544,803	-	12,544,803
14,147,728	-	14,147,728
2,621,035	-	2,621,035
1,228,759	152,557	1,381,316
251,508	-	251,508
<u>(1,922,963)</u>	<u>1,922,963</u>	<u>-</u>
<u>54,284,768</u>	<u>2,075,520</u>	<u>56,360,288</u>
4,246,005	1,463,945	5,709,950
95,482,215	41,963,704	137,445,919
<u>(23,776,797)</u>	<u>(3,216,665)</u>	<u>(26,993,462)</u>
<u>\$ 75,951,423</u>	<u>\$ 40,210,984</u>	<u>\$ 116,162,407</u>

CITY OF LA PORTE
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>2017 Certificate of Obligation Bonds</u>	<u>Tax Increment Reinvestment Zone</u>
Assets				
Current Assets:				
Cash and cash equivalents	24,245,916	4,140,071	10,513,492	3,861,715
Investments	22,223,324	68,470	-	-
Receivables, net of allowance for uncollectible	5,622,240	233,658	-	-
Due from other funds	137,490	-	-	-
Inventories	122,784	-	-	-
Total Assets	\$ 52,351,754	\$ 4,442,199	\$ 10,513,492	\$ 3,861,715
Liabilities:				
Accounts payable	1,222,543	-	125,076	2,568,969
Accrued liabilities	497,128	-	-	-
Due to other funds	-	-	137,490	-
Unearned revenues	-	-	350	-
Other payables	933,693	-	-	-
Total Liabilities	2,653,364	-	262,916	2,568,969
Deferred Inflows of Resources				
Unavailable revenue - property taxes	251,995	43,735	-	-
Unavailable revenue - fines and fees	752,446	-	-	-
Unavailable revenue - EMS	395,347	-	-	-
Unavailable revenue - other	991,529	-	-	-
Total Deferred Inflows of Resources	2,391,317	43,735	-	-
Fund Balances:				
Nonspendable:				
Inventory	122,784	-	-	-
Restricted for:				
Debt service	-	4,398,464	-	-
Economic development	-	-	-	1,292,746
Senior citizen programs	-	-	-	-
Replacement of trees	-	-	-	-
Municipal court building and technology	-	-	-	-
Park improvements	-	-	-	-
Public safety	-	-	-	-
Capital projects	-	-	10,250,576	-
Public works	-	-	-	-
Other	-	-	-	-
Assigned:	420,854	-	-	-
Unassigned:	46,763,435	-	-	-
Total Fund Balances	47,307,073	4,398,464	10,250,576	1,292,746
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 52,351,754	\$ 4,442,199	\$ 10,513,492	\$ 3,861,715

See Notes to Financial Statements.

Exhibit A-3

<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>
15,598,857	\$	58,360,051
8,984,351		31,276,145
1,495,256		7,351,154
-		137,490
-		122,784
<u>\$ 26,078,464</u>	<u>\$</u>	<u>97,247,624</u>
738,035	\$	4,654,623
4,244		501,372
-		137,490
1,143		1,493
1,500		935,193
<u>744,922</u>		<u>6,230,171</u>
-		295,730
-		752,446
-		395,347
-		991,529
<u>-</u>		<u>2,435,052</u>
-		122,784
1,083,817		5,482,281
5,562,908		6,855,654
10,543		10,543
576,940		576,940
478,343		478,343
260,794		260,794
1,531,944		1,531,944
12,720,767		22,971,343
2,882,710		2,882,710
224,776		224,776
-		420,854
-		46,763,435
<u>25,333,542</u>		<u>88,582,401</u>
<u>\$ 26,078,464</u>	<u>\$</u>	<u>97,247,624</u>

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CITY OF LA PORTE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

For the Year Ended September 30, 2018

Total fund balance, governmental funds \$ 88,582,401

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 69,423,374

Certain other long-term assets (property taxes, court fines, EMS and other receivables) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position. 2,435,052

Some liabilities and deferred outflows and inflows are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.

Bonds payable	(18,895,000)
Certificates of obligation	(20,670,000)
Premium on bonds	(1,335,219)
Deferred charge on refunding	801,301
Interest payable	(43,403)
Due to developer	(5,722,791)
Compensated absences	(3,215,823)
Deferred inflows/outflows related to pensions	(1,669,052)
Deferred inflows/outflows related to OPEB	3,020,246
Net pension liability	(10,498,378)
Total OPEB liability	(42,778,506)

The assets and liabilities of certain internal service funds are not included in the fund financial statements but are included in the governmental activities of the Statement of Net Position.

	16,517,221
Net Position of Governmental Activities	\$ 75,951,423

See Notes to Financial Statements.

CITY OF LA PORTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	General Fund	Debt Service	2017 Certificate of Obligation Bonds	Tax Increment Reinvestment Zone
Revenues				
Taxes:				
Property taxes and penalties	\$ 18,752,165	\$ 3,435,051	\$ -	\$ 3,090,987
Other taxes	90,936	-	-	-
Licenses and permits	668,808	-	-	-
Fines and forfeitures	1,867,095	-	-	-
Sales and use taxes	5,830,345	-	-	-
Industrial payments	14,147,728	-	-	-
Franchise taxes	2,621,035	-	-	-
Intergovernmental revenues	-	-	-	-
Investment Earnings	652,760	29,595	181,549	1,004
Charges for services	5,686,223	-	-	-
Miscellaneous	258,020	-	-	-
Total revenues	50,575,115	3,464,646	181,549	3,091,991
Expenditures				
Current:				
General government	9,856,786	-	-	2,665,515
Public safety	18,071,966	-	-	-
Public works	3,242,618	-	308,972	-
Health and sanitation	2,871,114	-	-	-
Culture and recreation	6,033,177	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	3,370,000	-	-
Interest and fiscal charges	-	1,156,923	-	-
Total expenditures	40,075,661	4,526,923	308,972	2,665,515
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,499,454	(1,062,277)	(127,423)	426,476
Other Financing Sources (Uses)				
Transfers in	57,500	1,577,604	-	-
Transfers out	(6,149,445)	-	-	-
Total Other Financing Sources (Uses)	(6,091,945)	1,577,604	-	-
Net Change in Fund Balance	4,407,509	515,327	(127,423)	426,476
Fund Balances, Beginning (as restated)	42,899,564	3,883,137	10,377,999	866,270
Fund Balances, Ending	\$ 47,307,073	\$ 4,398,464	\$ 10,250,576	\$ 1,292,746

See Notes to Financial Statements.

Exhibit A-5

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 25,278,203
-	90,936
-	668,808
225,324	2,092,419
6,623,522	12,453,867
-	14,147,728
-	2,621,035
893,006	893,006
292,535	1,157,443
267,358	5,953,581
40,772	298,792
8,342,517	65,655,818
1,964,649	14,486,950
305,838	18,377,804
877,788	4,429,378
-	2,871,114
298,884	6,332,061
3,428,834	3,428,834
-	3,370,000
-	1,156,923
6,875,993	54,453,064
1,466,524	11,202,754
3,565,200	5,200,304
(3,700,304)	(9,849,749)
(135,104)	(4,649,445)
1,331,420	6,553,309
24,002,122	82,029,092
\$ 25,333,542	\$ 88,582,401

CITY OF LA PORTE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance-total governmental funds.	\$ 6,553,309
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$7,992,522) exceeded capital outlay (\$2,037,151).	(5,955,371)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	(54,400)
<p>The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences are as follows:</p>	
The payment of long-term debt.	3,370,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources are therefore are not reported as expenditures in governmental funds. This adjustment reflects the net change in:</p>	
Interest payable	70,071
Deferred outflows related to pensions	(5,124,361)
Deferred inflows related to pensions	(3,478,710)
Net pension liability	9,071,278
Deferred outflows related to OPEB	3,053,571
Deferred inflows related to OPEB	(33,325)
Total OPEB liability	(4,841,931)
Compensated absences payable	(291,068)
Deferred charges on refunding	(118,213)
Amortization of bond premiums	146,058
Payment to developer	1,552,645
The net income (loss) of certain activities of internal service funds is reported with governmental activities.	326,452
Change in Net Position of Governmental Activities	\$ 4,246,005

See Notes to Financial Statements.

CITY OF LA PORTE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility	LPAWA	Airport	Total Enterprise Funds	
Assets					
Current Assets:					
Cash and cash equivalents	6,271,455	1,450,718	191,983	\$ 7,914,156	\$ 3,809,941
Investments	5,289,762	1,334,498	176,603	6,800,863	3,573,624
Other receivables, net of allowance	-	-	-	-	29,063
Due from other governments	-	-	-	-	119,927
Inventories	13,200	-	-	13,200	45,035
Accounts receivable, net of allowance for doubtful accounts	1,064,638	117,200	15,864	1,197,702	-
Accrued interest receivable	20,044	5,055	669	25,768	-
Total Current Assets	12,659,099	2,907,471	385,119	15,951,689	7,577,590
Noncurrent Assets:					
Capital assets:					
Land and Improvements	224,308	-	223,483	447,791	60,914
Construction in progress	2,016,038	-	19,250	2,035,288	-
Buildings and improvements	156,649	-	5,758,420	5,915,069	-
Improvements other than buildings	69,694,844	15,429,680	-	85,124,524	-
Vehicles and equipment	4,268,046	47,371	-	4,315,417	20,172,898
Less accumulated depreciation	(50,490,548)	(10,954,418)	(4,193,155)	(65,638,121)	(10,664,908)
Total Noncurrent Assets	25,869,337	4,522,633	1,807,998	32,199,968	9,568,904
Total Assets	38,528,436	7,430,104	2,193,117	48,151,657	17,146,494
Deferred Outflows					
Deferred outflows related to pensions	285,730	-	-	285,730	-
Deferred outflows related to OPEB	411,574	-	-	411,574	-
Total Deferred Outflows	697,304	-	-	697,304	-
Liabilities					
Current liabilities:					
Accounts payable	274,688	88,087	2,620	365,395	23,442
Accrued liabilities	53,536	-	1,500	55,036	11,844
Unearned revenue	-	-	1,709	1,709	16,057
Customer deposits	616,778	-	-	616,778	-
Claims and judgments	-	-	-	-	546,849
Long-Term Debt, Current Portion	7,728	-	-	7,728	-
Compensated absences	-	-	-	-	-
Total Current Liabilities	952,730	88,087	5,829	1,046,646	598,192
Noncurrent Liabilities:					
Compensated absences	136,271	-	-	136,271	31,081
Net pension liability	1,197,227	-	-	1,197,227	-
Net OPEB liability	5,767,733	-	-	5,767,733	-
Total Noncurrent Liabilities	7,101,231	-	-	7,101,231	31,081
Total Liabilities	8,053,961	88,087	5,829	8,147,877	629,273
Deferred Inflows of Resources					
Deferred inflows related to pensions	485,590	-	-	485,590	-
Deferred inflows related to OPEB	4,510	-	-	4,510	-
Total Deferred Inflows of Resources	490,100	-	-	490,100	-
Net Position					
Net Investment in capital assets	25,869,337	-	-	25,869,337	9,568,904
Unrestricted	4,812,342	7,342,017	2,187,288	14,341,647	6,948,317
Total Net Position	\$ 30,681,679	\$ 7,342,017	\$ 2,187,288	\$ 40,210,984	\$ 16,517,221

See Notes to Financial Statements

CITY OF LA PORTE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Utility	LPAWA	Airport		
Operating Revenues					
Charges for services	8,726,710	1,320,816	61,879	\$ 10,109,405	\$ 8,960,422
Miscellaneous	-	-	-	-	283
Total Operating Revenues	<u>8,726,710</u>	<u>1,320,816</u>	<u>61,879</u>	<u>10,109,405</u>	<u>8,960,705</u>
Operating Expenses					
Personnel	3,692,028	-	(4,475)	3,687,553	1,060,222
Supplies and materials	360,235	15,432	3,736	379,403	194,937
Purchased water	-	1,338,757	-	1,338,757	-
Other services	2,487,431	107,600	20,038	2,615,069	8,443,910
Depreciation	2,062,394	466,374	113,794	2,642,562	1,787,299
Total Operating Expenses	<u>8,602,088</u>	<u>1,928,163</u>	<u>133,093</u>	<u>10,663,344</u>	<u>11,486,368</u>
Operating Income (Loss)	124,622	(607,347)	(71,214)	(553,939)	(2,525,663)
Non-Operating Revenues (Expenses)					
Investment earnings (loss)	114,968	33,178	4,411	152,557	71,316
Gain/loss on disposal of capital assets	(186,025)	-	-	(186,025)	(1,127)
Total Non-Operating Revenues	<u>(71,057)</u>	<u>33,178</u>	<u>4,411</u>	<u>(33,468)</u>	<u>70,189</u>
Income (Loss) Before Contributions and Transfers	53,565	(574,169)	(66,803)	(587,407)	(2,455,474)
Contributions and Transfers					
Capital contributions	-	126,359	-	126,359	57,474
Transfers from other funds	2,000,000	-	-	2,000,000	2,745,037
Transfer (to) other funds	(74,201)	-	(806)	(75,007)	(20,585)
Total Contributions and Transfers	<u>1,925,799</u>	<u>126,359</u>	<u>(806)</u>	<u>2,051,352</u>	<u>2,781,926</u>
Change in Net Position	1,979,364	(447,810)	(67,609)	1,463,945	326,452
Net position, beginning	<u>31,921,294</u>	<u>7,789,827</u>	<u>2,252,583</u>	<u>41,963,704</u>	<u>16,190,769</u>
Prior period adjustment	<u>(3,218,979)</u>	<u>-</u>	<u>2,314</u>	<u>(3,216,665)</u>	<u>-</u>
Net position, Ending	<u>\$ 30,681,679</u>	<u>\$ 7,342,017</u>	<u>\$ 2,187,288</u>	<u>\$ 40,210,984</u>	<u>\$ 16,517,221</u>

See Notes to Financial Statements

CITY OF LA PORTE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	<u>Business-type Activities - Enterprise Funds</u>			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	<u>Utility</u>	<u>LPAWA</u>	<u>Airport</u>		
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 8,691,248	\$ 1,302,635	\$ 58,987	\$ 10,052,870	\$ 8,954,516
Disbursed for personnel services	(3,369,992)	-	(5,211)	(3,375,203)	(1,070,074)
Disbursed for good and services to suppliers	(2,818,399)	(1,473,765)	(26,832)	(4,318,996)	(8,630,933)
Net Cash Provided (Used) by Operating Activities	<u>2,502,857</u>	<u>(171,130)</u>	<u>26,944</u>	<u>2,358,671</u>	<u>(746,491)</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	2,000,000	-	-	2,000,000	2,745,037
Transfer to other funds	(74,201)	-	(806)	(75,007)	(20,585)
Net Cash Provided (Used) by Noncapital Financial Activities	<u>1,925,799</u>	<u>-</u>	<u>(806)</u>	<u>1,924,993</u>	<u>2,724,452</u>
Cash Flows from Capital & Related Financing Activities					
Proceeds from the sale of equipment	(818,685)	-	-	(818,685)	25,500
Acquisition and construction of capital assets	-	-	-	-	(820,961)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(818,685)</u>	<u>-</u>	<u>-</u>	<u>(818,685)</u>	<u>(795,461)</u>
Cash Flows from Investing Activities					
Purchase of investments	(3,607,179)	(323,949)	(72,457)	(4,003,585)	71,316
Interest Received	103,740	31,329	4,140	139,209	(1,728,857)
Sales of investments	1,013,549	255,697	33,838	1,303,084	686,399
Net Cash Provided (Used) by Investing Activities	<u>(2,489,890)</u>	<u>(36,923)</u>	<u>(34,479)</u>	<u>(2,561,292)</u>	<u>(971,142)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,120,081	(208,053)	(8,341)	903,687	211,358
Cash and cash equivalents, beginning	5,151,374	1,658,771	200,324	7,010,469	3,598,583
Cash and Cash Equivalents, Ending	<u>\$ 6,271,455</u>	<u>\$ 1,450,718</u>	<u>\$ 191,983</u>	<u>\$ 7,914,156</u>	<u>\$ 3,809,941</u>

See Notes to Financial Statements.

CITY OF LA PORTE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Utility</u>	<u>LPAWA</u>	<u>Airport</u>		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 124,622	\$ (607,347)	\$ (71,214)	\$ (553,939)	\$ (2,525,663)
Adjustments to reconcile operating income to net cash used by operating activities:					
Depreciation	2,062,394	466,374	113,794	2,642,562	1,787,299
(Increase) decrease in accounts receivable	(46,283)	(18,181)	(4,601)	(69,065)	(12,155)
(Increase) in inventories	(6,600)	-	-	(6,600)	(7,126)
Increase (decrease) in accounts payable	35,867	(11,976)	(3,058)	20,833	(61,147)
Increase (decrease) in deferred outflow-pensions	530,479	-	5,878	536,357	-
Increase (decrease) in deferred outflow-OPEB	(372,496)	-	-	(372,496)	-
Increase (decrease) in accrued liabilities	(1,350)	-	-	(1,350)	(335)
Increase (decrease) in unearned revenue	-	-	1,709	1,709	5,966
Increase (decrease) in customer deposits	10,821	-	-	10,821	-
Increase (decrease) in claims	-	-	-	-	76,187
Increase (decrease) in compensated absences	(12,941)	-	-	(12,941)	(9,517)
Increase (decrease) in net pension liability	(886,895)	-	(15,009)	(901,904)	-
Increase (decrease) in net OPEB liability	652,267	-	-	652,267	-
(Increase) decrease in deferred inflow-pensions	408,462	-	(555)	407,907	-
(Increase) decrease in deferred inflow-OPEB	4,510	-	-	4,510	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,502,857</u>	<u>\$ (171,130)</u>	<u>\$ 26,944</u>	<u>\$ 2,358,671</u>	<u>\$ (746,491)</u>
Noncash Investing, Capital and Financing Activities:					
Capital asset contributions from governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENT

Note 1 - Summary of Significant Accounting Policies

The City of La Porte, Texas (the “City”) was incorporated under the laws of the State of Texas on August 10, 1892. The City operates under a “Council-Manager” form of government and provides the following services as authorized by its charter: public safety, development services, public health and welfare, culture and recreation and waterworks.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to U.S. generally accepted accounting policies (GAAP) applicable to state and local governments which include the principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants and the Financial Accounting Standards Board. The more significant accounting policies of the City are prescribed below.

A. Reporting Entity

The City’s basic financial statements include the accounts of all City operations. The City, with its elected governing body of mayor and eight council members, is considered a primary government. As required by GAAP, the basic financial statements include the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government’s operations. All component units have been included as blended component units because of the significance of their operations and financial relationships with the City.

The La Porte Area Water Authority (the “Authority”) is governed by a five-member board appointed by the City Council. Although it is a legally separate entity, the Authority provides services almost exclusively for the City’s water operations, and is in substance a part of the City’s primary operations. The Authority was created by the City to finance the operations involved in obtaining surface water supplies and converting these supplies to potable water. This water is sold primarily to the City of La Porte (86%) with the remainder being sold to other neighboring political subdivisions. The operations of the Authority are reported as a proprietary fund type.

The Tax Increment Reinvestment Zone (the “Zone”) is governed by a nine-member board appointed by the City Council. The Zone provides benefits exclusively for the City through reinvestment financing of ad valorem taxes, which are utilized for capital improvements for the City of La Porte. The Zone is presented as a governmental fund type.

The Section 4B Sales Tax Corporation provides services that exclusively benefits the City of La Porte and is governed by a seven-member board appointed by City Council. The Section 4B Sales Tax Corporation is presented as a governmental fund type.

The Emergency Service District provides public safety services exclusively to the city of La Porte. The Emergency Services District is governed by a seven member board appointed by City Council. The district is a governmental fund type.

The Street Maintenance Component Unit provides infrastructure improvements exclusively to the City of La Porte. City Council directs staff operations through the annual budget process.

Complete financial statements for each of the individual component units may be obtained through the City of La Porte.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for interfund services provided and other charges between the City's various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned

C. Fund Financial Statements

The fund financial statements provide information about the City's funds and blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate funds in the fund financial statements.

The City reports the following major *Governmental Funds*:

General Fund

The General Fund is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenues of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and other community services.

Debt Service Fund

The Debt Service Fund is used to account for the payment of interest and principal on all general long-term debt of the City except for capital leases for which are accounted for in the General Fund. The primary source of revenue for the Debt Service Fund is general property taxes.

2017 Certificate of Obligation Bonds Fund

The 2017 Certificate of Obligation Bonds Fund is used to account for bond proceeds and expenditures of those funds related to the construction of a wastewater system.

Tax Increment Reinvestment Zone One Fund (TIRZ)

The Tax Increment Reinvestment Zone One Fund (TIRZ) is used to account for the disposition of property taxes collected on specific parcels within the boundaries of the TIRZ for the exclusive benefit to pay developers for capital improvements.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements (continued)

The City reports the following major *Enterprise Funds*:

- The *Utility Enterprise Fund* is used to account for operations of the water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, but not limited to administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates received regularly and adjusted if necessary to ensure integrity of the fund.
- *La Porte Water Authority* is used to account for revenues and expenses related to obtaining raw surface water and converting it to potable water.
- *Airport Fund* is used to account for financial activities of the airport which includes rentals, grants and other revenues.

Additionally, the City reports the Internal Service Funds which are used to account for the Motor Pool, Technology and Insurance service provide to other departments of the City on a cost reimbursement basis.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business- type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfer in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, court fines, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period of availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

E. Cash and Cash Equivalents and Investments

Cash is defined as currency, demand deposits with banks and other financial institutions, and any other kind of account that has the general characteristics of demand deposits where funds may be added or withdrawn at any time without penalty or prior notice. Cash equivalents are defined as liquid investments that are both readily convertible to known amounts of cash and so near their maturity they present insignificant risk or changes in value because of changes in interest rates. Only investments with original maturities of three months or less qualify under this definition.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents and Investments (continued)

The City reports all investments at fair-value, except for investment positions in external investment pools, such as Texas CLASS, TexPool and LOGIC, which are reported at amortized cost. The Texas CLASS Board of Trustees, which is comprised of active members of the pool and elected by the participants guided by the Advisory Board, oversees the management of Texas CLASS. The State Comptroller of Public Accounts oversees TexPool. LOGIC is directed by a governing board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services. Federated Investors is the full service provider to the pools managing the assets providing participant services, and arranging for all custody and other functions in support of the pool's operations under contract with the Comptroller.

The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

The City reports all investments, except external investment pools, at fair value based on quoted market prices at year-end date. The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Inventory

Inventories are valued at costs using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. A portion of the fund balance is classified as non-spendable to reflect minimum inventory quantities considered necessary for the City's continuing operations.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

H. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The City defines capital assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of one year.

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Land and construction in progress are not depreciated. The remainder capital assets are depreciated using the straight line method over the following estimated useful lives.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	20 years
Building improvements	20 years
Infrastructure	20-30 years
Vehicles	4-10years
Machinery and equipment	4-10 years
Water and sewer systems	10-20 years

I. Compensated Absences

The City's employees earn vacation and sick leave, which may either be taken or accumulated, up to a certain amount, until paid upon termination or retirement. For all funds, this liability reflects amounts attributable to cumulative employee services already rendered, where the payment is probable and can be reasonably estimated. The current and long-term portion of the governmental fund type liabilities are recorded in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The proprietary fund type liability is recorded as a liability in the individual proprietary funds since payment will be made from the resources of these funds.

Policies relating to the accrual payment of these benefits are as follows:

- Vacation – Employees earn from 10-25 days of vacation per year. Upon separation, employees are paid for all accumulated vacation leave (up to one and one half times their annual accrual rate).
- Sick leave – Full time 8 hour employees accrued 3.70 hours per pay period. Full time 24 hour employees accrue 5.91 hours per pay period and civil service employees accrued 15 days per calendar year. The maximum sick leave time which may be accumulated by any employee shall be 90 days for regular full time employees. For 24 hour shift personnel, the maximum accrual is 1,152 hours. Civil service employees may accrue unlimited sick leave.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

J. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

K. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

L. Net Position Classifications

Classification of net position includes three components as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings, premiums, discounts, and deferred outflows of resources or deferred inflows of resources from a refunding.
- Restricted – This component of the net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

M. Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either comment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the City Council, highest level of decision-making-authority. The City Council is the highest level of decision-making- authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once, adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amount in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Manager under the authorization of the Fiscal Affairs Committee to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City strives to maintain a minimum reserve balance of 90 to 120 days for the General Fund and Utility Fund, and 60 to 90 days of operating expenditures in all other funds as outlined in the City's Financial Management Policies as adopted by City Council by resolution.

N. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

O. General and Debt Service Property Taxes

All taxes due to the City on real or personal property are payable at the Office of the City Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is October 1, or as soon thereafter as practicable. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. All property located within the City limits on the first day of January of each year are charged with a special lien in favor of the City from such date for taxes due thereon.

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for debt service on the general obligation debt is provided by the debt service tax together with interest earned in the Debt Service Fund.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

P. Industrial Payments

A significant portion of the City's revenue is derived from separate contractual agreements with each industrial company that lies within the City's extraterritorial jurisdiction (known as the "industrial district"). These companies have agreed to pay an amount "in-lieu of taxes" in the un-annexed area within the City's extraterritorial jurisdiction. In the current contracts, the entity's agree to pay the City a percentage of what the ad valorem taxes would have been had the entities land, improvements, and inventory been within the corporate limits of the City.

Q. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

R. Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the general, special revenue funds and debt service funds. All annual appropriations lapse at fiscal year-end. Project length financial plans are adopted for all capital projects funds and are revised annually.

S. Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the financial position as described below:

A deferred outflow of resources is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for reporting in this category:

- Deferred outflows or resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

S. Deferred Outflows/Inflows of Resources (continued)

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflows of resources for other post-employment benefits (OPEB) other than pension – Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB investments will be amortized over a closed five year period. The remaining postemployment related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

A deferred inflow of resources is an acquisition of a government's net positions (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual bases of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the City's proportional share of pension liabilities These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

S. Deferred Outflows/Inflows of Resources (continued)

- Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, this deferred inflow results primarily from 1) changes in actuarial assumptions; and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

T. Pensions

For purposes of measuring the net pension liability for the Texas Municipal Retirement System (TMRS), pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the TMRS and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability for the Texas Emergency Services Retirement System (TESRS), pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the TESRS and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

U. Post-employment Healthcare Benefits

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The City administers other post-employment benefits ("OPEB") through a defined benefit medical plan to provide coverage for eligible retirees and their dependents. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

V. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies

W. Implementation of New Standards

In the current fiscal year, the City implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85, Omnibus 2017. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86, Certain Debt Extinguishment Issues. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired.

The following standards have been issued, but have not been implemented as not yet effective.

GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

GASB Statement No. 84, Fiduciary Activities. This Statement establishes standards of accounting and financial reporting for fiduciary activities.

GASB Statement No. 87, Leases. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 – Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City’s investment policy. The City’s investment policy is more restrictive than the PFIA requires. It is the City’s policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, bankers’ acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is five years from date of purchase. The City’s investment policy does not allow investments in collateralized mortgage obligations, floating rate investments or swaps.

Cash and Cash Equivalents

The City’s cash and investments are classified as: cash and cash equivalents and restricted cash and investments. The cash and cash equivalents include cash on hand, fully collateralized deposits with financial institutions and in a privately-managed public funds investment pool account (TexPool and LOGIC and Texas CLASS). The restricted cash and investments are assets restricted for specific use. The Pools have a credit rating of AAA from Standard & Poor’s Financial Services. The investments which have maturities at purchase greater than three months consist mainly of U.S. Government treasury bills, treasury notes, and other U.S. Government obligations.

The following schedule shows the City’s recorded cash and equivalents at year-end:

<u>Fund</u>	Total Reported Value			
	Governmental Funds	Internal Service Funds	Enterprise Funds	Total
Cash deposits	\$ 20,822,027	\$ 244,383	\$ 908,118	\$ 21,974,528
Investment pools	37,538,024	3,565,558	7,006,038	48,109,620
Total cash and equivalents	<u>\$ 58,360,051</u>	<u>\$ 3,809,941</u>	<u>\$ 7,914,156</u>	<u>\$ 70,084,148</u>

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 – Deposits and Investments (continued)

Cash and Cash Equivalents (continued)

At September 30, 2018, the carrying amount of deposits was \$21,974,527 and the respective bank balances were \$22,307,738 . The City’s bank balances were fully insured or collateralized with securities held by the City’s agent in the City’s name.

Investments

The City reported the following investments at September 30, 2018:

<u>Fund</u>	Total Reported Value			<u>Total</u>
	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Enterprise Funds</u>	
U.S. Government Securities	31,276,145	3,573,624	6,800,863	41,650,632

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2018:

- U.S. Government Securities (FHLMC) of \$15,836,228 were valued using an option-adjusted discounted cash flow model (Level 2 inputs).
- U.S. Government Securities (FHLB) of \$19,836,320 were valued using a documented trade history in exact security pricing model (Level 2 inputs).
- U.S. Government Securities (FFCB) of \$5,978,084 were valued using a documented trade history in exact security pricing model (Level 1 inputs).

Concentration on Credit Risk

The policy does not require investments to be staggered in a way that protects interest income from the volatility of interest rates. The policy has not established limitations on percentages of the total portfolio that may be invested in securities other than the repurchase agreements, Treasury bills and notes or insured and collateralized Certificates of Deposits.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 – Deposits and Investments (continued)

Investments (continued)

Investment Rate Risk

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. GAAP, by investment type:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Percentage of Portfolio</u>	<u>WAM Calculation</u>
U.S. Government Securities				
Federal Home Loan Bank Agency Notes	\$ 19,836,320	252	22%	56
Freddie Mac Agency Notes	15,836,228	415	18%	73
Federal Farm Credit Banks	5,978,084	200	7%	13
Total U.S. Government Securities	<u>41,650,632</u>			
Local Government Investment Pools:				
TexPool	18,870,936	55	21%	12
Texas CLASS	2,018,449	28	2%	1
Logic	27,220,235	34	30%	10
Total Local Government Investment Pools	<u>48,109,620</u>	165		
Total	<u>89,760,252</u>			

The City’s investment policy specifies the maximum stated maturity from the date of purchase for any individual investments may not exceed 5 years and the maximum dollar weighted average maturity for the pooled fund group (investment portfolio) may not exceed 2 years.

Credit Risk

The primary objective of the City’s adopted Investment Policy is the safety of principal. Credit risk within the City’s portfolio among authorized investments approved by the City’s adopted Investment Policy is represented in U.S. Treasury Bills, Notes or Bonds, and other securities which are guaranteed as to principal and interest by the full faith and credit of the United States of America, collateralized or fully insured certificates of deposits, FDIC insured banks in the State of Texas, repurchase agreements if secured by U.S. Treasury Bills, Notes or Bonds and Public Funds Investment Pools.

All of the City’s purchased investments in U.S. Government Securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s respectively.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 – Property Taxes

The appraisal of property within the City is the responsibility of the Harris County Appraisal District (the “Appraisal District”). The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100% of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the adopted tax rate, excluding tax rates for repayment of general obligation bonds and other contractual obligations, adjustment for new improvements, exceeds the effective tax rate and the rollback rate tax rate, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than the rollback tax rate. The City’s property taxes are levied annually in October on the basis of the Appraisal District’s assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value, assessed at 100% of appraised value and certified by the Harris County Appraisal District Board of Review. The City property taxes are billed and collected by the City’s Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the current calendar year. The City is permitted, by Article XI, Section 5, of the State of Texas Constitution and the City Charter, to levy property taxes up to \$2.50 per \$100 of assessed valuation for general governmental services. Within the \$2.50 maximum levy, there is no legal limit upon the amount of property taxes, which can be levied for debt service. The property tax rates to finance general governmental services and debt service for fiscal year 2018 were \$0.605 and \$0.105, respectively, per \$100 of assessed valuation. The 2017 assessed value and total tax levy as adjusted through September 30, 2018 were \$3,285,939,300 and \$23,125,072, respectively. The City has enacted an ordinance providing for exemption of twenty percent (20%) of the assessed value of residential homesteads plus an additional \$60,000 for persons 65 years of age or older for property taxes. An exemption of \$60,000 is allowed for disabled persons on homesteads and up to \$12,000 is allowed for disabled veterans on any one piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City’s tax levy calculation.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Harris County Central Appraisal District (“HCCAD”) establishes appraised values. Taxes are levied by the City Council based on the appraised values and operating needs of the City.

Tax Increment Reinvestment Zone – Property Taxes

The City, La Porte Independent School District and Harris County are participating taxing entities within the tax increment reinvestment zone. The amount of a participant’s tax increment for a year is the amount of property taxes levied and collected by a participant for that year on the captured appraised value of real property taxable by the participant and located in the zone. The captured appraised value of real property taxable by the participant and located in the zone for that year less the tax increment base, which is the total appraised value of all real property taxable by the participant and located in the zone on January 1 of the year in which the zone was designed as such under the tax increment financing act (the “TIF Act”).

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 – Property Taxes (continued)

Tax Increment Reinvestment Zone – Property Taxes (continued)

Each participant is required to collect taxes on property located within the zone in the same manner as other taxes are collected. The participant is required to pay into the tax increment fund the collected tax increments by the first day of each calendar quarter or pursuant to the terms of the participation set forth in their respective inter-local agreements.

Note 4 – Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectible) line for certain funds and aggregated columns. Below is the detail of receivables for the General Fund, Debt Service Fund, 2017 Certificate of Obligation Bonds Fund, TIRZ and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Receivables				
Taxes	\$ 3,345,488	\$ 321,545	\$ 1,126,411	\$ 4,793,444
Municipal court	752,446	-	-	752,446
Other	696,261	-	15,396	711,657
Mowing & demolition	646,132	-	-	646,132
EMS	667,334	242	34,524	702,100
Interest	84,642	-	-	84,642
Solid waste	131,615	-	-	131,615
Due from other governments	-	-	318,925	318,925
Less: Allowance for uncollectible	<u>(701,678)</u>	<u>(88,129)</u>	<u>-</u>	<u>(789,807)</u>
Net Receivables.	<u>\$ 5,622,240</u>	<u>\$ 233,658</u>	<u>\$ 1,495,256</u>	<u>\$ 7,351,154</u>

Revenues of the Utility Fund, an enterprise fund, are reported net of uncollectible amounts. Total uncollectible amount related to utility sales as of year-end was \$86,317

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Capital Assets

Capital assets activity for the year ended September 30, 2018, was as follows:

	<u>Balance</u> <u>September 30, 2017</u>	<u>Additions</u> <u>(Increases)</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>September 30, 2018</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 10,387,209	\$ -	\$ -	\$ 10,387,209
Construction in progress	12,655,665	2,106,841	(12,316,893)	2,445,613
Total capital assets, not being depreciated	23,042,874	2,106,841	(12,316,893)	12,832,822
Capital assets being depreciated:				
Buildings and Improvements	38,229,531	503,885	-	38,733,416
Improvements other than buildings	32,762,610	2,466,443	(8,492)	35,220,561
Infrastructure	43,420,095	10,691,227	-	54,111,322
Machinery and equipment	24,247,538	1,075,096	(230,712)	25,091,922
Total capital assets being depreciated	138,659,774	14,736,651	(239,204)	153,157,221
Less accumulated depreciation for:				
Buildings and Improvements	(21,895,587)	(2,899,828)	-	(24,795,415)
Improvements other than buildings	(13,235,017)	(2,131,001)	-	(15,366,018)
Infrastructure	(29,696,005)	(2,400,851)	-	(32,096,856)
Machinery and equipment	(12,598,106)	(2,348,141)	206,771	(14,739,476)
Total accumulated depreciation	(77,424,715)	(9,779,821)	206,771	(86,997,765)
Total capital assets being depreciated, net	61,235,059	4,956,830	(32,433)	66,159,456
Governmental activities capital assets, net	<u>\$ 84,277,933</u>	<u>\$ 7,063,671</u>	<u>\$ (12,349,326)</u>	<u>\$ 78,992,278</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 447,791	\$ -	\$ -	\$ 447,791
Construction in progress	2,287,458	844,913	(1,097,083)	2,035,288
Total capital assets, not being depreciated:	2,735,249	844,913	(1,097,083)	2,483,079
Business-type assets, being depreciated				
Buildings and Improvements	156,649	-	-	156,649
Improvements other than buildings	89,618,066	1,264,878	-	90,882,944
Machinery and equipment	4,268,220	47,197	-	4,315,417
Total capital assets being depreciated	94,042,935	1,312,075	-	95,355,010
Less accumulated depreciation for:				
Buildings and Improvements	(55,901)	-	-	(55,901)
Improvements other than buildings	(60,891,268)	(2,642,562)	-	(63,533,829)
Machinery and equipment	(2,048,391)	-	-	(2,048,391)
Total accumulated depreciation	(62,995,560)	(2,642,562)	-	(65,638,121)
Total capital assets being depreciated, net	31,047,375	(1,330,487)	-	29,716,889
Business Type activities capital assets, net	<u>\$ 33,782,624</u>	<u>\$ (485,574)</u>	<u>\$ (1,097,083)</u>	<u>\$ 32,199,968</u>

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 – Capital Assets (continued)

Depreciation was charged to functions/programs of the governmental activities of the primary government as follows:

Governmental Activities:

General government	\$ 1,913,163
Public Safety	2,616,600
Public works	2,110,580
Parks and recreation	1,352,179

Capital assets held by the City's internal service funds are charged to various functions based on their usage of the assets

1,787,299

Total Governmental Activities

\$ 9,779,821

Depreciation expense of \$2,642,562 was charged to the Utility fund.

Construction contract commitments outstanding as of September 30, 2018, are as follows:

<u>Fund</u>	<u>Projects</u>	<u>Total in Progress</u>	<u>Remaining Commitment</u>
General CIP Fund	Street and Drainage Improvements	\$ 2,136,624	\$ 446,792
General CIP Fund	Park Improvements	133,971	107,902
General CIP Fund	Building Improvements	175,018	55,016
Utility Fund	Meter Replacement Program	339,089	20,167
Utility Fund	Water System Improvements	1,616,036	243,798
Airport Fund	Runway Improvements	19,250	-
Technology Fund	Network Improvements	60,913	-
Total		<u>\$ 4,480,901</u>	<u>\$ 873,675</u>

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 – Long-Term Debt and Other Long-Term Obligations

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation bonds, certificates of obligation and revenue bonds. Future ad valorem tax revenues, water and sewer system revenues or liens on property and equipment secure these debt obligations.

