



Memo

To: City Manager's Office
From: Budget Office
CC: Senior Staff
Date: August 27, 2021
Re: FY22 Budget Follow-Up Memo #3 Packet

City Manager Pearson,

I am pleased to deliver the follow-ups from our previous Budget Presentation. This packet includes a number of important memos, as well as the slide deck for Monday, August 30th.

Section 1: Budget Follow-Up Memo #3 – General Fund

This memo covers a myriad of questions related to the General Fund and some additional smaller funds. Any Enterprise Fund related questions are in the memo below.

Section 2: Parks and Recreation Follow-Up Memo

A brief memo discussing outstanding PISD balances and Community Center operations.

Section 3: Centennial Park Restroom Update Memo

A brief memo (with pictures) of Centennial Park Restrooms – which are budgeted to receive updates in the FY22 Proposed Budget.

Section 4: August for June Sales Tax Report

As requested by Council, the latest sales tax report is included in this packet.

Section 5: Budget Follow-Up Memo #3 – Enterprise Fund

This memo covers questions related to the Enterprise Fund.

Section 6: SWTP Staffing Plan

A critical memo outlining SWTP staffing. This memo was sent out last week, but is being included again for additional reference.

Section 7: Budget Discussion #3 Slide Deck

A copy of the presentation that will be given on Monday, August 30th, is attached.

Regards,

Eric Roche
Budget Officer



Memo

To: City Manager's Office

From: Budget Office

CC: Senior Staff

Date: August 27, 2021

Re: FY22 Budget Follow-Up Memo #3 – General Fund

Section 1: Strategic Plan Questions

1) Can staff outline how the goals the City Council and Mayor created in the strategic retreat are being worked towards in this budget?

In the Spring of FY21 Pearland's City Council set the following Strategic Priorities for staff. Below each priority is a brief narrative of how the FY22 Budget built the foundation to meet these goals. As with all strategic initiatives, it will take more than one budget cycle to align resources to fully meet council's vision for Pearland.

Goal #1 – Building quality of life on a well-planned and maintained foundation of essential water, transportation, and flooding infrastructure, appealing amenities, and long-term value.

The FY22 Budget supports Goal #1 by allocating significant capital improvement funding for the City's water, sewer, and streets/traffic infrastructure via the CIP. The FY22 Budget also includes new staff positions needed to build and manage this infrastructure. Great infrastructure requires great staff. To that end, this budget funds several new positions - including an Asset Manager, GIS Technician, Utility Maintenance Worker, three Surface Water Treatment Plant Staff, and three Wastewater Treatment Plant Operators.

This budget also funds two supplementals related to supporting this goal. First, the Centennial Park Restroom and Storage Upgrades will greatly improve the appeal of the restroom over the current facility. Second, the Activity Pool Re-plaster will continue to keep one of Pearland's most appealing amenities', the Natatorium, in excellent condition.

Goal #2 - Fostering a diverse and unified community with events, amenities, and public spaces that bring people together.

This budget funds several supplemental requests that will further the City's progress towards Council's Goals in this area. First, after the popularity and positive feedback of the fireworks at the Hometown Christmas Tree Lighting, \$15K has been allocated to again have fireworks at this event in FY22. The re-plastering of the activity pool and Centennial Park restroom upgrades will improve existing spaces where the community can gather and have events. Finally, new zero-turn lawn mowers are being replaced – which will help keep parks mowed and looking great due to improved vehicle uptime.

Goal #3 - Delivering transparent, high-quality, and accessible City services by developing cutting edge solutions, engaging with the community, and continuously improving our capabilities.

The FY22 Budget funds an additional Communications Specialist position within the Communications Department. This position enhances the ability of the Communications Department to support other departments by increasing work capacity. This additional position will directly support departments with first responders to continually improve how they engage with the community and the effectiveness of their message.

The FY22 Budget also further funds the City’s investment in records management – which will improve staff, elected officials, and most importantly the public’s ability to request and receive city documents.

Goal #4 Providing long-term community value through trusted stewardship and responsible financial management.

The recommended budget reflects the City Council and Mayor’s desire to lower the City’s portion of the property tax rate while still accomplishing the essential services AND a substantial necessary capital improvement program.

For the second year in a row the City Council has a proposed a budget that lowers the overall property tax rate. These are true tax cuts as defined by the State Law regarding the No New Revenue Tax Rate – which is the rate a city would adopt to bring in the same total dollar figure from property taxes as previous years.

Year	No-New-Revenue Tax Rate	City Adopted / Proposed Rate	Difference between No-New-Revenue Rate and City Rate
FY21	0.737640	0.720000 (adopted)	0.017640
FY22	0.735485	0.708250 (proposed)	0.027235
Total Tax Decrease			0.044875

Goal #5 - 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.

- Pearland’s public safety services continue to receive high marks in our resident satisfaction survey.
- This budget continues to further strengthen this council goal by adding a Police Officer to supplement Patrol functions; and Animal Shelter Attendant to staff the larger Animal Shelter opening in 2022; and Senior Office Assistant to support the new Police Academy and expanding Training program in the Police Department.
- Additionally, two utility vehicles for police are being funded for use at special events.
- The existing training tower is also receiving supplemental funding – which will improve firefighter training and performance.
- This budget also funds three items important to cybersecurity: Log management software, vulnerability scanning software, and an IT Strategic Plan.

Goal #6 - 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.

- Investing in an online portal to serve as a “virtual front door” for starting or expanding a business in Pearland, improving the customer experience and assist businesses with a better understanding of the development rules in Pearland.
- \$419,000 to conduct a search for the development and implementation of an Entrepreneurship Hub to foster startups in Pearland.
- \$30,000 for completion and implementation of a workforce strategy study that will address workforce skills gaps, career planning and work-based learning opportunities, diversity and inclusion, and development of young professionals in Pearland.
- \$15.4 million for the final phase of 288 Corridor Master Plan Improvements which will transform that key corridor into an efficient, aesthetically pleasing, and well-maintained entrance into Pearland in order to be attractive destinations for jobs and investment.

Section 2: Citywide Questions

- 2) The Proposed FY22 Budget contains funding for an IT Strategic Plan. Can you provide more detail on the costs and benefits of doing a strategic plan? Also, when was the last IT strategic plan produced?**

The 5-year IT strategic plan is an essential tool for the IT Department as well as City leadership to provide a targeted approach to technology replacement, acquisition, management, and maintenance. The process itself to develop a plan allows the City to focus its efforts and resources thus ensuring the City then remains consistent with technology adoption through thoughtful planning and budgeting. The IT strategic plan acts as a guide for the City by providing insight into technology life cycle management (replacement planning), adoption of emerging technology that is advantageous to City operations, IT staffing alignment (current and future duty alignment with positions), staffing level analysis, and cyber security initiatives (protection review, analysis, and remediation measures). Money will be spent and invested in technology. Businesses develop technology strategies to remain competitive. The Plan will ensure that the money spent will be coordinated and correctly directed.

The estimated cost for the plan is \$110,000. The last IT Strategic Plan was in 2014, with most major initiatives from the plan being completed and technology obviously advancing at the same time.

- 3) Can staff provide a default mid-year allocation policy as a future 2022 whitepaper?**

Staff will provide thoughts on how this could be done in a future whitepaper for consideration.

- 4) Are we considering and planning on presenting for consideration to the City Council including a citywide sidewalks repair, maintenance, and expansion program in the next bond package that will be brought to voters?**

Staff have proposed a City-wide sidewalk bond program that would address gaps between sidewalks and repair of significant sections that are outside of our regular operations and maintenance program. Currently the project is *unfunded* and will be further reviewed/recommended for the next Voter Bond series.

It is anticipated that this would be in FY24 or FY25. Staff is contemplating a budget amount of \$15,400,000 for this bond initiative for the City Council to weigh for inclusion in future projects to put to voters.

5) What is the total increase in salary costs for the proposed FY22 budget? What does it come to once you include benefits?

The table below shows the total increases in salary and benefits by Fund.

FY22 Proposed Salary and Benefit Increases versus FY21 Adopted							
Fund	Comp & Class Salary Increase	New FTE Salary Costs	Sick Leave Buyback and Bi-Lingual Pay	Other Salary Changes	New FTE Benefit Cost	Other Benefit Costs Including Comp & Class	Total Increase
General Fund (100)	\$2,494,178	\$379,166	\$500,000	\$1,143,441	\$149,567	\$1,089,591	\$5,755,943
CVB (305)	\$11,895	\$ -	\$ -	\$10,187	\$ -	\$11,262	\$33,344
Municipal Court Security (310)	\$532	\$ -	\$ -	\$10,502	\$ -	\$2,641	\$13,675
Truancy Prevention & Division (365)	\$1,599	\$ -	\$ -	\$ (10,127)	\$ -	\$ (4,293)	\$ (12,821)
Enterprise Fund (600)	\$290,701	\$528,350	\$ -	\$48,545	\$200,970	\$101,354	\$1,169,920
Risk Management Fund (700)	\$884	\$ -	\$ -	\$ (265)	\$ -	\$ 573	\$1,192
Motor Pool (703)	\$12,120	\$ -	\$ -	\$ 8,864	\$ -	\$28,185	\$49,169
PEDC (900)	\$9,656	\$ -	\$ -	\$ 3,269	\$ -	\$9,549	\$ 22,474

6) What is the vehicle allowance amount between the FY21 Adopted Budget and FY22 Adopted Budget?

The FY2021 Adopted Budget for vehicle allowances across all funds was \$215,409. **The FY22 Proposed Budget has \$200,808 budgeted for vehicle allowances across all funds – a decrease in expenditures.** The difference between the two years was a reduction in cost in the Finance Department, Communications, Police Department, Engineering and Capital Projects, and Public Works.

Providing car allowances is done when the alternative is to purchase a City vehicle for the staff member – which is more expensive.

Council also had questions regarding how take home vehicles can be used. Section 5 of the Take Home Vehicle Policy outlines the appropriate use of such vehicles.

Authorized personnel who utilize take home City vehicles will adhere to good stewardship practices and common sense pertaining to responsible use of the vehicles. Employees who use take home vehicles must adhere to the following general rules:

a. Employees are prohibited from transporting non-City business related persons in any City take home vehicle (i.e. spouses and children) unless prior approval is received from the employee's department head (or designee), or in the case of a department head, from the City Manager. If the employee is attending a conference out of town and taking their spouse, they may take their personal vehicle and the City may pay the employee's mileage (approval from a department head should be obtained prior to the training/conference). In order to minimize potential theft or damage of property, take home cars should be parked in a driveway, not on the street.

b. In no case shall a City vehicle be used in the conduct of purchasing, transporting, or consumption of alcohol, unless in the course of any investigation that involves alcohol. A City vehicle shall not be used for non-City employment, the only exception is the use of a Police Home Fleet vehicle used while sworn police personnel are providing law enforcement services within the ETJ and only after approval from the Chief of Police or his designee who affirm a City benefit from the vehicle's use.

c. Smoking, tobacco use of any kind, and vaping/use of electronic cigarettes are not allowed in City vehicles.

d. Aside from providing services and conducting business, take home vehicles may be used for commuting and de minimis personal errands during workdays, pursuant to IRS regulations. An employee may utilize their vehicle for lunch and/or break time purposes during workdays as long as it is within reasonable distance from the employee's place of work that day. These regulations may be amended by the IRS from time to time.

e. City vehicles and any vehicle containing City property shall be locked and properly secured when not in use. Removable inventory assets, such as computers and portable radios, and City identification and building access cards, should be removed or hidden from plain sight when in any vehicle.

**7) Can we see the per capita expenditures in this table updated with data from Census?
(Transmittal, page x)**

CITY OF PEARLAND, TEXAS			
SPENDING AND GROWTH ANALYSIS			
<i>Amounts in (000's)</i>			
<i>(Modified Accrual Basis of Accounting)</i>			
<i>Amounts in (000's)</i>			Average
Expenditures	2011	2020	Compounded Growth Rate
General Gov't	\$ 10,866	\$ 12,513	2%
Public Safety	23,926	47,218	8%
Public Works	6,505	11,693	7%
Community Services	3,376	4,452	3%
Parks & recreation	7,539	5,483	-3%
Economic Development	17,391	25,843	4%
Debt Service (P+I)	28,001	43,735	5%
Capital outlay	25,768	38,359	5%
Intergovernmental	4,127	7,769	7%
Total	\$ 127,499	\$ 197,065	5%
Per Capita Expenditures Adjusted for CPI			Average Compounded Growth Rate
POPULATION	97,200	125,828	2.9%
PER CAPITA	\$ 1,312	\$ 1,566	2.0%
CPI INDEX (NATIONAL)	224.94	260.28	1.6%
PER CAPITA ADJ TO 2020	\$ 1,518	\$ 1,566	0.3%
PER CAPITA ADJ TO 2011	\$ 1,312	\$ 1,353	0.3%
Debt Service - principal	10,847	27,796	11%
Debt service - interest	17,154	15,939	-1%

- 8) Can we get an additional column breaking out % of total on the parcel count change chart? (Transmittal, page xii)

Percentage Change	Parcel Count Change						TOTAL	TOTAL %
	BCAD	BCAD %	FBCAD	FBCAD %	HCAD	HCAD %		
Over 10.1% decrease	74	0%	3	0%		0%	77	0%
5.1% to 10% decrease	199	1%	8	0%		0%	207	1%
0.1% to 5% decrease	2,242	8%	200	1%		0%	2,442	9%
No change	1,673	6%	2	0%		0%	1,675	6%
0.1% to 5% increase	8,132	29%	1,366	5%	1,256	4%	10,754	38%
5.1% to 10% increase	11,128	40%	70	0%	620	2%	11,818	42%
Over 10.1% increase	355	1%	4	0%	616	2%	975	3%
Total	23,803	85%	1,653	6%	2,492	9%	27,948	100%

- 9) An additional follow-up on Budget Follow Up Memo #1 – Section 4 – Question 13. Which software programs drove the cost increases from FY21 to FY22 proposed General Fund Budget?

The software maintenance increases include both new software acquisitions in FY21 as well as existing software provider price increases. The budget increase proposed for FY22 is \$350,632 – inclusive of new software.

Software Name	Software Description	Cost Comment	Reason	Cost Increase in FY22 Budget
TBD New	Log Management Software	Supplemental Request	Centralized Repository of Technology logging for diagnostic, troubleshooting, and cyber security protection	\$37,500
CityWorks	Asset Management Software	New	Year 2 Costs for Asset Management	\$34,348
TBD New	Vulnerability Scanning Software	Supplemental Request	Penetration Testing to mitigate cyber-attack vector opportunities	\$32,500
Adobe Acrobat	PDF Editing Software	New	Software Licensing changed to named user subscription model	\$29,400
Milestone	Video Surveillance System and Door Access	Cost Increase	Increase based on cameras at intersections, new facilities, parks as well as licensing coming off of 1st year maintenance	\$24,000
LakeSide	Virtual Server Infrastructure Monitoring Software Solution	New	Essential to ensure technology systems are performing optimally	\$22,892
Perfect Mind	Parks Membership Management Software Solution	New	Previous software vendor fees were deducted from revenue and not contained in IT Budget	\$18,070
Laserfiche	Document Management Software Solution	Cost Increase	New Platform / Same Provider (Named User required additional Licensing)	\$16,477
iland	Hosted Cloud Backup Storage Solution	New	Software Solution acquired to adhere to electronic record retention	\$16,000

Software Name	Software Description	Cost Comment	Reason	Cost Increase in FY22 Budget
Central Square	Police Public Safety Software Solution	Cost Increase	Budget increase to cover shortfall based on FY21 expense	\$14,000
Cisco Collaboration	Cyber Security Network Management Integration Software Solution	Cost Increase	Licensing Model changed which requires an annual subscription to aid in network layer cyber-attack protection	\$12,500
Central Square	Community Development / Code Enforcement Software Solution	Cost Increase	Permitting, Planning, and Code Enforcement Software Expected Increase	\$9,540
Incode	Court System Software	Cost Increase	Increase in GF due to shortfall in Court Technology Fund	\$8,500
Tyler Technologies	Enterprise Resource Planning Software Solution	Cost Increase	Human Resources, Financials, and Utility Billing Software Expected Increase	\$8,272
Atser	CIP Project Management Software	Cost Increase	Increased due to switching from multiyear to an annual renewal	\$7,599
KnowB4	Cyber Security Training	New	State mandated training requirement from HB3834	\$7,143
Debtbook	Municipal Debt Tracking Software Solution	New	Essential for Finance Debt Tracking	\$6,250
Granicus	City Secretary Agenda, Webcasting, and Voting Software Solution	Cost Increase	Cost Estimated by IT for FY21 was inadequate	\$5,400
ESRI	Geographic Information System (GIS)	Cost Increase	Initial 3-year Enterprise Agreement is expiring, increase in cost is anticipated	\$5,000
VMWare	Server Virtualization Platform	Cost Increase	Nominal Increase to Server Virtualization Software	\$5,000
Cisco Collaboration	Phone System Collaboration and	Cost Increase	Switched to an Enterprise Agreement to enable Video	\$4,633

Software Name	Software Description	Cost Comment	Reason	Cost Increase in FY22 Budget
	Virtual Meeting Software Solution		Conferencing throughout the organization	
NetMotion	Police Mobile VPN Solution	Cost Increase	Additional increase based on additions to the Police Fleet and Animal Control Inclusion	\$4,192
Connect2Concepts	Parks Electronic Accident/Incident Reporting	New	Not previously included in IT Budget	\$3,600
Microsoft O365	Office Productivity Suite (Word, Excel, PowerPoint, Outlook, Exchange, Server Infrastructure, O365)	Cost Increase	Additional O365 licensing for new employees, P&Z, and ZBA members	\$3,226
WatchGuard	In-Car and Body Camera Software/Hardware Maintenance	Cost Increase	As equipment drops off the original 3/5-year maintenance; an increase is expected in in the IT budget	\$3,000
TrafficWare	Traffic Signal Software Solution	Cost Increase	Essential for Public Works Traffic Division	\$3,000
AutoCAD/AutoDesk	Engineering Computer Aided Design Software	Cost Increase	Additional Licensing for Engineering	\$2,000
Magnet AXIOM	Police Digital Forensic Software (IOS, Android, SMS Messaging)	Cost Increase	Upgraded to newest Version of Software which assists	\$1,200
Purvis	Fire Station Alerting System	Cost Increase	Additional Fire Station will be coming off of initial 1-year maintenance	\$1,000
Griffeye	Police Large Volume Digital Media Analysis	Cost Increase	Cost Estimated by IT for FY21 was inadequate	\$1,000
Granicus	Website Hosting Solution	Cost Increase	Nominal Increase to host Website	\$800
City Sourced	Mobile Application for Citizen Reporting (IOS and Android)	Cost Increase	Upgraded to their newest software release which increased cost nominally	\$750

Software Name	Software Description	Cost Comment	Reason	Cost Increase in FY22 Budget
CradlePoint	Vehicle Routers for Video uploads and cellular connectivity	Cost Increase	Increase based on additional vehicles acquired	\$500
Acid Remap	Fire Paramedic Protocol App	Cost Increase	Additional Licensing Required to support operations	\$400
Solarwinds	Database Monitoring Software	Cost Increase	Essential to ensure databases are operating efficiently and supports root cause analysis for troubleshooting	\$400
Faster	Fleet Management Solution	Cost Increase	Additional Licenses Required for Fleet to maintain operations	\$360
ESO	Fire Records Management System	Cost Increase	Nominal Increase to Firehouse Software	\$180
Total Cost				\$350,632

Section 3: General Fund Questions

10) Can staff provide a calculation on the property tax revenue derived from the additional \$245M in taxable value? (Question is in reference to Budget Follow Up #1 – Section 1 – Question 1).

Total property tax revenue for new property added to the tax roll is \$1,768,383. O&M portion is \$789,624 and Debt portion is \$978,759.

11) An additional follow-up on Budget Follow Up Memo #1 – Section 3 – Question 9. Why did the budget increase for traffic signal span wire traffic signal replacements?

- The question originally referenced account (100-300-305.5110.060), which has decreased from FY21 Adopted of \$90,390 to the FY22 budget of \$77,430.
- Staff believe this was a typo in the question and the account being referenced is Traffic Signal Maintenance (100-300-305.5110.110) - which did increase from \$119,600 in the F21 Adopted Budget to \$400,000 in the FY22 Proposed Budget.
- The City has 102 traffic signals and will be increasing the number due to on-going road construction projects. In 2010 the City was handed the traffic signal maintenance from TxDOT as the population of Pearland exceeded 50,000. This is an unfunded mandate as now required in State law transportation code.
- The parts and supplies account is for the procurement of required materials to maintain the traffic signals, City owned Street lights (SH35 and Cullen), pedestrian equipment, vehicle detection equipment and traffic cabinet equipment update. Much of the existing

traffic signal equipment is in excess of 10 years old, equipment is beyond its useful life and failing.

- The department has developed an annual replacement program to continue moving forward to address the age of equipment to maintain this asset.

12) In response to “the debt rate is the lowest since at least 2009, despite all the major capital investments that have been made” – can you please discuss the tools we have for managing this rate and when we should expect to see new projects impact this? For example, when should we expect to see the impacts of the 2019 bond projects on this number?

The debt service tax rate is largely affected by growth in the total taxable value in the City of Pearland. Conceptually it is important to note that not all taxable value is equal – some types of growth require much more in infrastructure costs to build and maintain. This is one of the drivers of the recent discussions to build density where possible.

Capital Projects typically impact the debt rate the year after the bonds are sold to finance the project. In October of each year the City Council approves the Intent to Reimburse. This kicks off projects before the bonds are sold. Bonds are then sold in the Spring and the money is usually received by the City in August. Payments on these bonds then begin in March of the next fiscal year. Eg: For Capital Projects that begin in FY22, bonds will be sold in August 2022 and the debt payment begins to come due in March 2023.

For large projects, the City will typically break the bond sale into multiple rounds. For example, a \$100M project might issue \$50M in debt in FY20 and then another \$50M in debt in FY21. This has been done to minimize interest expenses and to ensure the City doesn't issue more bonds than necessary to complete the project. In this example, payments on the first \$50M in debt would begin in FY21 and payments for the second \$50M in debt would begin in FY22.

The City has several tools available to manage this rate. First, on the revenue side the City can use Fund Balance in the Debt Service Fund (not to be confused with the Enterprise Debt Fund) to “buy down” the rate. On the expenditure side, the City can structure the principal repayment schedule at the time of the debt sale, use surplus funding to pay down debt and when economically feasible, refinance existing debt at lower rates. The City can also choose to build fewer projects – requiring less debt to be issued.

Longer term, the most impactful thing the City can do is build infrastructure that generates the most taxable value per dollar borrowed. Additionally, it is critical that the city maintain its infrastructure assets – which is much cheaper than having to rebuild them due to years of neglect. Cost sharing, changes to city building codes that drive up density, leveraging PEDC to build infrastructure, and not building new facilities like fire stations unless absolutely necessary will have the largest impact on the debt rate.

7. Relatedly, is this decline largely a function of our shift to a fixed payment vs fixed principal repayment model?

It's due to a combination of factors. The City's ability to use the Debt Service Fund's fund balance to buy-down the rate and growth in the tax base through new construction were the main drivers in the FY22 proposed budget.

8. Does staff have any thoughts on the continued divergence between property taxes and sales taxes a proportion of our tax mix? Property taxes continue to make up a greater share of our revenues – what could be the drivers and future implications of that?

