

ALLEN OWEN
Mayor

JERRY WYATT
Councilmember at Large Position 1

CHRIS PRESTON
Councilmember at Large Position 2



YOLANDA FORD
Councilmember District A

DON SMITH
Councilmember District B

ANTHONY G. MAROULIS
Councilmember District C

FLOYD EMERY
Mayor Pro Tem
Councilmember District D

CITY COUNCIL SPECIAL MEETING AGENDA

Notice is hereby given of a Special City Council Meeting to be held on **Monday, March 27, 2017, at 6:00 p.m.** at **City Hall, Council Chamber**, 1522 Texas Parkway, Missouri City, Texas, 77489, for the purpose of considering the following agenda items. All agenda items are subject to action. The City Council reserves the right to meet in a 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.

1. CALL TO ORDER

2. DISCUSSION/POSSIBLE ACTION

- (a) Presentation by Jon Hockenyo on economic and demographic forecasts for Missouri City.
- (b) Discuss the City Fiscal Year 2018 budget calendar.

3. CLOSED EXECUTIVE SESSION

The City Council may go into Executive Session regarding any item posted on the Agenda as authorized by Chapter 551 of the Texas Government Code.

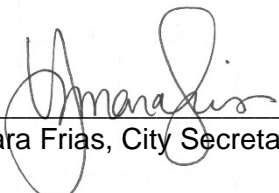
4. RECONVENE into Special Session and Consider Action, if any, on items discussed in Executive Session.

5. ADJOURN

In compliance with the Americans with Disabilities Act, the City of Missouri City will provide for reasonable accommodations for persons attending City Council meetings. To better serve you, requests should be received 24 hours prior to the meetings. Please contact Maria Jackson, City Secretary, at 281.403.8686.

CERTIFICATION

I certify that a copy of the March 27, 2017, agenda of items to be considered by the City Council was posted on the City Hall bulletin board on March 23, 2017, at 4:00 p.m.



Yomara Frias, City Secretary Department

I certify that the attached notice and agenda of items to be considered by the City Council was removed by me from the City Hall bulletin board on the ____ day of _____, 2017.

Signed: _____ Title: _____

2017 Economic and Sales Tax Forecast



Spring 2017

Presentation Overview

Forecast Structure



- Examine trends in national/international economy, with focus on variables crucial to Houston region
 - Overall Economic Growth
 - Monetary Policy
 - Oil & Gas
- Review performance and outlook for Houston regional economy
 - Overall Trends/Key Sectors
 - Third-party Forecasts
- Test a range of variables for predictive power
 - Regression and Extrapolation
- Create Missouri City forecasts
 - Combination of analysis, statistics, input, and judgment

Macroeconomy

Overview

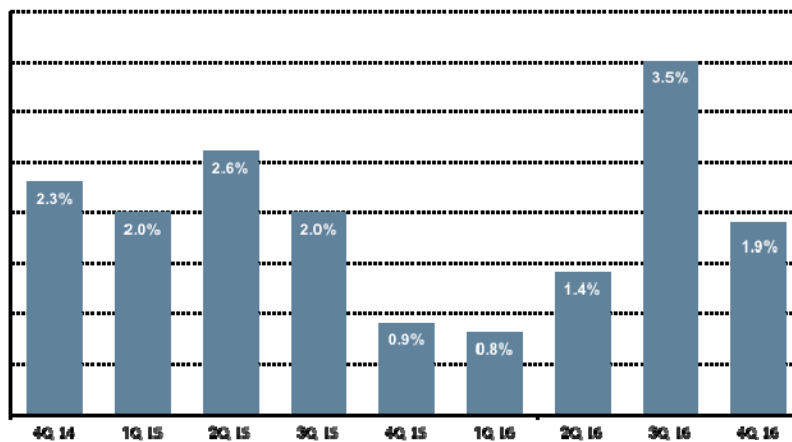


- U.S. economy is continues to modestly expand, as consumer spending/retail sales and housing activity increased at a subdued pace across most of the nation.
- On the production side, commercial real estate construction, sales, and leasing grew moderately. Manufacturing activity accelerated to some degree. Lending activity was steady to somewhat higher.
- Businesses were generally optimistic about the near-term outlook but uncertainty remains about path toward tax cuts etc.
- Fed to move toward tightening over the coming months, as economic growth considered to be strong enough to warrant action.
 - Falling overall demand/over-supply of oil
- Overall inflation reflection of energy - other sources stable. Should reverse in the near future.

