

City of Pearland FY23 Proposed Budget

Shaping the Future



Shaping the Future

A City committed to Public Safety, Employees, and the Future.

Staff and leadership are energized and passionate to meet the priorities set by Council. The FY23 budget boosts invests in high-priority areas while taking care of those who serve.



The Big Picture General Fund

Balanced Budget: Annual revenues (including transfers) exceed annual operating costs.

General Fund's Fund Balance is above the 25% policy minimum.

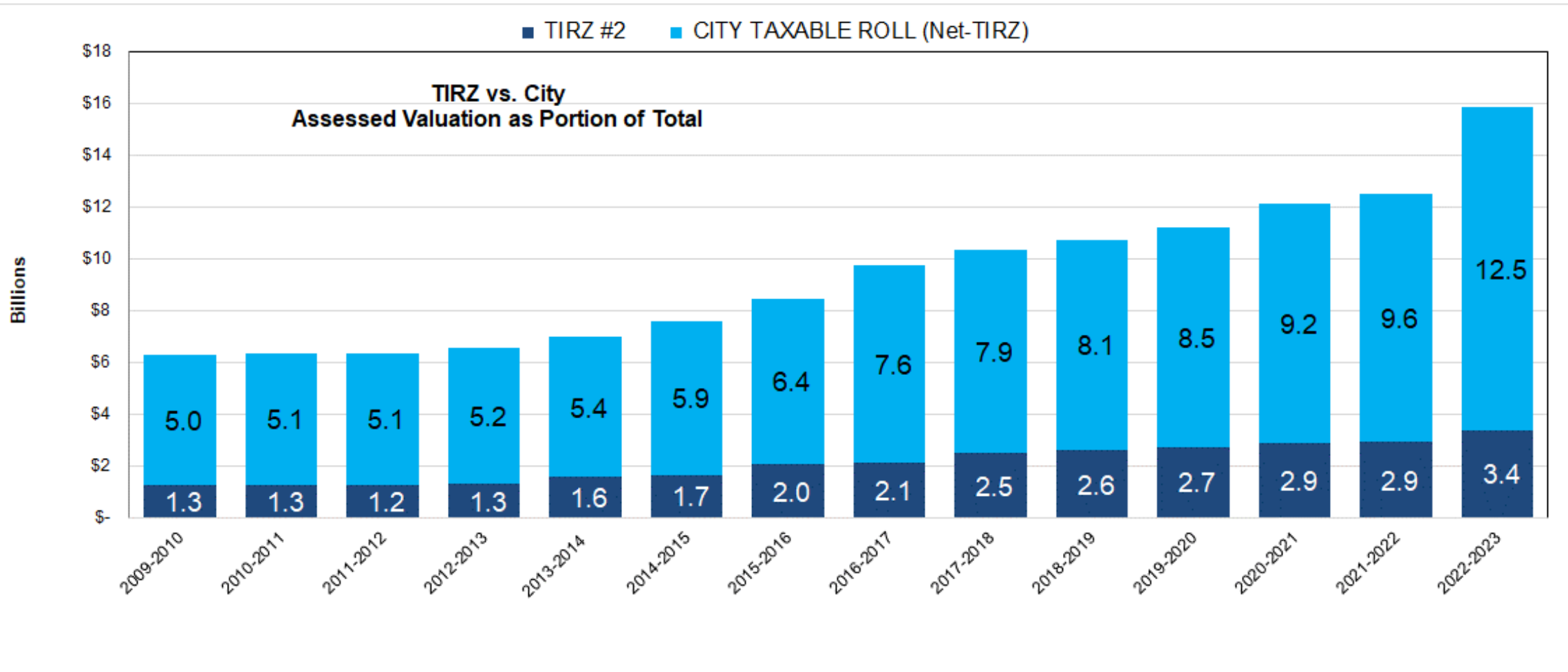
- FY23's ending fund balance is projected to be 27.0%, or 99 days.

| | FY 2021 Actual | FY 2022 Amended | FY 2023 Proposed |
|-----------------------------------|----------------|-----------------|------------------|
| Beginning Fund Balance | \$ 29,076,297 | \$ 32,524,401 | \$ 30,541,045 |
| Revenue | 94,083,921 | 105,001,128 | 109,490,548 |
| Expenditure | 90,570,329 | 106,984,484 | 110,255,548 |
| Net | \$ 3,513,593 | \$ (1,983,356) | \$ (765,000) |
| Ending Balance | \$ 32,524,401 | \$ 30,541,045 | \$ 29,776,045 |
| Policy Minimum Balance (90 Days) | \$ 22,332,410 | \$ 26,379,736 | \$ 27,186,300 |
| Amount Over/(Under) 90 Day Target | \$ 10,191,991 | \$ 4,161,309 | \$ 2,589,745 |
| Days of Reserves | 131 | 104 | 99 |

FY23 Major General Fund Revenue Streams

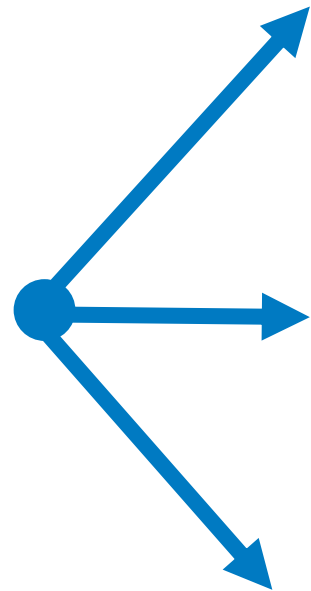


FY23 is the Largest Taxable Value increase in Recent History



No-New Revenue Rate vs Voter-Approval Rate

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



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



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

FY23's Rate is below the Voter Approval Rate and above the No New Revenue rate



This rate results in a tax decrease for all homestead property examples surveyed

No-New-Revenue Rate
• Would bring in \$7M less than the FY22 rate.



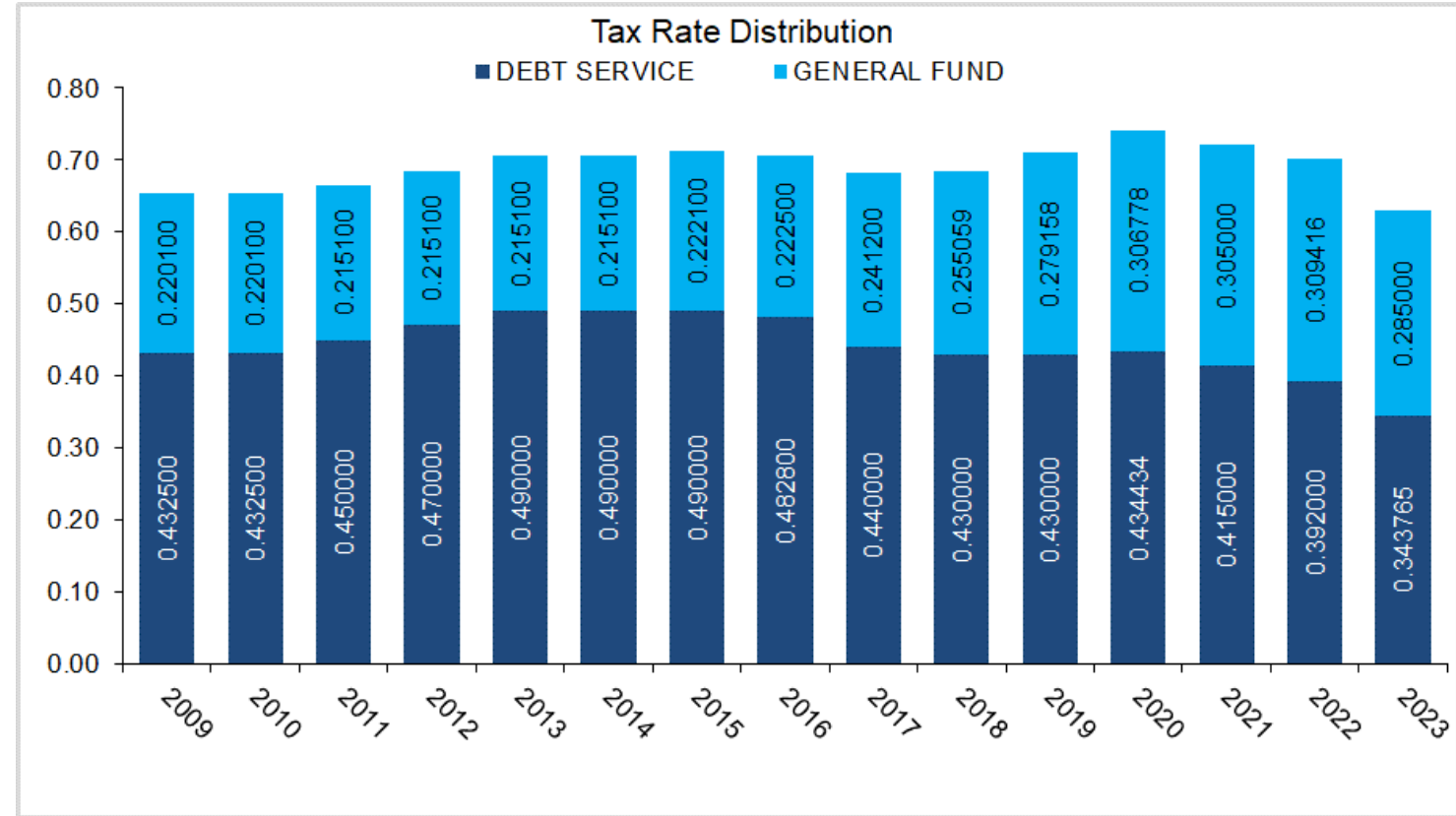
Any rate the City adopts below the No-New-Revenue rate is a property tax cut.