General Fund Revenue Stream	FY18	FY19	FY20	FY21	FY22 Proposed
Sales Taxes	30.6%	28.5%	27.2%	28.4%	27.4%
Property Taxes	27.5%	29.4%	32.2%	33.4%	35.0%
Charges for Services (largely TIRZ reimbursement derived from area property tax)	21.6%	21.8%	21.8%	22.2%	22.3%
Franchise Fees	9.6%	9.2%	8.4%	7.9%	7.0%
Licenses and Permits	5.6%	5.3%	5.3%	5.0%	4.8%
Fines and Forfeitures	3.1%	3.2%	1.9%	2.2%	2.7%
Miscellaneous	1.8%	1.5%	2.6%	0.8%	0.8%
Investment Earnings	0.3%	1.0%	0.5%	0.1%	0.1%

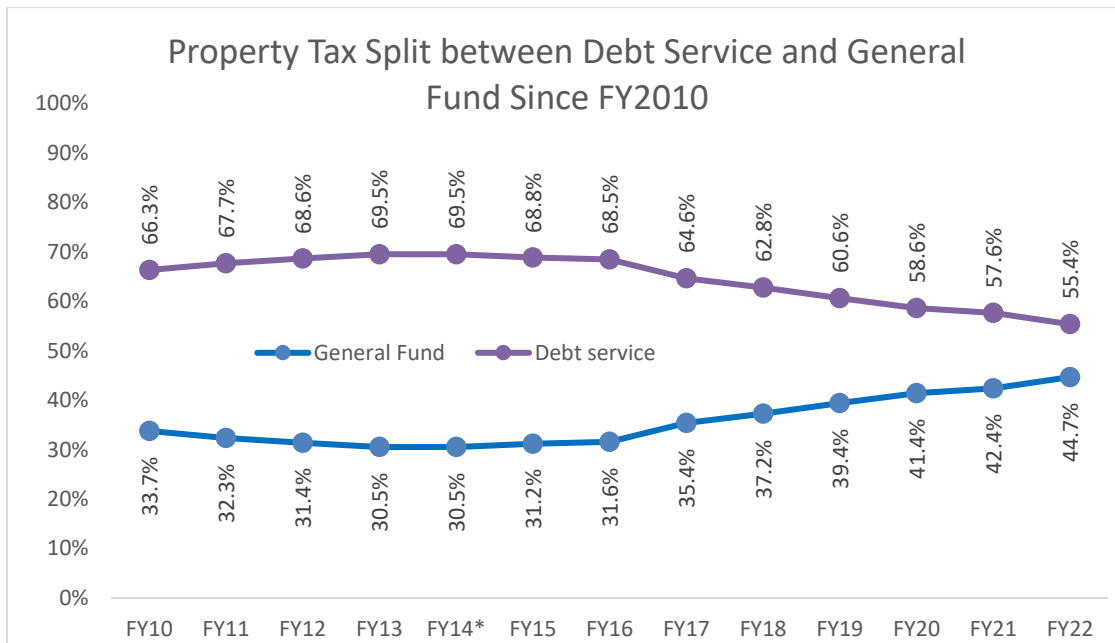
- The table shows the General Fund’s major revenue streams, not including intergovernmental transfers (rare), transfers from other funds (grants mostly), or Capital Lease Proceeds (rare). These three items were excluded because they are more volatile (especially grants) and are not totally within the City’s control.
- The growth in property taxes is a bit misleading as the City has decreased the I&S rate to increase the M&O rate, so to residents the increased percent of General Fund dollars coming from property taxes isn’t a true increase in the reliance on property taxes for the City – but just an optics issue since the I&S property tax rate goes into a different fund. The State has somewhat backed us into a corner with regard to property taxes, so in order to continue funding operations that grow along with inflation it will be important to recognize that when new construction slows down and the City is fully built out municipal costs may begin to grow quicker than the voter approved rate allows us to raise revenue. Thus, the compounding of annual property tax rate decisions will become even more important as we head into a future where the city can’t assume new construction to increase revenues year after year.
- A quick analysis does show that Property Taxes have become a larger portion of the General Fund’s budget. To some extent this has also been driven by decreasing revenue in Franchise Fees (state law changes), Licenses and Permits (reflects construction), Fines and Forfeitures (COVID induced), and Investment earnings (COVID economy). Sales taxes have been a strong point in recent years and more commercial development and population growth will assist with this in the future.
- Generally, a City wants to have their revenue streams be as diverse as possible – without too much reliance on any one stream. Again, the structure dictated by the State

dictates revenue sources. Each revenue stream provides protection against different types of economic shocks and the overall makeup of the City’s revenues reflect the City – A sizable, high-quality residential community that is new enough to not have a fully built-out commercial sector. While not politically popular, property taxes are, in fact, a reliable revenue stream, as they are generally steady and predictable, while sales taxes are much more volatile to the whims of the market – especially as economic structures change like they are now.

- o Further State attacks against City government’s ability to govern themselves and raise revenues are likely, and these will further decrease the ability of the City to deliver the services *our* residents want and deserve at a price *our* residents are willing to pay.

9. How far back do we have readily available data for tax rate/DS vs Gen Fund mix? (Property Taxes, pg 3)

Staff have found this information going back at least to the FY2010 budget.



*This is not a typo FY14 is the same as FY13

The portion of Property Taxes going to Debt Service peaked in FY13 and has been decreasing every year since FY14.

10. The highlights section is extremely informative and very much makes the tie between dollars allocated and future benefit. In the future, how can incorporate this type of layout throughout to better see how funding corresponds with activities. Even sharing key metrics (for PD - number of patrol hours, number of stops, arrests, etc.) and how funding corresponds with that would be very helpful to policymakers (Highlights, pg. 1)

Departmental budgets as provided support existing services in their entirety. For example, the Police-Patrol budget supports all functions of that department. At this time these

functions are not budgeted by program but rather to fit the needs of the entire division. It would not be possible to tie the number of patrol stops or arrests to a set expense. The highlights section serves to provide justification and value for additional dollars being added to the budget for new services to enhance the department.

11. **I would like to consider some of the Federal money (where possible/legal) to seed other internal service funds (facilities, streets and sidewalks, etc). Do we have a timeline for key milestones for the development of the asset recapitalization plan? (Financial Summaries, pg 3)**

The Budget Office plans to stand-up the Facilities Fund and IT Fund in the Fall and Winter of FY22. Much like how departments pay lease fees for their vehicles into the Motor Pool Fund, some level of “rent” will be assigned to buildings. It’s unlikely that the City will be able to fully offset the annual depreciation amount and will have to work towards that in the long term. The IT Fund will likely be a smaller cost and theoretically should be able to become self-sustaining quicker. The details of these funds will be fleshed out in the coming fiscal year. Allocating fund balance because of received federal funds would provide accelerate making these funds self-sustaining.

The Infrastructure Reinvestment Fund is where street and sidewalk maintenance money is spent. This is funded to date by a transfer from the General Fund. Any transfer into this fund would act as a welcomed one-time shot in the arm to maintaining our streets and sidewalks. However, the City should continue to work towards fully funding street and sidewalk maintenance each year to ensure long term system health.

12. **Can you please clarify the composition of our taxable value increase? Am I reading correctly that \$245.5M came from increased appraisal values and \$249.7M came from new development? (Property Taxes, pg 1)**

The \$245.5M increase includes the new value added to the rolls.

13. **Can you comment on what it means to commit \$5.4M from prior year’s balance to lower the tax rate? Fundamentally, are we using a one-time infusion to lower the rate and will have to make that up elsewhere in future years? (Debt Service, pg 1)**

The City is using excess fund balance above the 10% reserve balance towards the total amount of debt service payments due in FY22, which reduces the tax levy required to collect the amount of revenue needed to meet total debt obligations in FY22.

It has been the practice each year to commit any excess fund balance in the Debt Service Fund towards that current year’s debt obligations. The process is largely a requirement of the State-mandated property tax worksheet. However, we will need to keep an eye on actuals and how changes required this year (accounting for revenue over levy) affect the Fund.

The tax rate each year for debt service is set to collect the amount required for that year’s debt obligations and nothing more. If there is not excess fund balance in any given year, the tax rate for debt service could increase.

14. Pearland is receiving significant, nonrecurring support from the federal government in response to the pandemic. Fundamentally, what spending will we throttle down when this support is no longer being provided? (General Fund, pg 1)

The City of Pearland leveraged the non-recurring ARPA funds in the Fiscal Year 2022 budget to make significant one-time expenditures to invest in many of the one-time purchases featured in the highlights section of the Budget document. Funding is being used to cash fund CIP projects, and facility improvements. Expenditures have low or no recurring cost and give the City the ability to throttle back the budget next year.

15. What accounts for the budgeted reduction for franchise fees (esp phone, cable/video, and sanitation)? (General Fund, pg 4)

Franchise Fees have reduced due to both a reduction in demand and a reduction in fees. The franchise fee for solid waste was decreased in commercial accounts from 18% to 15% to be equal with residential. Coupled with lower solid waste rates to which the franchise fees are applied resulted in a decrease in revenue of \$250,000. Telephone and Cable/Video franchise fee reductions are a combination of decreases in demand for services and legislative changes which only require a company who is providing both services to pay one franchise fee when using the same cable in the ROW for data transmittal.

16. What accounts for the budgeted reduction of interest earnings? (General Fund, pg 6)

Beginning in Fiscal Year 2021 we have seen a large reduction in interest earnings from the bank. At this time the low interest levels are expected to continue through Fiscal Year 2022. The FY21 amended budget was updated to reflect this trend as was the FY22 budget going forward. These accounts are monitored throughout the year and will be increased if interest earnings start to increase. Our investment earnings generally follow the same trend as the [three-month Treasury Bill](#).

17. Could you please reshare the final variance report for FY2021? (General Fund, pg 9)

The latest variance report is attached at the end of this memo.

18. What are the recurring costs associated with an emergency provision storage facility? (Capital Project Funds, pg 20)

- This question will be answered in a separate memo.

19. Can some of the General Fund balance be used to enhance sense of place in Pearland? We are sorely lacking here according to the community survey and Pearland Prosperity Plan.

The General Fund fund balance can be used for non-recurring items that do not add significant ongoing expenditures to the annual budget. Water and Sewer items would not be appropriate to fund with General Fund fund balance. One-time, non-recurring projects to permanently improve a sense of place in Pearland would likely be an acceptable use of fund balance. Spending should be limited so as not to dip below the 90-day reserve policy.

20. What accounts for our continued difficulty in our allocations for streets and sidewalks? How will this be remedied if/when larger “catch up” allocations are made? (Special Revenue Funds, pg 28)

The Budget always comes down to a matter of priorities. In the FY22 proposed budget, the expense of implementing the Comp and Class study are significant and used up most of the available recurring revenue. The policy objective to lower the City’s property tax rate below the no new revenue rate also contributes. These two priorities outweighed increased funding for streets and sidewalks in the FY22 budget.

21. Inflation is higher than it historically has been. What does it cost to provide an additional 1% COLA or Pay Raise to everyone in FY22 based off their FY21 salaries?

Council raised concerns regarding employees not receiving enough of a pay raise to overcome inflation. Many employees are receiving more than the normal 2% salary increase that the City normally refers to as a COLA – for those employees a further increase due to inflation is not warranted. The compensation and classification study included an additional inflation adjustment of \$527,567 to account for inflation of 1.2% in FY21. This amount was distributed equally amongst all employees.

The Federal Reserve aims for a 2% inflation rate. For most of recent history, inflation has been well below this 2% - meaning that most years employees received a COLA that more than covered the cost of inflation, but may not have kept up with market.

According to the [Bureau of Labor Statistics](#) latest inflation report, which separates out Food and Energy prices from the CPI due to their volatility, **“Over the year, the index for all items less food and energy rose 3.1 percent.** Higher prices for used cars and trucks (+44.9 percent) and new vehicles (+8.0 percent) drove the majority of the advance, while household furnishings and operations (+7.6 percent) and shelter (+1.0 percent) also made notable contributions to increases in the index.”

The Budget Office’s goal is to smooth out salary increases to keep costs predictable and manageable – and this means budgeting according to long term inflation trends, and not overstretching the budget to react to short term spikes/dips in inflation. The Federal Reserve has continually reaffirmed its target of 2% inflation in the long run – and that is why we budget a minimum of 2% increases for employees in both high and low inflation years.

There are many moving parts right now with compensation and classification. Based off the FY21 current salaries and benefits a 1% COLA equates to a cost of \$645,594 citywide. This amount does not include any adjustments made for comp & class, sick leave buyback program, or bilingual pay.

Fund	"FY22 Proposed Without Comp & Class"	1% COLA	Increase
General Fund (100)	\$66,462,325	\$67,011,999	\$549,674
CVB (305)	\$309,658	\$312,410	\$2,752

Fund	"FY22 Proposed Without Comp & Class"	1% COLA	Increase
Municipal Court Security (310)	\$37,640	\$38,001	\$361
Truancy Prevention & Diversion (365)	\$47,861	\$48,245	\$384
Enterprise Fund (600)	\$10,942,388	\$11,029,219	\$86,831
Risk Management (700)	\$59,958	\$60,496	\$538
Motor Pool (703)	\$646,308	\$651,362	\$5,054
Total	\$ 78,506,138	\$79,151,732	\$645,594

22. What is the City's plan to keep up with market compensation rates in the coming years?

This will be address in an FY22 White Paper

23. Can staff comment on the FY22 Budget for the following accounts in the General Fund?

- Professional Development Memberships & Dues
 1. This account is increasing from an adopted budget of \$104,320 in FY21 to a proposed budget of \$115,844 in FY22 – An increase of \$115,240. This increase is due to a general increase in membership costs that occurs annually but is mostly concentrated in the Fire Department (which has been increasing its staffing the past few years) and City Council, which is being brought up to its 2019 pre-COVID spending level.
- Professional Development Books Periodicals and Subscriptions
 1. This account is increasing from an adopted budget of \$37,000 in FY21. The actual spending in this account has been higher - \$41,989 in FY21. The proposed FY22 budget for this account is \$44,917 – an increase of \$2,928 from where Budget Staff expect to spend in FY21. This remains significantly below historical levels. In 2018, \$68,158 was spent in this account. In FY2019, \$62,295 was spent.
- Professional Development Conferences & Seminar Costs
 1. COVID significantly disrupted conferences and seminar expense because so many conferences were canceled, or staff were concerned to travel due to COVID exposure to make FY 21 an anomaly. Although there is a surge now, expectations especially when the budget was developed was towards a normalized year for refreshing and learning in professional development. If opportunities are not available, budgets will not be spent.
 2. The FY21 Adopted Budget was \$606,643. The Budget Office estimates that the City will end up spending \$499,039 at the end of FY21 due to conferences being cancelled, or COVID restraining the ability of staff to travel. The FY22 Budget for this account totals \$782,436 – an increase of \$175,793. **This brings all departments back in line with pre- COVID spending, except for the Fire Department.** The Fire Department's professional development conferences and seminar costs are increasing

from \$149,072 in FY21 (adopted) to \$230,097 in FY22. This reflects the additional FTEs that were added in FY21.

- Office Supplies Office Supplies
 1. The FY21 Budget of \$111,399 is being decreased by \$942 to \$110,457 in FY22. The FY21 year-end projection for office supplies is lower than the adopted budget, reflecting COVID related work-from-home reductions in spending.
- Office Supplies Furniture
 1. The adopted FY21 budget for this account was \$33,916. Actual spending is estimated to be \$83,810 at year end – mostly due to COVID related modifications. The FY22 budget of \$47,187 – an increase \$13,271. This increase is for \$14,000 in the City Secretary’s Office to replace mechanized record storage systems that no longer work – rendering records inaccessible and requiring expensive repairs. The \$14,000 will transition the system to a manual crank that will be more robust and resilient than the current electro/mechanical system.
- Office Supplies Copy Charges
 1. The Adopted FY21 budget for copy charges was \$53,806. The Budget Office estimates that this actual spending will be \$53,977. The FY22 budget is proposed to be \$54,906 – an increase of ~\$1K over FY21 to reflect more people being in office in FY22 due to COVID vaccinations allowing people to be in office more.
- Janitorial Supplies
 1. This FY21 Adopted Budget was \$70,740. An increase to \$74,575 is proposed – an increase of \$3,835.
- Medical Supplies
 1. In FY2020, \$254K was spent out of this account. In FY2021 the estimated spending is expected to be \$239,625. The FY2022 budget is \$220,321 – a decrease of ~\$20K from this year’s spend.
- Miscellaneous Food Ice and Drinks
 1. The FY22 budget is \$2,015 higher than the FY21 adopted budget. The FY21 estimated year end spending is smaller than expected due to City Council spending about half of their food and ice budget. Other departments that have public events are coming in slightly lower in FY21 due to cancelled public events because of COVID. The City expects these events to occur in FY22.
- Miscellaneous Miscellaneous
 1. The budget for this account in FY21 was \$52,069. The FY21 estimated year end spending is \$46,858. The FY22 budget is lower than both of these - \$44,439. This is a cut of \$7,630 from last year’s adopted budget.
- Miscellaneous Training & Conferences
 1. The adopted budget for this account in FY21 was \$85,750. However, because COVID cancelled so many trainings, the actual spend is expected

to be \$37,750. The FY22 Proposed Budget is \$88,250 – a \$2,500 increase over the FY21 Adopted Budget.

- Other Contingencies
 1. The FY22 proposed budget of \$200,000 is exactly the same as the FY21 adopted budget. The estimated amount for FY21 is not current. The full contingency will be spent by the end of FY21
- Other Recording Fees
 1. The FY22 budget of \$17,000 is the same as the FY21 adopted budget. Estimated spend by the end of FY21 is \$16,200.
- Wearing Apparel Wearing Apparel
 1. The FY21 Adopted Budget for wearing apparel was \$440,416. The estimated spending for year-end in this account is \$446,765. The FY22 budget is \$472,002 – an increase of \$26,000. The vast majority of this increase is in the Police Department (~\$7K) and Fire Department (~\$21k).
- Utility Services Utilities
 1. The FY21 adopted budget was \$1,025,920. The Budget Office estimates that the city will spend \$976,700 account of this account at year end. In FY22, the budget increases to \$1,037,500 – an increase of \$11,580. The drivers of this increase are The Fire Department (~\$10K) – which has new facilities coming on line; Engineering and Public Works (~\$4K) which has new facilities coming on line; and the Library (~\$6K) and also has a new facility. This item is budgeted conservatively incase of exceedingly cold winters and/or extra hot summers.
- Rental Equipment Rental
 1. The FY21 adopted budget for this account was \$189,179. The City is forecast to spend \$213,236 out of this account by year end. The FY22 budget is a decrease of \$54,843 to \$158,393. About \$4K of this reduction is from the Finance Department no longer needing to rent storage facilities for records. ~\$3K in cuts come from the Fire Department, and the rest comes from Public Works. Much of the FY21 year-end cost increase was due to renting a bucket truck – which has since been replaced via the motor pool
- Programs and Events Supplies Programs
 1. The FY21 adopted budget of \$404,727 is increasing 4.2% to \$421,590. This increase is spread across Parks and Recreation, Communications, and Fire.
- Other Services Temporary Staffing
 1. This FY21 adopted budget for this account was \$216,370. The FY21 estimated year end spending for this account is \$192,391. The FY22 proposed budget is \$214,670. Overall, the account is receiving about a \$2K decrease from the FY21 adopted budget. The year-end estimate in FY21 is lower due to Parks and Recreation spending less money on temporary staffing than planned.
- Other Services Postage

1. The FY22 budget for Other services postage is an increase of \$2K from the FY21 adopted budget to accommodate population growth. The FY22 budget for this account is below the FY18 actual expenditures.
 - Other Services Bank/Credit Card Charges
 1. The FY22 budget is the same as the FY21 adopted budget - \$320,000. This is similar to the amount spent in 2018 - \$308,029.
 - Other Services Clean Up
 1. The adopted budget for this account in FY21 was \$40K – all of which is forecasted to be spent by year end. The FY22 budget is the same as the FY21 budget - \$40K.

Section 4: CVB and PEDC Questions

13) An additional follow-up on Budget Follow Up Memo #1 – Section 5 – Question 18. Please provide additional information on the \$611K under Miscellaneous services.

Miscellaneous services include professional contractual services. This includes lodging reviews and new tourism event costs (\$38,250), building rent (\$63,000) the yearly visitor guide (\$25,000), travel to tradeshow (\$18,500) and promotion and advertising (\$165,000) as well as some smaller accounts for membership and dues, printing and so on. Also included is the cultural arts grant program (\$80,000) and the Hilton Garden Inn occupancy tax rebate budgeted at \$163,304 for FY22.

14) Please describe the actual scope and rationale for PEDC participation in higher level of service for major entryways?

The Pearland 20/20 Strategic Plan, developed in 2012, outlined the need for City gateways to signal a sense of arrival and stronger identity for the community. As part of the Strategic Plan implementation, in 2014, the PEDC, City, and community partners completed a City Gateways Beautification Strategy that developed a conceptual entry monument and identified potential gateway locations to positively promote the Pearland image and create a unified entry statement.

Enhanced Gateways for the City welcome visitors and residents to Pearland, help to generate a strong sense of place, elevate the strength of Pearland’s image and make a lasting positive impression while enriching the desirability of Pearland as a place for businesses and homeowners alike. The Pearland Prosperity Strategic Plan, approved in 2020, carries on these strategic initiatives.

PEDC has installed multiple entryway and corridor enhancements on Cullen Parkway from Clear Creek to Broadway, Pearland Parkway from Clear Creek to the round-a-bout, and SH35 from Beltway 8 to Broadway. PEDC has also installed entryways on Dixie Farm Road near Clear Creek, on Broadway near the eastern city limit, and on Yost near the city limit.

With this level of investment added to the landscape maintenance needs of the City, the PEDC Board and City of Pearland have entered into maintenance agreements for PEDC to fund and oversee the maintenance of the entryway and corridor enhancements installed by PEDC. With the entryway and corridor enhancements being more intensive in design, they require a high

more detailed level of maintenance. **The current annual cost to maintain the above areas is approximately \$495,000.**

The higher level of service area includes 42 services for mowing, trash and debris removal, and hand weeding, among other services such as mulching, pruning, fertilizing, and weed and pest control, covering more than 24 acres. The portion of the SH288 corridor that lies within the Pearland city limits is included within the limits of the Pearland Municipal Management District No.2 which will maintain the Master Corridor Plan improvements once completed.



Memo

To: City Manager's Office

From: Carry Capers, Director of Parks and Recreation

CC: Budget Office

Date: August 27, 2021

Re: Parks and Recreation FY22 Budget Follow-Up Questions

Section 1: Parks and Recreation Center Operations, Performance, and Costs

Parks and Recreation services are often cited as one of the most important factors in surveys of how livable communities are. A community recreation center's main purpose should be to provide opportunities for active living and recreation in a safe, inclusive environment. Facilities like Pearland's Recreation Center & Natatorium (RCN) also become essential to improving lives and helping build strong, safe, and inclusive communities.

Moreover, our RCN serves as a vital hub for a wide variety of community support upon demand. The RCN with its enhanced wind load capacity and recently installed backup generator capacity has served as the primary location for many of the City's emergency response initiatives including vaccination PODs, recovery supply distribution, warming and cooling centers, shelters of last resort, and evacuation hubs. The facility has served on numerous occasions as the location for voting, the Mexican Consulate's mobile office, trash/recycle receptacle distribution, summer camps, Adult Reading Center literacy programs, police and fire training and testing, wellness fairs, CPR and first aid certification courses, leagues, special events, and adaptive programs and partnerships with the Special Olympics.

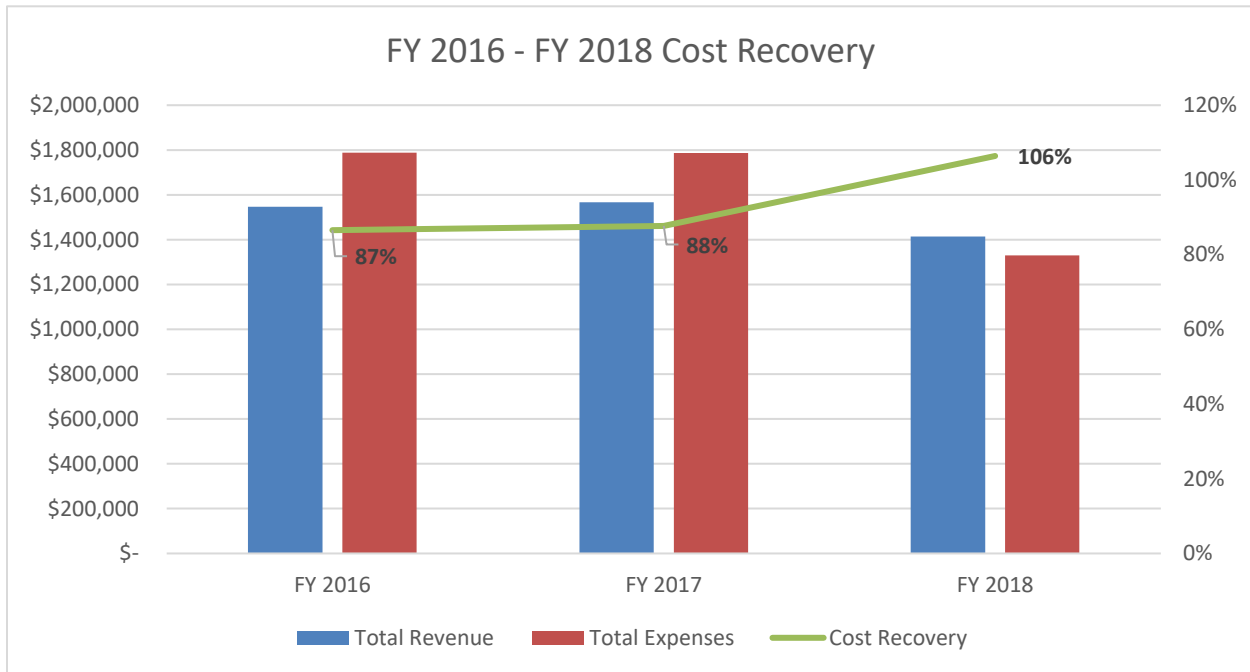
Although the RCN enjoys strong support from government officials and serves as a primary location for providing essential services to the community, when at this time of year developing budgets, emphasizing the strategy for balancing cost recovery and subsidy allocation is the foundation for strong financial management.

