



City of Pearland FY22 Proposed Budget “Adapting to Change”



Adapting to Change

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

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

Public Hearing – FY 22 Budget



Monday, August 30, 2021

Culmination of years' work of planning, strategizing, workshops, master plans, and input.



Planning with a Purpose



Why (Community)	Strategic Priorities <i>Helps to focus the attention of Council and Staff on priorities important to creating community</i>						Community Survey <i>Community feedback that influences planning</i>
	Comprehensive Plan <i>The policy document that assists in anticipating and guiding future development trends and service needs to promote balanced growth and a superior quality of life</i>						
How (Strategic Planning)	Sound Infrastructure			Connected Community		Strong Economy	
	Water Master Plan <i>Keeps water coming to Pearland for years to come</i>	Wastewater Master Plan <i>Treats the water coming out of houses and businesses</i>	Drainage Master Plan <i>Keeps water moving out of through Pearland</i>	Thoroughfare Plan <i>Helps to keep traffic moving</i>	Multimodal Plan <i>Helps shape how people get around Pearland</i>	Parks and Recreation Master Plan <i>Leverages community feedback to provide direction for quality of life features in Pearland</i>	Pearland Prosperity (Economic Development) <i>Guides the community towards a vibrant and diverse economy</i>
	Capital Improvement Plan <i>Helps to set the financial priority over a rolling five-year period</i>						
What (The Output of Planning)	Future Land Use Map <i>Provides a long-term view of how land is developed in Pearland</i>						
	Staffing and Utilization Plans						
	Police Department Plan					Fire Department Plan	
	Annual Budget <i>Funding mechanism for many projects in Pearland</i>						