The schedule below details the terms of public property finance contractual obligation, general obligation bonds, certificates of obligations and revenue bonds outstanding as of September 30, 2018:

	<u>Governmental</u>
2010 Certificates of Obligation due in annual payments through March 15, 2026; interest at 3.00% to 4.00% \$6,265,000 issued for street, drainage, and park improvements.	\$ 3,760,000
2010 General Obligation Refunding Bonds due in annual payments through March 15, 2020; interest at 2.00% to 4.00% \$4,295,000 issued to refund previous debt.	780,000
2012 General Obligation Refunding Bonds due in annual payments through March 15, 2025; interest at .65% to 3.00% \$9,435,000 issued to refund previous debt.	8,585,000
2014 General obligation Refunding Bonds due in annual payments through March 15, 2025; interest at 2.00% to 3.50% \$9,300,000 issued to refunding previous debt.	7,065,000
2015 Certificates of Obligation due in annual installments through March 15, 2030; interest at 2.25% to 3.00% \$7,770,000 issued for water and sewer system improvements, and street and drainage improvements.	6,705,000
2016 General Obligation Refunding Bonds due in annual payments through March 15, 2029; interest at 2.00% to 4.00% \$3,165,000 issued to refund previous debt.	2,465,000
2017 Certificates of Obligation due in annual payments through March 15, 2037; interest at 0.14% to 1.82% \$10,635,000 issued for construction of wastewater system.	<u>10,205,000</u>
Total Bonds Payable	<u>\$ 39,565,000</u>

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 – Long-Term Debt and Other Long-Term Obligations (continued)

Changes in the City’s long-term liabilities for the year ended September 30, 2018 are as follows:

	Balance September 30 2017	Additions	Reductions	Balance September 30 2018	Amounts Due Within One Year
Governmental Activities:					
Bonds payable:					
General Obligation Bonds	\$ 21,090,000	\$ -	\$ (2,195,000)	\$ 18,895,000	\$ 1,265,000
Certificates of Obligation	21,845,000		(1,175,000)	20,670,000	2,470,000
Premium on bond issuance	1,481,277		(146,058)	1,335,219	-
Total bonds payable	<u>44,416,277</u>	<u>-</u>	<u>(3,516,058)</u>	<u>40,900,219</u>	<u>3,735,000</u>
Due to developers	6,503,334		(780,543)	5,722,791	-
Compensated absences	2,924,755	373,665	(51,516)	3,246,904	162,354
Total Governmental Activities	<u>\$ 53,844,366</u>	<u>\$ 373,665</u>	<u>\$ (4,348,117)</u>	<u>\$ 49,869,914</u>	<u>\$ 3,897,354</u>
Business-type Activities:					
Compensated absences	156,940	4,764	(17,705)	143,999	7,728
Total Business-type Activities	<u>\$ 156,940</u>	<u>\$ 4,764</u>	<u>\$ (17,705)</u>	<u>\$ 143,999</u>	<u>\$ 7,728</u>

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Compensated absences generally are paid by the General Fund for the governmental activities.

General Obligation Bonds and Certificates of Obligation

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligations bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each years bonds are outstanding) a fund to pay interest and principal maturity. The City is in compliance with this requirement.

Fiscal Year	Governmental Activities			
	General Obligation Bonds		Certificate of Obligation	
	Principal	Interest	Principal	Interest
2019	\$ 2,470,000	\$ 558,931	\$ 1,265,000	\$439,890
2020	2,465,000	485,300	1,295,000	411,818
2021	2,270,000	412,650	1,330,000	381,896
2022	2,335,000	343,575	1,355,000	350,984
2023	2,395,000	272,625	1,390,000	318,875
2024 - 2028	6,425,000	470,700	7,255,000	1,066,017
2029 - 2033	535,000	10,700	4,405,000	364,562
2034 - 2038	-	-	2,375,000	86,083
	<u>\$ 18,895,000</u>	<u>\$ 2,554,481</u>	<u>\$20,670,000</u>	<u>\$3,420,125</u>

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 – Long-Term Debt and Other Long-Term Obligations (continued)

Prior Year Refunding of Debt

The City defeased certain outstanding revenue bonds by placing proceeds of new bonds in irrevocable trust to provide for all future debt service payments. Accordingly, the respective trust accounts and liability for the defeased bond are not included in the City’s financial statements. As of September 30, 2017, the City does not have bonds considered defeased and outstanding.

Note 7 – Interfund Receivables, Payables and Transfers

The composition of interfund receivables at September 30, 2018 is an amount of \$137,490 due to the general fund from the 2017 certificate of obligation bond fund.

The composition of interfund transfers for the year are as follows:

Tranfers From	Transfers To					Totals
	General	Debt Service	Other Governmental	Utility	Internal Service	
General Fund	\$ -	\$ -	\$ 1,500,000	\$ 2,000,000	\$ 2,649,445	\$ 6,149,445
Other Government	57,500	1,577,604	2,065,200			3,700,304
Utility					74,201	74,201
Airport					806	806
Internal Service					20,585	20,585
Totals	<u>\$ 57,500</u>	<u>\$ 1,577,604</u>	<u>\$ 3,565,200</u>	<u>\$ 2,000,000</u>	<u>\$ 2,745,037</u>	<u>\$ 9,945,341</u>

The purpose of interfund transfers during the current year consisted of the following:

Transfers From	Transfers To	Purpose
Hotel/Motel Fund	General Fund	Transfer for golf course advertising and City bordering bay for golf expenditures
General Fund	Utility Fund	Transfer for capital projects
Utility Fund	Debt Service Fund	Annual Transfer for debt service
La Porte Development Corporation (4B)	Debt Service Fund	Annual Transfer for debt service
General Fund	Insurance Fund	Transfer for liability insurance, workers comp health
Utility Fund	Insurance Fund	Transfer for liability insurance and workers comp
Airport fund	Insurance Fund	Transfer for liability insurance and workers comp
Vehicle maintenance Fund	Insurance Fund	Transfer for liability insurance and workers comp
General Fund	General CIP Fund	Transfer for capital project
La Porte Development Corporation (4B)	General CIP Fund	Transfer for capital project
Total Transfers		

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 – Defined-Benefit Pension Plans

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	10
Service retirement eligibility:	20 years at any age, 10 years at age 60 and above
Updated Service Credit:	100% Repeating Transfers
Annuity Increase to retirees:	70% of CPI Repeating
Supplemental death benefit – active employees and retirees	Yes

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 – Defined-Benefit Pension Plans (continued)

Benefits Provided (continued)

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	207
Inactive employees entitled to but not yet receiving benefits	164
Active employees	<u>373</u>
Total	<u>744</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.97% and 16.11% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were equal to the required contributions.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.5%
Overall payroll growth:	3.5% to 10.5% including inflation
Investment Rate of Return:	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2017 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The postretirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 – Defined-Benefit Pension Plans (continued)

Actuarial Assumptions (continued)

the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
U.S. equities	17.5%	4.55%
International equities	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.65%
Real estate	10.0%	4.03%
Real return	10.0%	5.00%
Absolute return	10.0%	4.00%
Private equity	5.0%	8.00%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 – Defined-Benefit Pension Plans (continued)

Changes in the Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 151,230,737	\$ 129,789,148	\$ 21,441,589
Changes for the year:			
Service cost	3,714,539	-	3,714,539
Interest	10,112,101	-	10,112,101
Change in benefit terms	-	-	-
Difference between expected and actual experience	(658,901)	-	(658,901)
Changes in assumptions	-	-	-
Contributions - employer	-	3,602,160	(3,602,160)
Contributions - employee	-	1,578,735	(1,578,735)
Net investment income	-	17,987,506	(17,987,506)
Benefit payments, including refunds, of employee contributions	(6,558,193)	(6,558,193)	-
Administrative expense	-	(93,223)	93,223
Other charges	-	(4,725)	4,725
Net changes	<u>6,609,546</u>	<u>16,512,260</u>	<u>(9,902,714)</u>
Balance at 12/31/2017	<u>\$ 157,840,283</u>	<u>\$ 146,301,408</u>	<u>\$ 11,538,875</u>

Sensitivity of the Net Pension Liability

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease to 5.75%	Current Single Rate Assumption 6.75%	1% Increase to 7.75%
City's net pension liability	\$ 34,246,468	\$ 11,538,875	\$ (7,030,791)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tMrs.com.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 – Defined-Benefit Pension Plans (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of \$3,244,614.

At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actuarial assumptions and actual experience	\$	\$ 852,172
Changes in actuarial assumptions used	-	118,877
Differences between projected and actual investment earnings	-	3,709,067
Contributions subsequent to the measurement date	2,753,868	-
Total	<u>\$ 2,753,868</u>	<u>\$ 4,680,116</u>

Deferred outflows of resources resulting from contributions subsequent to the measurement date of \$2,753,868 will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net deferred outflows (inflows) of resources</u>
2019	\$ (307,914)
2020	(432,670)
2021	(1,993,677)
2022	(1,945,855)
Total	<u>\$ (4,680,116)</u>

Texas Emergency Services Retirement System

Plan Description

The City participates in the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple-employer defined benefit pension established and administered by the State of Texas. The TESRS is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine members Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System. TESRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tesrs.org.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 – Defined-Benefit Pension Plans (continued)

Plan Description (continued)

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters’ Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the City’s average monthly contribution over the member’s years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member’s surviving spouse and dependent children.

Contributions

Contributions are made by the City for the participating employees. No contributions are required from the individuals who are members of the TESRS, nor are they allowed. The City is required to make contributions to the plan for each month an eligible emergency service personnel provides qualified services. The minimum contribution is \$36 per member. Contributions to the pension plan for the year ended September 30, 2018, were \$40,265.

Net Pension Liability

The City’s net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016.

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	3.00%
Salary Increases:	Not applicable
Investment Rate of Return:	7.75%, net of pension plan investment expense, including inflation

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 – Defined-Benefit Pension Plans (continued)

Actuarial Assumptions (continued)

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by “rounding down” and thereby reflects a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Equities		
Large cap domestic	32.0%	5.72%
Small cap domestic	10.0%	5.96%
Developed international	21.0%	6.21%
Emerging markets	6.0%	7.18%
Master limited partnership	5.0%	7.61%
Fixed income		
Domestic	21.0%	1.61%
International	5.0%	1.81%
Cash	0.0%	0.00%
Total	<u>100.0%</u>	
Weighted average		4.97%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 – Defined-Benefit Pension Plans (continued)

Sensitivity of the Net Pension Liability

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease to 6.75%	Current Single Rate Assumption 7.75%	1% Increase to 8.75%
City's net pension liability	\$ 292,683	\$ 156,731	\$ 70,966

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2018, the City reported a liability of \$156,731 for its proportionate share of the TESRS’s net pension liability. The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016. The City’s proportion of the net pension liability was based on the City’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the City’s proportion of the collective net pension liability was 0.653% which was a decrease from its proportion measured as of August 31, 2016 of 0.780%.

For the year ended September 30, 2018, the City recognized TESRS pension expense of \$32,886.

At September 30, 2018, the City reported its proportionate share of the TESRS’ deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actuarial assumptions and actual experience	\$ 166	\$ -
Changes in actuarial assumptions used	2,289	-
Differences between projected and actual investment earnings	14,616	-
Contributions subsequent to the measurement date	40,265	-
Total	<u>\$ 57,336</u>	<u>\$ -</u>

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 – Defined-Benefit Pension Plans (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Deferred outflows of resources resulting from contributions subsequent to the measurement date of \$40,265 will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net deferred outflows (inflows) of resources</u>
2019	\$ 7,375
2020	13,529
2021	(649)
2022	(3,184)
Total	<u>\$ 17,071</u>

Note 9 – Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund

Benefit Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is another post-employment benefit (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2017 was as follows:

Inactive employees currently receiving benefits	157
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>373</u>
Total	<u>551</u>

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Other Post-Employment Benefits (continued)

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.17% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.31% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASB Statement No.75 also requires that the total OPEB liability as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary has estimated the total OPEB liability, as of December 31, 2016, using a discount rate of 3.78%.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Other Post-Employment Benefits (continued)

Actuarial Assumptions

The City’s total OPEB liability was measured at December 31, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2017

Methods and Assumptions:

Inflation:	2.50%
Salary Increases:	3.50% to 10.50%, including inflation
Discount rate:	3.31%. The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2017.
Retirees’ share of benefit related costs:	\$0
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Other Post-Employment Benefits (continued)

Changes in the Total OPEB Liability

Service cost	\$ 27,064
Interest	34,660
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	-
Changes of assumptions	91,449
Benefit payments	<u>(6,766)</u>
Net change in total OPEB liability	146,407
Total OPEB liability - beginning	<u>906,769</u>
Total OPEB liability - ending	<u>\$ 1,053,176</u>
Covered payroll	\$ 22,553,362
Total OPEB liability as a percentage of covered payroll	4.67%

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 3.31%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease to	Current Discount	1% Increase to
2.31%	Rate Assumption	4.31%
<u> </u>	<u> </u>	<u> </u>
\$ 1,291,214	\$ 1,053,176	\$ 871,547

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

For the year ended September 30, 2018, the City recognized OPEB expense of \$76,691.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity (continued)

As of September 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes assumptions	\$ 76,482	\$ -
Contributions subsequent to the measurement date	5,128	
Total	\$ 81,610	\$ -

The \$5,128 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019.

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net deferred outflows (inflows) of resources
2019	\$ 14,967
2020	14,967
2021	14,967
2022	14,967
2023	14,967
Thereafter	1,647
Total	\$ 76,482

Retiree Health Care Plan (RHCP)

Plan Description

The City’s defined benefit OPEB plan, City of La Porte Retiree Health Care Plan (RHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. RHCP is a single-employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the RHCP.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Other Post-Employment Benefits (continued)

Benefits provided

RHCP provides access to post retirement employees by offering a “blended premium” structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single “blended premium”. The difference between the underlying retiree claims and the blended overall health care premium is referred to as an “implicit” subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

Employees covered by benefit terms. At December 31, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries	79
Inactive, nonretired members	-
Active members	<u>372</u>
Total	<u>451</u>

Total OPEB Liability

The City’s total OPEB liability of \$47,493,063 was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2016.

Actuarial assumptions and methods

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date: December 31, 2016

Methods and Assumptions:

Actuarial Cost Method:	Individual Entry-Age
Discount Rate:	3.31%
Inflation:	2.50%
Salary Increases:	3.50% to 10.50%, including inflation
Demographic Assumptions:	Based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality:	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Other Post-Employment Benefits (continued)

Actuarial assumptions and methods (continued)

Health Care Trend Rates: For Pre-65, initial rate of 7.00% declining to an ultimate rate of 4.75% after 12 years; Ultimate trend rate includes a 0.50% adjustment for the excise tax. For Post-65, initial rate of 6.00% declining to an ultimate rate of 4.25% after 14 years

Participation Rates: It was assumed that the plan participation would vary based on the amount of the subsidy provided. For eligible retirees with over 30 years of service, 95% were assumed to participate in the plan at retirement. For employees with less than 30 years of service, the assumed participation rate is equal to the percentage of premium the City subsidizes. For example, retirees eligible for an 85% subsidy were assumed to elect coverage 85% of the time, while only 40% of retirees eligible for a 40% subsidy were assumed to elect coverage.

Other Information:

Note: The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

Discount Rate

Because the RHCP is unfunded or pay-as-you go, the discount rate is based on 20-year tax-exempt AA or higher Municipal Bonds or 3.31% as of the measurement date of December 31, 2017 based on the 20 Year Bond GO Index published by bondbuyer.com.

Changes in the Total OPEB Liability

Service cost	\$ 1,424,797
Interest	1,611,153
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	(43,219)
Changes of assumptions	3,495,450
Benefit payments	<u>(1,140,416)</u>
Net change in total OPEB liability	5,347,765
Total OPEB liability - beginning	<u>42,145,298</u>
Total OPEB liability - ending	<u>\$ 47,493,063</u>
 Covered payroll	 \$ 21,799,361
 Total OPEB liability as a percentage of covered payroll	 217.86%

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Other Post-Employment Benefits (continued)

Changes in the Total OPEB Liability (continued)

Changes of assumptions reflect a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the plan’s total OPEB liability, calculated using a discount rate of 3.31%, as well as what the plan’s total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease to 2.31%	Current Discount Rate Assumption 3.31%	1% Increase to 4.31%
\$ 55,756,444	\$ 47,493,063	\$ 40,585,281

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the plan’s total OPEB liability, calculated using the assumed trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

1% Decrease to 2.31%	Current Healthcare Cost Trend Rate Assumption 3.31%	1% Increase to 4.31%
\$ 39,467,150	\$ 47,493,063	\$ 58,045,728

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$3,466,000.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 37,835
Changes assumptions	3,060,016	-
Contributions subsequent to the measurement date	323,519	-
Total	<u>\$ 3,383,535</u>	<u>\$ 37,835</u>

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 – Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

The \$323,519 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019.

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net deferred outflows (inflows) of resources
2019	\$ 430,050
2020	430,050
2021	430,050
2022	430,050
2023	430,050
Thereafter	871,931
Total	<u>\$ 3,022,181</u>

Note 10 – Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City’s risk management program encompasses various means of protecting the City against loss by obtaining property, casualty and liability coverage from participation in a risk pool. The participation of the City in the risk pool is limited to the payment of premiums. The City is a member of the Texas Municipal League Intergovernmental Risk Pool, an unincorporated association of 1,860 political subdivisions of the State of Texas. The Pool contracts with a third party administrator for administration, investigation and adjustment services in the handling of claims. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the Pool. Settled claims have not exceeded insurance coverage in any of the three previous fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 – Risk Management (continued)

The insurance internal service fund is funded by charges to the City’s other funds and component units, and is based primarily upon the contributing funds’ full-time employee count. The City self- insures a portion of health insurance benefits provided to employees. For health insurance the City retains the risk for the first \$165,000 of an individual claim. Excess insurance coverage is purchased to cover individual claims in excess of \$165,000 with a limit of \$1,000,000 per coverage period.

Activities during the year for the insurance internal service fund included:

Revenues	
Charges to divisions	\$ 4,677,929
Interfund transfers	2,747,067
Charges to employees	632,798
Charges to retirees	112,138
Cobra charges	1,302
Other	-
Interest revenue	10,137
Total revenues	<u>\$ 8,181,371</u>
Expenses	
Other expenses	\$ 669,848
Claims administration	182,814
Claims incurred	6,784,705
Re-insurance premiums	400,246
Insurance premiums	455,272
Total expenses	<u>\$ 8,492,885</u>

Liabilities of the insurance fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as, inflation, changes in legal requirements and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-offs), and other economic and social factors. These estimate of the claims also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims.

Changes in the balance of health insurance claims liability for three fiscal years are as follows:

	<u>Beginning of</u> <u>Year Accrual</u>	<u>Claims</u>	<u>Payments for</u> <u>Claims</u>	<u>End of Year</u> <u>Accrual</u>
9/30/2016	\$ 439,693	\$ 6,001,596	\$ 6,053,439	\$ 387,850
9/30/2017	387,850	5,480,480	5,397,668	470,662
9/30/2018	470,662	6,784,705	6,708,518	546,849

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Contingencies

The City is a defendant in lawsuits. Although the outcome of the lawsuits is not presently determinable, it is the opinion of the City’s management the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City’s compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

Note 12 – Encumbrances

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations. At year-end the amount of encumbrances expected to be honored in the next year were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 420,854
Non-major Governmental	17,450
Total	<u>\$ 438,304</u>

Note 13 – Southeast Water Purification Plant

The La Porte Area Water Authority (“Authority”) and the City of Houston, Texas have entered into a Cost Sharing Water Project Contract (the “Contract”) wherein the Authority, the Cities of La Porte, Morgan’s Point, and Shoreacres agree to jointly finance the construction and operation of the Southeast Water Purification Plant (Southeast Plant). Under the terms of the Contract, the Authority purchased 4.2 million gallons per day production and 5.25 million gallons per day pumping capacity. The Cities of La Porte, Morgan’s Point, and Shoreacres have agreed to demand and pumping allocations of the Authority’s purchase of water from the Southeast Plant.

The required funds for the undivided interest in the Southeast Plant and the construction of a transmission and distribution system to transport water from the Southeast Plant were provided by issuance of \$9.8 million revenues bonds, which have been retired.

The water rate to be set by the Authority will not be less than an amount sufficient to provide for payment of all expenses in producing, treating, and pumping the water in connection with transmission and distribution systems and to provide payment for the interest and principal of all bonds when the bonds become due and payable.

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 14 - Due to Developers

The TIRZ is a party to several agreements with Developers who own property in the La Porte Tax Increment Zone. The TIRZ is obligated to repay the Developers for public improvements made on the property up to the amount of incremental tax value gained.

The Authority has entered into agreements with the following Developers: Port Crossing Land, LP, 65 La Porte, Ltd., Retreat at Bay Forest, LP, Beazer Homes, LP and Senior Associates. Port Crossing Land, LP has completed the public improvements detailed in the agreement with the Authority, and assigned their receivable amount to Liberty Property Limited Partnership in 2015.

Port Crossing Land, LP's reimbursable expenditures totaled \$12,096,488 including interest at May 27, 2009. In the current fiscal year, the Developer was reimbursed \$1,325,582. To date, reimbursements in the amount of \$10,265,364 have been made to Port Crossing/Liberty for incremental tax value gained. Interest was calculated, and payments were applied to interest first, then principal. No additional interest will be due under the agreement.

Retreat at Bay Forest, LP's reimbursable expenditures totaled \$224,760, including interest of \$36,885 for the pilot channel and excavation costs as of November 20, 2013. No additional interest will be due under the agreement. During the current fiscal year, a reimbursement of \$29,662 was applied to principal.

Beazer Homes Texas LP's reimbursable expenditures for Bayside Crossing totaled \$1,449,517 including interest at August 24, 2016. In the current fiscal year, the Developer was reimbursed \$45,443 for interest.

Beazer Homes Texas LP's reimbursable expenditures for Bayside Crossing - Supplemental totaled \$177,498, including interest at August 23, 2017. In the current fiscal year, an additional amount was calculated for interest.

Senior Associate's reimbursable expenditures and land for Bayside Crossing totaled \$466,032 including interest at August 23, 2017. In the current fiscal year, an additional amount \$9,372 was calculated for interest.

In addition, a Developers has signed a Development Agreement but has not submitted costs for reimbursements of their projects. Estimated costs, based on agreements, are as follows:

65 La Porte, Ltd.	\$	7,103,500
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CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 15 - Industrial Payments

In 1958, the City created an Industrial Zone adjacent to the City, which presently encompasses approximately 5,500 acres of land north of Highway 225 and bordering the Houston Ship Channel. The City annexed sufficient land to completely encircle this Industrial Zone, protecting it from annexation by any other municipality. The City entered into contracts with all of the Industries located in the Zone whereby the City annexed a portion of the total value of each industry with the remainder constituting the protected Industrial District. In addition to the Industrial Zone north of Highway 225, which is referred to as the "Battleground Industrial District," the City contains an Industrial Zone on its south side referred to as the "Bayport Industrial District." The Bayport District, created in 1970, covers 2,500 acres.

The City and the Industries, many of which have come to the Industrial Zones since the original contracts, are presently under contracts, which extend to December 31, 2019. Under the terms of the current contracts, the industries make payments to the City each year in lieu of taxes. These annual in lieu payments are in an amount which, when added to the full City taxes on the annexed portion, equal 62% of what the City's taxes on the industry would be if 100% of the industry was in the City. After the first six years of the contracts, the percentage increases to 63%. The contracts contain a new construction clause that allows new plant facilities to make in lieu payments on 25% of the value of new additions between now and 2013, after 2014, the percentage drops to 20%. Currently, 140 companies participate in industrial district contracts. These contracts have served as a valuable economic tool for more than 50 years.

Note 16 – Fund Balance

Assigned fund balance of the General Fund at year-end consisted of the following:

Equipment and supplies for Police Department	\$	53,625
Software and software maintenance		187,445
Training		4,963
Mowing		19,900
Ongoing professional GIS services		2,744
Scanning imaging for Planning		5,250
Security cameras at parks locations		4,055
New vehicle support services		20,778
Edge system for new vehicles		7,321
Animal disposal services		1,040
Commercial water meters		2,465
Chili cook-off 2018		6,000
Cisco wireless controller		25,556
Pavement repair supplies		21,150
2018 LIDAR data (cost share)		3,000
Carpet for Pro-shop		4,800
Support services protective gear		2,188
Street sign supplies		8,574
P&R Master Plan		40,000
Total General Fund Assigned Fund Balance	<u>\$</u>	<u>420,854</u>

CITY OF LA PORTE, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 17 – Prior Period Adjustment

In the current fiscal year, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. As a result, the beginning net position of the City’s governmental activities and business-type activities has been restated on Exhibit A-1 Statement of Activities to reflect the net OPEB liability and deferred outflow of resources related to contributions made after the prior measurement date of the plan as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities (Utility Fund)</u>	<u>Net Position</u>
Beginning Net Position / Fund Balance as originally presented	\$ 95,482,215	\$ 41,963,704	\$ 137,445,919
Net OPEB obligation (GASB45)	13,870,274	1,859,722	15,729,996
Contributions made after measurement date	289,176	39,433	328,609
Total OPEB liability (GASB 75)	<u>(37,936,247)</u>	<u>(5,115,820)</u>	<u>(43,052,067)</u>
Net prior period adjustment	<u>(23,776,797)</u>	<u>(3,216,665)</u>	<u>(26,993,462)</u>
Beginning Net Position / Fund Balance as restated	<u>\$ 71,705,418</u>	<u>\$ 38,747,039</u>	<u>\$ 110,452,457</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LA PORTE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Taxes:				
Property taxes and penalties	\$ 17,960,500	\$ 17,960,500	\$ 18,752,165	\$ 791,665
Other taxes	90,000	90,000	90,936	936
Licenses and permits	491,500	491,500	668,808	177,308
Fines and forfeitures	1,556,150	1,556,150	1,867,095	310,945
Sales and use taxes	4,500,000	4,500,000	5,830,345	1,330,345
Industrial payments	13,375,000	13,375,000	14,147,728	772,728
Franchise taxes	2,428,769	2,428,769	2,621,035	192,266
Investment Earnings	325,000	325,000	652,760	327,760
Charges for services	5,685,692	5,685,692	5,686,223	531
Miscellaneous	169,114	169,114	258,020	88,906
Total revenues	<u>46,581,725</u>	<u>46,581,725</u>	<u>50,575,115</u>	<u>3,993,390</u>
Expenditures				
Current:				
General government	12,146,671	11,434,105	9,856,786	1,577,319
Public safety	18,312,939	18,826,520	18,071,966	754,554
Public works	3,321,167	3,283,256	3,242,618	40,638
Health and sanitation	2,717,410	2,874,188	2,871,114	3,074
Culture and recreation	6,187,838	6,354,648	6,033,177	321,471
Total expenditures	<u>42,686,025</u>	<u>42,772,717</u>	<u>40,075,661</u>	<u>2,697,056</u>
Excess (Deficiency) of Revenues				-
Over (Under) Expenditures	3,895,700	3,809,008	10,499,454	6,690,446
Other Financing Sources (Uses)				
Transfers in	57,500	57,500	57,500	-
Transfers out	(6,149,445)	(6,149,445)	(6,149,445)	-
Total Other Financing Sources (Uses)	<u>(6,091,945)</u>	<u>(6,091,945)</u>	<u>(6,091,945)</u>	-
Net Change in Fund Balance	(2,196,245)	(2,282,937)	4,407,509	6,690,446
Fund Balances, Beginning	42,899,564	42,899,564	42,899,564	
Fund Balances, Ending	<u>\$ 40,703,319</u>	<u>\$ 40,616,627</u>	<u>\$ 47,307,073</u>	<u>\$ 6,690,446</u>

CITY OF LA PORTE
TAX INCREMENT REINVESTMENT ZONE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 3,107,238	\$ 3,107,238	\$ 3,090,987	\$ (16,251)
Investment earnings	450	450	1,004	554
Total Revenues	<u>3,107,688</u>	<u>3,107,688</u>	<u>3,091,991</u>	<u>(15,697)</u>
Expenditures				
Current:				
General government	416,965	416,965	559,328	(142,363)
Debt Service:				
Principal	1,987,373	1,987,373	1,987,373	-
Interest and other charges	118,814	118,814	118,814	-
Total Expenditures	<u>2,523,152</u>	<u>2,523,152</u>	<u>2,665,515</u>	<u>(142,363)</u>
Net change in fund balance	584,536	584,536	426,476	(158,060)
Fund balances - beginning of year	<u>866,270</u>	<u>866,270</u>	<u>866,270</u>	<u>-</u>
Fund balances - end of year	<u>\$ 1,450,806</u>	<u>\$ 1,450,806</u>	<u>\$ 1,292,746</u>	<u>\$ (158,060)</u>

1. Budgetary Controls and Procedures

The objective of the City’s budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is required by charter to submit a proposed budget and accompanying message to City Council by August 1. The Council shall review and revise the proposed budget as they deem appropriate prior to circulation for the public hearing. A summary of the proposed budget and notice of the public hearing must be posted in City Hall and be published in the official newspaper at least 2 weeks prior to the hearing. Annual budgets for General, Debt Service, Special Revenue and Enterprise Funds are legally adopted by ordinance and must be done so no later than the last day of the fiscal year. Budgetary control for capital projects funds is achieved through legally binding construction contracts and project length budgets.

The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the total approved budget for each department. The City Manager is authorized to transfer part of all of any unencumbered appropriation balance among programs within a department. All other amendments and/or transfers must be approved by Council.

Annual appropriated budgets are adopted for general, special revenue, and debt service funds, using the same basis of accounting as for financial reporting. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt as a whole. The original budget is adopted by the City Council prior to the beginning of the year.

Appropriations lapse at the end of the year, excluding capital project budgets.

CITY OF LA PORTE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Four Measurement Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability				
Service Cost	\$ 3,045,776	\$ 3,401,691	\$ 3,600,954	\$ 3,714,539
Interest (on the Total Pension Liability)	9,108,178	9,564,637	9,653,940	10,112,101
Difference between expected and actual experience	(761,946)	(500,190)	(40,363)	(658,901)
Changes of assumptions	-	(325,022)	-	-
Benefit payments, including refunds of employee contributions	(4,793,355)	(5,304,879)	(6,409,301)	(6,558,193)
Net change in total pension liability	6,598,653	6,836,237	6,805,230	6,609,546
Total pension liability – beginning	130,990,617	137,589,270	144,425,507	151,230,737
Total pension liability – ending	<u>\$ 137,589,270</u>	<u>\$ 144,425,507</u>	<u>\$ 151,230,737</u>	<u>\$ 157,840,283</u>
Plan fiduciary net position				
Contributions – employer	\$ 3,534,991	\$ 3,461,463	\$ 3,415,127	\$ 3,602,160
Contributions – employee	1,460,768	1,506,158	1,528,511	1,578,735
Net investment income	6,665,254	181,954	8,314,792	17,987,506
Benefit payments, including refunds of employee contributions	(4,793,355)	(5,304,879)	(6,409,301)	(6,558,193)
Administrative Expense	(69,591)	(110,827)	(93,910)	(93,223)
Other	(5,722)	(5,474)	(5,060)	(4,724)
Net change in plan fiduciary net position	6,792,345	(271,605)	6,750,159	16,512,261
Plan fiduciary net position – beginning	116,518,249	123,310,594	123,038,989	129,789,148
Plan fiduciary net position – ending	<u>\$ 123,310,594</u>	<u>\$ 123,038,989</u>	<u>\$ 129,789,148</u>	<u>\$ 146,301,409</u>
Net pension liability	<u>\$ 14,278,676</u>	<u>\$ 21,386,518</u>	<u>\$ 21,441,589</u>	<u>\$ 11,538,874</u>
Plan fiduciary net position as a percentage of the total pension liability	89.62%	85.19%	85.82%	92.69%
Covered-employee payroll	\$ 20,708,639	\$ 21,421,227	\$ 21,823,962	\$ 22,553,362
Net pension liability as a percentage of covered employee payroll	68.95%	99.84%	98.25%	51.16%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will continue to build this schedule over the next 10-year period as the information becomes available.

**CITY OF LA PORTE, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM**

Last Five Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 3,496,424	\$ 3,489,185	\$ 3,551,472	\$ 3,566,725	\$ 3,616,211
Contributions in relation to the actuarially determined contribution	<u>(3,496,424)</u>	<u>(3,489,185)</u>	<u>(3,551,472)</u>	<u>(3,566,725)</u>	<u>(3,616,211)</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 20,543,616	\$ 21,323,383	\$ 22,512,615	\$ 22,446,058	\$ 22,496,785
Contributions as a percentage of covered employee payroll	17.02%	16.36%	15.78%	15.89%	16.07%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	
Mortality	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014 RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

CITY OF LA PORTE, TEXAS
SCHEDULE OF CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
LAST FOUR MEASUREMENT YEARS

Exhibit B-5

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the new pension liability	0.721%	0.982%	0.780%	0.653%
City's proportionate share of the net pensions liability	\$ 131,018	\$ 262,121	\$ 227,199	\$ 156,731
City's covered-employee payroll	18,420	18,617	15,498	27,694
City's proportionate share of the net pension liability as percentage of its covered-employee payroll	711%	1408%	1466%	566%
Plan fiduciary net position as a percentage of the total pension liability	83.5%	76.9%	76.3%	81.4%

CITY OF LA PORTE, TEXAS
SCHEDULE OF CITY'S CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS

Exhibit B-6

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 26,055	\$ 48,820	\$ 38,095	\$ 26,495	\$ 40,265
Contributions in relation to the contractually required contribution	(26,055)	(48,820)	(38,095)	(26,495)	(40,265)
Contribution deficiency (excess)	-	-	-	-	-
City's covered-employee payroll	18,420	18,617	15,498	27,964	15,388
Contribution as a percentage of covered-employee payroll	141.4%	262.2%	245.8%	94.7%	261.7%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

CITY OF LA PORTE, TEXAS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
CITY OF LA PORTE RETIREE HEALTH CARE PLAN
FOR THE MEASUREMENT YEAR ENDED DECEMBER 31

Total OPEB Liability	<u>2017</u>
Service cost	\$ 1,424,797
Interest on the total OPEB liability	1,611,153
Changes in benefit terms	-
Difference between expected and actual experience of the total OPEB liability	(43,219)
Changes in assumptions	3,495,450
Benefit payments	<u>(1,140,416)</u>
Net change in total OPEB liability	5,347,765
Total OPEB Liability - Beginning	<u>42,145,298</u>
Total OPEB Liability - Ending	<u>\$ 47,493,063</u>
Covered payroll	\$ 21,799,361
Total OPEB liability as a percentage of covered payroll	217.86%

Notes to the Required Supplementary Information

Ten years of data should be presented but data was unavailable prior to 2018.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2018.

CITY OF LA PORTE, TEXAS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE MEASUREMENT YEAR ENDED DECEMBER 31

Total OPEB Liability	<u>2017</u>
Service cost	\$ 27,064
Interest on the total OPEB liability	34,660
Changes in benefit terms	-
Difference between expected and actual experience of the total OPEB liability	-
Changes in assumptions	91,149
Benefit payments	<u>(6,766)</u>
Net change in total OPEB liability	146,107
Total OPEB Liability - Beginning	<u>906,769</u>
Total OPEB Liability - Ending	<u>\$ 1,052,876</u>
Covered payroll	\$ 22,553,362
Total OPEB liability as a percentage of covered payroll	4.67%

Notes to the Required Supplementary Information

Ten years of data should be presented but data was unavailable prior to 2017.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

No significant methods and assumptions to disclose.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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Non-major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes.

Hotel/Motel Occupancy Tax Fund - This fund is used to account for the accumulation of resources from the Hotel/Motel Tax assessment levied by the City. These monies are to be spent to promote the development or progress of the City within the guidelines set forth on disposition of revenues collected under the authority of the Texas Hotel Occupancy Act (Article 1369; Vernon's Texas Civil Statutes).

Section 4B Sales Tax Fund – This fund is used to account for funds received from the ½ cent sales tax dedicated to certain economic and infrastructure projects.

Street Maintenance Sales Tax Fund – This fund is used to account for the additional sales tax collected for street maintenance.

Emergency Services Sales Tax Fund – This fund is used to account for the additional sales tax collected for emergency maintenance.

These funds are used to account for revenues to be received from the Community Development Block Grant Entitlement Fund.

Restricted Funds – This fund is used to account for funds received from another government or organization to be used for the specific purpose activity or facility.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

2006 Certificate of Obligation Bonds Fund – This fund is used to account for the proceeds and expenditures related to the Police Facility, a Sports Complex, South La Porte Trunk Sewer and various other Water/Sewer projects.

2010 Certificates of Obligation Bond Fund – This fund is used to account for the proceeds and expenditures related to street, drainage and park improvements.

2015 Certificate of Obligation Bonds Fund – This fund is used to account for bond proceeds and the expenditure of those funds for water and sewer improvements, and street and drainage improvements.

Drainage Improvements – This fund is used to account for the proceeds and expenditures related to the drainage fees collected.

Capital Improvements – This fund is used to account for projects that are generally small in nature and affect the general operation of the City.