On January 25, 2010 Staff presented a workshop to Council regarding the proposed fee structure and operations planning for the Recreation Center & Natatorium (RCN). Staff researched local facility pricing, polled various cities to determine what the different rates were in other public facilities, and provided consideration for non-revenue generating activities provided at the facility. During that workshop staff received directions from council to consider a lower fee structure to allow all residents the opportunity to utilize the facility and to offer a Natatorium only membership at a reduced rate. On February 22, 2010 staff returned to Council for approval of the fees.

On March 12, 2012 an agenda item was presented to the City Council regarding operational expenses and cost recovery of the RCN. In this meeting many of the original, or pre-opening,

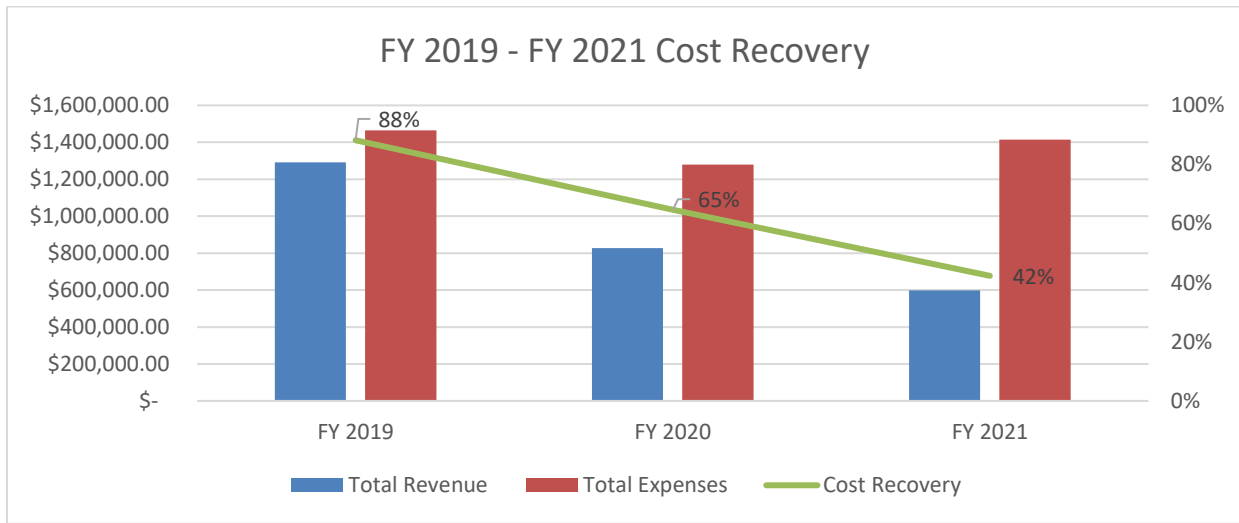
numbers were discussed relative to actual figures detailed over the nearly two years of operation. The presentation included the original budget with approved fees (approved by City Council February 22, 2010), and the resulting cost-recovery. The cost-recovery originally anticipated was 52.66%, with the actual at 74% for Fiscal Year 2011. It was at that time that **City Council determined 74% to be a reasonable cost-recovery metric and submitted that to staff as an expectation.** These figures were determined exclusive of utility and the Public Works Facility Maintenance cost.

In October of 2018 Staff reported on RCN operations and provided an overview to Council of the cost recovery for FY 2016, FY 2017, and FY 2018. The FY 2018 revenue and expenses reported were through August only. These figures were inclusive of utilities and included a portion of the facility maintenance cost tracked by Public Works.



To provide an updated snapshot of the RCN's operations, the prior three years are included for your review. The FY 2019 – FY 2021 Cost Recovery graphic provides an overview of the more recent cost recovery. Through more efficient budgeting and expense reporting tools we have included a more accurate cost for utilities, salary & wages, as well as facility maintenance. FY 2019 and FY 2020 report actual expenses and revenues. FY 21 reflects the

expense and revenue estimates in the mid-year budget amendments adopted by City Council in July.



Significant events have impacted the RCN’s cost recovery over the past three years. During FY 2019 the activity pool heater in the natatorium failed which resulted in shutting down the activity pool for an extended period. During the closure an insurance claim adjuster conducted a comprehensive investigation and repairs were made. During this time, we were unable to conduct any aquatic programming and had to refund \$141,653.02 in membership dues to the affected members. Pending the outcome of the TML investigation there is a possibility the City will be reimbursed for the lost revenue. This would change the cost recovery in FY 2019 from 88% to 98%.

On March 13, 2020, the City of Pearland shut down indoor recreation facilities in response to COVID-19. To help improve our community’s emotional well-being during a global pandemic, instead of cancelling all operations, the department pivoted, introducing an alternative of virtual programming and innovative socially distanced special events. Staff were reallocated to special projects and new assignments as the needs were constantly shifting. In certain periods, lifeguards assisted parks maintenance crews in managing and preparing green spaces for increased activity in parks and trails. The RCN re-opened with very limited amenities not until May 2020. In October 2020 membership dues were reinstated only for the members that were utilizing the facility. The remaining memberships were reinstated in January 2021. **As a result of the COVID-19 pandemic in 2020 and 2021 revenues for memberships, personal training, programs, and facility rentals were significantly lower than previous years.** While our facilities have reopened and our programs have resumed, the pandemic is still impacting overall attendance numbers. Over the past ten years the RNC has averaged approximately 5,000 active members. As of August 2021, there are approximately 2,900 members. We expect to see an increase in membership sales, facility rentals, and program registration in the upcoming fiscal year, however, we still budgeted conservatively.

Section 2: Current Status of PISD Billings

Expenditures for the Pearland Natatorium that that exceed \$15,000 are the joint responsibility of PISD and the City of Pearland in accordance with the Interlocal Agreement between the City of Pearland and the Pearland Independent School District. Anytime there is an anticipated repair or expense at the Natatorium that may reach and/or exceed the “\$15,000” threshold,

City staff notify PISD of the issue as soon as we become aware of the potential expenditure. Once the cost is verified and repairs have been made, PISD is invoiced for 50% of the total repair cost.

Pearland ISD has been invoiced for the following Natatorium expenditures over \$15,000.

Significant Maintenance/Repairs that exceed \$15,000		Total Amount	50% Owed By PISD	Outstanding Receivable Balance
Charges through October 31, 2018		\$ 816,276	\$ 408,138	\$ -
4.5.19	Compressor Failure	\$ 18,745	\$ 9,372	\$ 9,372
8.20.19	Natatorium Lighting	\$ 79,730	\$ 39,865	\$ 39,865
11.5.19	Deck, Diving Boards & Timing System Replacement	\$ 333,358	\$ 166,679	\$ 166,679
10.12.20	Sand Media Pit A Replacement	\$ 20,315	\$ 10,158	\$ 10,158
9.30.21	Dectron Compressor Replacement	\$ 75,000	\$ 37,500	Project not complete – PISD has not been invoiced
Total Current Expense (8.17.21)		\$ 1,343,424	\$ 671,712	\$ 226,074

If approved in the FY 2022 Budget PISD will be invoiced for the following Natatorium Expenditures.

FY 2022 Budget Requests	Total Amount	50% Owed By PISD
Activity Pool Plaster	\$ 54,500	\$ 27,250
Dectron Replacement	\$ 3,206,000	\$ 1,603,000

*These expenses have **not** been invoiced

PISD is also responsible for paying for 20% of the Aquatic Manager's salary and benefits, the cost of the lifeguards during the District's use, and the custodial cost for District meets and events. The City invoices the PISD quarterly for these expenses and at this time all related invoices have been paid on time.

Aquatic Staff Reimbursement	Total Amount Invoiced	Outstanding Balance
FY 19	\$ 23,635	\$ -
FY 20	\$ 26,764	\$ -
FY 21 (Q1 & Q2)	\$ 31,145	\$ -

Section 3: Budget for Fireworks

Can the \$15,000 allocated for Christmas Fireworks at the Mayor's Tree Lighting be reallocated and/or to increase the size of the 4th of July fireworks show?

The City of Pearland's Hometown Christmas Festival has traditionally been a 2-day event that boasts bright lights, holiday-themed activities and entertainment, and bolsters community pride through its Tree Lighting and Parade. At the height of the pandemic, the City moved

forward with the cancellation of Celebration of Freedom in 2020, and as pandemic precautions continued into December of 2020, our Hometown Christmas event evolved with the needs of the community. We carried over the fireworks from July 4th to Hometown Christmas Tree Lighting and transitioned the event to an online experience. The December 4th, 2020 event resulted in an estimated 11,500 viewers for the Ceremony and a tremendous response from the community regarding the addition of fireworks to the event.

The virtual event was viewed by an estimated 11,500 people, a 228.5% increase over the previous year's attendance — 3,500. This is a combined estimate between the online live stream views on Facebook, 7,125, and the Sky Wonder Pyrotechnics App attendance total of 8,419, as well as reports from neighborhood viewing of the fireworks.



The following is a small selection of feedback and comments that we received online from our viewers and community.

C.J. - Beautiful job Pearland Parks & Recreation! The presentation was fun to watch the camera angles and visuals on the fireworks were great. Please livestream the July 4th fireworks too. We'd watch it every year!

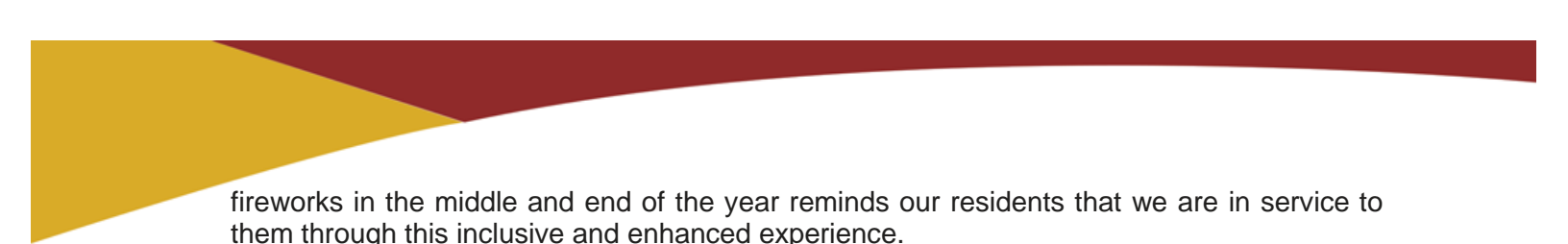
M.L. – When you can just step outside your door and watch the fireworks, life is good.

C.B. - Enjoyed the virtual tree lighting ceremony and the fireworks were fabulous. Great job, Pearland. Merry Christmas!

E.R. - Awesome fireworks show!!

J.K. - We can see them from our house. Very festive!

Fireworks have historically provided a sense of tradition, draw crowds from neighboring communities, increase overall event attendance, and are an inclusive event enhancement that can be enjoyed by everyone regardless of socio-economic status. Pearland is well known for its diversity and our inclusivity toward individuals and families of all backgrounds. Providing



fireworks in the middle and end of the year reminds our residents that we are in service to them through this inclusive and enhanced experience.

This money can be spent on either the Christmas Fireworks Show, or added to the 4th of July Fireworks show. However, staff would need Council consensus to make this change.

To: Carry Capers, Parks & Recreation Director
From: Kevin Carter, Parks & Recreation Assistant Director
Brandon Torres, Parks & Recreation Athletic/Aquatic Manager
CC: Chrystopher Bickham, Parks & Recreation Parks Superintendent
Monica Montoya-Phelps, Parks & Recreation Recreation Superintendent
Date: August 26, 2021
Re: Impact of Centennial Restroom/Storage Enhancements

Executive Summary

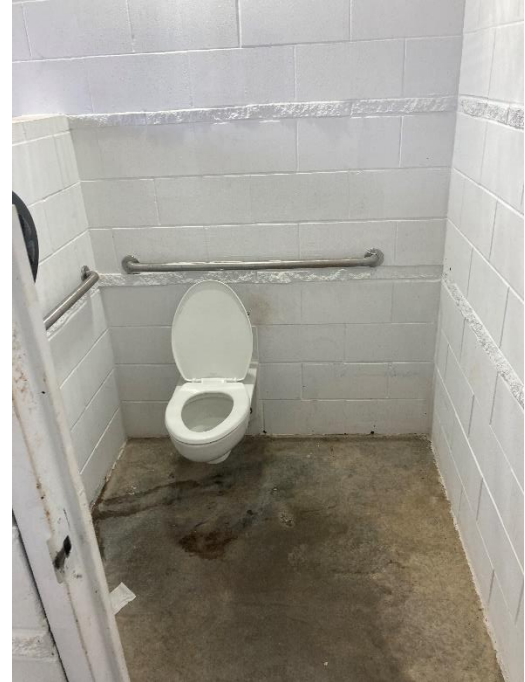
Centennial Park is a highly visited, 63-acre Community Park that offers various amenities that include walking trails, tennis courts, ADA accessible playground, splash pad, three pavilions, six softball fields with restrooms and concessions. Users of the park include passive users, weekly rentals of pavilions and fields, Registered Sport Associations (RSA), and tournament rentals. The renovation and expansion of the current restroom/storage facility will greatly impact the quality of the park, enhance user experiences, improve safety of park visitors, and reduce vandalism. Reinvestment and relatively small capital investment now falls into the category of 'taking care of what we have.'

Detail

Centennial Park's existing restroom facility is over 20 years old and is unable to handle the high demand of usage. The existing restroom facility is an open stall concept that is limited to just 4 stalls (2 men and 2 women). The building is dingy and worn out from two decades of use.

During high use times of either RSAs or tournaments, the capacity is supplemented by rentals of portable toilets and portable restroom trailers.





Recommended Improvements

The renovation upgrades of the existing restroom facility will *double* the capacity within the existing footprint of the building. Other improvements will include painting exterior/interior, relocating electrical panels to exterior walls, adding additional internal lighting, upgrading external lighting, installing ceiling panels, and upgrading sinks and toilets to a vandalism resistant stainless-steel standard utilized in other park locations.

To accommodate the additional square footage for the restroom expansion the building's storage area must be relocated. The park has a metal shed between fields one and four, however, this area is not secure and on multiple occasions equipment has been stolen from this shed. The lost storage space will be replaced with an upgraded storage building. The storage upgrade will be a block wall structure on a slab, painted the same color as the restroom facility, and will provide much needed secure storage for equipment and supplies. The following photos are examples of similar styles of colors and stainless-steel fixtures.



Current Usage

Currently there are 19 field reservations a week that support our local organizations, and we see anywhere from 3-8 tournaments a year that have brought in over 10,000 people and \$2.6 million in economic impact since 2019.

Pearland Girls Softball Association (PGSA), the City's RSA - providing girls recreational softball sees an average of 500 players between their fall and spring seasons. The fields are utilized more than 1,200 hours a year for their practices and games. **Laura Nguyen, Vice-President of PGSA has stated "PGSA has experienced difficulties with the current bathroom situation at Centennial Park. In our experience the lines for the restrooms are considerable long and have caused added stress when the girls need to get back to the playing field quickly. PGSA has on multiple occasions brought in portable restrooms to ease the congestion. An expansion of the facilities would be a great help to the continued use of the fields".**

In 2019, the City entered into a three-year agreement with United States Fastpitch Association (USFA) to host a series of softball tournaments geared to a variety of ages. By the end of the agreement in November 2021, the City will have served as host to 260 competing teams with an estimated attendance of 10,614. Demonstrating the impact of sports tourism, Pearland will benefit from a total of 1,431 hotel room nights. The overall estimated economic impact is \$2.6 million. The City met with USFA recently to discuss the potential for an agreement renewal expanding the initial six tournaments to twenty-four events over three years representing an estimated, economic impact of \$10.4M. USFA organizers expressed a few concerns about event logistics utilizing Centennial Park; specifically, the aged infrastructure with the restroom facility including only two stalls for females and an older concession stand. Robert Guerrero, United States

Fastpitch Association Director stated, "Softball is a female youth sport and the sheer #'s overloading the restrooms are significant. Only a regular size event of 24 teams can have about 288 female players. The total estimated attendance with a regular size weekend event is near 1k (estimated 960). The current set up at Centennial just can't handle that kind of volume usage over a two-day span. Not to mention the amount of staffing it takes to continuously clean the current stalls. Frankly, it's the biggest complaint we get from customers. If we were to come up with a more permanent solution that doesn't include porta potties it will have immediate impact on our events".

The demand of quality restrooms has risen with increased usage of by local teams and national tournaments. The restroom upgrades at Centennial Park will further position the City as a contender in sports tourism and upholds expectations of our community.

16 August 2021

To: Mayor and City Council members

Another good sales tax revenue month, compared to year prior. Keep in mind that budget numbers are amended budget (upgraded as part of our mid-year projections.) Also, there will be accrual adjustments for reconciling months and fiscal year a bit in the final numbers. Clay

Sales Tax Overview



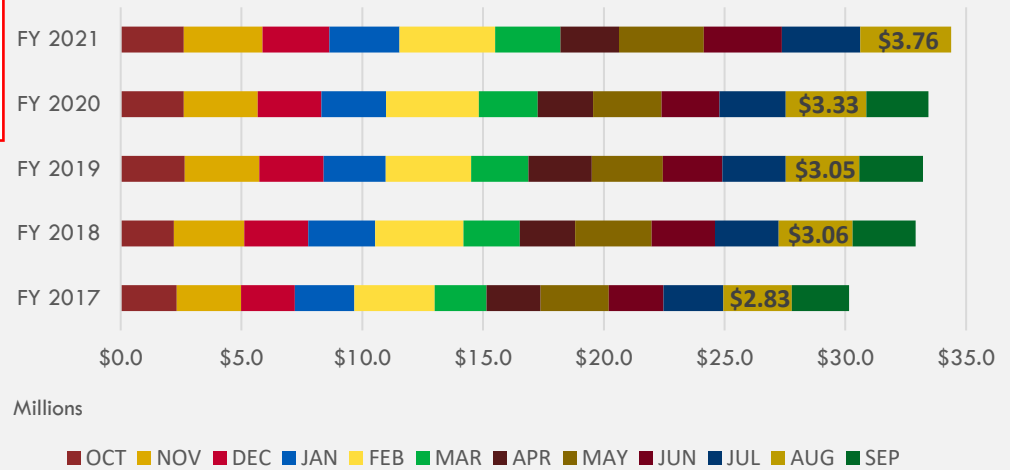
- **Period: August Collections for June Sales***
- **Net Payment:** \$3,760,188
- **Total Net Collections Increase/(Decrease) Compared to August 2020:** \$434,741 or 13.1%
- **Over/(Under) FY20 YTD:** \$3,517,675 or 11.4%
- **Over/(Under) FY21 August Amended Budget:** \$805,197 or 27.2%
- **Over/(Under) FY21 YTD Amended Budget:** \$805,197 or 2.4%

	FY 2020 ACTUAL	FY 2021 BUDGET	FY 2021 ACTUAL
AUGUST	\$3,325,447	\$2,954,991	\$3,760,188
YEAR-TO-DATE	\$30,863,175	\$33,575,653	\$34,380,850

*The results are dependent upon the timeliness and accuracy of sales tax payers' returns. This payment from the State represents taxes collected on sales that occurred primarily in the month of June 2021 for both General Fund and PEDC Fund combined.

**Service Fee is payable to the State of Texas

Net Sales Tax Payment Comparison By Month FY 2017 - FY 2021

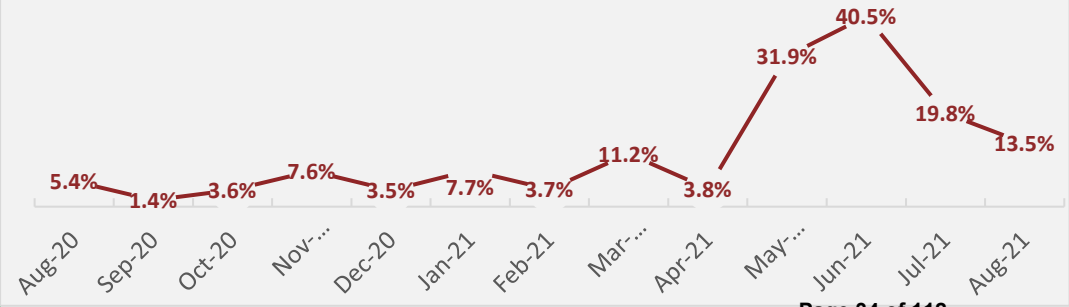


CURRENT PERIOD COLLECTIONS

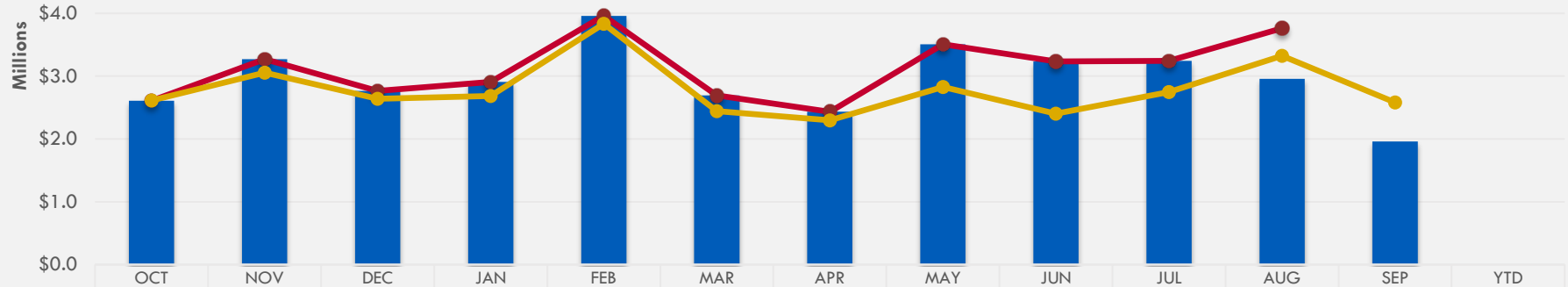
Current period collections provide a more accurate indicator to the City's economic health. There was an increase of \$436,746 or 13.5% this August when compared to August 2020 current period collections.

COLLECTION DETAIL FOR CITY SALES TAX	AUGUST 2020	AUGUST 2021	CHANGE
Current Period Collections	\$ 3,237,539	\$ 3,674,285	13.5%
Other Collections:	145,413	126,971	-12.7%
Audit Collections:	22,296	46,441	108.3%
Service Fee**:	(68,105)	(76,954)	13.0%
Retainage:	(11,697)	(10,555)	-9.8%
Net Payment	\$ 3,325,447	\$ 3,760,188	13.1%

CURRENT PERIOD COLLECTIONS



FY21 Monthly Adopted Budget and Actual Compared to FY20 Actual



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	YTD
FY 2021 BUDGET	2,608,525	3,268,598	2,763,157	2,907,290	3,960,565	2,695,390	2,432,201	3,505,864	3,236,322	3,242,750	2,954,991	1,960,994	33,575,653
FY 2021 ACTUAL	2,608,525	3,268,598	2,763,157	2,907,290	3,960,565	2,695,390	2,432,201	3,505,864	3,236,322	3,242,750	3,760,188		34,380,850*
FY 2020 ACTUAL	2,610,880	3,056,780	2,638,491	2,682,731	3,834,531	2,441,057	2,297,117	2,826,634	2,404,332	2,745,176	3,325,447	2,580,450	30,863,175

*FY21 YTD collections for General Fund and PEDC Fund combined are \$805,197 over the amended budget; of this, \$6,577 is due to audit collections. The General Fund is \$368,459 over the amended budget, and PEDC is \$436,738 over the amended budget including audit collections.

FY21 YTD Collections Compared to FY20

CITY	YTD
FRISCO	16.0%
LEAGUE CITY*	13.5%
McKINNEY	12.9%
MISSOURI CITY	12.5%
BAYTOWN	12.2%
PEARLAND	11.4%
ROUND ROCK	8.3%
GALVESTON	7.0%
THE WOODLANDS	5.2%
PASADENA	5.2%
HOUSTON	4.3%
SUGAR LAND	4.3%
PLANO	4.2%

Year-to-date collections for Pearland are up 11.4% compared to last year. This period reflects payment from the State for sales that occurred in the months of August 2019 through June 2021.

August 2021 net payment up \$434,741 or 13.1% from August 2020. August 2021 collections are \$805,197 or 27.2% over the August 2021 amended budget of \$2,954,991.

The 2021 General Fund amended budget is a 13% increase from the FY20 Amended budget.

*Effective in March 2020 League City increased the sales tax rate from 1.75% to 2%.

Rolling 12-Month Percentage Change

CITY	%Δ
LEAGUE CITY	14.2%
FRISCO	13.9%
McKINNEY	12.9%
MISSOURI CITY	11.4%
BAYTOWN	10.9%
PEARLAND	10.3%
ROUND ROCK	7.8%
GALVESTON	4.6%
PASADENA	4.1%
PLANO	3.9%
HOUSTON	3.4%
SUGAR LAND	3.3%
THE WOODLANDS	2.7%

The rolling 12-month percentage change for Pearland and comparison cities is reflected in the chart to the left. Pearland's rolling 12-month growth rate increased 10.3% for the period of August 2020 to August 2021.

