



# City of Pearland FY22 Proposed Budget “Adapting to Change”



# Adapting to Change

A recovering economy due to COVID-19 pandemic and weather disasters are challenges that the City of Pearland is adapting to and overcoming.

Staff and City Leadership have remained steadfast and agile this past year, and the FY22 budget enhances the assets and services, while ensuring we continue to recruit, retain, and support the best staff of public servants possible.





# The Big Picture

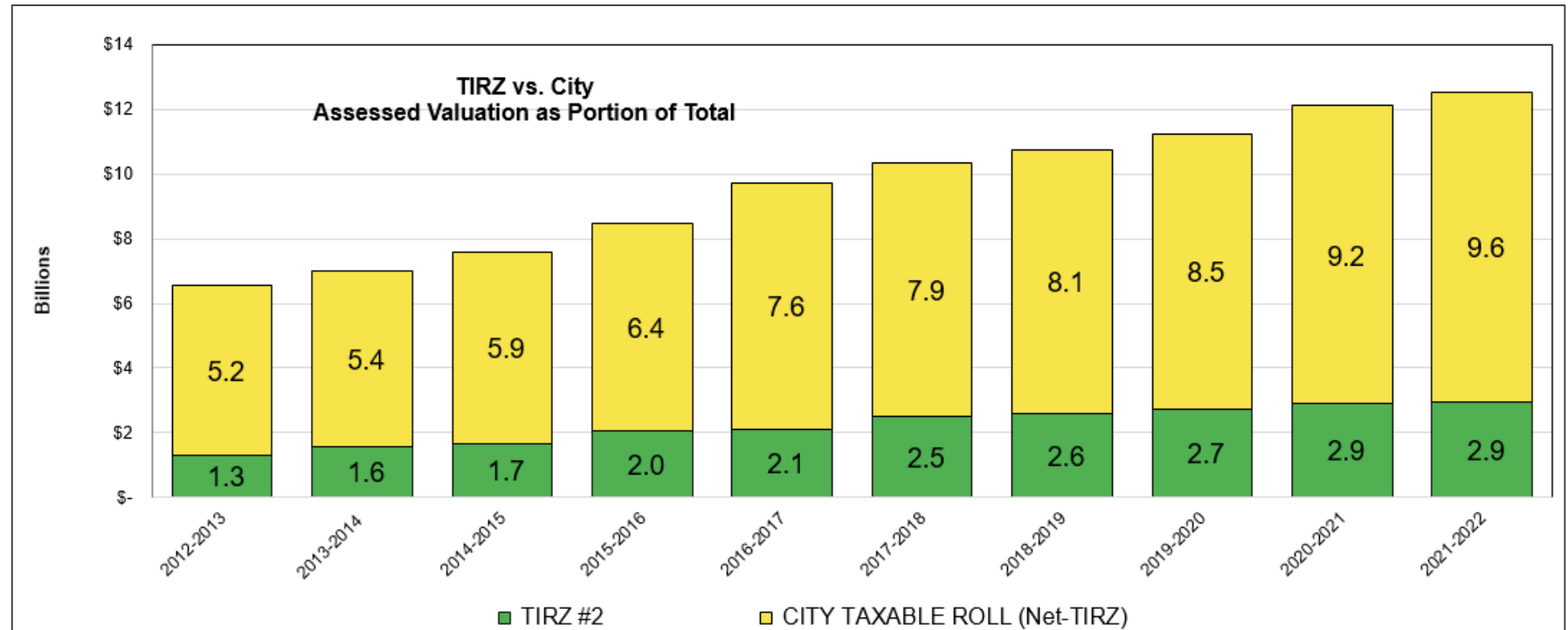
- **Balanced Budget:** Annual revenues (including transfers) exceed operating costs.
- **General Fund's Fund Balance is above the 25% policy minimum.**
  - The FY22 Budget Adoption ordinance will include updates to the financial policies changing the reserve policy from two months (16%) to three months of expenditures (25%) in reserve.
  - FY22 ending fund balance is projected to be 27.0%, or 99 days.
- Note that revenue and expenditure updated from original proposed budget

	FY 2021 Amended	FY 2022 Proposed Budget
Beginning Fund Balance	29,076,301	26,790,104
Revenue	91,541,723	100,353,728
Expenditure	93,827,920	100,124,052
Net	\$ (2,286,197)	\$ 229,676
Ending Balance	\$ 26,790,104	\$ 27,019,780
Policy Minimum (16.6%)	\$ 15,637,987	\$ 16,687,342
FY22 Policy Minimum (25%)		\$ 25,031,013
Over (Under) Policy	\$ 11,152,117	\$ <b>1,988,767</b>



# Taxable Value

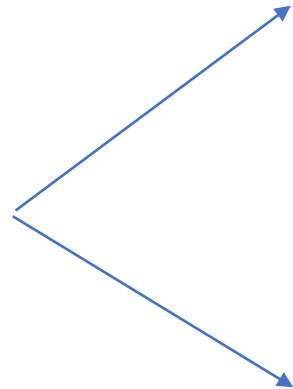
- Revaluations and growth in our high-quality community have increased the taxable roll (excluding the Shadow Creek TIRZ) to \$9.6B, an 4.3% increase from the year prior.
- This budget is based upon values received from Brazoria County (includes Harris and Fort Bent Counties) on 8/2.
- Thank you to Brazoria County for their assistance as we continue to adapt to SB2's changes to tax laws.



# No-New-Revenue Rate vs Voter-Approval Rate



Brazoria County Tax Assessor/Collector calculates the City's Voter-Approval Rate and No-New-Revenue Rate in accordance with State laws.



Voter-Approval Rate  
- Allows City to increase its M&O tax revenue up to 3.5% more than last year.



This is similar to the old "rollback rate", but with a lower trigger for election (8% vs 3.5%)

No-New-Revenue Rate  
- The rate that would bring in the same amount of tax revenue from the same properties as last year.

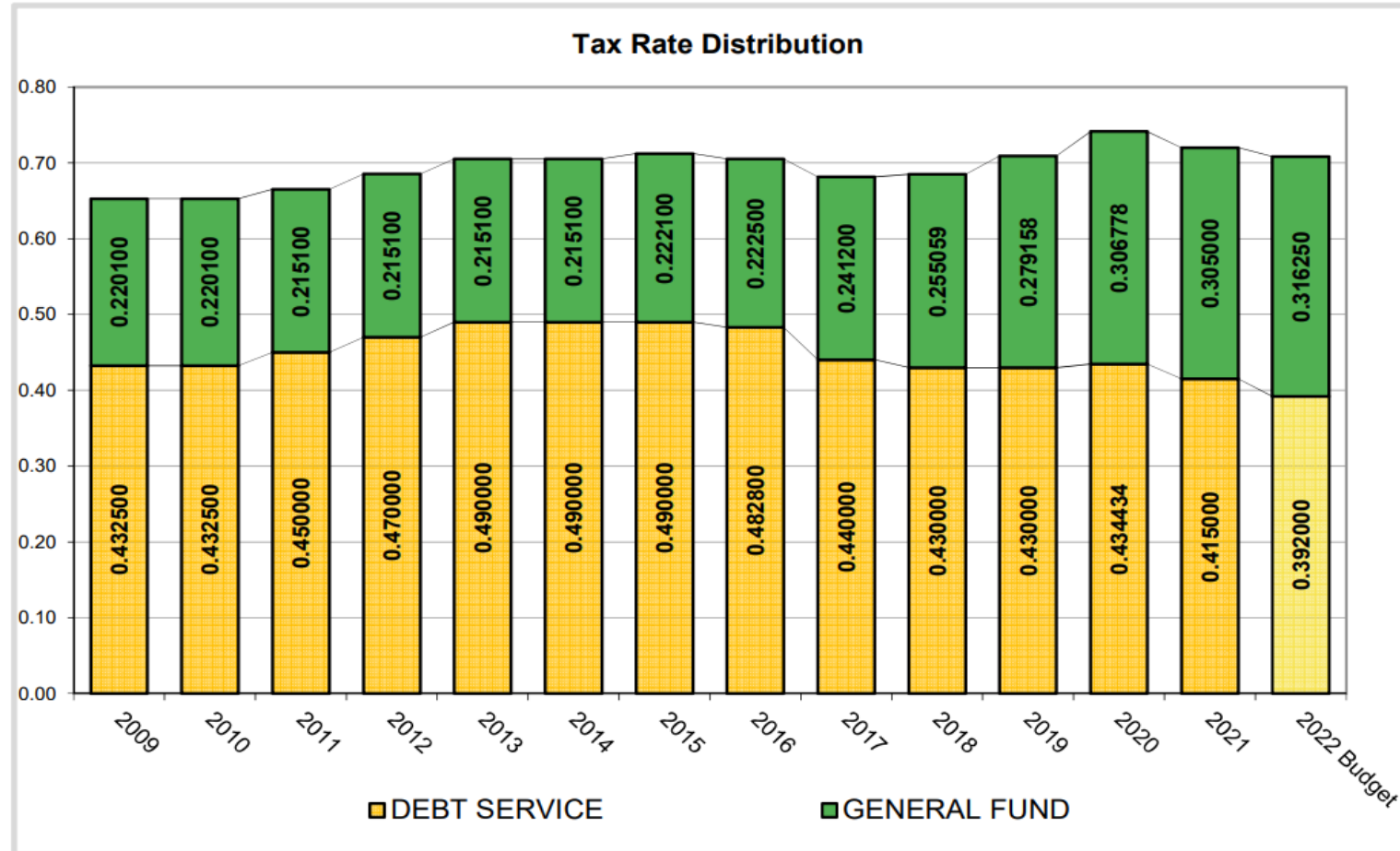


Any rate the City adopts below the No-New-Revenue rate is a property tax cut.



# Property Tax Revenue

- A 1.175 cent decrease in total rate from FY21.
- This is the second year in a row Pearland has proposed a budget below the no-new-revenue rate (a tax cut).
- \$27M in current collection to the General Fund; \$34M to Debt Service Fund.
- As recently as FY13 and FY 14 the debt rate was 71% of the levy, leaving only 30.5% available for operations.
- FY 22 makes 45% available for operations, which is a 2.7% increase from FY21.





# Property Tax Revenue

- State of Texas Tax worksheets from County Tax Assessor/Collector included in pocket of binder
- Recommended rate is again below the “No New Revenue” and below the “Voter-Approved Rate” calculations.
- Debt Service Tax Rate decreased from 41.5 cents in FY21 to 39.2 cents in FY22; assisted by use of DS fund balance drawdown in the budget
- General Fund O&M proportion increased slightly from 30.5 cents in FY21 to 31.625 cents in FY22

Comparison of Potential Property Tax Rate and Revenue				
General Fund and Debt Service Property Tax Rates	FY2021 Actual Rates & Amended Budget	Fiscal Year 2022*		
		(1) Proposed Tax Rate	(2) No New Revenue Rate (formerly Effective Tax Rate)	(3) Voter Approval Rate (formerly Rollback Tax Rate)
General Fund (O&M)	0.305000	0.316250	0.343485	0.345016
Debt Service (including in-City MUD rebate obligation)	0.415000	0.392000	0.392000	0.392000
<b>Total</b>	<b>0.720000</b>	<b>0.708250</b>	<b>0.735485</b>	<b>0.737016</b>
G.F. Property Tax Revenue + TIRZ Admin Fee (in millions)	\$28.1 + \$12.5 = \$40.6	\$31.3 + \$13.1 = \$44.4	\$34.1 + \$13.6 = \$47.7	\$34.2 + \$13.7 = \$47.9

\*For Fiscal Year 2022, the proposed rate in green is used in the recommended budget revenue.



# Proposed Property Tax Rate for FY22

$$\begin{array}{ccc} 0.316250 & + & 0.392000 & = & 0.708250 \\ \text{Maintenance \& Operations} & & \text{Debt Rate} & & \text{Total Proposed Property} \\ \text{Rate} & & & & \text{Tax Rate} \end{array}$$





# Property Tax Examples

Looking at estimated individual tax bills, a zero-growth property with a value of \$187,000 would see a \$21 annual (\$1.75 per month) decrease in the City of Pearland portion of their tax bill.

**Sample Homestead Property Tax Bills Projected for 2021 Tax Year (for FY 2022 Budget Cycle)**

		Zero Growth		Homestead Example 1		Homestead Example 2		Homestead Example 3		Homestead Example 4		Homestead Example 5	
TY20 Actual City Tax Bill		\$ 1,310		\$ 1,755		\$ 1,203		\$ 1,276		\$ 1,548		\$ 1,094	
TY20 Taxable Value		\$ 187,000		\$ 250,000		\$ 172,139		\$ 182,204		\$ 265,000		\$ 156,992	
% Increase (Decrease)		0.0%		9.8%		10.0%		7.6%		7.3%		10.0%	
TY21 Taxable Value		\$ 187,000		\$ 274,550		\$ 189,353		\$ 196,130		\$ 284,380		\$ 172,691	
City Scenario	Proposed TY 2021 City Rate	TY 2021 Amount	Change from Prior Year Actual	TY 2021 Amount	Change from Prior Year Actual	TY 2021 Amount	Change from Prior Year Actual	TY 2021 Amount	Change from Prior Year Actual	TY 2021 Amount	Change from Prior Year Actual	TY 2021 Amount	Change from Prior Year Actual
	0.7083	\$ 1,289	\$ (21)	\$ 1,896	\$ 141	\$ 1,306	\$ 102	\$ 1,354	\$ 78	\$ 1,661	\$ 113	\$ 1,188	\$ 93
Total Tax Bill		\$ 4,497		\$ 7,397		\$ 4,281		\$ 4,448		\$ 8,994		\$ 3,872	
City of Pearland %		29%		26%		30%		30%		18%		31%	



# Property Tax Examples

Looking at Homestead Example 8, a home with a value of \$463,000 that sees a 2% decrease in Taxable Value would see a \$64 annual (\$5.33 per month) decrease in the City of Pearland portion of their tax bill and the City rate decrease.