CITY OF LA PORTE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Special Revenue Funds		
	Hotel - Motel Occupancy Tax Fund	Section 4B Sales Tax	Street Maintenance Sales Tax
Assets			
Current Assets:			
Cash and cash equivalents	\$ 666,344	\$ 2,981,857	\$ 1,451,595
Investments	612,961	1,745,983	1,335,305
Receivables	150,707	496,617	250,061
Total Assets	\$ 1,430,012	\$ 5,224,457	\$ 3,036,961
 Liabilities:			
Accounts payable	4,626	832	154,251
Accrued salaries	617	1,669	-
Other payables	-	-	-
Unearned revenues	-	-	-
Total Liabilities	5,243	2,501	154,251
 Fund Balances:			
Restricted for:			
Debt service	-	1,083,817	-
Economic development	1,424,769	4,138,139	-
Senior citizen programs	-	-	-
Replacement of trees	-	-	-
Municipal court building and technology	-	-	-
Park improvements	-	-	-
Public safety	-	-	-
Capital projects	-	-	-
Public works	-	-	2,882,710
Other	-	-	-
Total Fund Balances	1,424,769	5,221,956	2,882,710
Total Liabilities and Fund Balances	\$ 1,430,012	\$ 5,224,457	\$ 3,036,961

<u>Special Revenue Funds</u>		
<u>Emergency Service Sales Tax</u>	<u>Restricted Funds (Grants)</u>	<u>Total Special Revenue Funds</u>
\$ 347,109	\$ 1,001,792	\$ 6,448,697
319,302	921,535	4,935,086
244,232	322,904	1,464,521
<u>\$ 910,643</u>	<u>\$ 2,246,231</u>	<u>\$ 12,848,304</u>
24,450	44,483	\$ 228,642
1,958	-	4,244
-	1,500	1,500
-	1,143	1,143
<u>26,408</u>	<u>47,126</u>	<u>235,529</u>
-	-	1,083,817
-	-	5,562,908
-	10,543	10,543
-	576,940	576,940
-	478,343	478,343
-	260,794	260,794
884,235	647,709	1,531,944
-	-	-
-	-	2,882,710
-	224,776	224,776
<u>884,235</u>	<u>2,199,105</u>	<u>12,612,775</u>
<u>\$ 910,643</u>	<u>\$ 2,246,231</u>	<u>\$ 12,848,304</u>

CITY OF LA PORTE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Capital Projects Funds		
	2006	2010	2015
	Certificate of Obligation Bonds	Certificate of Obigation Bond	Certificate of Obligation Bonds
Assets			
Current Assets:			
Cash and cash equivalents	\$ 3,877	\$ 1,156,469	\$ 3,667,897
Investments	3,566	29,139	40,883
Receivables	13	110	154
Total Assets	\$ 7,456	\$ 1,185,718	\$ 3,708,934
Liabilities:			
Accounts payable	-	-	305,712
Accrued salaries	-	-	-
Other payables	-	-	-
Unearned revenues	-	-	-
Total Liabilities	-	-	305,712
Fund Balances:			
Restricted for:			
Debt service	-	-	-
Economic development	-	-	-
Senior citizen programs	-	-	-
Replacement of trees	-	-	-
Municipal court building and technology	-	-	-
Park improvements	-	-	-
Public safety	-	-	-
Capital projects	7,456	1,185,718	3,403,222
Public works	-	-	-
Other	-	-	-
Total Fund Balances	7,456	1,185,718	3,403,222
Total Liabilities and Fund Balances	\$ 7,456	\$ 1,185,718	\$ 3,708,934

Capital Project Funds			
Capital Improvements	Drainage Improvements	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 3,843,440	\$ 478,477	\$ 9,150,160	\$ 15,598,857
3,535,532	440,145	4,049,265	8,984,351
13,395	17,063	30,735	1,495,256
<u>\$ 7,392,367</u>	<u>\$ 935,685</u>	<u>\$ 13,230,160</u>	<u>\$ 26,078,464</u>
173,973	29,708	509,393	\$ 738,035
-	-	-	4,244
-	-	-	1,500
-	-	-	1,143
<u>173,973</u>	<u>29,708</u>	<u>509,393</u>	<u>744,922</u>
-	-	-	-
-	-	-	1,083,817
-	-	-	5,562,908
-	-	-	10,543
-	-	-	576,940
-	-	-	478,343
-	-	-	260,794
-	-	-	1,531,944
7,218,394	905,977	12,720,767	12,720,767
-	-	-	2,882,710
-	-	-	224,776
<u>7,218,394</u>	<u>905,977</u>	<u>12,720,767</u>	<u>25,333,542</u>
<u>\$ 7,392,367</u>	<u>\$ 935,685</u>	<u>\$ 13,230,160</u>	<u>\$ 26,078,464</u>

CITY OF LA PORTE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	Special Revenue Funds			
	Hotel/Motel Tax	Section 4b Sales Tax	Street Maintenance Sales Tax	Emergency Service Sales Tax
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	796,924	2,916,380	1,458,190	1,452,028
Intergovernmental revenues	-	-	-	-
Investment earnings	13,147	48,073	27,428	4,467
Charges for services	-	-	-	-
Miscellaneous	5,220	-	-	-
Total revenues	815,291	2,964,453	1,485,618	1,456,495
Expenditures				
Current:				
General government	496,430	346,636	-	951,318
Public safety	-	-	-	-
Public works	-	-	783,768	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	285,621	103,582
Total expenditures	496,430	346,636	1,069,389	1,054,900
Excess (Deficiency) of Revenues Over (Under) Expenditures	318,861	2,617,817	416,229	401,595
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers to other funds	(57,500)	(3,079,212)	-	-
Total Other Financing Sources (Uses)	(57,500)	(3,079,212)	-	-
Change in Fund Balance	261,361	(461,395)	416,229	401,595
Fund Balances, Beginning	1,163,408	5,683,351	2,466,481	482,640
Fund Balances, Ending	\$ 1,424,769	\$ 5,221,956	\$ 2,882,710	\$ 884,235

Exhibit C-2
Page 1 of 2

<u>Restricted Funds (Grants)</u>	<u>Total Special Revenue Funds</u>
\$ 225,324	\$ 225,324
-	6,623,522
893,006	893,006
27,620	120,735
-	-
35,552	40,772
<u>1,181,502</u>	<u>7,903,359</u>
66,974	1,861,358
305,838	305,838
78,566	862,334
46,915	46,915
850,647	1,239,850
<u>1,348,940</u>	<u>4,316,295</u>
(167,438)	3,587,064
-	-
-	<u>(3,136,712)</u>
-	<u>(3,136,712)</u>
(167,438)	450,352
<u>2,366,543</u>	<u>12,162,423</u>
<u>\$ 2,199,105</u>	<u>\$ 12,612,775</u>

CITY OF LA PORTE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	Capital Projects Fund			Capital Improvements
	2006 Certificate of Obligation Bonds	2010 Certificate of Obligation Bond	2015 Certificate of Obligation Bonds	
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Intergovernmental revenues	-	-	-	-
Investment earnings	3,971	17,974	66,226	72,091
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>3,971</u>	<u>17,974</u>	<u>66,226</u>	<u>72,091</u>
Expenditures				
Current:				
General government	-	-	-	103,291
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	251,969
Capital outlay	-	9,333	1,214,438	619,507
Total expenditures	<u>-</u>	<u>9,333</u>	<u>1,214,438</u>	<u>974,767</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,971	8,641	(1,148,212)	(902,676)
Other Financing Sources (Uses)				
Transfers in	-	-	-	3,565,200
Transfers to other funds	(563,592)	-	-	-
Total Other Financing Sources (Uses)	<u>(563,592)</u>	<u>-</u>	<u>-</u>	<u>3,565,200</u>
Change in Fund Balance	(559,621)	8,641	(1,148,212)	2,662,524
Fund Balances, Beginning (as restated)	<u>567,077</u>	<u>1,177,077</u>	<u>4,551,434</u>	<u>4,555,870</u>
Fund Balances, Ending	<u>\$ 7,456</u>	<u>\$ 1,185,718</u>	<u>\$ 3,403,222</u>	<u>\$ 7,218,394</u>

Capital Projects Fund		
Drainage Improvements	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 225,324
-	-	6,623,522
-	-	893,006
11,538	171,800	292,535
267,358	267,358	267,358
-	-	40,772
<u>278,896</u>	<u>439,158</u>	<u>8,342,517</u>
-	103,291	\$ 1,964,649
15,454	-	305,838
-	15,454	877,788
-	251,969	298,884
345,706.00	2,188,984	3,428,834
<u>361,160</u>	<u>2,559,698</u>	<u>6,875,993</u>
(82,264)	(2,120,540)	1,466,524
-	3,565,200	3,565,200
-	(563,592)	(3,700,304)
<u>-</u>	<u>3,001,608</u>	<u>(135,104)</u>
(82,264)	881,068	1,331,420
<u>988,241</u>	<u>11,839,699</u>	<u>24,002,122</u>
<u>\$ 905,977</u>	<u>\$ 12,720,767</u>	<u>\$ 25,333,542</u>

CITY OF LA PORTE, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018

With comparative actual totals for the year ended September 30, 2017

	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>	<u>2017</u>
Revenues				
Taxes:				
Property taxes	\$ 3,240,000	\$ 3,435,051	\$ 195,051	\$ 3,304,451
Investment earnings	8,000	29,595	21,595	14,220
Total revenues	<u>3,248,000</u>	<u>3,464,646</u>	<u>216,646</u>	<u>3,318,671</u>
Expenditures				
Current:				
Debt service:				
Principal	3,370,000	3,370,000	-	2,850,000
Interest and fiscal charges	1,156,923	1,156,923	-	1,063,705
Total expenditures	<u>4,526,923</u>	<u>4,526,923</u>	<u>-</u>	<u>3,913,705</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,278,923)	(1,062,277)	216,646	(595,034)
Other Financing Sources (Uses)				
Transfers in	1,577,604	1,577,604	-	937,295
Total Other Financing Sources (Uses)	<u>1,577,604</u>	<u>1,577,604</u>	<u>-</u>	<u>937,295</u>
Change in Fund Balance	298,681	515,327	216,646	342,261
Fund Balances, Beginning	3,883,137	3,883,137	-	3,540,876
Fund Balances, Ending	<u>\$ 4,181,818</u>	<u>\$ 4,398,464</u>	<u>\$ 216,646</u>	<u>\$ 3,883,137</u>

CITY OF LA PORTE, TEXAS
CAPITAL PROJECTS FUND - 2017 CERTIFICATE OF OBLIGATION BONDS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018
With comparative actual totals for the year ended September 30, 2017

	Final Budget	GAAP Actual	Variance Positive (Negative)	2017
Revenues				
Investment earnings	\$ -	\$ 181,549	\$ 181,549	\$ 23
Total revenues	<u>-</u>	<u>181,549</u>	<u>181,549</u>	<u>23</u>
Expenditures				
Current:				
General government	-	-	-	-
Public works	35,115	308,972	(273,857)	-
Debt service:				
Interest and fiscal charges	-	-	-	257,024
Total expenditures	<u>35,115</u>	<u>308,972</u>	<u>(273,857)</u>	<u>257,024</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,115)	(127,423)	455,406	(257,001)
Other Financing Sources (Uses)				
Proceeds from bond issuance	-	-	-	10,635,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,635,000</u>
Change in Fund Balance	(35,115)	(127,423)	455,406	10,377,999
Fund Balances, Beginning	<u>10,377,999</u>	<u>10,377,999</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	<u>\$10,342,884</u>	<u>\$10,250,576</u>	<u>\$ 455,406</u>	<u>\$ 10,377,999</u>

CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - HOTEL/MOTEL TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018
With comparative actual totals for the year ended September 30, 2017

	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>	<u>2017</u>
Revenues				
Sales and use taxes	\$ 700,000	\$ 796,924	\$ 96,924	\$ 823,980
Investment earnings	5,500	13,147	7,647	11,223
Miscellaneous	-	5,220	5,220	104,286
Total revenues	<u>705,500</u>	<u>815,291</u>	<u>109,791</u>	<u>939,489</u>
Current:				
General government	<u>686,305</u>	<u>496,430</u>	<u>189,875</u>	<u>826,569</u>
Total expenditures	<u>686,305</u>	<u>496,430</u>	<u>189,875</u>	<u>826,569</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,195	318,861	(80,084)	112,920
Other Financing Sources (Uses)				
Transfers to other funds	<u>(57,500)</u>	<u>(57,500)</u>	<u>-</u>	<u>(57,500)</u>
Total Other Financing Sources (Uses)	<u>(57,500)</u>	<u>(57,500)</u>	<u>-</u>	<u>(57,500)</u>
Change in Fund Balance	(38,305)	261,361	(80,084)	55,420
Fund Balances, Beginning	<u>1,163,408</u>	<u>1,163,408</u>	<u>-</u>	<u>1,107,988</u>
Fund Balances, Ending	<u>\$ 1,125,103</u>	<u>\$ 1,424,769</u>	<u>\$ (80,084)</u>	<u>\$ 1,163,408</u>

CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - SECTION 4B SALES TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018
With comparative actual totals for the year ended September 30, 2017

	Final Budget	GAAP Actual	Variance Positive (Negative)	2017
Revenues				
Sales and use taxes	\$ 2,250,000	\$2,916,380	\$ 666,380	\$ 2,491,714
Investment earnings	25,000	48,073	23,073	27,619
Total revenues	<u>2,275,000</u>	<u>2,964,453</u>	<u>689,453</u>	<u>2,519,333</u>
Expenditures				
General government	770,314	346,636	423,678	526,195
Total expenditures	<u>770,314</u>	<u>346,636</u>	<u>423,678</u>	<u>526,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,504,686	2,617,817	265,775	1,993,138
Other Financing Sources (Uses)				
Transfers to other funds	(3,079,212)	(3,079,212)	-	(2,025,447)
Total Other Financing Sources (Uses)	<u>(3,079,212)</u>	<u>(3,079,212)</u>	<u>-</u>	<u>(2,025,447)</u>
Change in Fund Balance	(1,574,526)	(461,395)	265,775	(32,309)
Fund Balances, Beginning	<u>5,683,351</u>	<u>5,683,351</u>	<u>-</u>	<u>5,715,660</u>
Fund Balances, Ending	<u>\$ 4,108,825</u>	<u>\$ 5,221,956</u>	<u>\$ 265,775</u>	<u>\$ 5,683,351</u>

CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - STREET MAINTENANCE SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018
With comparative actual totals for the year ended September 30, 2017

	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>	<u>2017</u>
Revenues				
Sales and use taxes	\$ 1,125,000	\$ 1,458,190	\$ 333,190	\$ 1,245,857
Investment earnings	<u>12,000</u>	<u>27,428</u>	<u>15,428</u>	<u>14,149</u>
Total revenues	<u>1,137,000</u>	<u>1,485,618</u>	<u>348,618</u>	<u>1,260,006</u>
Expenditures				
Current:				
Public works	288,569	783,768	(495,199)	824,489
Capital outlay	<u>-</u>	<u>285,621</u>	<u>(285,621)</u>	<u>126,375</u>
Total expenditures	<u>288,569</u>	<u>1,069,389</u>	<u>(780,820)</u>	<u>950,864</u>
Change in Fund Balance	848,431	416,229	1,129,438	309,142
Fund Balances, Beginning	<u>2,466,481</u>	<u>2,466,481</u>	<u>-</u>	<u>2,157,339</u>
Fund Balances, Ending	<u>\$ 3,314,912</u>	<u>\$ 2,882,710</u>	<u>\$ 1,129,438</u>	<u>\$ 2,466,481</u>

CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - EMERGENCY SERVICES SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018
With comparative actual totals for the year ended September 30, 2017

	Final Budget	GAAP Actual	Variance Positive (Negative)	2017
Revenues				
Sales and use taxes	\$1,125,000	\$1,452,028	\$ 327,028	\$ 1,226,838
Investment earnings	4,500	4,467	(33)	3,538
Total revenues	<u>1,129,500</u>	<u>1,456,495</u>	<u>326,995</u>	<u>1,230,376</u>
Expenditures				
Current:				
General government	982,282	951,318	30,964	925,205
Capital outlay	105,091	103,582	1,509	776,803
Total expenditures	<u>1,087,373</u>	<u>1,054,900</u>	<u>32,473</u>	<u>1,702,008</u>
Change in Fund Balance	42,127	401,595	294,522	(471,632)
Fund Balances, Beginning	<u>482,640</u>	<u>482,640</u>	<u>-</u>	<u>954,272</u>
Fund Balances, Ending	<u>\$ 524,767</u>	<u>\$ 884,235</u>	<u>\$ 294,522</u>	<u>\$ 482,640</u>

CITY OF LA PORTE, TEXAS
SPECIAL REVENUE FUND - RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018

With comparative actual totals for the year ended September 30, 2017

	Final Budget	GAAP Actual	Variance Positive (Negative)	2017
Revenues				
Fines and forfeitures	\$ 120,000	\$ 225,324	\$ 105,324	\$ 337,778
Intergovernmental revenues	412,986	893,006	480,020	1,077,893
Investment earnings	-	27,620	27,620	17,523
Miscellaneous	850.00	35,552	34,702	36,051
Total revenues	<u>533,836</u>	<u>1,181,502</u>	<u>647,666</u>	<u>1,469,245</u>
Expenditures				
Current:				
General government	196,800	66,974	129,826	63,045
Public safety	409,344	305,838	103,506	302,058
Public works	160,729	78,566	82,163	105,127
Culture and recreation	-	46,915	(46,915)	62,397
Capital outlay	360,795	850,647	(489,852)	820,227
Total expenditures	<u>1,127,668</u>	<u>1,348,940</u>	<u>(221,272)</u>	<u>1,352,854</u>
Change in Fund Balance	(593,832)	(167,438)	868,938	116,391
Fund Balances, Beginning	<u>2,366,543</u>	<u>2,366,543</u>	<u>-</u>	<u>2,250,152</u>
Fund Balances, Ending	<u>\$ 1,772,711</u>	<u>\$ 2,199,105</u>	<u>\$ 868,938</u>	<u>\$ 2,366,543</u>

CITY OF LA PORTE, TEXAS
2006 CERTIFICATE OF OBLIGATION BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018
With comparative actual totals for the year ended September 30, 2017

	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>	<u>2017</u>
Revenues				
Investment earnings	\$ -	\$ 3,971	\$ 3,971	\$ 3,486
Total revenues	<u>-</u>	<u>3,971</u>	<u>3,971</u>	<u>3,486</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	3,971	3,971	3,486
Other Financing Sources (Uses)				
Transfers to other funds	<u>(563,592)</u>	<u>(563,592)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(563,592)</u>	<u>(563,592)</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	(563,592)	(559,621)	3,971	3,486
Fund Balances, Beginning	<u>567,077</u>	<u>567,077</u>	<u>-</u>	<u>563,592</u>
Fund Balances, Ending	<u>\$ 3,485</u>	<u>\$ 7,456</u>	<u>\$ 3,971</u>	<u>\$ 567,077</u>

CITY OF LA PORTE, TEXAS
2010 CERTIFICATE OF OBLIGATION BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018
With comparative actual totals for the year ended September 30, 2017

	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>	<u>2017</u>
Revenues				
Investment earnings	\$ -	\$ 17,974	\$ 17,974	\$ 8,050
Total revenues	<u>-</u>	<u>17,974</u>	<u>17,974</u>	<u>8,050</u>
Expenditures				
Current:				
Capital outlay	1,056,113	9,333	1,046,780	8,420
Total expenditures	<u>1,056,113</u>	<u>9,333</u>	<u>1,046,780</u>	<u>8,420</u>
Change in Fund Balance	(1,056,113)	8,641	(1,028,806)	(370)
Fund Balances, Beginning	<u>1,177,077</u>	<u>1,177,077</u>	<u>-</u>	<u>1,177,447</u>
Fund Balances, Ending	<u>\$ 120,964</u>	<u>\$ 1,185,718</u>	<u>\$ (1,028,806)</u>	<u>\$ 1,177,077</u>

CITY OF LA PORTE, TEXAS
2015 CERTIFICATE OF OBLIGATION BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018
With comparative actual totals for the year ended September 30, 2017

	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>	<u>2017</u>
Revenues				
Investment earnings	\$ -	\$ 66,226	\$ 66,226	\$ 41,779
Total revenues	<u>-</u>	<u>66,226</u>	<u>66,226</u>	<u>41,779</u>
Expenditures				
Current:				
Capital outlay	(1,166,230)	1,214,438	(2,380,668)	1,523,403
Total expenditures	<u>(1,166,230)</u>	<u>1,214,438</u>	<u>(2,380,668)</u>	<u>1,523,403</u>
Change in Fund Balance	1,166,230	(1,148,212)	2,446,894	(1,481,624)
Fund Balances, Beginning	<u>4,551,434</u>	<u>4,551,434</u>	<u>-</u>	<u>6,033,058</u>
Fund Balances, Ending	<u>\$ 5,717,664</u>	<u>\$ 3,403,222</u>	<u>\$ 2,446,894</u>	<u>\$ 4,551,434</u>

CITY OF LA PORTE, TEXAS
CAPITAL IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018
With comparative actual totals for the year ended September 30, 2017

	Final Budget	GAAP Actual	Variance Positive (Negative)	2017
Revenues				
Investment earnings	\$ 15,000	\$ 72,091	\$ 57,091	\$ 24,127
Total revenues	<u>15,000</u>	<u>72,091</u>	<u>57,091</u>	<u>31,127</u>
Expenditures				
Current:				
General government	194,000	103,291	90,709	35,000
Culture and recreation	-	251,969	(251,969)	262,852
Capital outlay	467,235	619,507	(152,272)	845,281
Total expenditures	<u>661,235</u>	<u>974,767</u>	<u>(313,532)</u>	<u>1,143,133</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(646,235)	(902,676)	370,623	(1,112,006)
Other Financing Sources (Uses)				
Transfers in	3,565,200	3,565,200	-	2,690,200
Total Other Financing Sources (Uses)	<u>3,565,200</u>	<u>3,565,200</u>	<u>-</u>	<u>2,690,200</u>
Change in Fund Balance	2,918,965	2,662,524	370,623	1,578,194
Fund Balances, Beginning	<u>4,555,870</u>	<u>4,555,870</u>	<u>-</u>	<u>2,977,676</u>
Fund Balances, Ending	<u>\$ 7,474,835</u>	<u>\$ 7,218,394</u>	<u>\$ 370,623</u>	<u>\$ 4,555,870</u>

CITY OF LA PORTE, TEXAS
CAPITAL PROJECTS FUND - DRAINAGE IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018
With comparative actual totals for the year ended September 30, 2017

	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>	<u>2017</u>
Revenues				
Investment earnings	\$ 5,000	\$ 11,538	\$ 6,538	\$ 7,708
Charges for services	275,500	267,358	(8,142)	286,470
Total revenues	<u>280,500</u>	<u>278,896</u>	<u>(1,604)</u>	<u>294,178</u>
Expenditures				
Current:				
Public works	-	15,454	(15,454)	62,096
Capital outlay	(236)	345,706	(345,942)	64,038
Total expenditures	<u>(236)</u>	<u>361,160</u>	<u>(361,396)</u>	<u>126,134</u>
Change in Fund Balance	280,736	(82,264)	359,792	168,044
Fund Balances, Beginning	<u>988,241</u>	<u>988,241</u>	<u>-</u>	<u>820,197</u>
Fund Balances, Ending	<u>\$ 1,268,977</u>	<u>\$ 905,977</u>	<u>\$ 359,792</u>	<u>\$ 988,241</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Revenues - Budget and Actual
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem:				
Current	\$ 17,700,000	\$ 17,700,000	\$ 18,650,083	\$ 950,083
Delinquent	100,000	100,000	(139,834)	(239,834)
Penalty and interest	160,500	160,500	241,916	81,416
Total ad valorem	<u>17,960,500</u>	<u>17,960,500</u>	<u>18,752,165</u>	<u>791,665</u>
Industrial Payments	13,375,000	13,375,000	14,147,728	772,728
Sales Taxes	4,500,000	4,500,000	5,830,345	1,330,345
Other Taxes	90,000	90,000	90,936	936
Franchise Fees:				
Electrical	1,528,269	1,528,269	1,732,586	204,317
Gas	140,500	140,500	135,796	(4,704)
Telephone	275,000	275,000	350,010	75,010
Cable	400,000	400,000	313,606	(86,394)
Commercial Solidwaste	85,000	85,000	89,037	4,037
Total Franchise Fees	<u>2,428,769</u>	<u>2,428,769</u>	<u>2,621,035</u>	<u>192,266</u>
Charges for Services:				
Public safety service fees	488,433	488,433	681,857	193,424
Health and sanitation service fees	3,215,500	3,215,500	3,035,789	(179,711)
Culture and recreation fees	1,598,325	1,598,325	1,512,234	(86,091)
Other service fees	383,434	383,434	456,343	72,909
Total Charges for Services	<u>5,685,692</u>	<u>5,685,692</u>	<u>5,686,223</u>	<u>531</u>
Licenses and permits:				
Building permits	472,625	472,625	645,978	173,353
Licenses	18,875	18,875	22,830	3,955
Total Licenses and permits	<u>491,500</u>	<u>491,500</u>	<u>668,808</u>	<u>177,308</u>
Investment income	325,000	325,000	652,760	327,760
Fines and forfeitures	1,556,150	1,556,150	1,867,095	310,945
Miscellaneous	169,114	169,114	258,020	88,906
Total revenues	<u>\$ 46,581,725</u>	<u>\$ 46,581,725</u>	<u>\$ 50,575,115</u>	<u>\$ 3,993,390</u>

General Fund

Schedule of Expenditures - Budget and Actual

For the year ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Administration:				
Emergency Management:				
Personal services	\$ 267,771	\$ 277,685	\$ 260,331	\$ 17,354
Supplies	5,255	5,255	4,277	978
Other services and charges	84,014	95,419	92,591	2,828
Total Emergency Management	<u>357,040</u>	<u>378,359</u>	<u>357,199</u>	<u>21,160</u>
General Administration:				
Personal services	\$ 468,824	\$ 482,879	\$ 423,147	59,732
Supplies	3,200	3,200	2,495	705
Other services and charges	327,995	327,995	119,931	208,064
Total General Administration	<u>800,019</u>	<u>814,074</u>	<u>545,573</u>	<u>268,501</u>
Community Investment:				
Personal services	\$ -	\$ -	\$ -	-
Supplies	32,200	32,200	26,532	5,668
Other services and charges	86,900	86,900	75,424	11,476
Total Community Investment	<u>119,100</u>	<u>119,100</u>	<u>101,956</u>	<u>17,144</u>
Human Resources:				
Personal services	\$ 253,702	\$ 261,129	\$ 254,049	7,080
Supplies	2,600	2,600	2,037	563
Other services and charges	210,224	267,224	247,921	19,303
Total Human Resources	<u>466,526</u>	<u>530,953</u>	<u>504,007</u>	<u>26,946</u>
Information Technology				
Personal services	\$ 646,411	\$ 666,963	\$ 585,661	81,302
Supplies	255,458	255,458	253,509	1,949
Other services and charges	1,680,890	1,897,714	1,603,609	294,105
Total Information Technology	<u>2,582,759</u>	<u>2,820,135</u>	<u>2,442,779</u>	<u>377,356</u>
Municipal Court:				
Personal services	\$ 743,631	\$ 761,867	\$ 757,012	4,855
Supplies and materials	19,750	23,750	23,100	650
Other services and charges	130,881	132,361	103,868	28,493
Capital outlay	-	-	-	-
Total Municipal Court	<u>894,262</u>	<u>917,978</u>	<u>883,980</u>	<u>33,998</u>
Purchasing:				
Personal services	\$ 256,393	\$ 271,328	\$ 270,942	386
Supplies	1,400	1,400	861	539
Other services and charges	11,837	11,837	9,257	2,580
Capital Outlay	-	-	-	-
Total Purchasing	<u>269,630</u>	<u>284,565</u>	<u>281,060</u>	<u>3,505</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
For the year ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (continued)				
City Secretary:				
Personal services	\$ 370,224	\$ 384,097	\$ 383,236	861
Supplies and materials	18,200	18,915	16,531	2,384
Other services and charges	97,570	93,855	66,819	27,036
Capital outlay	-	-	-	
Total City Secretary	<u>485,994</u>	<u>496,867</u>	<u>466,586</u>	<u>30,281</u>
Legal:				
Personal services	\$ 13,245	\$ 13,245	\$ 13,245	-
Supplies and materials	-	-	-	
Other services and charges	171,000	171,000	138,405	32,595
Capital outlay	-	-	-	
Total Legal	<u>184,245</u>	<u>184,245</u>	<u>151,650</u>	<u>32,595</u>
City Council:				
Personal services	\$ 37,462	\$ 37,907	\$ 37,632	275
Supplies and materials	9,500	9,500	7,859	1,641
Other services and charges	20,121	20,121	17,412	2,709
Capital outlay	-	-	-	
Total City Council	<u>67,083</u>	<u>67,528</u>	<u>62,903</u>	<u>4,625</u>
Total Administration	<u>6,226,658</u>	<u>6,613,804</u>	<u>5,797,693</u>	<u>816,111</u>
Finance:				
Accounting:				
Personal services	\$ 757,634	\$ 777,342	\$ 713,255	\$ 64,087
Supplies	7,650	9,390	9,401	(11)
Other services and charges	91,701	105,124	81,367	23,757
Capital Outlay	-	-	-	
Total Accounting	<u>856,985</u>	<u>891,856</u>	<u>804,023</u>	<u>87,833</u>
Nondepartmental:				
Personal services	\$ 537,570	\$ 537,570	\$ 491,990	45,580
Supplies	5,300	5,300	4,282	1,018
Other services and charges	2,418,166	1,261,455	916,769	344,686
Capital Outlay	-	-	-	
Total Nondepartmental	<u>2,961,036</u>	<u>1,804,325</u>	<u>1,413,041</u>	<u>391,284</u>
Tax Office:				
Personal services	\$ 180,452	\$ 173,754	\$ 110,641	63,113
Supplies and materials	3,880	3,880	2,490	1,390
Other services and charges	302,270	302,270	284,766	17,504
Capital outlay	-	-	-	
Total Tax Office	<u>486,602</u>	<u>479,904</u>	<u>397,897</u>	<u>82,007</u>
Total Finance	<u>4,304,623</u>	<u>3,176,085</u>	<u>2,614,961</u>	<u>561,124</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
For the year ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (continued)				
Planning and Engineering:				
Planning and Engineering:				
Personal services	\$ 515,841	\$ 530,554	\$ 476,147	54,407
Supplies	12,280	12,280	7,892	4,388
Other services and charges	119,447	119,447	83,200	36,247
Capital Outlay	-	-	-	
Total Planning and Engineering	<u>647,568</u>	<u>662,281</u>	<u>567,239</u>	<u>95,042</u>
Inspection:				
Personal services	\$ 748,044	\$ 769,856	\$ 761,908	7,948
Supplies	22,460	23,460	22,926	534
Other services and charges	179,843	178,843	92,059	86,784
Capital Outlay	-	-	-	
Total Inspection	<u>950,347</u>	<u>972,159</u>	<u>876,893</u>	<u>95,266</u>
Total Planning and Engineering	<u>1,597,915</u>	<u>1,634,440</u>	<u>1,444,132</u>	<u>190,308</u>
Total General Government	<u>12,129,196</u>	<u>11,424,329</u>	<u>9,856,786</u>	<u>1,567,543</u>
Public Safety				
Fire				
Fire Prevention:				
Personal services	\$ 330,307	\$ 335,581	\$ 325,317	10,264
Supplies	11,171	11,171	10,953	218
Other services and charges	11,483	12,483	11,857	626
Capital Outlay	-	-	-	
Total Fire Prevention	<u>352,961</u>	<u>359,235</u>	<u>348,127</u>	<u>11,108</u>
Fire suppression:				
Personal services	\$ 1,521,957	\$ 1,532,707	\$ 1,493,794	38,913
Supplies	49,992	49,992	52,528	(2,536)
Other services and charges	263,734	284,734	279,797	4,937
Capital Outlay	-	-	-	
Total Fire Suppression	<u>1,835,683</u>	<u>1,867,433</u>	<u>1,826,119</u>	<u>41,314</u>
Emergency medical services:				
Personal services	\$ 1,847,809	\$ 1,924,717	\$ 2,024,926	(100,209)
Supplies	182,175	199,221	199,148	73
Other services and charges	772,694	772,694	671,825	100,869
Capital Outlay	33,000	30,579	27,115	3,464
Total Emergency Services	<u>2,835,678</u>	<u>2,927,211</u>	<u>2,923,014</u>	<u>4,197</u>
Total Fire	<u>5,024,322</u>	<u>5,153,879</u>	<u>5,097,260</u>	<u>56,619</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Public Safety (continued)				
Police				
Police Administration:				
Personal services	\$ 707,844	\$ 751,703	\$ 719,437	\$ 32,266
Supplies	35,625	39,025	35,337	3,688
Other services and charges	253,338	256,099	229,952	26,147
Capital Outlay	15,800	9,514	6,814	2,700
Total Police Administration	1,012,607	1,056,341	991,540	64,801.00
Police Patrol:				
Personal services	\$ 5,667,461	\$ 5,803,676	\$ 5,528,350	275,326
Supplies	231,090	296,918	296,914	4
Other services and charges	905,338	901,267	904,998	(3,731)
Capital Outlay	151,680	103,532	86,142	17,390
Total Police Patrol	6,955,569	7,105,393	6,816,404	288,989
Criminal Investigation:				
Personal services	\$ 2,127,569	\$ 2,198,966	\$ 2,049,528	149,438
Supplies	60,709	65,309	59,667	5,642
Other services and charges	180,819	175,599	168,010	7,589
Capital Outlay	-	-	-	-
Total Criminal Investigation	2,369,097	2,439,874	2,277,205	162,669
Support Services:				
Personal services	\$ 2,636,241	\$ 2,753,980	\$ 2,577,886	176,094
Supplies	112,572	117,522	116,945	577
Other services and charges	202,531	202,531	194,726	7,805
Capital Outlay	-	-	-	-
Total Support Services	2,951,344	3,074,033	2,889,557	184,476
Total Police	13,288,617	13,675,641	12,974,706	700,935
Total Public Safety	18,312,939	18,829,520	18,071,966	757,554
Public Works				
Public Works Administration:				
Personal services	\$ 595,115	\$ 636,657	\$ 636,140	517
Supplies and materials	8,740	14,364	12,831	1,533
Other services and charges	49,214	45,044	41,200	3,844
Capital outlay	12,000	12,000	12,000	-
Total Public Works Administration	665,069	708,065	702,171	5,894

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works (continued)				
Streets:				
Personal services	\$ 1,715,595	\$ 1,665,981	\$ 1,663,957	2,024
Supplies	131,610	132,606	116,265	16,341
Other services and charges	800,393	769,100	754,301	14,799
Capital Outlay	8,500	7,504	5,924	1,580
Total Streets	<u>2,656,098</u>	<u>2,575,191</u>	<u>2,540,447</u>	<u>34,744</u>
Total Public Works	<u>3,321,167</u>	<u>3,283,256</u>	<u>3,242,618</u>	<u>40,638</u>
Health and Sanitation				
Residential solidwaste:				
Personal services	\$ 1,302,767	\$ 1,330,545	\$ 1,355,635	(25,090)
Supplies	265,055	284,055	283,053	1,002
Other services and charges	1,132,088	1,242,088	1,215,006	27,082
Capital Outlay	-	-	-	-
Total Residential Solidwaste	<u>2,699,910</u>	<u>2,856,688</u>	<u>2,853,694</u>	<u>2,994</u>
Commercial solidwaste:				
Other services and charges	17,500	17,500	17,420	80
Total Commercial Solidwaste	<u>17,500</u>	<u>17,500</u>	<u>17,420</u>	<u>80</u>
Total Health and Sanitation	<u>2,717,410</u>	<u>2,874,188</u>	<u>2,871,114</u>	<u>3,074</u>
Culture & Recreation				
Park Maintenance:				
Personal services	\$ 1,418,809	\$ 1,506,579	\$ 1,508,163	\$ (1,584)
Supplies and materials	121,750	128,750	154,258	(25,508)
Other services and charges	846,088	954,693	953,707	986
Capital outlay	84,000	10,790	10,450	340
Total Park Maintenance	<u>2,470,647</u>	<u>2,600,812</u>	<u>2,626,578</u>	<u>(25,766)</u>
Recreation:				
Personal services	\$ 725,548	\$ 689,149	\$ 613,702	75,447
Supplies	84,818	84,818	81,981	2,837
Other services and charges	76,211	76,211	82,460	(6,249)
Capital Outlay	76,800	63,515	52,086	11,429
Total Recreation	<u>963,377</u>	<u>913,693</u>	<u>830,229</u>	<u>83,464</u>
Special Services:				
Personal services	\$ 400,605	\$ 406,809	\$ 349,953	56,856
Supplies	21,800	21,800	20,382	1,418
Other services and charges	63,252	67,252	67,081	171
Capital Outlay	-	-	-	-
Total Special Services	<u>485,657</u>	<u>495,861</u>	<u>437,416</u>	<u>58,445</u>

CITY OF LA PORTE, TEXAS
General Fund
Schedule of Expenditures - Budget and Actual
For the year ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture & Recreation (continued)				
Parks Administration:				
Personal Services	\$ 517,599	\$ 531,978	\$ 505,343	26,635
Supplies	8,950	8,950	8,228	722
Other Services and Charges	96,079	96,079	48,097	47,982
Capital Outlay	-	-	-	-
Total Parks Administration	<u>622,628</u>	<u>637,007</u>	<u>561,668</u>	<u>75,339</u>
Golf Course - Club House				
Personal Services	\$ 448,485	\$ 483,914	\$ 447,075	36,839
Supplies	63,490	71,889	68,064	3,825
Other Services and Charges	74,864	74,164	60,637	13,527
Capital Outlay	11,000	3,301	-	3,301
Total Golf Course	<u>597,839</u>	<u>633,268</u>	<u>575,776</u>	<u>57,492</u>
Golf Course - Maintenance				
Personal Services	\$ 637,244	\$ 655,862	\$ 636,481	19,381
Supplies	153,125	173,992	112,405	61,587
Other Services and Charges	162,796	167,796	168,627	(831)
Capital Outlay	112,000	86,133	83,997	2,136
Total Golf Course	<u>1,065,165</u>	<u>1,083,783</u>	<u>1,001,510</u>	<u>82,273</u>
Total Culture & Recreation	<u>6,205,313</u>	<u>6,364,424</u>	<u>6,033,177</u>	<u>331,247</u>
Total General Fund	<u>\$ 42,686,025</u>	<u>\$ 42,775,717</u>	<u>\$ 40,075,661</u>	<u>\$ 2,700,056</u>

CITY OF LA PORTE, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2018

	<u>Vehicle Replacement Fund</u>	<u>Employee Health Insurance</u>	<u>Technology</u>	<u>Total</u>
Assets				
Current Assets:				
Cash and cash equivalents	2,070,460	703,967	1,035,514	\$ 3,809,941
Investments	1,973,496	647,571	952,557	3,573,624
Other receivables, net of allowance	7,478	18,509	3,076	29,063
Due from other governments	-	119,927	-	119,927
Inventories	45,035	-	-	45,035
Total Current Assets	<u>4,096,469</u>	<u>1,489,974</u>	<u>1,991,147</u>	<u>7,577,590</u>
Noncurrent Assets:				
Capital assets:				
Land and improvements	-	-	60,914	60,914
Equipment	19,421,008	-	751,890	20,172,898
Less accumulated depreciation	(10,316,509)	-	(348,399)	(10,664,908)
Total Non-Current Assets	<u>9,104,499</u>	<u>-</u>	<u>464,405</u>	<u>9,568,904</u>
Total Assets	<u>13,200,968</u>	<u>1,489,974</u>	<u>2,455,552</u>	<u>17,146,494</u>
Liabilities				
Current liabilities:				
Accounts payable	22,561	881	-	23,442
Accrued liabilities	10,734	1,110	-	11,844
Unearned revenue	-	16,057	-	16,057
Claims and judgments	-	546,849	-	546,849
Total Current Liabilities	<u>33,295</u>	<u>564,897</u>	<u>-</u>	<u>598,192</u>
Noncurrent Liabilities:				
Accrued compensated absences	31,081	-	-	31,081
Total Noncurrent Liabilities	<u>31,081</u>	<u>-</u>	<u>-</u>	<u>31,081</u>
Total Liabilities	<u>64,376</u>	<u>564,897</u>	<u>-</u>	<u>629,273</u>
Net Position				
Invested in capital assets	9,104,499	-	464,405	9,568,904
Unrestricted	4,032,093	925,077	1,991,147	6,948,317
Total Net Position	<u>\$ 13,136,592</u>	<u>\$ 925,077</u>	<u>\$ 2,455,552</u>	<u>\$ 16,517,221</u>