In August Pearland Sales accounted for 33.4% of Brazoria County total Current Period Collections; equating to \$960,438 of \$2,875,563 in total Current Period Collections for the County.



Memo

To: City Manager's Office

From: Budget Office

CC: Senior Staff

Date: August 27, 2021

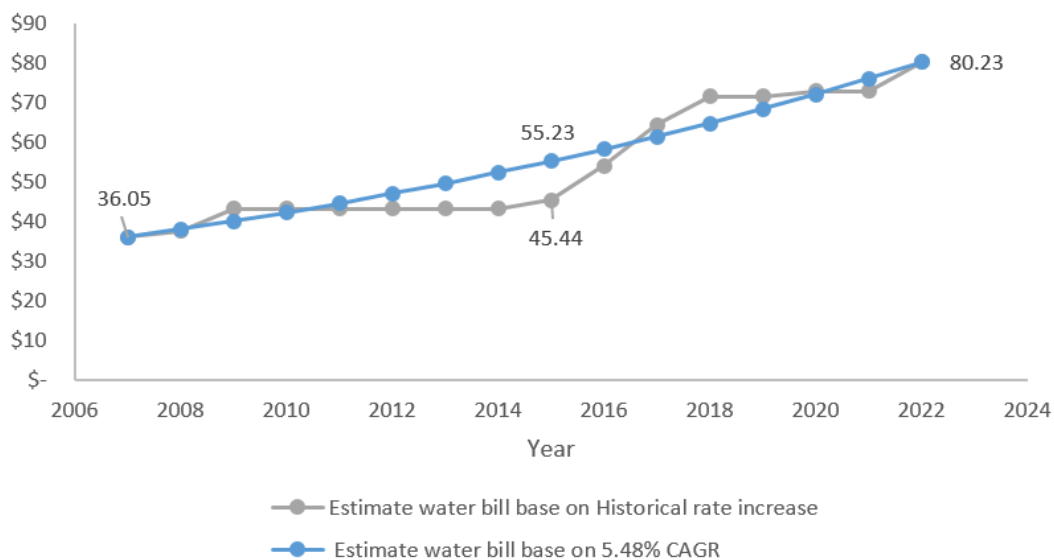
Re: FY22 Budget Follow-Up Memo #3 Enterprise Fund

Section 1: Enterprise Fund Questions

1) City Council discussed a desire to “smooth out” future rate increase cycle. Where would the system be at now rate wise if it had applied a steady, but smaller rate increase in past years?

- There have been changes in how the City’s structures its rates between 2007 and now. However, for the purposes of this analysis, staff are assuming that the billing tier structure is the same from FY 2007 to FY 2022. Staff have also applied the current WQA policy to previous years in order to try and keep this comparison “apples to apples”.
- Base on the historical rate increase and the proposed monthly billed of \$80.23 for residential customers that have monthly consumption of 6000 gallon, we estimated that a monthly billed for these customers would 36.05 back in FY 2007.
- To reach the same monthly bill as planned in FY 2022 (9%) the rate would have had to increase by 5.48% annually

Sample Monthly Water Bills (2007-2022)



2) **Does the comparable water bill for Houston reflect their announced plan to increase rates over several years?**

No. City of Houston's comparable water bills were based on their rates effective April 1, 2021. City of Houston's increased rates will not be viewable until it goes into effect on September 1, 2021.

3) **What is the effect, if any, on City's contracted bulk water purchases from City of Houston system to our system?**

The change in City of Houston water rates *will* affect the Shadow Creek Water Plant connection. The contract is a take or pay contract where the initial 1.33 MGD is billed at the current City of Houston rates. The contract also has a higher rate fee per 1,000 gallons for any water taken above the take or pay limit. Staff has been adjusting the system and is taking our minimum requirement per the contract to reduce the higher charged rates during the non-peak/high usage summer months.

The connection to the Southeast Water Purification Plant is not affected by the City of Houston water rates. The City is a co-participant (through GCWA) in the plant therefore, the cost for water is what it costs to purchase raw water, treat and send to the City.

4) **Why are positions needed in this budget when the plant isn't scheduled to come online until FY23?**

As the plant equipment is being constructed/installed it is vital that staff operations be included during this phase of the project. The knowledge of how the system was designed and installed leads to the ability to maintain and operate this critical equipment. Additionally, the ability to oversee installation and then work with the vendor on startup and training also provides detailed knowledge that is not obtained after the plant is built. Microfiltration (membrane) plants are fairly new to this region of Texas, so it is important to fill the appropriate positions to guarantee comprehensive understanding of this system.

Licensed operators are trained in conventional treatment and therefore require additional training for the membrane process. **From researching with other cities in the area that have conducted start-up of their microfiltration facilities, it was recommended and included from their experience that bringing staff on during the installation provides beneficial training opportunities that allowed staff to effectively be trained and then train subsequent staff, which optimized plant performance and production.** For more information, please see the SWTP Staffing Memo sent out last week, and attached again to this memo for convenience and emphasis.

5) **How should we determine when to outsource operations vs staff in-house?**

Temporary staffing increases flexibility by giving the City the ability to cover the "unexpected" due to time off for vacations, medical leave, increased workload, special projects or any other reason. Moreover, some positions are niche and difficult to fill. Other considerations for outsourcing are seasonal work like mowing medians, FEMA lots, and City Facilities, where there is no off-season alternative work for those crews.

We may leverage a personnel service to assist with the selection process. The City uses a variety of contracts and to fill those roles regularly. Managing contracts and contracted worker takes City staff time as well.

Opting to hire direct temps allows the City to better manage the allocated costs while selecting the best candidate.

We have *historically* taken the stance that as the utility provider, services and staff would be handled in-house as this provides the City the ability to find the best candidate and value to the City. However, with the new SWTP staff has already been researching the potential for a short-term Public/Private partnership for the initial plant start-up and operations (see [Surface Water Treatment Plan Staffing Summary with Operations Privatization/Alternatives Options Review Memo](#) from Ron Burton dated August 18, 2021) . As there is a state-wide shortage of licensed surface water treatment plant operators utilizing the Public/Private partnership will allow the City to leverage the partnership to locate and train operators and then transition them to City staff. Taking this into consideration, staff already looked at outsourcing practices of several cities and determined that **short-term outsourcing during the start-up and operations process was highly recommended and served the best interest by providing training and onboarding services.**

Throughout the contract period, the experience from others and the plan here is for the third-party firm would gradually phase out, as their staff were trained and certified for surface water treatment, then hired by the municipality. The third-party firm will be selected through a Request for Proposals (RFP) process and during the initial contracted period will allow the City to further evaluate the feasibility and costs of outsourcing vs in-house staff.

6) Has staff considered outsourcing operations at Water and Sewer plants?

Staff has researched the potential for outsourcing operations. As detailed in the staff memo already shared, it is the recommendation that the City enter into a Public/Private partnership that will be short term (1-year) contract to assist in plant start-up testing, commissioning and operations. During this contract period the contracted staff would be hired, managed and trained by the consultant and as training of the staff concludes and knowledge of the plant is known the plan would be to begin transitioning over to City employees.

Staff compared personnel cost between outsourced staff and estimated in-house staff. **Overall personnel cost at the mid-range rate including benefits, \$1,145,825, is less expensive than the ongoing third-party cost for the same staff, \$1,571,760.** Considering this and the benefit of having an in-house technical staff compels our staffing recommendation to have in-house staff. Additionally, the **in-house staff will be available for citywide emergency operations during an emergency.** Whereas, other jurisdictions have experience issues with contracted operators not being available during emergency operations

7) Where do the Operations and Maintenance numbers for the new plant come from?

During the development of the project, the City utilizes the expertise of our consultants to provide estimated operations and maintenance costs to establish proposed budgets. Since this is a multi-year design and construction project and as the project is getting closer to completion the costs are also reviewed each budget year, by staff, with updated cost

projections and comparisons with other cities that have similar operations and to reflect current market conditions.

8) Will the City still be purchasing water in the future?

The City will continue to purchase water to serve the City customers. The City currently has several contracts. For the Shadow Creek Water Plant water is received from the City of Houston through a take or pay contract. The City is a partner in the Southeast Water Purification Plant through Gulf Coast Water Authority (GCWA) where the City receives up to 10 million gallons per day to the Alice Water Plant. The last contract that the City has is with GCWA for surface water from the Brazos River. The contract is for 10 million gallons per day. The water will be utilized for the new Surface Water Treatment Plant. The purchased water is the result of twenty-five years of negotiation and procurement for the long-term water needs of the City as establish in our long-range water model and planning. As such, the City will continually be purchasing water either from GCWA or from the City of Houston to meet the water demands for the City.

9) Please provide an update on AMI Implementation and how this will affect the total volume of water billed.

As staff continues the AMI implementation, on August 2, 2021, staff started switching over approximately 2,200 meters in Cycle 11 from AMR to AMI Network. This means that the meters will be communicating with the network and transmitting the meter information to the system. Once the identified routes are completed, staff will move from one cycle to the next in a coordinated effort to not affect the readings for billing. During the week of August 16, 2021, staff is completing the remaining routes in Cycle 11, and will move to Cycle 14 to start on approximately 1,600 meters to switch over to the Network. Utility Billing will note accounts to identify what accounts have been completed, with a stamp date of switch to AMI. Also, the AMI routes will be changed from 11034 to 1134 to identify and monitor the progress of accounts that have been switched and pending accounts. With each meter read every 8 hours and archived in AMI, current analytical reports can be produced and billing accurately each meter's usage.

In 2017 the City determined that a meter changeout was needed as the existing meters were over AWWA age of 10 years old and many small meters exceeded the AWWA recommendation of 1 million gallons of use and age. The meters were mechanical meters and will wear out and slow down in accuracy over time. The new meters that have been selected and installed are ultrasonic meters that have no moving parts. The meters are accurate down to 0.05 gallons per minute and meet the AWWA standard for accuracy of 98.5 to 101.5 percent. As with any meter change out program, installing new meters restored the accuracy that had been lost due to age of meters.

The new meters account for water that passes through the register and report that consumption While the old 5/8" residential meters were estimated to have average accuracy rate of approximately 90%, those old meters were substantially changed out by March 2021, meaning that the impact of the new meters has already been realized for a significant portion of FY21. Additionally, while the percent of additional water being captured by the new meters is not insignificant, it is small in comparison to the overall volume of water billed, which is much more impacted by the weather (wet versus drought).

10) What is the average interest rate for debt sold in the Enterprise Fund?

The combined average interest rate on all the outstanding Water and Sewer System debt obligations (TWDB + Revenue Bonds) is approximately 1.6656%. The average interest rate on the outstanding TWDB debt is approximately 1.0469%. The average interest rate on the outstanding revenue bond debt is approximately 2.81661%.

11) If the city received a decrease in its bond rating, how much would this increase interest rates when borrowing? What would the total increase costs be based off of the debt figures listed in the CIP? This assumes we meet all of the existing covenants, and only considers an increased interest rate.

A one “notch” bond rating downgrade from “AA-” (current rating) and a “A+” will increase the interest rate on future bond issues by approximately 15-25 basis points, depending on the credit market spread at the time of the proposed bond sale. Based on current market conditions, the additional interest rate cost of a one notch downgrade is approximately 20 basis points.

Based on the City’s current Water and Sewer System 2022-2026 CIP of \$334.280 million, a 20-basis point increase in interest rates would increase the total interest cost to the City by approximately \$7.1 million.

12) The total Water and Sewer Debt Figure presented on Saturday was, \$486,425,722 debt sold through FY21 – which includes the FY22 principal and interest requirements. Does this include the Surface Water Plant, Barry Rose, JHEC, and Longwood?

- The Barry Rose WRF Expansion project has an estimated total cost of \$130,758,097. 7,626,526 in revenue bonds have already been sold and are included in the \$486,425,722. **An additional \$118,130,000 in bond sales are included in the CIP across FY22 through FY24 to fund the balance of the project, which will not have P&I requirements until FY23.**
- The Surface Water Plant Phase 1 has a total cost of \$175,500,000. \$149,275,000 in revenue bonds have already been sold. **An additional \$26,225,000 in bond sales are included in the CIP in FY22, which will not have P&I requirements until FY23.**
- The JHEC WRF Expansion project has an estimated total cost of \$80,593,236. \$78,763,475 in revenue bonds have been sold. **An additional \$1,829,761 in bond sales are included in the CIP in FY22 and FY23, which will not have P&I requirements until FY23.**
- The Longwood WRF Decommission project has an estimated total cost of \$26,796,000. \$1,056,000 in debt has already been sold. **An additional \$25,740,000 in bond sales are included in the CIP in FY22 and FY23, which will not have P&I requirements until FY23.**

Based on the City’s current Water and Sewer System 2022-2026 CIP of \$334.280 million, a 20-basis point increase in interest rates would increase the total interest cost to the City by approximately \$7.1 million.

Again, the credit rating discussion is apart from the bond covenant requirements which must be met to continued the required CIP.

13) Would a rating decrease effect the City’s ability to receive low-interest loans from TWDB?

A rating downgrade will not affect the City’s ability to access a loan from the TWDB, but the interest rate received on the loan is based on the credit rating of the City’s Water and Sewer System debt. In other words, the City will still receive a low-interest loan compared to publicly issued debt, but the low-interest loan will be about 20 basis points higher due to the rating downgrade.

14) What accounts for the sale of water increase? Is it additional revenue from the 32/30 plan? (Enterprise Fund, pg 1)

The driver of Sale of Water revenue increase is the proposed 9% rate increase.

15) Why do we expect late payments to remain so elevated? Is it likely the large spike was driven by the resumption of late fees after many months, something not likely to be replicated this budget year? (Enterprise Fund, pg 4)

Historically late Fees have averaged around \$650,000. FY2020 and the beginning of FY21 were abnormally low due to the suspension of late fees.

The proposed amount is similar to what the City received in FY2018 – when the population was smaller. The table below contains the budget beginning in FY18.

FY18 Actual	FY19 Actual	FY20 Actual	FY21 Estimated	FY22 Proposed
\$655,235	\$578,762	\$217,083	\$630,000	\$650,000



Memo

To: Clay Pearson, City Manager

From: Ron Burton, Surface Water Treatment Plant Manager

CC: Trent Epperson, Deputy City Manager,
Robert Upton, Director of Engineering and Public Works,
David Van Riper, Assistant Director of Public Works
Amy Johnson, CFO
LaRae James, Human Resources Director

Date: August 18, 2021

Re: Surface Water Treatment Plant Staffing Summary with Operations
Privatization/Alternatives Options Review

Executive Summary

The purpose of this memo is to present a comprehensive overview for the proposed Surface Water Treatment Plant (SWTP) staffing. Staff continued to evaluate the consultant developed plan for operations of the SWTP, which included the in-house maintenance team that would service the plant and other water and wastewater facilities, establishing needed technical skills in the utilities divisions and reducing costs of contracted maintenance services.

Staff has provided a discussion and investigation comparing three options: Complete privatization, exclusively operated by the City at beginning of plant start-up, or a short-term public-private partnership relying partially on contract staff to prepare Pearland staff for operations.

When it comes to personnel costs, associated with the preventative maintenance of equipment and subsequent repairs, **it has been determined to be less expensive and more reliable to add the appropriate staff versus ongoing future operation of full outsource of maintenance.**

Even now, before the Surface Water Treatment Plant begins operation, the City stands to gain technical skills for many services that we now outsource across the entire Water and Wastewater System. Under our current capacity and outsourcing of repair work, much of the inspection work falls to the water operators, without the necessary expertise, leading to more equipment that fails and more emergency repairs. Cost reductions in outsourced services and vendor mark-up for supplies for maintenance can be achieved and realized through acquiring technical skills of a maintenance team; Maintenance Coordinator, Plant Mechanics, Instrumentation Technician and Electrician. Maintenance requests generated from Water Production and Wastewater Treatment are for relatively minor repairs that can be reduced or eliminated through a robust preventative maintenance and small repair program, which an in-house maintenance staff will provide. The recommended maintenance team offers benefits like in-house training for current operators, reduced downtime of essential equipment, maintaining a

stock inventory, elimination of parts markup, reduced labor costs and elimination of service call fees.

To avoid potential staffing issues associated with the shortage of SWTP operators, **the most beneficial approach to initially staffing SWTP operators for the City would be entering a short-term public-private contract and transitioning from there.** The process would for the operations contractor to provide qualified operators through the partnership for initial plant startup and training of non-licensed individuals to satisfy state requirements and work to transfer those operators over as City employees during the contract period. The process has proven successful for other local cities who manage and operate similar plants. **A full-service, long-term contract commitment is *not* recommended because it will cost more for operations and maintenance and would not provide the same high level of service and emergency response that we currently obtain from City personnel.**

Staff recommends the following actions:

1. Continue to move forward with the implementation of the Maintenance Team under the Surface Water Treatment Plant (SWTP) staffing plan as recommended and included within the upcoming FY 22 budget. The Maintenance team will have the understanding that they will be onsite at the SWTP, during construction, to learn the installation process of the equipment and be part of the training process so that the team knows the equipment and the preventative maintenance program, troubleshooting, investigating and repairs.
2. The Maintenance Team, consisting of one (1) Maintenance Coordinator and one (1) Instrumentation Technician requested for FY22, and two (2) Plant Mechanics and one (1) Electrician in FY23, will also be utilized system wide for the water and wastewater plants. The team will be assigned with the tasks of reviewing, researching, and analyzing the existing system equipment. The work will also include the development of preventative maintenance program for the critical equipment and then implement. The responsibility of the team will also include the maintenance and smaller repairs to the equipment. Examples of the items that the team will be responsible:
 - a. Routine inspection of equipment;
 - b. Periodic calibration and adjustments;
 - c. Development of a preventative maintenance schedule;
 - d. Better scheduling and utilization of personnel;
 - e. Reduced costs for routine and emergency repairs;
 - f. Better coordination between departments, especially if equipment is shared;
 - g. Improved knowledge and understanding of equipment;
 - h. Better organization of equipment maintenance procedures;
 - i. Efficient use of lubricants;
 - j. Efficient purchase of spare parts

3. **After visiting with other City operations and consultants, it is staff's recommendation to follow the plan of a Public/Private partnership for operations that has been proven to be successful.** Rather than a total outsource methodology it is to have this program start during the construction phase of startup and testing, a period estimated to last six (6) months, to train the operators on the equipment and training and continue with this service for a one-year period.
4. During the contract period and part of the contract with contracted operations will be the ability to hire the staff on a quarterly basis to slowly transition to full City operations by the end of the contract period.

Updates and Background

- **Cost Reduction Clarification and Identification.** Clarification of a February 5, 2021 memo titled “Surface Water Treatment Plant Staffing” projected a reduction of costs. That’s been reviewed and now identifying \$200,000 in recurring contracted services through additional staff, by sharing a more detailed overview of costs and benefits associated with adding personnel. However, estimated savings are not built into the FY22 budget and will not be fully realized until a full maintenance team is in place in FY23. As the maintenance team is on-boarded the reductions will be realized incrementally as staff is brought up to speed on the equipment throughout the system.
- **Proposed Personnel & Fiscal Year Workforce Evaluations.** A review of the revised staffing plan and a representative timeline for hiring staff in FY22 based on the Surface Water Treatment Plant (SWTP) project schedule. Additionally, the FY23 staffing recommendations necessary to develop a utility maintenance team, which will supplement service needs of the entire water and wastewater divisions. The creation of this team will be a first for the City that will provide technical services that have historically been acquired through outsource service contracts. Finally, an overview of the staffing plan that will provide maximum benefit to the City with a minimum number of staff.
- **Personnel Costs—City Operated vs. Outsourced vs Short Term Partnership.** The topic of outsourcing the SWTP was put forward during the City Council meeting held on May 17, 2021. Council’s concern was the estimated annual costs that would be incurred operating the SWTP at full capacity 24/7/365 with “a staff of ten people.” Council agreed that it would be interested in comparing potential costs of a City-staffed facility weighed against the potential cost of outsourcing the facility to a third party. The memo will explore some of the pros and cons of operating the plant as part of our overall water operations versus outsourcing.

Statistical Cost Reduction Clarification

The City has rapidly grown over the past 20 years we have traditionally contracted out mechanical, electrical, and instrumentation repairs. **With the addition of the SWTP, the size and needs of our overall system are at the tipping point to consider the benefits of bringing these capabilities in-house in the form of a “maintenance team.** The team will provide the proposed service internally for the overall water and wastewater divisions

Outsourcing services such as electrical, instrumentation, and motor repair to private companies under high value contracts has substantial cost impacts on Water Production, Wastewater Treatment and Lift Station budgets. Consider the following contracts that are funded primarily through Water Production and Wastewater division budgets:

- Boyer Inc. (Boyer) provides electrical repair services.
 - 2021 contract value, \$500,000.
- STP Services (STP) provides mechanical repair services to pumps and motors.
 - 2021 contract value, \$380,000.

- Prime Control (Prime) provides instrumentation-related services for automated systems and SCADA. There is no annual contract established as the new SCADA system is being developed and this service will be procured. Based on staff experience, a best estimate for maintaining and servicing a comparable SCADA system is \$162,000 per year.

The large contracts are bid as best value for the City, but once a fully developed and staffed maintenance team, which provides service to the various divisions, would be able to offset some of the costs by performing minor electrical, pump, motor and mechanical services in-house. Even with this team, the need will not be fully removed to have a contract with our vendors; however, it would be at reduced amounts, as major repairs will still require their services.

Summary

The \$200,000 savings indicated in the White Paper presented in early budget development was a projected cost reduction for service calls, labor costs, and elimination of an average 20% markup (for parts and materials) that vendors have charged for minor repairs to motors during the fiscal year for Water Production, Wastewater, and Lift Stations. Through an analysis of past work orders with Boyer and STP, **staff anticipates that with a full maintenance team, we can save the estimated \$200,000 by reducing service call fees by \$20,000 to \$50,000 per year plus a reduction of \$150,000 in labor and parts markup.**

Since it is less likely that these technical services will be needed *daily* at the SWTP during the first year due to warranty coverage for the equipment, the maintenance team will begin by addressing immediate needs in the current water and wastewater systems. The cost reductions in contractual services for other divisions will begin in FY22 when the positions are filled. The reductions will not be fully realized immediately but will be incrementally as staff is brought up to speed on the knowledge and operations of the equipment.

Proposed Personnel & Fiscal Year Workforce Evaluations Made to Reduce Head Count

In a 2017 memo, [Preliminary Staffing Plan](#), developed with the City's consultant Ardurra, a **12-member** staff is recommended (Figure 1) to oversee the operations of the SWTP.

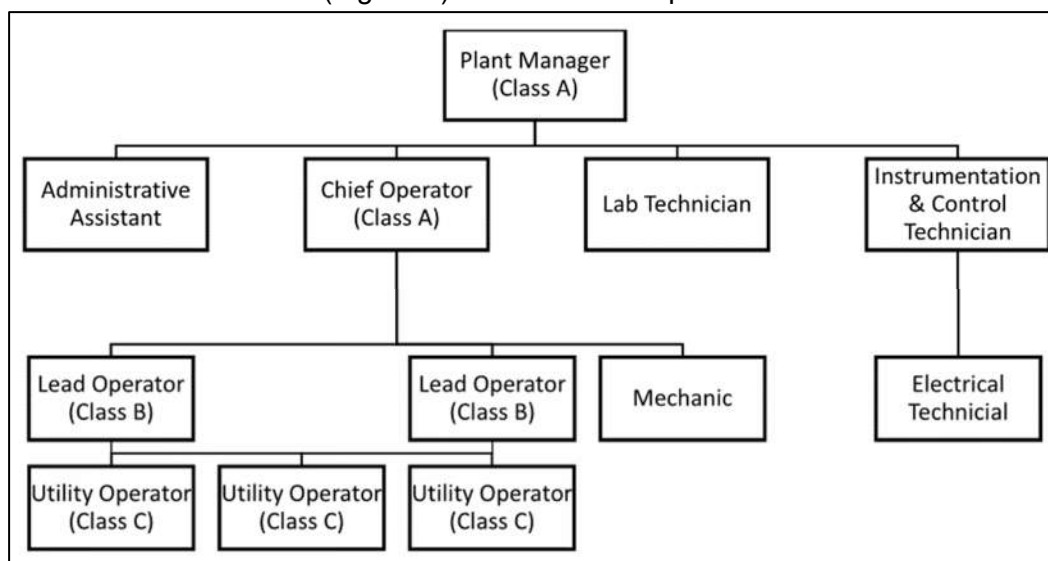


Figure 1. 2017 Preliminary Organizational Chart.

In staff's experience, the dynamic shown in Figure 1 is a typical organizational chart for a water treatment plant. However, in early 2020, staff revised the recommendation to create a more efficient management structure by grouping operations-related staff under one supervisor and likewise, grouping maintenance-related staff under another.

