

# CITY OF PORT ISABEL

## COMPREHENSIVE PLAN

### PLANNING PERIOD 2005-2015

APRIL, 2005

## I. CAPITAL IMPROVEMENTS

The Office of Rural Community Affairs in conjunction with the United States Department of Housing and Urban Development furnished financial support to the Activity described in this publication which does not necessarily indicate the concurrence of the Office of Rural Community Affairs or of the United States Department of Housing and Urban Development with the statements or conclusions contained in this publication

The data, information, analysis, and recommendations presented herein are exclusively for planning and budgeting purposes and do not constitute engineering analysis or detailed cost estimates. Engineering for each of the recommended tasks are beyond the scope of these studies and should be performed in the customary fashion as projects are defined and implemented.

*Prepared by:*

**RG CONSULTANTS**

**RICARDO GOMEZ & ASSOCIATES**

*Urban Planning & Management Consultants*

## **I.1. INTRODUCTION**

A Capital Improvement Plan (CIP) at its basic level is a financial plan containing an analysis of the City's financial capabilities and its ability to fund future needs. This CIP is prepared with a goal of setting the framework for funding the implementation of the Comprehensive Plan (Plan) presented in this study. Typically the revenue streams of a city are singularly insufficient to fund all the capital improvements and alternate funding is often used as the primary source for funding capital improvements with a payback over long periods of time. Further, prioritizing project implementation is paramount in balancing the benefit of the Plan with the financial resources available at any specific time. As the demand for goods and services from local government increases, the need for sound financial planning becomes increasingly important. The CIP is a tool with which the City can more readily plan financing of those items which are relatively expensive and permanent in nature. A CIP assists local governments in establishing priorities and methods of finance for carrying out the infrastructure and public facility improvements recommended in the Plan. The CIP presents a suggested schedule for project development for a specific time interval. In the current case, the plan covers a ten (10) year period. However, due to the CIP's sensitivity to economic factors, fluctuating revenue streams and dynamic community needs, a review should be performed at five (5) year intervals. Since the CIP deals with projects which span long periods of time, from design to commissioning, CIP funding is generally included in the budgeting process. At the beginning of each fiscal year, a capital budget is developed from the current year using the then current CIP. The CIP is then extended for an additional year so that funding requirements are always well defined and projects have continuity. The capital budget is the yearly schedule of specific capital improvements for which revenues must be expended. The capital budget is differentiated from the operating budget which includes expenditures for recurring operating services.

## **I.2 FINANCING SOURCES FOR CAPITAL IMPROVEMENTS**

### **I.2.1. Bonds and Certificates of Obligation**

Certain public improvements may require funds in excess of the normal revenues gained through local taxes. Various options are available to finance these program

Revenue Bonds can be used for improvements to revenue generating projects such as water and sewer systems. The revenues generated from these systems are pledged to secure the Revenue Bonds. General Obligation Bonds are issued by the city and are usually retired over a period of between five and twenty years. The principal and interest are paid from a levy against the assessed valuation of property within the city. Certificates of Obligation are similar to General Obligation Bonds. Certificates of Obligation are similar to bonds. The major difference between Certificates of Obligation and bonds is that the Certificates of Obligation do not require voter approval. However, similar to bonds, Certificates of Obligation, like bonds, are repaid from general obligation, revenue or combination tax and other revenue streams. Combination of all the above can be used when more than one source of financing is necessary. Contractual Obligations are generally used for financing smaller purchases, such as maintenance vehicles, police vehicles and emergency vehicles, as well as for major capital infrastructure projects. Contractual Obligations are quicker to execute than Certificates of Obligation, have higher processing fees, are for smaller amounts and for shorter terms (3 to 5 years), do not require public notification, are not subject to a voter referendum and do not affect the city's effective tax rate calculations. Repayment of Contractual Obligations is through a specific debt service tax. Although deficit financing is often not a desirable method of financing, this method does have advantages in that it can be viewed as a long term revenue generator and an economic development tool. Community revenues, in terms of not having such improvements to use and enjoy, can be thought of as greater than the cost of borrowing funds to provide the improvement. In addition, inflationary increases will usually exceed the interest costs of investments. Statutory guidelines typically provide appropriate limits for deficit financing of capital improvements.