Property Tax Revenue

- Two prior fiscal years were adopted below the No-New-Revenue rate.
- FY23’s rate is proposed below the Voter-Approval-Rate and uses portion of prior year “banked rates” that are a part of Voter-Approved calc.
- Strong growth in assessed values necessitated going above the No-New-Revenue rate which would have actually provided **less** money to O&M.
- \$37M in current collections to the General Fund; \$44M to Debt Service Fund.
- As recently as FY13 and FY14 the debt rate was 71% of the levy, leaving only 30.5% available for operations. FY23 makes 45.3% available for operations.

FY23 is a **7.2651¢ decrease in total rate from FY22**



Property Tax Revenue

- State of Texas Tax worksheets from County Tax Assessor/ Collector included in pocket of binder.
- General Fund O&M rate decreased from .309¢ in FY22 to .285¢ in FY23.
- Debt Service Tax Rate decreased from .392 cents in FY22 to .343 cents in FY23.
- State calculation for NNR brings in less revenue than FY22 because State calculation includes debt service. Meaning that generally when you sell debt, less money will be available for operations with NNR.

| Comparison of Potential Property Tax Rate and Revenue | | | | | |
|--|--------------------------------------|--------------------------|--------------------------|---|---|
| General Fund and Debt Service Property Tax Rates | FY2022 Actual Rates & Amended Budget | Fiscal Year 2023* | | | Change Proposed FY 2023 to FY 2022 Actual Rates |
| | | (1) No New Revenue Rate | (2) Proposed Tax Rate | (3) Voter Approval Rate (+ 3.5% additional revenue) | |
| General Fund (O&M) | 0.309416 | 0.199279 | 0.285000 | 0.289846 | -0.024416 |
| Debt Service (including in-City MUD rebate obligation) | 0.392000 | 0.343765 | 0.343765 | 0.343765 | -0.048235 |
| Total | 0.701416 | 0.543044 | 0.628765 | 0.633611 | -0.072651 |
| G.F. Property Tax Revenue + TIRZ Admin Fee (in millions) | \$30.1 + \$12.7 = \$42.8 | \$25.6 + \$10.2 = \$35.8 | \$36.7 + \$13.2 = \$49.9 | \$37.3 + \$13.3 = \$50.6 | |

* For Fiscal Year 2023, the proposed rate in green is used in the recommended budget revenue.

Proposed Property Tax Rate for FY23

$$0.28500 + 0.343765 = 0.628765$$

Maintenance & Operations
Rate

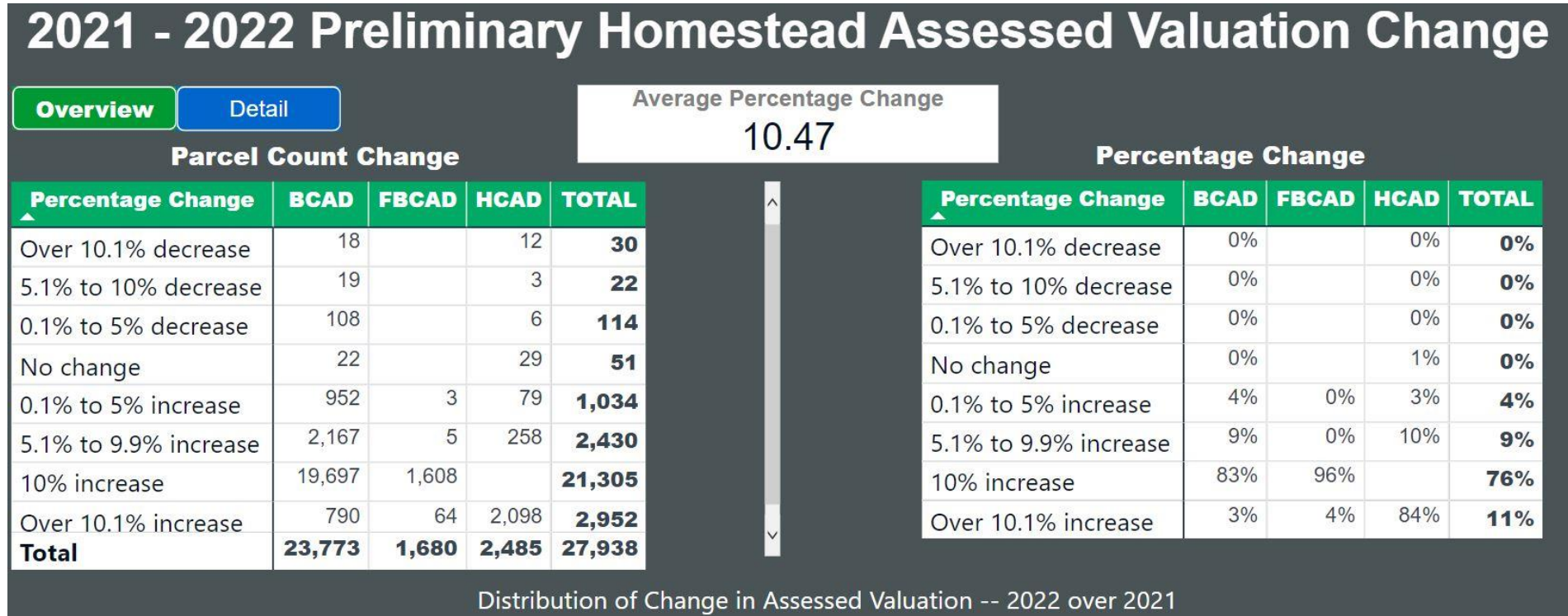
Debt Rate

Total Proposed Property
Tax Rate



Homestead Properties

- Represents 28,000 properties
- For AV determined by County appraisal districts on value as of January 1, 2022, majority (76%) are capped at 10% growth in taxable AV



Homestead Property Tax Examples

Looking at estimated individual tax bills, a zero-growth property with a value of \$300,000 would see a **\$214 annual (\$17.83 per month) decrease** in the City of Pearland portion of their tax bill.