The revised organizational chart balances operations with maintenance across the *entire* water and wastewater system equipment, and includes two additional personnel, creating a **14-member staff, 9 of which are assigned to the SWTP and 5 to the maintenance staff**. [Figure 2](#) shows the revised chart delineating staff according to the recommended fiscal year in which staff will be requested. Proposed staff include: one (1) Administrative Assistant, one (1) Process Control Supervisor, two (2) Operator II's, three (3) Operator I's, one (1) Laboratory Technician, one (1) Maintenance Coordinator, one (1) Electrician, one (1) Instrumentation Technician, and two (2) Plant Mechanics.

For comparison to another 10 MGD capacity membrane plant, Sugar Land's staffing plan works with 12 employees: one (1) Plant Manager, eight (8) Operators, one (1) Lab Technician, and two (2) Plant Mechanics. Sugar Land's mechanics only service the plant and rely solely on additional contracts for electrical and instrumentation at the plant. Additional contracts for equipment and electrical repairs for equipment outside of the plant boundaries are also required. The current staff proposed plan is to develop the maintenance team to provide service for the complete water and wastewater infrastructure located throughout the City's system.

For the [revised staffing plan](#), job titles were modified from the preliminary plan to align with current market terminology, which in turn made research into market pay structures and job descriptions more comparable.

Staff adjusted the number of positions to accurately reflect the needs of this plant while considering the desire to create a “maintenance team” with aptitudes that would broaden the scope and capabilities and expertise in the utility division. The services that the proposed maintenance team would provide are currently outsourced to mechanical, electrical, and instrumentation contracts.

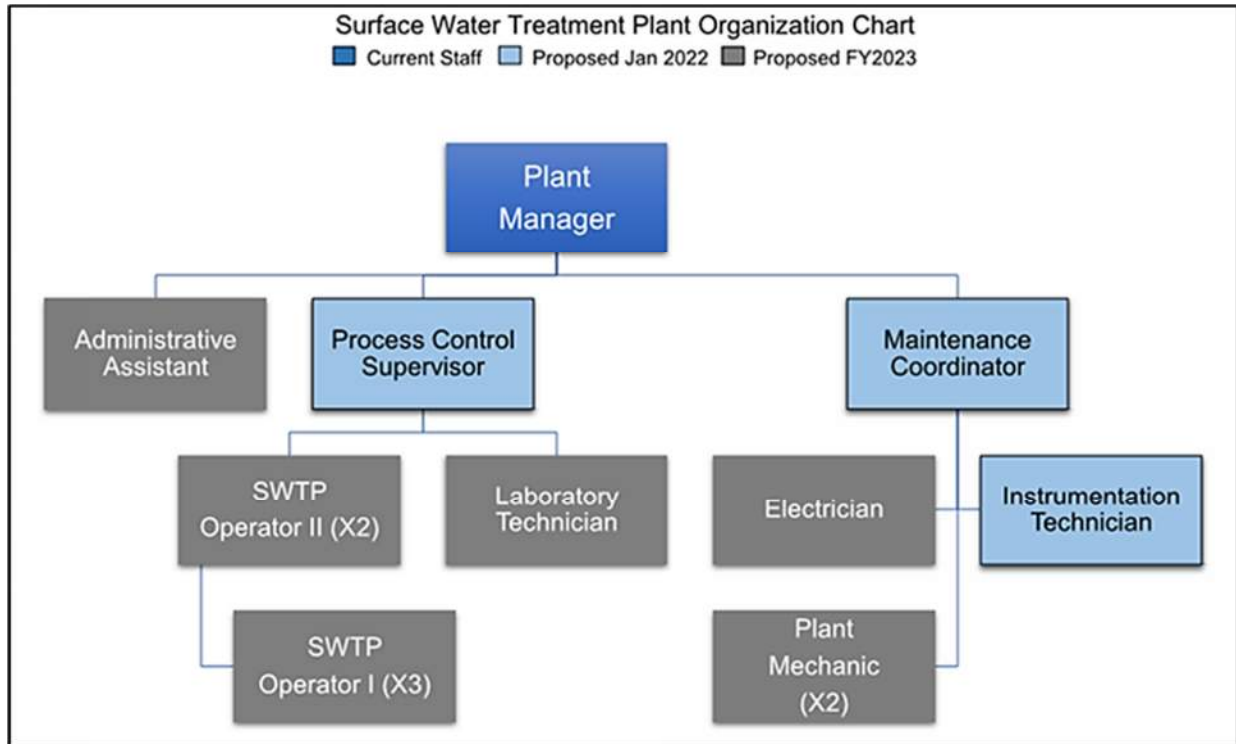


Figure 2. 2020 Revised Staffing Plan.

The recommended positions of Process Control Supervisor, Maintenance Coordinator, and Instrumentation Technician for FY22 budget along with an Electrician and Plant Mechanics that will be recommend in the future FY23 budget, are necessary personnel due to the complexity of equipment and automated systems in the surface water treatment process. It is the intention of the Department to develop a utility maintenance team, which will service the needs across both water and wastewater divisions. The creation of this team will be a first for the City as related technical services have historically been acquired through outsource service contracts.

The maintenance team is a long-term investment, like the plant itself; it involves initial costs and commitment to the concept that a more comprehensive workforce is better prepared for routine situations and emergency responses while providing long term benefits by expanding the City’s technical capabilities.

The following is a brief summary of the FY22 staff recommendations:

Process Control Supervisor

The Process Control Supervisor (PCS) will be responsible for the overall facility operations including surface water production, working closely with the Maintenance Coordinator on plant maintenance projects, maintaining the integrity of membrane filters, and determining chemical dosages and flow adjustments. Additionally, this position will be responsible for cross-training Water Production and Wastewater staff interested in earning a surface water license.

The PCS will assume a lead role in maintaining regulatory compliance, and due to the high level of knowledge and skills required, staff recommends that the City hires this position by January 2022 in order to commence formal training with the membrane filter installers, learn the various chemical feed systems capabilities, including highly specialized equipment such as the chlorine dioxide generator and the clean-in-place system for the membranes. Based on the current schedule the plant will be in early start-up in August 2022 and it is critical to have this position in place prior to that time.

Maintenance Coordinator

The Maintenance Coordinator will be responsible for the overall facility maintenance, coordinating maintenance staff on plant projects and those for other divisions, such as troubleshooting and minor repairs to equipment for the Water Production and Wastewater divisions, providing data for the asset management system, assigning work orders, and managing the preventative maintenance program.

Since this position will assume a lead role in the maintenance and troubleshooting of assets in multiple divisions, and the high level of knowledge and skills required, staff recommends that the City hires this position by January 2022 in order to work with equipment installers and manufactures' representatives on operation and maintenance training throughout plant startup and commissioning.

Instrumentation Technician

The Instrumentation Technician will be responsible for ensuring functionality of all automated systems, specifically the supervisory control and data acquisition (SCADA) systems for the water treatment plant, water production, and wastewater facilities. The goal for this position includes maintenance, repair, and upgrades of hardware and potentially software components, pending on skill level, and some basic programming necessary to integrate changes.

Because this position will assume a lead role in maintaining SCADA systems for Public Works, and due to the high level of knowledge and skills required, staff recommends that the City hires this position by January 2022 in order to commence formal training with SCADA installers, equipment suppliers, and engineers, but additionally to:

- Work with application engineering services in the development of the treatment plant's SCADA design and automated systems;
- Work with IT Department staff to become familiar with the City's integrated systems and policies;

- Work with Water Production and Wastewater divisions, learning their SCADA systems and coordinating procedures to integrate the treatment plant and WP systems.

All three positions will report to the Surface Water Treatment Plant Manager and will be responsible for enforcing policies and guidelines to ensure compliance with regulatory agencies, coordinating treatment plant operations with the Water Production and Distribution divisions, and determining proper corrective procedures regarding water quality.

The timing of the recommended staff is critical during the construction phase of the SWTP because it will give the staff the advantage of learning firsthand knowledge of the structures, substructures, and equipment as it is being built; and piping and conduit as it is installed. It also allows the opportunity to train staff in the operation of the equipment with engineers and manufacturers of the equipment. Working in conjunction with the engineers and manufacturers would better prepare these positions to assume the responsibilities of operations. The additional staff should be in place by January 2022 in time for critical equipment delivery and planned start up and testing of equipment.

Table 1 illustrates timelines for major installations through calendar years. The lines represent the progression as systems develop; testing of electronic system will be ongoing and intermittent as they correspond to other installations up to the initiation of a SCADA system. The Process Control Supervisor, Maintenance Coordinator, and Instrumentation Technician will play crucial roles in operating and maintaining these installations. January offers a prime window of opportunity to bring staff on as systems become more interconnected at that point in construction.

Table 1: Engineering Project Schedule

Installations	2021	2022								
	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Membrane System										
Chemical Feed Systems										
Mechanical Systems										
Electronic Systems Testing										

Table 2 shows estimated recurring costs of \$300,159 for salaries with benefits based on the mid-range pay rate for each position’s recommended pay grade in accordance with Pearland’s Pay Plan. One-time purchase of assets for Tools is \$36,972 and Vehicles for \$66,000. The total budgeted for FY22 is \$403,131.

Table 2: Recurring and One-Time Costs

Position	Recurring	Tools	Vehicles	FY22 Budget
Process Control Supervisor	\$ 104,153	N/A	N/A	\$ 104,153
Maintenance Coordinator	\$ 104,153	\$ 20,972	\$ 33,000	\$ 158,125
Instrumentation Tech	\$ 91,853	\$ 16,000	\$ 33,000	\$ 140,853
Totals	\$ 300,159	\$ 36,972	\$ 66,000	\$ 403,131

Summary

Field-professional employees are essential factors in any municipality's success; after all, personnel skills accounts for 85% of an organization's assets and can affect public perception. The recommended staff in the revised staffing plan will provide a needed service to the Department by expanding our level of technical staff. As water-related topics become increasingly more prevalent in social discourse, it is important to invest in water-industry professionals who can reinforce the public's confidence in our water and wastewater utilities and be a competitive with our neighboring municipalities that already possess this degree of service for their water treatment plants.

Personnel Costs—City Operated vs. Outsourced

Providing safe and affordable drinking water service for citizens is a necessary but costly endeavor. Simply staying apprised of the latest science and regulations takes considerable resources. Implementing changes as needed to provide quality drinking water requires investment, manpower, and expertise. Therefore, in preparing each of the following categories, research was conducted in both private and public owned utilities to provide representative personnel costs.

Privatization

To provide the comparison of Privatization vs In-house staff, staff needed to research job descriptions, pay and visit with other cities that utilized privatization. Areas of responsibility include such things as, job duties, desired skills, and job knowledge / experience of potential candidates were compared from sources that include: CareerExplorer.com, ZipRecruiter.com, Salary.com, and Indeed.com. Additionally, local municipalities including Baytown, Sugar Land, Deer Park, and Houston job descriptions were reviewed and compared. The information gathered was used to develop a competitive preliminary pay schedule for the revised staffing plan using the mid-range hourly rate for each position's recommended pay grade in accordance with Pearland's Pay Plan.

Table 3 presents a comparison of the position salaries, including benefits, and compares the City's mid-range per hour rate to the standard hourly rate charged for outsourced services obtained through a public-private partnership contract used for operations at Sugar Land's plant. The Sugar Land facility was chosen for comparison because its plant design and operational needs would mirror the City's. Sugar Land is a 10 MGD capacity plant that draws raw water from the same source (Brazos River), has four membrane racks, utilizes plate-settlers and GAC filters, has the same solids de-watering process, and operates 24/7/365. Ardurra provided the pay rates for the third-party contractor that was utilized during the startup and the one year of transition from contracted to City staff.

According to Sugar Land's Plant Manager, the full-service contract with an operations and maintenance provider was for a one-year period following completion of the plant, primarily for initial plant start-up and establishing operations. Additionally, staffing the plant was included as a term of the contract, after which, the city assumed operations and hired many of the contract operators and mechanics. **Long-term privatization of the Sugar Land plant was never the intention of using a third-party, it was simply to establish operations and maintenance**

protocols for the initial start-up period of system integration and through the warranty period.

Table 3: Hourly Rate Comparison

Position	City Mid-Range Salary	Benefits	City Totals	City / Hr with Benefits	Contract Rate / Hr	Contract Total
Regional Director of Operations	See note below.				\$ 205.00	\$ 49,200.00
Senior Operations Specialist					\$ 153.00	\$ 36,720.00
Plant Manager	\$ 79,077	\$ 22,142	\$ 101,219	\$ 48.66	\$ 95.00	\$ 197,600.00
Administrative Assistant	\$ 50,928	\$ 14,260	\$ 65,188	\$ 31.34	\$ 52.00	\$ 108,160.00
Process Control Supervisor	\$ 75,245	\$ 21,069	\$ 96,314	\$ 46.30	\$ 82.00	\$ 170,560.00
Operator II (X2)	\$ 50,928	\$ 28,520	\$ 158,895.36	\$ 39.18	\$ 77.00	\$ 160,160.00
Operator I (X3)	\$ 46,193	\$ 38,802	\$ 254,987.35	\$ 35.53	\$ 52.00	\$ 108,160.00
Laboratory Technician	\$ 50,928	\$ 14,260	\$ 65,188	\$ 31.34	\$ 69.00	\$ 143,520.00
Maintenance Coordinator	\$ 75,245	\$ 21,069	\$ 96,314	\$ 46.30	\$ 86.00	\$ 178,880.00
Instrumentation Tech	\$ 71,662	\$ 20,065	\$ 91,727	\$ 44.10	\$ 76.00	\$ 158,080.00
Electrician	\$ 56,149	\$ 15,722	\$ 71,871	\$ 34.55	\$ 77.00	\$ 160,160.00
Plant Mechanic (X2)	\$ 46,193	\$ 25,868	\$ 144,123.28	\$ 35.53	\$ 72.00	\$ 149,760.00
Total	\$ 602,548	\$ 221,776	\$ 1,145,825	\$ 467.85	\$ 891.00	\$ 1,571,760.00

In addition to the contractor's staffing requirement to operate the plant, the company required a Regional Director of Operations and Senior Operations Specialist to be available intermittently (20-30 hours monthly) for operation and budget reviews and meetings with Sugar Land city management. Pearland already accounts for the duties of these two positions and their associated costs through the Director of Engineering and Public Works, Assistant Director of Public Works and SWTP Plant Manager.

In further costs analysis, Ardurra provided the following itemization of estimated annual expenses for the Sugar Land plant. Because of two plants similarity in size and operations, we can reasonably expect our operating costs for these items to be comparable. These costs are the same whether use City personnel or outsource the plant operations.

Labor, O&M	\$ 1,200,000
Chemicals	\$ 1,000,000
Electricity	\$ 900,000
Repairs	\$ 1,000,000
Solids Disposal	\$ 300,000
Laboratory	\$ 40,000
Total Est.	\$ 4,440,000

To summarize, overall personnel cost at the Pearland mid-range rate including benefits, \$1,145,825, is slightly less expensive than the third-party cost for the same staff, \$1,571,760. Considering this and the benefit of having an in-house technical staff compels our staffing recommendation to have in-house staff. Additionally, the in-house staff will be available for citywide emergency operations during an emergency. Whereas, other jurisdictions have experience issues with contracted operators not being available during emergency operations. The lack of response was experienced recently with a nearby City during the Winter storm Uri.

Sugar Land and Missouri City initially relied on full-service contracts to establish items like standard operating procedures, maintenance procedures, asset management, SCADA operations, and laboratory testing. Basically, these cities purchased an administrative package to produce and manage these functions.

The third-party relied on their staffing resources to bring on certified operators and management staff. However, many of these services have already been provided by our current Plant Manager, such as a Safety Program, QA/QC Plan for the laboratory, and SOPs and maintenance protocols are being developed as equipment manuals are made available. Additionally, services such as asset management and SCADA are being provided at the SWTP through design criteria and for the City through a project with CityWorks.

As far as laboratory services, the third-party contracted local labs for testing, which is our current practice; however, as mentioned, we can expand our testing abilities by maintaining our own lab, which would also provide a faster turn-around on test results leading to a quicker response to water quality issues.

The recommended staff for our plant can perform the tasks above without the over 50% markup for personnel charged by for-profit contractors (see [Table 3](#)). One way or another, the City will be paying for personnel, but as mentioned, bringing qualified technical staff into our ranks will have greater benefits for the City.

Outsourcing Maintenance Services Through Contracts

A summary of per hour labor cost for current outsourced services is illustrated in [Figure 3](#). The contract with Boyer and STP specifies 3,040 manhours per year and that number was used to determine comparable labor costs for the City. The City does not have a contract with Prime, but hourly rates are shown based on a 2019 emergency contract for \$10,000 to repair SCADA at Alice Water Plant and a lift station.

Both Boyer and Prime have separate rates for services: standard rate, which is shown as mid-range plus benefits for the City; and, an “emergency” rate that is charged for afterhours service calls—for comparison, an overtime rate was used for City staff. The City has the lowest labor cost for all four positions—even in the case of overtime. The most considerable cost reduction is apparent in the Instrumentation Tech position. Given that the City is investing a total of \$4.25M in [CIP](#) funds to update/replace its antiquated SCADA system for the Water Production and Wastewater divisions, and with the SWTP coming online, having staff with the ability to mitigate system failures, reducing downtime, and fully use the automation benefits of the system will be advantageous for all three divisions.

The total contractual hours and rates for STP and Boyer, and the estimated \$162,000 for a full-service SCADA contract totals \$747,000, whereas City staff for the same services is \$300,159, or roughly 40% of contractual costs.



Figure 3. Personnel Costs of City Mid-Range vs. Current Service Contract Rates.

Staffing Overviews

Teams Overview—Operations & Maintenance

Water operators carry out a range of duties to support utility activities, from ensuring compliance with federal, state, and local water quality standards, to testing water samples, to monitoring facility conditions. Likewise, mechanics, electricians, and instrument technicians rank among the most important mission-critical occupations identified in utility surveys and studies; these workers are essential to installing, calibrating, and overseeing a variety of utility equipment.

Operations Team

SWTP operators carry out specialized activities crucial to the long-term operation and maintenance of a water facility. City-employed operators are long-term operators. We all have colleagues who have worked at their respective plants for 15 to 20 years. The staff develop historical knowledge and transferable skills that cut across multiple disciplines and pass those skills on to new staff.

Unlike any other department or division in the City, our facility will manufacture a product; operators take a raw material, skillfully process it, and produce an indispensable commodity. Producing potable water from a raw source requires a series of treatment processes, ten (10) chemical compounds for clarifying and disinfection, and complex automated systems working together, all under the control of plant staff.

Before one drop of water can be produced, a SWTP Operator must have credentials required by the Texas Commission on Environmental Quality (TCEQ). Table 4 provides a view of TCEQ requirements that are the basis for the following positions: one (1) Process Control Supervisor (PCS), responsible for the overall facility operations and compliance, coordinating surface water operations with the Water Production and Distribution divisions, and determining proper corrective procedures regarding water quality; two (2) Operator II positions, who satisfy the Class B requirements for their respective shifts; and, (3) Operator I positions that require a Class C license and offer the opportunity as an entry-level position to acquire necessary training. The Laboratory Technician will serve as a backup for operations but is primarily responsible for strict quality control for laboratory operations including instrument calibration, performing routine tests for plant water quality and outside samples from Water Production, Environmental Services, and potentially Wastewater divisions. The position will also facilitate non-routine testing required by TCEQ and EPA.

Table 4: Summary of 30 TAC §290.46.

Minimum Operating Practices Requirement	Texas Administrative Code Reference
<ul style="list-style-type: none">Surface water systems that serve more than 1,000 connections must use at least two operators.One of the operators must hold a Class “B” or higher surface water license and the other must hold a Class “C” or higher surface water license.	§290.46(c)(6)(B)

Minimum Operating Practices Requirement	Texas Administrative Code Reference
<ul style="list-style-type: none"> All operators must work at least 32 hours per month. Surface water system must use at least two operators who have completed the Surface Water Production I course and the Surface Water Production II course. 	
<ul style="list-style-type: none"> While the SWP is in operation at least one surface water operator, of Class "C" or higher, must be on duty; 	§290.46(c)(6)(C)
<ul style="list-style-type: none"> Class "D" operators shall not be allowed to adjust or modify the treatment process at the SWP unless an operator who holds a Class "C" or higher surface water license is present at the plant and has issued specific instructions regarding the proposed adjustments. 	§290.46(c)(6)(D)
<ul style="list-style-type: none"> For plants using chlorine dioxide, chlorine dioxide facilities must be operated under the direct supervision of a licensed operator who has a Class "C" or higher license. 	§290.46(c)(2)(C)

There are many considerations when developing an efficient shift schedule for a twenty-four-hour operation. Figure 4 provides a preliminary example of how operations might function at our plant using three eight-hour shifts. Additionally, it fulfills the TCEQ staffing requirements. There are many possibilities for shift scheduling that will be explored as the project gets closer to completion and staff operations is brought on board. An example below was chosen for simplicity.

	S	M	T	W	TH	F	S
SHIFT 1 06:00- 14:00	PCS	PCS	PCS	PCS	PCS	LT	Op I-A
	PCS	LT	LT	LT	LT	Op I-A	
SHIFT 2 14:00- 22:00	Op I-A	Op II-A	Op II-A	Op II-A	Op II-A	Op II-A	Op I-B
		Op I-B	Op I-B	Op I-B	Op I-B	Op I-B	
SHIFT 3 22:00- 06:00	Op I-B	Op II-B	Op II-B	Op II-B	Op II-B	Op II-B	Op I-C
		Op I-C	Op I-C	Op I-C	Op I-C	Op I-C	

Figure 3. Example shift schedule.

The rationality for this scheduling plan is as follows:

- The Process Control Supervisor (PCS) and both Operator II's (Op II) will act as shift leaders for their respective shifts; the shift leader will be responsible for the overall compliance and plant operation, process modifications, monthly operation reports, and data collection. The Operator I (Op I) will assist with maintaining process chemical residuals, chemical feed systems, raw water system monitoring and other process facility operation.
- Efficiency and safety:

- There will be at least two operators per shift Monday thru Friday as the standard work week is typically when business dealings occur such as, chemical deliveries, ordering supplies, transactions with vendors and other City divisions, etc.
- There are three high-demand periods during the work week: mornings, during shift 3; lunch time, during shift 1, and evenings, during shift 2. More effort is required during high plant flows in terms of testing and maintaining plant processes. Two operators are better suited to safely serve operational needs during high-demand. Conversely, weekends are typically lower demand days, so there is less need for two operators. The single-staffed days will primarily focus on the basic operations.
- Two operators per shift is standard safety protocol. There obvious hazards associated with the use of ten process chemicals, especially chlorine gas and chlorine dioxide. Two staff will be safer on the evening shifts in terms of plant security. The example shift schedule (Figure 4) shows days with only one operator, and that will be addressed through reassessing the schedule for 10- or 12-hour shifts. The schedule will continue to be further refined as we get closer to the plant completion and on-boarding of staff operations.
- Training opportunities. A benefit of having this recommended operations staff is cross-training opportunities for our Water Production staff. The WP staff hold groundwater licenses. State rules require on-hand training at a SWTP and additional class training for persons with groundwater licenses to advance to a surface water license. The ability to cross-train can provide other staffing resources for both divisions and enhance our staff's ability to respond and support other divisions.
- Reduction of overtime. Having two operations staff available on each shift reduces overtime during a shortages and absences such as sick, vacation, or training.
- The Laboratory Technician (LT) is assigned the first shift to accommodate analysis of external samples brought in from Water Production, Wastewater, or Environmental Services staff, expanding the analytical potential of these three divisions. Also, to work with TCEQ on the collection of compliance sampling.

Operations Staffing Contingency Plan

The operations plan above would not be possible without qualified personnel. A recent document published by the [US Environmental Protection Agency](#) echoes the concerns of many treatment plant managers in both water and wastewater that “major challenges facing our nation is the critical and unprecedented staff shortage in the water workforce...in the next five to ten years, water sector workers will be eligible to retire at levels that will stress our ability to operate this critical infrastructure.” Speaking to colleagues locally and statewide, all have recognized a shortage in qualified SWTP operators. For this reason, it would be advisable for the City to attempt to hire SWTP operators to incorporate the profession into our Public Works community in order to establish and grow this resource internally. This will also attract and retain employees seeking a career path from licensed ground water operators higher licenses and to surface water operators.

SWTP operators are not as readily available as the groundwater licensed operators currently in Water Production and for this reason there may be a need for an initial public-private partnership to acquire these personnel as Sugar Land did for initial plant start-up.

Staff recommendation is to consider Sugar Land's approach to staffing operations, but rather than outsource total control of operations and maintenance through a full-service contract, Pearland could contract a necessary number of operators for a period of one year, or more with an option to hire on with the City at the end of the contract period.

Staff contacted two firms who provide operational outsourcing. Both verified that they provided short-term contracts that would suit our needs for staffing a necessary number of qualified operators. Additionally, both confirmed that it would be possible for them to bring in a number of qualified staff to cover the plant start-up period and during the first year. During this process, operator candidates would be hired and trained by Jacobs staff. As City staff are trained and certified as SWTP operators, outsourced staff then be phased out at intervals of three, six, and nine months prior operations being turned over exclusively to the City.