CITY OF LA PORTE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2018

	Vehicle Replacement Fund	Employee Health Insurance	Technology	Total
Operating Revenues				
Charges for Services	3,100,799	5,426,197	433,426	\$ 8,960,422
Other		283		283
Total Operating Revenues	<u>3,100,799</u>	<u>5,426,480</u>	<u>433,426</u>	<u>8,960,705</u>
Operating Expenses				
Personnel	744,028	316,194	-	1,060,222
Other expenses	143,824	8,176,691	123,395	8,443,910
Supplies and materials	179,572	-	15,365	194,937
Depreciation	1,685,984	-	101,315	1,787,299
Total Operating Expenses	<u>2,753,408</u>	<u>8,492,885</u>	<u>240,075</u>	<u>11,486,368</u>
Operating Income (Loss)	<u>347,391</u>	<u>(3,066,405)</u>	<u>193,351</u>	<u>(2,525,663)</u>
Non-Operating Revenues				
Investment Earnings	40,105	10,137	21,074	71,316
Gain/loss on disposal of capital assets	(1,127)	-	-	(1,127)
Total Non-Operating Revenues	<u>38,978</u>	<u>10,137</u>	<u>21,074</u>	<u>70,189</u>
Income (Loss) Before Contributions and Transfers	386,369	(3,056,268)	214,425	(2,455,474)
Contributions and Transfers				
Capital contributions	57,474	-	-	57,474
Transfers from other funds	-	2,745,037	-	2,745,037
Transfers (to) other funds	(20,585)	-	-	(20,585)
Total Contributions and Transfers	<u>36,889</u>	<u>2,745,037</u>	<u>-</u>	<u>2,781,926</u>
Change in Net Position	423,258	(311,231)	214,425	326,452
Net position, beginning	<u>12,713,334</u>	<u>1,236,308</u>	<u>2,241,127</u>	<u>16,190,769</u>
Net position, Ending	<u>\$ 13,136,592</u>	<u>\$ 925,077</u>	<u>\$ 2,455,552</u>	<u>\$ 16,517,221</u>

CITY OF LA PORTE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2018

	Vehicle Replacement Fund	Employee Health Insurance	Technology	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,096,225	\$ 5,425,856	\$ 432,435	\$ 8,954,516
Disbursed for personnel services	(753,874)	(316,200)	-	(1,070,074)
Disbursed for goods and services to suppliers	(335,293)	(8,107,951)	(187,689)	(8,630,933)
Net Cash Provided (Used) by Operating Activities	2,007,058	(2,998,295)	244,746	(746,491)
Cash Flows From Noncapital Financing Activities				
Transfer from other funds	-	2,745,037	-	2,745,037
Transfers to other funds	(20,585)	-	-	(20,585)
Net Cash Provided by Noncapital Financial Activities	(20,585)	2,745,037	-	2,724,452
Cash Flows from Capital & Related Financing Activities				
Proceeds from the sale of equipment	25,500			25,500
Acquisition and construction of capital assets	(759,118)		(61,843)	(820,961)
Activities	(733,618)	-	(61,843)	(795,461)
Cash Flows from Investing Activities				
Interest received	40,105	10,137	21,074	71,316
Purchase of Investments	(1,213,471)	(180,968)	(334,418)	(1,728,857)
Sale of investments	379,057	182,961	124,381	686,399
Net Cash Provided by Investing Activities	(794,309)	12,130	(188,963)	(971,142)
Net Increase (Decrease) in Cash and Cash Equivalents	458,546	(241,128)	(6,060)	211,358
Cash and Cash Equivalents, Beginning	1,611,914	945,095	1,041,574	3,598,583
Cash and Cash Equivalents, Ending	\$ 2,070,460	\$ 703,967	\$ 1,035,514	\$ 3,809,941
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 347,391	\$ (3,066,405)	\$ 193,351	(2,525,663)
Adjustments to reconcile operating income to net cash used by operating activities:				
Depreciation	1,685,984	-	101,315	1,787,299
(Increase) decrease in accounts receivable	(4,574)	(6,590)	(991)	(12,155)
(Increase) in inventories	(7,126)	-	-	(7,126)
Increase (decrease) in accounts payable	(4,771)	(7,447)	(48,929)	(61,147)
Increase (decrease) in accrued liabilities	(329)	(6)	-	(335)
Increase (decrease) in unearned revenue	-	5,966	-	5,966
Increase (decrease) in claims	-	76,187	-	76,187
Increase (decrease) in compensated absences	(9,517)	-	-	(9,517)
Net Cash Provided (Used) by Operating Activities	\$ 2,007,058	\$ (2,998,295)	\$ 244,746	\$ (746,491)

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	126
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	137
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	144
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	148
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	150

Sources - Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

City of La Porte, Texas
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities				
Investment in capital assets	\$ 32,667,469	\$ 35,194,777	\$ 37,323,705	\$ 46,813,655
Restricted	16,169,693	18,108,170	8,060,185	8,728,729
Unrestricted	16,838,404	13,904,445	26,859,397	21,621,240
Total Governmental Activities				
Net Position	<u>\$ 65,675,566</u>	<u>\$ 67,207,392</u>	<u>\$ 72,243,287</u>	<u>\$ 77,163,624</u>
Business-type Activities				
Investment in capital assets	\$ 40,206,362	\$ 40,595,009	\$ 37,606,236	\$ 37,566,663
Restricted	1,352,867	1,459,834	680,136	559,309
Unrestricted	2,472,578	2,027,477	4,199,014	3,790,669
Total Business-type Activities				
Net Position	<u>\$ 44,031,807</u>	<u>\$ 44,082,320</u>	<u>\$ 42,485,386</u>	<u>\$ 41,916,641</u>
Primary Government				
Net investment in capital assets	\$ 72,873,832	\$ 75,789,786	\$ 74,929,941	\$ 84,380,318
Restricted	17,522,560	19,568,004	8,740,321	9,288,038
Unrestricted	19,310,982	15,931,923	31,058,411	25,411,909
Total Primary Government				
Net Position	<u>\$ 109,707,374</u>	<u>\$ 111,289,713</u>	<u>\$ 114,728,673</u>	<u>\$ 119,080,265</u>

Table 1

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 49,304,074	\$ 54,506,024	\$ 43,582,704	\$ 48,367,017	\$ 44,468,918	\$ 43,421,145
8,902,103	11,088,233	14,507,643	17,854,935	24,105,852	13,404,093
<u>22,529,801</u>	<u>18,634,881</u>	<u>21,693,064</u>	<u>23,690,222</u>	<u>26,907,445</u>	<u>1,505,194</u>
<u>\$ 80,735,978</u>	<u>\$ 84,229,138</u>	<u>\$ 79,783,411</u>	<u>\$ 89,912,174</u>	<u>\$ 95,482,215</u>	<u>\$ 58,330,432</u>
\$ 36,347,233	\$ 35,872,947	\$ 34,807,773	\$ 34,291,664	\$ 33,782,624	\$ 32,199,968
2,096,178	1,930,369	1,250,850	846,400	520,000	-
<u>2,300,991</u>	<u>2,669,258</u>	<u>4,110,877</u>	<u>5,344,130</u>	<u>7,661,080</u>	<u>8,011,016</u>
<u>\$ 40,744,402</u>	<u>\$ 40,472,574</u>	<u>\$ 40,169,500</u>	<u>\$ 40,482,194</u>	<u>\$ 41,963,704</u>	<u>\$ 40,210,984</u>
\$ 85,651,307	\$ 90,378,971	\$ 78,390,476	\$ 82,658,681	\$ 78,251,542	\$ 75,621,113
10,998,281	13,018,602	15,758,492	18,701,335	24,625,852	13,404,093
<u>24,830,792</u>	<u>21,304,139</u>	<u>25,803,941</u>	<u>29,034,352</u>	<u>34,568,525</u>	<u>9,516,210</u>
<u>\$ 121,480,380</u>	<u>\$ 124,701,712</u>	<u>\$ 119,952,909</u>	<u>\$ 130,394,368</u>	<u>\$ 137,445,919</u>	<u>\$ 98,541,416</u>

City of La Porte, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2009	2010	2011	2012
Expenses				
Governmental Activities				
General government	\$ 11,442,946	\$ 11,497,476	\$ 14,574,511	\$ 14,091,176
Public safety	15,495,372	17,108,837	16,305,997	17,374,566
Public works	8,095,274	4,601,382	6,279,510	3,784,047
Health, welfare and sanitation	2,378,808	2,521,222	2,453,634	2,423,898
Culture and recreation	4,222,945	6,483,006	6,032,602	6,361,313
Interest on long-term debt	1,527,041	1,556,740	1,871,431	1,268,112
Total Governmental Activities Expenses	<u>43,162,386</u>	<u>43,768,663</u>	<u>47,517,685</u>	<u>45,303,112</u>
Business-type activities				
Water services	4,832,857	5,721,303	6,942,077	7,691,088
Sewer services	2,603,424	2,674,456	3,093,526	2,932,057
Airport	183,186	181,040	194,392	182,700
Bay Forest Golf Course	1,436,792	1,485,097	-	-
Sylvan Beach Convention Center	25,649	-	-	-
Total Business-type Activities Expenses	<u>9,081,908</u>	<u>10,061,896</u>	<u>10,229,995</u>	<u>10,805,845</u>
Total Primary Government Expenses	<u>\$ 52,244,294</u>	<u>\$ 53,830,559</u>	<u>\$ 57,747,680</u>	<u>\$ 56,108,957</u>
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 3,060,864	\$ 3,116,325	\$ 711,994	\$ 843,898
Public safety	1,681,028	1,593,247	3,506,254	3,127,595
Public works	4,610	1,066,936	329,502	267,534
Health, welfare and sanitation	1,848,717	1,842,135	2,046,369	2,197,491
Culture and recreation	447,719	660,780	1,474,247	1,384,810
Operating grants and contributions	-	-	-	-
General government	-	-	7,649	239,654
Public safety	5,092,923	928,389	610,967	431,076
Public works	-	-	427,732	766,127
Health, welfare and sanitation	59,112	64,025	-	-
Culture and recreation	13,260	11,633	107,419	78,348
Capital grants and contributions	-	-	-	-
General government	-	-	-	-
Public works	1,259,614	-	1,338	644
Total Governmental Activities Program Revenues	<u>13,467,847</u>	<u>9,283,470</u>	<u>9,223,471</u>	<u>9,337,177</u>
Business-type Activities				
Charges for services:				
Water services	4,520,092	3,849,661	6,267,432	6,054,683
Sewer services	3,362,791	3,307,484	3,534,535	3,600,979
Airport	53,325	53,216	56,429	28,340
Bay Forest golf Course	1,067,105	1,002,234	-	-
Sylvan Beach Convention Center	2,479	-	-	-
Capital grants and contributions	1,785,653	860,304	1,441,674	858,431
Total Business-type Activities Program Revenues	<u>10,791,445</u>	<u>9,072,899</u>	<u>11,300,070</u>	<u>10,542,433</u>
Total Primary Government Program Revenues	<u>\$ 24,259,292</u>	<u>\$ 18,356,369</u>	<u>\$ 20,523,541</u>	<u>\$ 19,879,610</u>
Net (Expense)/Revenue				
Governmental activities	\$ (29,694,539)	\$ (34,485,193)	\$ (38,294,214)	\$ (35,965,935)
Business-type activities	1,709,537	(988,997)	1,070,075	(263,412)
Total Primary Government Net Expense	<u>\$ (27,985,002)</u>	<u>\$ (35,474,190)</u>	<u>\$ (37,224,139)</u>	<u>\$ (36,229,347)</u>

Table 2

2013	2014	2015	2016	2017	2018
\$ 13,854,988	\$ 14,115,210	\$ 12,962,387	\$ 14,255,413	\$ 15,735,976	\$ 15,832,003
17,765,388	20,436,450	19,081,622	21,114,939	21,446,421	21,673,188
4,451,455	6,259,764	4,088,146	4,422,464	4,930,721	9,796,326
2,327,982	2,519,298	5,748,206	6,059,896	3,899,678	4,685,795
5,721,611	5,854,546	3,497,174	3,439,722	6,177,554	6,513,794
1,384,875	1,403,628	1,585,354	1,782,508	2,506,004	1,059,007
<u>45,506,299</u>	<u>50,588,896</u>	<u>46,962,889</u>	<u>51,074,942</u>	<u>54,696,354</u>	<u>59,560,113</u>
8,207,204	7,731,776	5,064,287	4,985,902	6,269,356	8,788,113
2,598,649	2,802,013	4,347,309	4,374,763	4,267,901	1,926,133
210,323	229,603	230,006	210,590	210,324	133,093
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,016,176</u>	<u>10,763,392</u>	<u>9,641,602</u>	<u>9,571,255</u>	<u>10,747,581</u>	<u>10,847,339</u>
<u>\$ 56,522,475</u>	<u>\$ 61,352,288</u>	<u>\$ 56,604,491</u>	<u>\$ 60,646,197</u>	<u>\$ 65,443,935</u>	<u>\$ 70,407,452</u>
\$ 645,517	\$ 825,532	\$ 3,981,230	\$ 3,035,577	\$ 2,538,477	\$ 3,397,779
3,313,735	3,208,256	1,664,782	1,913,289	1,553,872	1,125,345
265,962	269,830	336,917	343,682	354,096	267,358
2,204,153	2,223,234	2,255,095	2,244,061	2,401,783	2,231,727
1,444,002	1,509,412	2,057,253	1,614,085	1,584,863	1,547,786
-	-	-	-	-	-
2,841	2,982	-	-	-	-
433,367	545,738	307,016	436,375	1,119,223	352,886
20,168	258,119	23,143	17,731	123,435	2,559
393,035	1,207,958	1,205	756	751	650
-	-	-	-	-	-
-	-	-	-	-	-
470	292	3,030,480	607,357	582,045	537,786
<u>8,723,250</u>	<u>10,051,353</u>	<u>13,657,121</u>	<u>10,212,913</u>	<u>10,258,545</u>	<u>9,463,876</u>
5,693,598	5,406,545	4,308,578	4,795,719	5,982,350	8,726,710
3,420,370	3,422,627	3,587,825	3,652,071	3,551,728	1,320,816
56,246	56,157	59,181	62,849	60,651	61,879
-	-	-	-	-	-
-	-	-	-	-	-
1,398,291	1,125,777	787,285	534,168	126,359	126,359
<u>10,568,505</u>	<u>10,011,106</u>	<u>8,742,869</u>	<u>9,044,807</u>	<u>9,721,088</u>	<u>10,235,764</u>
<u>\$ 19,291,755</u>	<u>\$ 20,062,459</u>	<u>\$ 22,399,990</u>	<u>\$ 19,257,720</u>	<u>\$ 19,979,633</u>	<u>\$ 19,699,640</u>
\$ (36,783,049)	\$ (40,537,543)	\$ (33,305,768)	\$ (40,862,029)	\$ (44,437,809)	\$ (50,096,237)
(447,671)	(752,286)	(898,733)	(526,448)	(1,026,493)	(611,575)
<u>\$ (37,230,720)</u>	<u>\$ (41,289,829)</u>	<u>\$ (34,204,501)</u>	<u>\$ (41,388,477)</u>	<u>\$ (45,464,302)</u>	<u>\$ (50,707,812)</u>

City of La Porte, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property taxes	\$ 16,391,237	\$ 17,742,405	\$ 17,163,861	\$ 17,251,131
Industrial payments	10,554,872	10,732,488	10,192,582	10,471,444
Sales and use taxes	5,787,406	5,913,679	6,235,537	8,267,162
Franchise taxes	2,160,425	2,170,699	2,195,824	2,311,944
Investment earnings	687,567	293,943	216,465	142,951
Other revenues	92,599	164,237	374,727	167,922
Gain/(Loss) no sale of capital assets	-	-	4,244,239	1,939,699
Transfers	(778,855)	(1,000,432)	2,706,874	334,029
Total Governmental Activities	<u>34,895,251</u>	<u>36,017,019</u>	<u>43,330,109</u>	<u>40,886,282</u>
Business-type Activities				
Investment earnings	72,814	39,078	33,243	12,309
Other revenues	-	-	6,622	16,387
Gain/(Loss) on sale of capital assets	-	-	-	-
Transfers	778,855	1,000,432	(2,706,874)	(334,029)
Total Business-type Activities	<u>851,669</u>	<u>1,039,510</u>	<u>(2,667,009)</u>	<u>(305,333)</u>
Total Primary Government	<u>\$ 35,746,920</u>	<u>\$ 37,056,529</u>	<u>\$ 40,663,100</u>	<u>\$ 40,580,949</u>
Change in Net Position				
Governmental activities	\$ 5,200,712	\$ 1,531,826	\$ 5,035,895	\$ 4,920,347
Business-type activities	2,561,206	50,514	(1,596,934)	(568,745)
Total Primary Government	<u>\$ 7,761,918</u>	<u>\$ 1,582,340</u>	<u>\$ 3,438,960</u>	<u>\$ 4,351,602</u>

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	17,782,090	\$ 19,925,095	\$ 20,765,774	\$ 24,098,174	\$ 23,857,654	\$ 25,413,898
	11,107,848	11,554,949	12,269,152	14,377,602	14,270,899	14,147,728
	8,717,613	10,104,500	10,743,862	9,862,705	10,859,215	12,544,803
	2,184,020	2,252,404	2,411,827	2,300,464	2,252,253	2,621,035
	84,170	106,024	204,346	380,268	563,868	1,228,759
	432,405	458,770	164,004	766,683	601,136	251,508
	-	-	-	-	-	-
	720,356	(371,039)	(1,504,570)	(795,104)	(2,397,175)	(1,922,963)
	<u>41,028,502</u>	<u>44,030,703</u>	<u>45,054,395</u>	<u>50,990,792</u>	<u>50,007,850</u>	<u>54,284,768</u>
	8,468	8,624	25,440	44,038	110,828	152,557
	36,378	100,795	-	-	-	-
	-	-	-	-	-	-
	<u>(720,356)</u>	<u>371,039</u>	<u>1,504,570</u>	<u>795,104</u>	<u>2,397,175</u>	<u>1,922,963</u>
	<u>(675,510)</u>	<u>480,458</u>	<u>1,530,010</u>	<u>839,142</u>	<u>2,508,003</u>	<u>2,075,520</u>
\$	<u>40,352,992</u>	<u>\$ 44,511,161</u>	<u>\$ 46,584,405</u>	<u>\$ 51,829,934</u>	<u>\$ 52,515,853</u>	<u>\$ 56,360,288</u>
\$	4,245,453	\$ 3,493,160	\$ 11,748,627	\$ 10,128,763	\$ 5,570,041	\$ 4,188,531
	<u>(1,123,181)</u>	<u>(271,828)</u>	<u>631,277</u>	<u>312,694</u>	<u>1,481,510</u>	<u>1,463,945</u>
\$	<u>3,122,272</u>	<u>\$ 3,221,332</u>	<u>\$ 12,379,904</u>	<u>\$ 10,441,457</u>	<u>\$ 7,051,551</u>	<u>\$ 5,652,476</u>

City of La Porte, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund				
Nondisposable	\$ 102,203	\$ 135,162	\$ 138,607	\$ 94,401
Committed	-	-	-	-
Assigned	109,546	132,558	95,923	30,003
Unassigned	13,382,280	11,836,769	19,118,624	23,840,153
Total General Fund	<u>\$ 13,594,029</u>	<u>\$ 12,104,489</u>	<u>\$ 19,353,154</u>	<u>\$ 23,964,557</u>
All Other Governmental Funds				
Restricted	\$ 2,761,058	\$ 4,420,190	\$ 14,084,212	\$ 12,572,942
Committed	21,460,995	24,019,140	9,078,724	6,553,417
Unassigned	-	-	-	(30,832)
Total All Other Governmental Funds	<u>\$ 24,222,053</u>	<u>\$ 28,439,330</u>	<u>\$ 23,162,936</u>	<u>\$ 19,095,527</u>

Table 3

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 125,190	\$ 102,775	\$ 88,954	\$ 89,165	\$ 102,058	\$ 122,784
3,500,000	8,500,000	7,000,000	6,000,000	2,000,000	-
103,690	78,182	257,147	4,439,879	297,359	420,854
23,856,087	21,294,383	25,216,547	29,385,827	40,500,147	46,763,435
<u>\$ 27,584,967</u>	<u>\$ 29,975,340</u>	<u>\$ 32,562,648</u>	<u>\$ 39,914,871</u>	<u>\$ 42,899,564</u>	<u>\$ 47,307,073</u>
\$ 12,193,956	\$ 14,177,078	\$ 24,421,383	\$ 24,860,811	\$ 34,573,658	\$ 41,275,328
5,585,628	2,961,849	1,916,608	2,977,676	4,555,870	
-	(790)	-	-	-	-
<u>\$ 17,779,584</u>	<u>\$ 17,138,137</u>	<u>\$ 26,337,991</u>	<u>\$ 27,838,487</u>	<u>\$ 39,129,528</u>	<u>\$ 41,275,328</u>

City of La Porte, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues				
Taxes	\$ 34,929,693	\$ 36,681,503	\$ 35,760,570	\$ 38,352,720
Licenses and permits	641,614	476,478	312,962	465,052
Fines and forfeitures	1,832,570	1,802,785	1,723,590	1,758,101
Charges for services	4,469,922	6,083,767	5,680,416	5,957,389
Intergovernmental	4,868,313	988,532	917,206	1,239,434
Interest	610,270	262,993	193,301	128,939
Miscellaneous	105,221	125,142	241,670	36,354
Total Revenues	<u>47,457,603</u>	<u>46,421,200</u>	<u>44,829,715</u>	<u>47,937,989</u>
Expenditures				
General government	9,869,159	9,787,606	10,288,502	10,461,877
Public safety	13,858,540	14,611,737	15,688,305	15,751,731
Public works	6,663,539	2,818,921	3,118,074	3,438,629
Health and sanitation	2,087,069	2,232,848	2,182,184	2,225,768
Culture and recreation	3,817,253	5,048,448	5,313,523	5,260,591
Debt service:		-	-	
Principal	1,695,000	1,755,000	1,740,000	2,170,000
Interest	1,572,212	1,387,566	1,871,371	1,519,769
Bond issuance cost	-	200,000	-	150,897
Capital outlay	15,556,898	10,843,496	8,713,827	8,583,249
Total Expenditures	<u>55,119,670</u>	<u>48,685,622</u>	<u>48,915,786</u>	<u>49,562,511</u>
(Deficiency) of Revenues (Under) Expenditures	(7,662,067)	(2,264,422)	(4,086,071)	(1,624,522)
Other Financing Sources (Uses)				
General obligation bonds issued	-	6,265,000	-	-
Refunding bonds issued	-	4,295,000	-	9,435,000
Certificate obligation bonds issued	-	-	-	-
Premium on refunding bonds issued	-	224,008	-	364,013
Premium on certificate obligations	-	-	-	-
Payment to refunding bond escrow agent	14,231,895	(4,409,763)	-	(9,638,626)
Transfers in	(12,118,702)	9,158,123	4,248,140	2,710,677
Transfers out	136,559	(10,545,233)	(5,011,924)	(2,643,894)
Sale of capital assets	-	5,024	6,822,126	1,941,346
Insurance recoveries	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,249,752</u>	<u>4,992,159</u>	<u>6,058,342</u>	<u>2,168,516</u>
Net Change in Fund Balances	<u>\$ (5,412,315)</u>	<u>\$ 2,727,737</u>	<u>\$ 1,972,271</u>	<u>\$ 543,994</u>

Debt service as a percentage of noncapital expenditures

8.3% 8.3% 9.0% 9.0%

Table 4

2013	2014	2015	2016	2017	2018
\$ 39,834,904	\$ 43,837,240	\$ 46,155,069	\$ 50,376,219	\$ 51,574,722	\$ 54,591,769
368,130	497,756	1,346,552	596,451	535,741	668,808
1,886,763	1,790,849	1,953,698	1,996,073	1,965,249	2,092,419
6,008,845	6,305,127	6,994,772	6,555,228	6,069,248	5,953,581
568,052	1,572,360	3,195,238	1,024,097	1,077,893	893,006
76,027	96,409	184,029	349,551	531,369	1,157,443
425,845	261,204	398,872	728,390	517,828	298,792
<u>49,168,566</u>	<u>54,360,945</u>	<u>60,228,230</u>	<u>61,626,009</u>	<u>62,272,050</u>	<u>65,655,818</u>
11,043,438	13,828,179	11,953,166	11,706,047	13,301,718	14,486,950
16,321,608	17,428,040	17,698,818	18,323,687	18,873,276	18,377,804
3,247,404	3,432,583	2,916,113	3,028,953	4,161,399	4,429,378
2,244,341	2,334,184	2,457,565	2,644,295	2,730,308	2,871,114
5,226,886	5,440,724	5,727,700	5,848,613	5,998,452	6,332,061
2,365,000	2,640,000	4,625,582	4,281,085	4,178,629	3,370,000
1,385,204	1,217,883	1,589,644	1,451,075	1,385,122	1,156,923
-	153,884	-	-	-	-
5,499,508	5,446,287	6,331,893	4,439,319	3,840,207	3,428,834
<u>47,333,389</u>	<u>51,921,764</u>	<u>53,300,481</u>	<u>51,723,074</u>	<u>54,469,111</u>	<u>54,453,064</u>
1,835,177	2,439,181	6,927,749	9,902,935	7,802,939	11,202,754
-	-	-	-	10,635,000	-
-	9,300,000	-	3,165,000	-	-
-	-	7,770,000	-	-	-
-	608,166	-	403,795	-	-
-	-	365,502	-	-	-
-	(9,749,587)	-	(3,490,716)	-	-
3,883,920	3,911,990	3,069,474	2,851,124	3,684,995	5,200,304
(3,629,974)	(4,761,324)	(6,556,417)	(3,979,419)	(7,849,825)	(9,849,749)
215,342	500	-	-	2,625	-
-	-	210,854	-	-	-
<u>469,288</u>	<u>(690,255)</u>	<u>4,859,413</u>	<u>(1,050,216)</u>	<u>6,472,795</u>	<u>(4,649,445)</u>
<u>\$ 2,304,465</u>	<u>\$ 1,748,926</u>	<u>\$ 11,787,162</u>	<u>\$ 8,852,719</u>	<u>\$ 14,275,734</u>	<u>\$ 6,553,309</u>
9.0%	8.3%	13.2%	12.1%	11.0%	8.9%

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Table 5

City of La Porte, Texas
ASSESSED VALUE AND ESTIMATED VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property	Personal Property	Less Other Exemptions & Abatements	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percent of Actual Taxable Value
2009	\$ 2,237,095,319	\$ 469,916,389	502,091,647	\$ 2,204,920,061	0.71000	\$ 2,204,920,061	100%
2010	2,261,046,846	582,963,159	515,111,496	2,328,898,509	0.71000	2,328,898,509	100%
2011	2,055,914,368	672,621,147	514,928,797	2,213,606,718	0.71000	2,213,606,718	100%
2012	2,079,843,021	720,515,678	535,441,621	2,264,917,078	0.71000	2,264,917,078	100%
2013	2,080,199,179	797,558,553	536,721,284	2,341,036,448	0.71000	2,341,036,448	100%
2014	2,176,582,621	986,494,475	590,232,231	2,572,844,865	0.71000	2,752,844,865	100%
2015	2,626,580,963	745,093,978	617,133,762	2,754,541,179	0.71000	2,754,541,179	100%
2016	2,692,041,032	978,850,207	629,133,265	3,041,758,024	0.71000	3,041,758,024	100%
2017	3,025,879,671	880,297,401	751,959,455	3,154,217,617	0.71000	3,154,217,617	100%
2018	3,270,392,733	830,253,210	814,706,643	3,285,939,300	0.71000	3,285,939,300	100%

Source - Harris County Certified Tax Rolls and Corrections.

City of La Porte, Texas
PROPERTY TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City of La Porte by fund:				
General	0.61900	0.61900	0.60500	0.60500
Debt service	<u>0.09100</u>	<u>0.09100</u>	<u>0.10500</u>	<u>0.10500</u>
Total Direct Rates	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>
Harris County Flood Control District	0.02922	0.02923	0.02809	0.02809
Harris County	0.39224	0.38805	0.39117	0.40021
Port of Houston Authority	0.01636	0.02054	0.01856	0.01952
Harris County Board of Education	0.00605	0.00658	0.00658	0.00662
Hospital District	0.19216	0.19216	0.19216	0.18216
La Porte ISD	1.32500	1.32500	1.35500	1.33000
San Jacinto Jr. College District	<u>0.17080</u>	<u>0.17628</u>	<u>0.18560</u>	<u>0.18560</u>
Total Direct and Overlapping Rates	<u><u>2.84183</u></u>	<u><u>2.84784</u></u>	<u><u>2.88716</u></u>	<u><u>2.86220</u></u>

Tax rates per \$100 of assessed valuation
Source: Harris County Appraisal District

Table 6

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
0.64000	0.61400	0.60500	0.60500	0.60500	0.60500
<u>0.07000</u>	<u>0.09600</u>	<u>0.10500</u>	<u>0.10500</u>	<u>0.10500</u>	<u>0.10500</u>
<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>	<u>0.71000</u>
0.02827	0.02736	0.02733	0.02829	0.02831	0.02878
0.41455	0.41731	0.41923	0.41656	0.41801	0.41858
0.01716	0.01531	0.01342	0.01334	0.01256	0.01155
0.00636	0.00600	0.00540	0.00520	0.00520	0.00519
0.17000	0.17000	0.17000	0.17179	0.17110	0.17108
1.33000	1.33000	1.45000	1.42000	1.38000	1.38000
<u>0.18560</u>	<u>0.18560</u>	<u>0.17578</u>	<u>0.18238</u>	<u>0.18334</u>	<u>0.17933</u>
<u>2.86194</u>	<u>2.86158</u>	<u>2.97116</u>	<u>2.94756</u>	<u>2.90852</u>	<u>2.90451</u>

City of La Porte, Texas
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total Taxable Assessed Value</u>
<u>2019</u>						
Hrus Underwood LLC	\$ 127,186,309	1	3.87%			
Liberty Property	122,066,968	2	3.71%			
Equistar Chemicals LP	61,880,868	3	1.88%			
Dnow LP	42,547,078	4	1.29%			
Oxy Vinyls LP	40,697,859	5	1.24%			
INEOS USA LLC	37,999,780	6	1.16%			
Centerpoint Energy Inc	26,646,522	7	0.81%			
Dow Chemical	25,349,178	8	0.77%			
Ravago Americas LLC	24,920,075	9	0.76%			
Ashland Industries Europe,Gmbh	23,727,359	10	0.72%			
<u>2009</u>						
Port Crossing Land LP				\$ 56,971,629	1	2.58%
Conoco Phillips Co.				49,954,346	2	2.27%
Oxy Vinyls LP				49,177,149	3	
Equistar Chemicals LP				48,358,225	4	
Underwood Dist				38,866,438	5	
Ineos USA LLC				38,002,780	6	
Wilson Supply				36,620,565	7	
PPG Industries Inc.				29,927,698	8	
Granite Underwood Dist Ctr LP				24,412,945	9	
Dow Chemical				24,406,127	10	
Subtotal	533,021,996		16.22%	396,697,902		17.99%
Other Taxpayers	2,752,917,304		83.78%	1,808,222,159		82.01%
Total	\$ 3,285,939,300		100.00%	\$ 2,204,920,061		100.00%

City of La Porte, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended September 30	Taxes levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2009	\$ 15,654,937	\$ 15,377,149	98.20	\$ 338,115	\$ 15,715,264	100.4
2010	16,542,483	16,309,818	98.60	206,683	16,516,501	99.8
2011	15,871,498	15,599,930	98.30	264,012	15,863,942	100.0
2012	16,080,911	15,860,664	98.60	223,583	16,084,247	100.0
2013	16,621,361	16,518,207	99.40	169,735	16,687,942	100.4
2014	18,267,201	18,090,456	99.00	191,978	18,282,434	100.1
2015	19,514,402	19,304,486	98.90	4,350	19,308,836	98.9
2016	21,596,463	21,299,848	98.60	150,365	21,450,213	99.3
2017	22,269,063	22,109,029	99.30	(151,174) *	21,957,855	98.6
2018	23,125,072	22,798,488	98.59	-	22,798,488	98.6

* Shows a negative amount due to the refund of taxes.

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Table 9

City of La Porte, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year Ended September 30	Governmental Activities			Business-type Activities		Total Primary Government	% of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Limited Tax Bonds	Revenue Bonds	Other* Obligations			
2009	\$ 10,870	\$ 22,445	\$ 4,320	\$ -	\$ 6,443	\$ 44,078	N/A	\$ 1,241
2010	11,665	26,350	4,050	-	5,660	47,725	N/A	1,298
2011	10,940	25,605	3,780	-	4,813	45,138	N/A	1,322
2012	17,050	20,150	1,620	-	3,945	42,765	N/A	1,212
2013	16,875	18,905	1,350	-	3,117	40,248	N/A	1,165
2014	23,726	10,845	540	-	2,208	37,319	N/A	1,072
2015	21,220	17,230	-	-	930	39,380	N/A	891
2016	22,815	12,335	-	-	320	35,470	N/A	991
2017	21,090	11,210	-	-	-	32,300	N/A	1,086
2018	18,895	20,670	-	-	-	39,565	N/A	1,121

Note: Details regarding the City's outstanding debt can be found in the note to the financial statements.
See Demographic and Economic Statistics for personal income and population data.

* Includes premium on bonds.

City of La Porte, Texas
RATIOS OF NET GENERAL BONDED DEBT TO TAXABLE VALUE
GENERAL BONDED DEBT PER CAPITA,
AND TAXABLE VALUE OF ALL PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended September 30	Tax Year	General Obligation Bonds	Certificates of Obligation	Less Debt Service Fund	Net Bonded Debt	Ratio of Bonded Debt to Assessed Value	Percentage of Personal Income (2)	Per Capita (2)
2009	2008	\$ 15,190	\$ 22,445	\$ 2,000	\$ 35,635	1.6%	N/A	\$ 1,051
2010	2009	15,715	26,350	2,151	39,914	1.7%	0.005%	965
2011	2010	14,720	25,605	3,118	37,207	1.7%	0.004%	1,152
2012	2011	18,670	20,150	3,113	35,707	1.6%	0.004%	1,090
2013	2012	18,225	18,905	2,490	34,640	1.5%	0.004%	1,165
2014	2013	24,266	10,845	2,769	32,342	1.3%	0.003%	1,072
2015	2014	21,220	17,230	3,161	35,289	1.3%	0.004%	1,006
2016	2015	22,815	12,335	3,541	31,609	1.0%	0.003%	899
2017	2016	21,090	11,210	3,883	28,417	0.9%	0.003%	810
2018	2017	18,895	20,670	4,398	35,167	1.0%	0.003%	994

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) Population data can be found in the demographic and economic statistics table.

City of La Porte, Texas
Direct and Overlapping Governmental Activities Debt
As of September 30, 2018

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Harris County	\$ 2,200,173,022	0.65%	\$ 14,301,125
Harris County Department of Education	6,555,000	0.65%	42,608
Harris County Flood Control District	83,075,000	0.65%	539,988
Harris County Toll Road	-	0.65%	-
Harris County Hospital District	59,490,000	0.65%	386,685
La Porte I. S. D.	335,450,000	0.65%	139,044,025
Porte of Houston Authority	613,699,397	0.65%	3,989,046
San Jacinto Jr. College District	<u>381,881,805</u>	0.65%	<u>23,180,226</u>
 Total Net Overlapping Debt	 <u><u>\$ 3,680,324,224</u></u>		 181,483,701
 City of La Porte Direct Debt*	 \$ 39,565,000		 <u>39,565,000</u>
 Total Direct and Overlapping Debt			 <u><u>\$ 221,048,701</u></u>

*Approximately \$19,668,027 of the city's outstanding debt is self supporting.

Source: Texas Municipal Reports

Percentage are based on total property values.

Source: Texas Municipal Reports

Percentages are based on total property values.

City of La Porte, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year Ended September 30	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
2009	36,779	N/A	N/A	N/A	7,830	9.4%
2010	33,800	\$ 853,355,716	\$ 25,604	33	7,781	8.2%
2011	34,138	880,399,908	26,172	33	7,732	9.0%
2012	35,280	878,708,768	25,952	33	7,739	6.3%
2013	34,553	917,811,538	26,894	33	7,729	6.3%
2014	34,813	937,182,978	27,186	33	7,634	5.0%
2015	35,074	1,001,483,958	28,823	33	7,648	4.6%
2016	35,148	1,052,095,094	30,127	33	7,753	5.8%
2017	35,086	1,052,095,094	30,127	33	7,713	5.8%
2018	35,371	1,052,095,094	30,127	37	7,701	4.6%

N/A - information not available.

Data sources:

- (1) Estimated population provided by US Census Bureau.
- (2) Personal income and per capita personal income is currently unavailable.
- (3) Median age data prior to 2010 is not available, median age provided by 2010 Census.
- (4) School enrollment provided by La Porte Independent School District
- (5) Unemployment rates provided from the bureau of Labor Statistics

City of La Porte, Texas
Principal Employers
Current Year and Ten Years Ago

2018			2008		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Equistar Chemicals	1,635	8.70%	La Porte ISD	1,227	4.49%
La Porte ISD	1,042	5.55%	Rockwood Service Corp.	700	2.56%
DuPont Chemical	545	2.90%	Longview Inspection Corp.	664	2.43%
J V Piping	440	2.34%	Quest Tru TEC	636	2.33%
Total Petrochemicals USA	409	2.18%	Oxy Vinyls, LP	530	1.94%
City of La Porte	390	2.08%	City of La Porte	381	1.39%
Ineos	385	2.05%	Ineos	350	1.28%
Mobley Industrial	382	2.03%	Sulzer Hickham	330	1.21%
Kateon Natie Houston	350	1.86%	Air Liquide	170	0.62%
CCC Group Inc.	300	1.60%	PPG Industries	150	0.55%
Total	5,878	31.28%	Total	5,138	18.80%

Source: CenterPoint Energy

Note: This list includes companies within the City limits of La Porte and within the industrial districts.