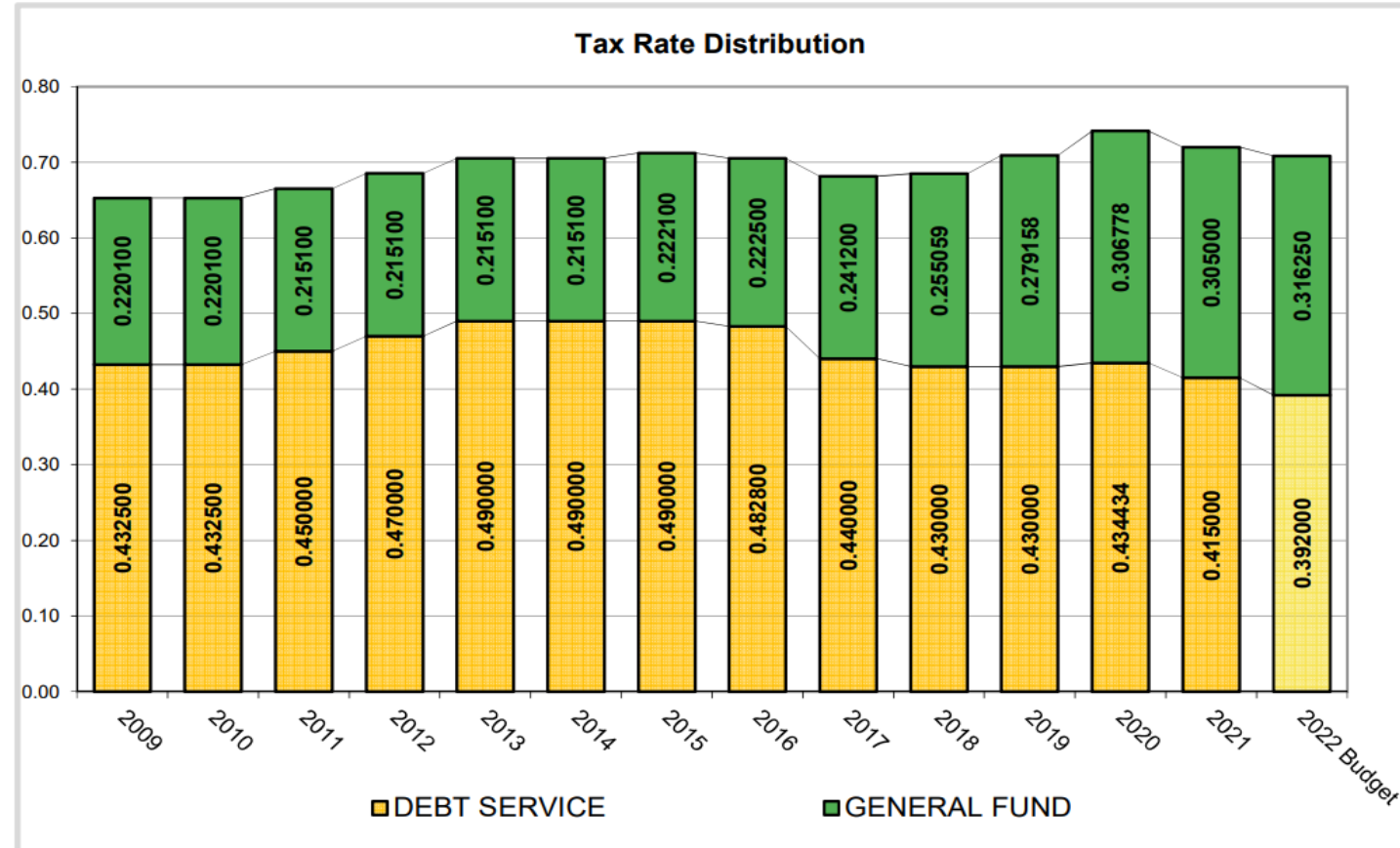
Proposed Property Tax Rate for FY22

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



Property Tax Revenue - Rate

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





Property Tax Examples

Looking at estimated individual tax bills, a zero-growth property with a value of \$187,000 would see a \$21 annual (\$1.75 per month) decrease in the City of Pearland portion of their tax bill. Other examples with AV increases would see \$78 to \$141 increase on these examples.

City of Pearland portion is consistently between 20% and 30% of the total property tax bill

Total property taxes are consistently between 2% and 3% of the AV.