Two positive aspects for this type of Public/Private partnership is (1) the City would have a full operations staff available at the plant startup, and (2) the opportunity to cross-train City staff, or new trainees during the contract period to be prepared to take over operations at the end of the contract. A benefit to this type of approach is that the state requires one year of hands-on experience working at a SWTP to become eligible to test for a surface water license. This way we would be able to train our future staff, with the plant equipment, and utilize the experience from the private entity to oversee

Maintenance Team

The City's water and wastewater system is an approximately \$60 million dollar enterprise that is responsible for our entire water cycle. The system consists of ten water wells and numerous booster pumps, 18 MG of water storage capacity, five wastewater plants, 70 lift stations, and soon include the SWTP. There is a total of over 200 pumps and motors within the system. The system is a highly complex needing constant repairs, recapitalization, and preventative maintenance to keep operating efficiently and effectively. As mentioned, we do not currently staff trained maintenance personnel, but outsource services to do all levels of repairs.

To maximize this labor investment, it is important for a maintenance team to be structured and staffed with personnel whose skill sets match maintenance tasks needed. To gain an understanding of what is needed, staff reviewed two years of work orders from Water Production and Wastewater Treatment. A large number of repairs were relatively simple and could have been performed by the recommended maintenance staff. For example:

- Resetting VFD controls—Instrumentation Tech;
- Installing small motors and actuators—Mechanic and Electrician;
- Installing bearings and impellers—Mechanics.

The following scope will provide a clear overview of the expectations for how an in-house maintenance team will service and benefit Public Works.

Recommended staff (from [Figure 2](#)):

- One (1) Maintenance Coordinator;
- One (1) Instrumentation Technician
- One (1) Electrician
- Two (2) Plant Mechanics

What benefits will a maintenance team add to Eng & Public Works Water & Wastewater utilities?

- Routine inspection of equipment;
- Periodic calibration and adjustments;
- Development of a preventative maintenance schedule;
- Better scheduling and utilization of personnel;
- Reduced costs for routine and emergency repairs;
- Better coordination between departments, especially if equipment is shared;
- Improved knowledge and understanding of equipment;
- Better organization of equipment maintenance procedures;
- Efficient use of lubricants;
- Efficient purchase of spare parts.

Developing a Preventative Maintenance Program

With our current capacity and outsourcing of repair work, much of the above inspection work falls to the water operators, without the necessary expertise, leading to more equipment that fails and more emergency repairs. The major contributor to an effective life span for a critical asset is a well-developed preventative maintenance program (PMP), which will be executed by the Maintenance Coordinator (MC). In coordination with the Asset Management Program, without proper maintenance, the usable life of any piece of equipment is much shorter than its design life, sometimes by 30 percent or lack of maintenance leads to catastrophic failure. Keeping each asset in good repair and working order equates to fewer interruptions to critical operations and ultimately less downtime over the life of the asset. To begin setting up a PMP, the MC will facilitate meetings with Water Production and Wastewater Superintendents to create a master inventory list and prioritize critical assets.

Developing Shared Maintenance Files

Once assets are identified, a survey will be conducted of all maintenance and operations manuals and required activities. All on-hand will be digitalized as PDFs and stored in a local shared files; this will allow all maintenance staff quick access when in the field. The activity will be assigned to maintenance staff and / or division staff by the MC. After all files are located, evaluated and stored, a PMP schedule can be developed.

Developing a PM Schedule

The O&M manuals will provide a manufacturer's recommendations for preventative maintenance. The MC will consolidate the information into a PM schedule for each plant. Schedules will be given to division management who will enter the information into CityWorks Asset Management

System accordingly. The system will alert maintenance staff, through a workorder, when a PM is due. CityWorks will serve as document control for the PMP.

Developing Parts & Supplies Inventories

Currently, water and wastewater divisions do not maintain adequate, if any, inventory of stock-parts or replacement equipment (small motors, actuators, etc.). When equipment fails, replacement or repair begins and ends with outsourced service that either has the required part or must order it. Delays in repairs and overall downtime can be reduced by establishing and maintaining inventories. The biggest benefit of parts and supplies inventory management is controlling the cost of maintenance by eliminating the various mark-ups charged by outsourced services. The MC will work with superintendents to identify and stock parts that have a higher frequency of failure and create a long-term budget for stock inventories.

Managing Maintenance Costs

In 2020, Water and Wastewater spent a combined \$202,824 in parts and labor for repairs performed by STP; so far in 2021, \$81,853 has been expended. Of the invoices that itemize, it appears that much of the cost for these two years is associated with labor. For example, STP charged \$2,760 for two 4" gate valves, \$1,860 for supplies and \$900 for labor. Table 3 and Figure 3 both show that personnel costs for the recommended maintenance staff are mostly half of the costs of outsourced labor, therefore, the City could have saved a potential \$900 on labor alone.

Reactive maintenance costs only increase as equipment ages, but by investing in a maintenance team with the knowledge and skills we would be taking a proactive approach to reducing costs by reducing equipment failures and plan for critical repairs.

Advantages of a City-staffed Facility

As a new City facility, the water treatment plant will provide a public service to the citizens, businesses, and industries of the community. Staffing the plant with City personnel would promote community ownership and further demonstrate our fiscal responsibility in delivering a reliable water source. Increasing the size and technical capabilities of our workforce will provide our citizens a greater service in response time to emergency situations and outages. Finally, staffing this facility with City personnel would reflect and advance the City's values that are uniquely designed to respond to the community's interests and public health.

In addition to these broader benefits, having an in-house team will provide:

- *A consistent and dedicated workforce.* Relying on work provided through outsourced services means that we get who they send, when they are available. An in-house team would be familiar with our specific equipment and have more accountability for maintenance because the team would have consistent firsthand experience with that equipment. Additionally, these new recommended staff will broaden our water utility's capabilities and resources. Lastly, a City workforce is vested in the best interest of the City. Staff performance is rooted in dedication and pride as opposed to profit.

- *Reliable inventory.* The City would stock supplies and replacement parts specific to our needs. This would reduce equipment downtime when outsourced service providers have to order parts. It would also reduce overhead charges from those providers, and possibly provide better warranty benefits because we could work directly with a manufacturer.
- *Better prepared for emergencies.* The winter storm that affected Texas showed us a lot about what resources cities had, or more importantly, what was not available. Many outsourced services were not available due to companies that were not prepared. An in-house team would have the resources of the City to provide transportation to the wells, wastewater plants, and lift stations, and as mentioned, the stock supplies on hand for less downtime.
- *Increased security.* Water and wastewater facilities are critical infrastructure and have cyber systems and assets that are vital to the City. Their incapacity would have a debilitating impact on our physical or economic security and public health or safety. We can increase infrastructure security by having our own technical staff, reducing our dependence on outsourced services to these facilities.

Conclusion

In conclusion when it comes to personnel costs, associated with the preventative maintenance of equipment and subsequent repairs, it has been determined to be less expensive to add the appropriate staff versus the continued operation of full outsource of maintenance.

As reported, the City stands to gain technical skills for many services that we now outsource across the entire Water and Wastewater System. Under our current capacity and outsourcing of repair work, much of the inspection work falls to the water operators, without the necessary expertise, leading to more equipment that fails and more emergency repairs. Cost reductions in outsourced services and vendor mark-up for supplies for maintenance can be achieved and realized through acquiring technical skills of a maintenance team—Maintenance Coordinator, Plant Mechanics, Instrumentation Technician and Electrician. Maintenance requests generated from Water Production and Wastewater Treatment are for relatively minor repairs that can be reduced or eliminated through a robust preventative maintenance and small repair program, which an in-house maintenance staff will provide. The recommended maintenance team also offers benefits like in-house training for current operators, reduced downtime of essential equipment, maintaining a stock inventory, elimination of parts markup, reduced labor costs and elimination of service call fees.

To avoid potential staffing issues associated with the shortage of SWTP operators, **the most beneficial approach to initially staffing SWTP operators for the City would be entering a short-term public-private contract.** The process would be to provide qualified operators through the partnership for initial plant startup and training of non-licensed individuals to satisfy state requirements and transfer those operators over as City employees. The process has proven successful for other local cities who manage and operate similar plants. Table 5 provides the information on the five current SWTPs that are in operation and receive water from GCWA. **A full-service, long-term contract is not recommended** because it will cost more for operations and maintenance and would not provide the same high level of service and emergency response that we currently obtain from City personnel.

Table 5: Agency Operations Method

Agency	Million Gallons per Day	Treatment Technique	Operator	Comments
City of Missouri City	10	Membrane	Third Party	Third party during construction. City of Missouri City does not have a utility department.
City of Sugar Land	9	Membrane	In-house	Used Public/Private partnership for the first year and then took over operations.
Pecan Grove	2	Membrane	Third Party	MUD operations
WCID #2	3	Membrane	In-house	Staff operations
City of Richmond	2	Membrane	In-house	Used Public/Private partnership for the first year and then took over operations.

Recommendations

Staff recommends the following actions:

1. Continue to move forward with the implementation of the Maintenance Team under the Surface Water Treatment Plant (SWTP) staffing plan. The Maintenance team will have the understanding that they will be onsite at the SWTP, during construction, to learn the installation process of the equipment and be part of the training process so that the team knows the equipment and the preventative maintenance program, troubleshooting, investigating and repairs.
2. The Maintenance Team will also be utilized system wide for the water and wastewater plants. The team will be assigned with the tasks of reviewing, researching, and analyzing the existing system equipment. The work will also include the development of preventative maintenance program for the critical equipment and then implement. The responsibility of the team will also include the maintenance and smaller repairs to the equipment. Examples of the items that the team will be responsible:
 - a. Routine inspection of equipment;
 - b. Periodic calibration and adjustments;
 - c. Development of a preventative maintenance schedule;
 - d. Better scheduling and utilization of personnel;
 - e. Reduced costs for routine and emergency repairs;
 - f. Better coordination between departments, especially if equipment is shared;
 - g. Improved knowledge and understanding of equipment;
 - h. Better organization of equipment maintenance procedures;
 - i. Efficient use of lubricants;
 - j. Efficient purchase of spare parts
3. After visiting with other City operations and consultants, it is staff's recommendation to follow the plan of a Public/Private partnership for operations that has been proven to be successful. Rather than a total outsource methodology it is to have this program start during the construction phase of start up to train the operators on the equipment and training and continue with this service for a one-year period.
4. During the contract period and part of the contract with contracted operations will be the ability to hire the staff on a quarterly basis to slowly transition to full City operations by the end of the contract period.

Reference Documents

Ardurra's Preliminary Staffing Plan Memo.

https://pearlandtx-my.sharepoint.com/personal/rburton_pearlandtx_gov/Documents/Desktop/Staff/Staffing/Ardurra/100417-Tech%20Memo%20-%20Staffing%20Plan.pdf

Revised Staffing Plan.

https://pearlandtx-my.sharepoint.com/personal/rburton_pearlandtx_gov/Documents/Desktop/Staff/Staffing/SWTP%20Staffing%20Plan%20with%20Job%20Descriptions.docx

2021-2025 COP Capital Improvement Program

See project numbers: WA2107 and WW2103.

<https://www.pearlandtx.gov/home/showpublisheddocument/28459/637321439561970000>

USEPA. Sustainable Water Infrastructure Sector. *America's Water Sector Workforce Initiative: A Call to Action*. 2020.

https://www.epa.gov/sites/production/files/2020-11/documents/americas_water_sector_workforce_initiative_final.pdf



City of Pearland FY22 Proposed Budget “Adapting to Change”



Budget Schedule

~~2/7/21 – Early Budget Input Session~~

~~8/6/21 – Budget Delivered to City Council and Mayor~~

~~8/14/21 – Budget Discussion #1~~

~~8/23/21 – Budget Discussion #2~~

8/30/21 – Public Hearing & Budget Discussion #3

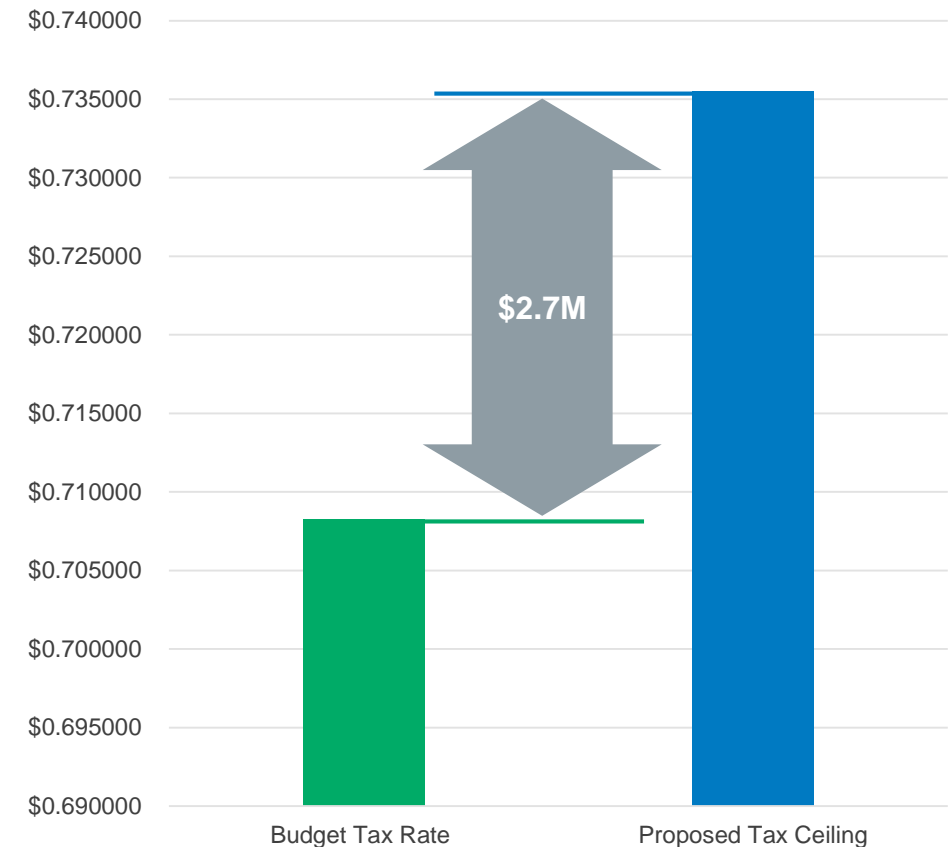
9/13/21 – Budget Reading #1 & 1st vote on tax rate and fee ordinances

9/27/21 – Budget Reading #2 & 2nd vote on tax rate and fee ordinances



CFO Intro/Overview of Budget “Wins”

- Proposed tax rate ceiling of \$0.735484
- Budget tax rate of \$0.708250
- Provides room for Council to choose where/how to fund their priorities (\$2,702,941 in M&O dollars between the two rates)





How Far We've Come

- Started with Budget Workshop in February
- \$1,264,395 in one-time supplemental requests (GF), down to \$685,695 requests, with a tax rate decrease
- 61 Positions requested in General Fund, down to 7.5 with a tax rate decrease
- Every funded request can be tied back to Council Priorities



Staff Efforts

- Brought budget in on time, working incredible hours with staffing down 60%
- New Finance MTM team, still learning to navigate the process, our staff, our team
- Tried very hard to deliver answers in advance and thoroughly researched, answered over 50 Council inquiries
- All the work brought us to tonight, where we hold our Public Hearing as required under State Law

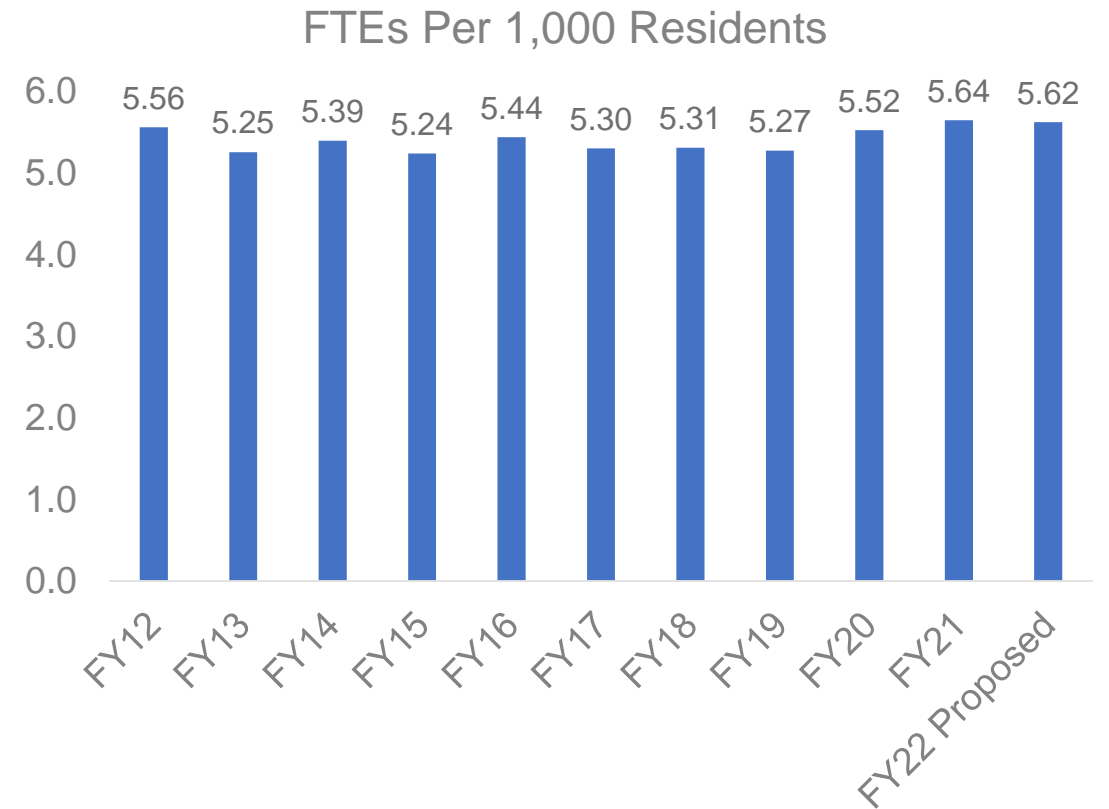
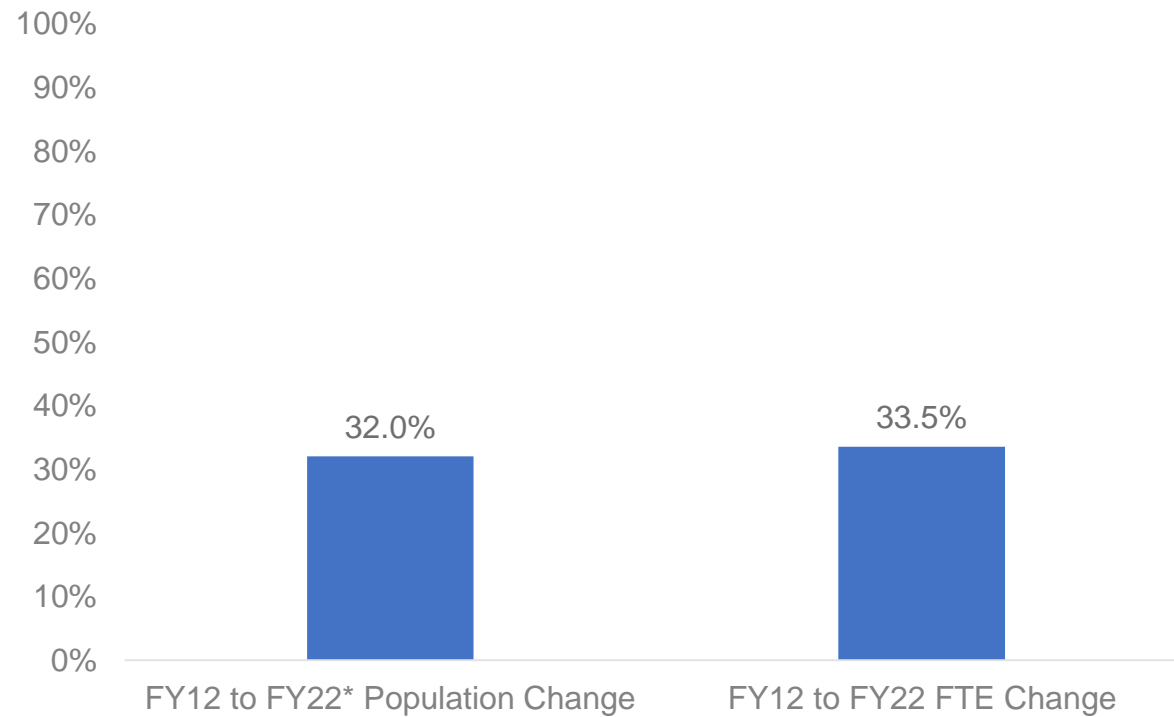


FTE Growth vs Population Growth in the General Fund



Pearland staffing has tracked population growth

Population vs General Fund Growth
*Assumes 2% population growth in FY22

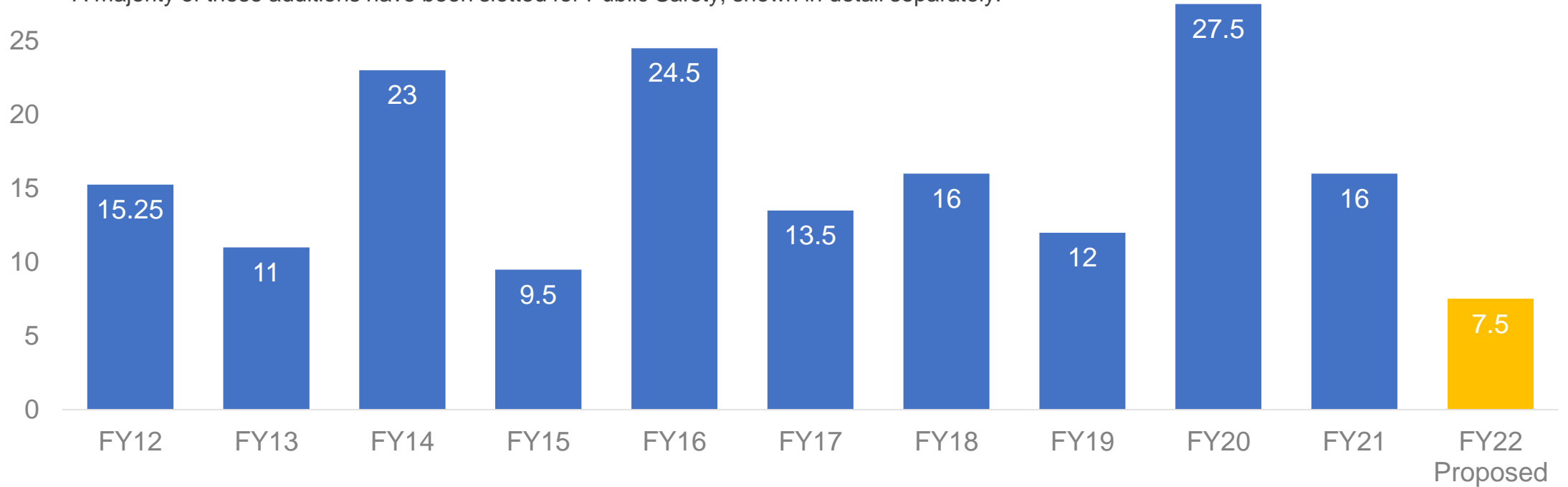


Adding 7.5 FTEs in the General Fund is the smallest addition in over a decade



General Fund FTEs Added by Fiscal Year

30 168.25 positions have been added over the last 10 years, with 7.5 additional proposed for FY22. A majority of these additions have been slotted for Public Safety, shown in detail separately.

