

City of Pearland FY22 Proposed Budget "Adapting to Change"





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2/7/21 — Early Budget Input Session
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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, pay plans

9/27/21 – Budget Reading #2 & 2nd vote on tax rate and fee ordinances, pay plans, and updated Financial Policies



Big Picture

- Balanced Budget; annual operating revenue is even with operating costs
- General Fund Balance is above the new higher policy minimum of 25%
- Investment in existing people, who deliver our services daily, costs driving much of the increased expenditures
- 5% rate increase for Water/Sewer fees to balance revenue with expenditures driven forward with major capital improvement requirements



General Fund



Changes Since First Reading

General Fund *Expenditures* Reduced by \$750,000 (commensurate with removal of Emergency Storage Facility from the General Fund Budget which had been a cash-funded capital improvement)

Comp & Class options





100% Market with 10% Cap on Tenure Transition

- This plan is what was built into the Proposed Budget
- 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.
- 103 employees are affected by the cap by the tenure adjustment cap moving into a new step plan.

100% Market with 25% Cap on Tenure Transition

- Council asked staff to prepare a plan with an additional \$800K-\$1M for comp and class implementation.
- Requires cuts previously listed to implement.
- 33 employees are affected by the tenure adjustment cap moving into a new non-exempt step plan.

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 over time.
- The removal of the 10% cap is more expensive with recurring costs but 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



Additional Comp & Class updates

- Civil Service Police Pay Plan with City Council's recommendation to apply additional funds towards salaries, the FY 22 Civil Service pay plan for sworn police officers increased further, from 4.5% to 5%. The increase of 5% places PPD ahead of the market average for sworn positions.
- Sick Leave Buy Back new incentive for FY 22 allowing eligible active employees
 to sell back 40 hours annually if requirements met for tenure, etc.
- Bilingual Position Certification Pay is a new program and incentive for positions in the City with a higher likelihood of interfacing with the public who may be bi-lingual. The program available in January 2022.

The City has made a significant effort to remain competitive with the market by conducting the Comp & Class study, implementing a Sick Buy Back Program and introducing Bilingual Position Certification Pay. We are aiming to be "Top Workplace" in the state of Texas.



Property Tax Decreases Since FY20

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 Budget)	0.027235
		Difference	0.044875

General Fund Income Statement

Note: The Texas Ambulance Supplemental Payment will bring in an additional \$1,743,723 in revenue in FY22. The information was received too late to be incorporated into the budget, but will be brought back to Council for appropriation in early FY22.

Previous presentations used 3 months instead of 90 days as the new reserve policy. This income statement uses 90 days, matching the new financial policy.

	FY 2020 ACTUAL	FY 2021 ORIGINAL BUDGET	FY 2021 YEAR END AMENDED	FY 2022 PROPOSED BUDGET
REVENUES				
Property Taxes	\$ 26,919,733	\$ 28,420,428	\$ 28,457,983	\$ 31,787,421
Sales & Use Taxes	22,716,028	22,452,153	24,268,440	24,867,810
Franchise Fees	7,014,025	6,922,658	6,709,754	6,375,698
Licenses & Permits	4,423,758	4,150,000	4,305,336	4,398,520
Fines & Forfeitures	1,617,153	2,392,706	1,866,192	2,461,382
Charges For Service	18,220,404	19,502,964	18,961,315	20,263,982
Miscellaneous	7,721,744	1,211,001	745,933	757,601
Other Financing Sources	221,261			
Transfers In	4,949,456	5,226,770	6,226,770	9,441,314
TOTAL REVENUES	93,803,562	90,278,680	91,541,723	100,353,728
EXPENDITURES				
General Government	11,101,405	11,722,148	12,828,497	14,622,619
Public Safety	46,847,907	51,297,294	53,033,098	55,546,327
Community Services	3,798,941	4,254,227	4,550,238	4,507,149
Public Works	11,502,131	12,555,837	12,209,422	13,648,806
Parks & Recreation	5,739,764	6,757,468	6,442,897	7,459,093
SUBTOTAL EXPENDITURES	78,990,149	86,586,974	89,064,152	95,783,994
Transfers Out	2,938,961	2,887,081	4,763,768	3,788,070
TOTAL EXPENDITURES	81,929,110	89,474,055	93,827,920	99,572,064
REV OVER/(UNDER) EXP	11,874,452	804,625	(2,286,197)	781,664
NEV OVERVIOUSERY EX	11,014,402	004,020	(2,200,101)	701,004
BEGINNING FUND BALANCE	17,201,848	19,161,386	29,076,301	26,790,104
ENDING FUND BALANCE	\$ 29,076,301	\$ 19,966,011	\$ 26,790,104	\$ 27,571,768
Delicy 2 months Decurring Oper	12 654 952	14 012 242		
Policy - 2 months Recurring Oper. Fund Balance Over Two-Month Policy	13,654,852 15,421,449	14,912,343 5,053,668		
•				
New FY22 Policy - 90 Days Recurring Oper. Fund Balance Over - 90 Day Policy				24,552,016 3,019,753
				2,2 .0,. 00



Expenditure totals already reflect the \$750,000 Emergency Storage Facility Project having been removed from the Budget.