| Sample Homestead Property Tax Bills Projected for 2022 Tax Year (for FY 2023 Budget Cycle) | | | | | | | | | | | | | |
|--|----------------------------|----------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|
| | | Zero Growth | | Homestead Example 1 | | Homestead Example 2 | | Homestead Example 3 | | Homestead Example 4 | | Homestead Example 5 | |
| TY21 Actual City Tax Bill | | \$ 2,069 | | \$ 1,766 | | \$ 1,293 | | \$ 1,206 | | \$ 1,806 | | \$ 1,176 | |
| TY21 Taxable Value | | \$ 300,000 | | \$ 258,200 | | \$ 189,353 | | \$ 176,900 | | \$ 264,080 | | \$ 172,691 | |
| % Increase (Decrease) | | 0.0% | | 10.0% | | 10.0% | | 10.0% | | 10.0% | | 10.0% | |
| TY22 Taxable Value | | \$ 300,000 | | \$ 284,020 | | \$ 208,288 | | \$ 194,590 | | \$ 290,488 | | \$ 189,960 | |
| City Scenario | Proposed TY 2022 City Rate | TY 2022 Amount | Change from Prior Year Actual | TY 2022 Amount | Change from Prior Year Actual | TY 2022 Amount | Change from Prior Year Actual | TY 2022 Amount | Change from Prior Year Actual | TY 2022 Amount | Change from Prior Year Actual | TY 2022 Amount | Change from Prior Year Actual |
| | 0.6288 | \$ 1,855 | (214) | \$ 1,741 | \$ (25) | \$ 1,277 | \$ (16) | \$ 1,192 | \$ (14) | \$ 1,781 | \$ (25) | \$ 1,163 | \$ (13) |
| Total Tax Bill | | \$ 6,627 | | \$ 6,950 | | \$ 4,292 | | \$ 3,975 | | \$ 8,492 | | \$ 3,867 | |
| City of Pearland % of Total | | 28% | | 25% | | 30% | | 30% | | 21% | | 30% | |
| Total Tax as % of Taxable Value | | 2.2% | | 2.4% | | 2.1% | | 2.0% | | 2.9% | | 2.0% | |

Homestead Property Tax Examples

Looking at Homestead Example 8, a home with a value of \$509,300 that sees a 10% increase in Taxable Value would see a **\$44 annual (\$3.66 per month) decrease** in the City of Pearland portion of their tax bill .

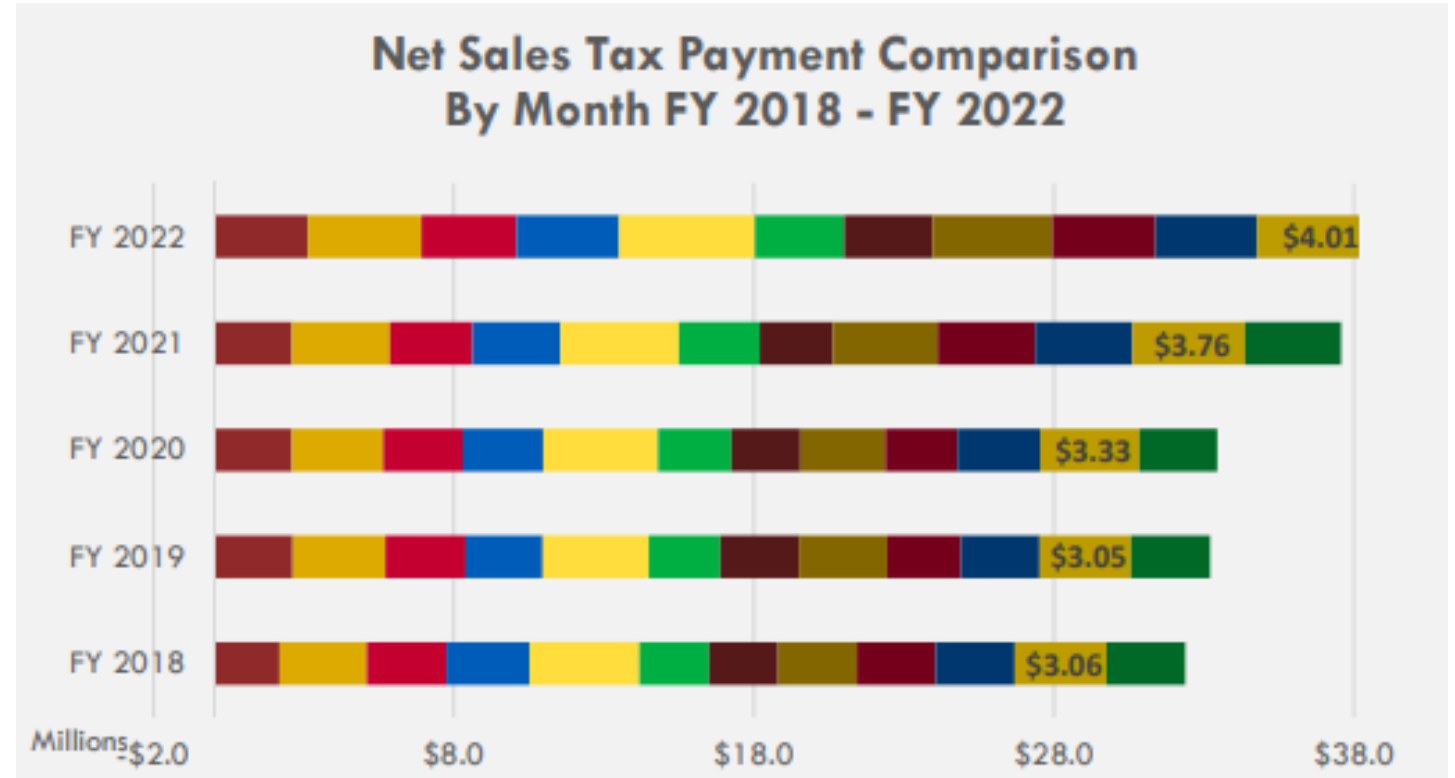
No increase to Senior exemption properties, regardless of rate change – Remains *substantially* below non-exempt properties

| | | Homestead Example 6 | | Homestead Example 7 | | Homestead Example 8 | | Homestead Example 9 | | Homestead Example 10 | | Senior Example HS 11 | |
|---------------------------------|----------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|----------------------|-------------------------------|----------------------|-------------------------------|
| TY21 Actual City Tax Bill | | \$ 1,473 | | \$ 2,213 | | \$ 3,166 | | \$ 2,133 | | \$ 2,144 | | \$ 206 | |
| TY21 Taxable Value | | \$ 215,370 | | \$ 323,525 | | \$ 463,000 | | \$ 311,880 | | \$ 313,480 | | \$ 176,500 | |
| % Increase (Decrease) | | 10.0% | | 10.0% | | 10.0% | | 10.0% | | 10.0% | | 2.2% | |
| TY22 Taxable Value | | \$ 236,907 | | \$ 355,877 | | \$ 509,300 | | \$ 343,068 | | \$ 344,828 | | \$ 180,330 | |
| City Scenario | Proposed TY 2022 City Rate | TY 2022 Amount | Change from Prior Year Actual | TY 2022 Amount | Change from Prior Year Actual | TY 2022 Amount | Change from Prior Year Actual | TY 2022 Amount | Change from Prior Year Actual | TY 2022 Amount | Change from Prior Year Actual | TY 2022 Amount | Change from Prior Year Actual |
| | 0.6288 | \$ 1,452 | \$ (21) | \$ 2,182 | \$ (31) | \$ 3,122 | \$ (44) | \$ 2,103 | \$ (30) | \$ 2,114 | \$ (30) | \$ 206 | \$ - |
| Total Tax Bill | | \$ 4,955 | | \$ 11,507 | | \$ 14,430 | | \$ 8,235 | | \$ 7,451 | | \$ 896 | |
| City of Pearland % | | 29% | | 19% | | 22% | | 26% | | 28% | | 23% | |
| Total Tax as % of Taxable Value | | 2.1% | | 3.2% | | 2.8% | | 2.4% | | 2.2% | | 0.5% | |