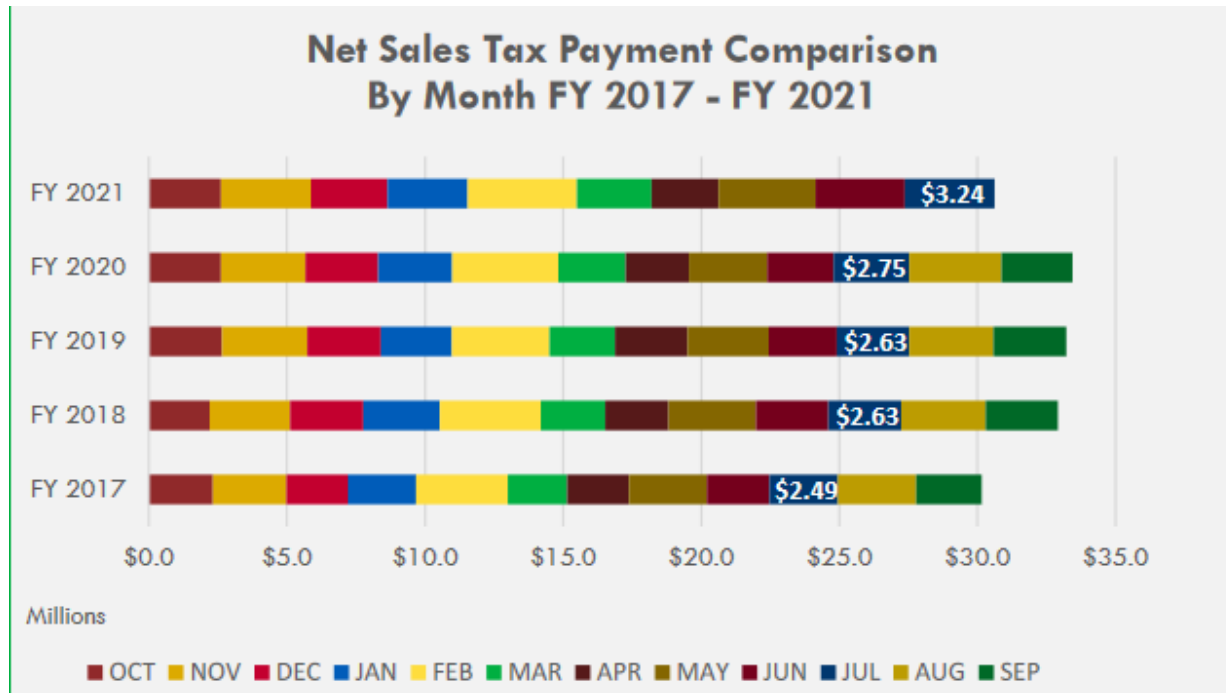
No increase to Senior exemption properties, regardless of rate change – Remains substantially below non-exempt properties

		Homestead Example 6		Homestead Example 7		Homestead Example 8		Senior Example HS 9		Homestead Example 10		Senior Example	
TY20 Actual City Tax Bill		\$ 1,565		\$ 2,230		\$ 3,205		\$ 1,556		\$ 2,394		\$ 206	
TY20 Taxable Value		\$ 222,910		\$ 317,595		\$ 472,490		\$ 293,000		\$ 341,070		\$ 180,260	
% Increase (Decrease)		4.5%		1.9%		-2.0%		-0.2%		1.3%		-2.1%	
TY21 Taxable Value		\$ 232,990		\$ 323,525		\$ 463,000		\$ 292,400		\$ 345,580		\$ 176,500	
City Scenario	Proposed TY 2021 City Rate	TY 2021 Amount	Change from Prior Year Actual	TY 2021 Amount	Change from Prior Year Actual	TY 2021 Amount	Change from Prior Year Actual	TY 2021 Amount	Change from Prior Year Actual	TY 2021 Amount	Change from Prior Year Actual	TY 2021 Amount	Change from Prior Year Actual
	0.7083	\$ 1,609	\$ 44	\$ 2,234	\$ 5	\$ 3,141	\$ (64)	\$ 1,556	\$ -	\$ 2,386	\$ (8)	\$ 206	\$ -
Total Tax Bill		\$ 5,346		\$ 10,697		\$ 13,449		\$ 5,916		\$ 8,090		\$ 878	
City of Pearland %		30%		21%		23%		26%		29%		23%	



# Sales Tax Revenue

- The FY 22 budget is presented with a projected 2.5% sales tax growth over the FY21 Amended budget in General Fund.
- Sales tax revenues are budgeted for \$24.6 million in FY 2022, 25% of total General Fund revenue.
- The Pearland Economic Development Corporation is budgeted for another \$11.8 million dedicated funds for those separate uses.



# Major Changes from Printed Proposed Budget Book to Today

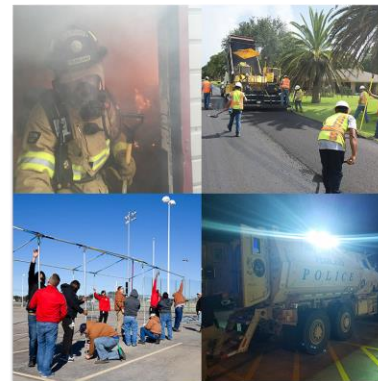


- \$500K added for sick leave buyback program and bilingual pay that was not costed out in the initial proposed numbers
- The General Fund Income Statement and numbers you see today reflect this addition
- Water Income Statement updated to reflect accurate FY20 actuals



# Valuing Our Staff

- The Compensation and Classification study is a significant investment in FY22
- Every employee receives at least a 2% raise – our normal COLA amount.
- Significant realignment of most employees to step plans
- Total Comp and Class Adjustments totaled \$3,696,893 across all Funds
  - \$3,242,431 of this is in the General Fund
- \$500K added for sick leave buyback program and bilingual pay that was not costed out in the initial proposed numbers
- \$1,295,874 in Professional Development (all departments and Funds). The FY22 Budget restores professional development budgets to pre-COVID levels.
  - \$571,163, or 44%, of this is for Public Safety (Police, Fire, & Emergency Management) training.



*Prepare to make a difference.*



# General Fund Expenditures

- A people organization, General Fund expenditures are primarily salaries and wages.
- Public Safety is one of Council's top goals, therefore, a major source of expenditures.

\*Live\* City of Pearland \*Live\*

### Annual Budget by Function Report

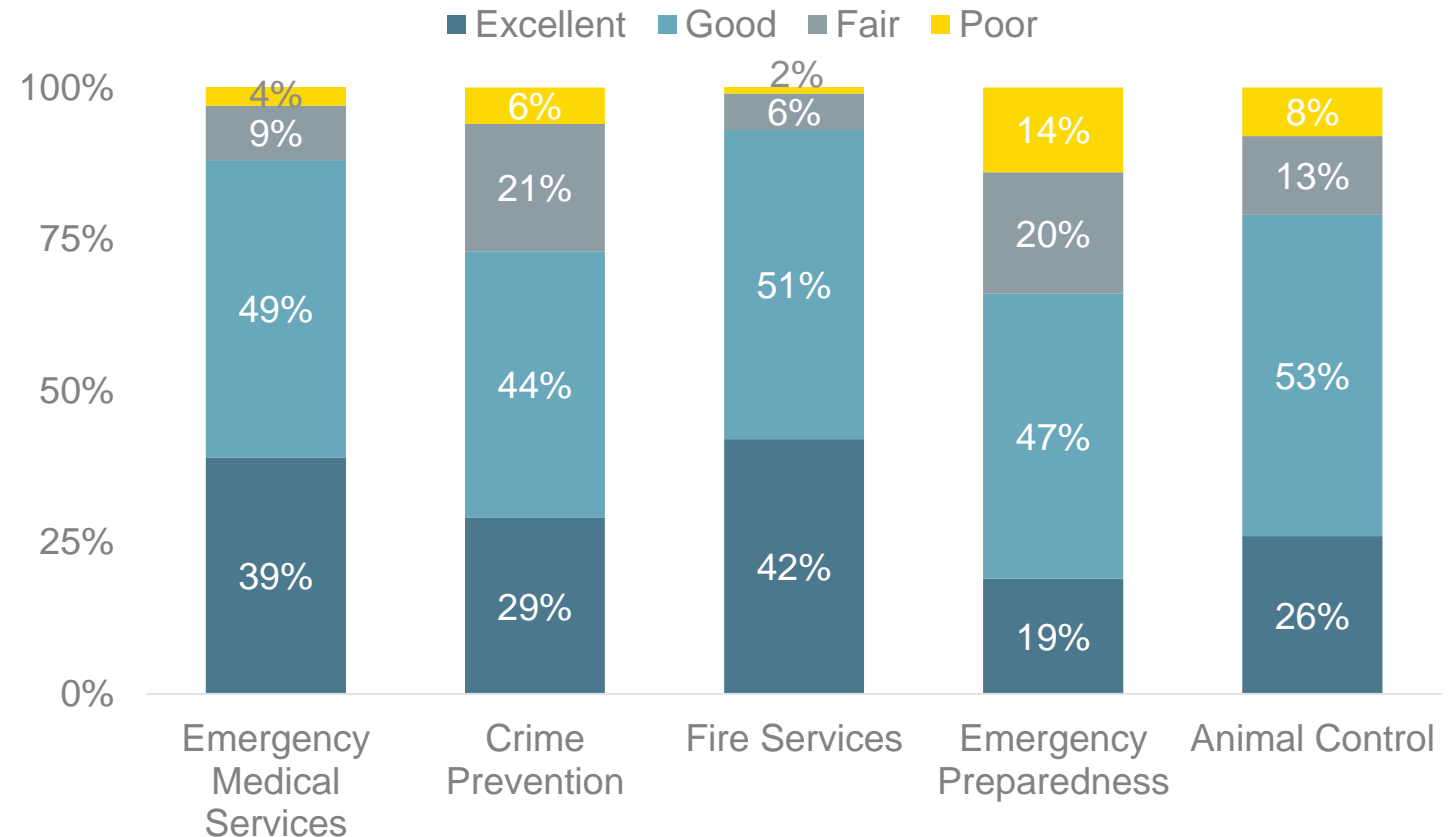
Fund: 100 General Fund	2019 Actual		2020 Actual		2021 Amended		2022 Proposed	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<b>Expenditures</b>								
General Government (including transfers out)	\$12,241,075	15%	\$14,040,367	17%	\$17,592,265	19%	\$18,401,326	18%
Public Safety	\$44,823,444	56%	\$46,847,908	57%	\$53,033,098	57%	\$55,734,956	56%
Public Works	\$12,826,943	16%	\$11,502,132	14%	\$12,209,422	13%	\$13,991,505	14%
Community Services	\$3,915,720	5%	\$3,798,941	5%	\$4,550,238	5%	\$4,517,172	5%
Parks & Recreation	\$6,219,982	8%	\$5,739,764	7%	\$6,442,897	7%	\$7,479,093	7%
<b>Expenditure Totals</b>	<b>\$80,027,164</b>		<b>\$81,929,112</b>		<b>\$93,827,920</b>		<b>\$100,124,052</b>	
	\$0		\$0		\$0		\$500,000	

# Public Safety Investments



- Expenses in Police and Fire represent 58.7% (\$55.7 million) of the \$94.9 million in General Fund expenses.
- Police budget includes three new police positions, including one Officer with vehicle, and seven replacement vehicles. The total anticipated salary adjustment for PD is \$1,261,702.
- The Fire Department budget includes an increase in training dollars, repairs to the existing training tower as well as one new ambulance, and one ambulance overhaul. The total anticipated salary adjustment for Fire is \$1,287,140

Resident Satisfaction with Public Safety Services





# Capital Improvements

- Most of the capital improvements - \$292,495,000 million - are for needed water and wastewater improvements, which are repaid by users of the systems based on usage.
- The cost of financing these projects is **very low** at this time.





# Funding High Quality Street Infrastructure



## Capital Improvements

- Of the remaining \$179 million in capital projects, \$61.7 is for street related projects.