City of La Porte, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENTAL EMPLOYEES BY FUNCTION Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of September 30				
	2009	2010	2011	2012	2013
General government	78	79	90	90	88
Public safety	143	144	144	151	152
Public works	32	32	32	32	30
Health and sanitation	22	22	24	24	23
Culture and recreation	45	46	46	46	42
Water services	25	25	25	25	25
Sewer services*	20	20	20	20	20
Golf course*	12	12			
Sylvan Beach Convention Center	4				
Total	381	380	381	388	380

Source: City of La Porte Human Resource Department

*2011 thru 2017 are blank due to funding golf course workers out of the General Fund.
Sylvan Beach is managed by Harris County who uses private contractors.

Table 14

Full-time Equivalent Employees as of September 30				
2014	2015	2016	2017	2018
88	89	89	89	90
154	154	154	154	155
30	30	30	33	35
23	23	22	23	23
42	42	44	42	42
24	25	25	25	25
20	20	20	20	20
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>381</u>	<u>383</u>	<u>384</u>	<u>386</u>	<u>390</u>

City of La Porte, Texas
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013
Police					
Physical arrests	2,737	2,538	2,354	2,311	2,205
Tickets processed	16,098	16,603	14,619	13,221	13,861
Fire					
Number of calls answered	1,409	1,559	1,483	1,195	1,219
Inspections	600	690	725	812	950
Highways and streets					
Street resurfacing (linear feet)	23,559	38,365	60,472	69,580	13,520
Potholes repaired	1,012	1,236	465	1,173	271
Sanitation					
Cubic yards of garbage collected	29,894	29,642	27,961	42,589	30,625
Cubic yards of trash collected	78,900	43,368	45,778	54,641	32,137
Culture and recreation					
Fitness center admissions	53,401	78,118	64,989	64,279	64,587
Water					
Number of water meters	11,968	12,015	12,061	12,129	12,129
Average daily consumption (millions of gallons)	4.0	3.9	4.6	4.3	4.0
Water main breaks	498	417	666	311	379
Wastewater					
Average daily sewage treatment (thousands of gallons)	2.8	3.7	2.8	3.3	2.7
Golf Course					
Number of paid rounds played	36,009	31,271	34,848	34,038	32,257

Source - Various City departments.

Table 15

2014	2015	2016	2017	2018
2,032	2,152	2,399	1,826	1,968
14,151	14,316	13,231	11,900	15,605
1,262	1,378	1,356	1,532	1,536
1,020	383	1,025	852	550
11,183	11,172	22,172	18,602	13,015
165	342	236	118	231
54,812	50,945	26,458	48,716	56,406
40,701	31,518	40,569	44,733	36,174
64,587	64,587	64,587	64,587	90,583
12,129	12,129	12,129	12,129	12,682
3.8	3.9	3.8	3.7	3.8
411	200	217	199	220
2.6	3.8	3.8	3.5	3.9
32,741	29,965	26,794	26,840	26,006

City of La Porte, Texas
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013
Public safety					
Police station	1	1	1	1	1
Police officers	74	75	75	74	74
Reserve officers	1	2	2	2	6
Fire stations	4	4	4	4	4
Sanitation					
Collection trucks	14	14	14	12	12
Highways and streets					
Streets (miles)	126	126	126	125	297
Streetlights	2,387	2,387	2,415	2,415	2,415
Traffic signals	7	5	5	6	6
Culture and recreation					
Parks acreage	356	356	356	188	188
Parks acreage	21	21	21	22	22
Swimming pools	6	5	5	5	5
Recreation centers	1	4	4	3	3
Senior center	1	1	1	1	1
Water and sewer					
Water mains (miles)	180	180	181	182	183
Fire hydrants	1,168	1,179	1,186	1,199	1,226
Sanitary sewers (miles)	191	191	192	192	192
Storm sewers (miles)	92	95	97	60	112

Source - Various City departments.

Table 16

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1	1	1	1	1
74	76	75	78	79
2	3	3	2	4
4	4	4	4	4
12	14	17	16	16
297	272	272.5	272.5	273
2,415	2,415	2,415	2,415	2,905
6	7	7	7	7
188	188	188	188	188
22	22	22	22	22
5	5	5	5	5
2	2	2	2	2
1	1	1	1	1
184	185	187	187	189
1,256	1,265	1,276	1,291	1,314
192	193	194	194	194
112	115	115	116	116

REQUEST FOR CITY COUNCIL AGENDA ITEM

<p>Agenda Date Requested: <u>March 11, 2019</u></p> <p>Requested By: <u>Don Pennell, Public Works Director</u></p> <p>Department: <u>Public Works</u></p> <p>Report: <u>x</u> Resolution: <u> </u> Ordinance: <u> </u></p> <p>Exhibit: <u>Bid Tabulation</u> Exhibit: <u>Vendor Access Report</u> Exhibit: <u>Letter of Recommendation</u></p>	<p style="text-align: center;"><u>Budget</u></p> <p>Source of Funds: <u>003</u></p> <p>Account Number: <u>003-7085-533-5110</u></p> <p>Amount Budgeted: <u>\$310,000</u></p> <p>Amount Requested: <u>\$328,440</u></p> <p>Budgeted Item: <u>Yes</u></p>
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SUMMARY & RECOMMENDATION

On February 12, 2019 the City opened and read the Public Works project sealed bid (#19009) for Ground Storage Tank Replacement at Collegeview Water Plant. The bid requests were advertised in the Bay Area Observer, posted on the City of La Porte website and Public Purchase. Sixty (60) vendors were notified with twenty-six (26) downloading the bid documents and two (2) contractors returning bids. Schier Construction Company submitted the lowest bid in the amount of \$312,800. Dunham Engineering, Inc. has submitted a letter of recommendation. The bid exceeds remaining available budget by \$2,800. Staff requests to utilize contingency funds from the Utility Fund (003) which has \$50,000 available to cover this amount and any project contingency needed, not to exceed \$15,640.

Project Benefits, Liabilities, and Operating Cost:

Benefits:

- The existing tank is over forty (40) years old and has exceeded its useful life. Also, the proposed project provides for increasing the height of the tank to a standard 24 feet, which will add 50,000 gallons in storage capacity.

Liabilities of Maintaining the Status Quo:

- The tank will experience continued deterioration and possible water quality issues if the replacement is deferred for an extended period of time.

Operating Costs:

- Maintenance costs will be decreased.

Action Required of City Council:

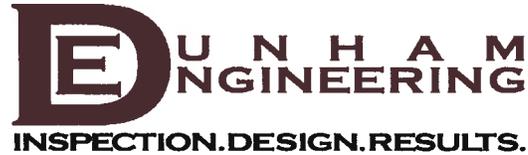
Consider approval or other action authorizing the City Manager to execute a contract with Schier Construction Company for the Ground Storage Tank Replacement at Collegeview Water Plant in the amount of \$312,800, plus a 5% project contingency of \$15,640, for a total authorization of \$328,440.

Approved for City Council Agenda

Corby D. Alexander, City Manager

Date

College Station, TX
McAllen, TX
Oklahoma City, OK



Phone: 979-690-6555
Fax: 979-690-7034
TX Registration #: F-2253
www.DunhamEngineering.com

City of La Porte, Texas
Attn: Ray Mayo, Water Superintendent

Ref.: Water Tank Replacement @ Water Plant #7

The purpose of this letter is to recommend a contractor for the ref. project. A total of two contractors submitted bids for the project on Feb. 12, 2019. The engineer's estimate of probable cost for the project was \$500,000.

The apparent low bidder was Schier Construction Company of Houston, Texas with a base bid of \$312,800.

The second bidder was W.W. Payton Construction Company of Brookshire, Texas with a base bid of \$390,000.

Schier Construction Company is recommended for award of the contract. They have performed similar work for both the City and the engineer and completed all work in a timely and professional manner and in accordance with the contract documents.

Schier Construction Company is recommended for award of the above ref. project. Please call if you have any questions.



Jimmy D. Dunham, P. E.

Access Report
Agency
Bid Number
Bid Title

City of La Porte (TX)
19009
Ground Storage Tank Replacment - Colleeview Wa

Vendor Name	Accessed First Time	Documents
Hearn Company	2019-01-24 09:38 AM CST	Bid 19009 Ground Storage Tank
Iseler Demolition, Inc	2019-01-30 11:39 AM CST	Bid 19009 Ground Storage Tank
BidClerk	2019-01-29 01:20 AM CST	Bid 19009 Ground Storage Tank
PLW Waterworks, LLC	2019-01-24 10:11 AM CST	Bid 19009 Ground Storage Tank
Grand Cayon Minority Contractors Ass	2019-01-28 10:35 PM CST	Bid 19009 Ground Storage Tank
Pittsburg Tank & Tower Maintenance (2019-02-01 03:31 PM CST	Bid 19009 Ground Storage Tank
KSA Engineers	2019-01-30 11:44 AM CST	Bid 19009 Ground Storage Tank
Schier Construction Company Inc.	2019-01-31 01:48 PM CST	Bid 19009 Ground Storage Tank
IMS	2019-01-25 10:11 AM CST	Bid 19009 Ground Storage Tank
Dale Dobbins	2019-01-24 03:13 PM CST	Bid 19009 Ground Storage Tank
Superior Grouting	2019-02-11 12:10 PM CST	Bid 19009 Ground Storage Tank
Dodge Data & Analytics	2019-01-24 10:10 AM CST	Bid 19009 Ground Storage Tank
SmartProcure	2019-01-25 06:10 AM CST	Bid 19009 Ground Storage Tank
Tukmol General Contractor	2019-01-29 03:25 AM CST	Bid 19009 Ground Storage Tank
Advanced Starlight International	2019-02-01 05:44 AM CST	Bid 19009 Ground Storage Tank
american tank company	2019-02-11 04:18 PM CST	Bid 19009 Ground Storage Tank
North America Procurement Council	2019-01-24 11:26 PM CST	Bid 19009 Ground Storage Tank
Onvia	2019-01-24 01:01 PM CST	Bid 19009 Ground Storage Tank
SUPERIOR TANK COMPANY INC.	2019-02-06 10:56 AM CST	Bid 19009 Ground Storage Tank
Perkens WS Corporation	2019-01-27 11:45 PM CST	Bid 19009 Ground Storage Tank
Webtech	2019-01-26 02:10 AM CST	Bid 19009 Ground Storage Tank
Precision Plant Services, LLC.	2019-01-24 11:01 AM CST	Bid 19009 Ground Storage Tank
W.W. Payton Corportion	2019-01-24 06:15 PM CST	Bid 19009 Ground Storage Tank
United Industries Group, Inc.	2019-01-29 12:15 PM CST	Bid 19009 Ground Storage Tank
American Structures Inc.	2019-01-29 01:24 PM CST	Bid 19009 Ground Storage Tank
L&L Supplies	2019-01-28 04:14 PM CST	Bid 19009 Ground Storage Tank

BID TABULATION-BID 19009 GROUND STORAGE TANK REPLACEMENT-COLLEGEVIEW WATER PLANT

		SCHIER CONSTRUCTION COMPANY	WW PAYTON CORPORATION
Item No.	Description		
1	Ground Storage Tank Replacement TOTAL BASE BID	\$312,800.00	\$390,000.00

REQUEST FOR CITY COUNCIL AGENDA ITEM

Agenda Date Requested: <u>March 11, 2019</u>
Requested By: <u>Don Pennell, Public Works Director</u>
Department: <u>Public Works</u>
Report: <input checked="" type="checkbox"/> Resolution: _____ Ordinance: _____

<u>Appropriation</u>
Source of Funds: <u>N/A</u>
Account Number: _____
Amount Budgeted: _____
Amount Requested: _____
Budgeted Item: _____

Exhibits: **Request to Construct
Hydraulic Report
Shoreacres Contract
HB 1311**

SUMMARY & RECOMMENDATION

The La Porte Area Water Authority (LPAWA) Board, at its February 13, 2019, meeting, authorized the Water Authority Manager (La Porte City Manager) to negotiate a contract with the City of Shoreacres for the construction of an additional waterline and meter station to the Shoreacres water plant on Shoreacres Boulevard, east of South Broadway. The City of Shoreacres will bear all costs associated with survey, easement acquisition, design, and construction of the project. The constructed waterline will become property of and be managed/operated by the LPAWA.

Public Works staff requested that a hydraulic analysis be performed to determine if the water supply from the LPAWA waterline at Bayside Drive and South Broadway was feasible. The analysis determined that there was only minor influence on the LPAWA system with no negative impact at maximum daily flow. The route of the proposed waterline is on the last page of the hydraulic analysis report.

Currently there is LPAWA supply to Shoreacres Water Plant #2 at the end of Bayou Forest Drive. There is no LPAWA supply to Water Plant #1 on Shoreacres Boulevard. When there are higher water demands, the Water Plant #1 starts and the ground storage tank begins to empty. The tank can be refilled with the well on site but is limited in the amount of use to 10 percent of total water used by the Harris Galveston Subsidence District. The tank is currently refilled after demand decreases using Plant #2 and the Shoreacres distribution system. The additional LPAWA waterline will eliminate this type of operation and reduce the possibility of Shoreacres being without water.

The contract between LPAWA and Shoreacres allows for the additional waterline requested when all costs associated with construction are borne by the City of Shoreacres. Shoreacres has been approved for and secured a loan from the Texas Water Development Board (TWDB) for the design and construction of the additional LPAWA waterline. 1981 House Bill 1311 creating the LPAWA requires the LPAWA Board and La Porte City Council approval for the LPAWA to enter into contracts or agreements. Staff recommends approval of the additional waterline design and construction by the City of Shoreacres. The contract draft is to be provided for LPAWA Board and La Porte City Council approval.

Action Required by Council:

Consider approval or other action authorizing the LPAWA Manager to negotiate a contract with the City of Shoreacres for the design and construction of an additional LPAWA waterline and metering station.

Approved for City Council Agenda

Corby Alexander, City Manager

Date

F
ENROLLED

1981 2nd

H.B. No. 1311

1 AN ACT

2 relating to the creation, administration, powers, duties,
3 operations, functions, and financing of the La Porte Area Water
4 Authority.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. CREATION OF AUTHORITY. (a) Under and pursuant
7 to the provisions of Article XVI, Section 59, of the Texas
8 Constitution a conservation and reclamation district is created in
9 Harris County, Texas, to be known as the "La Porte Area Water
10 Authority," hereinafter called the authority, that will be a
11 governmental agency and a body politic and corporate.

12 (b) The creation of the authority is declared to be
13 essential to the accomplishment of the purposes of Article XVI,
14 Section 59, of the Texas Constitution.

15 SECTION 2. FINDINGS. (a) It is found that the boundaries
16 and field notes of the authority form a closure, and if any mistake
17 is made in copying the field notes in the legislative process, or
18 otherwise a mistake is made in the field notes, it in no way
19 affects the organization, existence, and validity of the authority,
20 or the right of the authority to issue revenue bonds or revenue
21 refunding bonds for the purposes for which the authority is
22 created, or to pay the principal of and interest on bonds, or in
23 any other manner affect the legality or operation of the authority
24 or its governing body.

1 (b) It is determined and found that all of the land and
2 other property included within the area and boundaries of the
3 authority and land and properties that may feasibly be served by
4 the authority will be benefited by the works and project that are
5 to be accomplished by the authority pursuant to the powers
6 conferred by Article XVI, Section 59, of the Texas Constitution,
7 and that the authority is created to serve a public use and
8 benefit.

9 SECTION 3. BOUNDARIES. The authority comprises all of the
10 territory contained within the following described area:

11 BEGINNING at a point in the south right-of-way line of
12 Spencer Highway (100 foot wide), said point being the intersection
13 of the south right-of-way line of Spencer Highway and the east line
14 of the San Jacinto College 141 acre tract; said point being
15 coincident with the northwest corner of College View Municipal
16 Utility District as per Article 8280-381 of Vernon's Civil Statutes
17 of the State of Texas;

18 THENCE, southerly along the west line of the College View
19 Municipal Utility District and the east line of the San Jacinto
20 College 141 acre tract to its intersection with the north line of
21 Fairmont Parkway 250 foot right-of-way, same being the southeast
22 corner of the said San Jacinto College 141 acre tract and the
23 southwest corner of the College View Municipal Utility District;

24 THENCE, southerly along a projection of the west line of the
25 College View Municipal Utility District and the east line of the
26 San Jacinto College 141 acre tract to its intersection with the
27 south right-of-way line of Fairmont Parkway 250 foot right-of-way

1 to a point for corner;

2 THENCE, east along the south line of Fairmont Parkway 250
3 foot wide right-of-way to its intersection with the west line of a
4 200 foot wide Harris County Flood Control District right-of-way for
5 Willow Spring Gully which is designated as Ditch No. B112-00-00,
6 for a point for corner;

7 THENCE, southwesterly coincident with the meanders of the
8 west line of the 200 foot wide right-of-way of Willow Spring Gully,
9 Harris County Flood Control District Ditch B112-00-00, to its
10 intersection with the north corporate limit of the City of
11 Pasadena, same being the north line of a 200 foot wide strip
12 annexed by the City of Pasadena and also being the south line of
13 the W. M. Jones Survey and the north line of the George B.
14 McKinstry Survey, Abstract No. 47, for a point for corner;

15 THENCE, east with the north line of the George B. McKinstry
16 Survey A-47 and the south line of the W. M. Jones Survey and the
17 corporate limit line of the City of Pasadena to the east line of
18 the 200 foot wide right-of-way of Willow Spring Gully, Harris
19 County Flood Control District Ditch B112-00-00;

20 THENCE, southwesterly with the east line of the 200 foot wide
21 right-of-way of Willow Spring Gully Harris County Flood Control
22 District Ditch B112-00-00 to a point 469 feet south of the north
23 line of the George B. McKinstry Survey A-47;

24 THENCE, east 469 feet south of and parallel to the north line
25 of the George B. McKinstry Survey A-47 to a point 200 feet west of
26 the west line of that certain tract of land conveyed to Dart
27 Industries and El Paso Products Company by Friendswood Development

1 Company by deed dated March 14, 1974, and recorded under Film Code
2 Number 103-11-0868, Deed Records, Harris County, Texas;

3 THENCE, north 200 feet west of and parallel to the west line
4 of the property owned by Dart Industries and El Paso Products
5 Company a distance of 469 feet to the north line of the George B.
6 McKinstry Survey A-47 and the corporate limit line of the City of
7 Pasadena, Harris County, Texas;

8 THENCE, easterly along the north line of the George B.
9 McKinstry Survey, Abstract No. 47, to its intersection with the
10 center line of Big Island Slough, for a point for corner;

11 THENCE, southerly along the meanders of the center line of
12 Big Island Slough to its intersection with a line parallel to and
13 3410 feet more or less measured at right angles southerly from the
14 north line of the George B. McKinstry Survey, Abstract No. 47, for
15 a point for corner, said point being on the north line of that
16 territory annexed to the City of Houston by Ordinance No. 65-1555
17 B-R;

18 THENCE, easterly along the north line of the said territory
19 described by City of Houston Ordinance No. 65-1555 B-R, and its
20 easterly extension, to its intersection with the west right-of-way
21 line of the G. H. & S. A. Railroad, for a point for corner;

22 THENCE, southerly along the west right-of-way line of the
23 G. H. & S. A. Railroad to its intersection with the westerly
24 extension of the north right-of-way line of McCabe Road;

25 THENCE, easterly with the westward projection of the north
26 right-of-way line of McCabe Road, and the north right-of-way line
27 of McCabe Road, and the eastward projection of the north

1 right-of-way line of McCabe Road, to a point in the east
2 right-of-way line of Old State Highway 146 (also known as South
3 Broadway), said point being the intersection of the north
4 right-of-way line of McCabe Road, extended easterly, with the east
5 right-of-way line of Old State Highway 146;

6 THENCE, southerly along the east right-of-way line of Old
7 State Highway 146 (also known as South Broadway) to a point for
8 corner, said point being the intersection of the east right-of-way
9 line of State Highway 146 with the north line of the Pine Bluff
10 Addition and the south line of the Crescent View Addition;

11 THENCE, easterly along the north line of the Pine Bluff
12 Addition and the south line of the Crescent View Addition to a
13 point at the intersection of the north line of the Pine Bluff
14 Addition with the westerly shoreline of Galveston Bay;

15 THENCE, northwesterly, northerly, and northeasterly following
16 the meanders of the shoreline of Galveston Bay to its intersection
17 with Donaldson Avenue, being a south city limit line of the City of
18 Morgan's Point;

19 THENCE, northwesterly along the north right-of-way line of
20 Donaldson Avenue to its intersection with the east right-of-way of
21 Blackwell Street;

22 THENCE, north along the east right-of-way line of Blackwell
23 Street, to a point of intersection with the south right-of-way line
24 of Barbours Cut Boulevard;

25 THENCE, westerly along the south right-of-way line of
26 Barbours Cut Boulevard, to the northeast corner of Block 978, Town
27 of La Porte, Harris County, Texas;

1 THENCE, north across Barbours Cut Boulevard, to a point for
2 corner in the north right-of-way line of Barbours Cut Boulevard;

3 THENCE, west along the north right-of-way line of Barbours
4 Cut Boulevard to its intersection with the east right-of-way line
5 of North Broadway, for a point for corner;

6 THENCE, north along the east right-of-way line of North
7 Broadway, and along the east right-of-way line of North Broadway,
8 extended to its intersection with the shoreline of San Jacinto Bay,
9 being the most northwesterly corner of the corporate limit of the
10 City of Morgan's Point;

11 THENCE, easterly along the most north city limit line of the
12 City of Morgan's Point, to a point of intersection with a line
13 which is parallel to and 2500' westerly from the center line of the
14 Houston Ship Channel;

15 THENCE, in a northwesterly direction along the line which is
16 parallel to and 2500' from the center line of the Houston Ship
17 Channel to a point of intersection with the east right-of-way line
18 of State Highway 134;

19 THENCE, south along the east right-of-way line of State
20 Highway 134, and the east right-of-way line of State Highway 134,
21 projected south, to a point for corner in the south right-of-way
22 line of State Highway 225;

23 THENCE, southeasterly along the south right-of-way line of
24 State Highway 225, to its intersection with the west right-of-way
25 line of Underwood Road;

26 THENCE, south along the west right-of-way line of Underwood
27 Road to its intersection with the north right-of-way line of

1 Spencer Highway, for point for corner;

2 THENCE, west along the north right-of-way line of Spencer
3 Highway to its intersection with the east property line of the San
4 Jacinto College 141 acre tract, projected north;

5 THENCE, south across the right-of-way of Spencer Highway
6 along the north projection of the east property line of the San
7 Jacinto College 141 acre tract, to the POINT OF BEGINNING.

8 SECTION 4. GENERAL POWERS AND DUTIES. (a) The authority is
9 vested with, and shall have and exercise, all of the rights,
10 powers, privileges, authority, and functions conferred by the
11 general law of this state applicable to municipal utility
12 districts, including without limitation those conferred by Chapter
13 54, Water Code, as amended, but if any provision of the general law
14 is in conflict or inconsistent with this Act, this Act shall
15 prevail. All general laws applicable to municipal utility
16 districts not in conflict or inconsistent with the provisions of
17 this Act are hereby adopted and incorporated by reference with the
18 same effect as if incorporated in full by this Act.

19 (b) The powers and functions conferred on the authority are
20 granted subject to the policy of the state to encourage the
21 development and use of integrated area-wide waste collection,
22 treatment, and disposal systems to serve the waste disposal needs
23 of the citizens of the state, it being an objective of the policy
24 to avoid the economic burden to the people and the impact on the
25 quality of the water in the state that result from the construction
26 and operation of numerous small waste collection, treatment, and
27 disposal facilities to serve an area when an integrated area-wide

1 waste collection, treatment, and disposal system for the area can
2 reasonably be provided.

3 SECTION 5. SPECIFIC POWERS AND DUTIES. (a) Not by way of
4 limitation, the authority has the rights, powers, privileges, and
5 functions provided by this section.

6 (b) The authority may acquire surface and underground water
7 supplies from sources both inside and outside the boundaries of the
8 authority and may conserve, store, transport, treat, purify,
9 distribute, sell, and deliver water to persons, corporations,
10 municipal corporations, political subdivisions of the state, and
11 others, inside and within 30 miles of the boundaries of the
12 authority.

13 (c) The authority may collect and transport the domestic,
14 industrial, or communal wastes of the entities described in
15 Subsection (b) of this section including the purposes of Chapter
16 30, Water Code, as amended.

17 (d) The authority may make, purchase, construct, lease, or
18 otherwise acquire property, works, facilities, and improvements,
19 whether previously existing or to be made, constructed, or
20 acquired, inside or outside the boundaries of the authority,
21 necessary to carry out the rights, powers, and authority granted by
22 this Act and the general law.

23 (e) The authority may enter into contracts of not exceeding
24 40 years' duration with persons, corporations, municipal
25 corporations, including the City of La Porte, political
26 subdivisions of the state, and others, on terms and conditions the
27 board of directors of the authority considers desirable, fair, and

1 advantageous for the performance of its rights, powers, and
2 authorities under this Act. Before entering into those contracts,
3 except those between the authority and the City of La Porte, the
4 board of the authority shall secure the approval of the city
5 council of the City of La Porte. The contracts may provide that
6 they shall continue in effect until bonds issued by the authority
7 to finance the cost of facilities authorized by this Act, and
8 refunding bonds issued in lieu of those bonds, are paid. Chapter
9 224, Acts of the 56th Legislature, Regular Session, 1959, as
10 amended (Article 1109j, Vernon's Texas Civil Statutes), shall apply
11 to any contract between the authority and any city or town,
12 including the City of La Porte.

13 (f) The authority may enter into contracts with others for
14 transporting their water and may act jointly with others in the
15 performance of all functions and purposes of the authority. Before
16 entering into those contracts, except those between the authority
17 and the City of La Porte, the board of the authority shall secure
18 the approval of the city council of the City of La Porte.

19 (g) An election is not required by the authority for
20 approval of contracts with municipal corporations or other
21 political subdivisions for services listed in this Act.

22 (h) This Act does not preclude the authority from acquiring
23 water rights under any law or permit provided acquisition of the
24 water rights is approved by order or subsequent permit from the
25 Texas Water Commission.

26 (i) The rights, powers, privileges, and functions granted to
27 the authority are subject to the powers granted to the Gulf Coast

1 Waste Disposal Authority in Chapter 409, Acts of the 61st
2 Legislature, 1969, as amended (Article 7621d-2, Vernon's Texas
3 Civil Statutes), to provide disposal systems, and before acquiring
4 or constructing waste treatment and disposal facilities, the
5 authority must obtain the consent of the Gulf Coast Waste Disposal
6 Authority, or the Texas Water Commission if the consent of the Gulf
7 Coast Waste Disposal Authority is unreasonably withheld or delayed.

8 SECTION 6. CONFIRMATION ELECTION. (a) Before the authority
9 is created, the city council of the City of La Porte must call a
10 confirmation election to determine if the proposed authority will
11 be created.

12 (b) Except as provided by this section, the confirmation
13 election must be called and held in the manner provided by Sections
14 54.027, 54.028, and 54.029, Water Code.

15 (c) Notice of the election shall be published in a newspaper
16 of general circulation in the City of La Porte.

17 (d) Ballots of the election shall be printed to provide for
18 voting for or against the following proposition: "The creation of
19 the La Porte Area Water Authority."

20 (e) The city council of the City of La Porte shall assume
21 the election duties imposed on temporary directors by Chapter 54,
22 Water Code. There shall be but one election; if the election
23 fails, this Act shall be null and void and of no effect.

24 SECTION 7. EXCLUSIONS OF LAND. (a) It shall not be
25 necessary for the board of directors to call or hold a hearing on
26 the exclusions of land or other property from the authority, but
27 the board shall hold such a hearing on the written petition of any

1 landowner or other property owner within the authority filed with
2 the secretary of the board before the passage of the first order or
3 resolution authorizing bonds to be issued by the authority.

4 (b) The board may act on the petition in the same manner
5 that it may act on a petition for the addition of land under
6 Sections 54.711-54.715, Water Code, and no notice of hearing is
7 required other than notice of the meeting at which action is taken
8 under Section 54.109, Water Code.

9 (c) The board, on its own motion, may call and hold an
10 exclusions hearing or hearings in the manner provided by the
11 general law.

12 SECTION 8. ANNEXATION. Land may be added or annexed to the
13 authority in the manner provided by Chapter 54, Water Code, and
14 without the consent of any city as provided by the Municipal
15 Annexation Act, as amended (Article 970a, Vernon's Texas Civil
16 Statutes), either before or after revenue bonds of the authority
17 have been issued, and no such boundary change shall have any effect
18 on the validity of any bonds of the authority. Any land annexed
19 must be contiguous to and adjacent to the authority.

20 SECTION 9. TAXES; OTHER DISTRICTS. (a) The authority may
21 not impose, levy, assess, or collect taxes on any property, and the
22 authority may not issue bonds or create indebtedness that would be
23 payable directly from ad valorem taxes levied by the authority.

24 (b) The enactment of this law does not have the effect of
25 preventing the organization of conservation and reclamation
26 districts or of preventing boundary changes of those districts
27 within the boundaries of the authority as authorized by Article

1 XVI, Section 59, and Article III, Section 52, of the Texas
2 Constitution.

3 (c) To encourage the state policy stated in Section 4 of
4 this Act and to prevent wasteful duplication, all conservation and
5 reclamation districts created in the future within the boundaries
6 of the authority shall, however, contract with the authority for
7 the provision of facilities and services that the authority is
8 authorized to provide under this Act whenever the authority has or
9 in its determination can provide those facilities and services.

10 SECTION 10. BOARD OF DIRECTORS. (a) Powers of the
11 authority shall be exercised by a board of five directors, none of
12 whom shall be a member of the city council of the City of La Porte
13 during his term as director.

14 (b) One director must reside outside the city limits of La
15 Porte but within the boundaries of the authority.

16 (c) By September 1, 1981, the city council of the City of La
17 Porte shall assign position numbers to each director's office and
18 shall appoint directors to those positions for two-year terms as
19 follows:

20 (1) those directors occupying Positions Number 1 and Number
21 2 shall serve until September 1, 1982, and until their successors
22 have been appointed and qualified; and

23 (2) those directors occupying Positions Number 3, Number 4,
24 and Number 5 shall serve until September 1, 1983, and until their
25 successors have been appointed and qualified.

26 (d) On the expiration of those terms, the city council of
27 the City of La Porte shall fill those positions by appointment of a

1 director to each position for a term of two years, so that two
2 directors shall be appointed in one year and three directors in the
3 next year in continuing sequence.

4 (e) A vacancy in the office of director, because of the
5 failure or refusal of one or more directors to qualify or serve,
6 because of death or incapacitation, or for any other reason, shall
7 be filled by appointment of the city council of the City of La
8 Porte for the unexpired term.

9 (f) Each director shall serve without emolument or
10 compensation paid by the authority.

11 (g) Each director shall qualify by subscribing to the
12 constitutional oath of office and providing a bond in the amount of
13 \$5,000 for the faithful performance of his duties. The cost of the
14 bond shall be paid by the authority. The bond of the first
15 directors shall be approved by the mayor of the City of La Porte
16 and filed in the office of the city manager of the City of La
17 Porte. The bonds of directors appointed after the first directors
18 shall be approved by the authority's board of directors and shall
19 be recorded in a record kept for that purpose in the office of the
20 authority.

21 (h) At the first meeting in September of each year, or after
22 the annual vacancies in the board of directors are filled, the
23 board shall elect a president, a vice-president, a secretary, and
24 any other officers as in the judgment of the board are considered
25 necessary. The vice-president shall perform all duties and
26 exercise all power conferred by this Act or the provisions of the
27 general law on the president when the president is absent or fails

1 or declines to act. Any order adopted or other action taken at a
2 meeting of the board at which the president is absent may be signed
3 by the vice-president, or the board may authorize the president to
4 sign the order or other action.

5 (i) At the direction of the board of directors, the general
6 manager of the authority may execute all contracts entered into by
7 the board on behalf of the authority.

8 (j) A majority of the duly qualified directors shall
9 constitute a quorum of any meeting of the board of directors, and a
10 concurrence of a majority of those directors present and voting
11 shall be sufficient in all matters pertaining to the business of
12 the authority, including the letting of construction work, purchase
13 of existing facilities, and matters relating to construction work.

14 : SECTION 11. GENERAL MANAGER. (a) The city manager of the
15 City of La Porte shall be the general manager of the authority. If
16 the position of city manager is ever abolished, the chief executive
17 officer of the City of La Porte or his designee shall serve as
18 general manager. The general manager shall serve without emolument
19 or compensation paid by the board.

20 (b) The general manager is the chief executive officer of
21 the authority. Under policies established by the board, he is
22 responsible to the board of directors for the following duties:

23 (1) administering the directives of the board;

24 (2) keeping the authority's records, including minutes of
25 the board's meetings;

26 (3) coordinating with state, federal, and local agencies;

27 (4) developing plans and programs for the board's approval;

1 (5) formulating a budget for the authority's fiscal year
2 subject to the approval of both the board and the city council of
3 the City of La Porte;

4 (6) hiring, supervising, training, and discharging the
5 authority's employees;

6 (7) contracting for or retaining technical, scientific,
7 legal, fiscal, and other professional services; and

8 (8) performing any other duties assigned to him by the
9 board.

10 (c) The general manager and each employee of the authority
11 charged with the collection, custody, or payment of money of the
12 authority shall execute a fidelity bond, approved by the board of
13 directors as to form, amount, and surety. The authority shall pay
14 the premiums on the general manager's and the employees' bonds
15 under this section.

16 (d) Pursuant to the provisions of The Interlocal Cooperation
17 Act, as amended (Article 4413(32c), Vernon's Texas Civil Statutes),
18 the authority shall offer to enter into an interlocal contract or
19 agreement with the City of La Porte for the performance of
20 administrative functions.

21 SECTION 12. GENERAL FINANCIAL AUTHORITY. (a) The authority
22 may reimburse the City of La Porte for all reasonable expenses
23 incurred in connection with the creation and establishment of the
24 authority, including publication costs, legal fees, and charges for
25 the services of other consultants and other incidental costs.

26 (b) The authority may, with the prior approval of the city
27 council of the City of La Porte, borrow money from time to time for

1 the purpose of carrying out any of the powers granted to the
2 authority by:

3 (1) issuing and selling negotiable or nonnegotiable notes
4 and providing the terms and conditions of those notes and the
5 rights of the holders of those notes payable from and secured by
6 the sources described in this Act;

7 (2) issuing and selling revenue bonds without the necessity
8 of an election and providing the terms and conditions of those
9 bonds and the rights of the holders of those bonds payable from and
10 secured by the sources described in this Act; and

11 (3) delivering those notes and bonds to the United States,
12 or any agency or instrumentality of the United States, or to the
13 State of Texas, or any agency or instrumentality of the State of
14 Texas; when it is determined by the board of directors to be in the
15 best interest of the authority.

16 (c) The authority may invest any money held in any sinking
17 fund, reserve fund, or other fund or any money not required for
18 immediate use or disbursement in the securities as provided by this
19 Act.

20 (d) The authority may apply for, accept, and administer
21 grants, loans, and other assistance from the United States and any
22 agency or instrumentality of this state or any other state to carry
23 out the purpose of this Act, and to enter into any agreement in
24 relation to those grants, loans, or other assistance as may be
25 provided by the authority that is not in conflict with the
26 constitution of this state.

27 (e) The authority may fix, charge, alter, and collect

1 reasonable rentals, rates, fees, and other charges for the use of
2 any facilities or for any services rendered by the authority and
3 provide for the imposition of reasonable penalties for any of those
4 rentals, rates, fees, and charges that are delinquent, and further
5 to comply with its mandatory duty to fix, charge, alter, and
6 collect the rentals, rates, fees, and charges that are sufficient
7 to produce revenues adequate to fulfill any agreement with the
8 holders of bonds or notes issued under the provisions of this Act.

9 SECTION 13. BONDS AND NOTES. (a) Bonds and notes of the
10 authority shall be authorized by resolution or resolutions of the
11 board, concurred in by at least a majority of the board members and
12 further approved by the city council of the City of La Porte before
13 issuance.

14 (b) The bonds and notes shall have the form,
15 characteristics, and bear the designation; bear the date or dates;
16 mature at the time or times, serially, term, or otherwise, in not
17 more than 40 years from their dates; bear interest at the rate or
18 rates, payable annually, semiannually, quarterly, or otherwise; be
19 in the denominations; be in the form, either coupon or registered;
20 carry the registration privileges as to principal only or as to
21 both principal and interest and as to successive exchange of coupon
22 for registered bonds or notes or vice versa, and successive
23 exchange of bonds or notes of one denomination for bonds or notes
24 of other denominations; be executed in the manner; be payable at
25 the place or places within or without the state; and be sold for
26 the price or prices, as provided in the resolution or resolutions
27 authorizing the bonds and notes.

1 (c) Bonds or notes may be issued in one or more installments
2 and from time to time as required.

3 (d) The proceeds from the sale of the bonds or notes shall
4 be deposited in the depository bank or banks and shall be paid out
5 pursuant to the terms and conditions as may be agreed on by the
6 authority and the purchasers.

7 (e) Bonds or notes and any coupons appurtenant to the bonds
8 or notes issued under this Act shall be signed by the president or
9 vice-president of the board of directors, be attested by the
10 board's secretary, and bear the seal of the authority.

11 (f) The resolution or resolutions authorizing the issuance
12 of any installment or any series of bonds or notes may provide the
13 extent to which the authority, in executing the bonds or notes and
14 appurtenant coupons, may use facsimile signatures and facsimile
15 seals instead of manual signatures and manually impressed seals.
16 If any officer whose manual or facsimile signature appears on a
17 bond or note or any coupon ceases to be an officer before the bond
18 or note is delivered, the signature is valid and sufficient for all
19 purposes as if he had remained in office until the delivery had
20 been made.

21 (g) Neither the members or officers of the authority nor
22 anyone executing the bonds, notes, or coupons for and on behalf of
23 the authority shall be liable personally on the bonds, notes, or
24 coupons of the authority by reason of participation in any way in
25 the issuance of them.