Sales Tax Revenue

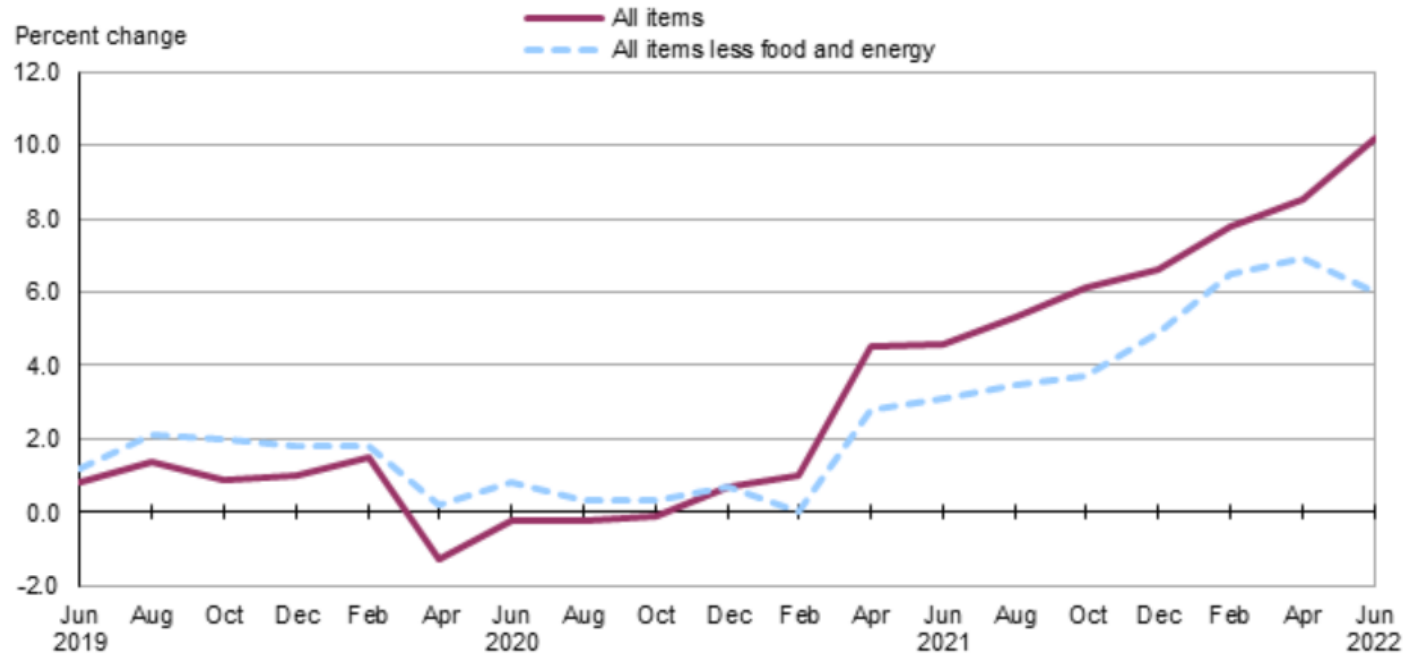
- The FY23 proposed budget is presented with a projected 3.75% sales tax growth over the FY22 amended budget in the General Fund.
- As always, will monitor sales tax performance each month and adjust via budget amendment as needed.
- Sales tax revenues are budgeted for \$30.1M in FY23; 27.5% of total General Fund Revenue.
- The Pearland Economic Development Corporation is budgeted for another \$13.9M in dedicated funds for those separate uses as defined by State law.

FY22 saw significant sales tax growth



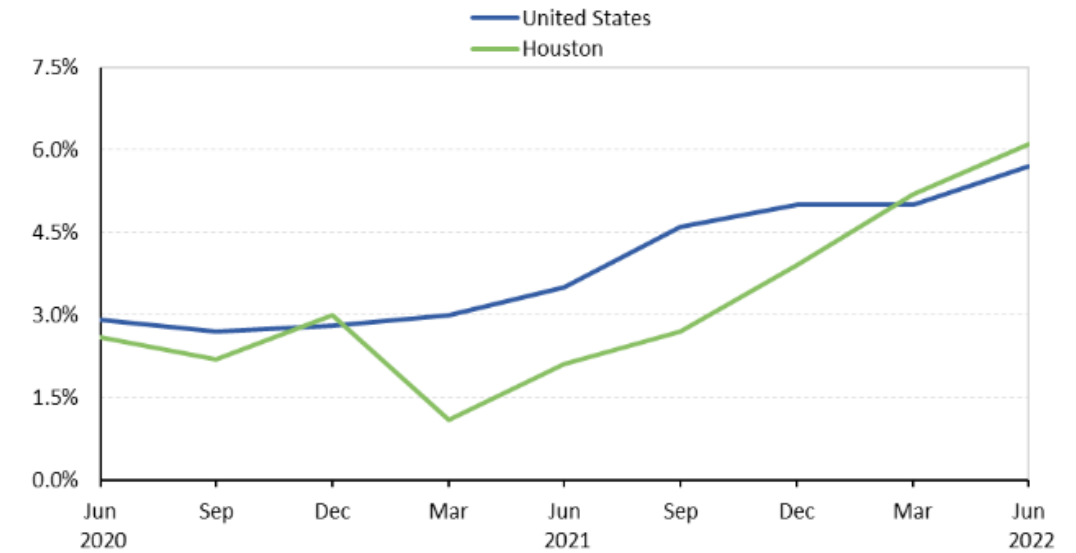
Inflation

Chart 1. Over-the-year percent change in CPI-U, Houston-The Woodlands-Sugar Land, TX, June 2019–June 2022



Source: U.S. Bureau of Labor Statistics.

Chart 2. Twelve-month percent changes in wages and salaries for private industry workers in the United States and Houston, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.



Valuing Our Staff

- The Compensation and Classification study was a significant investment in FY22 and has been completed with FY23 proposed budget.
- For upcoming FY 23, employees eligible to receive a 5.5% effective raise.
 - 3.5% market adjustment and 2% step for eligible employees
 - 6.5% for Uniformed Public Safety unless at max step
 - If at max step, employees in step plans will receive a market adjustment and one-time payment on anniversary to effectively give them 5.5% this year. The lump sum is equivalent to 2% of the new base salary regardless of designation.
- Additional Certification pay has been budgeted for in the Enterprise Fund.
- Staff are working to propose a paid parental leave program during FY23 and will be bringing proposals forward for consideration.



General Fund Expenditures

- A people organization, General Fund expenditures are primarily salaries and wages.
- Public Safety is one of Council's top goals, and is FTE intensive - therefore, our major source of expenditures.
- General Government dropped due to improved categorization of transfers to other funds (such as IT, Facilities, Drainage, and Infrastructure Reinvestment Fund).

Annual Budget by Function Report

| Fund: 100 General Fund | 2020 Actual | | 2021 Actual | | 2022 Amended | | 2023 Proposed | |
|--|---------------------|------------|---------------------|------------|----------------------|------------|----------------------|------------|
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| Expenditures | | | | | | | | |
| General Government (including transfers out) | \$14,040,367 | 17% | \$17,354,094 | 19% | \$20,530,264 | 19% | \$15,858,590 | 14% |
| Public Safety | \$46,847,908 | 57% | \$51,473,628 | 57% | \$59,731,313 | 56% | \$65,145,981 | 59% |
| Public Works | \$11,502,132 | 14% | \$11,369,557 | 13% | \$14,710,936 | 14% | \$15,472,967 | 14% |
| Community Services | \$3,798,941 | 5% | \$4,098,948 | 5% | \$4,625,896 | 4% | \$5,465,884 | 5% |
| Parks & Recreation | \$5,739,764 | 7% | \$6,274,103 | 7% | \$7,386,075 | 7% | \$8,312,126 | 8% |
| Expenditure Totals | \$81,929,112 | | \$90,570,329 | | \$106,984,484 | | \$110,255,548 | |
| | | | | | | | Change | 3.1% |

Council Strategic Retreat Outcomes



The City Council of Pearland held a Strategic Visioning Retreat on Saturday, February 19, 2022, for the purpose of refreshing the strategic vision for the future. Strategic Government Resources (SGR) was enlisted to facilitate the retreat. Six (6) of the seven (7) Council Members and the Mayor were in attendance as well as the City Manager and Senior Staff. Dr. Scott Willingham, Senior Vice President for SGR, facilitated the strategic visioning refresh process. This report is a summary of the key points discussed and the Strategic Pillars that the Council identified for their vision.