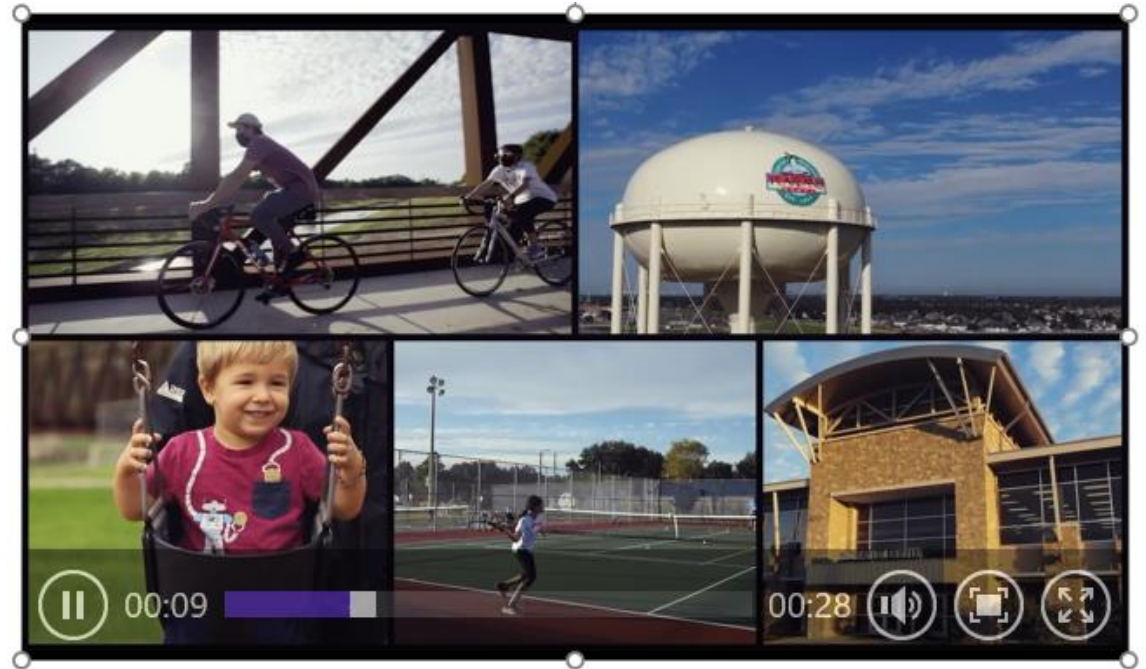


## Infrastructure Maintenance

- Along with \$61.7M allocated to construction of new street or major rehab of current street, FY 22 proposes \$1.5M for minor street rehab and \$53K for sidewalks rehab, a \$28K increase over FY21 Budget. This is still far short of our target of \$4.6 million to maintain our current pavement rating.
- Proposed FY22 street repairs include Meadow Creek, Lee Lane, Abbey Field, Magnolia, Crane, Wood Creek and North Fork.

# Parks & Recreation Investments

- Investments in Infrastructure
  - \$1 million in Park equipment recapitalization over the next two years (2019 Bond).
- Investments in Operations
  - Zero Turn Mower Replacement-\$44,033
  - Fireworks for Hometown Christmas Tree Lighting-\$15,000
  - Centennial Park Restroom & Storage Update-\$296,974
  - Activity Pool Re-plaster-\$54,500



# Parks & Recreation Investments

(This is a video)





# TIRZ #2 Update

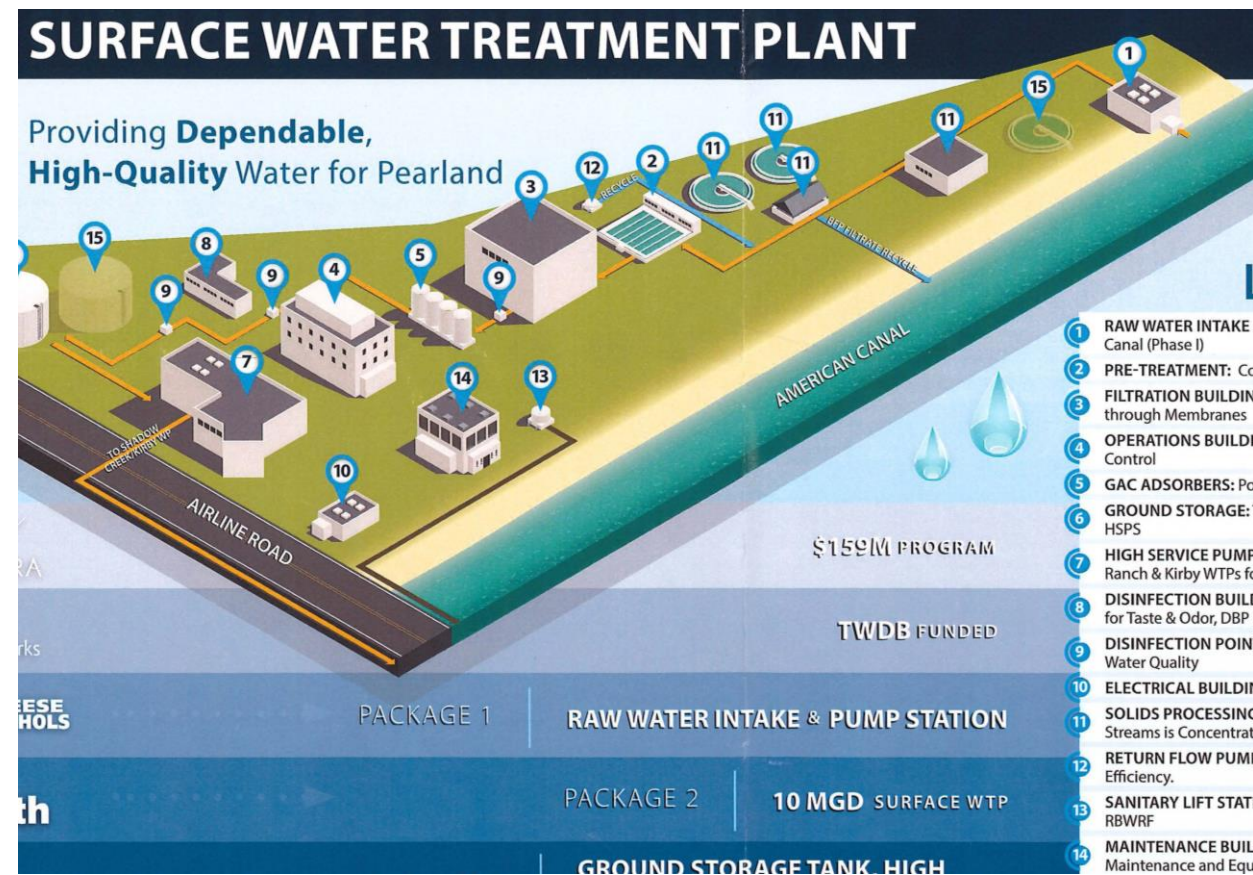
- FY22 certified taxable value of \$2.9B, an increase of 1.4% from FY21
  - \$153M currently under ARB review
- Administrative fee revenue for FY22 is \$13.1M, an increase of 2.3% from FY21
  - City's administrative fee is the maximum 64% at the total proposed tax rate of 0.708250



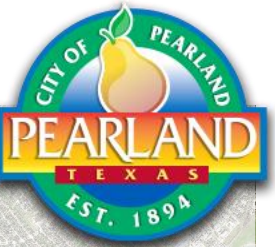


# Vision for Enterprise Fund

A continual investment in consistent **high-quality water** and **reliable wastewater** services that will **grow** with the Pearland community and **last** for many **generations** to come.







# Enterprise Fund

- This year's budget requires a 9% rate increase, primarily to pay for the cost of necessary capital projects. This is a straight 9% increase to all Water and Sewer rates (including base charges) in the rate table.





# American Rescue Plan Act (ARPA)

- The COVID-19 pandemic and its economic impact have resulted in several federal stimulus allocations from the U.S. Treasury.
- The latest package, ARPA, provides direct assistance to cities.
- Pearland will receive a total of \$11.8 million in ARPA grant funds, \$5.9 million of which were received in FY21 and will be used to repay eligible costs over the last 1.5 years, positively affecting the FY22 General Fund net balance.
- The second, and final tranche, of ARPA grants will arrive in FY22. The City will receive an additional \$5.9 million, for a total of approximately \$11.8 million in ARPA grants. That second FY 22 tranche is unallocated and available for City Council prioritization.



# The City is actively managing many grants at the moment

All Grant Funds  FY 2021 & FY 2022	Regular Grant Funding		Disaster Recovery Funding			COVID-19 Recovery and Economic Stimulus		Summary
	Fund 350 (Various Grants)	Fund 351 (CDBG)	Fund 352 (CDBG-DR)	Fund 354 (Flood Mitigation)	Hurricane Harvey PA	CARES Act - Fund 355*	ARPA - Fund 356	
	FY 2021 Projected	FY 2021 Projected	FY 2021 Projected	FY 2021 Projected	FY 2021 Projected	FY 2021 Projected	FY 2021 (Projected)	FY 2021
Total Awards	\$ 1,130,397	\$ 2,358,963	\$ 5,345,637	\$ 3,285,181	\$ 421,278	\$ 5,443,394	\$ 5,944,485	\$ 23,929,335
Actual Received/Booked		\$ 339,305	\$ -	\$ -	\$ -	\$ 5,421,967	\$ 5,944,485	\$ 11,705,757
Other Expenses/Allocations	\$ 113,262	\$ 1,957,378	\$ 5,314,759	\$ 3,254,302	\$ -	\$ 1,827,767		\$ 12,467,468
Actual to General Fund	\$ 1,075,424	\$ 62,280	\$ 30,878	\$ 30,879	\$ 421,278	\$ 3,594,200	\$ 1,000,000	<b>\$ 6,214,939</b>
Remaining Balance				\$ -	\$ -		\$ 4,944,485	\$ 4,944,485
	FY 2022 (Proposed)	FY 2022 (Proposed)	FY 2022 (Proposed)	FY 2022 (Proposed)	FY 2022 Proposed	FY 2022 Proposed	FY 2022 (Proposed)	FY 2022
Cash on Hand	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,944,485	
Total Awards	\$ 873,048	\$ 455,947	\$ -	\$ 1,073,790	\$ -		\$ 5,944,486	\$ 8,347,271
Proposed Receivables	\$ 871,728	\$ 455,947	\$ -	\$ 1,073,790	\$ -		\$ 5,944,486	\$ 8,345,951
Proposed Expenses	\$ 873,048	\$ 392,421	\$ -	\$ -	\$ -		\$ 1,400,971	\$ 2,666,440
Proposed to General Fund	\$ 860,728	\$ 63,526	\$ -	\$ -	\$ -		\$ 4,549,515	<b>\$ 5,473,769</b>
Available for Future Years	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,938,485	\$ 4,938,485

**NOTES:**

1. Hurricane Laura (FY 20) Preparedness, February FY 21 Winter Storm and FY 21 COVID-19 Vaccine POD activities include FEMA reimbursement of eligible costs that are currently pending obligation by federal/state disaster recovery programs.
2. Management costs for TDEM buyout program activities totals \$246,323 that may also become available to the General Fund upon completion of buyouts.





# Adapting to Change

The theme of this budget is “Adapting to Change”. Many investments are being made to maintain the infrastructure and services we have, while pushing for improvement in the areas highlighted by residents and our elected officials.

Our Budget Officer will now walk you through the details of this year’s budget.



# Overview & Highlights



# Mayor & City Council

Adopted Budget Fiscal Year October 1, 2021—September 30, 2022



**Kevin Cole**  
Mayor



**Luke Orlando**  
Position 1



**Tony Carbone**  
Position 2



**Alex Kamkar**  
Position 3



**Adrian Hernandez**  
Position 4  
Mayor Pro Tem



**J. David Little**  
Position 5



**Trent Perez**  
Position 6



**Woody Owens**  
Position 7

# Mayor and City Council

# Strategic Priorities



Sustainable Infrastructure

Welcoming Community

Trusted Government

Resilient Finances

Safe Community

Strong Economy

Building quality of life on a well-planned and maintained foundation of essential water, transportation, and flooding infrastructure, appealing amenities, and long-term value.

Fostering a diverse and unified community with events, amenities, and public spaces that bring people together.

Delivering transparent, high-quality, and accessible City services by developing cutting edge solutions, engaging with the community, and continuously improving our capabilities.

Providing long-term community value through trusted stewardship and responsible financial management.

Making Pearland a welcoming place for everyone by ensuring a safe environment and providing efficient and effective Public Safety services for residents, businesses, and visitors.

Developing and investing in an attractive community that allows talent, entrepreneurs, and businesses to thrive for generations to come by supporting stable, steady growth, and unending opportunities.