#### I.2.2. Recommended Standards for Debt Limitations

While there are many ways to finance needed capital improvements, it is important to understand that there are also important statutory and legal guidelines regarding debt limits. Further prudent fiscal guidelines should be considered. These include a determination of the limits of collateralization of the community's assets and taxable property, the existing per capita indebtedness, the debt to household ratio, and

finally a cash flow analysis, that is a comparison of the annual debt service requirement against the annual revenues used to retire the debt. Generally, the total debt as a percent of the total market value of all taxable property should not exceed ten (10) percent. Cities with debts nearing or exceeding ten percent of the taxable property should search for alternate funding sources since their ability to repay the debt will become increasingly difficult. A rate of six (6) percent is considered a more reasonable rate and promotes a more conservative debt policy. Bonded indebtedness should not exceed \$ 1,000 of debt per capita. A lower, more conservative fiscal policy suggests a per capita debt rate of \$500 to \$800. Stated as a debt to household income ratio, an acceptable range would be between \$1,500 and \$2,000 per household. Finally, the annual debt service should not exceed twenty (20) percent of a community's total annual revenues.

#### I.2.3. Impact Fees

Special assessments and user fees are a means to fund the addition of large infrastructure improvements, such as streets, sidewalks, water and wastewater lines. This technique assesses property owners the cost of the improvement abutting their property. The city allows the property owner to make the payments by an arranged time schedule. A lien is typically attached to the property if payments are not made. Often, impact fees are levied as charges to developers to help offset the costs of providing infrastructure improvements to new developments. This way, the cost of the improvements can be applied to the primary beneficiary which is the developer.

#### I.2.4. Operating Revenues and Taxes

Operating revenues or General Funds are derived from income generated from sources such as the local sales tax, property tax and fines levied by the local courts. Using these funds as a means of financing infrastructure improvements can save on interest and other fees. However, these funds are typically barely sufficient to meet operating requirements and cannot usually provide a large enough cash flow to adequately fund major projects. Therefore, this source is usually reserved for smaller capital projects or other lower cost improvements which can be paid for in generally a one year. As mentioned above, using taxes to fund capital improvements is usually unpopular politically and, due to the fairly small net cash flow, generally too small to be of benefit. However, an advantage to this method over others is that a taxpayer's payment is deductible from personal federal

income taxes whereas other fees, such as increased utility rates or fees are not. Therefore it should remain as a viable source for capital funding.

#### I.2.5. State and Federal Grants

Assistance for needed infrastructure improvements can sometimes be obtained through one of many available grant programs. Most grants require some form of local matching of funds. Since access to grant funds is typically competitive, only those projects which address serious needs are selected for funding by the granting agency. However, grant program funds continue to be the major source of revenue for infrastructure improvements for rural Texas communities. Possible grant sources include the Texas Community Development Program, the Texas Parks and Wildlife grant program, the Statewide Transportation Enhancement Program through the Texas Department of Highways and Public Transportation and the Texas Capital Fund. Low interest loan program are also available such as the State Water Revolving Loan Fund through the Texas Water Development Board and the Rural Development Service of the U.S. Department of Agriculture.

### **I.3 FINANCIAL ANALYSIS**

---

The City has two main categories of revenues, General and Operating. General revenues consist mainly of property taxes, sales taxes, franchise fees, fines, and fees for permits and licenses. Operating revenues consist of charges for water, wastewater, and garbage pickup. Operating revenues are restricted by City ordinance to be used the purpose of maintaining and/or expanding the water and wastewater systems. The City also benefits from special revenue funds that are designated for specific projects and are legally restricted from any use other than for the funded project. As a precursor to defining the CIP, an analysis of the City's existing financial condition is presented.

#### I.3.1. Tax and Valuations

Personal and property taxes represent the largest single revenue stream for the City. This tax is a general tax applied to all types of property capable of producing income. All real property and certain personal property are taxable unless specifically exempted by law. However, by general practice it is principally applied only to real estate. Tax assessments are determined by the application of the tax rate, expressed as \$ tax /\$100 valuation, to the valuation of the property. The assessment of taxes by multiple political subdivisions

on the same property is commonly referred to as overlapping taxes. Overlapping taxes in Port Isabel consist of Cameron County, Point Isabel Consolidated Independent School District, South Texas School District, Laguna Madre Water District and finally the City of Port Isabel. Table I-1 shows the respective tax rates for these entities.