26 (h) The bonds or notes of the authority may be secured by
27 and payable from pledges of all or any part of the revenues,

1 receipts, or assets of the authority or the revenues of any one or
2 more leases or other contracts made, all of which shall be
3 specified by the resolution of the authority or in the trust
4 indenture or other instrument securing the bonds or notes. The
5 pledge may reserve the right, under conditions specified in it, to
6 issue additional bonds or notes that will be on a parity with or
7 subordinate to the bonds or notes being issued.

8 (i) A pledge or security instrument made by the authority is
9 valid and binding from the time when it is made. The revenues,
10 receipts, or assets so pledged and entrusted and thereafter
11 received by the authority shall immediately be subject to the lien
12 of the pledge or security instrument without any physical delivery
13 or further act. The lien of the pledge or security instrument is
14 valid and binding against all parties having claims of any kind in
15 tort, contract, or otherwise against the authority, irrespective of
16 whether the parties have notice of it. It is not necessary for the
17 resolution or any security instrument or other instrument by which
18 a pledge or security interest is created to be recorded or filed,
19 and compliance with any provision of any other law is not required
20 in order to perfect the pledge or other security interest.

21 (j) A resolution authorizing bonds or notes or a trust
22 indenture securing bonds or notes may contain provisions, that
23 shall be a part of the agreement with the holders, as to:

24 (1) pledging all or any designated part of the revenues and
25 receipts of the authority, received or to be received from the
26 planning, financing, ownership or operation of, leasing, or
27 otherwise in connection with, any specified facilities or assets to

1 secure the payment of the bonds or notes;

2 (2) pledging all or any part of assets of the authority,
3 including any obligation acquired by the authority, to secure the
4 payment of the bonds or notes;

5 (3) the use and disposition of rentals, rates, fees, and
6 other charges made or received by the authority;

7 (4) pledging to fix, charge, alter, and collect rents,
8 rates, fees, and other charges with respect to any designated
9 facilities or assets that will be sufficient to produce revenues
10 adequate to pay all expenses necessary to the operation and
11 maintenance of the designated facilities or assets of the
12 authority, to pay the interest on and principal of all bonds or
13 notes issued and payable out of the revenues and receipts when and
14 as they become due and payable, to pay all sinking fund and reserve
15 or other fund payments agreed to be made in respect to any of those
16 bonds or notes payable out of the revenues and receipts when and as
17 they become due and payable, and to fulfill the terms of any
18 agreement made with the holders of the bonds or notes and with any
19 person in their behalf;

20 (5) the setting aside of reserves or sinking funds and the
21 regulation and disposition of them;

22 (6) limitations on the purpose to which the proceeds from
23 the sale of the bonds or notes may be applied and pledging the
24 proceeds to secure the payment of the bonds or notes;

25 (7) limitations on the issuance of additional bonds and on
26 the refunding of outstanding or other bonds or notes;

27 (8) the acquisition, construction, improvement, operation,

1 extension, enlargement, maintenance, and repair of any facilities
2 or assets and the duties of the authority with reference to them;

3 (9) the procedure, if any, by which the terms of any
4 agreement with bondholders or noteholders may be amended or
5 abrogated, the amount of bonds or notes the holders of the bonds or
6 notes are required to give consent to, and the manner in which the
7 consent may be given;

8 (10) limitations on the amount of money to be spent by the
9 authority for administrative or other expenses;

10 (11) vesting in a trustee or other fiduciary the property,
11 rights, powers, and duties in trust as the authority determines,
12 which may include any of the rights, powers, and duties of the
13 trustee appointed by the bondholders or noteholders pursuant to
14 this Act, and abrogating the right of the bondholders or
15 noteholders to appoint a trustee under this Act or limiting the
16 rights, powers, and duties of the trustee;

17 (12) placing the management, operation, and control of
18 specified facilities or assets of the authority in the hands of a
19 board of trustees to be named in the resolution or trust indenture
20 and specifying the terms of office of the board of trustees, their
21 powers and duties, the manner of exercising their powers and
22 duties, the appointment of successors, and all matters pertaining
23 to their organization and duties; and

24 (13) any other matters, of like or different character, that
25 in any way affect the security or protection of the bonds or notes
26 or the bondholders or noteholders.

27 (k) The resolution authorizing the issuance of the bonds or

1 notes or the trust indenture or other instrument securing them may
2 provide that in the event of a default or, under the conditions
3 stated in those instruments, a threatened default in the payment of
4 principal of or interest on bonds or notes, any court of competent
5 jurisdiction may, on petition of the holders of outstanding bonds
6 or notes, appoint a receiver with authority to collect and receive
7 pledged revenues and receipts, and the instruments may limit or
8 qualify the rights of less than all of the holders of the
9 outstanding bonds or notes payable from the same source to
10 institute or prosecute any litigation affecting the authority's
11 properties or revenues.

12 (1) Bonds or notes, including refunding bonds, authorized by
13 this Act may be additionally secured by a trust indenture under
14 which the trustee may be a bank having trust powers located either
15 inside or outside the state. The bonds or notes, within the
16 discretion of both the authority and the city council of the City
17 of La Porte, may be additionally secured by a mortgage or a deed of
18 trust lien or security interest on facilities or assets of the
19 authority and all real property, franchises, easements, leases, and
20 contracts and all rights appurtenant to the properties, vesting in
21 the trustee power to sell the facilities or assets for the payment
22 of the indebtedness, power to operate the facilities or assets, and
23 all other powers and authority for the further security of the
24 bonds or notes. The trust indenture, regardless of the mortgage or
25 the deed of trust lien or security interest in the facilities or
26 assets, may contain any provisions prescribed by the authority and
27 the city council of the City of La Porte for the security of the

1 bonds or notes and the preservation of the trust estate, and may
2 make provision for amendment or modification of them, and may
3 condition the right to spend the authority's money or sell the
4 authority's facilities or assets on approval of a registered
5 professional engineer selected as provided in the trust indenture,
6 and may make any other provisions for protecting and enforcing the
7 rights and remedies of the bondholders or noteholders as may be
8 reasonable and proper and not in violation of the law. The
9 resolution or trust indenture may also contain provisions governing
10 the issuance of bonds and notes to replace lost, stolen, or
11 mutilated bonds or notes.

12 (m) The authority may direct the investment of money in the
13 funds created by the resolutions, trust indentures, or other
14 instruments securing the bonds or notes. From the proceeds from
15 the sale of the bonds or notes, the authority may set aside amounts
16 for payments into the interest and sinking fund until completion of
17 construction and until adequate revenues and receipts are
18 available from operations to pay principal and interest and amounts
19 for payments into reserve funds, and provisions for this may be
20 made in the resolution authorizing the bonds, notes, or the trust
21 indenture or other instrument securing the bonds or notes.
22 Proceeds from the sale of the bonds or notes may be used for the
23 payment of all expenses of issuing and selling the bonds or notes.

24 (n) The proceeds from the sale of the bonds and notes and
25 money in any funds created in connection with the bonds or notes
26 may be invested:

27 (1) in direct or indirect obligations of or obligations

1 unconditionally guaranteed by the United States maturing in the
2 manner that may be specified by the resolution authorizing the
3 bonds or notes or the trust indenture or other instrument securing
4 the bonds or notes; or

5 (2) in certificates of deposit of any bank or trust company
6 whose deposits are secured by the obligations described in
7 Subdivision (1) of this subsection.

8 (o) With the prior approval of the city council of the City
9 of La Porte, the authority may provide by resolution for the
10 issuance of refunding bonds or notes to refund outstanding bonds or
11 notes issued under this Act and their accrued interest. The
12 authority may sell the refunding bonds or notes and use the
13 proceeds to retire the outstanding bonds or notes issued under this
14 Act or the authority may exchange the refunding bonds or notes for
15 the outstanding bonds or notes. The issuance of the refunding
16 bonds or notes, their maturity, the rights of the bondholders, and
17 the duties of the authority with respect to refunding bonds or
18 notes are governed by the provisions of this Act relating to
19 original bonds or notes, to the extent that they may be made
20 applicable. The authority may also refund any bonds or notes under
21 any general law of the state.

22 (p) After bonds and notes, including refunding bonds and
23 notes, are authorized by the authority, the bonds and notes and the
24 record relating to their issuance shall be submitted to the
25 attorney general for his examination as to their validity. If the
26 bonds and notes recite that they are secured by a pledge of the
27 revenues and receipts of a lease or leases or other contract or

1 contracts previously made between the authority and any person, the
2 leases and contracts may also be submitted to the attorney general.
3 If the bonds or notes have been validly authorized and if the
4 leases or contracts have been made in accordance with the
5 constitution and laws of this state, the attorney general shall
6 approve the bonds or notes and the leases or contracts, and the
7 bonds or notes shall be registered by the comptroller of public
8 accounts.

9 (q) After the bonds or notes, and the leases or other
10 contracts, if any, are submitted, have been approved by the
11 attorney general, and the bonds and notes have been registered by
12 the comptroller of public accounts and delivered to the purchasers,
13 the bonds and notes and any underlying leases and contracts are
14 incontestable for any cause.

15 (r) Payment of bonds and notes according to the term and
16 tenor, performance of agreements with the holders of bonds or notes
17 or any person in their behalf, and performance of official duties
18 prescribed by the provisions of this Act in connection with any
19 bonds or notes may be enforced in any court of competent
20 jurisdiction by mandamus or other appropriate proceeding.

21 (s) Bonds issued under this Act and coupons, if any,
22 representing interest on them, shall, when delivered, be considered
23 and construed to be a "security" within the meaning of Chapter 8 of
24 the Uniform Commercial Code.

25 (t) Bonds and notes issued under this Act, the interest on
26 them, and the profit from the sale of them, shall be exempt from
27 taxation by the state or by any municipal corporation, county, or

1 other political subdivision or taxing district of the state.

2 (u) Bonds and notes issued under this Act, together with the
3 interest on them, shall be secured by and payable only from the
4 sources provided by the terms of this Act.

5 (v) This Act shall not be construed to authorize the giving
6 or lending of the credit of the state or to be a pledge of the
7 credit of the state for the payment of any bonds or notes issued
8 under this Act and the purchasers and holders of any bonds or notes
9 shall never have the right to demand payment from any revenues,
10 receipts, or assets of the authority except those pledged to the
11 payment of bonds or notes. This state, however, pledges and agrees
12 with the holders of any bonds or notes issued under this Act that
13 it will not limit or alter the rights vested in the authority to
14 fulfill the terms of any agreements made with the holders of the
15 bonds or notes consistent herewith, or in any way impair the rights
16 and remedies of the holders until the bonds or notes, together with
17 interest on them, with interest on any unpaid installments of
18 interest, and all costs and expenses for which the authority is
19 liable in connection with any action or proceedings by or on behalf
20 of the holders, are fully met and discharged. The authority may
21 include this pledge and agreement of the state in any agreements it
22 makes with the holders of the bonds or notes.

23 SECTION 14. CONSTRUCTION PROJECTS. Before the issuance of
24 bonds or notes to finance a construction project, the authority
25 must submit the plans for the project to the Texas Water Commission
26 for approval in the manner provided by Section 54.516, Water Code.

27 SECTION 15. FACILITIES; EMINENT DOMAIN. (a) The authority

1 may construct, lay, maintain, and operate canals, laterals,
2 ditches, levees, pipelines, and all other facilities for the
3 transportation and distribution of water, together with service
4 roads and all other facilities incidental to and designed for use
5 in connection with the transportation and distribution of water,
6 under, along, and across any railroad, railroad right-of-way,
7 canal, stream, pipeline, utility line, streets or alleys in cities,
8 towns, and villages, subject to reasonable regulation by the
9 cities, towns, and villages, and public roads and highways, but the
10 crossings shall not impair the uses of the facilities crossed, and
11 the facilities shall be promptly restored to their former condition
12 of usefulness.

13 (b) In the event that the authority, in the exercise of the
14 power of eminent domain or power of relocation, or any other power
15 granted under this Act, makes necessary the relocation, raising,
16 rerouting or changing the grade of, or altering the construction
17 of, any highway, railroad, electric transmission line, telegraph or
18 telephone properties and facilities, or pipeline, all such
19 necessary relocation, raising, rerouting, changing of grade or
20 alteration of construction shall be accomplished at the sole
21 expense of the authority. The term "sole expense" shall mean the
22 actual cost of such relocation, raising, lowering, rerouting, or
23 change in grade or alteration of construction in providing
24 comparable replacement without enhancement of such facilities,
25 after deducting therefrom the net salvage value derived from the
26 old facility.

27 (c) The authority shall not be required to give bond for

1 appeal or bond for costs in any condemnation suit or any other suit
2 to which it may be a party.

3 SECTION 16. DEPOSITORY; ACCOUNTS. (a) With the prior
4 approval of the city council of the City of La Porte, the board of
5 directors of the authority shall select any bank or banks in the
6 State of Texas to act as depository or depositories for the funds
7 of the authority. To the extent that funds in the depository bank
8 or banks are not insured by the Federal Deposit Insurance
9 Corporation, they shall be secured in the manner provided by law
10 for the security of funds of the City of La Porte. So long as the
11 provisions of Chapter 179, Acts of the 60th Legislature, Regular
12 Session, 1967 (Article 2529c, Vernon's Texas Civil Statutes), are
13 observed, any director of the authority may be a shareholder in
14 said depository bank or banks.

15 (b) A complete system of accounts shall be kept by the
16 authority and an audit of its affairs for each year shall be
17 prepared by an independent certified public accountant, or a firm
18 of independent certified public accountants, of recognized
19 integrity and ability. The fiscal year of the authority shall be
20 from October 1 to September 30 of the following year, unless and
21 until changed by the board. A written report of the audit shall be
22 delivered to each member of the board not later than 90 days after
23 the close of each fiscal year. A copy of the audit report shall be
24 delivered on request to the holder or holders of at least 25
25 percent of the then outstanding bonds of the authority. At least
26 five additional copies of the audit shall be delivered to the
27 office of the authority, one of which shall be kept on file and

1 shall constitute a public record open to inspection by any
2 interested person or persons during normal office hours and one
3 copy of the audit report shall be filed with the City of La Porte.
4 The cost of the audit shall be paid by the authority.

5 SECTION 17. AUTHORITY OFFICE. The board of directors shall
6 designate, establish, and maintain an office or offices of the
7 authority as provided by Section 54.110, Water Code.

8 SECTION 17a. POWERS WITHIN EXTRATERRITORIAL JURISDICTION.
9 Notwithstanding any other provision of this Act to the contrary,
10 none of the authority's powers, privileges, rights, or functions
11 may be exercised in connection with any property, works,
12 facilities, improvements, political subdivision, or proposed
13 annexation of territory located in whole or in part within the
14 extraterritorial jurisdiction or within the corporate limits
15 (either general or limited purpose) of any city with a population
16 of 1.2 million or more unless the authority obtains specific
17 written consent of such city. Such written consent, to be
18 effective, must be in the form of an ordinance duly adopted by the
19 governing body of such city.

20 SECTION 18. NOTES AND BONDS AS INVESTMENTS AND SECURITY.
21 All bonds of the authority are legal and authorized investments for
22 banks, savings banks, trust companies, savings and loan
23 associations, insurance companies, fiduciaries, trustees, and
24 sinking funds of cities, towns, villages, counties, school
25 districts, and political subdivisions of the state and public
26 agencies of the state. The bonds shall be eligible to secure the
27 deposit of funds of the state or of a city, town, village, county,

1 school district, or any other agency or political subdivision of
2 the state. The bonds shall be lawful and sufficient security for
3 those deposits to the extent of their face value, when accompanied
4 by all unmatured coupons appurtenant thereto.

5 SECTION 19. EMERGENCY. The importance of this legislation
6 and the crowded condition of the calendars in both houses create an
7 emergency and an imperative public necessity that the
8 constitutional rule requiring bills to be read on three several
9 days in each house be suspended, and this rule is hereby suspended,
10 and that this Act take effect and be in force from and after its
11 passage, and it is so enacted.

President of the Senate

Speaker of the House

I certify that H.B. No. 1311 was passed by the House on April 2, 1981, by the following vote: Yeas 140, Nays 0, 9 present, not voting; and that the House concurred in Senate amendments to H.B. No. 1311 on May 30, 1981, by the following vote: Yeas 129, Nays 1, 1 present, not voting; and, pursuant to the provisions of Article XVI, Section 59(d) of the Constitution of Texas, a copy of H.B. No. 1311 was transmitted to the Governor on February 20, 1981, and the recommendation of the Texas Water Commission was filed with the Speaker of the House on March 6, 1981.

Chief Clerk of the House

I certify that H.B. No. 1311 was passed by the Senate, with amendments, on May 27, 1981, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor

by Mingden

Amendment No. 1

Amend H. B. 1311 as follows:

(1) By adding after the only sentence in Section 8 the following sentence: ^EAny land annexed must be contiguous ^{with} and adjacent to the authority.

(2) By adding as Section 17a the following:

Section 17a. Notwithstanding any other provision of this Act to the contrary, none of the authority's powers, privileges, rights, or functions may be exercised in connection with any property, works, facilities, improvements, political subdivision, or proposed annexation of territory located in whole or in part within the extraterritorial jurisdiction or within the corporate limits (either general or limited purpose) of any city with a population of 1.2 million or more unless the authority obtains specific written consent of such city. Such written consent, to be effective, must be in the form of an ordinance duly adopted by the governing body of such city.

ADOPTED

MAY 27 1981

Latoy King
Secretary of the Senate

QAB

Amend the caption to conform to the
body of the bill

ADOPTED

MAY 27 1961

Scotty King
Secretary of the Senate

CB

THIS CONTRACT IS SUBJECT TO ARBITRATION
UNDER THE TEXAS GENERAL ARBITRATION ACT

CONTRACT FOR THE SUPPLY OF POTABLE WATER AND THE
CONSTRUCTION, FINANCING AND OPERATION OF WATER TREATMENT
TRANSMISSION AND DISTRIBUTION FACILITIES

THIS CONTRACT (the "Contract") made and entered into as of the 23rd day of Nov, 1987, by and between La Porte Area Water Authority (the "Authority"), a conservation and reclamation district in Harris County, Texas, and a governmental agency and a body politic and corporate, created by Chapter 729, page 2678, Acts of the 67th Legislature of the State of Texas, Regular Session, 1981 (the "Act"), and the City of Shoreacres, Texas, a municipal corporation of the State of Texas (the "City"),

W I T N E S S E T H:

WHEREAS, the Harris-Galveston Coastal Subsidence District (the "Subsidence District"), was created by the Legislature of Texas in 1975 for the purpose of regulating the withdrawal of groundwater from the area within the boundaries of Harris County and Galveston County in order to end subsidence which contributes to or precipitates flooding, inundation or overflow of any area within the District;

WHEREAS, the Subsidence District is charged with the duty and has the power to control and prevent subsidence within its boundaries by reducing the amount of groundwater withdrawals from all wells within the Subsidence District which produce groundwater, including those owned and operated by corporations, governmental subdivisions or agencies and other organizations;

WHEREAS, the City and other Participants named in Section 2.01 hereof are required by the rules and regulations of the Subsidence

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District to reduce their respective withdrawals of groundwater from their wells and replace such withdrawals with surface water which has been properly treated for domestic use;

WHEREAS, the Authority was created primarily for the purpose of providing water treatment and transmission facilities necessary to serve municipal corporations, political subdivisions and others within an area described in Section 3 of the Act, and may provide such facilities to persons, corporations, municipal corporations, political subdivisions and others within an area described within Section 5(b) of the Act;

WHEREAS, under the Act the Authority has specific power, among others, to (a) acquire surface Water supplies from sources inside and outside its boundaries, (b) treat, purify, transport, distribute, sell and deliver Water (as defined herein) to corporations, municipal corporations, political subdivisions of the State of Texas and others, (c) purchase, construct or otherwise acquire facilities and improvements necessary to carry out its powers, and (d) issue and sell its revenue bonds, without the necessity of an election, for the purpose, among others, of paying the cost of such facilities and improvements;

WHEREAS, at the request and for the benefit of the City and such other Participants, the Authority proposes (a) to enter into a contract with the City of Houston, Harris County, Texas, a municipal corporation organized and existing under the laws of the State of Texas, for the purchase of an undivided interest in the Pumping and Production Capacity of the City of Houston's Southeast Water Purification Plant (hereinafter called the "Southeast Plant") and potable surface Water from the City of Houston's Southeast Plant, in an aggregate amount sufficient to supply the estimated potable surface Water requirements of

the Participants through the year 1994; and (b) (i) to purchase and construct the Water pumping, transmission, distribution, metering and all other related facilities necessary to transport potable surface Water from the Southeast Plant to the Authority and the Water Distribution Systems of the Participants, including the City; and (ii) to issue, sell and deliver its revenue bonds in an aggregate principal amount sufficient to pay in full (x) the costs of acquiring the Authority's share of the Southeast Plant, the Transmission System and the Distribution System and (y) other related costs including the cost of issuing such bonds;

WHEREAS, the Authority has heretofore entered into or will enter into Contracts for the Supply of Potable Water and the Construction, Financing and Operation of Water Transmission and Distribution Facilities with all of the Participants other than the City and all such Contracts and this Contract (collectively, the "Water Sales Contracts") will be substantially the same in all material respects in their terms, conditions and provisions;

WHEREAS, in order to comply with the rules and regulations of the Subsidence District at the earliest feasible date, the City desires to purchase Water from the Authority on the terms and conditions herein set forth and the Authority is willing to sell Water to the City upon the same terms and conditions; and

WHEREAS, the Authority and the City are authorized to enter into this Contract pursuant to the Act, V.A.T.C.S. Article 4413 (32c), and other applicable laws;

NOW, THEREFORE, in consideration of the mutual premises and covenants and agreements herein contained, the Authority and the City hereby agree as follows:

ARTICLE I
Definition of Terms

Section 1.01 Unless the context requires otherwise, the following terms and phrases shall have meanings as follows:

- (1) Act - Chapter 729, page 2678 et seq., Acts of the 67th legislature of the State of Texas, Regular Session, 1981.
- (2) Authority - The La Porte Area Water Authority.
- (3) Authority Director - the General Manager of the La Porte Area Water Authority, or his designated representative.
- (4) Board - The Board of Directors of the Authority.
- (5) Bond Resolution - any resolution or order of the Authority, duly approved by the City, which authorizes the issuance of any Bonds.
- (6) Bonds - any revenue bonds issued by the Authority, as authorized by this Contract and any Bond Resolution, whether one or more issues, and the interest appertaining thereto, to finance the Authority's participation in the Southeast Plant, the Transmission System, and the Distribution System, including all improvements, enlargements, and expansions thereof, and any Bonds issued to refund such bonds.
- (7) City - the City of Shoreacres, Harris County, Texas.
- (8) City System - the City's existing waterworks and sanitary sewer system, together with all present and future extensions, additions, replacements and improvements thereto.
- (9) Code - the Internal Revenue Code of 1986, as amended.
- (10) CWA - the Coastal Water Authority, previously known as the Coastal Industrial Water Authority.
- (11) Demand Allocation Factor - the percentage of the production capacity of the Southeast Plant which the Authority is entitled to use at any given time. The initial Demand Allocation Factor for the Authority will be the percentage of the actual production construction cost paid by the Authority divided by the total actual production construction cost, as specified in Section 2.01 of the Houston Contract. The initial Demand Allocation Factor is 5.25%.

- (12) Distribution System - those facilities used to transport treated surface Water from the termination of the transmission facilities shown on Exhibit "C", attached hereto, and fully incorporated by reference herein, to each Participant's take point.
- (13) Excess Production Fee - the rate to be charged to the City by the Authority for use of production capacity above the City's share of committed capacity from the Southeast Plant which shall be payable in the amounts and at the times as set forth in Section 4.05 of the Houston Contract.
- (14) Excess Pumpage Fee - the rate to be charged to the City by the Authority for use of pumping facilities associated with the Southeast Plant in excess of the City's share of committed capacity for the Project, which shall be payable in the amounts and at the times as set forth in Section 4.05 of the Houston Contract.
- (15) Fiscal Year - the Fiscal Year of the Authority, as designated in Section 16(b) of the Act, which is from October 1 to September 30 of the following year, unless and until changed by the Board.
- (16) Houston - the City of Houston, Harris County, Texas.
- (17) Houston Contract - the contract between the Authority and Houston, which shall be in all material respects in accordance with the terms and provisions of the contract attached to this Contract as Exhibit "A", incorporated by reference herein as if recited in this Contract verbatim, providing for the purchase by the Authority of: an undivided interest in the Southeast Plant as well as potable treated surface Water from the Southeast Plant.
- (18) Houston Director - the Director of the City of Houston's Department of Public Works and Engineering or any other person designated by such Director.
- (19) La Porte - the City of La Porte, Harris County, Texas.
- (20) "MGD" - an abbreviation for million gallons per day. As used in this Contract, "MGD" refers to a quantity of Water during a period of time expressed for convenience in terms of an average daily quantity during a calendar month (unless a different period of time is specified). The volume of two MGD for a calendar month, for example, is calculated as follows: Two million gallons multiplied by the number of days in such calendar month.
- (21) Operation and Maintenance Expenses - all costs of providing Water to Participants under the Water Sales

Contracts, except for costs funded by Bond proceeds; debt service on the Authority's Bonds and amounts required to fund any reserve fund, contingency fund, rebate fund, or any other fund established under any Bond Resolution, including without limitation all Operation and Maintenance Costs billed to the Authority by Houston, all Operating and Maintenance Costs incurred by the Authority related to the Transmission System and the Distribution System, and all administrative costs incurred by the Authority (including insurance).

- (22) "Participants" - the City and all of the other parties named in Section 2.01 hereof who have executed a Contract substantially similar to this Contract. The term also includes any customer who executes a Water Sales Contract pursuant to the provisions of Section 11.09 hereof from and after such execution.
- (23) Production Capacity - the maximum rate of production of treated surface Water from the Southeast Plant, which equals 80 MGD.
- (24) Pumping Allocation Factor - the percentage of the Southeast Plant's pumping and related treated Water storage capacity which the Authority is entitled to use at any given time. The initial Pumping Allocation Factor for the Authority will equal the actual construction cost of the pumping and storage facilities paid by the Authority divided by the total actual construction cost for such pumping and storage facilities. The initial Pumping Allocation Factor is 2.33%.
- (25) Pumping Capacity - the maximum rate of delivery of treated surface Water from the Southeast Plant, which equals 225 MGD (expressed as a peak hour pumping rate).
- (26) Service Area - that area described in Sections 3 and 5(b) of the Act.
- (27) Southeast Plant - the Project described in the Houston Contract generally, and specifically described in Exhibit "B" to the Houston Contract.
- (28) Subsidence District - the Harris-Galveston Coastal Subsidence District.
- (29) Transmission System - those facilities, including pipelines, easements, pumping, and other devices to deliver treated surface Water from the take point at the Southeast Plant, shown on Exhibit "A" attached to the Houston Contract, to that point shown on Exhibit "C" of this Contract, which includes necessary storage and pumping facilities to deliver treated surface water to each

Participant.

- (30) "Water" - the term "Water" means potable treated surface Water that has been supplied by Houston in accordance with the Houston Contract.
- (31) Water Sales Contracts - this Contract, the contracts between the Authority and the other Participants named in Section 2.01 of this Contract, and any Contract between the Authority and a new Participant. All Water Sales Contracts are and shall be in a form substantially similar to this one.

ARTICLE II

Purchase and Construction of the Authority's Share of the Southeast Plant and Transmission System; Execution of Contracts

Section 2.01 With the full cooperation of the City (and the other Participants) the Authority agrees to purchase an initial Demand Allocation Factor of 5.25% and an initial Pumping Allocation Factor of 2.33% in the Southeast Plant, in accordance with the Houston Contract, attached hereto as Exhibit "A". Each Participant's share of the initial Demand Allocation Factor and initial Pumping Allocation Factor are set forth below opposite the name of each party.

<u>PARTICIPANT</u>	<u>% SHARE OF IDAF*</u>	<u>SHARE OF IDAF*</u>	<u>% SHARE OF IPAF**</u>	<u>SHARE OF IPAF**</u>
City of La Porte	83.30%	4.375%	83.30%	1.94%
Bayshore MUD	7.67%	0.400%	7.67%	0.18%
City of Shoreacres	4.74%	0.250%	4.74%	0.11%
City of Morgans Point	4.29%	0.225%	4.29%	0.10%

* IDAF - Initial Demand Allocation Factor

** IPAF - Initial Pumping Allocation Factor

Section 2.02 Promptly after the execution and delivery of this Contract, and after the execution and delivery of the Houston Contract by the Authority and Houston, the Authority shall proceed promptly to (a) acquire sufficient land for all easements or rights-of-way necessary to deliver Water from the Southeast Plant to the Participants as

provided herein; (b) cause its engineers to prepare detailed plans and specifications for the construction of the Transmission System and Distribution System; and (c) obtain the approval of all such plans and specifications by the Texas Department of Health and all other governmental agencies having jurisdiction.

Section 2.03 The pro rata share of each Participant in the actual construction cost of the Transmission System and the Distribution System shall be calculated when sufficient engineering and cost data are available to the Authority. Each Participant, including the City, shall approve the finalized construction cost formula and the City's share of the actual construction cost for the Transmission System and Distribution System to be paid by the City and the other Participants, prior to the Authority's sale of bonds to finance the Distribution System and Transmission System.

Section 2.04 It is expressly understood and agreed that the acquisition of land, easements, and rights-of-way, the awarding of Contracts, the approval of plans and specifications and the approval of changes in said plans and specifications, and the supervision of construction of the Southeast Plant, the Transmission System, and the Distribution System are solely within the discretion and control of the Authority.

Section 2.05 It is expressly understood and agreed that any obligation on the part of the Authority to acquire, construct, improve, enlarge, extend, repair, complete or operate the Authority's share of the Southeast Plant, the Transmission System, and the Distribution System shall be subject to:

- (a) The availability of sufficient funds timely to pay all of the costs of construction of the Authority's share of the Southeast Plant and the Transmission System and the Distribution System;
- (b) The Authority's ability to obtain all sites, rights-of way, easements, labor, equipment and materials as required for the construction of the Authority's share of the Southeast Plant, Transmission System, and Distribution System; and
- (c) The Authority's obtaining all permits, licenses and approvals required to construct and operate the Authority's share of the Southeast Plant, the Transmission System, and the Distribution System, provided the Authority shall exercise its best efforts at reasonable expense so to do.

Section 2.06 Any duly designated representative of the City shall, subject to making suitable arrangements through the Authority Director and the Houston Director, and subject to reasonable safety regulations, have access during normal working hours to the Southeast Plant, the Transmission System and the Distribution System during construction in progress and thereafter, and may make such inspections thereof as may be deemed necessary or desirable. Such representatives of the City shall also have full access during normal business hours, upon reasonable notice, to all of the Authority's contracts, books, records and other data relating to the construction or operation of the Authority's share of the Southeast Plant, the Transmission System, and the Distribution System.

Section 2.07 The City recognizes that the Houston Contract may be amended from time to time, particularly in regards to the rates for the sale, transportation, and delivery of potable water charged by Houston to the Authority. The City agrees to be bound by such amendments as they may occur. The Authority shall use its best efforts to negotiate said amendments so as to benefit all Participants in the Authority's

share of the Southeast Plant, the Transmission System and the distribution system. In any event, no amendment to the Houston Contract shall supersede or diminish the obligation of the City to adhere to the provisions of this Contract or the City's obligation to pay for its share of the debt service attributable to any Bonds issued pursuant hereto, or otherwise to adhere to the Bond Resolution authorizing the sale of such Bonds.

Section 2.08 The City recognizes that the Water to be delivered by the Authority hereunder will be potable treated surface water (i) that has been purchased by and delivered to the Authority by Houston as the operator of the Southeast Plant; and (ii) that shall meet all applicable purity standards at the point of delivery to the Participant of the Texas Department of Health and all other governmental agencies with appropriate jurisdiction, as specified in Exhibit "A". The City has satisfied itself that such water will be suitable for its needs. THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, WHICH EXTEND BEYOND THE DESCRIPTION ABOVE.

Section 2.09 The City may have the right to sell and deliver Water to bulk purchasers thereof or other Participants who are not customers of the City System, provided (a) all Water sold and delivered to any such purchaser or Participant, for all purposes of this Contract, shall be treated as a part of the Water delivered by the Authority to the City hereunder, (b) the City shall not be relieved of its obligations hereunder to pay for all such Water; (c) the Authority shall never be required, without the written approval of all other Participants, to deliver to the City any Water in excess of that resulting from the City's share of the Demand Allocation or Pumping Allocation Factor in

the Southeast Plant; and (d) the City will not enter into any take-or-pay contract whereby a person agrees to take, or to take or pay for Water provided to the City under this Contract or otherwise agrees to purchase any Water provided to the City under this Contract without the prior written consent and approval of the Authority.

ARTICLE III
Issuance of Bonds

Section 3.01 At such time as the Board deems it appropriate, after considering the advice of its financial advisor and after the Authority has entered into Water Sales Contracts with all of the Participants, the Authority will exercise its best efforts to issue, sell and deliver, in one or more series, its Bonds, payable solely from the charges of the Authority payable under such Water Sales Contracts, in the aggregate principal amount of \$_____ or such lesser amount as may be necessary or desirable in the opinion of the Board to pay for the cost of acquisition, purchase or construction of the Authority's share of the Southeast Plant, the Transmission System and the Distribution System and all related costs including without limitation initial Operation and Maintenance Expenses, all financing, accounting, engineering, legal, printing and other expenses and costs incurred in issuing such Bonds, interest on the Bonds and operating and maintenance expenses of the Authority's share of the Southeast Plant and the Transmission System and the Distribution System during the period of construction, and amounts necessary to fund the interest on and sinking fund established to provide for the payment of the interest on and the principal of, the Bonds and any reserve fund, contingency fund, operating reserve fund or other fund provided for in the

Bond Resolution, plus an amount sufficient to pay and reimburse the La Porte for the Authority's administrative and overhead expenses theretofore incurred and directly attributable and chargeable to the acquisition of the Authority's share of the Southeast Plant, the Transmission System and the Distribution System.

Section 3.02 When the Authority desires to issue Bonds, it shall deliver to the City and to La Porte for their approval as to substance and form a proposed Bond Resolution (complete except for interest rates, name of the initial purchaser or purchasers of the Bonds and the discount or premium thereon) and the Authority's estimate of the amount required to (a) pay or provide for the payment of (i) all interest on, and principal of, the Bonds as and when the same shall become due and payable and (ii) all reserve, contingency and/or other funds provided for in such Bond Resolution and (b) fulfill the terms of any agreement or covenant made by the Authority with the owners of such Bonds or any person on their behalf. If the City consents to such Bond Resolution or fails to object thereto as provided in Section 3.03 hereof, the Authority shall thereafter be fully authorized to issue such Bonds and to charge and collect the monthly minimum charge specified in Section 7.01 hereof from the City in respect thereof.

Section 3.03 Within fifteen (15) days of the receipt of the Authority's proposed Bond Resolution, the City shall either consent thereto (as evidenced by the adoption of an ordinance or resolution of its City Council) or institute arbitration proceedings as provided herein to settle any claim, objection or controversy which the City might raise concerning the form of the proposed Bond Resolution, otherwise any such claim, objection or controversy shall be deemed waived. Issu-

ance of the Bonds shall not occur until arbitration, if any, is concluded.

Section 3.04 Promptly after the City and La Porte approve the proposed Bond Resolution, the Authority shall proceed with the preparation of such data, materials and documents as may be necessary in the opinion of its financial advisor to facilitate the sale and delivery of the Bonds, and the City agrees promptly to furnish the Authority with all such financial information and other data as may reasonably be required by the Authority in the sale of the Bonds in compliance with all applicable laws, rules and regulations; provided, however, that no representation, covenant or warranty of the City, except as contained in this Contract, shall be included by the Authority in any sales documents in connection with the sale of the Bonds without the approval of the City. Following the sale and delivery of the Bonds, the Authority shall furnish the City with a debt service schedule showing the amounts required to pay all interest on and principal of the Bonds as the same shall become due and payable.

Section 3.05 All Bonds shall be authorized, executed, issued, sold and delivered in substantial compliance with the provisions of the Act, including without limitation Section 13 thereof, and the Texas Bond Procedures Act of 1981, as supplemented and amended. The proceeds of sale of the Bonds, after deducting the costs of issuance and funding any debt service, reserve, contingency, escrow or other funds which are required by the Bond Resolution to be funded from such proceeds, shall be deposited into the special construction fund provided for in the Bond Resolution and used to pay the costs of acquisition, purchase and construction of the Authority's share of the Southeast Plant, the Transmission System and the Distribution System.

Section 3.06 In case of any deficiency in such special construction fund to pay or provide for the timely payment of the costs of acquisition and construction of the Authority's share of the Southeast Plant, the Transmission System and the Distribution System, the Authority shall proceed in the manner provided above to issue, sell and deliver such further or additional series of its Bonds, as may be necessary to provide funds for such purpose, and the City agrees to assist and cooperate with the Authority in whatever means reasonably possible to expedite such issuance and sale of additional Bonds and to avoid delays in construction or defaults of construction payments. Any surplus funds on hand in such special construction fund, after payment of all costs of acquisition or construction of the Authority's share of the Southeast Plant, the Transmission System and the Distribution System, and all expenses of issuing such bonds, and after funding all reserve, escrow, sinking or other funds required by the Bond Resolutions(s) to be so funded, shall be transferred to and deposited in the debt service fund or sinking fund created by the Bond Resolution to provide for the payment of the principal of, and interest on, such Bonds.

ARTICLE IV

Operation of the Southeast Plant; Sale and Delivery of Water

Section 4.01 The City recognizes that, pursuant to the terms of the Houston Contract, the Authority is not entitled to operate the Southeast Plant, but rather is a customer and equitable owner of a portion of said plant. The Authority shall be responsible for operating and maintaining the Transmission System and the Distribution System.

Section 4.02 In accordance with the terms and subject to the conditions as set forth in this Contract and the Houston Contract, the

Authority shall sell and deliver (or cause to be delivered) to the City at the points of delivery hereinafter specified, and the City agrees to purchase from and pay the Authority for the potable Water used by the City. The City is required to make payments to the Authority even if no Water is delivered to the City by the Authority in accordance with the provisions of Section 6.05.

The unit of measurement for Water delivered hereunder shall be 1,000 gallons of water U. S. Standard Liquid Measure.