Trust  
Respect  
Integrity  
Teamwork  
Ownership  
Innovation





# Objectives and Key Results

- OKRs will be how we operationalize our Elected Officials Strategic Priorities
- Citywide OKRs process to begin after budget adoption
- Goal is to have a lean and efficient process that minimizes the amount of staff time required, while maximizing the benefits of adding a citywide strategic management system



# What is a Budget?

1. A policy document
2. A financial plan
3. An operations guide
4. A communications device



# General Fund Highlights

## Safe Community

• Senior Office Assistant-Police	\$54,439
• Police Officer with vehicle-Police	\$184,783
• Animal Shelter Attendant-Police	\$55,255
• Utility Vehicles-Police	\$22,188
• Existing Training Tower Repairs-Fire	\$52,000
• Keycard Access for Station 5-Fire	\$20,000

## Sustainable Infrastructure

• Asset Manager-Public Works	\$94,640
• GIS Technician-Public Works	\$67,807
• Log Management Software-IT	\$75,000
• Vulnerability Scanning Software-IT	\$65,000
• IT Strategic Plan-IT	\$110,000



# General Fund Highlights

## Sustainable Infrastructure Continued

- |                                                         |           |
|---------------------------------------------------------|-----------|
| • Video Conferencing for Fire Station 5-IT              | \$13,000  |
| • SR Construction Manager with Vehicle-Capital Projects | \$150,558 |

## Welcoming Community

- |                                                        |           |
|--------------------------------------------------------|-----------|
| • Zero Turn Mower Replacement-Parks                    | \$44,033  |
| • Fireworks for Hometown Christmas Tree Lighting-Parks | \$15,000  |
| • Centennial Park Restroom & Storage Upgrade-Parks     | \$296,974 |
| • Activity Pool Re-plaster                             | \$54,500  |





# General Fund Highlights

## Resilient Finances

- HR Compliance and Operations Improvements-HR \$68,000
- Payroll Technician-Finance \$63,489

## Trusted Government

- Communications Specialist-Communications \$56,539
- Database Administrator-IT \$106,704
- GIS Analyst-IT \$83,432
- Records Management Program-City Secretary \$68,000



# What is *not* in this Budget?

- Additional \$3 million in street & sidewalk funding needed to maintain Pavement Condition Index (PCI)
- \$14.3 million in eligible General Fund replacement vehicles
- \$5.2 million in supplemental staffing requests in the general fund
  - 25 in Public Safety Staff
  - 19 Engineering and Public Works Staff
  - 8 in Parks & Recreation Staff
  - 11 in Internal Service Department Staff
- \$1,264,395 in non-staff supplemental requests



# General Fund Staffing Highlights

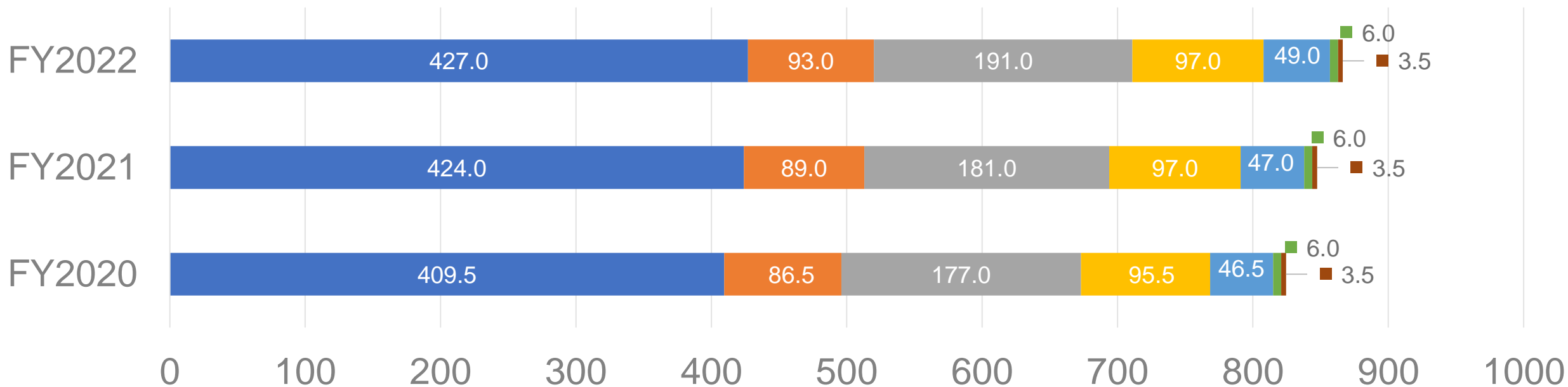
## New Positions

Department/Division	Position Title	FY22
Communications	Communications Specialist	1.0
Information Technology	Database Administrator	.5
Information Technology	GIS Analyst	.5
Public Works-Admin	Asset Manager	.25
Public Works-Admin	GIS Technician	.25
Police-Patrol	Police Officer	1.0
Police-Community Services	Senior Office Assistant	1.0
Police-Animal Services	Animal Shelter Attendant	1.0
Finance	Payroll Technician	1.0
Engineering-Capital Projects	Senior Construction Manager	1.0
<b>Total</b>		<b>7.5</b>



# City-wide Staffing Trends

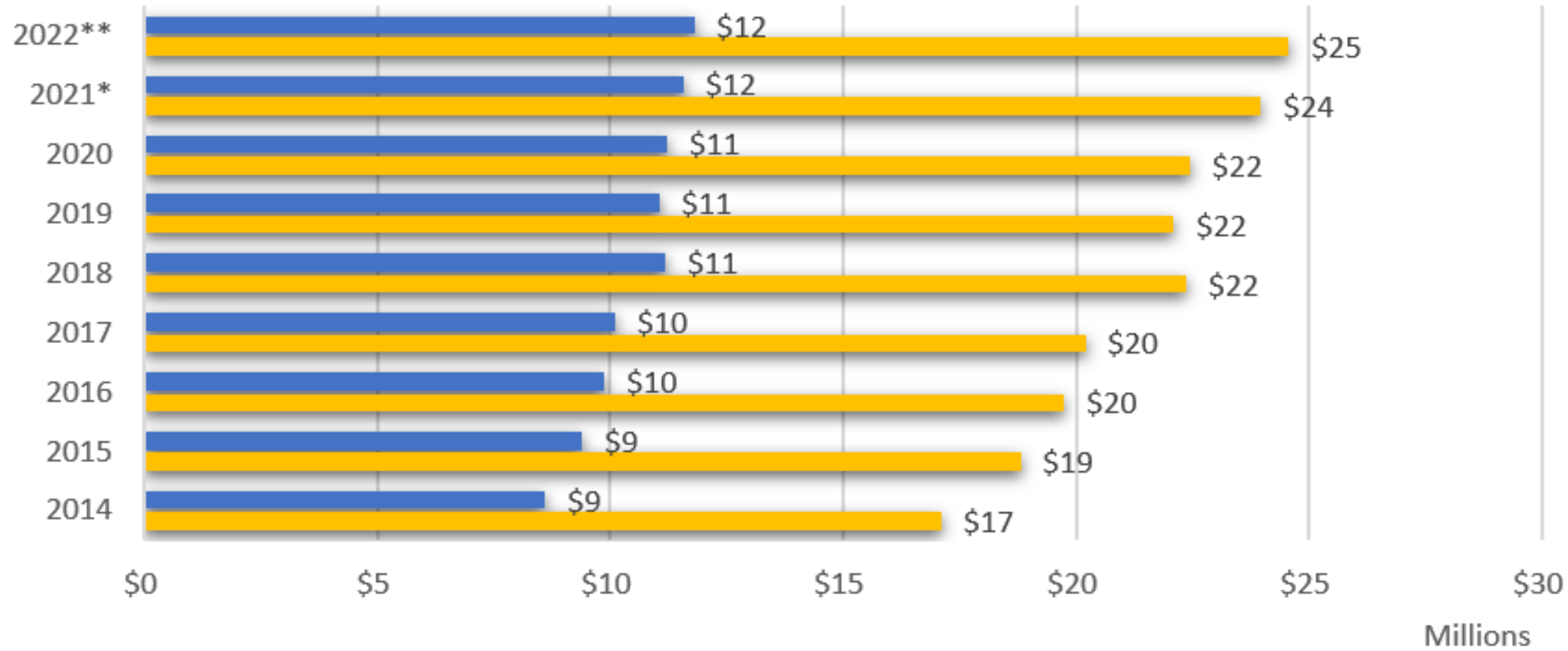
- Public Safety
- General Government
- Public Works
- Parks & Recreation
- Community Services
- Economic Development
- Convention & Visitors' Bureau