3

Macroeconomy

GDP Growth

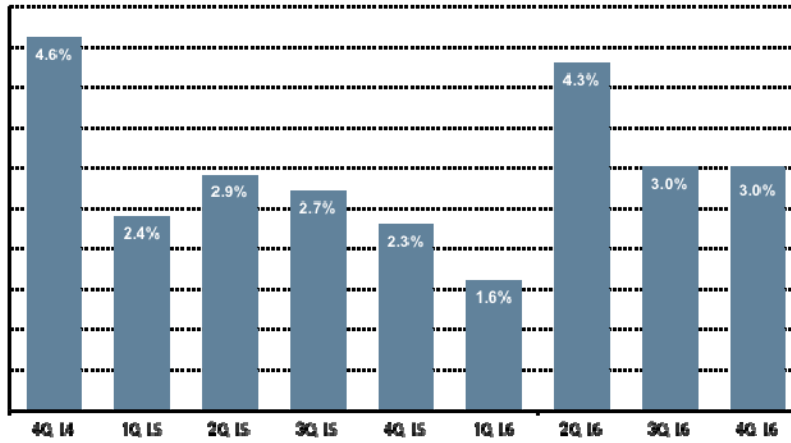


Source: Bureau of Economic Analysis, TXP

4

Macroeconomy

Personal Consumption Expenditures Growth

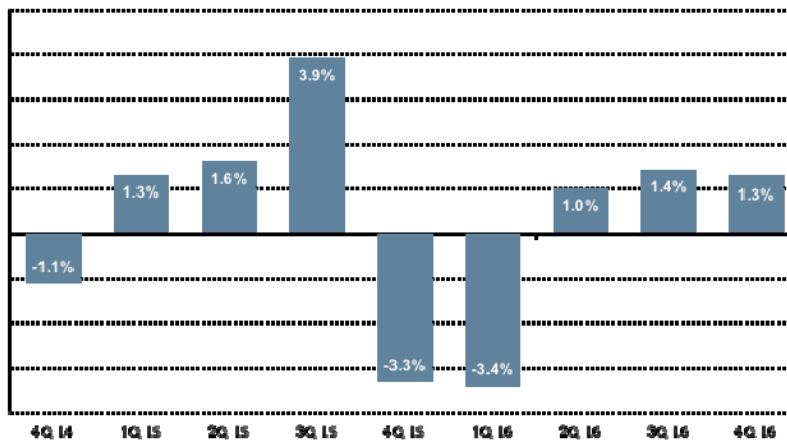


Source: Bureau of Economic Analysis, TXP

5

Macroeconomy

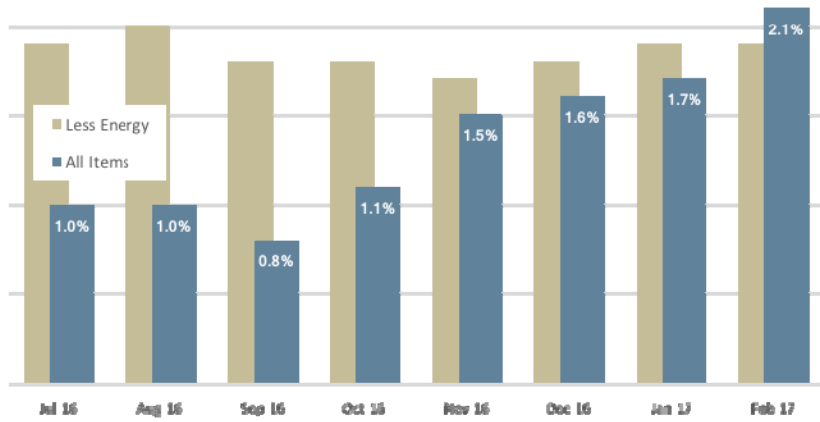
Non-Residential Investment



Source: Bureau of Economic Analysis, TXP

6

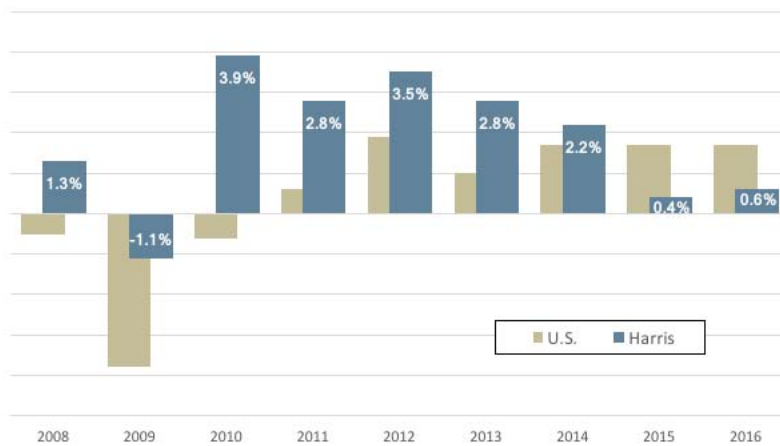
Macroeconomy Consumer Price Index (12-Month Change)



Source: BLS, TXP

7

Macroeconomy Recent Household Survey Job Growth (12-Month Change)



Source: Bureau of Labor Statistics, TXP

8

Macroeconomy

Oil Prices



- The oil recession led substantial job losses across the industry. Outplacement firm Challenger Gray & Christmas estimates the industry has shed more than 300,000 jobs worldwide during the downturn. In Houston, the industry cut more than 80,000 jobs.
- Oil consumption continues to grow. The International Energy Agency (IEA) estimates crude demand grew 1.6 million barrels per day (MMbbl/d) in 2016 and forecasts consumption to grow 1.4 MMbbl/d in 2017.
- The Oil & Gas Journal projects that U.S. upstream spending will surge 37.8 percent this year to \$120 billion. Simmons & Company expects upstream capital spending to increase as much as 60 percent this year.
- Many oil field services firms, hoping to recapture concessions made during the downturn, expect to raise prices for the first time in several years, perhaps as much as 10-20 percent this year.

9

Macroeconomy

Oil Prices