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

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



Property Tax Examples

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

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

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



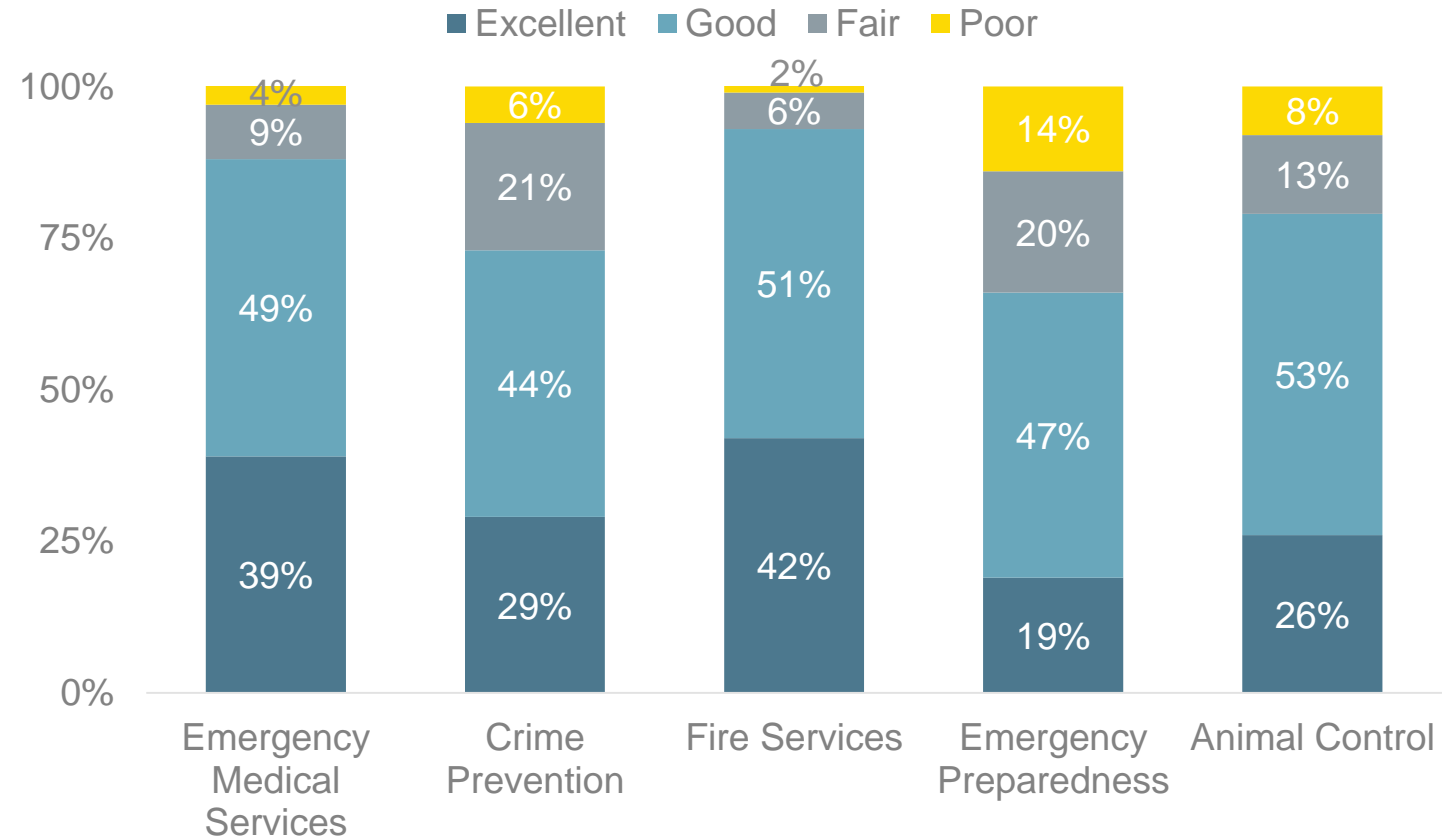
General Fund

Public Safety Investments



- Expenses in Police and Fire represent 58.4% (\$55.7 million) of the \$95.3 million in General Fund expenses.
- Police budget includes three new police positions, including one Officer with vehicle, and seven replacement vehicles. The total anticipated salary adjustment for PD is \$1,261,702.
- The Fire Department budget includes an increase in training dollars, repairs to the existing training tower as well as one new ambulance, and one ambulance overhaul. The total anticipated salary adjustment for Fire is \$1,287,140

Resident Satisfaction with Public Safety Services



Funding High Quality Street Infrastructure



Capital Improvements

- Of the general (non-enterprise) \$179 million in capital projects, \$61.7 is for street related projects.



Infrastructure Maintenance

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



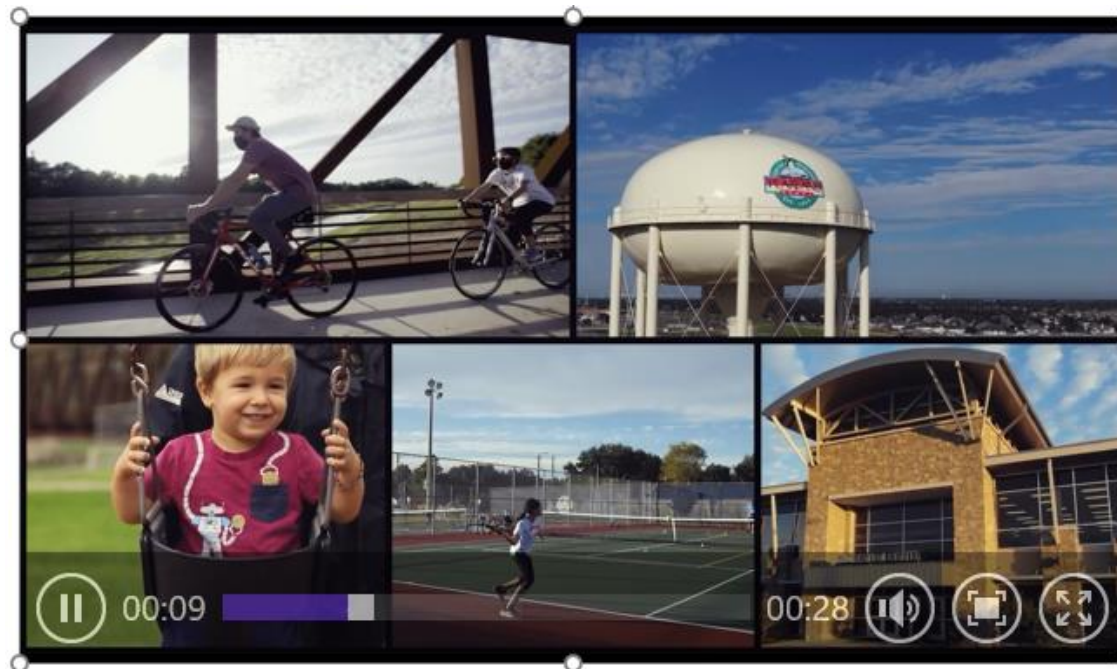
Parks & Recreation Investments

Investments in Infrastructure

- \$1 million in Park equipment recapitalization over the next two years (2019 Bond).