# Sales Tax Revenue

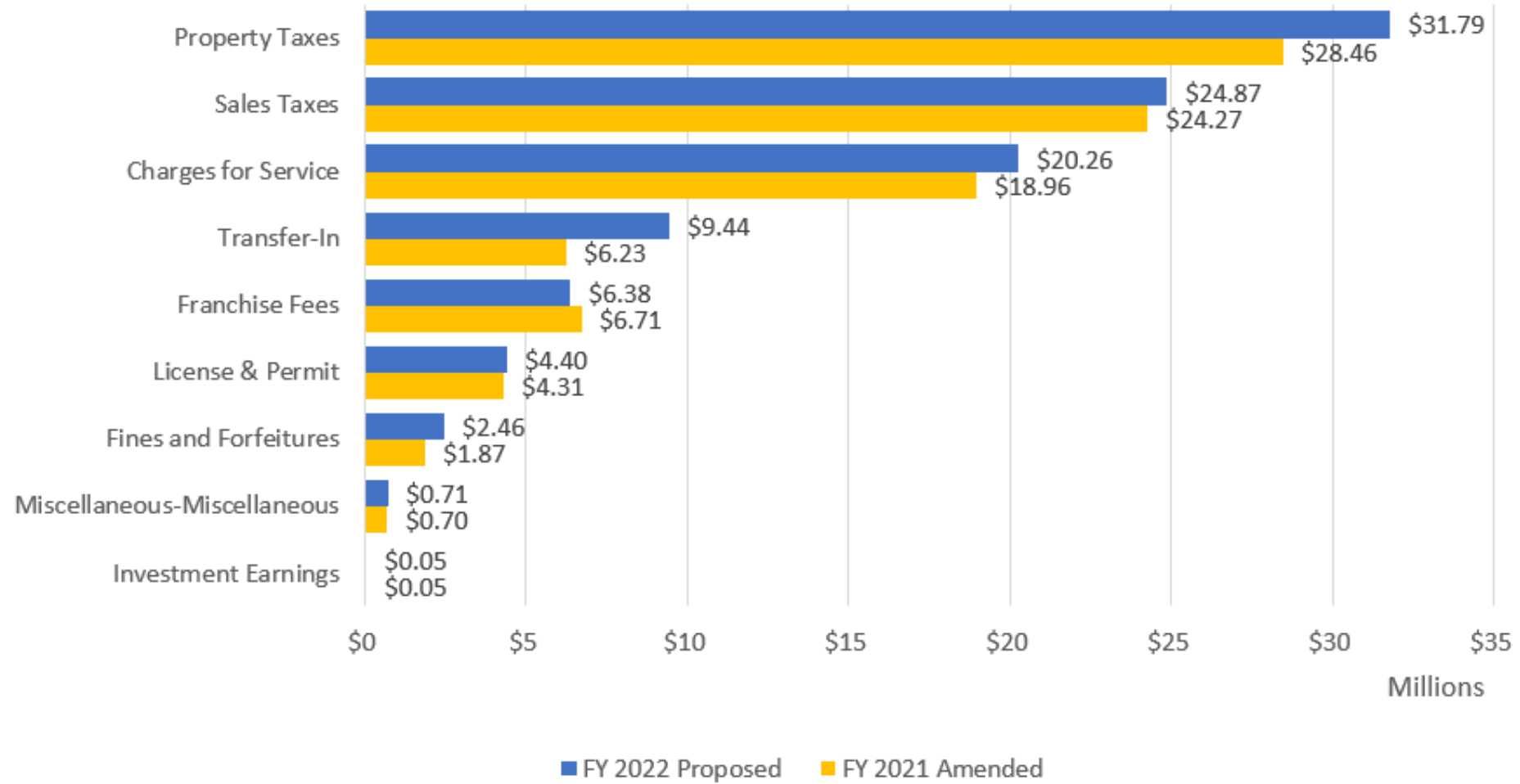


\*FY21 Estimated  
\*\*FY22 Proposed

■ PEDC ■ City

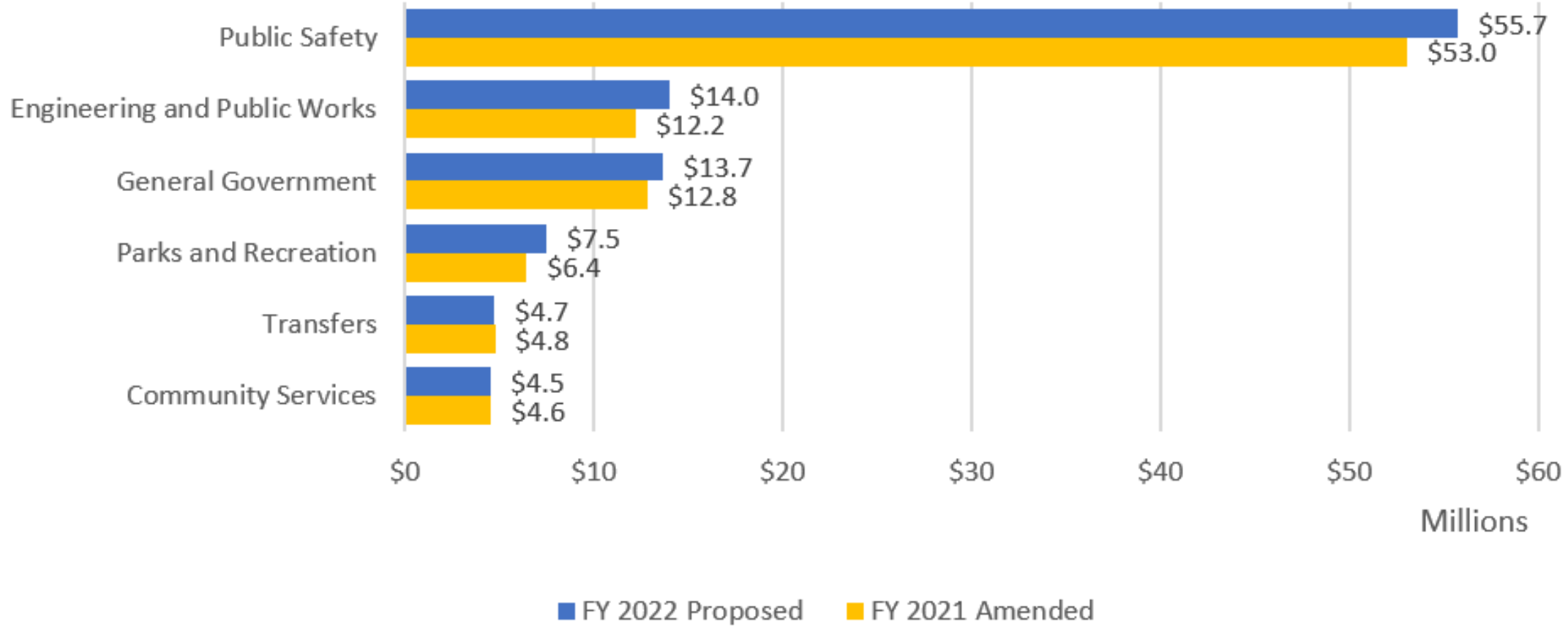


## General Fund Revenue By Classification



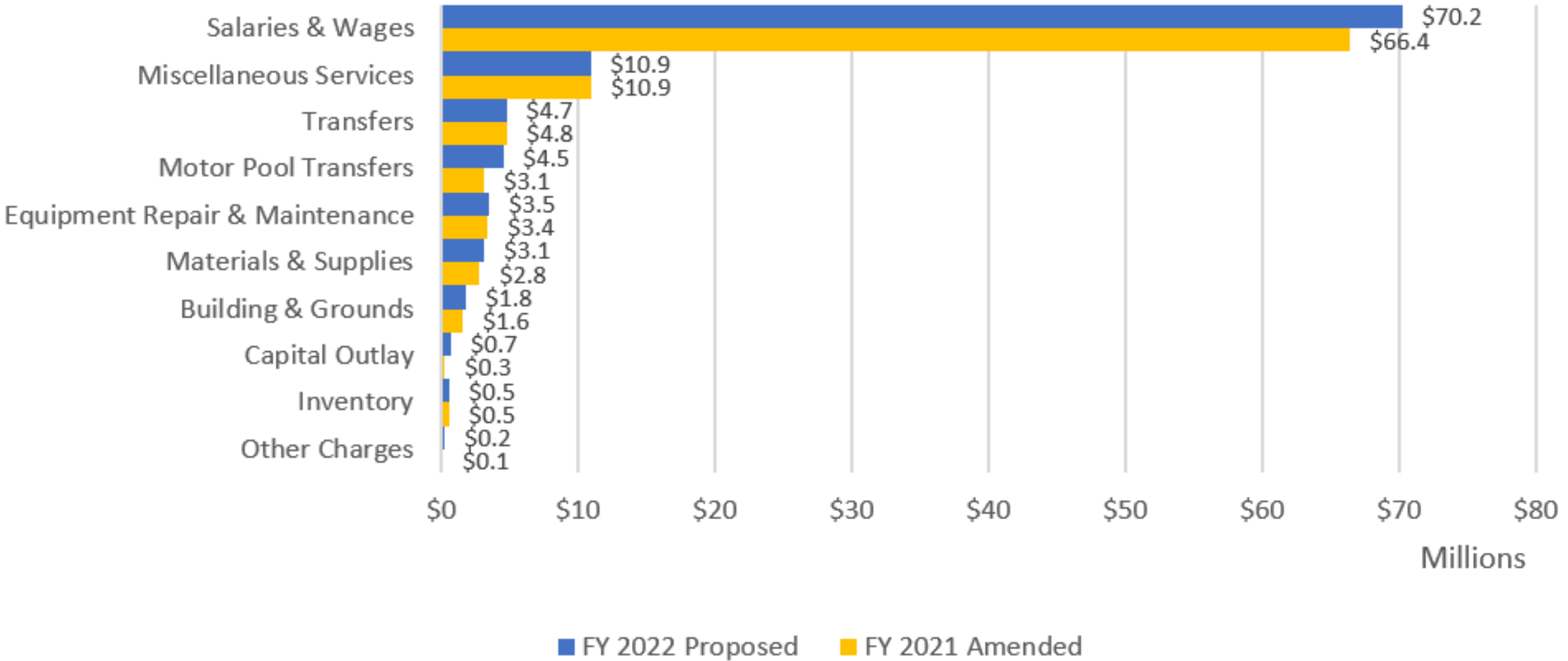


## General Fund Expenditures By Function





# General Fund Expenditures By Classification







# Total General Fund Summary

	FY 2020 Actual	FY 2021 Amended	FY 2022 Proposed Budget
Beginning Fund Balance	29,076,301	29,076,301	26,790,104
Revenue	93,803,562	91,541,723	100,353,728
Expenditure	81,929,110	93,827,920	100,124,052
Net	\$ 11,874,452	\$ (2,286,197)	\$ 229,676
Ending Balance	\$ 40,950,753	\$ 26,790,104	\$ 27,019,780
Policy Minimum (16.6%)	\$ 13,654,852	\$ 15,637,987	\$ 16,687,342
FY22 Policy Minimum (25%)			\$ 25,031,013
Over (Under) Policy	\$ 27,295,901	\$ 11,152,117	\$ <b>1,988,767</b>

- ✓ **Net Add to Fund Balance**  
City Council goal to reach 25%
- ✓ **Exceeds Policy Minimum**  
Projected ending balance of 27.0%  
exceeds minimum of 25% by \$2.0 million

- ✓ **Excellent Aa2 Moody's and AA Fitch Credit Rating**
  - ✓ Moody's; confirmed stable
  - ✓ Affirmed July 2021
- ✓ **Structurally Balanced**
- ✓ **Maintains Core Services**

\$500,000 was added to from initial expenditure on 8/11/2021 for Sick Buyback and Bilingual Pay



# FY 2022 Fee Update

- Detail information on fee updated can be found in Proposed Budget Book One, Appendix, Page 23 to 53.



# Property Taxes



# Proposed Property Tax Rate

	FY 2020	FY 2021	Proposed FY 2022	Change from Last Year	Two Year Change
O & M	0.31	0.305	0.32	0.011	0.01
Debt	0.43	0.415	0.39	(0.023)	(0.4)
Total	0.74	0.72	0.71	(0.012)	(0.3)
O & M %	41.4%	42.4%	44.65%		
DS %	58.6%	57.6%	55.35%		





# Proposed Tax Revenue

	FY 2021 Tax Year 2020 CERTIFIED	FY 2021 Tax Year 2020 ADJUSTED	FY 2022 Tax Year 2021 CERTIFIED
<b>BUDGET ALLOCATION:</b>			
General Fund from Levy at Collection Rate (102.5%)	24,643,254	25,147,576	27,252,896
Anticipated Revenue from Tax Ceilings**	3,482,462	3,878,929	4,134,525
<b>General Fund Allocation</b>	<b>28,125,716</b>	<b>29,026,505</b>	<b>31,387,421</b>
Debt Service Fund from Levy at Collection Rate (102.5%)	33,530,984	34,217,193	33,780,665
Anticipated Revenues from Tax Ceilings**	4,935,979	4,503,423	5,124,850
<b>Debt Service Fund Allocation</b>	<b>38,466,963</b>	<b>38,720,616</b>	<b>38,905,515</b>
<b>TOTAL CITY BUDGET ALLOCATION</b>	<b>66,592,679</b>	<b>67,747,121</b>	<b>70,292,937</b>
<b>Tax Rate Split</b>			
General Fund		42.36%	44.65%
Debt Service Fund		57.64%	55.35%
Total		100.00%	100.00%

Values are directly from Tax Rate Calculation Worksheet provided by Brazoria County Tax Assessor-Collector



# General Tax Bill Comparison

## Taxable Value Summary

	Tax Year 2020	Tax Year 2021	Annual \$ Change
Appraised Value	222,910	232,990	\$ 10,080
Homestead Cap Loss	-	-	\$ -
Taxable Value	\$ 222,910	\$ 232,990	\$ 10,080

## Proposed Tax Rate Comparison of Values

Taxing Entity	Tax Year 2020			Tax Year 2021			Annual \$ Change
	Rate	Amount***	% of Total Amount	Rate**	Amount	% of Total Amount	
Pearland Independent School District	1.3185	2,609	50.8%	1.3155	2,736	51.2%	127
City of Pearland	0.7200	1,565	30.5%	0.7083	1,609	30.1%	44
Brazoria County	0.3420	610	11.9%	0.3420	637	11.9%	28
Brazoria County Drainage District #4	0.1460	260	5.1%	0.1460	272	5.1%	12
Road & Bridge Fund (Brazoria County)	0.0500	88	1.7%	0.0500	92	1.7%	4
<b>Total</b>	<b>2.5765</b>	<b>5,132</b>		<b>2.5618</b>	<b>5,346</b>		<b>214</b>
<b>% of Appraised Value</b>		<b>2.3%</b>			<b>2.3%</b>		

\*Certified Tax Year numbers are not shared until October. These are based on preliminary numbers on Brazoria, Harris and Fort Bend County Tax Assessor's websites.

\*\* 2021 tax rates are not certified. Based either on advertised rates or 2020 rate.

\*\*\*Tax Amount is equal Taxable Value minus different deductions for different Tax Entities then multiply with Tax Rate

### Baseline Homestead Exemption

10% cap on taxable value growth from previous year

In addition to the 10% cap, this property qualifies for the following Homestead exemptions:

**City of Pearland:** 2.5% deduction to Taxable Value

**Brazoria County Drainage District #4:** 20% deduction to Taxable Value

**Brazoria County:** 20% deduction to Taxable Value

**Road & Bridge Fund (Brazoria County):** 20% deduction to Taxable Value plus additional \$3,000 deduction to Taxable Value

**Pearland ISD:** \$25,000 deduction to Taxable Value

Initial Proposed Budget Presentation to Council



# Debt Service



# Debt Service Rate

- **FY 2022 Proposed Debt Service Rate: 0.392000**
  - Estimated levy of \$39.3M for debt service obligations payable in FY22
  - Funds committed from fund balance of \$5.4M
- **FY 2021 Adopted Debt Service Rate: 0.415000**
  - Levy of \$38.7M for debt service obligations paid in FY21
  - Funds committed from fund balance of \$8.4M





# Debt Service Fund

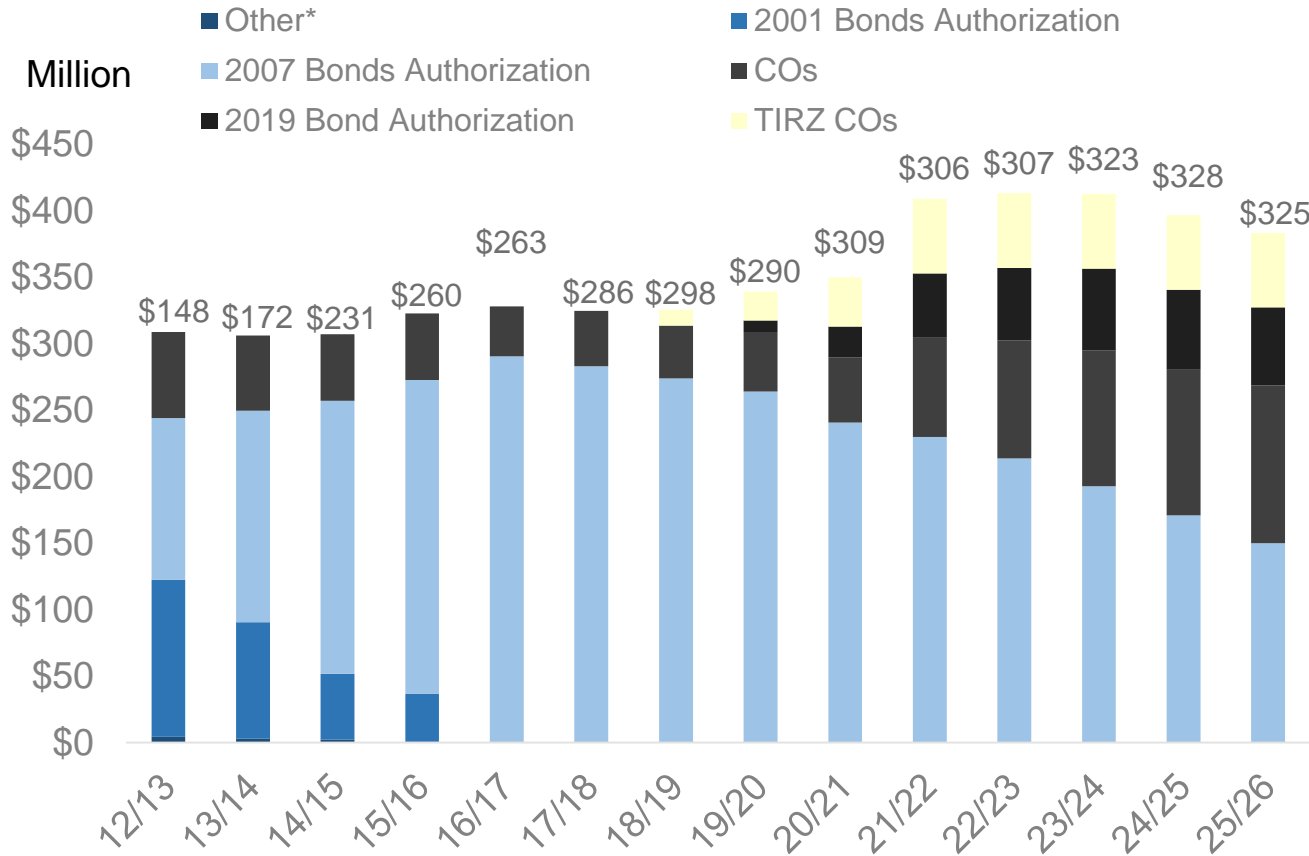
	FY 2020 ACTUAL	FY 2021 ORIGINAL BUDGET	FY 2021 YEAR END AMENDED	FY 2022 PROPOSED BUDGET
<b>REVENUES</b>				
Property Taxes	\$ 37,924,975	\$ 38,592,242	\$ 38,720,616	\$ 39,350,712
Miscellaneous	927,333	907,155	767,155	747,205
Transfers	2,066,739	2,530,075	2,530,075	3,074,369
Bond Proceeds (Refunding)			32,437,427	
<b>TOTAL REVENUES</b>	<b>40,919,047</b>	<b>42,029,472</b>	<b>74,455,273</b>	<b>43,172,286</b>
<b>EXPENDITURES</b>				
MUD Rebates	7,768,816	7,964,741	7,116,216	7,591,760
Bond Payment	32,414,251	35,184,944	67,300,812	36,834,004
<b>TOTAL EXPENDITURES</b>	<b>40,183,067</b>	<b>43,149,685</b>	<b>74,417,028</b>	<b>44,425,764</b>
REV OVER/(UNDER) EXP	735,980	(1,120,213)	38,245	(1,253,478)
<b>BEGINNING FUND BALANCE</b>	<b>5,426,609</b>	<b>6,053,650</b>	<b>6,162,589</b>	<b>6,200,834</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 6,162,589</b>	<b>\$ 4,933,437</b>	<b>\$ 6,200,834</b>	<b>\$ 4,947,356</b>
Reserve 10% Over Policy	\$ 4,018,307 \$ 2,144,282	\$ 4,314,969 \$ 618,469		\$ 4,442,576 \$ 504,780
Funds Committed *	\$ 4,300,000	\$ 8,395,925		5,444,092