- The North American rig count continues to rise. The fleet stood at 768 the first week of March, up from 489 the same week in March '16. The industry has added 110 rigs since January 1.
- U.S. crude oil production averaged an estimated 8.9 million b/d in 2016. U.S. crude oil production is forecast to average 9.0 million b/d in 2017 and 9.5 million b/d in 2018.
- The Energy Information Agency (EIA) forecasts Brent crude oil prices to average \$55/b in 2017 and \$57/b in 2018. West Texas Intermediate (WTI) crude oil prices are forecast to average about \$1/b less than Brent prices in 2017. The NYMEX contract values for April 2017 delivery traded during the five-day period ending February 2 suggest that a range from \$45/b to \$65/b encompasses the market expectation of WTI prices.

10

Macroeconomy



Oil Prices

The price recovery remains fragile, however.

- An EIA report in early March that U.S. crude stockpiles have risen to record levels sent the spot price for WTI below \$50/barrel for the first time since November 2016.
- The OPEC production cuts are holding primarily because Saudi Arabia has reduced its output by more than was stipulated in the agreement. The agreement lasts only through June 30 of this year, at which time the cartel will assess its effectiveness and decide whether to extend the cuts. Most analysts assume they will.
- U.S. production continues to grow, offsetting some of OPEC's production cuts. U.S. crude output averaged an estimated 8.9 MMbbl/d in 2016, and EIA forecasts U.S. output to average 9.2 MMbbl/d in 2017 and 9.7 MMbbl/d in 2018.

Bottom Line: Supply and demand suggests that risks to the most recent forecast are on the downside.