Strategic Priorities

Each priority along with the priority's definition and the supporting initiatives were displayed and discussed. Working with one another, the Council collaborated to affirm each priority as currently relevant. In addition, each priority's definition was refreshed. For each priority, the supporting initiatives were evaluated, reworded and realigned. The priorities were ranked by council in order of importance.

Trusted Government

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

Strong Economy

Definition: 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.

Safe Community

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

Sustainable Infrastructure

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

Resilient Finances

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

Welcoming Community

Definition: Fostering a diverse and **unified** community with **events**, amenities, and public and private spaces that bring people together

Initiatives

The Council was asked to refresh and rank the supporting strategic initiatives. The shaded blue areas reflect what initiatives support Council's strategic priorities.

| Innovating and investing in public safety resources | Support small and expanding businesses/ Simplify permitting | Increase investment in drainage infrastructure | Promote high quality, high value, dense development with all city resources & infrastructure in mind | Focus on Priority/ Program-based budgeting reviews | Creation of anchor districts, catalyst (regional amenity) reviews | Long term capital asset financial plan |
|---|---|--|--|--|---|--|
| | | | | | | |
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Investments in Trusted Government

- New City Permitting Software will help improve transparency and deliver better, more accessible permitting services and will dramatically improve the permitting experience. Funded with ARPA grant.
- As technology facilitates more of our services, we must keep up with internal staffing to support those services and the employees delivering them. The FY23 budget adds a Technology Support Specialist.



Investments in Strong Economy

- General Fund balance has funded the improvement of the Unified Development Code, which will result in clear and understandable policies with a refreshed approach to serve the developer community.
- A significant increase in funding for drainage will also contribute to this priority by reducing the risk of flooding for businesses and residents.
- Easier permitting, enabled by new city permitting software, will make it easier to start and grow your business in Pearland.



Investments in Safe Community

- Expenses in Police and Fire represent 62.7% (\$65.1M) of the \$116M in General Fund expenses.
- The Police Department's General Fund budget includes three new police positions, including one Officer with vehicle, and two Telecommunications Operators.
- The Fire Department's General Fund budget includes four new firefighting positions. Will assist with reducing mandatory overtime.
- FY23 Budget also contains \$2.7M in ARPA allocations for Fire Vehicles, & LMTV Lifts.



Investments in Sustainable Infrastructure

- The FY23 Budget creates the \$2.0M Drainage Maintenance Fund and provides for a new drainage crew to improve storm water system maintenance and reduce risk.
- A new Engineering and Public Works project manager has been added to the budget and will be 100% reimbursed from projects
- The Surface Water Treatment Plant will come online in FY23 and this budget identifies funds necessary for start-up equipment and staff in the Enterprise Operating Fund.
- A Water Quality Compliance Team has been added in the Enterprise Operating Fund – Meeting an increased level of state-required testing and improving service levels.

8/13/22



Investments in Resilient Finances

- Thanks to investments made last year there were no supplemental funding requests for this category in FY23.
- Professional Development, Certification, and Training will continue to be a key investment in this critical staff operations that is a nexus for all other city activities.



Investments in Welcoming Community

- The FY23 budget streamlines payments to contract recreation instructors, improving the process for staff, customers, and contractors – with a net zero budget impact.
- A part-time senior office assistant has been converted into a full-time position to help manage increased demand for rental opportunities – improving staff responsiveness to customers and having a potentially positive revenue impact.



Major Changes from Printed Proposed Budget Book to Today

- General Fund – No Changes
- Special Revenue Funds – No Changes
- Internal Service Funds – No Changes
- Enterprise Funds – A typo caused the FY2022 Original Budget Revenues to appear ~\$8M higher than it was adopted at. This typo was made as the Enterprise Fund Summary Income Statement was being put together in Excel and does **not** affect the rate model, the City's financial system (New World), *or* the FY23 budget in any way.
 - The online version of the book has been corrected
 - An updated handout has been given to Council for their budget binders
 - Book 1 – Enterprise Fund Tab – Page 1
 - This presentation uses the updated, accurate income statement



What is a Budget?

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



FY23 General Fund Highlights

Trusted Government

| | | |
|-------------------------------|----|----------|
| Technology Support Specialist | IT | \$68,886 |
|-------------------------------|----|----------|

Strong Economy

| | | |
|---------------------------------|-----------------------|-----------|
| Unified Development Code Update | Community Development | \$300,000 |
|---------------------------------|-----------------------|-----------|

Safe Community

| | | |
|-----------------------------|-----------------|-----------|
| Four Firefighting Positions | Fire Department | \$436,520 |
|-----------------------------|-----------------|-----------|

| | | |
|--|-----------------|----------|
| Fire Office Assistants Part Time to Full Time Conversion | Fire Department | \$15,000 |
|--|-----------------|----------|

| | | |
|------------------|-------------------|-----------|
| Police Equipment | Police Department | \$200,000 |
|------------------|-------------------|-----------|

| | | |
|----------------|-------------------|-----------|
| Police Officer | Police Department | \$185,865 |
|----------------|-------------------|-----------|

| | | |
|---------------------------------|-------------------|-----------|
| Two Telecommunication Operators | Police Department | \$151,216 |
|---------------------------------|-------------------|-----------|

Sustainable Infrastructure

| | | |
|--|----------------------------|-----------|
| Drainage Crew (GF transfer to Drainage Fund) | Engineering & Public Works | \$662,000 |
|--|----------------------------|-----------|

| | | |
|--|----------------------------|-----------|
| Project Manager (100% Charged to Projects, net zero) | Engineering & Public Works | \$140,000 |
|--|----------------------------|-----------|

Welcoming Community

| | | |
|---------------------------------|--------------------|----------|
| Program Contract Instructor Pay | Parks & Recreation | \$32,960 |
|---------------------------------|--------------------|----------|

| | | |
|---|--------------------|----------|
| Senior Office Assistant Part Time to Full Time Conversation | Parks & Recreation | \$33,000 |
|---|--------------------|----------|

FY23 General Fund Staffing Highlights

| Department-Division | Position Title | FY23 FTEs | Budget |
|--|---|------------|------------------|
| Fire - Operations | Firefighters | 4 | \$436,520 |
| Fire - Operations | Convert 2 Part Time Office Assistant to Full Time | - | \$15,000 |
| Police - Patrol | Police Officer | 1 | \$185,000 |
| Police – Communications/Record Keeping | 2 Telecommunications Operators | 2 | \$151,216 |
| EPW - Capital Projects | Project Manager | 1 | \$140,000* |
| Parks & Rec – Recreation Operations | Convert 1 Part Time Office Assistant to Full Time | 0.5 | \$33,000 |
| Total | | 8.5 | \$960,736 |

*Project Manager will be 100% Reimbursed by CIP projects

What is *not* in the FY23 Budget?