\*Funds Committed represents the use of the prior fund balance plus non-tax rate generated revenue from other sources and is reflected in the tax revenue generated by the current debt rate.

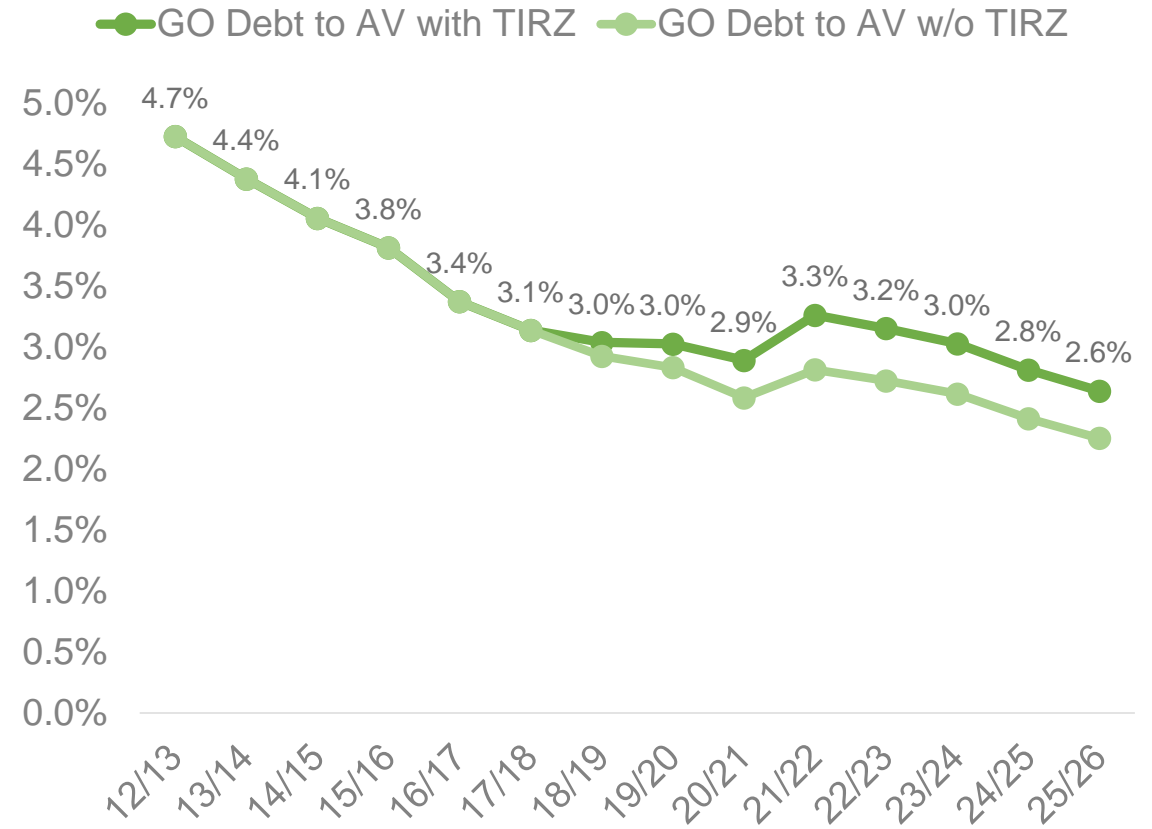
# Debt Trends Over Time



## General Obligation Debt



## Debt to AV



# General Fund Council Input & Discussion



- Information requests for session #2
- Updates to the proposed budget are made by consensus



# Enterprise Fund





# Enterprise Fund Highlights

## Safe Community

- Two Message Boards \$40,050
- CCTV Inspection System \$12,361

## Sustainable Infrastructure (shared with General Fund)

- Log Management Software-IT \$75,000
- IT Strategic Plan-IT \$110,000
- Vulnerability Scanning Software-IT \$65,000



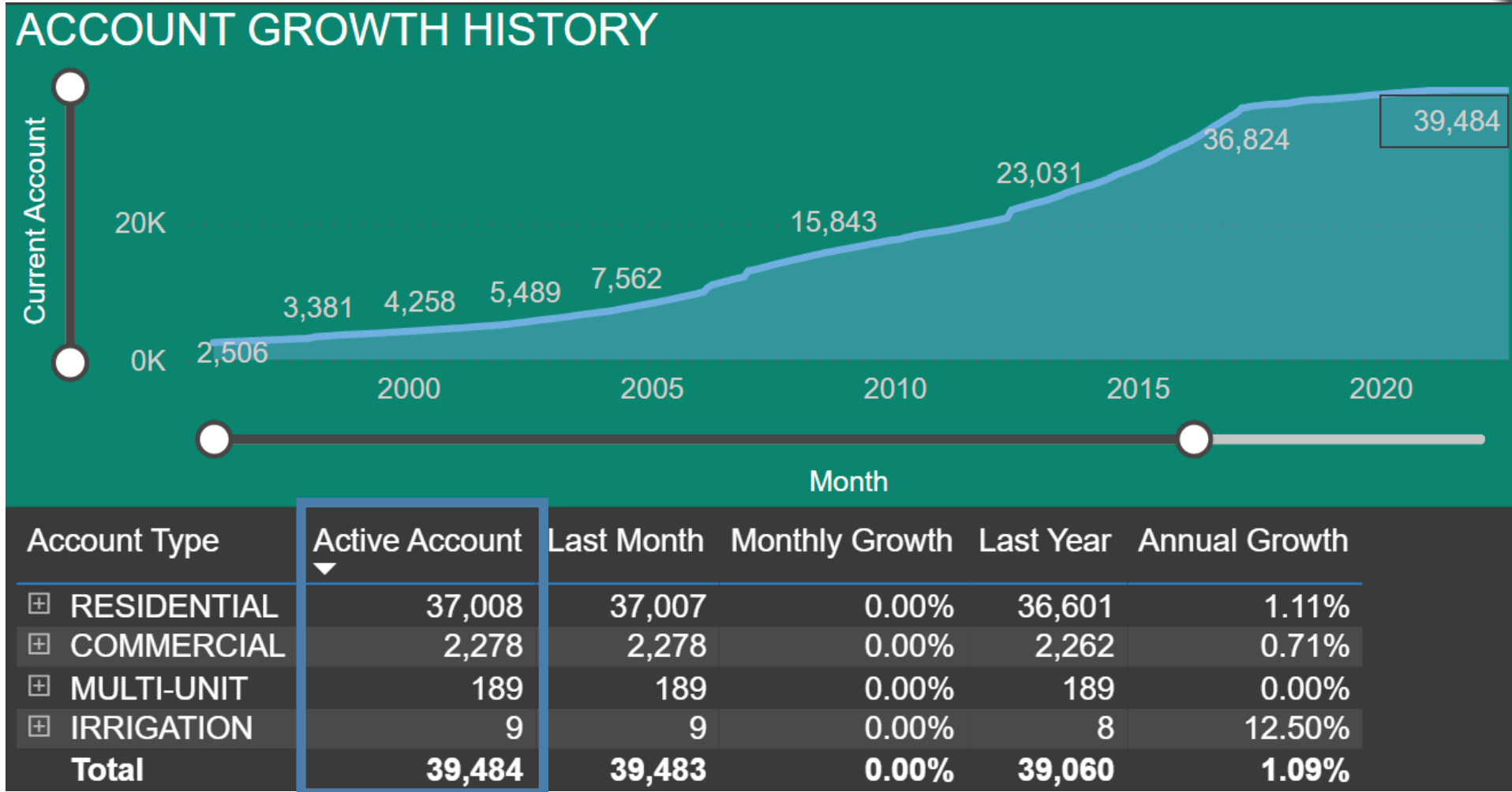
# Enterprise Fund Staffing Highlights

Division	Position Title	Cost	FTE
Information Technology	Database Administrator	\$106,704	.5
Information Technology	GIS Analyst	\$83,432	.5
Public Works-Administration	Asset Manager	\$94,640	.75
Public Works-Administration	GIS Technician	\$67,807	.75
Public Works-Distribution & Collections	Utility Maintenance Worker	\$48,356	1.0
Public Works-Surface Water Treatment Plant	Process Control Supervisor	\$104,153	1.0
Public Works-Surface Water Treatment Plant	Maintenance Coordinator (with vehicle)*	\$158,125	1.0
Public Works-Surface Water Treatment Plant	Instrumentation Technician (with vehicle)*	\$140,853	1.0
Public Works-Wastewater	Treatment Plant Operator I	\$54,452	1.0
Public Works-Wastewater	Treatment Plant Operator II (with vehicle)*	\$106,499	1.0
Public Works-Water Production	Treatment Plant Operator I (with vehicle)*	\$96,442	1.0
Utility Billing	Billing Specialist I	\$48,506	1.0
	<b>Total Impact to Enterprise Fund</b>	<b>\$974,289</b>	<b>10.5</b>