11

Houston Area Economy



Overview

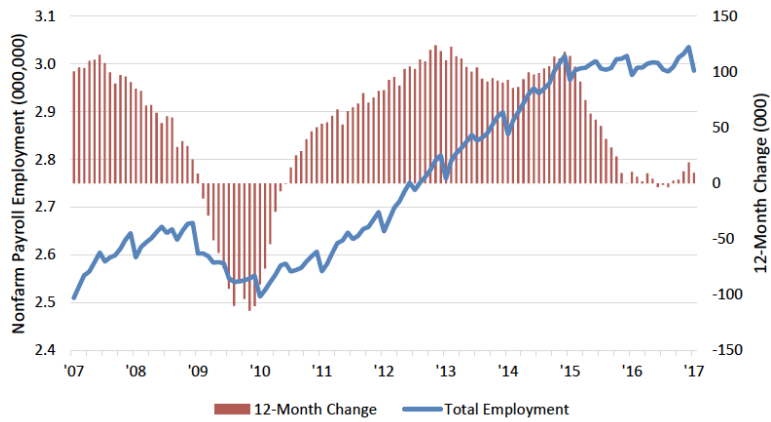
- The Houston MSA created 18,700 jobs in 2016, according to the benchmark revisions issued today by the Texas Workforce Commission (TWC). That's up from TWC's initial estimates of 14,800 jobs for the year.
 - Job losses in energy proved to be worse than originally reported. From December 2014 to December 2016, the sector cut 81,100 jobs, 13,700 more than originally reported. The loss equates to one in every four jobs in Houston's energy sector. Two-thirds of those losses occurred in 2015, the remaining last year.
- The revised employment data show that clearly the worst is over. The February Houston Purchasing Managers Index registered 54.2, signaling economic expansion in the Houston area for the fifth consecutive month.
- February homes sales set a record for the month, the 12-month moving total is at an all-time high, and foreclosures are near their lowest point since 2009.
- Shipments via the Houston/Galveston Customs District declined in both weight and value in 2016. The strong dollar, weak global commodity prices, slower growth overseas, a decline in crude imports, the collapse in domestic drilling, and political turmoil among Houston's major partners impacted Houston's trade activities.

12

Houston Area Economy Overall Regional Employment



Metro Houston Payroll Employment



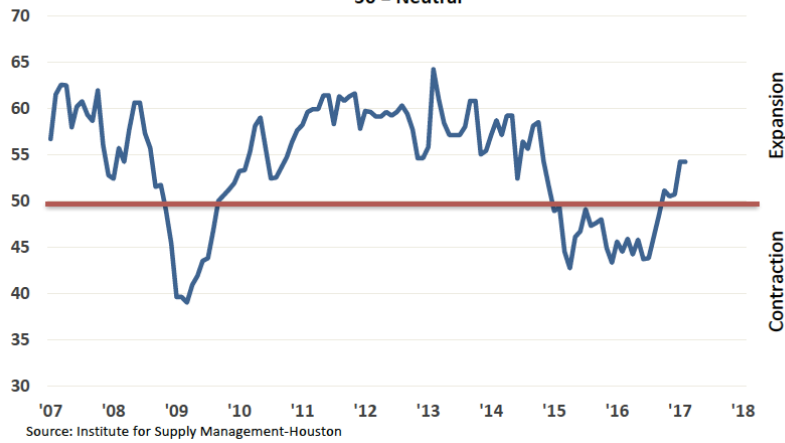
Source: BLS, Greater Houston Partnership, TXP

13

Houston Area Economy Purchasing Manager's Index



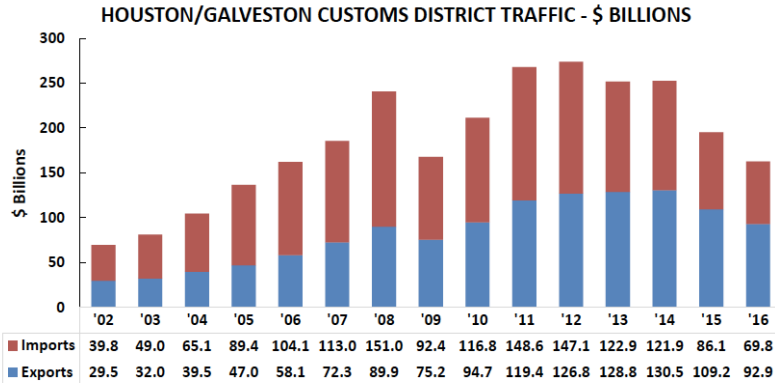
Houston Purchasing Managers Index
50 = Neutral