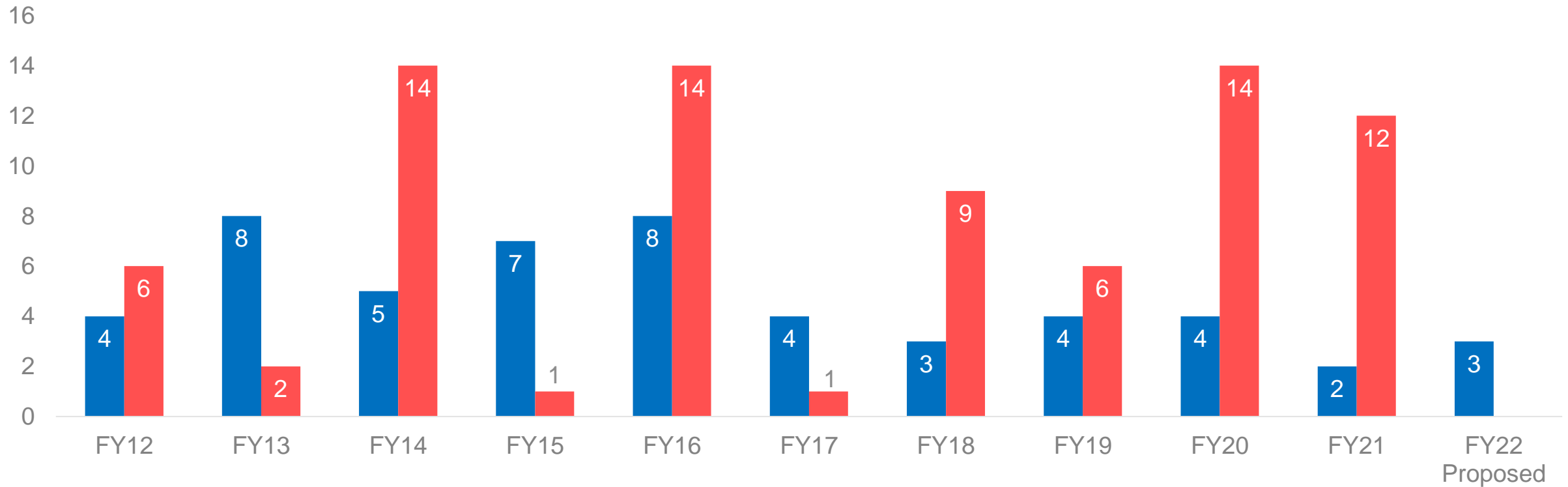


Of the 175.75 employees added in the General Fund, 75%, or 131 FTEs, were for Public Safety

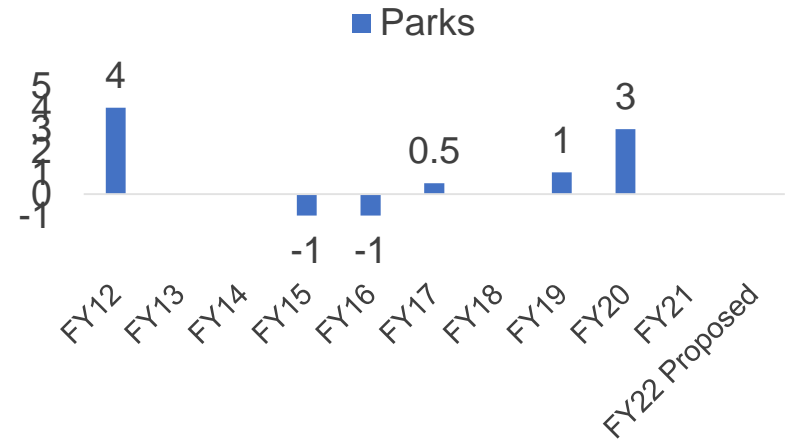
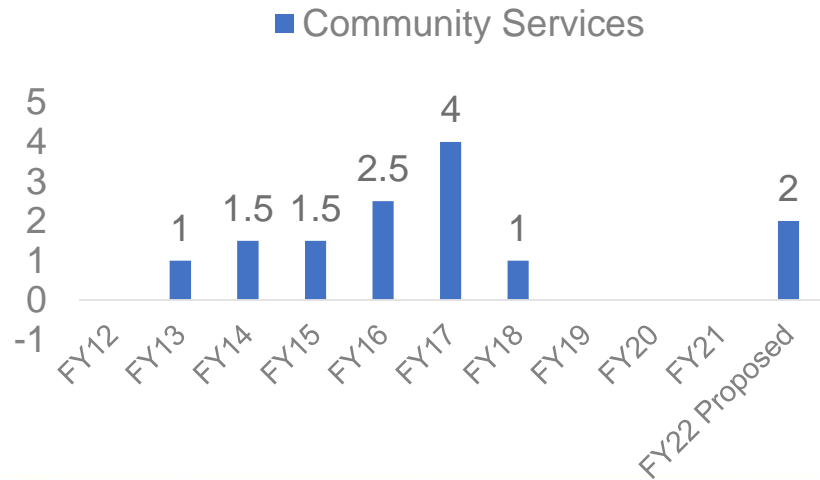
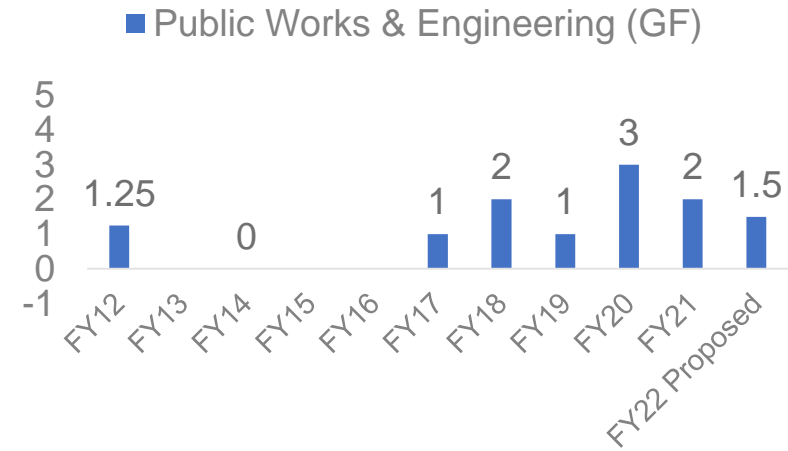
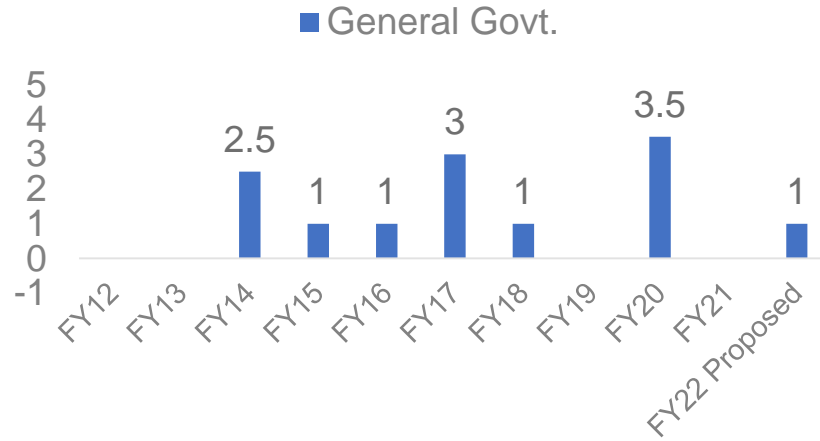


Annual Positions Added (FTEs) in Public Safety

■ Police ■ Fire



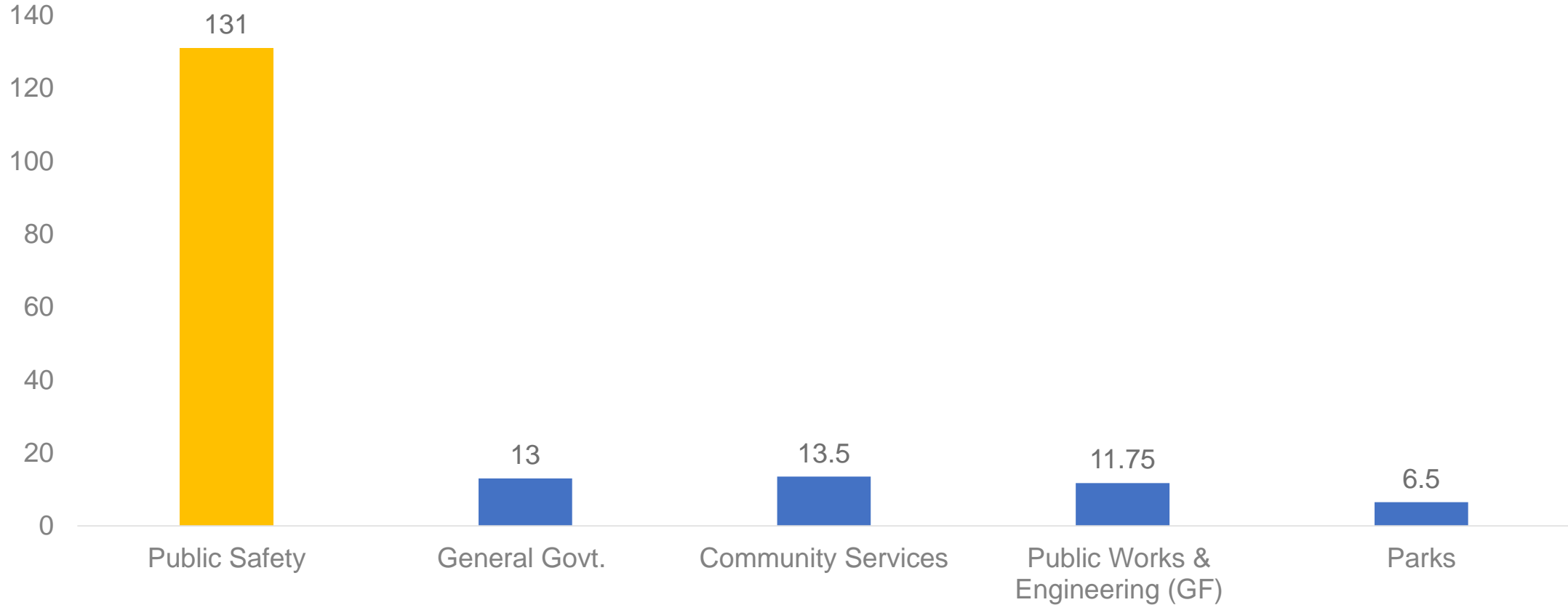
The other 25% of General Fund employees were added to different groups





Public Safety, by far, is where the City has added General Fund FTEs

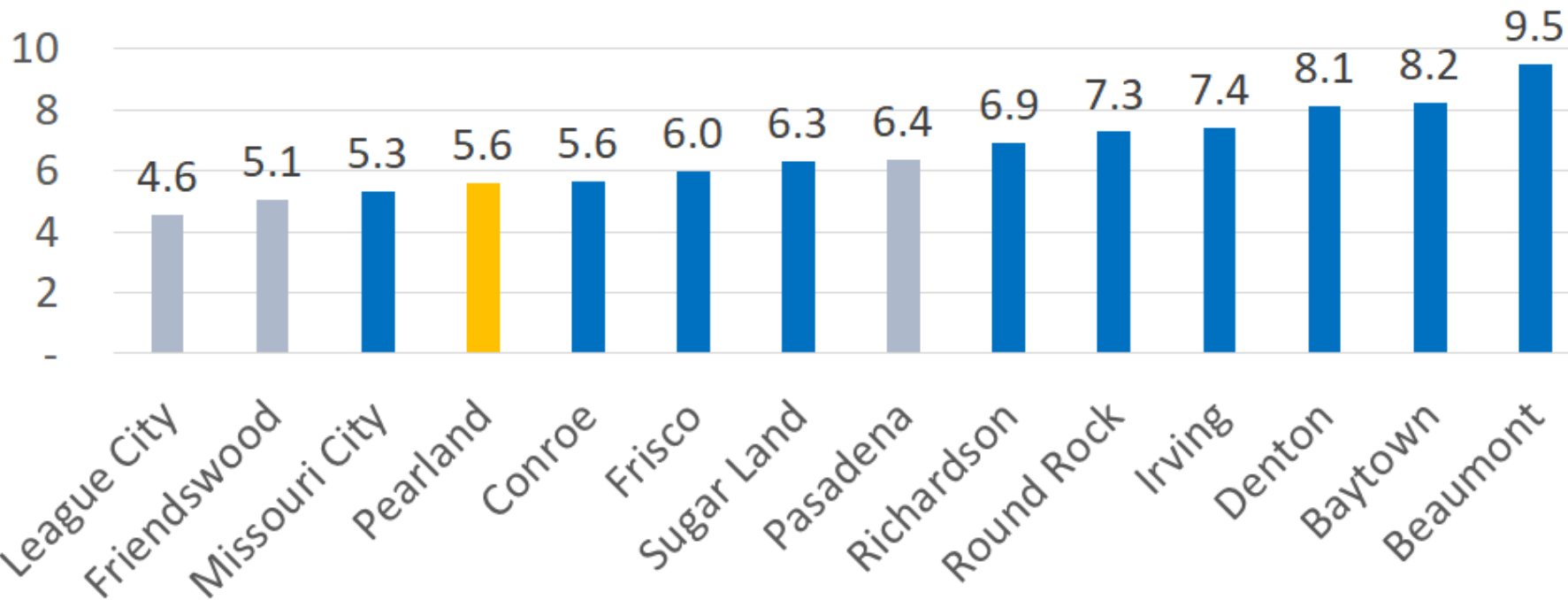
General Fund Employees (FTEs) Added FY12 through FY22 Proposed



Pearland has fewer General Fund employees per capita than many other cities.



General Fund Employees Per 1,000 Residents



- Friendswood, League City, and Pasadena have volunteer fire departments.
- Not all cities have data at a detailed enough level to break their FTE counts into Service Areas or Departments. Key areas are broken down in following slides.

General Fund Staffing Trends Conclusion



- Pearland is a lean organization overall
- Where Pearland has added staff in the General Fund, the vast majority are for Public Safety
- The 7.5 new FTEs proposed for FY22 is the smallest increase in FTE's we've had in over a decade



General Fund New Position Priorities

New General Fund Positions in FY22



Department/Division	Position Title	Cost In GF	FY22 FTEs (in GF)	Note	Priority
Public Works-Admin	Asset Manager	\$23,660	.25	Other 0.75 of FTE is in Enterprise Fund. Small effect on General Fund.	High Priority
Communications	Communications Specialist	\$56,539	1.0		High Priority
Finance	Payroll Technician	\$63,489	1.0	No backup in this position currently.	High Priority
Information Technology	Database Administrator	\$53,352	.5	Other 0.75 of FTE is in Enterprise Fund. Less of a GF budget impact.	High Priority
Police-Patrol	Police Officer	\$184,783	1.0		High Priority
Engineering-Capital Projects	Senior Construction Manager	\$0	1.0	Charges to Projects, no General Fund impact.	High Priority
Police-Animal Services	Animal Shelter Attendant	\$55,255	1.0		Medium Priority – Could be delayed to mid-year
Information Technology	GIS Analyst	\$41,716	.5	Other 0.5 of FTE is in Enterprise Fund. Less of a GF budget impact.	Can wait until mid-year
Public Works-Admin	GIS Technician	\$16,952	.25	Other 0.75 of FTE is in Enterprise Fund. Small effect on General Fund.	Can wait until mid-year
Police-Community Services	Senior Office Assistant	\$54,439	1.0		Lower Priority
Total FTE's			7.5		



Compensation and Classification Implementation



Compensation and Classification

The Comp & Class study **helps the city to structure roles and pay plans competitively so** we can retain the best talent. The City has been on an open pay plan for decades with exception to the Police who are Civil Service. Based on City Council's feedback, we are presenting "step pay plans" for all non-exempt employees. This transition is an huge investment for our biggest asset, our staff.

We are presenting two options:

- 100% Market with 10% Cap on Tenure Transition
- 100% Market – No Cap for Tenure Transition



Clarifying What FY22 Currently Includes

- \$4,385,872 in straight Salary Increases including comp & class and overtime.
 - Additional \$379,166 salary increase for new positions.
- \$500,000 for Sick Leave Buyback and Bilingual Pay
- Increased salaries also increased benefits cost by \$1,089,591
 - Additional Benefit increase for new positions \$149,567

General Fund Changes in Personnel				
	FY21 Adopted	FY22 Proposed	\$ Difference	% Increase
Salaries	47,809,688	52,195,560	4,385,872	9%
Salaries-New Positions	-	379,166	379,166	
Sick Buyback and Bi-Lingual		500,000	500,000	
Benefits	16,639,125	16,980,463	341,338	2%
Benefits-New Positions	-	149,567	149,567	
Total	\$ 64,448,813	\$ 70,204,756	\$ 5,755,943	9%



Comp & Class options

100% Market with 10% Cap on Tenure Transition

- Council asked staff to prepare this option in the budget, with the understanding that further discussions would be had when costs became more understood.
- The 10% cap is a recognition that a lot of changes are being made, and not all strategic changes can be made in the same year.
- Fire Department employees moving to step 1 on the plan would receive additional increases in future years, beginning in FY23, to move them to their market rate.
 - This was done to smooth the cost of the increase out over a few fiscal years, rather than absorb it all in one budget.

100% Market – No Cap for Tenure Transition

- On 8/23/21 Council gave staff direction to return with a plan to fully fund the Tenure Parity plan without the 10% cap.
- The removal of the 10% cap directly addresses the concerns we heard from employees and adjusts every employee to market rate according a 3rd party, unbiased, and data-driven study.
- The update will place employees in the step based on experience



Lieutenant W2 Salary 2020

Gross Income	Regular Pay	Overtime Pay	Certification Pay
\$ 102,691	\$ 74,119	\$ 18,329	\$ 10,243
\$ 96,921	\$ 78,486	\$ 15,258	\$ 3,176
\$ 96,887	\$ 73,359	\$ 19,606	\$ 3,921
\$ 106,440	\$ 77,890	\$ 18,569	\$ 9,979
\$ 92,819	\$ 74,193	\$ 16,131	\$ 2,494
\$ 100,034	\$ 73,222	\$ 25,564	\$ 1,247
\$ 103,414	\$ 78,367	\$ 21,301	\$ 3,745
\$ 115,448	\$ 72,745	\$ 37,709	\$ 4,993
\$ 98,249	\$ 79,023	\$ 15,169	\$ 4,055
\$ 110,506	\$ 69,882	\$ 28,888	\$ 11,734
\$ 96,988	\$ 72,516	\$ 21,473	\$ 2,998
\$ 87,118	\$ 79,318	\$ 6,552	\$ 1,247
\$ 99,757	\$ 89,494	\$ 8,078	\$ 2,184
\$ 96,364	\$ 70,235	\$ 18,786	\$ 7,343

Current LT Base Pay	
Min	Max
\$65,838	\$98,758
\$23.89	\$35.83

Proposed LT Base Pay	
Min	Max
\$85,429	\$93,350
\$31.00	\$33.87

**Average gross salary is \$100,260 for full-time LTs*

Fire - Lieutenants



Evergreen's Recommendation (100% Market with 10% Cap)					City Council Request (100% No Cap for Tenure)			
Current Annual Base Salary	100% Market with 10% Cap on Tenure Transition (Base Salary Only)	Assigned Step (Base Salary)	Cost	Difference of Current Base vs. Proposed Step (Base Only)	Step (time in current position)	100% Market - No Cap for Tenure Transition (Base Salary Only)	Cost	Difference of Current Base pay vs Proposed Step (Base Only)
\$ 72,786	\$ 85,429	\$ 85,429	\$ 12,643	14.80%	4	\$93,351	\$20,565	28.25%
\$ 72,786	\$ 85,429	\$ 85,429	\$ 12,643	14.80%	4	\$93,351	\$20,565	28.25%
\$ 72,758	\$ 85,429	\$ 85,429	\$ 12,671	14.83%	1	\$85,429	\$12,671	17.41%
\$ 72,180	\$ 85,429	\$ 85,429	\$ 13,249	15.51%	4	\$93,351	\$21,171	29.33%
\$ 71,766	\$ 85,429	\$ 85,429	\$ 13,663	15.99%	4	\$93,351	\$21,584	30.08%
\$ 71,380	\$ 85,429	\$ 85,429	\$ 14,049	16.44%	4	\$93,351	\$21,970	30.78%
\$ 69,313	\$ 85,429	\$ 85,429	\$ 16,116	18.86%	4	\$93,351	\$24,037	34.68%
\$ 69,203	\$ 85,429	\$ 85,429	\$ 16,226	18.99%	4	\$93,351	\$24,148	34.89%
\$ 69,176	\$ 85,429	\$ 85,429	\$ 16,254	19.03%	4	\$93,351	\$24,175	34.95%
\$ 69,176	\$ 85,429	\$ 85,429	\$ 16,254	19.03%	4	\$93,351	\$24,175	34.95%
\$ 67,825	\$ 85,429	\$ 85,429	\$ 17,604	20.61%	1	\$85,429	\$17,604	25.95%
\$ 67,798	\$ 85,429	\$ 85,429	\$ 17,632	20.64%	4	\$93,351	\$25,553	37.69%
\$ 67,798	\$ 85,429	\$ 85,429	\$ 17,632	20.64%	4	\$93,351	\$25,553	37.69%
\$ 67,798	\$ 85,429	\$ 85,429	\$ 17,632	20.64%	4	\$93,351	\$25,553	37.69%
\$ 67,522	\$ 85,429	\$ 85,429	\$ 17,907	20.96%	4	\$93,351	\$25,829	38.25%
\$ 67,164	\$ 85,429	\$ 85,429	\$ 18,265	21.38%	4	\$93,351	\$26,187	38.99%
\$ 65,841	\$ 85,429	\$ 85,429	\$ 19,588	22.93%	1	\$85,429	\$19,588	29.75%
\$ 1,182,269	\$ 1,452,295	\$ 1,452,295	\$ 270,026	18.59%		\$1,563,197	\$380,928	32.33%

Evergreen's Recommendation = \$270,025 (base salary) City Council Request = \$380,929 (base salary).



Driver Operator Position

- Evergreen reviewed the data and increased the difference from 5% to 10% for Driver Operator duties with a 10 step plan.
- The Driver Operator Position is a Fire Fighter with added responsibilities.
- The additional responsibilities is granted up to a 10% increase for “lead” tasks.
- The DO does not have the responsibility for hiring, corrective action or termination.
- Staff reviewed the market adjustments and supports the update from Evergreen Solutions. Further changes will impact other positions in the department.

Current (Base Rate Only 30 year plan)		
Driver Operation	Minimum	Maximum
Annual	\$59,718	\$89,576
*2756 hours	\$21.66	\$32.50

Proposed (Base Rate Only 10 step plan)		
Driver Operator	Minimum	Maximum
Annual	\$62,975.00	\$82,168.09
*2756 hours	\$22.85	\$29.81



Paramedic

- The City has 1 full-time and 2 part-time remaining in the Fire Department. The city no longer hires Paramedics since we've combined the role to a Fire Fighter with Paramedic/EMT certifications. All Paramedics are able to transition towards a full-time Fire Fighter position. Upon departure of any Paramedic, the city will backfill as a Fire Fighter.
- PFFA requested a review of the Paramedic position to ensure it was competitive with the market. Evergreen recommended a 12 step plan based on the data below.

Current Plan			Proposed by Evergreen	
	Minimum	Maximum	Minimum	Maximum
Paramedic	\$33,253	\$49,878	\$47,500	\$65,751
	\$15.99	\$23.98	\$22.84	\$31.61

**There is one Paramedic currently testing for Fire Fighter leaving one full-time paramedic on staff.*



Evergreen Solutions Market Data for Police Officers

City of Pearland Current (FY 21) Adjust for Geography Cost of Living City of Pearland Current (FY 21) *AFTER* Index Adjustment

Peers	Minimum	Midpoint	Maximum	index	Minimum	Midpoint	Maximum
Pearland	\$59,675	\$71,386	\$83,096	-	\$59,675	\$71,386	\$83,096
Baytown, TX	\$69,260	\$79,893	\$90,525	1.003	\$69,440	\$80,100	\$90,760
Beaumont, TX	\$63,864	\$72,864	\$81,864	1.083	\$69,163	\$78,910	\$88,657
Conroe, TX	\$59,884	\$71,393	\$82,902	1.004	\$60,150	\$71,711	\$83,271
Denton, TX	\$70,282	\$80,641	\$91,000	0.967	\$67,961	\$77,978	\$87,995
Friendswood, TX	\$63,500	\$71,759	\$80,018	1.009	\$64,083	\$72,417	\$80,752
Frisco, TX	\$68,130	\$78,483	\$88,836	0.927	\$63,166	\$72,765	\$82,364
Irving, TX	\$66,324	\$77,580	\$88,836	0.881	\$58,453	\$68,374	\$78,294
League City, TX	\$66,385	\$75,815	\$85,246	1.009	\$66,994	\$76,511	\$86,028
Missouri City, TX	\$55,580	\$66,696	\$77,811	1.000	\$55,580	\$66,696	\$77,811
Pasadena, TX	\$65,936	\$78,988	\$92,040	0.875	\$57,683	\$69,101	\$80,519
Richardson, TX	\$64,056	\$74,166	\$84,276	0.927	\$59,389	\$68,763	\$78,136
Round Rock, TX	\$49,595	\$61,704	\$73,813	0.997	\$49,454	\$61,529	\$73,603
Sugarland, TX	\$60,341	\$70,897	\$81,453	1.000	\$60,341	\$70,897	\$81,453
Average	\$63,318	\$73,914	\$84,509	-	\$61,681	\$71,981	\$82,280
Differential	-6.1%	-3.5%	-1.7%	-	-3.4%	-0.8%	1.0%

- The 13 Peer Cities were agreed with PPOA for the Comp & Class Study of which 9 were on the initial recommendation.
- The data is as of June 2021
- The largest differential is 6.1% without the adjustment for geographical cost of living.