\*Position include cost include one-time vehicle purchase



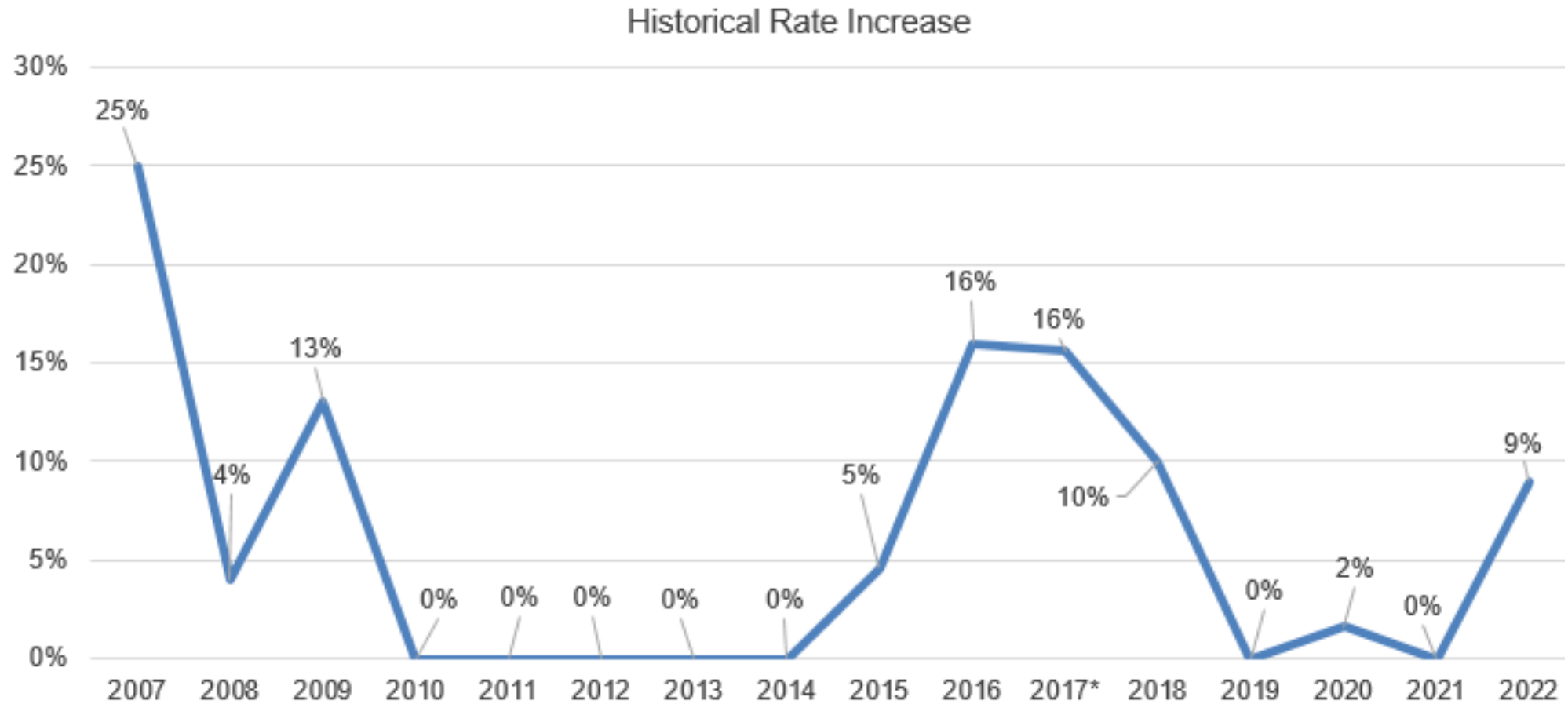
# Water & Sewer Annual Growth





# Historical Revenue Rate Increases

- Goal is to level out increases so there is less volatility and more stability





# Enterprise Fund Assumptions

- The Enterprise Fund is run like a business.
  - No taxpayer dollars are used. It's a completely separate entity from the rest of our government.
  - Revenue comes from water and sewer charges + fees
  - Revenue totals \$56.4 Million
  - Water/Sewer Sales total \$54.4M
- FY22 Budget needs to address the Fitch's negative outlook on Water and Sewer Bond credit rating. Their concern was the increase in capital spending without a corresponding increase in revenue.
- The FY22 budget Includes a 9% rate increase to address these concerns and is needed to meet the ratios in the City's bond covenants.
- A residential customer with 6,000 - 12,000 gallons of monthly consumption will see a \$6 - \$12 increase in their water/sewer bill each month.





# Fee Changes-Water and Sewer Rates- Residential and Commercial

Base (Single Unit by Meter Size)	Water		Sewer	
	Old Rate	New Rate	Old Rate	New Rate
5/8"	15.78	17.20	22.74	24.79
3/4"	23.68	25.81	34.11	37.18
1"	39.46	43.01	56.85	61.97*
1 1/2"	78.92	86.02	113.70	123.93
2"	126.27	137.63	181.92	198.27*
3"	236.75	258.06	341.10	371.80
4"	394.59	430.10*	568.50	619.67
6"	789.17	860.20	1,137.00	1,239.33
8"	1,262.68	1,376.32	1,819.20	1,982.93
10"	1,815.10	1,978.46	2,615.10	2,850.46
Multi-Unit (per unit)	15.78	17.20	22.74	24.79

\*Red numbers reflect calculation updates since the initial Proposed Budget to be more accurate.



# Fee Changes-Residential Water Volumetric

Residential Water Volumetric	Water		Sewer	
	Old Rate	New Rate	Old Rate	New Rate
0-2,290 gallons	In base			
2,291-6,860 gallons	4.06	4.43		
6,861-17,150 gallons	5.09	5.55		
17,151-28,580 gallons	6.11	6.66		
28,581+ gallons	8.14	8.87		
<b>Residential Sewer Volumetric</b>				
0-2,000 gallons			In Base	
2,001+ gallons			5.00	5.45



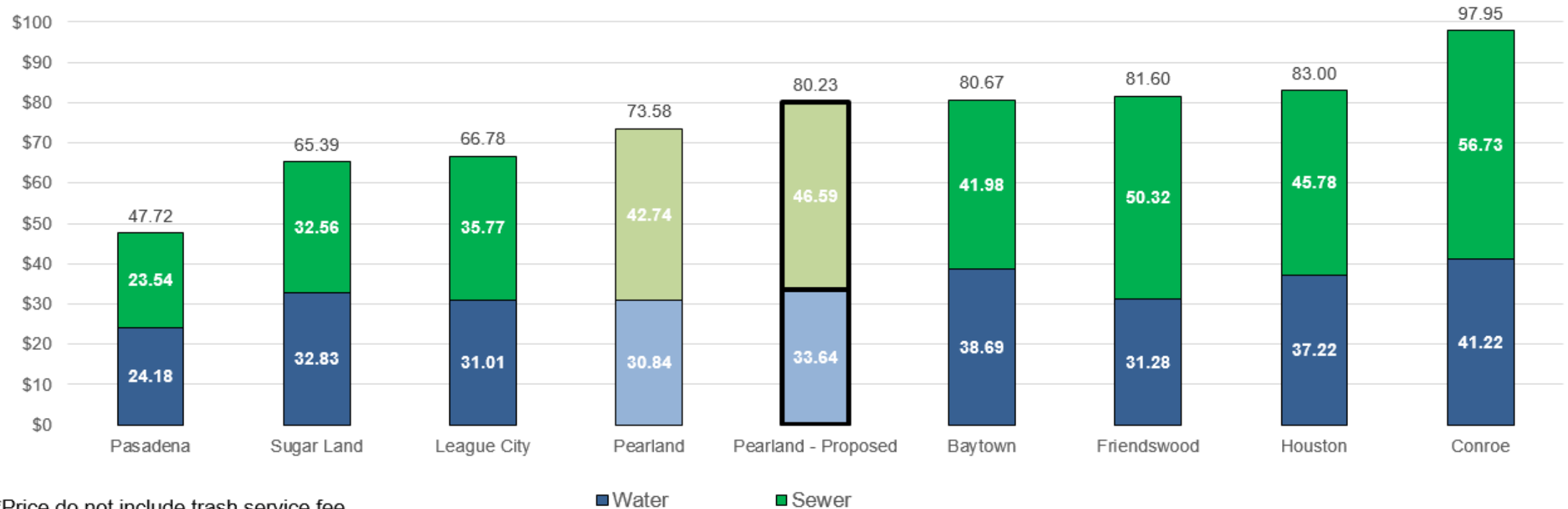
# Fee Changes-Commercial/Multi-Unit Volumetric

Commercial/Multi-Unit Volumetric	Water		Sewer	
	Old Rate	New Rate	Old Rate	New Rate
0-2,290 gallons	In base	In base	In base	In base
2,291+ gallons	5.09	5.55	5.00	5.45
<b>Irrigation Volumetric</b>				
0-2,290 gallons	In base	In base		
2,291+ gallons	6.11	6.66		



# Water & Sewer Rate Comparison Local Cities

Residential (5/8")– 6,000 gallons Water/Sewer



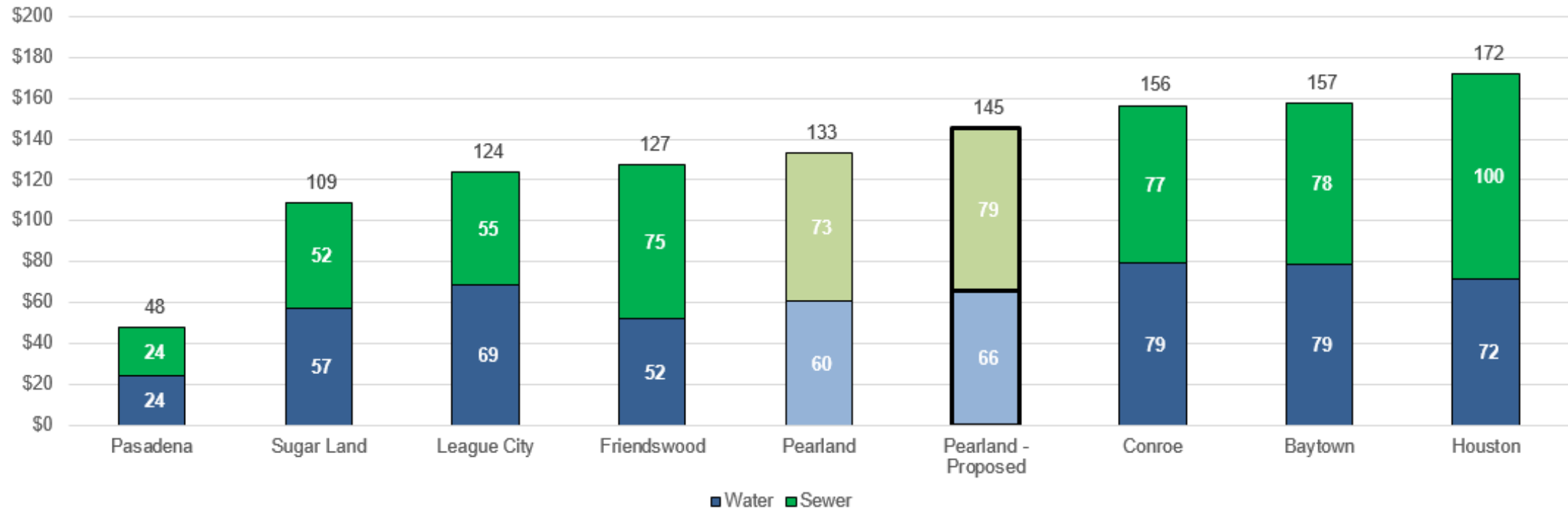
\*Price do not include trash service fee

■ Water     ■ Sewer



# Water & Sewer Rate Comparison Local Cities (Cont.)

Residential (5/8") – 12,000 gallons Water/Sewer



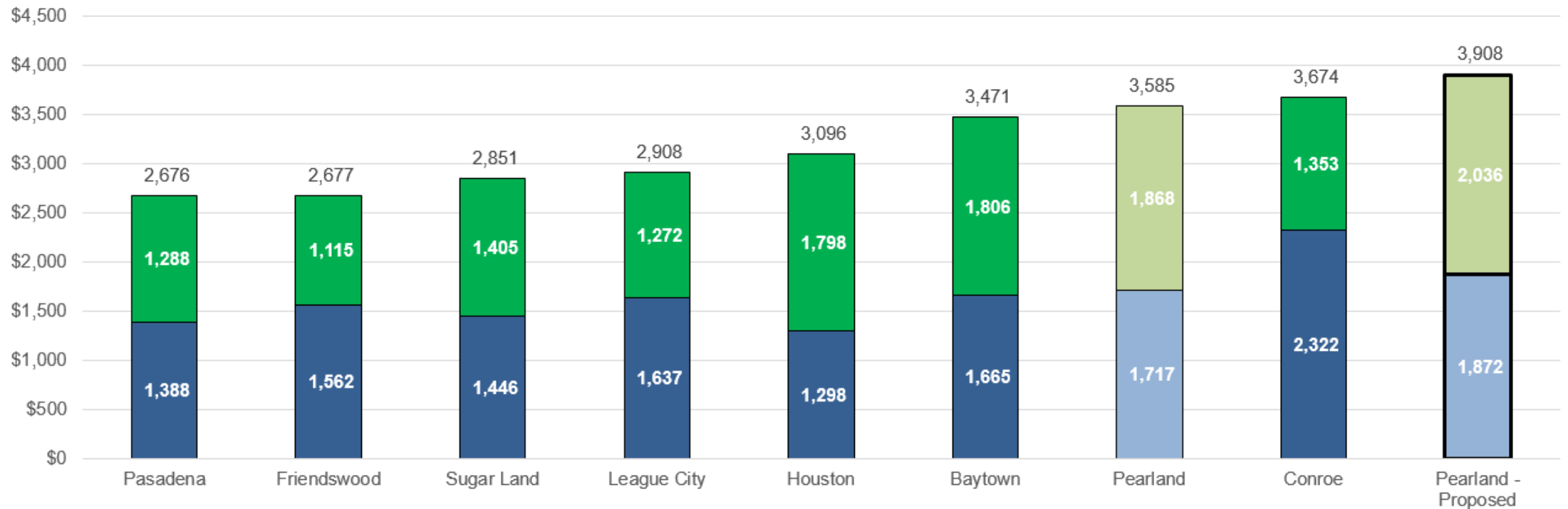
\*Price do not include trash service fee





# Water & Sewer Rate Comparison Local Cities (Cont.)

Sit-down Restaurant (4") - 262,117 Gallons Water/Sewer



\*Price do not include trash service fee

■ Water ■ Sewer



# Major Expenditures

- Supplemental Requests - \$1,151,700
- Replacement Vehicles/Equipment - \$540,000
- Water Purchases - \$6,650,000
- Annual Debt Service - \$26,416,290



# Other Requirements - Transfers

- General Fund - \$2,549,982
- Debt Service Fund - \$453,250
- Debt Service Fund (MUD Rebates) - \$2,530,561
- Cash Funding of CIP Project - \$4,030,000
- Water Sewer Debt Service - \$20,429,202
- Water Sewer Debt Service Reserve - \$3,938,721
- Property Insurance - \$639,867

# Water Sewer Operations Fund Summary



	FY 2020 ACTUAL	FY 2021 YEAR END AMENDED	FY 2022 PROPOSED BUDGET
<b>REVENUE</b>	108,476,090	51,531,511	56,448,829
<b>EXPENSES</b>	159,898,288	65,234,412	64,248,328
REVENUES OVER/(UNDER) EXPENSES	(51,422,197)	(13,702,901)	(7,799,499)
<b>Beginning Cash Equivalents</b>	32,924,530	38,313,362	33,672,727
Reserve for Debt Service*	6,363,762	0	0
<b>Ending Cash Equivalents</b>	<b>\$38,313,362</b>	<b>\$33,672,727</b>	<b>\$28,678,362</b>
Bond Coverage - 1.4 minimum required**			1.40
Cash Reserve Ratio - 25%**			60%

\*Reflected in Water Sewer Debt Service Fund starting FY 21.