- Additional \$2.6 Million in Street and Sidewalk Funding needed to maintain the transportation infrastructure
- 159 vehicles/equipment eligible General Fund replacement vehicles
- \$4.3 million in supplemental staffing requests in the General Fund
 - \$1.8 million department requests in Public Safety Staff
 - \$859,000 in Engineering and Public Works Staff
 - \$712,000 in Parks & Recreation Staff
 - \$130,000 in Internal Service Department Staff
- \$3.3M in non-personnel requests – such as Facility Condition Assessment recommended repairs

General Fund Revenues



Comparing FY22 to FY23 Revenues

| Revenue Category | FY22 Revenue Amended | FY23 Proposed Revenue Budget |
|---------------------|----------------------|------------------------------|
| Property Taxes | \$30.4M | \$37.0M |
| Sales & Use Taxes | \$29.0M | \$30.1M |
| Charges for Service | \$19.4M | \$20.9M |
| Franchise Fees | \$6.4M | \$6.7M |
| Licenses & Permits | \$4.6M | \$4.6M |
| Miscellaneous | \$583K | \$1.0M |
| Transfers In | \$9.6M | \$6.9M |
| Total | \$105.0M | \$109.5M |



Proposed Property Tax Rate

| | FY 2020 | FY 2021 | FY22 | FY23 Proposed | Change from Last Year | Change from FY20 to FY23 |
|-----------------------|---------|---------|-------|------------------|-----------------------------|--------------------------------|
| O & M Rate | 0.31 | 0.305 | 0.32 | 0.285 | -0.024 | -0.0220 |
| Debt Rate | 0.43 | 0.415 | 0.39 | 0.344 | -0.048 | -0.0910 |
| Total Rate | 0.74 | 0.72 | 0.71 | 0.629 | -0.727 | -.1120 |
| O&M % | 41.4% | 42.4% | 44.7% | 45.3% | | |
| DS % | 58.6% | 57.6% | 55.4% | 54.7% | | |

11.2¢ decrease in four years



Proposed Property Tax Revenue

Revenue = assessed value * tax rate

| BUDGET ALLOCATION: | FY2022 Certified | FY2022 Adjusted | FY2023 Certified |
|--|----------------------|----------------------|----------------------|
| General Fund from Levy at Collection Rate (104.39%) | 26,663,975 | 26,692,983 | 32,940,518 |
| Anticipated Revenue from Tax Ceilings** | 4,045,180 | 3,401,989 | 3,741,293 |
| General Fund Allocation | \$ 30,709,155 | \$ 30,094,972 | \$ 36,681,811 |
| Debt Service Fund from Levy at Collection Rate (104.39%) | 33,780,665 | 33,817,415 | 39,732,622 |
| Anticipated Revenues from Tax Ceilings** | 5,124,850 | 4,309,990 | 4,512,721 |
| Debt Service Fund Allocation | \$ 38,905,515 | \$ 38,127,405 | \$ 44,245,343 |
| TOTAL CITY BUDGET ALLOCATION | \$ 69,614,670 | \$ 68,222,377 | \$ 80,927,153 |

Budget Book Location: Book 1 – Property Tax Tab – Page 2

General Property Tax Bill Comparison

Taxable Value Summary

| | Tax Year 2021 | Tax Year 2022 | Annual \$ Change |
|--------------------|---------------|---------------|------------------|
| Appraised Value | 313,480 | 357,740 | \$44,260 |
| Homestead Cap Loss | - | 12,912 | \$12,912 |
| Taxable Value | \$313,480 | \$344,828 | \$31,348 |

Proposed Tax Rate Comparison of Values

| Taxing Entity | Tax Year 2021 | | | Tax Year 2022 | | | Annual \$ Change |
|--------------------------------------|---------------|--------------|-------------------|---------------|--------------|-------------------|------------------|
| | Rate | Amount* ** | % of Total Amount | Rate** | Amount | % of Total Amount | |
| Pearland Independent School District | 1.3155 | 3,795 | 52.1% | 1.3131 | 4,003 | 54.0% | 209 |
| City of Pearland | 0.7014 | 2,144 | 29.4% | 0.6288 | 2,114 | 28.5% | (30) |
| Brazoria County | 0.3365 | 844 | 11.6% | 0.2824 | 779 | 10.5% | (65) |
| Brazoria County Drainage District #4 | 0.1520 | 381 | 5.2% | 0.1390 | 383 | 5.2% | 2 |
| Road & Bridge Fund (Brazoria County) | 0.0500 | 124 | 1.7% | 0.0500 | 136 | 1.8% | 13 |
| Total | 2.5554 | 7,288 | | 2.4263 | 7,416 | | 129 |
| % of Appraised Value | | 2.3% | | | 2.1% | | |

Baseline Homestead Exemption

10% cap on taxable value growth from previous year

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

City of Pearland: Deduction equal to the higher of \$5,000 or 2.5% of Taxable Value

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

Brazoria County: 20% deduction to Taxable Value

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

Pearland ISD: \$40,000 deduction to Taxable Value

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

** 2022 tax rates for other entities are not certified. Based either on advertised rates or 2021 rate.

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

What does 1¢ in Property Taxes Mean?

**What does a ¢
reduction in O&M
Property Taxes
Equal?**

**General Fund
Revenue
Increase/Decrease
for FY23**

**Reduction in a Homestead
Homeowner's property tax bill
(average homestead taxable value
of \$299,794)**

1¢

\$1.6M

\$29.48 per year. \$2.45 per month.

2¢

\$3.2M

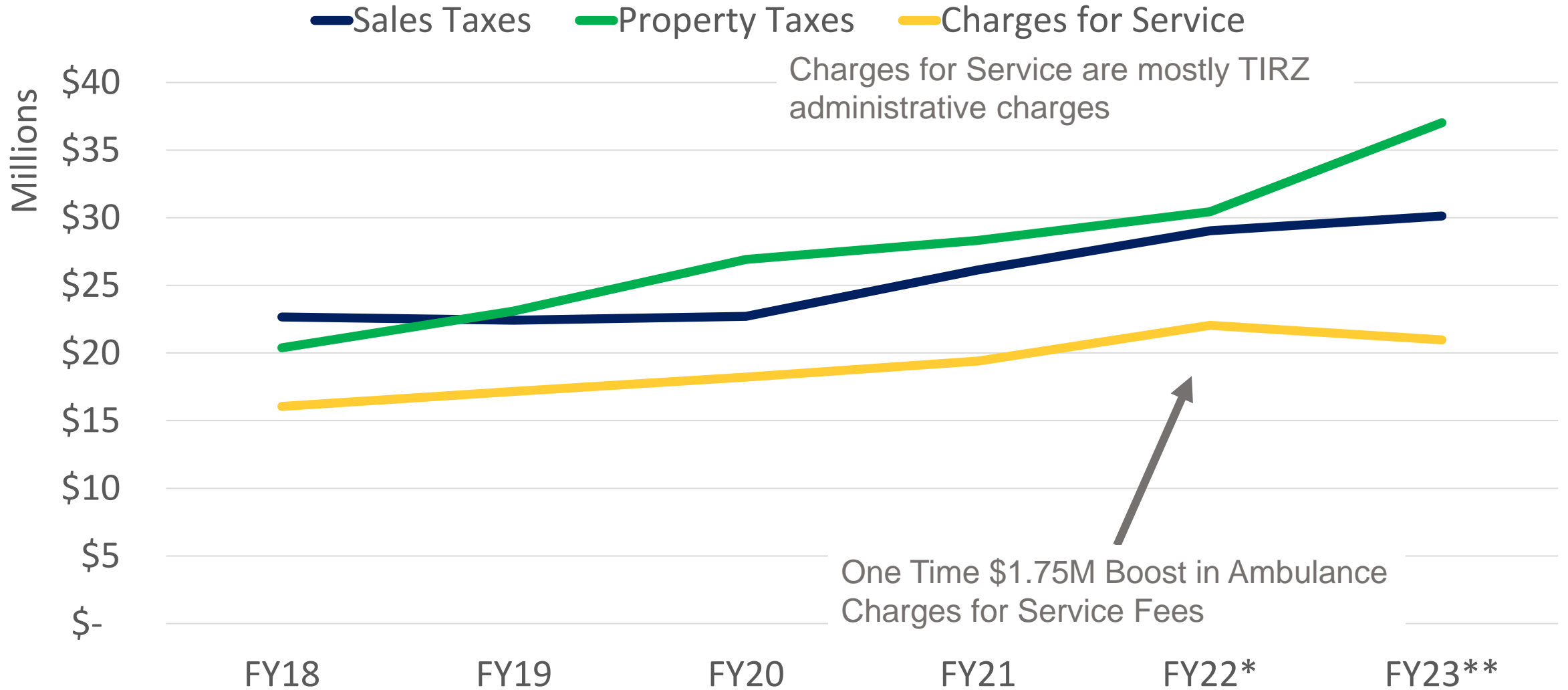
\$58.96 per year. \$4.91 per month.