Investments in Operations

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





The Big Picture

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

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



Grants and ARPA



American Rescue Plan Act (ARPA)

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



The City is actively managing many grants at the moment

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

NOTES:

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



Enterprise Fund



The Enterprise Fund is *Completely* Separate from the General Fund

- Responsible for Water and Sewer Operations
- No taxpayer dollars are used. It's a separate accounting entity from the rest of our government based on revenue from ratepayer customers.
- Revenue comes from water and sewer charges + fees

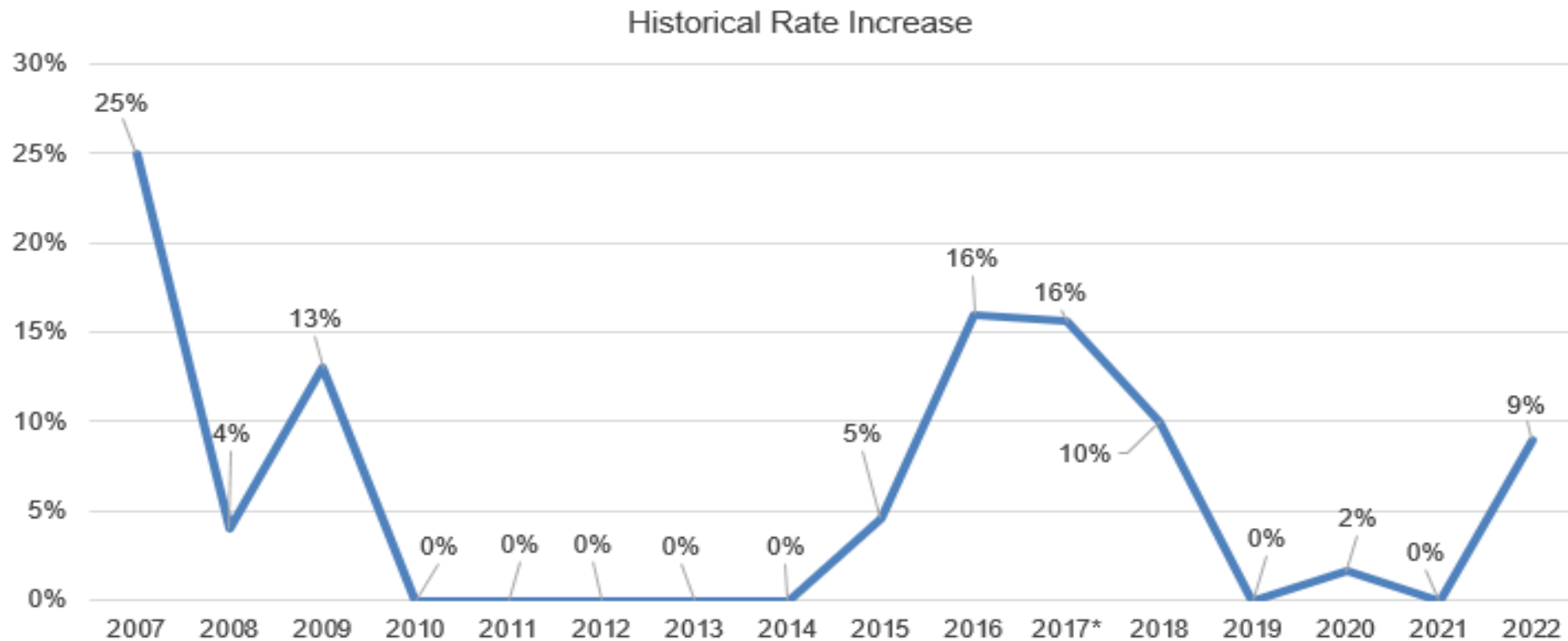
Capital Improvements

- Most of the City's capital improvements - \$292,495,000 million - are for needed water and wastewater improvements, which are repaid by users of the systems based on usage.
- The cost of financing these projects is **very low**. For work underway, construction costs and materials may be slow in arriving in some cases, but much of the work has been locked in with contracts and underway.



Historical Revenue Rate Increases

Goal is to level out increases so there is less volatility and more stability than what we've done in the past.

