



Memo

To: Clay Pearson, City Manager
From: Eric Roche, Budget Officer
CC: Senior Staff
Date: August 12, 2021
Re: FY 2022 Proposed Budget Follow Up #1

Section 1: Property Taxes

- 1. Please confirm the amount of property tax revenue captured based on additional \$245.5M of value now on the city rolls.**

Confirmed – The \$245.5M in additional value is included in the City's property tax revenue.

Section 2: Debt Service

- 2. Please add color on the ownership of the UHCL Pearland campus. There appears to be city debt service on the site.**

UHCL entered into a cost sharing agreement with the City for the construction of their Pearland Campus. The revenue is set forth in the bond schedule with decreasing amount annually from 10/2011 to 08/2029. Resolution Number R2016-60 contains more details.

- 3. May I get color on the \$2.53M of FY 2021 Debt Service Fund transfers. In 2022 it is \$3.07M in transfers.**

In FY 2021

- From the General Fund - \$93,008
- There are two transfers from the Enterprise Fund each year. The first transfer from the Enterprise Fund was for - \$437,067
 - This is the Principal and Interest portion from Water and Sewer projects in the Series 2020 Permanent Improvements Refunding Bond
- The second transfer from the Enterprise Fund (MUD Rebates) - \$2,000,000
 - The Enterprise Fund paid for \$2M in MUD Rebates in FY21. The rebates are primarily for MUDs to repay the debt they have for the construction of Water, Sewer, and Stormwater infrastructure of which approximately 2/3rds if for the Water and Sewer infrastructure. Prior to the FY20 100% of the MUD Rebates were paid for from the General Fund. The City is gradually working towards having 2/3rds of the MUD rebates paid for by the Enterprise Fund and 1/3rd paid for by the General Fund.

In FY 2022

- From Fund 100-\$90,557
- From Fund 600-\$453,250
 - Principal and Interest of Water portion of Series 2020 Permanent Improvement Refunding Bond
- From Fund 600 (MUD Rebates)-\$2,530,561
 - The Enterprise Fund is budgeted to pay for \$2.5M in MUD Rebates in FY21. This increase will bring the Enterprise Fund's coverage of the total MUD rebates up to 1/3. This amount will continue to increase each fiscal year until the 2/3rd proportion is met.

Section 3: General Fund

4. There is a 9.9% increase in total revenues from FY2021. Can I get a breakdown on the \$3.26M increase (split between Commercial properties and residential properties)

It is not possible to determine what would be specifically attributed to the \$3.26M increase as there are a multitude of factors that come into play when calculating property tax revenues overall, including exemptions, TIRZ #2 values, and frozen values (tax ceilings).

Total certified taxable values for FY22 are approximately 77% residential and 23% commercial. This does not include properties still under ARB review and properties in Harris County that have not been certified at this time.

New values added to the certified tax rolls for FY22 are approximately 50% residential and 50% commercial. This does not include properties still under ARB review and properties in Harris County that have not been certified at this time.

5. Provide color on the increase for the Ambulance Service Fee (100-205-260.3500.140)

The FY22 revenue from the City's Ambulance Service Fee is being increased 4.1% from the FY21 end year projections (\$2,346,000 in FY21 to \$2,442,876 in FY22) based on FY21 being somewhat skewed lower than normal due to COVID-19 recession – which decreased travel significantly in the first half of the year. Reduced travel leads to fewer accidents and thus fewer EMS calls for service – even netted against COVID-19's increasing demand for services. For example, a [University of Buffalo study](#) found that calls for EMS services dipped 26% during the early days of the pandemic (which was in Spring of FY20). The study did not cover later time periods, but it can be assumed that the drop in calls also carried through to some extent in FY21.

Based off where the City is currently at in FY21, a 4% increase was budgeted because ambulance services are likely to be in high-demand due to a "return to normal" economy, increasing travel, population growth, plus continuing Covid-19 cases.

6. Provide color on the decrease for Memberships (100-500-555.3500.130)

The FY21 adopted budget initially had \$1,080,000 in revenue from Parks and Recreation memberships. However, this revenue stream was significantly impacted by COVID-19. FY21 Budget Amendment #2 revised this revenue stream down to \$513,610 to accurately reflect actual revenues. In FY22 the City is budgeting \$960,000 for this revenue stream due to a return-to-normal in Parks and Recreation operations.

7. Information Technology Budget has an overall \$544K increase from FY21 adopted. Please provide color on the software and annual maintenance (100-140-100.5300.092) increase.

The \$280K increase in software and annual maintenance is due to a combination of price increases and additional software needs determined throughout the year. Of the software utilized by the City twenty-seven saw an increase in cost in FY22 for a total of \$142,929. Eight additional software programs were moved to the IT budget from other departments or were determined to be necessary to support City functions for an additional cost of \$137,703 per year.

Other areas of the IT budget that have gone up for FY22 include personnel with an additional 2 positions and the Comp & Class adjustment. Additional software for cybersecurity purposes is also planned for implementation in FY22 adding \$70,000 in cost to both General Fund and the Enterprise Fund. The IT Strategic Plan is also budgeted for FY22 adding \$55,000 to the General Fund and Enterprise Fund.