<b>TABLE I-1</b>		
<b>Port Isabel Tax Rates 2004 (Ad valorem rate per \$100 evaluation)</b>		
GCC	CAMERON COUNTY	0.358191
SST	SOUTH TEXAS ISD	0.039200
IPI	POINT ISABEL ISD	1.356120
CPI	CITY OF PORT ISABEL	0.68700
SCI	LAGUNA MADRE WATER DISTRICT	0.123807

*Source: Cameron Appraisal District. 2005.*

### I.3.2. Public Debt

“The City of Port Isabel does not have a legal debt limit. The City is organized as Chapter One through Ten Town under Title Twenty-Eight of the Constitution of Texas and thus may not have a tax rate higher than \$ 1.50 per \$ 100.00 of assessed valuation” [Pattillo, Brown & Hill, L.L.P. City of Port Isabel, Texas Annual Financial Report Year ended September 30, 2003. p. 60]. Overall this community has a very healthy financial prospectus. Its debt of less than 500,000 could be easily eliminated by the commissioners and this would bode well for any future bond initiatives. The following Table I-2 provides a computation of Legal debt Margin for Year ended Sept. 30, 2003.

<b>Table I-2</b>	
<b>Computation of Legal Debt Margin Year ended Sept 30, 2003</b>	
Assessed valuation - 2001 tax roll for fiscal year 2002	\$ 154,023,611.00
Debt limit - by custom, a practical economic debt limit of 5% of the assessed valuation is used	\$ 7,701,181.00
Total bonded debt	\$ 500,000.00
Amount available in general bonded debt service fund	\$ 148,079.00
Applicable net debt	\$ 351,921.00
Economic debt margin	\$ 7,349,260.00

*Source: City of Port Isabel, Texas Annual Financial Report. Sept 30, 2003*

### I.3.3. Local Revenues and Expenditures

General Revenue Funds are used to account for all or most of a government's general activities, including the collection and disbursement special revenue funds, the acquisition or construction of general fixed assets (capital projects funds) as well as the servicing of general long-term debt. The general fund is used to account for all activities of the general government not accounted for in some other fund. Proprietary funds which cover water and sewer revenues are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside entities or to other departments or agencies within the municipality. Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. Overall Port Isabel's General Fund revenues have remained level over the past three years (net of grant funds) while expenditures have been slightly increasing. It is concluded that the general revenue stream as it exists today cannot be a direct source of funding for the CIP.

## **11.4 CAPITAL IMPROVEMENTS PROGRAM**

The capital needs for the City as defined in the Plan are summarized at the end of this section. As explained in the introduction, all costs for the component plans are also presented in this summary. Also, as previously presented the planning period was divided into three phases, years 1 and 2, years 3 through 5 and years 6 through 10. Implementing the entire Plan would require the following annual funding: 1) Phase 1 \$2,560,000 for two (2) years; 2) Phase 2 \$3,364,000 for three (3) years; and 3) Phase 3 \$3,578,000 for five (5) years. This funding totals \$9,502,000 and is clearly beyond the City's resources. Therefore, the City must prioritize the projects and seek specific funding through grants to implement the project in the most logical sequence of importance. There are various rating schemes available for establishing capital improvements priorities.

The following are the criteria used to prioritize the City's CIP. They are listed in order of weight:

- 1) *Mandatory*: Projects needed to protect life and health of the community or projects under compliance order from regulatory agencies. Projects classified under this category are projects of the highest priority. Those which protect life or health.
- 2) *Necessary*: Projects which are necessary for the convenience and conservation of endangered resources or for the completion of partially completed projects. Projects of this type include improvements which are considered necessary for a progressive growing community and for problems that do not endanger life or public health. Those which are important public services.
- 3) *Desirable*: Projects which protect property, replace obsolete facilities, reduce operating costs and add to the attractiveness of the community. Projects of this type are not considered absolutely necessary and may be deleted from the capital improvements program. Those which replace facilities.
- 4) *Acceptable*: Project of the lowest priority which can be postponed or eliminated from the capital improvements program because of cost, timing, or need. Those which reduce operating cost.