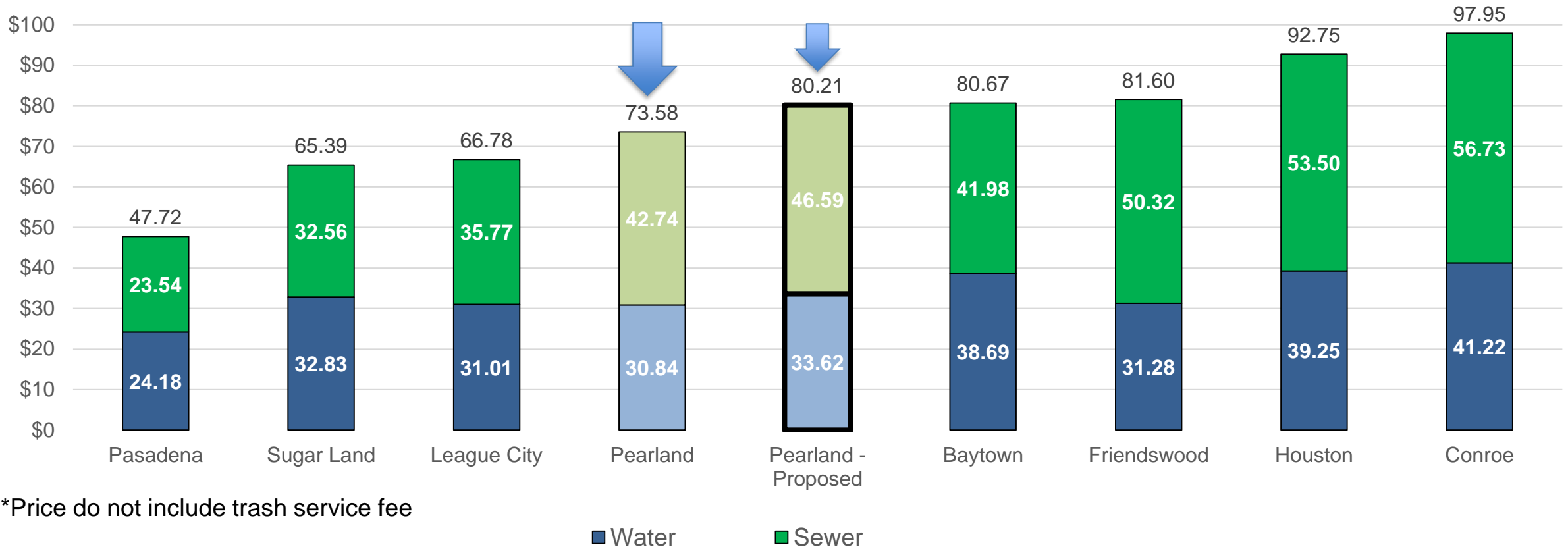


Water & Sewer Rate Comparison

Local Cities



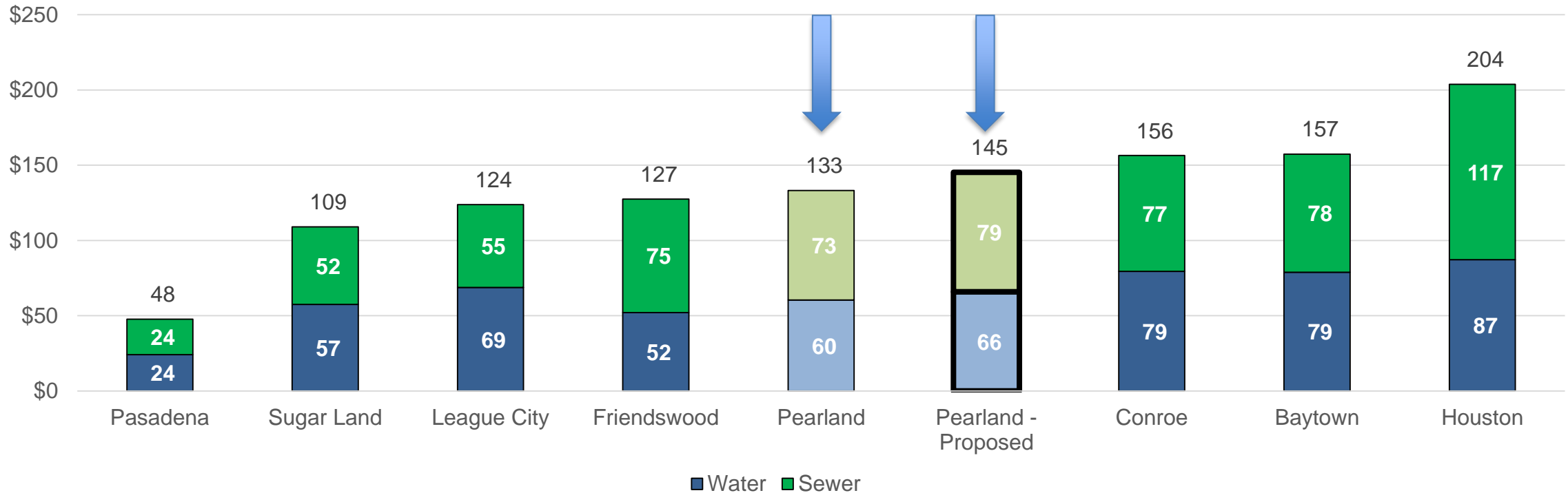
Residential (5/8")– 6,000 gallons Water/Sewer