Source: Institute for Supply Management-Houston

14

Houston Area Economy Foreign Trade – Total Imports/Exports



Source: WISER, TXP

15

Houston Area Economy Foreign Trade – Import/Export Detail



HOUSTON GALVESTON CUSTOMS DISTRICT TRAFFIC - \$ BILLIONS

IMPORTS	'15	'16	△ \$	△ %	EXPORTS	'15	'16	△ \$	△ %
Mineral Fuels	26.937	21.567	-5.370	-19.9%	Mineral Fuels	38.770	34.363	-4.407	-11.4%
Industrial Machinery	11.823	9.300	-2.523	-21.3%	Organic Chemicals	12.942	11.334	-1.608	-12.4%
Articles of Iron/Steel	9.905	5.727	-4.178	-42.2%	Industrial Machinery	16.958	11.103	-5.855	-34.5%
Vehicles	4.987	5.090	0.102	2.1%	Plastics	7.079	6.469	-0.610	-8.6%
Electric Machinery	4.317	3.809	-0.508	-11.8%	Electric Machinery	5.174	4.644	-0.530	-10.2%
Organic Chemicals	4.137	3.106	-1.031	-24.9%	Vehicles	3.993	3.646	-0.347	-8.7%
Beverages & Spirits	1.655	1.608	-0.047	-2.9%	Misc. Chemicals	3.225	2.587	-0.639	-19.8%
Plastics	1.643	1.517	-0.126	-7.6%	Cereals & Grains	2.616	2.478	-0.138	-5.3%
Misc. Chemicals	1.258	1.347	0.089	7.1%	Aircraft	1.408	1.918	0.510	36.2%
Furniture	1.304	1.330	0.026	2.0%	Scientific Instruments	2.176	1.610	-0.566	-26.0%
Top 10 Imports	66.662	53.070	-13.592	-20.4%	Top 10 Exports	94.340	80.151	-14.189	-15.0%
All Others	19.483	16.762	-2.721	-14.0%	All Others	14.882	12.821	-2.061	-13.8%
TOTAL Imports	86.145	69.832	-16.313	-18.9%	Total Exports	109.222	92.972	-16.250	-14.9%

Source: Source: WISER from US Census Bureau, Foreign Trade Division

16

MISSOURI CITY



Overview

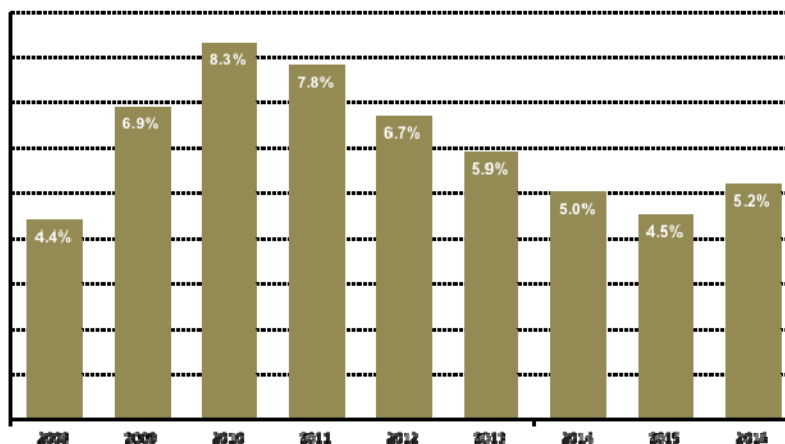
- Missouri City residents largely work outside Missouri City (Medical Center/downtown), with strong concentrations in Health Care and Professional Services. Half of the resident employment base is in Management occupations
 - Analytical focus on where residents work, rather than jobs based in Missouri City.
- Unemployment rate has risen, as job growth has slowed considerably in recent months
 - Consistent with downturn in the regional economy
- Building permit data suggests housing development has slowed
- E-commerce is steadily rising as a share of overall retail activity – since online sales are untaxed, undermines the local taxbase.
- Sales tax rebates have largely been below year-ago figures, although the growth in March is a positive sign. Peer communities have also been hit by the overall regional economic downturn.