Subject to the first paragraph of this section, the City shall be entitled to receive the entire amount of the City's share of the Demand Allocation Factor and Pumping Allocation Factor. The City may take Water from the Southeast Plant through the Authority Transmission System, but may not take Water from the Southeast Plant that exceeds the City's share of Production Capacity of the Southeast Plant multiplied by City's then current share of the Demand Allocation Factor, nor may City take Water from the Southeast Plant through the Authority's Transmission System at a rate which exceeds the City's share of the Pumping Capacity of the Southeast Plant multiplied by the City's then current share of Pumping Allocation Factor.

In the event that the Southeast Plant is not being operated at its Production Capacity or its Pumping Capacity, the City may, with the agreement of the Authority Director and the Houston Director, use a portion or all the unused Production Capacity or Pumping Capacity of the Southeast Plant during a billing period. When such additional Production Capacity or Pumping Capacity is used, the City shall pay the Excess Production Fee or the Excess Pumpage Fee, or both, as the case may be, as are established in Section 4.05 of the Houston Contract,

attached hereto as Exhibit "A", and billed by Houston to the Authority.

Nothing herein shall be construed to limit or frustrate the right of City, the Authority or any other Participant to enter into agreements for the alteration of any Participant's share of the Demand Allocation Factor or Pumping Allocation Factor.

NOTICE: In addition, the Authority reserves the right to limit the amount of Water actually received by the City (by the use of flow regulators, throttling devices or other restrictive metering devices) to the amount of reserved production or pumping capacity of the City, and at an instantaneous rate equal to said production capacity or pumping capacity.

Section 4.03 In consideration of and subject to the other terms and conditions of this Contract, the Authority shall make, and the City shall take, delivery of Water at the points of delivery specified in Exhibit "C" annexed hereto and hereby made a part of this Contract. In the event that the City desires Water to be delivered at a substitute or additional point of delivery, the City shall give the Authority written notice and the full particulars with respect thereto and such substitute or additional point of delivery will be established by the mutual agreement of the parties; provided, however, any cost or additional cost associated with any such substitute or additional point of delivery shall be borne by the City and the Authority shall have no obligation to effect the delivery of Water at any such delivery point until all such costs have been paid or reasonably provided for in the opinion of the Board. Title to, possession and control of and responsibility for all Water deliverable to the City hereunder shall remain in the Authority up to the discharge side of the Authority's meter at each of the points of delivery specified herein or pursuant to other provisions hereof

whereupon title to, possession and control of, and responsibility for all such Water shall immediately pass to and vest in the City. Each party hereto shall save and hold the other harmless from all claims, demands and causes of action which may arise while said Water is under its ownership and control.

Section 4.04 It is recognized and understood by both parties to this Contract that the City now owns and operates a system of wells producing Water and that the City may elect to attempt to acquire and operate additional wells, subject to the approval of all regulatory authorities. While nothing in this Contract shall obligate the City to continue the operation of its own Water wells, the City nevertheless agrees that the Water supplied hereunder will be its principal source of Water, and if it continues the operation of its own Water wells, the City will coordinate the production therefrom in such manner as to minimize large daily fluctuations in the quantity of Water taken under this Contract.

ARTICLE V
Metering Equipment

Section 5.01 The Authority shall install, operate and maintain at its expense the necessary measuring equipment of standard type for measuring properly the quantity of Water delivered under this Agreement. Such measuring equipment shall be located on Authority's supply main at each point of delivery. Such meter or meters and other equipment so installed shall remain the property of Authority. Each of the participants shall have access to such measuring equipment at all reasonable times, to inspect and to employ an independent laboratory to check measuring equipment, but the reading, calibration and adjustment thereof

shall be done only by the employees or agents of Authority. For the purpose of this Contract, the original record or reading of the main meter shall be the journal or other record book of Authority in its office in which the records of the employees or agents of Authority who take the reading are or may be transcribed. Upon written request of any of the Participants, the Authority will provide a copy of such journal or record book, or permit them to have access to the same in the office of Authority during reasonable business hours.

Section 5.02 Calibration of Meters Once each Fiscal Year, on a date as near the end of such Fiscal Year as practicable, the Authority shall calibrate its meters at each point of delivery (and if requested in writing by the receiving Participant, in the presence of a representative of such receiving Participant), and the parties shall jointly observe any adjustments which are made to the meter in case any adjustments shall be necessary, and if the check meter hereinafter provided for has been installed, the same shall also be calibrated by the receiving Participant in the presence of a representative of Authority and the parties shall jointly observe any adjustment in case any adjustment is necessary. If the City shall in writing request the Authority to calibrate its meter and the Authority shall give to the City forty-eight (48) hours written notice of the time when any such calibration is to be made and a representative of the City is not present at the time set, the Authority may proceed with calibration and adjustment in the absence of any representative of City.

Section 5.03 Testing of Meters. If the City or the Authority at any time observes a variation between a main delivery meter and the check meter, if any such check meter shall be installed, such party

will promptly notify the other party, and the parties shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the malfunctioning meter shall then be adjusted to accuracy. Each party shall give the other party forty-eight (48) hours' notice of the time of any test or meter so that the other party may conveniently have a representative present. In addition, any Participant may request the Authority to provide a periodic calibration test of the measuring equipment, for any reason. If the calibration test shows that the Authority's meter is accurate within the below-described tolerances, then such Participant shall pay for the test performed. If the calibration test shows that the Authority's meter is not accurate within the below described tolerances, then the Authority shall pay for said meter calibration test.

Section 5.04 Adjustments to Meters If, upon any test, the percentage of inaccuracy of metering equipment is found to be in excess of three percent (3%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If, for any reason, the main meter is out of service or out of repair so that the amount of Water delivered cannot be ascertained or computed from the reading thereof, the Water delivered, through the period such meter is out of service or out of repair, shall be estimated and agreed upon by the parties thereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter if the same

has been installed and is accurately registering. Otherwise, the best data available shall be deemed any other meters in the transmission line or treatment plant which can be related to the main delivery meter. If no other meters in the system are operational which will allow determination of delivered quantity, then the Authority shall determine the amount of Water delivered during such period which may be estimated (i) by correcting the error if the percentage of error is ascertainable by calibration test or mathematical calculation, or (ii) by estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter was registering accurately.

ARTICLE VI
Rates and Charges

Section 6.01 The City and the Authority recognize the statutory and contractual duty of the Authority to fix and from time to time to alter and revise the rates and charges for Water delivery services to be furnished and made available to the Participants so that the revenues received by the Authority therefrom will at all times be not less than an amount sufficient to:

- (a) Pay or provide for the payment of all expenses (including but not limited to Operation and Maintenance Expenses) incurred by the Authority and billed to the Authority by Houston in producing, treating, and pumping the Water actually delivered to the City;
- (b) Pay all expenses of the Authority incurred in connection with the Transmission System and Distribution System, including but not limited to operation and maintenance expenses connected with the Transmission System and Distribution System; and
- (c) Pay or provide for the payment of:
 - (i) all of the premium, if any, and interest on, and the principal of, all Bonds when and as the same shall become due and payable; and

- (ii) any sinking fund, and all reserve, contingency and other fund payments to be made in respect of any Bonds when and as the same shall become due and payable; and
- (iii) fulfill the terms of any agreements or covenants with the owners of any Bonds and/or with any person on their behalf.

The City recognizes that the Authority must fix and from time to time alter and revise its rates and charges for Water delivery services from the Southeast Plant through the Authority's Transmission System and Distribution System so that the gross revenues and the net revenues actually received by the Authority from the Participants will produce revenues sufficient as aforesaid on the basis of actual cash requirements, with full allowance being made for delinquencies and costs of collections.

Section 6.02 The parties further recognize that the rates and charges payable hereunder and under the other Water sales contracts will be the only source of funds (other than bond proceeds) available to the Authority with which to discharge its obligations hereunder, and further, that the Authority is not organized for profit and that its rates and charges should be at all times the lowest rates and charges which are consistent with the aims and objectives of this Contract, the efficient and economical provision of Water delivery services to all Participants now or hereafter served by the Authority and good business management on the part of the Authority.

Section 6.03 For the services rendered and to be rendered by the Authority under this Contract, the City agrees to pay to the Authority, at the time and in the manner hereinafter set forth, so long as this Contract is in force and effect, the rates and charges established as set forth in this Contract.

Section 6.04 Notwithstanding any term or provision herein to the

contrary, the City shall make payment of all rates and charges payable hereunder to the Authority without regard to whether the Authority has completed the acquisition, construction, improvement, enlargement, extension, or repair of its share of the Southeast Plant, or of the Transmission System or the Distribution System, without regard to whether the Southeast Plant, the Transmission System, or the Distribution System is operating, or is operable, or its output is suspended, interrupted, reduced or curtailed or has been terminated or abandoned, entirely or in part, and without regard to any other condition or cause.

Section 6.05 On or before May 1 of each year, the City (and each of the other Participants) shall submit its best estimate of the volume of Water it will purchase from the Authority during the Fiscal Year commencing on the following October 1. On or before June 1 of each year, the Authority shall then prepare and submit to the City (and each of the other Participants) the Authority's best estimate of the costs and expenses which will be incurred by the City to purchase Water from the Authority, including all rates and charges specified above, during the Fiscal Year commencing on such October 1. The total of all such estimated costs and expenses, after deducting any surplus funds which may be on hand or after adding such amount as may be deemed reasonable to restore during the year any deficiency of funds on hand, shall then be divided by the estimated total volume of Water which will be delivered to all of the Participants during said year. The quotient (expressed in dollars per thousand gallons, the "Budgeted Unit Expense") shall be used, subject to the remaining provisions of this Article VI, for billing purposes during said Fiscal Year.

Section 6.06 In the event the Authority experiences any material

variation in the costs and expenses of operating and maintaining the Project or in the volume of Water delivered thereby, it may adjust the Budgeted Unit Expense by whatever amount is necessary, in the Board's opinion, provided (a) written notice with respect thereto, specifying the material facts involved, is given to the City and each of the other Participants and (b) the adjustment shall not be effective until the first day of the second month following the receipt of such notice, except any adjustment resulting from action taken in any emergency and any decrease in the Budgeted Unit Expense may be made effective with the next monthly statement submitted to the City (and the other Participants).

Section 6.07 The Authority is empowered to establish and fund such reserve funds as it deems necessary and prudent for the operation of the Authority's share of the Southeast Plant, the Transmission System, and the Distribution System. Amounts necessary to fund such reserve funds shall be chargeable to the City (and the other Participants) as a portion of the Budgeted Unit Expense. Said reserve funds may include (but not necessarily be limited to) a reserve fund for the payment of principal and interest on the bonds, an operating reserve fund, a contingency reserve fund, and a capital repair reserve fund. Said reserve funds may only be established by resolution or order adopted by the Board. Further, said reserve funds may be funded, in whole or in part, by proceeds from the sale of the Bonds, or by proceeds obtained by the Authority from authorized Operating Charges (or capacity charges, as the case may be) collected from all Participants.

ARTICLE VII
Billing and Payment

Section 7.01 On or before the tenth (10th) day of each

calendar month commencing _____ 10, 19____, and continuing thereafter throughout the term of this Contract, the Authority shall submit to the City (and to each of the other Participants) a statement invoicing the Authority's charges for the previous billing period. Each such statement shall specify (a) the volume of the Water delivered to the City during such month multiplied by the Budgeted Unit Expense (as adjusted, if such be the case); (b) the Production and Pumping Operation and Maintenance Expenses due by the City in respect of such month (calculated on the basis of the actual volume of Water delivered to the City); (c) the City's share of Operation and Maintenance Expenses; (d) the City's monthly minimum charge due by the City pursuant to the provisions of this Contract; and (e) the total of all such charges. The City shall pay each such statement promptly upon its receipt thereof, and any amount not paid within forty (40) days of the date of said statement shall bear interest at the rate of ten percent (10%) per annum until paid and, if any part of the amount past due and unpaid (including interest) is collected by the Authority through the services of an attorney, there shall be added thereto the amount of a reasonable attorney's fee.

Notwithstanding the above, and regardless of whether the City actually takes Water from the Authority, the City shall pay, as the same becomes due and payable, a monthly minimum charge which represents the City's share of principal and premium (if any) plus interest charges on all Bonds issued pursuant to this Contract (together with all funding requirements for all reserve and other funds established under any Bond Resolution). Said monthly minimum charge shall be calculated as follows:

Charge

MONTHLY MINIMUM CHARGE =

$$\left(\frac{A}{12} \times B\right) + \left(\frac{C}{6} \times B\right) + \left(\frac{D}{12} \times E\right) + \left(\frac{F}{6} \times E\right) + \left(\frac{G}{12} \times H\right) + \left(\frac{I}{6} \times H\right)$$

- A - The total of all principal and mandatory sinking fund payments of, and premium on, all outstanding Bonds due within the next twelve (12) months, the net proceeds of which have been or are to be used for Production Capacity and Pumping Capacity.
- B - Percentage of City's share of the Authority's Initial Demand and Pumping Allocation Factor in Section 2.01 of Houston Contract. In this instance, the Authority's share is 100% and the share of each Participant is as follows:
- La Porte - 83.30%
 - Morgan's Point - 4.29%
 - Shoreacres - 4.74%
 - Bayshore Municipal Utility District - 7.67%
- C - Total interest due on all outstanding Bonds due within the next six (6) months, the net proceeds of which have been or are to be used for Production Capacity and Pumping Capacity.
- D - The total of all principal and mandatory sinking fund payments of, and premium on, all outstanding Bonds due within the next twelve (12) months, the net proceeds of which have been or are to be used for the Transmission System.
- E - Percentage of the City's share of the total cost to construct Transmission System, as established in Section 2.03 of this Contract.
- F - Total interest due within the next six (6) months on all outstanding bonds, the net proceeds of which have been or are to be used for the Transmission System.
- G - The total of all principal and mandatory sinking fund payments of, and premium on, all outstanding Bonds within the next twelve (12) months, the net proceeds of which have been or are to be used for the Distribution System.
- H - Percentage of the City's share of the total cost to construct the Distribution System, as established in Section 2.03 of this Contract.
- I - Total interest due within the next six (6) months on all outstanding bonds, the net proceeds of which have been or are to be used for the Distribution System.

The proceeds of the Bonds used for a particular purpose shall include: (i) the Authority's costs of issuing such Bonds; (ii) any amounts deposited to a fund or funds pursuant to the Bond Resolution

authorizing such Bonds; and (iii) the proceeds of any Bonds issued to refund such Bonds. If Bonds are issued for more than one of the purposes listed above, or for any other purpose, the Authority shall allocate such Bond proceeds pro rata in accordance with such uses.

Section 7.02 In the event the City fails to pay any statement when it is due and payable, the Authority may give notice of such delinquency to the City and if all statements then due and unpaid, including interest thereon, are not paid within thirty (30) days after the delivery of such notice, then the City agrees that (a) the Authority shall be authorized, at its option, to file suit for the collection thereof and to collect any amounts due and unpaid, together with interest thereon at the maximum legal rate and reasonable attorney's fees, and (b) the Authority may, at its option and in addition to all other available remedies, terminate the delivery of Water to the City under this Contract until all amounts due and unpaid are paid in full as herein specified.

Section 7.03 In order to assure obtaining the lowest possible interest cost with respect to the Authority's Bonds, the City agrees that it is in its best interest to establish a reliable record of payment of the Authority's rates and charges. Accordingly, the City further agrees that it shall be unconditionally obligated to pay all sums payable to the Authority hereunder and it shall pay the same without set-off, counterclaim, abatement, suspension, or diminution except as otherwise expressly provided herein, and this Contract shall not terminate, nor shall the City have any right to terminate this Contract, nor be entitled to the abatement of any payment or any reduction thereof, nor shall the obligations hereunder of the City be otherwise affected for any reason that might be considered failure of consi-

deration, eviction or constructive eviction, destruction or damage to the Authority's share of the Southeast Plant, the Transmission System, or the Distribution System, failure of the Authority to perform or observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Contract, it being the intention of the parties that all sums required to be paid by the City to the Authority hereunder shall continue to be payable in all events and the obligations of the City hereunder shall continue unaffected, unless the requirement to pay the same shall be reduced or terminated pursuant to an express provision of this Contract. If the City disputes any amount to be paid to the Authority, the City shall nonetheless promptly make payments as billed by the Authority, and if it is subsequently determined by agreement, arbitration, regulatory decision or court decision that such disputed payment should have been less, the Authority will then make proper adjustments to all Participants so that the Participant will receive credit for its overpayments. Nothing contained in this Section 7.03 shall be construed to release the Authority from performance of any of the agreements on its part in this Contract.

ARTICLE VIII

Depository; Budget and Audits

Section 8.01 Pursuant to the provisions of Section 16(a) of the Act, the Board shall select such depository or depositories as it deems prudent for the funds of the Authority.

Section 8.02 On or before June 1 of each year the Board shall cause to be prepared a tentative budget for the ensuing Fiscal Year. Said tentative budget shall be delivered by the Authority to the City and the other Participants, which shall have an opportunity to prepare and submit to the Board its comments thereon. Said comments shall be

delivered by the Board to the Authority and the other Participants within 30 days of the receipt of the tentative budget. Thereafter, the Board shall review the comments from the City and all other Participants and shall prepare its budget on or before August 1 for the ensuing Fiscal Year. Said Budget, when prepared, shall be delivered to the City.

Section 8.03 Pursuant to the provisions of Section 16(b) of the Act, the Board shall cause an audit of its affairs to be prepared by an independant Certified Public Accountant or an independant firm of Certified Public Accountants. A written report of the audit shall be delivered to each member of the Board not later than 90 days after the close of each Fiscal Year. Copies of the audit shall be delivered to the office of the Authority, one of which shall be kept on file and shall constitute a public record open to inspection by any interested person or persons during normal office hours of the Authority. One copy of the audit shall be delivered to each Participant. The cost of the audit shall be paid by the Authority, and shall be an Operation and Maintenance Expense.

ARTICLE IX
Covenants of the Authority

Section 9.01 The Authority represents and covenants that (a) it is duly authorized and empowered to enter into this Contract and (b) it has and will have, throughout the term of this Contract, good right and lawful power to execute, deliver and perform its obligations hereunder.

Section 9.02 The Authority covenants and agrees that it will exercise its best efforts (a) to operate, maintain and manage the Authority's share of the Southeast Plant, the Transmission System, and the

Distribution System or cause the same to be operated, maintained and managed in an efficient and economical manner in accordance with standards normally used by utilities owning like properties and in accordance with the standards established in Exhibit "A" and (b) to make or cause to be made all needed replacements, additions, betterments and improvements thereto in such manner that the efficiency of the Authority's share of the Southeast Plant, the Transmission System, and the Distribution System shall be fully maintained; provided, however, the Authority may temporarily interrupt or reduce deliveries of Water to the City if the Authority determines that such interruption or reduction is necessary in case of emergencies or to install equipment, make repairs, replacements or inspections, or perform any other maintenance work on the Authority's share of the Southeast Plant, the Transmission System, the Distribution System or any part thereof. The Authority shall inform the City of any such planned interruption or reduction, giving the reason therefor, and will attempt to schedule the same at a time which will cause the least interference with the operations of the Participants. The foregoing is subject to the provisions of the Houston Contract.

Section 9.03 The Authority covenants and agrees that it will comply with all terms, covenants and provisions of the Houston Contract, and will exercise its best efforts to enforce compliance by Houston of its obligations thereunder in accordance with the respective terms thereof.

Section 9.04 The Authority covenants and agrees to use its best efforts to collect all charges due for Water supplied by it pursuant to the Water Sales Contracts as the same shall become due, and shall

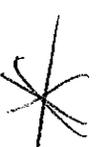
at all times maintain and promptly and vigorously enforce its rights against any Participant which does not pay such charges when due.

Section 9.05 The Authority covenants and agrees to enforce diligently the provisions of the Water Sales Contracts and shall duly perform its covenants and agreements thereunder. The Authority shall not consent or agree to, or permit any rescission of or amendment to, any Water Sales Contract which will materially impair or adversely affect the rights of the Authority thereunder or the rights or security of the owners of any Bonds. Any action by the Authority in violation of the foregoing covenant and agreement shall be null and void as to the Authority and any other party to any Water Sales Contract.

Section 9.06 In any and all dealings between the Participants, the Authority covenants to act in a matter comporting with accepted standards of good faith and fair dealing.

Section 9.07 The Authority covenants and agrees to abide by the terms of the conservation plan as adopted by the Authority, attached hereto as Exhibit D, and to monitor and require compliance by all Participants of said conservation plan.

ARTICLE X
Covenants of the City



Section 10.01 The City represents and covenants that (a) it is duly authorized and empowered to enter into this Contract and (b) it has and will have, as long as any Bonds are outstanding, good right and lawful power to execute, deliver and perform its obligations under this Contract and to fix and collect rates and charges for the service provided by the City System sufficient to satisfy such obligations.

Section 10.02 Notwithstanding any term or provision hereof or in the Houston Contract to the contrary, the obligation of the City

to make the payments under Section 7.01 hereof shall be payable solely from the revenues and receipts of the City System. Such obligation may be characterized as an obligation to pay on a "take or pay" basis whether or not:

(a) The Southeast Plant, the Transmission System, and the Distribution System or any part thereof is completed, is operating or operable or its output is suspended, interrupted, curtailed or terminated in whole or in part; or

(b) Any Water is delivered or provided under this Contract.

Said obligations shall not be deemed to constitute a debt of the City or a pledge of its faith and credit; provided, however, nothing herein contained shall be construed as preventing the City, in its sole discretion, from making any such payment from sources other than said revenues and receipts. Such obligation to make payments from the revenues and receipts of the City System shall be absolute and unconditional and shall constitute an operating expense of the City System for all purposes.

Section 10.03 The City covenants and agrees to establish, maintain and collect rates and charges for the service provided by the City System which shall produce revenues and receipts at least sufficient to enable the City to pay the Authority, when due, all amounts payable by the City under this Contract and to pay any and all such other amounts payable from, or which might constitute a charge and a lien upon, the revenues and receipts derived from the operation of the City System, including all operation and maintenance expenses and the principal of, premium, if any, and interest on all revenue bonds and other obligations related to the City System.

Section 10.04 The City covenants and agrees that it shall

(a) at all times operate the properties in the City System and the business in connection therewith in an efficient manner and at a reasonable cost, (b) at all times maintain the City System in good repair, working order and condition, and (c) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to the City System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted; provided, however, this covenant shall not be construed as requiring the City to expend any funds which are derived from sources other than the operation of the City System and provided further that nothing herein shall be construed as preventing the City from doing so.

Section 10.05 The City covenants and agrees that during the term of this Contract (and any extension thereof) it will not sell or otherwise dispose of or encumber all or substantially all of the City System; provided, however, that the City may, in the ordinary course of business, abandon, sell or otherwise dispose of any property or equipment included in the City System if the City determines in good faith that such property or equipment is surplus, obsolete or otherwise not required for the efficient operation and maintenance of the City System.

Section 10.06 The City covenants and agrees that it shall take no action the effect of which would be to prevent, hinder or delay the Authority from the timely fulfillment of its obligations under this Contract.

Section 10.07 The City covenants and agrees that it shall not (a) issue any bonds, notes or other evidences of indebtedness, (b) incur lease obligations which, under generally accepted accounting

principles, would appear as a liability on its balance sheet or (c) enter into an agreement with any party other than the Authority to take or pay for Water, which bonds, notes, evidences of indebtedness, lease or agreement is payable from the revenues derived from the City System on a parity with, or superior in right of payment to, the operating expenses of the City System. The City represents, covenants, and agrees that the payments due to the Authority under this Contract are operating expenses of the City System.

Section 10.08 (A) The City covenants and agrees with the Authority for the benefit of the Authority, the other Participants, the holders of the Bonds, and any other person interested in the exclusion from gross income for federal income tax purposes of the interest on (and original issue discount, if any, with respect to) the Bonds as follows:

(a) No action will be taken by the City, and there will be no omission of any action by the City, which act or omission will adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds, and, in particular, shall comply with those provisions of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), that affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

(b) The City will not enter into any contract (or other arrangement) for the sale of Water acquired from the Authority pursuant to this Contract that will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

(c) The City shall not take, or omit to take, any action if such action or omission would cause the Bonds to be federally guaranteed, within the meaning of Section 149(b) of the Code.

(B) The City represents and warrants that it is not now a party to any contract whereby a person agrees to take or pay for Water delivered by the City System. The City further covenants and agrees

understand that the allocation factors specified in Section 2.01 hereof are based upon representations made by the City (and the other Participants) as to the requisite Demand Allocation Factor and the Pumping Allocation Factor needed for participation in the Southeast Plant. The City also understands that the Authority is the equitable owner of the Demand Allocation Factor and the Pumping Allocation Factor of the Southeast Plant (as specified in Section 2.01) of the Southeast Plant and is a customer of the Southeast Plant. Neither the Authority, the City, or the other Participants are entitled to an expansion of the Authority's share in the Southeast Plant, or an expansion of the City's share of the Authority's Demand Allocation Factor and the Pumping Allocation Factor in the Southeast Plant.

The Authority covenants with the City that if the City desires to obtain an expansion of its share of the Demand Allocation Factor or Pumping Allocation Factor (or both), that upon written request to the Authority by the City of such an expansion, the Authority will proceed to request that Houston expand the Authority's Pumping Allocation Factor or Demand Allocation Factor in the Southeast Plant. The Authority makes no warranties or covenants other than that it will use its best efforts to obtain the requested expansion, and does not guarantee an expansion in the City's share of the Demand Allocation Factor or Pumping Allocation Factor if, as, or when needed. The City understands that in the event it requests an increase in its share of the Demand Allocation Factor or Pumping Allocation Factor (or both), that it will be liable to pay for its increased capacity in the plant, together with any and all necessary improvements in the Transmission System or the Distribution System.

Section 11.02 Pursuant to Section 3.03 of the Houston Contract, in the event that Houston undertakes an expansion of the Southeast Plant, the Authority shall have the option of increasing its Demand Allocation Factor, its Pumping Allocation Factor, or both, by paying to Houston a sum or sums of money representing an additional capital contribution to the cost of such future expansion of the Southeast Plant (as defined in the Houston Contract) to increase its Production Capacity and its Pumping Capacity. Houston shall give one hundred fifty (150) days advance written notice to the Authority of any proposed future enlargement or expansion of the Southeast Plant. Immediately upon receipt of same from Houston, the Authority shall give written notice to the City and the other Participants of such proposed future enlargement or expansion of the Southeast Plant. At any time during the one hundred fifty (150) days notice period, the Authority shall be authorized to give notice of intent to enter into such agreement. The Authority will not give notice to enter into such agreement, unless it receives written notice from the City, or any other Participant, of its respective desire to increase its share of the Demand Allocation Factor or Pumping Allocation Factor. The Authority and the City agree, in giving or responding to any such notice, to act timely and in good faith in order to permit an orderly enlargement or expansion of the Southeast Plant for the lowest cost reasonably obtainable without causing undue delay.

The Authority and the City understand that the option rights provided to the Authority in the Houston Contract in this Section shall be limited to an allocation of capacity in the expanded Southeast Plant equal to or less than the then current demand allocations.

Section 11.03 If, in order to continue to supply the Authority

(and therefore the City) Water at its Demand Allocation Factor, and directly related and necessary to the operation and maintenance of the Southeast Plant, it becomes necessary to perform a major replacement to the Southeast Plant, plans and specifications for such repairs shall be made and reviewed by the Houston Director and the Authority Director. The Authority will pay its pro rata share of the cost of any such work, and will pass its costs through to the City in direct proportion to the City's share of same. Upon inspection and review of the work, the Authority shall pay its pro rata share of any such repair or replacement of the Southeast Plant within ninety (90) days after acceptance of the completed repair or replacement by the Authority, and shall invoice the City for its share of same. The Authority shall never be required to pay for portions or replacements, additions or transmission facilities that solely relate to the Participants or their customers, nor shall the City ever be required to pay for portions or replacements, additions or transmission facilities that solely relate to other Participants of the Authority, or customers of the Southeast Plant other than the Authority.

ARTICLE XII
Easements and Vesting of Title

Section 12.01 During the term of this Contract, the Authority shall have the right to use the streets, alleys and public ways and places of the City for the purpose of constructing, operating and maintaining any Water transmission lines, distribution lines, and related facilities which constitute a part of the Authority's share of the Southeast Plant, the Transmission System, and the Distribution System.

Section 12.02 In accordance with the provisions of Article 1109j, V.A.T.C.S., at such time as the Bonds and all other indebtedness incurred by the Authority in the acquisition, construction, improvement or extension of the Authority's share of the Southeast Plant, the Transmission System and the Distribution System is paid in full, an undivided interest in the Authority's share of the Southeast Plant, the Transmission System and the Distribution System equal to a fraction the numerator of which is the aggregate amount of all Production Capacity and Pumping Capacity of the City and the denominator of which is the total amount of all Production Capacity and Pumping Capacity of all of the Participants, shall automatically and irrevocably vest in the City without the necessity of the execution and delivery of any conveyance by the Authority. If requested in writing by the City, the Authority will execute, acknowledge and deliver to the City an appropriate instrument acknowledging that such vesting of title has occurred, but such instrument shall not be necessary to effect the automatic vesting of title which shall occur as set forth above.

ARTICLE XIII
Insurance

Section 13.01 The Authority agrees to carry fire, casualty, public liability and other insurance in amounts and against risks which are consistent with accepted insurance practices of companies owning and operating similar facilities in Harris County, Texas; provided, however, the Authority shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Authority's legal counsel, be liable under the Texas Tort Claims Act or any similar applicable law or

judicial decision. All such insurance shall be written by responsible insurance carriers selected by the Authority in amounts sufficient to avoid the application of any co-insurance clauses contained in the policies effecting such insurance (and in any event for less than 80% of full insurable value).

If the Southeast Plant should be materially damaged or destroyed by fire or other casualty, the Authority shall, as expeditiously as possible, diligently prosecute, or cause to be prosecuted, the reconstruction or replacement thereof as nearly as possible to the condition thereof immediately prior to such damage or destruction and shall apply the proceeds from any insurance to the payment of the cost of such reconstruction or replacement. The insurance proceeds, if any, remaining after the application thereof to such reconstruction or replacement shall be deposited in the Authority's interest and sinking fund (and the capacity charges to be paid thereafter by the Participants shall be reduced pro tanto). If the damage or destruction materially reduces the Authority's ability to deliver Water hereunder and the insurance proceeds are not sufficient to pay for the entire cost of reconstruction or replacement, the Authority is authorized to draw upon any contingency reserve fund and, if it is exhausted, then the Participants shall make up any deficiency pro rata in accordance with their reserved capacity in the Southeast Plant.

ARTICLE XIV
Arbitration

Section 14.01 Any dispute which is specifically stated to be subject to arbitration under the provisions of this Contract shall be promptly submitted to an arbitrator mutually agreed to by the Authority

and City. Such arbitrator shall promptly proceed to resolve the disputes submitted to him pursuant to the terms of this section, if Authority and City can agree on a single arbitrator.

Section 14.02 Any dispute or disagreement which is expressly made subject to arbitration by the terms of this Contract (and if the Authority and City cannot agree on a single arbitrator as provided in the preceding paragraph) shall be submitted to arbitration in Houston, Texas, by a board of three (3) arbitrators upon the written notice of either the Authority or the City, which notice shall name one arbitrator. The party receiving such written notice shall within ten (10) days by written notice to the other, name a second arbitrator. The two (2) arbitrators so appointed shall name a third, within ten (10) days after appointment of the second arbitrator, failing which a third arbitrator shall be appointed by a District Court in Harris County, Texas, as provided in the Texas Arbitration Act.

Section 14.03 The arbitrators so appointed shall promptly hear and determine the question or questions submitted pursuant to the procedures established by the Texas General Arbitration Act, shall render their decision with all reasonable speed and dispatch, but in no event later than thirty (30) days after the conclusion of evidence. If within said period a decision is not rendered by the arbitrators, or a majority thereof, new arbitrators may be named and shall act hereunder at the election of the Authority or the City in like manner as if none had been previously named.

Section 14.04 The decision of the arbitrator or of the majority of the arbitrators shall be final and binding upon the parties hereto as to the question or questions submitted, and a judgment upon an

award rendered in such arbitration proceedings may be entered in any court of competent jurisdiction. The expense of arbitration shall be borne one-half by the Authority, and one-half by the City, except that each party shall bear the compensation and expenses of its counsel and witnesses.

Any cost of such arbitration (including cost of counsel and witnesses) paid by the Authority shall be considered an Operation and Maintenance Expense.

ARTICLE XV
Miscellaneous

Section 15.01 This Contract shall be effective upon the day and year first above written and shall continue in force and effect until _____, 2027 and thereafter shall continue in force until all Bonds and refunding Bonds, and all other obligations (including the Houston Contract), if any, of the Authority, shall have been paid.

Section 15.02 No change or modification of this Contract shall be made which will affect adversely the prompt payment when due of all moneys required to be paid by each Participant under the terms of this Contract and no such change shall be effective which would cause a violation of any provisions of any resolution of the Authority authorizing the issuance of the Bonds or any Bonds issued to refund any of the Bonds.

Section 15.03 Unless otherwise provided herein, any notice, communication, request, reply or advice (herein severally and collectively, for convenience, called "notice") herein provided or permitted to be given, made or accepted by any party to any other party, must be in writing and may be given or be served by depositing

the same in the United States mail, postpaid, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified; provided however, that any notice of breach of this Contract, forfeit or Force Majeure shall be sent by Certified Mail with return receipt requested. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of ten days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the Authority, to:

La Porte Area Water Authority, Post Office Box 1115, La Porte
Texas 77571 Attn: General Manager

If to the City as follows:

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days written notice to the other parties hereto.

Section 15.04 This Contract shall be governed by the applicable laws of the State of Texas and the United States of America and any applicable federal, state, or county permits, rules, orders, and regulations of any state or federal governmental authority having

jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, order, rule or regulation in any forum having jurisdiction.

Section 15.05 The parties hereto agree that if any of the provisions of this Contract should be or be held to be invalid or to contravene the laws of the State of Texas, or the United States of America, such fact shall not invalidate the whole agreement, but it shall be construed as though not containing that particular provision, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 15.06 The parties hereto agree that upon the expiration of this Contract the City shall have the right to continued service for an additional period of forty (40) years or for such other time as may be agreed, upon execution of an appropriate agreement between City and the Authority.

Section 15.07 It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by the City or other Participants and shall be cumulative. Recognizing however, that the Authority's undertaking to provide and maintain a supply of Water hereunder is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that the City shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing

that failure in the performance of the City's obligations hereunder could not be adequately compensated in money damages alone, the City agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, (except the right of the Authority to receive any payments which shall never be determined to be waived), shall be waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default.

Section 15.08 All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due, in Harris County, Texas, which is the County in which the Authority's principal administrative offices are located. It is specifically agreed among the parties to this Contract that Harris County, Texas is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Harris County, Texas.

Section 15.09 If by reason of Force Majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract (other than the obligation of each Participant to make the payments required under Section 7.01 of this Contract) then if such party shall give notice and full particulars of such force majeure in writing to the other parties within a reasonable

time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and inability on the part of the Authority to deliver Water hereunder for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability, except for the payments from the Participants to the Authority.

Section 15.10 This Agreement and any addenda hereinafter set forth constitute all the understandings between the parties hereto, and there are no oral representations, stipulations, warranties or understandings with respect to the subject matter of this agreement which are not fully expressed herein. Neither this Agreement nor its execution has been induced by any representations, stipulations, warranties or understandings of any kind other than those herein expressed.

No amendment, addition to, alteration, modification or waiver of all or any part of this Agreement shall be of any force or effect

unless in writing and signed by the Authority, the City and any other Participant affected by such change. If the terms and conditions of this Agreement and the terms and conditions of any purchase order or order acknowledgment written in connection with this Agreement conflict, then the terms and conditions of this Agreement shall govern.

Section 15.11 No waiver by any party hereto of one or more defaults by any other party hereto in the performance of any of the provisions of this Agreement shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.

Section 15.12 This Agreement shall bind and benefit the parties hereto and their respective successors and assigns, and shall not be assignable by any party without written consent of the other parties.

Section 15.13 This contract is to be construed according to the laws of the State of Texas.

Section 15.14 The topical headings used herein have been inserted for convenience only and shall not be construed as having any substantive significance or meaning whatsoever or as indicating that all of the provisions of this Agreement relating to any particular topic are to be found in any particular Article.

IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective governing bodies, have caused this Contract to be executed in several counterparts, each of which shall be an original, but all collectively constituting one and the same instrument, all as of the day and year first written.

LA PORTE AREA WATER AUTHORITY

By: *James B. Samblak* President

ATTEST:

By: *Chad A. Moore* Secretary

CITY OF SHOREACRES, TEXAS

By: *Billy Green* Mayor

ATTEST:

By: *Cindy Logan* City Secretary

APPROVED:

CITY OF LA PORTE, TEXAS

By: *Norman J. Malby* Mayor

ATTEST:

By: *Cherie Slack* City Secretary



City of Shoreacres

SURFACE WATER LINE HYDRAULIC MODEL

ENGINEERING REPORT

January 11, 2019



Kerry Lackey



Construction Management ▪ Geographic Information Systems ▪ Hydraulics and Hydrology ▪ Land Development
Public Works ▪ Right-of-Way Acquisition ▪ Site Development ▪ Subsurface Utility Engineering
Surveying ▪ Telecommunications ▪ Transportation ▪ Utility Coordination and Design

13430 Northwest
Freeway, Suite 1100

Houston, Texas
77040-6138

Voice (713) 462-
3242

Fax (713) 462-
3262

www.cobbfendley.com

1.0 SCOPE

Cobb, Fendley & Associates, Inc. (CobbFendley) was authorized by the City of Shoreacres (“CITY”) to perform the following in connection with a potable water system analysis. The City desired to develop a hydraulic water model in order to evaluate pressures in the surface water delivery line from La Porte Area Water Authority (LPAWA). Specifically the scope of work entails:

- Develop a water model utilizing WaterCad to analyze Shoreacres proposed 3,280 feet of 6” water line to be connected to the LPAWA’s existing 8” transmission water line.
- Evaluate water pressure in the proposed system.
- This analysis will look at both the existing and proposed water infrastructure effects under a 300 gpm delivery rate and.
- This analysis will look at both the existing and proposed water infrastructure effects under the historical maximum Shoreacres 430 gpm water withdraw rate.
- The water model will help define anticipated pressure changes throughout LPAWA’s existing water infrastructure with the addition of Shoreacres proposed 6” water line connection.
- The proposed 3,280 feet of 6” water line will be constructed by Shoreacres and become property of the LPAWA.