Water & Sewer Rate Comparison Local Cities



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



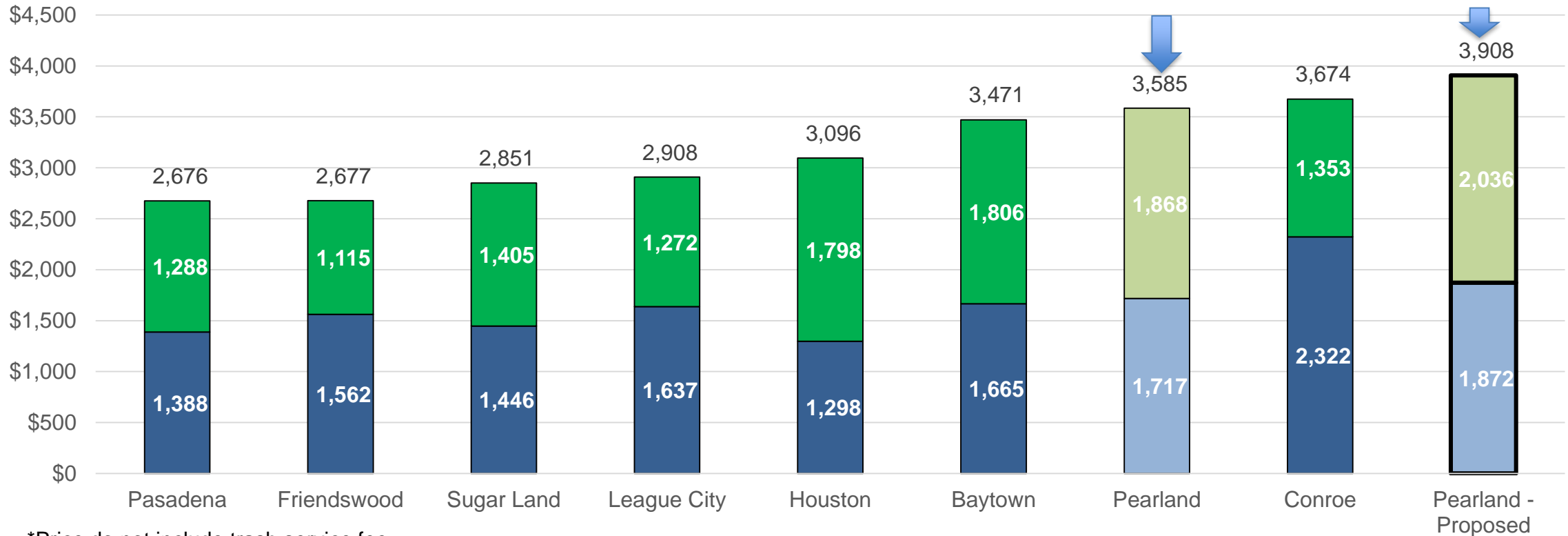
*Price do not include trash service fee

Water & Sewer Rate Comparison

Local Cities



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



*Price do not include trash service fee

■ Water ■ Sewer



Enterprise Fund

- FY22 Budget needs to address the Fitch's negative outlook on Water and Sewer Bond credit rating. Their concern was the increase in capital spending without a corresponding increase in revenue. .
- More importantly, a structural rate increase is needed to meet the required ratios in the City's bond covenants. A substantive rate increase has not been made and the water/sewer utility has major capital investment requirements.
- A residential customer with 6,000 - 12,000 gallons of monthly consumption will see a \$6 - \$12 increase in their water/sewer bill each month.



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