17

MISSOURI CITY



Unemployment Rate – Based on TWC Residents Survey

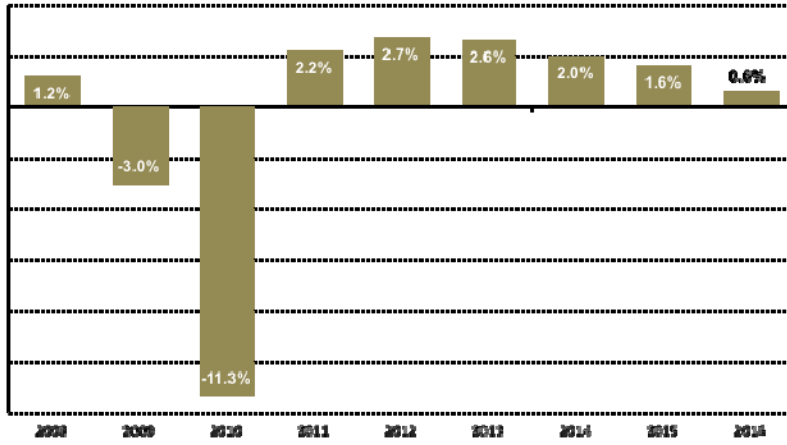


Source: Bureau of Labor Statistics (Texas Workforce Commission), TXP

18

MISSOURI CITY

Job Growth by Place of Residence – TWC Household Survey

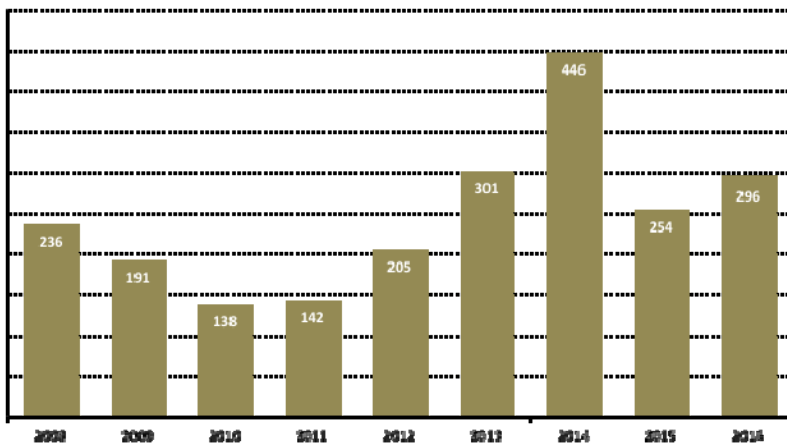


Source: Bureau of Labor Statistics (Texas Workforce Commission), TXP

19

MISSOURI CITY

Single Family Building Permits

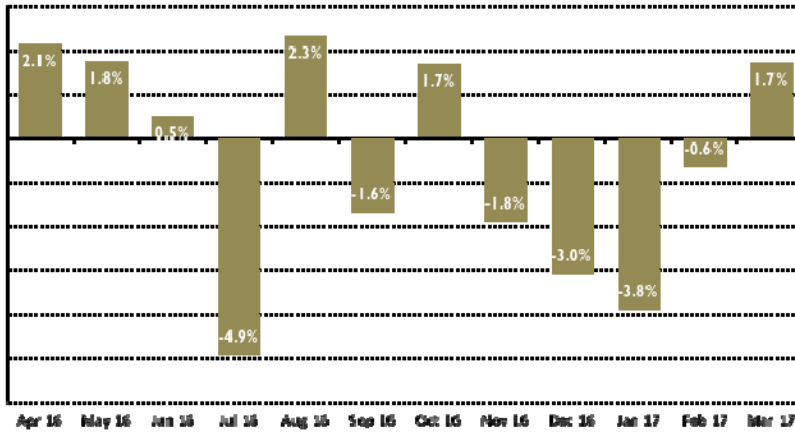


Source: Census Bureau, TXP

20

MISSOURI CITY

Sales Tax Rebate Growth – Recent “Current Period”