2.0 GENERAL INFORMATION

2.1 SERVICE AREA

The city limits serve as Shoreacres water service area. The water system currently has 660 active connections. At complete build-out the system will have 867 connections. The LPAWA Contract allocation limit for Shoreacres is 325,000 gallons per day.

2.2 EXISTING WATER SYSTEM

The City owns and operates two water plants. Water Plant No. 1 is located on Shoreacres Boulevard between Old TX-146 and Byway Drive. The plant components include the following:

- 1-426,000 gallon Ground Storage Tank
- 1-68,000 gallon Ground Storage Tank
- 1-18,000 gallon Hydropneumatic Tank
- 3-700 gpm Booster Pumps
- 1-150 gpm Water Well
- 1-300 gpm Water Well
- 1-8 inch tank fill line (tied to distribution system)

Water Plant No. 2 is located at the north end of Bayou Forest Drive. Surface water is delivered from LPAWA at a rate of 300 gpm to this plant via a transmission line, metering station and connection to the ground storage tank. The plant components include the following:

- 1-127,000 gallon Ground Storage Tank
- 1-50,000 gallon Elevated Storage Tank
- 3-500 gpm Booster Pumps
- 1-750 gpm Water Well
- 1-300 gpm Surface Water feed

The distribution system is made up of a network of water lines that range in size from 2 to 8 inches in diameter. These lines are as follows:

- 48,637 LF of 2" Water Line
- 786 LF of 3" Water Line
- 5,950 LF of 4" Water Line
- 21,694 LF of 6" Water Line
- 5,826 LF of 8" Water Line

LPAWA's 8" surface water line transfers treated water to LPAWA's Humphreville Water Plant located on the West ROW of Humphreville Street. LPAWA's surface water line is located just North of Shoreacres. An existing 6" water connection is at the intersection of State Highway 146 South and McCabe Road that services Shoreacres Water Plant No. 2. The proposed 6" water connection will be at the intersection of South Broadway Street and Bayside Drive that will service Shoreacres Water Plant No. 1.

- 5,400 LF of 8" Water Line

3.0 MODELING THE SYSTEM

3.1 GIS BACKGROUND INFORMATION

A GIS map was developed from existing maps and information obtained by the City and was used to input lengths and locations of the existing lines into the WaterCad modeling software.

3.2 SCENARIOS

The water model was set up to run three different physical scenarios in order to compare different configurations and their effect on the surface water line. Scenario 1 is the existing condition of LPAWA's water delivery to Water Plant No. 2 at a 300 gpm flow rate. Scenario 2 is a proposed 6" surface water line connected to Water Plant No. 1 with a 300 gpm rate. Scenario 3 is a proposed 6" surface water line connected to Water Plant No. 1 with the historical max water withdraw by Shoreacres of 430 gpm. In each scenario, we looked at average daily system pressure.

Scenario 1 – Existing System

Run the existing water system. Treated surface water is delivered to Shoreacres Water Plant No. 2 from LPAWA's water system at a rate of 300 gpm. LPAWA's surface water line is to be set at existing condition of 95 psi "static" pressure and 80 psi "dynamic" pressure, at the Humphreville Water Plant. These pressure settings were provided by LPAWA.

Scenario 2 – Shoreacres proposed 3,280 feet of 6" surface water line to be connected to LPAWA's existing 8" water line. Water withdraw rate is 300 gpm.

Run scenario with Shoreacres proposed 3,280 feet of 6" water line connected with a 300 gpm rate at Shoreacres Water Plant No. 1 and LPAWA's Humphreville Water Plant. Shoreacres Water Plant No. 2 was not included in this model. Shoreacres Water Plant No. 2 will not be in service and will only be used for emergency purposes.

Exhibit 1 – Proposed Surface Water at Water Plant No. 1 connection

Scenario 3 – Shoreacres proposed 3,280 feet of 6" surface water line to be connected to LPAWA's existing 8" water line. Water withdraw rate is 430 gpm.

Run scenario with Shoreacres proposed 3,280 feet of 6" water line connected with a 430 gpm rate at Shoreacres Water Plant No. 1 and 300 gpm at LPAWA's Humphreville Water Plant. Shoreacres Water Plant No. 2 was not included in this model. Shoreacres Water Plant No. 2 will not be in service and will only be used for emergency purposes.

3.3 RESULTS

Shoreacres proposes to install a new connection point at the intersection of Broadway (Spur 501) and Bayside Drive to provide surface water to Shoreacres Water Plant No. 1 located near City Hall on Shoreacres Blvd. This new connection point will become the primary take point for the LPAWA Contract allocation limit for Shoreacres of 325,000 gallons per day. The existing take point which currently provides surface water to Shoreacres Water Plant #2 is located at Hwy 146 and McCabe Road will remain in service.

For our analysis of the water distribution system, we achieved the following pressures:

EXHIBIT	SCENARIO	DESCRIPTION	AVERAGE PRESSURE (PSI) @ LPAWA'S WATER PLANT	AVERAGE PRESSURE (PSI) @ SHOREACRES WATER PLANT NO. 1	AVERAGE PRESSURE (PSI) @ SHOREACRES WATER PLANT NO. 2
1	1	Existing Condition	80	N/A	80
1	2	Proposed Surface Water Line and 300 GPM Rate	68	61	N/A
1	3	Proposed Surface Water Line and 430 GPM Rate	60	43	N/A

Scenario 1 water model using existing average pressure of 80 psi at LPAWA's Humphreville Water Plant and calculated to 80 psi with the existing connection to Shoreacres Water Plant No. 2. The 80 psi was a result of a 300 gpm water withdraw rate at the Humphreville Water Plant and Shoreacres Water Plant No. 2 running at the same time.

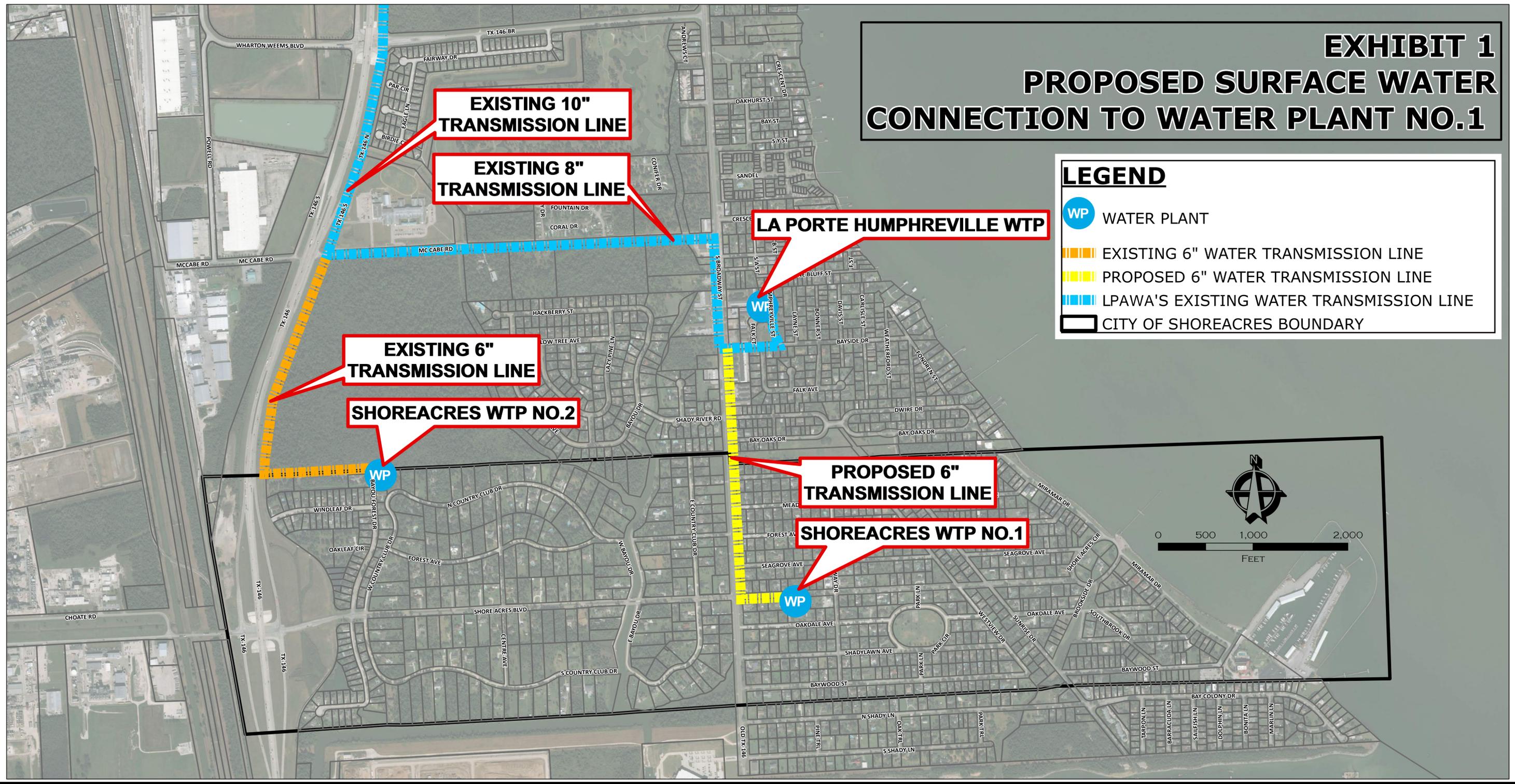
Scenario 2 water model average pressure at LPAWA's Humphreville Water Plant calculated to 68 psi with the proposed connection to Shoreacres Water Plant No. 1. The 68 psi was a result of a concurring 300 gpm water withdraw rate at both the Humphreville Water Plant and Shoreacres Water Plant No. 1. Shoreacres Water Plant No. 1 pressure reading was 61 psi.

Scenario 3 water model average pressure at LPAWA's Humphreville Water Plant calculated to 60 psi with the proposed connection to Shoreacres Water Plant No. 1. The 60 psi was a result of a 300 gpm water withdraw rate at the Humphreville Water Plant and a historical max of 430 gpm water withdraw rate at Shoreacres Water Plant No. 1. Shoreacres Water Plant No. 1 pressure reading was 43 psi.

We conclude that moving the surface water delivery point from Water Plant No. 2 to Water Plant No. 1 will maintain an average dynamic rate of 68 psi at the LPAWA's Humphreville Water Plant as shown in Scenario 2.

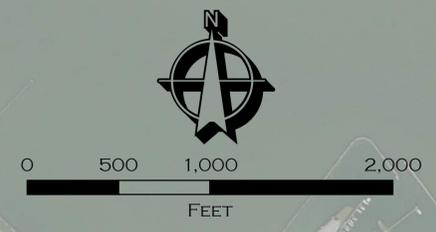


EXHIBIT 1 PROPOSED SURFACE WATER CONNECTION TO WATER PLANT NO.1



LEGEND

- WATER PLANT
- EXISTING 6" WATER TRANSMISSION LINE
- PROPOSED 6" WATER TRANSMISSION LINE
- LPAWA'S EXISTING WATER TRANSMISSION LINE
- CITY OF SHOREACRES BOUNDARY





City of Shoreacres

601 Shore Acres Blvd. Shoreacres, TX. 77571 PH 281-471-2244
FAX 281-471-8955 www.cityofshoreacres.us

David Jennings
Mayor

Troy Harrison
City Manager

January 15, 2019

Mr. Stephen Barr
President; La Porte Area Water Authority
2963 N. 23rd Street
La Porte, TX 77571

Re: City of Shoreacres - Water Transmission Pipeline

Dear Mr. Barr

The City of Shoreacres is requesting the La Porte Area Water Authority (LPAWA) to consider authorizing design and construction by Shoreacres of an additional surface water transmission pipeline to feed the City's more centralized Water Plant No. 1. This is necessary to provide better water service to the citizens of the City of Shoreacres.

Additional information is provided in the Surface Water Line Hydraulic Model provided by CobbFendley.

We appreciate your consideration into this request and plan to move into design upon approval from the LPAWA board.

If you have any questions, please contact me at 281-471-2244

Sincerely,

Troy D. Harrison, LCC
City Manager/Chief of Police
City of Shoreacres

Cc: David Jennings – Mayor, City of Shoreacres
Don Pennell – Director LPAWA
Kerry Lackey - CobbFendley

REQUEST FOR CITY COUNCIL AGENDA ITEM

Agenda Date Requested <u>March 11, 2019</u>
Requested By: <u>Lee Woodward</u>
Department: <u>City Secretary</u>
Report <input checked="" type="checkbox"/> Resolution: <input type="checkbox"/> Ordinance: <input type="checkbox"/>

<u>Appropriation</u>	
Source of Funds:	<u>N/A</u>
Account Number:	<u>N/A</u>
Amount Budgeted:	<u>N/A</u>
Amount Requested:	<u>N/A</u>
Budgeted Item:	<u>YES NO</u>

SUMMARY & RECOMMENDATION

The Chapter 172 Employee, Retiree Insurance & Benefits Board has a vacant position (Citizen Position 1) following the resignation of Martha Gillett. The Council is being asked to consider an appointment to fill the vacancy of Citizen Position 1 for an unexpired portion of the two-year term ending of August 31, 2019.

Action Required by Council:

Discussion and possible action regarding appointment to the vacant position on the Chapter 172 Employee, Retiree Insurance & Benefits Board with a term expiring on August 31, 2019.

Approved for City Council Agenda

Corby D. Alexander, City Manager

Date

REQUEST FOR CITY COUNCIL AGENDA ITEM

Agenda Date Requested: March 11, 2019

Requested By: Rosalyn Epting

Department: Parks & Recreation

Report: _____ Resolution: _____ Ordinance: _____

Exhibits: _____

Appropriation

Source of Funds: N/A

Acct Number: _____

Amount Budgeted: _____

Amount Requested: _____

Budgeted Item: YES NO

SUMMARY & RECOMMENDATION

The Parks & Recreation Department is starting the process of updating the Parks, Recreation, and Open Space Master Plan. The consultant that has been hired for this process is Half Associates. Aaron Tuley from Half Associates will discuss the Master Plan process and receive any feedback from Council.

Action Required by Council:

Discussion and possible action regarding the City of La Porte Parks, Recreation, and Open Space Master Plan.

Approved for City Council Agenda

Corby D. Alexander, City Manager

Date

REQUEST FOR CITY COUNCIL AGENDA ITEM

Agenda Date Requested: <u>March 11, 2019</u>
Requested By: <u>Jason Weeks, Asst. City Manager</u>
Department: <u>CMO</u>
Report: _____ Resolution: _____ Ordinance: _____

<u>Budget</u>
Source of Funds: _____
Account Number: _____
Amount Budgeted: _____
Amount Requested: _____
Budgeted Item: YES NO

Exhibit: 10/1/1978 agreement with HOA
Exhibit: Administrative Code for Pools
Exhibit: New 2-year agreement with HOA

SUMMARY & RECOMMENDATION

On October 1, 1978, the City entered into a 40-year agreement with the Fairmont Park West Community Improvement Association (HOA) for the lease/rent of the park & swimming pool property located at Oakmont Drive, Rustic Gate Road, and Cedarmont Drive in the Fairmont Park West subdivision. The HOA paid \$40 in advance (\$1 per year for the 40-year agreement) for the right to operate and maintain the park and pool property. This agreement expired on September 30, 2018. According to the agreement, upon termination of the agreement “any permanent improvements erected on the leased premises by the HOA shall be the property of the City.”

There were many discussions last year pertaining to the City assisting with costs to “get the swimming pool up and going for use” during the summer. The CMO and Parks & Recreation Department provided assistance financially and with necessary staff to assist the HOA in getting the swimming pool “up and running.” During the FY 2018-19 budget process, the Council discussed several options moving forward concerning the Fairmont Park West park and swimming pool (demo pool, demo pool and build splash-pad, and enter into a new agreement with HOA). Ultimately, the Council gave staff direction to meet with the HOA and determine if a short-term extension to the agreement could be agreed upon.

The City Manager and HOA representative Mike Patterson met the last week of September 2018 to iron out what the short-term extension agreement would need to include. Staff drafted an agreement that was reviewed by the City’s attorney, then sent it to Mr. Patterson for review. The City Manager met again with Mr. Patterson and several HOA board members in February 2019 to discuss the drafted agreement.

Before the Council tonight is a two-year extension agreement allowing the Fairmont Park West HOA to continue to operate the Fairmont Park West park and swimming pool. The highlights of the agreement are:

- Two-year agreement (October 1, 2018, to September 30, 2020)
- Annual rental amount of \$1 (\$2 for term of agreement)
- Annually, City will allocate \$20,000 for maintenance of the swimming pool and club house to include the swimming pool pumps, chemicals, and repairs.
- Swimming pool will be open to the general public, including individuals who are not residents of Fairmont Park West Subdivision, without charge or fee.

- HOA will maintain at their own cost the necessary lifeguards to operate the Class B pool in a manner as required by law.
- HOA would be responsible for general, routine, and normal maintenance of Fairmont Park West grounds.
- HOA would be responsible for acquiring liability coverage in the amount of \$2 million dollars for each occurrence and \$4 million dollars in aggregate to cover any accidents occurring on leased property. This is the same coverages the City maintains for other City swimming pool facilities.

Action Required by Council:

Discuss, consider and possibly act upon a two-year lease agreement for Fairmont Park West HOA to maintain and operate the Fairmont Park West park and swimming pool.

Approved for City Council Agenda

Corby D. Alexander

Date

IV.

LESSEE shall not have the right to sell or assign this lease, or to sublet the leased premises, or any part thereof.

V.

This lease is entered into pursuant to the authority of City of La Porte Ordinance No. 705-I, passed and approved by the City Commission of the City of La Porte on the 20th day of September, 1978.

LESSEE certifies that it is a duly qualified homeowner's association, which meets the minimum standards promulgated by the United States Department of Housing and Urban Development, for qualification for FHA and/or VA loans; and that it has been incorporated as a Texas non-profit corporation.

LESSOR leases the demised premises to LESSEE, for operation by LESSEE as a park and recreation area, for the recreation of residents and their guests of Sections Two (2), Three (3), Four (4), and future Section Five (5), all in Fairmont Park West, all being subdivisions in the W. M. Jones Survey, A-482, Harris County, Texas, according to the respective maps or plats thereof which have been filed, or which hereafter may be filed, in the office of the County Clerk of Harris County, Texas, reference to which is here made for all purposes.

Section Two (2) has One Hundred Seventy-two (172) building sites; Section Three (3) has Two Hundred Twenty-five (225) building sites; Section Four (4) has Two Hundred Twenty-two (222) building sites; and Section Five (5) will, when developed, have approximately One Hundred Fifty-three (153) building sites.

VI.

LESSEE shall not place or suffer any Deed of Trust, Mortgage, Mechanic's, or any other type of lien, on the demised premises, or upon the permanent improvements thereon erected, and any person, firm or corporation making any loans

or advances to LESSEE, for such improvements, shall look solely to the revenues of LESSEE for the retirement of any such indebtedness by LESSEE.

VII.

LESSOR reserves the right, from time to time, acting by and through its City Commission, to establish minimum standards for the type and quality of facilities to be erected by LESSEE on the demised premises, and for the maintenance thereof, and for the staffing of such facilities; providing minimum ratios of off street parking, based upon the amount of acreage in the demised premises; and such other matters regarding the health, welfare, and safety, of the persons utilizing such facilities as the City Commission in its discretion may from time to time promulgate. Nothing contained in this lease shall be construed as a restriction upon the power of the City Commission of the City of La Porte, from time to time to promulgate, by Ordinance, such reasonable rules and regulations concerning the maintenance, operation, health, safety and welfare of the park facility herein demised, and of the persons utilizing the same.

VIII.

Ordinance No. 705-I of the City of La Porte, together with Exhibit "A" attached thereto, containing the current minimum standards of the United States Department of Housing and Urban Development, for homeowner's associations, are hereby incorporated by reference in this lease, and made a part hereof for all purposes.

IX.

LESSEE shall be obligated to maintain its leased premises in a good state of repair and neat appearance, and keep the grass mowed at all times. LESSEE shall provide adequate refuse containers on the demised premises, and regularly deposit the contents of same into such refuse containers as may be required by the LESSOR, from time to time,

or by such independent contractor as may serve the area, if the general area in which the demised premises is located is not provided refuse collection service by LESSOR. LESSEE shall provide necessary permanent sanitary facilities, telephone, and other services that may be required to protect the health, welfare and safety of LESSEE'S patrons.

X.

LESSEE agrees to obtain and maintain at its sole cost and expense, public liability insurance and property damage insurance on the leased premises to protect LESSOR and LESSEE against all loss or damage from the claims of all persons who may be in or on these premises by the invitation, consent or sufferance of LESSEE. Such public liability insurance shall have minimum bodily injury limits of One Hundred Thousand Dollars (\$100,000) for each person and Three Hundred Thousand Dollars (\$300,000) for each accident, and property damage limits of One Hundred Thousand Dollars (\$100,000) for each accident with respect to any accident occurring on the leased premises. LESSEE shall furnish LESSOR certificates of all insurance coverage.

XI.

LESSEE shall use due care and diligence in all activities and operations on the premises, and will indemnify and save harmless from any liabilities, loss, costs or other expense of any nature. LESSEE shall give LESSOR immediate notice of any matter covered hereby and shall forward to LESSEE every demand, notice, summons or other process received in any claim or legal proceeding covered hereby.

XII.

In case of bankruptcy or insolvency on the part of LESSEE, or in case of any receiver being appointed to take charge of the property, or any portion of the property of LESSEE, in or upon the premises hereby leased, then and in

such event the LESSOR may, at its option, declare this lease to be terminated or forfeited by the LESSEE; and LESSOR shall be entitled in such event to the immediate possession of such premises and no receiver, trustee in bankruptcy, or assigns for the benefit of creditors shall acquire in any such case any of the rights of the LESSEE hereunder; the landlord's lien, however, in such event, shall not cease and the liability of the LESSEE for the damages on account of breach of any obligation to be performed by the LESSEE under the terms of this lease shall continue and remain in full force and effect.

XIII.

Failure on the part of the LESSEE to perform any of the terms, agreements, conditions and covenants imposed by this lease shall, at the option of the LESSOR, cancel the lease and all rights of LESSEE shall be thereupon terminated and all buildings and permanent improvements placed on said Park by LESSEE shall become the property of the LESSOR; provided, however, LESSEE shall have sixty (60) days written notice from LESSOR in which to correct any default before cancellation. In the event that LESSEE fails to correct any such default during such sixty (60) day period, LESSOR, its agents or attorneys, shall have the right to re-enter and remove all persons therefrom without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or breach of covenant, or LESSOR, its agents or attorneys, may resume possession of the premises and re-let the same for the remainder of the term for the best rental it may obtain, for account of LESSEE, which shall make good any deficiency. The failure of the LESSOR to insist in any one or more instances upon performance of any of the terms or conditions of this lease shall not be construed as a waiver or relinquishment of the future performance of any such term or condition.

XIV.

Upon the termination of this lease, it is understood and agreed between the parties that any permanent improvements erected on the leased premises by LESSEE shall be the property of LESSOR.

XV.

LESSOR covenants that LESSOR has good right and lawful authority to execute this Lease, that throughout the term hereof LESSEE shall have, hold and enjoy peaceful and uninterrupted possession of all of the premises hereby leased and granted, subject always to the performance of the covenants, as herein provided to be paid and performed by LESSEE.

XVI.

Notices provided for in this Lease shall be sufficient if sent by registered mail, postage prepaid, addressed, if to LESSOR, to the City of La Porte, 604 W. Fairmont Parkway, Attention: Mayor, La Porte, Texas; and, if to LESSEE, to its registered agent, Eddie V. Gray, 707 Memorial Drive, Baytown, Texas 77520, or to such other respective addresses as the Parties hereto may designate in writing from time to time.

XVII.

Nothing in this Lease contained shall be construed as requiring LESSEE to allow the use of the demised premises by persons other than the lawful residents of the said Sections Two (2), Three (3), Four (4), and Five (5), Fairmont Park West Subdivisions, Harris County, Texas, and their invitees. However, members of the Association and their invitees shall be entitled to use of such facility on a non-discriminatory basis, subject to the reasonable rules and regulations of LESSEE.

XVIII.

All references herein contained to LESSOR and to LESSEE, shall be deemed to include the successors, assigns, and legal representatives of each.

IN WITNESS WHEREOF, the Parties hereto have hereunto signed and sealed this instrument in several duplicate originals, this the 1st day of October, 1978.

CITY OF LA PORTE (LESSOR)

By [Signature]
J. J. Meza, Mayor

ATTEST:

[Signature]
City Clerk

FAIRMONT PARK WEST COMMUNITY IMPROVEMENT ASSOCIATION, INC.

(LESSEE)

By [Signature]
Eddie V. Gray, President

ATTEST:

[Signature]
Secretary

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared J. J. MEZA, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 19 day of October, A.D. 1978.

[Signature]
Notary Public in and for
Harris County, Texas



THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

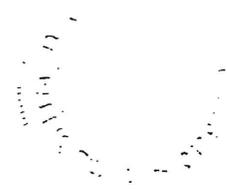
BEFORE ME, the undersigned authority, on this day personally appeared EDDIE V. GRAY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 19
day of October, A.D. 1978.



Charles E. Hart

Notary Public in and for
Harris County, Texas



Texas Administrative Code

[Next Rule>>](#)

TITLE 25	HEALTH SERVICES
PART 1	DEPARTMENT OF STATE HEALTH SERVICES
CHAPTER 265	GENERAL SANITATION
SUBCHAPTER L	STANDARDS FOR PUBLIC POOLS AND SPAS
RULE §265.181	General Provisions

(a) Scope and purpose of rules. These rules address minimum standards for design and construction of pools and spas. These rules also establish minimum operating standards for pools and spas to assure proper filtration, chemical, and general maintenance of water and safety to users. These standards are based in part on the American National Standards Institute and the National Spa and Pool Institute Standards for Public Swimming Pools (ANSI/NSPI-1 1991) and the American National Standards Institute and National Spa and Pool Institute Standards for Public Spas (ANSI/NSPI-2 1992). These rules are in addition to any municipal or federal laws applicable to pools and spas. These rules implement Texas Health and Safety Code, Title 5, Subtitle A, §341.064(g), and are considered good public health engineering and safety practices.

(b) Application of rules.

(1) A pool or spa constructed prior to October 1, 1999 will be defined as "pre-10/01/99." A pool or spa constructed on or after October 1, 1999 will be defined as "post-10/01/99." A pool or spa is considered constructed on the date that a building permit for construction of the pool or spa is issued by a municipality or, if no building permit is required, the pool/spa operator/owner must produce adequate written documentation of the date that excavation or electrical service to the pool or spa begins, whichever is first.

(2) A pool or spa serving only one or two dwellings (a single family home or a duplex), regardless of whether the pool or spa is permanently or temporarily installed in or above the ground, is exempt from these rules.

(3) Each section of the rules states the extent to which the rule applies to post-10/01/99 or pre-10/01/99 pools, spas, or facilities.

(4) The standards for pools or spas that apply to pools or spas constructed on or after October 1, 1999, are contained in these rules. Except for rules that specifically apply to pre-10/01/99 pools and spas, the standards for pool or spa design and construction are those standards that were in existence at the time the pool or spa was initially constructed, including then-applicable local, state and federal laws except as otherwise stated in these rules. Owners of pre-10/01/99 pools and spas may follow the rules applicable to post-10/01/99 pools and spas.

(5) The standards for spa design, construction, and operation that apply to post-10/01/99 and pre-10/01/99 spas are contained or referenced in §265.205 of this title (relating to Construction, Operation, and Maintenance of Post-10/01/99 and Pre-10/01/99 Spas).

(6) The standards for pool or spa operation that apply to pre-10/01/99 pools or spas are the provisions that specifically state that they are applicable to pre-10/01/99 pools or spas.

(7) The standards contained in these rules shall be met notwithstanding minor variations in equipment, materials, or design if:

(A) the variation provides the quality, strength and durability equal to or greater than the standards contained in these rules; and

(B) the operation, maintenance, safety, and sanitation of the pool or spa are not adversely affected by the variation.

(8) Where a local regulatory authority has jurisdiction for the regulation of pools and spas, such authorities may, as statutorily allowed, adopt standards that vary from these standards; however, such standards shall be

the same as, equivalent to, or more stringent than these standards and shall be in accordance with good public health engineering and safety practices.

(c) Stricter codes and standards. Whenever a pool or spa owner is in compliance with a more recent code or standard that is stricter than these rules, that standard shall be deemed as in compliance with these rules on a particular subject.

(1) Except as expressly provided in these rules, an owner whose pool or spa was constructed in compliance with a standard applicable on the date of construction is not required to modify construction to comply with a subsequent construction standard for post-10/01/99 pools and spas.

(2) Except as expressly provided in these rules, an owner whose pool or spa equipment was in compliance with a standard applicable at the time installation of equipment is not required to purchase and reinstall equipment complying with a subsequent equipment standard for post-10/01/99 pools and spas in these rules.

(3) Post-10/01/99 and pre-10/01/99 facilities shall be required to meet the operational standard that is most applicable to their use. For example, if a pool is operated as a Class C pool but will be made available for use by the general public, the pool shall meet Class B operational standards for lifeguards, etc.; or if a pool is normally operated as a Class B pool but, is used for a private party and is closed to the general public for the duration of the party the pool shall meet Class C operational standards.

(4) A post-10/01/99 facility shall be required to meet the applicable construction standard that is most restrictive for its intended use. For example, if a pool at a facility that is generally classified as a Class C pool open for use by the general public at any time, it shall be constructed to meet Class B pool standards.

Source Note: The provisions of this §265.181 adopted to be effective September 1, 2004, 29 TexReg 7704

Records of Harris County, Texas, reference to which is here made for all purposes.

III.

The term of this lease is for a two-year period beginning on the 1st day of October, 2018, and ending on the 30th day of September, 2020.

Upon the expiration date of this lease, no notice to quit possession shall be necessary, and LESSEE covenants to peaceably surrender possession of the premises to LESSOR on that date.

IV.

As rent for the use and occupancy of the leased premises, LESSEE hereby agrees, binds and obligates itself to pay unto LESSOR the total sum of Two Dollars (\$2.00), in advance upon the execution hereof, representing an annual rental of One Dollar (\$1.00), payable in advance for the entire lease term.

V.

LESSEE certifies that it is a duly qualified homeowners association, which meets the minimum standards promulgated by the United States Department of Housing and Urban Development, for qualification for FHA and/or VA loans; and that it has been incorporated as a Texas non-profit corporation.

VI.

LESSEE shall not have the right to sell or assign this lease, or to sublet the leased premises, or any part thereof. Furthermore, LESSEE shall not place or suffer any Deed of Trust, Mortgage, Mechanic's, or any other type of lien, on the leased premises, or upon the permanent improvements thereon erected, and any person, firm or corporation making any loans or advances to LESSEE, for

such improvements, shall look solely to the revenues of LESSEE for the retirement of any such indebtedness by LESSEE. Notwithstanding the foregoing, LESSEE shall have the right to rent the leased premises to a third party on an hourly and daily basis for special events such as birthday parties and family reunions.

VII.

The LESSEE shall open the Fairmont Park West swimming pool and appurtenant park space to the general public, including to individuals who are not residents of Fairmont Park West subdivision, without charge or fee. Due to the swimming pool being available for use by the general public, the LESSEE shall provide the required number of lifeguards (one lifeguard and one second responder) for operation of a Class B pool, in accordance with Texas Administrative Code Section Title 25, Part 1, Chapter 265, Section 265.199, at the sole cost to the LESSEE. LESSOR will annually appropriate \$20,000.00 to provide general, routine and normal upkeep (i.e. application of swimming pool chemicals, cleaning, etc.) of the swimming pool and pool house. However, the LESSEE shall be responsible for general, routine and normal maintenance of the appurtenant park space, specifically including the playground equipment and other amenities situated thereon, and agrees to be responsible for mowing and landscaping of the leased premises (including areas immediately surrounding the swimming pool). In addition, LESSEE is required to maintain and pay all utility expenses, including but not limited to electricity, water and sanitary sewer, for operation of the leased premises.

VIII.

Nothing contained in this lease shall be construed as a restriction upon the power of the City Council of the City of La Porte, from time to time to promulgate such reasonable rules and regulations

concerning the maintenance, operation, health, safety and welfare of the park facility herein demised, and of the persons utilizing the same.

IX.

LESSEE shall have the right to erect facilities, equipment or permanent improvements on the leased premises, during the term of the lease. However, LESSOR reserves the right, from time to time, acting by and through its City Council, to establish minimum standards for the type and quality of facilities to be erected by LESSEE on the leased premises, and for the staffing of such facilities; provide minimum ratios of off street parking, based upon the amount of acreage in the leased premises; and, adopt such other measures regarding the health, welfare, and safety, of the persons utilizing such facilities as the City Council in its discretion may from time to time promulgate.

X.

LESSEE shall be obligated to maintain the leased premises in a good state of repair and neat appearance, and keep the grass mowed at all times. LESSEE shall provide adequate refuse containers on the leased premises, and regularly deposit the contents of same into such refuse containers as may be required by the LESSOR, from time to time, or by such independent contractor as may serve the area, if the general area in which the leased premises is located is not provided refuse collection service by LESSOR. LESSEE shall provide necessary permanent sanitary facilities, telephone, and other services that may be required to protect the health, welfare and safety of LESSEE'S patrons.

XI.

LESSEE agrees to obtain and maintain at its sole cost and expense, public liability insurance and property damage insurance on the leased premises to protect LESSOR and LESSEE against all loss or damage from the claims of all persons who may be in or on these premises by the invitation,

consent or sufferance of LESSEE. Such public liability insurance shall have limits of liability of a minimum of Two Million Dollars (\$2,000,000) for each occurrence and Two Million Dollars (\$2,000,000) for sudden events and Four Million Dollars (\$4,000,000) in aggregate, with respect to any accident occurring on the leased premises. LESSEE shall furnish LESSOR certificates of all insurance coverage.

XII.

LESSEE shall use due care and diligence in all activities and operations on the leased premises, and will indemnify and save harmless LESSOR from any liabilities, loss, costs or other expense of any nature. LESSEE shall give LESSOR immediate notice of any matter covered hereby and shall forward to LESSOR every demand, notice, summons or other process received in any claim or legal proceeding covered hereby.

XIII.

In case of bankruptcy or insolvency on the part of LESSEE, or in case of any receiver being appointed to take charge of the property, or any portion of the property of LESSEE, in or upon the premises hereby leased, then and in such event the LESSOR may, at its option, declare this lease to be terminated or forfeited by the LESSEE; and LESSOR shall be entitled in such event to the immediate possession of such premises and no receiver, trustee in bankruptcy, or assigns for the benefit of creditors shall acquire in any such case any of the rights of the LESSEE hereunder; the landlord's lien, however, in such event, shall not cease and the liability of the LESSEE for the damages on account of breach of any obligation to be performed by the LESSEE under the terms of this lease shall continue and remain in full force and effect.

XIV.

Failure on the part of the LESSEE to perform any of the terms, agreements, conditions and covenants imposed by this lease shall, at the option of the LESSOR, give right to LESSOR to cancel the lease and all rights of LESSEE shall be thereupon terminated and all buildings and permanent improvements placed on the leased premises by LESSEE shall become the property of the LESSOR; provided, however, LESSEE shall have at least sixty (60) days or agreed-upon days written notice from LESSOR in which to correct any default before cancellation. Upon receiving the written notice from the LESSOR, the LESSEE shall provide a written response and plan to remedy the default. LESSOR and LESSEE will negotiate in good faith to address and implement LESSEE's plan for correcting the default. In the event that LESSEE fails to correct any such default during such sixty (60) day period or agreed-upon days, LESSOR, its agents or attorneys, shall have the right to re-enter and remove all persons therefrom without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or breach of covenant, or LESSOR, its agents or attorneys, may resume possession of the premises and re-let the same for the remainder of the term for the best rental it may obtain, for account of LESSEE, which shall make good any deficiency. The failure of the LESSOR to insist in any one or more instances upon performance of any of the terms or conditions of this lease shall not be construed as a waiver or relinquishment of the future performance of any such term or condition.

XV.

Upon the termination of this lease, it is understood and agreed between the parties that any permanent improvements erected (defined as any structure that is permanently attached to land, buildings or systems) on the leased premises by LESSEE shall be the property of LESSOR.

XVI.

LESSOR covenants that LESSOR has good right and lawful authority to execute this Lease, that throughout the term hereof LESSEE shall have, hold and enjoy peaceful and uninterrupted possession of all of the premises hereby leased and granted, subject always to the performance of the covenants, as herein provided to be paid and performed by LESSEE.

XVII.

Notices provided for in this Lease shall be sufficient if sent by registered mail, postage prepaid, addressed, if to LESSOR, to the City of La Porte, 604 W. Fairmont Parkway, Attention: City Manager, La Porte, Texas; and, if to LESSEE, to its registered agent, AVR Management, 12929 Gulf Freeway #320, Houston, Texas 77034, or to such other respective addresses as the Parties hereto may designate in writing from time to time.

XVIII.

All references herein contained to LESSOR and to LESSEE, shall be deemed to include the successors, assigns, and legal representatives of each.

IN WITNESS WHEREOF, the Parties hereto have hereunto signed and sealed this instrument in several duplicate originals, this the ____ day of _____, 2019.

CITY OF LA PORTE, TEXAS

By _____
City Manager

ATTEST:

City Secretary

APPROVED:

City Attorney

President, Fairmont Park West

Vice-President, Fairmont Park West



**Council Agenda Item
March 11, 2019**

6 (a) Receive report of the Fiscal Affairs Committee – Councilmember Engelken



Council Agenda Item March 11, 2019

7. ADMINISTRATIVE REPORTS

- Planning and Zoning Commission Meeting, Thursday, March 21, 2019
- Council Budget Retreat, Saturday, March 23, 2019
- City Council Meeting, Monday, March 25, 2019
- Zoning Board of Adjustment Meeting, Thursday, March 28, 2019

8. COUNCIL COMMENTS

Hear announcements concerning matters appearing on the agenda; items of community interest; and/or inquiries of staff regarding specific factual information or existing policy from the Mayor, Councilmembers, and City staff, for which no formal action will be discussed or taken.

9. EXECUTIVE SESSION

The City Council reserves the right to meet in closed session on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code, in accordance with the authority contained in:

Texas Government Code - Section 551.072 - Deliberation regarding purchase, exchange, lease or value of Real Property: Meet with City Manager and City Attorney to discuss value of real property in industrial districts, concerning negotiations with industry representatives for terms of new Industrial District Agreements.

10. RECONVENE

into regular session and consider action, if any, on item(s) discussed in executive session.

11. ADJOURNMENT