\*\*These metrics are calculated using combined Enterprise Fund and Enterprise Debt Fund totals.

- ✓ Excellent Aa3 Moody's and Aa- Fitch Credit Rating
  - ✓ *Affirmed* July 2021
  - ✓ Fitch; negative outlook

The city is required to maintain a bond coverage at or above 1.4. This is measured according to:  
*Bond Coverage Ratio* =  $\frac{(Revenue - Operating Expenses)}{Current Debt Obligations}$

The city is required to maintain a cash reserve ratio at or above 25%. This is measured according to:

$$Cash Reserve Ratio = \frac{(Ending Cash Equivalents)}{(Total Expenditures - Transfers to WS Debt Fund - Reserve for Debt Service)}$$

# Water Sewer Debt Fund Summary



	FY2020 ACTUAL	FY 2021 YEAR END AMENDED	FY 2022 PROPOSED BUDGET
<b>REVENUES</b>			
INVESTMENT EARNINGS		5,500	5,500
OTHER FINANCING SOURCES		3,805,508	
TRANSFERS IN		32,588,392	30,671,491
<b>TOTAL</b>	<b>0</b>	<b>36,399,400</b>	<b>30,676,991</b>
<b>EXPENSES</b>			
PRINCIPAL PAYMENT		16,305,000	18,365,000
INTEREST EXPENSE		7,355,875	7,871,290
BOND ISSUANCE COSTS		29,477	150,000
OTHER DEBT SERVICE		3,814,061	30,000
<b>TOTAL</b>	<b>0</b>	<b>27,504,413</b>	<b>26,416,290</b>
REVENUES OVER/(UNDER) EXPENSES	0	8,894,987	4,260,701
<b>Beginning Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>8,894,987</b>
Reserve for Debt Service		8,839,099	12,780,841
<b>Ending Cash Equivalents</b>	<b>\$0</b>	<b>\$55,888</b>	<b>\$374,847</b>
Bond Coverage - 1.4 minimum			1.4



# Outstanding Enterprise Debt Obligations:



## Current Debt Service Requirements to Maturity 2051\*

Principal	\$	403,860,000
Interest	\$	82,565,722
Total	\$	486,425,722
Total FY 2022 Requirements		
Principal	\$	18,365,000
Interest	\$	7,871,287
Total	\$	26,236,287
Principal Outstanding as of 9/30/2022	\$	385,495,000

- ✓ Excellent Aa3 Moody's and Aa- Fitch Credit Rating
  - ✓ *Affirmed* July 2021
  - ✓ Fitch; negative outlook

*"The system's operating performance is solid with favorable debt service coverage ratios supported by annual rate increases and ample reserve."*  
 - Moody's 7/19/2021



# Enterprise Fund Council Input & Discussion

- Information requests for session #2
- Updates to the proposed budget are made by consensus



# Internal Service Funds



# Risk Management Fund

	<b>FY 2020 ACTUAL</b>	<b>FY 2021 ORIGINAL BUDGET</b>	<b>FY 2021 YEAR END AMENDED</b>	<b>FY 2022 PROPOSED BUDGET</b>
<b>REVENUES</b>	1,690,458	2,305,820	2,289,163	2,496,691
<b>EXPENSES</b>	1,459,576	2,242,342	2,171,794	2,478,801
REV OVER/(UNDER) EXP	230,882	63,478	117,369	17,890
<b>BEGINNING NET ASSETS</b>	380,804	381,728	593,442	710,811
<b>ENDING NET ASSETS</b>	<u>\$ 593,442</u>	<u>\$ 445,206</u>	<u>\$ 710,811</u>	<u>\$ 728,701</u>

- Property Insurance accounts for premiums on property and general liability insurance including windstorm.

- Contributions from other funds are based on insurance and values.



# Medical Self Insurance Fund

	FY 2020 ACTUAL	FY 2021 ORIGINAL BUDGET	FY 2021 YEAR END AMENDED	FY 2022 PROPOSED BUDGET
<b>REVENUES</b>	8,334,325	9,171,820	9,301,375	9,775,633
<b>EXPENSES</b>	8,195,028	9,171,820	9,454,466	9,775,633
REV OVER/(UNDER) EXP	139,297		(153,091)	
<b>BEGINNING NET ASSETS</b>	3,484,288	2,897,269	3,623,585	3,470,494
<b>ENDING NET ASSETS</b>	<u>\$ 3,623,585</u>	<u>\$ 2,897,269</u>	<u>\$ 3,470,494</u>	<u>\$ 3,470,494</u>
NET ASSETS AS % OF EXPENSES (Target ≥ 25%)	43%	32%	37%	36%
Number of Employees on Medical Insurance:	653	653	687	687
City-Paid Contributions per Employee:	\$ 2,178	\$ 2,230	\$ 2,152	\$ 2,245
Employee-Paid Contributions:	\$ 9,835	\$ 11,121	\$ 10,778	\$ 11,305
Total Contributions per Employee:	\$ 12,013	\$ 13,351	\$ 12,930	\$ 13,550
Claims Paid per Employee:	\$ 10,542	\$ 11,943	\$ 11,742	\$ 12,117

- Medical Self-Insurance includes claims total \$8,324,519 and administration fees total \$1,395,051.

- Ending balance exceeds the target fund balance of 25% of revenues by 11%, or \$1,026,586.





# Motor Pool Fund

	FY 2020 ACTUAL	FY 2021 ORIGINAL BUDGET	FY 2021 YEAR END AMENDED	FY 2022 PROPOSED BUDGET
<b>REVENUES</b>	4,368,745	5,715,094	6,446,330	13,267,969
<b>EXPENDITURES</b>	4,193,791	3,670,598	6,569,067	5,027,078
REV OVER/(UNDER) EXP	174,954	2,044,496	(122,737)	8,240,891
<b>NET POSITION</b>	3,009,043 <span style="color: red;">▼</span>	983,059	5,511,650	5,388,913
<b>TOTAL NET POSITION</b>	<u>\$ 5,511,650</u>	<u>\$ 3,027,555</u>	<u>\$ 5,388,913</u>	<u>\$ 13,629,804</u>

- The purpose of the Motor Pool fund is to provide for the maintenance and replacement of the city's vehicles and rolling stock with an approximated value of \$33.8 million.
- The City is planning to take a phased approach in rolling out the Motor Pool Fund, starting with vehicle maintenance and annual replacements in FY19. Lease fees for any vehicle replaced in FY21 begin in FY22.
- The FY22 revenue budget includes \$6.8 million from TIRZ for reimbursement of FM 518.



# Special Revenue Funds

# Special Revenue Funds Summary



## SPECIAL REVENUE FUNDS

FUND	FY2022 PROPOSED BEG BALANCE	FY2022 PROPOSED REVENUES	FY2022 PROPOSED EXPENDITURES	FY2022 PROPOSED END BALANCE
305 Hotel/Motel Occupancy Tax	\$ 4,973,238	\$ 927,900	\$ 1,067,623	\$ 4,833,515
310 Court Building Security	47,913	48,004	45,609	50,308
315 Citywide Donation	124,237	30,067	50,459	103,845
320 Court Technology	6,042	45,100	48,533	2,609
325 Street Assessment*				
330 Park Donations	24,456	105,650	105,550	24,556
331 Tree Trust	429,334	2,100	80,500	350,934
332 Parks Financial Assistance Donations		2,550	2,500	50
335 Police State Seizure	82,544	108	37,200	45,452
336 Federal Police	118,471	100		118,571
340 Park Development	728,421	98,000	458,754	367,667
345 Sidewalk	46,636	5,100		51,736
350 Grant Fund	216,220	881,796	883,116	214,900
351 Community Development Block Grant	(17,938)	455,947	455,947	(17,938)
352 CDBG Disaster Recovery*				
353 Disaster Recovery Fund	89,185			89,185
354 Hazard Mitigation		1,073,790	1,073,790	
355 Coronavirus Relief Fund	1,032,159			1,032,159
356 American Rescue Plan Act (ARPA)	4,944,485	5,944,486	5,964,486	4,924,485
360 Traffic Improvement	618,021	100	214,920	403,201
365 Truancy Prevention & Diversion	587	52,600	51,984	1,203
366 Municipal Jury	968	1,025	1,000	993
370 Municipal Channel	788,947	236,500	860,500	164,947
380 Regional Detention*				
510 Lower Kirby*				
514 Infrastructure Reinvestment	90,649	1,462,471	1,553,000	120
<b>TOTAL</b>	<b>\$ 14,344,575</b>	<b>\$ 11,373,394</b>	<b>\$ 12,955,471</b>	<b>\$ 12,762,498</b>

\* These Funds have no budgeted activity for FY 2022



# American Rescue Plan Act (ARPA)

- The extraordinary COVID-19 situation and its impact on the economy has resulted in several stimulus packages.
- The latest package, ARPA, provided direct assistance to cities.
- Pearland received \$5.9M in FY21 and will utilize these funds to repay eligible costs over the last 1.5 years and positively affects the FY22 General Fund net balance.
- Budget Amendment #2 moved \$1M of this money to the General Fund to make up for lost revenue following ARPA rules and regulations.
- The second, and final tranche, of ARPA grants will arrive in FY22. The City will receive an additional \$5.9M for a total of approximately \$11.8M in ARPA grants. That second FY 22 tranche is unallocated and available for City Council prioritization.



# The City is actively managing many grants at the moment

All Grant Funds  FY 2021 & FY 2022	Regular Grant Funding		Disaster Recovery Funding			COVID-19 Recovery and Economic Stimulus		Summary
	Fund 350 (Various Grants)	Fund 351 (CDBG)	Fund 352 (CDBG-DR)	Fund 354 (Flood Mitigation)	Hurricane Harvey PA	CARES Act - Fund 355*	ARPA - Fund 356	
	FY 2021 Projected	FY 2021 Projected	FY 2021 Projected	FY 2021 Projected	FY 2021 Projected	FY 2021 Projected	FY 2021 (Projected)	FY 2021
Total Awards	\$ 1,130,397	\$ 2,358,963	\$ 5,345,637	\$ 3,285,181	\$ 421,278	\$ 5,443,394	\$ 5,944,485	\$ 23,929,335
Actual Received/Booked		\$ 339,305	\$ -	\$ -	\$ -	\$ 5,421,967	\$ 5,944,485	\$ 11,705,757
Other Expenses/Allocations	\$ 113,262	\$ 1,957,378	\$ 5,314,759	\$ 3,254,302	\$ -	\$ 1,827,767		\$ 12,467,468
Actual to General Fund	\$ 1,075,424	\$ 62,280	\$ 30,878	\$ 30,879	\$ 421,278	\$ 3,594,200	\$ 1,000,000	<b>\$ 6,214,939</b>
Remaining Balance				\$ -	\$ -		\$ 4,944,485	\$ 4,944,485
	FY 2022 (Proposed)	FY 2022 (Proposed)	FY 2022 (Proposed)	FY 2022 (Proposed)	FY 2022 Proposed	FY 2022 Proposed	FY 2022 (Proposed)	FY 2022
Cash on Hand	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,944,485	
Total Awards	\$ 873,048	\$ 455,947	\$ -	\$ 1,073,790	\$ -		\$ 5,944,486	\$ 8,347,271
Proposed Receivables	\$ 871,728	\$ 455,947	\$ -	\$ 1,073,790	\$ -		\$ 5,944,486	\$ 8,345,951
Proposed Expenses	\$ 873,048	\$ 392,421	\$ -	\$ -	\$ -		\$ 1,400,971	\$ 2,666,440
Proposed to General Fund	\$ 860,728	\$ 63,526	\$ -	\$ -	\$ -		\$ 4,549,515	<b>\$ 5,473,769</b>
Available for Future Years	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,938,485	\$ 4,938,485

**NOTES:**

1. Hurricane Laura (FY 20) Preparedness, February FY 21 Winter Storm and FY 21 COVID-19 Vaccine POD activities include FEMA reimbursement of eligible costs that are currently pending obligation by federal/state disaster recovery programs.
2. Management costs for TDEM buyout program activities totals \$246,323 that may also become available to the General Fund upon completion of buyouts.



# PEDC





# Pearland Economic Development Corporation

	<b>PEDC</b>
Beginning Fund Balance	34,805,573
Revenue	11,917,344
Expenditure	26,346,571
Net	\$ (14,429,227)
Ending Balance	\$ 20,376,346

- The budget includes \$279,500 for bond payments and to implement the Pearland Prosperity plan.
  - 288 Phase IV Corridor Master Improvements Plan \$14,829,500
  - Business Incentives \$1,529,890
  - State Highway 35 Redevelopment Strategy \$2,280,000



# Council Input & Discussion

- Information requests for session #2
- Updates to the proposed budget are made by consensus