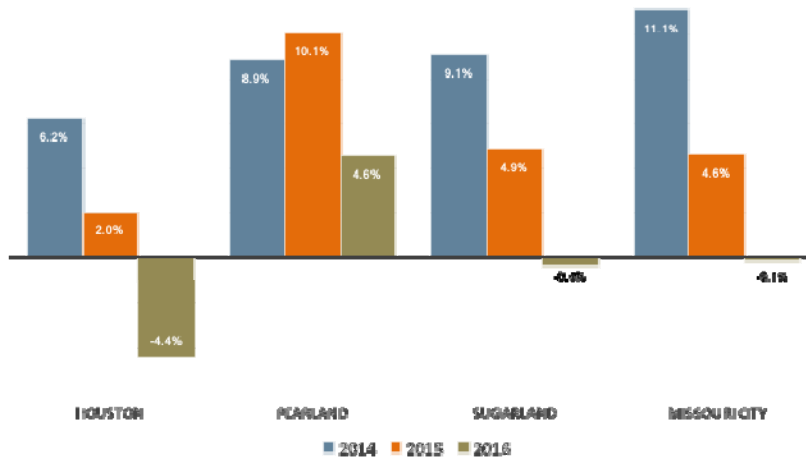


Source: Texas Comptroller, TXP

21

MISSOURI CITY

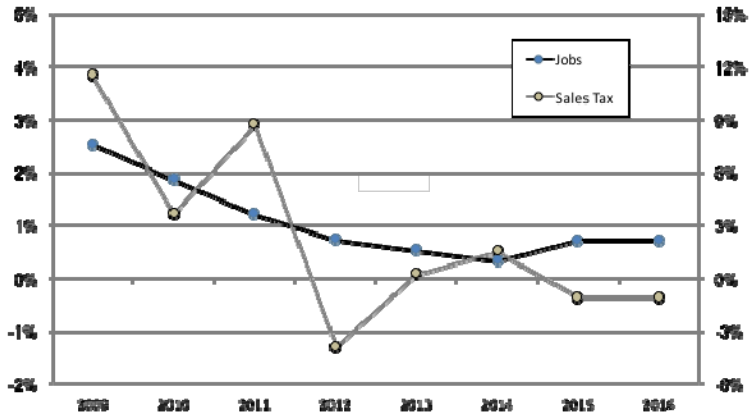
CY Sales Tax Rebate Growth – Comparison Communities



Source: Texas Comptroller, TXP

22

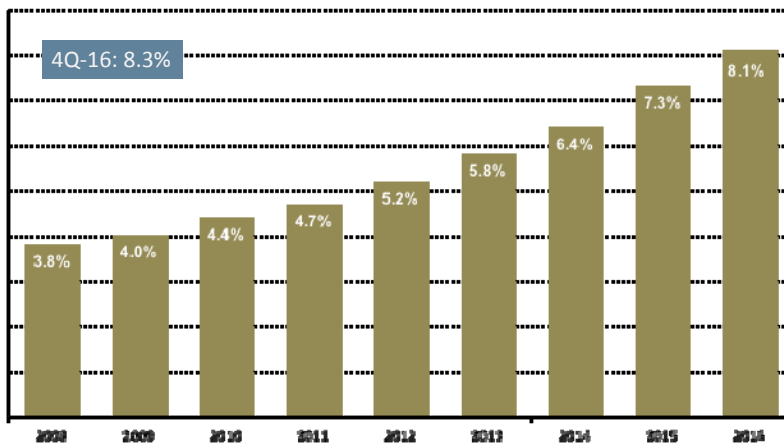
MISSOURI CITY Household Jobs vs. Sales Tax



Source: TXP

23

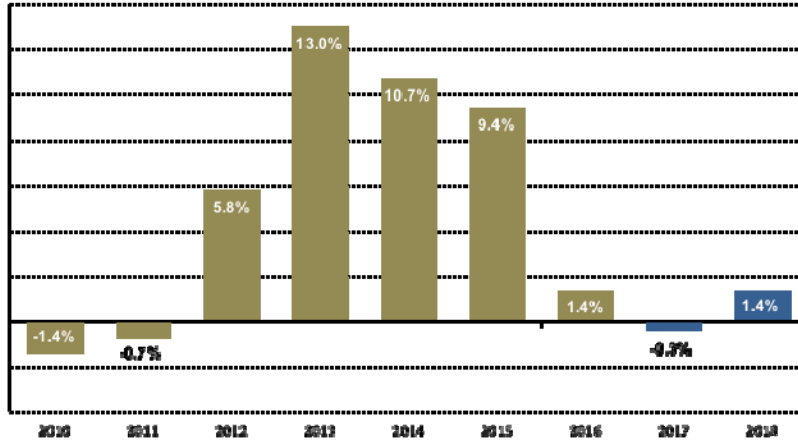
MISSOURI CITY E-Commerce as a Share of National Retail Sales