## **11.5 CAPITAL IMPROVEMENTS SCHEDULE**

Using the criteria listed in the prior section, each of the proposed capital improvement in Phase 1 (Years 1 to 2) and Phase 2 (Years 3 through 5) is classified as Mandatory, Necessary, Desirable or Acceptable. It should be noted that none of the proposed projects met the Mandatory priority as defined in the Plan. Therefore only the lower three priority classifications were used. Each project was also assigned a code signifying the anticipated source of funding for implementation. Details regarding each project are contained in the corresponding chapters of this report. The priority is indicated by color coding: 1) Mandatory (none); 2) Necessary-blue; 3) Desirable-green; and 4) Acceptable-yellow.



## A.2. HOUSING

TABLE A-2-7 Housing Plan Tasks			
YEAR	TASK	DESCRIPTION	ESTIMATED COST (\$1,000's)
YEARS 1—2	1	Hold Public Forums to inform public of Plan including Fair Housing Laws and City's goals.	1
	2	Sponsor Planning & Zoning Board workshop for review of Plan and Ordinances and remediation plans.	4
	3	Establish a Housing Assistance Department and adopt a target housing improvement goal (5 houses per year) plus encourage multi-family development.	100
YEARS 3—5	1	Hold Public Forums to inform public of Plan and its progress.	1
	2	Begin annual applications for fair housing funds to public and private channels based on community requests.	5
	3	Consider the designation of a housing agency or consultant firm or adopt a policy for distribution to the public.	30

## B. ECONOMIC DEVELOPMENT

Strategic Economic Development Actions From Stated Goals			
YEAR	TASK	DESCRIPTION	ESTIMATED COST (\$1,000's)
YEARS 1—2	1	Develop Marketing Plan to attract tourist and disseminate these assets on a continuous cycle on the regional, state and national basis	100
	2	Develop construction and development policies and practices.	5
	3	Develop supplemental educational and training programs.	5
YEARS 3—5	1	Conduct an environmental scan of manufacturing and other industrial support properties.	45
	2	Develop a small business enterprise center and/or a regional enterprise zone. Construction of a multi-purpose community center.	100 (1,000)*
	3	Conduct feasibility study of regional medical service facilities.	30

\*Already included in parks.

**C. CENTRAL BUSINESS PLAN**

<b>TABLE C-5 CBD Development Costs</b>			
<b>YEAR</b>	<b>TASK</b>	<b>DESCRIPTION</b>	<b>ESTIMATED COST IN (\$1,000'S)</b>
YEARS 1-2	1	Hold Public Forums to inform public of Plan. Eliminate Economic Development Department from the City.	-36
	2	Immediate create an Economic Development Department within the Chamber of Commerce to promote growth of existing businesses and solicit new business. (Part-time)	25
	3	Develop surveys for use to entertain and implement business assistance program.	1
YEARS 3-5	1	Hold Public Forums to inform public of Plan and its progress.	
	2	Start Infrastructure construction improvement.	
	2	Evaluate drainage problems on Maxam Street and make necessary improvements.	150
		Evaluate off-street parking needs and make necessary improvements.	100
		Evaluate store front improvements and contract for professional services.	40
	3	Prioritize other infrastructure improvements	5

**E. STREET IMPROVEMENTS**

<b>TABLE E-6 Street Improvement Plan</b>			
<b>YEAR</b>	<b>TASK</b>	<b>DESCRIPTION</b>	<b>Estimated Cost In \$1,000's</b>
YEARS 1-2	1	Hold Public Forums to inform public of Plan.	1
	2	Adopt a Traffic Circulation Plan.	5
	3	Improve several residential streets. Establish a street maintenance program.	1,016 30
YEARS 3-5	1	Hold Public Forums to inform Public of Plan and its progress.	1
	2	Establish an improvement plan for collector street.	5
	3	Improve several residential streets and update seal-coat program.	1,016