8. Provide 3-4 bullet points of color on the \$19K budget in account 100-200-200.5145.010

- This account is for Wearing Apparel-Bullet Proof Vests
- Each vest has a 5-year life span and so they are purchased on a replacement schedule.
- There are 23 vests budgeted for replacement at \$860 each for FY22.

9. Provide 3-4 bullet points of color on the \$400K budget in account 100-300-305.5110.060

- Account 100-300-305.5110.060 has an FY22 budget of \$77K for FY22. This is the City's span wire replacement program that replaces 3 signals per year.
- Account 100-300-305.5110.110 has a proposed FY22 budget of \$400K. This account is for the following:
 - Maintenance of the City's 102 traffic signals
 - Maintenance of city owned streetlights, pedestrian equipment, vehicle detection equipment and traffic cabinet equipment.
 - The department has established a replacement program to continue moving forward with addressing aged equipment around the city.

10. Provide 3-4 bullet points of color on the \$630K budget in account 100-305-310.5000.010

- Salaries for 15 full-time employees Public Works-Streets & Drainage.
- There are 2 Maintenance Supervisors, 3 Maintenance Crew Leaders, 2 Heavy Equipment Operators, and 8 Equipment Operators in this division.

- No changes in FTE counts from FY21 to FY22, however this division experiences some high turnover leading to salary variation.

11. Provide 3-4 bullet points of color on the \$190K budget in account 100-305-310.5400.160

- This account contains the City's roadside ditch maintenance contract
- Cost associated with MUD channel improvements
- Fees associated with debris disposal at the landfill.

12. Provide 3-4 bullet points of color on the \$301K in the amended 2021 budget in account 100-410-420.5400.160

- \$223,300 for the Comprehensive Plan
- \$62,515 for Tree Maintenance
- Additional expenses for general planning consultant, and courier services to record plats.

Section 4: Enterprise Fund

13. Provide 3-4 bullet points of color on the proposed \$894K budget in account 600-140-100.5300.092

- \$58,324 in increased software costs for 11 programs over the FY21 budget.
- \$57,664 in expenses due to software that was moved or determined to be necessary to city operations during the fiscal year. There are five programs that fall under this category.
- The remainder is ongoing costs relating to supporting the needs of the Enterprise Fund.

14. Provide 3-4 bullet points of color on of the proposed \$764K budget in account 600-305-100.5000.010

- Engineering & Public Works Administration staff are now shared across the administrative divisions. While there was no overall FTE increase, there is now an additional 1.5 FTE budgeted in this division.
- Increase in management level positions budgeted in this division.
- Total of 12 full-time positions.

15. Provide 3-4 bullet points of color on the proposed \$62K budget in account 600-305-100.5400.160

- Professional services for on-call consultant for water and wastewater model services
 - Includes running scenarios to assist staff in optimizing the systems
 - Verify developer modeling
 - Minor updates to the models
- This account also pays for an after-hours answering service contract

16. Provide 3-4 bullet points of color on the proposed \$1.694 budget in account 600-305-370.5000.010

- Public Works-Construction (600-305-375) merged with Public Works-Distribution and Collection (600-305-370) beginning in FY22.
- 12 Full-Time positions budgeted at \$477,254 in FY21 became part of the Distribution & Collections budget.
- One Utility Maintenance Worker added to this division in FY22 at a cost of \$48,356 in salaries and benefits.

17. Provide 3-4 bullet points of color on the proposed \$160K budget in account 600-305-370.5400.160

- On-call contractor for repairs and water line tapping services
- Fees associated with Texas 811 locate services call center

Section 5: Special Revenue Funds

18. May I have 3-4 bullets of color on the \$1.067M budget for Fund 305?

The CVB budget continues to support the mission of marketing, selling and promoting Pearland as a destination in a variety of ways including:

- Advertising-is comprised of media spends to promote the City in state and regional outlets, co-operative marketing efforts and maintenance of the vistpearland.com website
- Programs-includes bid fees and underwriting costs to host sports tournaments, support for the marketing and implementation of programs and/or events with the potential to drive hotel room nights. Examples include GeoTour and tourism-centric events as COVID restrictions allow.
- Printing entails print production of the Visitor Guide and other promotional materials used for distribution at Texas Travel Centers, incoming consumer leads received through the CVB website and advertising lead inquires.
- Personnel - There are three full-time staff members and 1 part-time staff member budgeted in this fund.

19. There appears to be \$4.973 fund balance in fund balance. Please provide color on the intents of these dollars.

The CVB fund balance is reserved for unidentified future projects that meet the restrictive terms mandated by the State of Texas on allowable use of HOT funds. Municipal hotel occupancy taxes are a dedicated tax and primarily governed by Chapter 351 of the Texas Tax Code. Hotel occupancy taxes are an important tool for municipalities to promote growth in tourism and hotel activity. Unlike property tax and sales tax revenue, which cities can use for most public purposes, local hotel occupancy tax revenues fall under more structured statutory mandates.

20. Provide 3-4 bullet points of color on the proposed \$163K budget in 305-810-100.5400.160

- FY22 expenses are for the Hilton Garden Inn (HGI) rebate an agreement that the City entered in 2009.
- These are estimated payments to reimburse 71% of the Hotel Occupancy Tax Revenue over a period of 13 years not to exceed \$2.2M.
- The HGI Rebate expires July 9, 2022.