3¢

\$4.8M

\$88.44 per year. \$7.37 per month.

80% of General Fund Revenues Come from three Main Revenue Streams



General Fund Expenditures



Comparing FY22 to FY23 Expenditures

| Revenue Category | FY22 Expense Amended | FY23 Proposed Expense Budget |
|--------------------|----------------------|------------------------------|
| Public Safety | \$59.7M | \$65.1M |
| Public Works | \$14.7M | \$15.5M |
| General Government | \$14.2M | \$9.3M |
| Parks & Recreation | \$7.4M | \$8.3M |
| Community Services | \$4.6M | \$5.5M |
| Transfer Out | \$6.3M | \$6.5M |
| Total | \$106.9M | \$110.3M |



Comparing FY22 to FY23 Expenditures

| Revenue Category | FY22 Expense Amended | FY23 Proposed Expense Budget |
|--------------------|----------------------|------------------------------|
| Public Safety | \$59.7M | \$65.1M |
| Public Works | \$14.7M | \$15.5M |
| General Government | \$14.2M | \$9.3M |
| Parks & Recreation | \$7.4M | \$8.3M |
| Community Services | \$4.6M | \$5.5M |
| Transfer Out | \$9.6M | \$6.5M |
| Total | \$106.9M | \$110.3M |



Why did General Government Decrease?

| Expense Category | FY22 Expense Amended | FY23 Proposed Expense Budget |
|---------------------------|----------------------|------------------------------|
| Public Safety | \$59.7M | \$65.1M |
| Public Works | \$14.7M | \$15.5M |
| General Government | \$14.2M | \$9.3M |
| Parks & Recreation | \$7.4M | \$8.3M |
| Community Services | \$4.6M | \$5.5M |
| Transfer Out | \$9.6M | \$6.5M |
| Total | \$106.9M | \$110.3M |

New Funds in FY23

- IT Fund
- Facility Fund

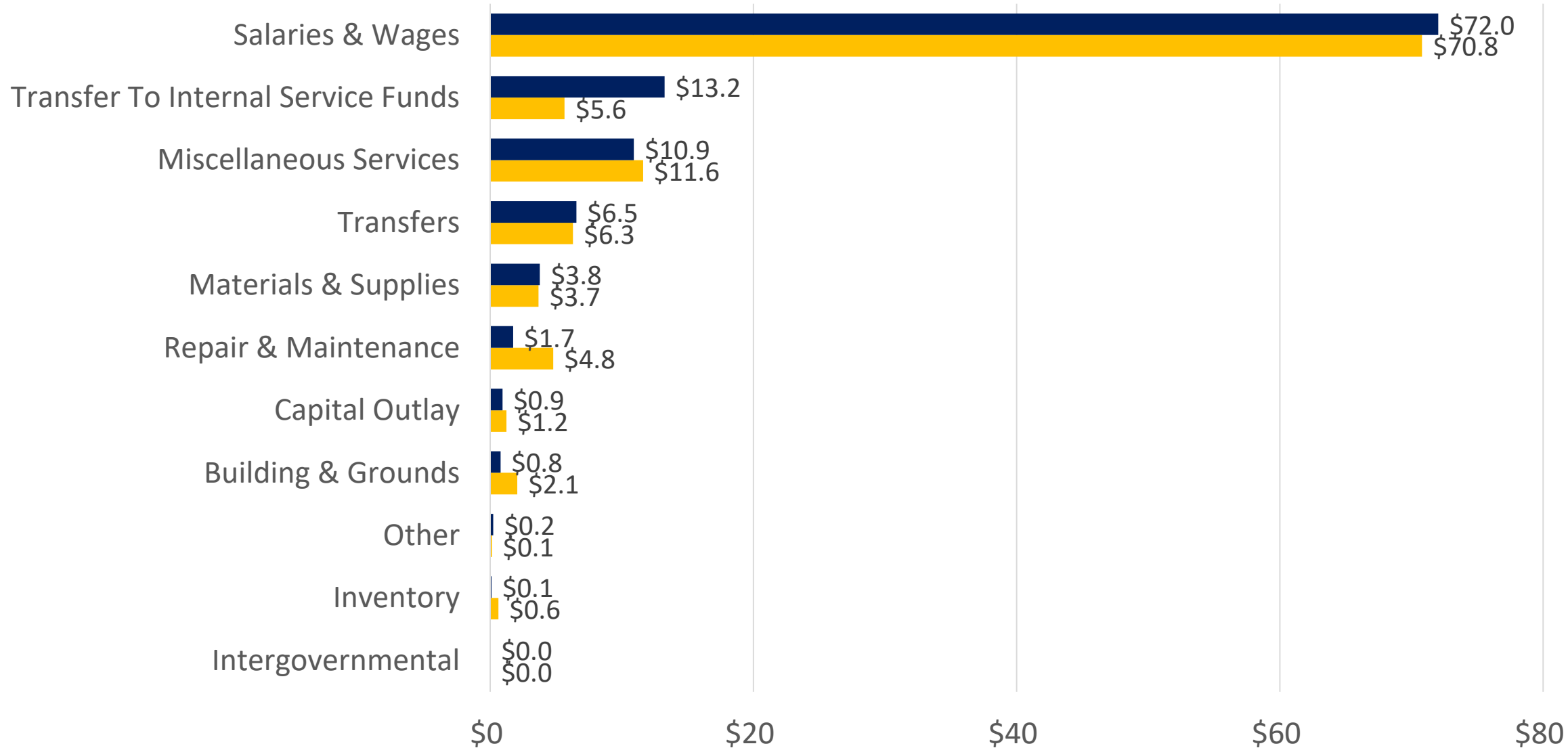
Changes to Transfers Out of the General Fund

| Expense Category | FY22 Expense Amended | FY23 Proposed Expense Budget |
|---------------------|----------------------|------------------------------|
| Public Safety | \$59.7M | \$65.1M |
| Public Works | \$14.7M | \$15.5M |
| General Government | \$14.2M | \$9.3M |
| Parks & Recreation | \$7.4M | \$8.3M |
| Community Services | \$4.6M | \$5.5M |
| Transfer Out | \$6.2M | \$6.5M |
| Total | \$106.9M | \$110.3M |

- Better Transfer Accounting**
- **Correctly Attributes General Fund transfer to Streets and Infrastructure Fund as Public Works.**

FY23 Proposed Budget Expenditures by Category

FY23 Proposed FY22 Amended



General Fund Summary

| | FY 2021 Actual | FY 2022 Amended | FY 2023 Proposed |
|-----------------------------------|----------------|-----------------|------------------|
| Beginning Fund Balance | \$ 29,076,297 | \$ 32,524,401 | \$ 30,541,045 |
| Revenue | 94,083,921 | 105,001,128 | 109,490,548 |
| Expenditure | 90,570,329 | 106,984,484 | 110,255,548 |
| Net | \$ 3,513,593 | \$ (1,983,356) | \$ (765,000) |
| Ending Balance | \$ 32,524,401 | \$ 30,541,045 | \$ 29,776,045 |
| Policy Minimum Balance (90 Days) | \$ 22,332,410 | \$ 26,379,736 | \$ 27,186,300 |
| Amount Over/(Under) 90 Day Target | \$ 10,191,991 | \$ 4,161,309 | \$ 2,589,745 |
| Days of Reserves | 131 | 104 | 99 |