## F. THOROUGHFARES

<b>TABLE F-6</b>			
<b>Thoroughfare Improvement Plan</b>			
<b>YEAR</b>	<b>TASK</b>	<b>DESCRIPTION</b>	<b>Estimated Cost In \$1000's</b>
YEARS 1-2	1	Hold Public Forums to inform public of Plan.	1
	2	Adopt a Traffic Circulation Plan and contract study for byway from Port Road to Hwy. 48.	5
	3	Improve one main collector street & establish a street maintenance program.	81
YEARS 3-5	1	Hold Public Forums to inform Public of Plan and its progress.	1
	2	Establish an improvement plan for collector street.	5
	3	Improve one main collector and update seal-coat program.	128

<b>TABLE F-7</b>		
<b>Estimated Thoroughfare &amp; Collector Street Improvement Cost</b>		
<b>Street Name</b>	<b>Total Street Reconstruction cost (in Dollars)</b>	<b>Total Estimated Street Reconstruction cost including curb &amp; gutter replacement and all associated costs(in Dollars)</b>
Hwy. 48	-0-	-0-
Hwy. 100	-0-	-0-
1 <sup>st</sup> Street—Illinois to N. Shore	-0-	3,516
2 <sup>nd</sup> Street	-0-	-0-
Hwy. 100 to Illinois	-0-	-0-
Illinois to N. Shore	-0-	-0-
3 <sup>rd</sup> Street—Hwy. 100 to N. Shore	-0-	-0-
4 <sup>th</sup> Street—Hwy. 100 to N. Shore	60,000	77,280
Harbor Island—Hwy. 100 to Tarpon	-0-	-0-
South Shore Drive		
Garcia to Leal	295,140	380,140
Leal to Railroad	92,790	119,513
Railroad to Hwy. 100	-0-	-0-
Garcia—Hwy. 100 to S. Shore	-0-	\$8,039
Port Road	-0-	-0-

## H. RECREATION AND OPEN SPACE

Table H-8-2 Recreational Facilities Implementation Recommendations				
PRIORITY	FACILITY LOCATION	IMPROVEMENT	TIME FRAME	EST. COST IN \$1,000'S
1	Waterfront Park #1	Acquire necessary permits, e.g. U.S. Corps of Engineers, U.S. Fish and Wildlife, etc. Construct Bulkhead/walking ramp, fill.	Immediately	250
2	Laguna Madre Park	Add picnic facilities and playground equipment; add play structure and toddler play area, a walking/jogging trail, security lighting and landscaping.	2005	250
3	Community Center Park	Acquire site for new Community Center, parking facilities, nature trails, etc.	2006	1,000
4	Pampano	Add picnic facilities	2006	5
5	Veterans	Add public facilities	2006	5
6	Railroad Park	Construct cultural/historical/nature park	2006	200
7	Laguna Madre Park	Construct walking and jogging trail	2007	125
8	Waterfront Park	Plan and prepare water trail system	2007	1
9	Waterfront Park	Construct waterfront park, with playground equipment, walking/jogging trail, landscaping, parking and restrooms and concession.	2008	1,000
10	Beulah Lee	Construct additional picnic facilities	2008	25
11	Waterfront Park #2	Acquire necessary permits, and acquire land from private owners.	2009	1,000
12	New Nature Park	Acquire additional park site as a general environmental friendly park.	2012	500

**G. STORM DRAINAGE**

<b>TABLE G-6-2</b>			
<b>Storm Drainage System Plan</b>			
YEAR	TASK	DESCRIPTION	COST EST. (in \$1,000's)
YEARS 1-2	1	Hold Public Forums to inform Public of Plan and plan funding sources. Create Drainage Department within the City's Public Works Department and prepare drainage maintenance schedule. Immediate clean all drain grates and inlets.	20
	2	Investigate and analysis areas of potential flooding by commissioning an engineering drainage study and creating a storm drainage department.	75
	3	Prioritize and schedule proposed storm drainage improvements in three phases, 1) Immediate threat 2) Secondary threats & 3) long-term and future improvements.	5
YEARS 3-5	1	Hold Public Forums to inform Public of Plan and its progress.	1
	2	Start construction improvements on Phase I.	500
	3	Finalize construction plans for Phase 2.	50