Total revenues and Net Revenue Over Expenditures do not yet reflect any decreases to property tax or TIRZ admin revenue that Council may make.

Council Final Discussion: Lowering the Property Tax Rate and Revenue



- A further property tax rate reduction is not recommended by staff given the additional expenditures for existing staff being implemented and maintaining more cautious stance with flexibility for future years.
- If Council wishes to lower the revenue from property taxes via a property tax rate reduction the following amendment must be made:
 - "proposing an amendment to reduce General Fund Revenue from a total of \$100,353,728 to \$99,602,092" a reduction of \$751,636.
 - This will reduce property tax revenue by \$678,266 and TIRZ Administration revenue by \$73,370 a total of \$751,636.
 - The corresponding property tax rate reduction would be a decrease from the proposed rate of 0.708250 to 0.701416 a property tax rate reduction of 0.006834.



Debt Service Fund

Debt Service Fund Summary



Note:

- The FY22 Proposed Budget assumes the commitment of fund balance to lowering the rate based on State worksheet formula, which does not count frozen values.
- MUD Rebates have been budgeted to increased by \$475,544
- Transfers from other Funds come from Water and Sewer to partially pay for MUD Rebates and some debt service.

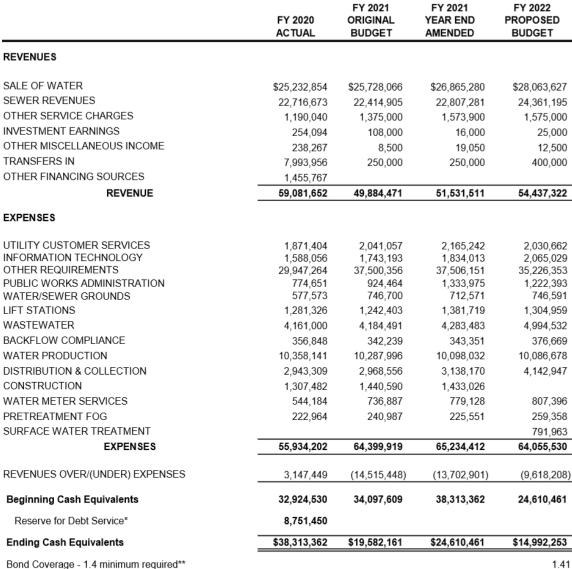
DEBT SERVICE FUND SUMMARY

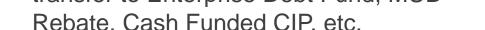
	FY 2020 ACTUAL	FY 2021 ORIGINA BUDGET	L YEAR END	FY 2022 PROPOSED BUDGET
REVENUES				
Property Taxes	\$ 37,924,9	75 \$ 38,592,2	42 \$ 38,720,616	\$ 39,350,712
Miscellaneous	927,3			
Transfers	2.066,7			
Bond Proceeds (Refunding)			32,437,427	
TOTAL REVENUES	40,919,0	47 42,029,4	72 74,455,273	43,172,286
EXPENDITURES				
MUD Rebates	7,768,8	16 7,964,7	41 7,116,216	7,591,760
Bond Payment	32,414,2			
TOTAL EXPENDITURES	40,183,0		85 74,417,028	44,425,764
REV OVER/(UNDER) EXP	735,9	80 (1,120,2	13) 38,245	(1,253,478)
BEGINNING FUND BALANCE	5,426,6	09 6,053,6	50 6,162,589	6,200,834
ENDING FUND BALANCE	\$ 6,162,5	89 \$ 4,933,4	37 \$ 6,200,834	\$ 4,947,356
Reserve 10%	\$ 4,018,3	07 \$ 4,314,9	69	\$ 4,442,576
Over Policy	\$ 2,144,2	82 \$ 618,4	69	\$ 504,780
Funds Committed *	\$ 4,300,0	00 \$ 8,395,9	25	5,444,092

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



Enterprise Fund





within a separate Enterprise Debt Fund.

1. These figures are presented on a **Budget**

Basis for Water & Sewer Operations.

2. Debt payment expenses are contained

3. Other Requirements includes \$24M transfer to Enterprise Debt Fund, MUD Rebate, Cash Funded CIP, etc.

Enterprise

Note:

Operations Fund

Income Statement



Cash Reserve Ratio - 25%**



45%

^{**}These metrics are calculated using combined Enterprise Fund and Enterprise Debt Fund totals.





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https://www.pearlandtx.gov/departments/finance/budget/fiscal-year-2022-budget-development