Police ahead of market

City of Pearland Recommendation for FY22			
Recommended Title	Minimum	Midpoint	Maximum
City of Pearland Police Officer FY 22 Recommended	\$62,361	\$74,598	\$86,835
Class and Comp Study Average	\$61,681	\$71,981	\$82,280
Differential between CoP Class and Compensation Study and FY 22 recommended	1.1%	3.5%	5.2%

City of Pearland Recommendation for FY22			
Recommended Title	Minimum	Midpoint	Maximum
City of Pearland Sergeant FY 22 Recommended	\$88,726	\$96,008	\$103,289
Class and Comp Study Average	\$85,753	\$90,652	\$95,551
Differential between CoP Class and Compensation Study and FY 22 recommended	3.35%	5.58%	7.49%

City of Pearland Recommendation for FY22			
Recommended Title	Minimum	Midpoint	Maximum
City of Pearland Lieutenant FY 22 Recommended	\$106,485	\$111,354	\$116,222
Class and Comp Study Average	\$99,576	\$104,734	\$109,892
Differential between CoP Class and Compensation Study and FY 22 recommended	6.9%	6.3%	5.8%

City of Pearland Recommendation for FY22			
Recommended Title	Minimum	Midpoint	Maximum
City of Pearland Captain FY 22 Recommended	\$119,635	\$123,265	\$126,895
Class and Comp Study Average	\$110,164	\$115,555	\$120,946
Differential between CoP Class and Compensation Study and FY 22 recommended	7.9%	6.3%	4.7%



General Fund Cost Comparisons Between Two Plans

100% Market with 10% Cap on Tenure Transition

- An additional \$2,494,178 in salaries
- Total salary + benefits cost of **\$3,242,431**
- Provides room in budget to add staff that are needed by departments
- Included in FY22 Proposed Budget

100% Market – No Cap for Tenure Transition

- An additional \$3,953,754 in salaries
- Total salary + benefit cost of **\$5,137,274**
- **\$1,894,843 more in recurring costs than in proposed budget**



Needed From Council Tonight

- Final Determination of Class and Comp Plan for FY22. Which plan does the Council want to enact?

- Option 1 - 100% Market with 10% Cap on Tenure Transition

This adjustment changes employee salaries based on the amount of time an employee has spent at the City overall. The exception is that no salary is recommended to increase more than 10%* as a result of the parity adjustment. *In an open range plan, the adjustment is capped at exactly 10%. In a step plan, the projected salary increase is capped at 10%, but then the salary must be rounded up to the next step, so the actual adjustment will be slightly more than 10%.* **No salaries are decreased as part of this adjustment**

City will develop a plan to move employees towards market rate in the future budget plan.

- Option 2 - 100% Market – No Cap for Tenure Transition

This adjustment changes employee salaries based on the amount of time an employee has spent at the City overall. The Tenure Parity option calculates a “projected salary” for employees based on an assumed progression through their pay ranges from minimum to maximum over the course of a 30-year career. If an employee's salary is above this projected salary, they will receive a 2% increase. **No salaries are decreased as part of this adjustment.**

- Other Questions and Comments



Enterprise Fund

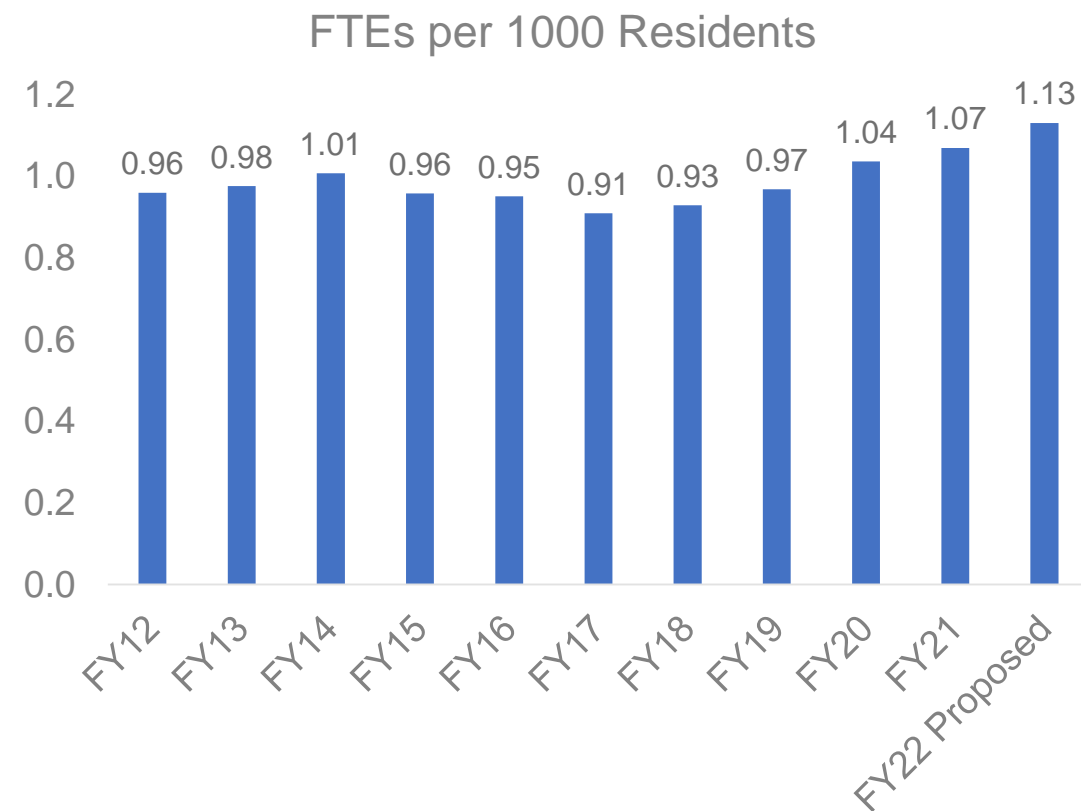
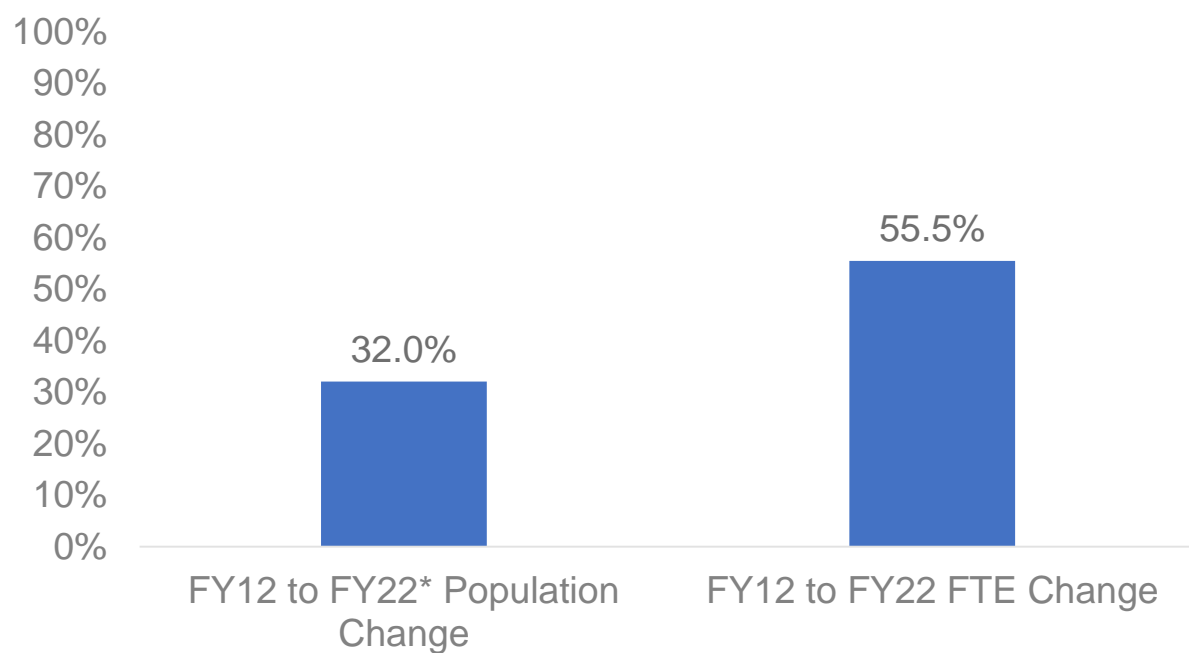


FTE Growth vs Population Growth in the Enterprise Fund



Pearland's Enterprise Staffing has remained fairly steady over time

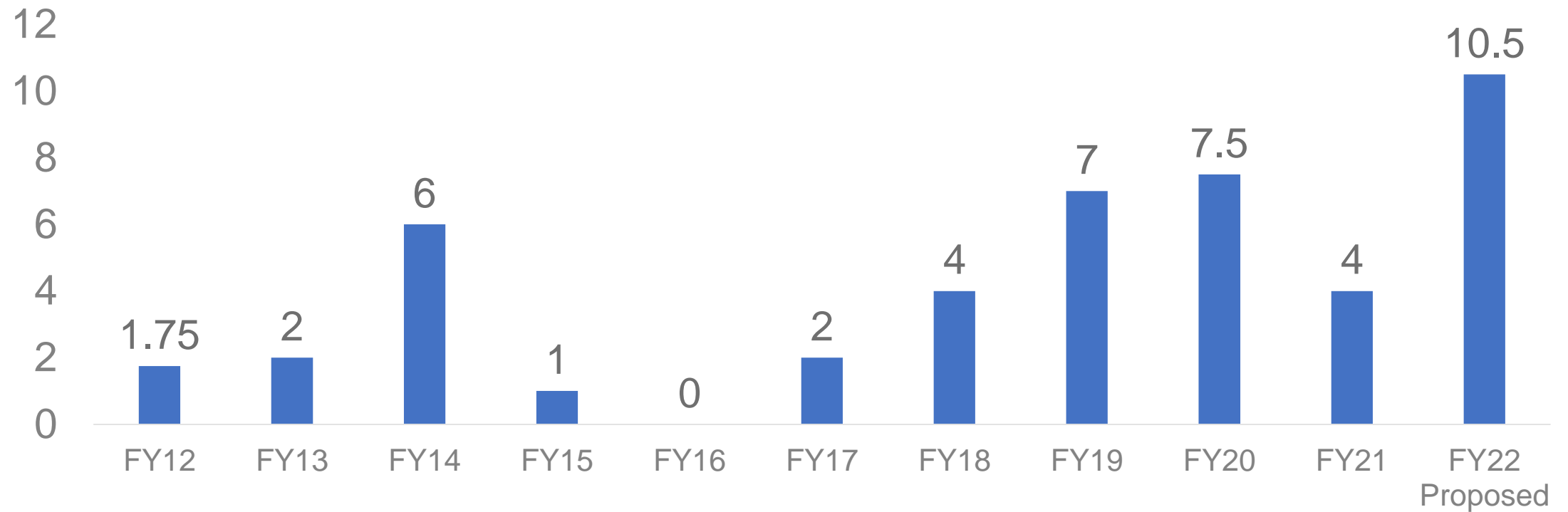
Population vs Enterprise Fund Growth
*Assumes 2% population growth in FY22





The Enterprise FTE Trend reflects a growing operation

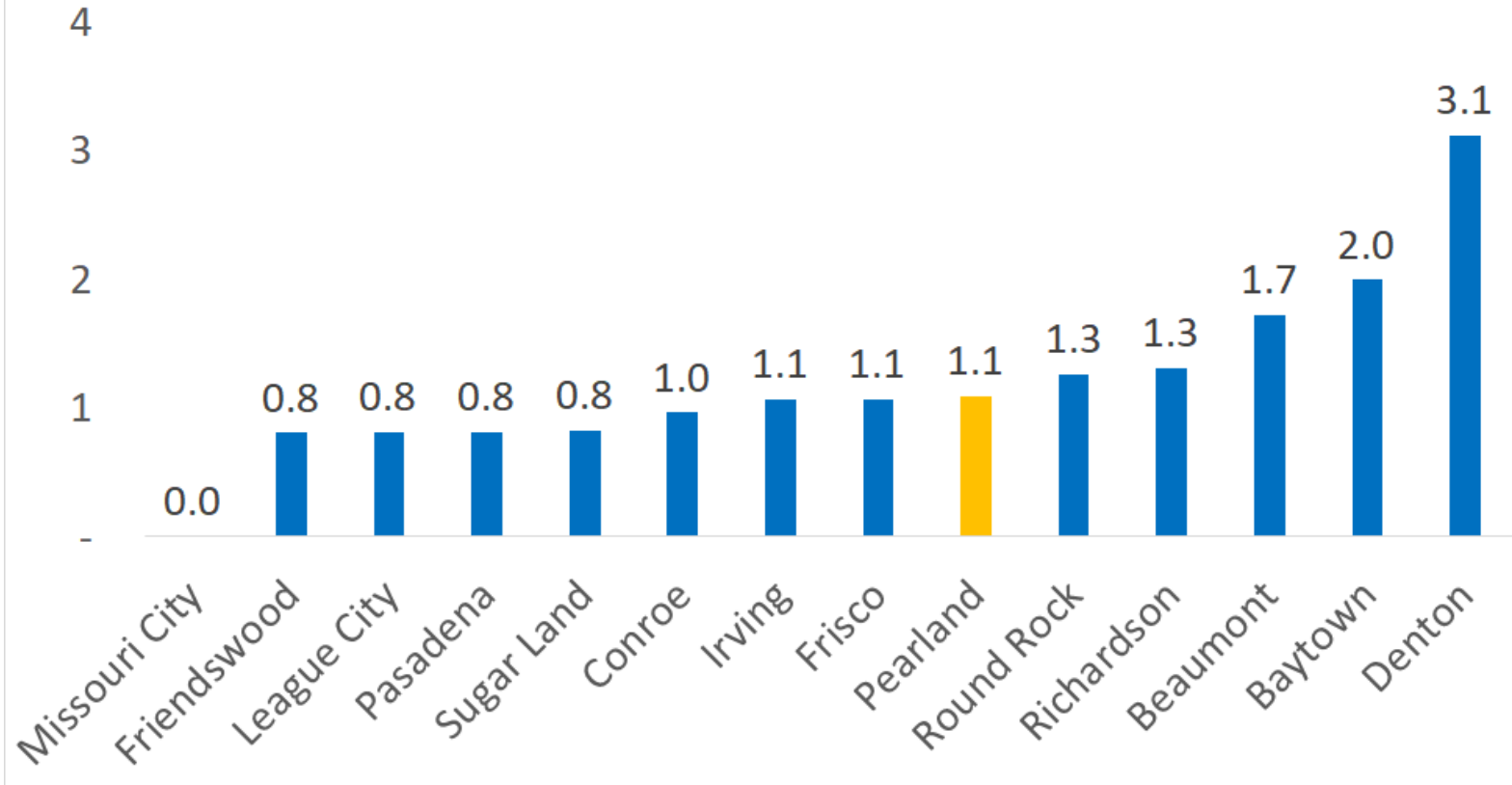
Total FTEs



Enterprise Fund Comparison



Employees per 1,000 Residents



Enterprise Fund contains Water and Sewer components of Public Works.

Pearland has approximately the same number of FTE's per 1,000 residents as Frisco and Irving.

Missouri City water provided by MUDs.



SWTP Operations

Water/Sewer Enterprise Maintenance Team

FY22 Plan is to bring on the Maintenance Coordinator and Instrumentation Technician to start this team



- A team to provide preventative maintenance and repairs to all of our water and wastewater infrastructure
- **Anticipated minimum savings of \$200,000/year with a full maintenance team**
- Current estimates for outsourcing including the Maintenance Team:
 - In-house: \$1,145,825 Annual salaries including benefits
 - Outsourced: \$1,571,760 annual contract costs
- Estimates for outsourcing SWP Operations only (excludes the Maintenance Team that will serve the entire system):
 - In-house: \$741,790 Annual salaries including benefits
 - Outsourced: \$924,880
- The size of our system warrants full time employees to accomplish a significant portion of outsourced services for electrical, mechanical, and instrumentation maintenance and repairs
- The team will improve our preventative maintenance utilizing Asset Management to extend the life of equipment and reduce long term repair costs
- Additional future team members include an Electrician and two Plant Mechanics
- Important to bring these positions on during the final months of plant construction and startup



Surface Water Plant Operations

- Staff recommends the City issue a Request for Proposals (RFP) for a Public/Private partnership for initial plant operations
- Initially outsourcing plant operations is a proven successful option for cities to ramp up operations for a new Surface Water Plant
- Initial outsourcing allows actual costs to be compared to outsource vs in-house
- A City operated plant provides more internal career opportunities, which will attract better, long-term employees
- Outsourcing includes the contractors Corporate Overhead and Profit
- Emergency Operations: In-house Operations provides redundancy, additional capacity, and full buy-in/participation in emergencies



Comp and Class Enterprise Fund Discussion



Enterprise Fund Cost Comparisons Between Two Plans

100% Market with 10% Cap on Tenure Transition

- An additional \$290,701 in salaries.
- Total salary + benefits cost of \$377,911.
- Provides room in budget to add staff and equipment that are needed by departments.

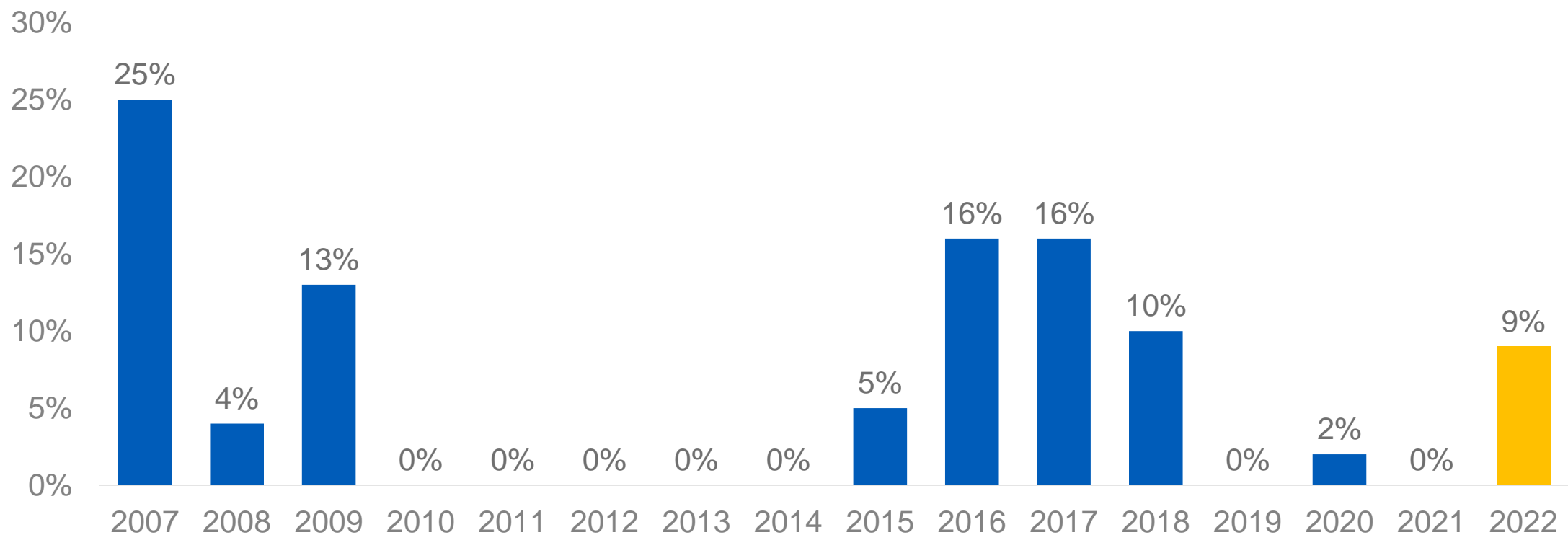
100% Market – No Cap for Tenure Transition

- An additional \$454,794 in salaries.
- Total salary + benefit cost of \$591,232
- \$213,321 more in recurring costs than in proposed budget.



It's been four years since the City enacted a significant rate increase

Historical Pearland Utility Rate Increases





32/30's Impact on Rates

- Water and sewer revenue is recorded based on read date not billed date.
- At the end of every fiscal year, accounting ensures that water and sewer revenue has 365 days of usage and 12 base charges, which is accomplished through the year-end accrual process.
- The 365 days of water and sewer revenue is reported in the City's Annual Comprehensive Financial Report and reviewed by the Attorney General as the City issues new Bonds.
- Therefore, collapsing 32/30 and billing everybody at once will not bring in significant amounts of new revenue. It will help the City catch up with outstanding receivables and close the gap between the read date and bill date.



9% Rate Scenario (As Proposed)

- A 9% rate increase would bring in \$62,752,397 in revenue.
- Bond Coverage Ratio of 1.45. Minimum is 1.40.
- The extra 0.05 is a safety margin that allows for unplanned operational expenses.
- A household using 6,000 gallons of water in a month, would see their bills increase by approximately \$6.65 per month compares to their FY 21 bills.



8% Rate Scenario

- An 8% rate increase would create a total estimated revenue stream of \$62,242,962.
 - The 8% is a decrease in revenue of \$509,435 compared to the 9% scenario.
 - This results in a bond coverage ratio of 1.42 – a smaller safety margin (assuming no expenditure cuts).
- A household using 6,000 gallons of water in a month, would see their bills increase approximately \$5.87 per month compares to their FY 21 bills. A one percent rate reduction from the recommended 9% saves an average homeowner \$0.78 per month and reduces the City's revenue by \$509,435.



7% Rate Scenario

- A 7% rate increase would create a total estimated revenue stream of \$61,743,682.
 - This is a decrease in revenue of \$1,008,715 compared to the 9% scenario.
 - Without adjusting expenditures down this would result in a bond coverage ratio of 1.402 just a hair above the minimum 1.40 requirement.
- A household using 6,000 gallons of water in a month, would see their bills increase approximately \$5.13 per month compares to their FY 21 bills. A two percent rate reduction from the recommended 9% saves an average homeowner \$1.52 per month and reduces the City's revenue by \$1,008,715.



7% Rate Scenario

- To meet the requirements of a 7% rate increase significant cuts are required.
- Removing \$424,998 in expenditures would result in a Bond Coverage Ratio of 1.43 (min 1.40 required).
- No additional cuts are needed to meet the 7% rate scenario
- The Enterprise Fund needs a 7% rate increase to remain structurally healthy. Reducing it much more is not financially responsible and will result in much higher rate increases in the future.

\$424,998 in Reduced Expenditures

- Remove Treatment Plant Operator I – 96,442
- Remove Utility Billing Specialist I - \$48,506
- Remove Two Public Works Message Boards - \$40,050
- Reduce Replacement Vehicles/Equipment spend from \$540K to \$300K (\$240K cut)



Enterprise Fund New Position Priorities

Enterprise Fund Staffing Highlights



Division	Position Title	Cost	FTE (in EF)	Notes	Priority
Information Technology	Database Administrator	\$106,704	.5	Other 0.5 FTE in GF. Less of a budget impact.	High Priority
Public Works-Administration	Asset Manager	\$94,640	.75	Other 0.25 FTE in GF. Less of a budget impact.	High Priority
Public Works-Wastewater	Treatment Plant Operator II (with vehicle)*	\$106,499	1.0		High Priority
Public Works-Wastewater	Treatment Plant Operator I	\$54,452	1.0		High Priority
Public Works-Surface Water Treatment Plant	Process Control Supervisor	\$104,153	1.0		Medium Priority – <i>Could</i> be delayed to mid-year
Public Works-Surface Water Treatment Plant	Maintenance Coordinator (with vehicle)*	\$158,125	1.0		Medium Priority – <i>Could</i> be delayed to mid-year
Public Works-Surface Water Treatment Plant	Instrumentation Technician (with vehicle)*	\$140,853	1.0		Medium Priority – <i>Could</i> be delayed to mid-year
Public Works-Distribution & Collections	Utility Maintenance Worker	\$48,356	1.0		Can wait until mid year
Public Works-Administration	GIS Technician	\$67,807	.75	Other 0.25 FTE in GF. Less of a budget impact.	Can wait until mid year
Information Technology	GIS Analyst	\$83,432	.5	Other 0.5 FTE in GF. Less of a budget impact.	Can wait until mid year
Public Works-Water Production	Treatment Plant Operator I (with vehicle)*	\$96,442	1.0		Lower Priority
Utility Billing	Billing Specialist I	\$48,506	1.0		Lower Priority
Total Impact to Enterprise Fund		\$974,289	10.5		

*Position include cost include one-time vehicle purchase



Needed from Council

- Consensus on Rate Increase
- Other Questions and/or Comments?



Budget Schedule

~~2/7/21 – Early Budget Input Session~~

~~8/6/21 – Budget Delivered to City Council and Mayor~~

~~8/14/21 – Budget Discussion #1~~

~~8/23/21 – Budget Discussion #2~~

8/30/21 – Public Hearing & Budget Discussion #3

9/13/21 – Budget Reading #1 & 1st vote on tax rate and fee ordinances

9/27/21 – Budget Reading #2 & 2nd vote on tax rate and fee ordinances