Source: Commerce Department, TXP

24

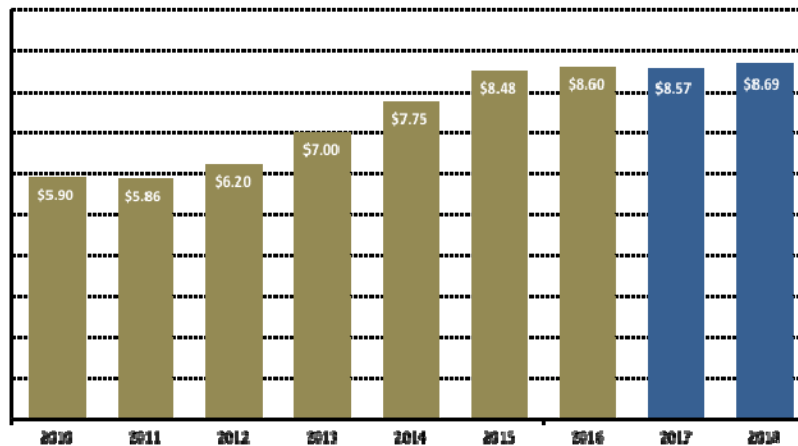
MISSOURI CITY
FY Sales Tax: History and Forecast



Source: TXP

25

MISSOURI CITY
FY Sales Tax: History and Forecast (\$Millions)



Source: TXP

26

Conclusions

- Recovery for the local energy industry won't occur until crude prices approach \$60, which is not likely until global demand accelerates.
- The petrochemical construction boom, which offset weakness in upstream energy, is winding down and will become a drag on employment growth.
- Houston has too many apartments and too much empty office space to warrant starting many new projects. The transportation sector awaits growth in energy, manufacturing and wholesale trade.
- Retail, health care, restaurants and bars will do well as long as population continues to grow.
- Missouri City influenced by above, although tight relationship to Medical Center alters the magnitude of the overall outcome
- Sales tax forecast reflects above – policy projections typically err on conservative side

27

2017 Economic and Sales Tax Forecast



Spring 2017

MISSOURI CITY Detailed Forecasts



	2015	2016	2017	2018	2019	2020	2021
Natural Resources/Mining	924	845	841	867	882	875	875
Construction	1,805	1,805	1,841	1,887	1,944	1,983	2,022
Manufacturing	3,033	2,994	2,994	3,009	3,036	3,063	3,091
TTU	6,806	6,942	7,081	7,216	7,374	7,485	7,597
Information	683	697	691	697	707	714	721
Financial	2,710	2,707	2,748	2,806	2,867	2,907	2,948
Professional	4,287	4,373	4,517	4,653	4,792	4,902	5,015
Education/health	10,662	10,737	10,823	11,082	11,393	11,632	11,876
Leisure	2,152	2,214	2,223	2,272	2,338	2,394	2,452
Other Services	1,416	1,419	1,429	1,454	1,481	1,501	1,522
<i>Total Private</i>	<i>34,478</i>	<i>34,733</i>	<i>35,187</i>	<i>35,942</i>	<i>36,813</i>	<i>37,457</i>	<i>38,120</i>
Government	1,629	1,653	1,655	1,660	1,668	1,678	1,688
Total Employment	36,107	36,386	36,843	37,602	38,482	39,135	39,808
Population	70,538	71,109	71,572	72,473	73,763	74,885	76,120
Personal Income (\$000s)	\$2,449,523.1	\$2,501,224.9	\$2,578,880.5	\$2,689,764.4	\$2,804,802.6	\$2,914,014.9	\$3,035,144.0

Source: TXP



**Council Agenda Item
March 27, 2017**

2. DISCUSSION/POSSIBLE ACTION

- (b) Discuss the City Fiscal Year 2018 budget calendar.
-

Budget calendar - *Forthcoming*