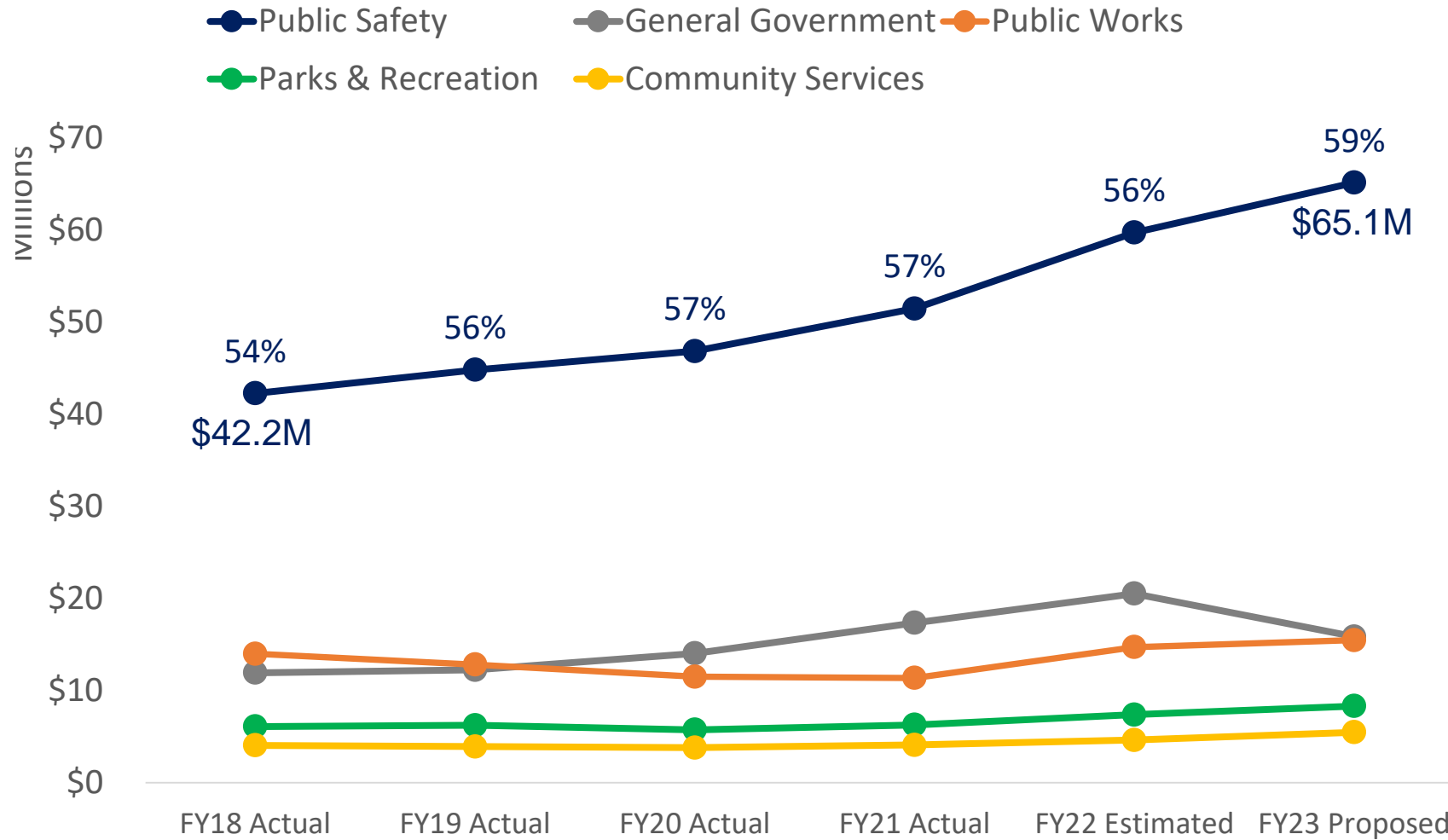
- ✓ **Exceeds Policy Minimum**
Projected ending balance of 99 days exceeds minimum of 90 days by 9 days
- ✓ **Maintains Core Services**

- ✓ **Excellent Aa2 Moody's and AA Fitch Credit Rating**
 - ✓ Moody's; confirmed stable
 - ✓ Reaffirmed July 2022
- ✓ **Structurally Balanced**



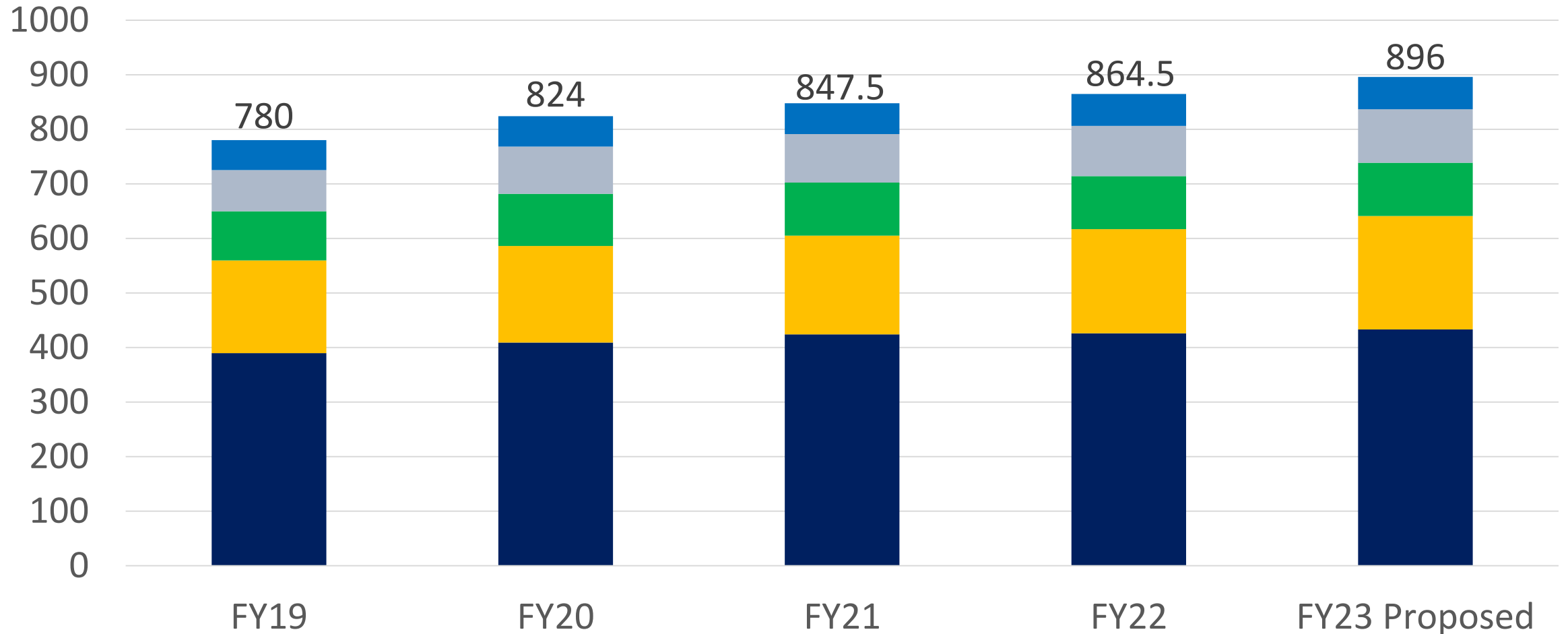
Long Term Trends

Pearland's Budget Expenditures by Category



Citywide Staffing Trends - FTEs per 1,000 Residents

- Public Safety
- Public Works
- Parks and Rec
- General Government
- All Other Departments



General Fund Council Input and Discussion

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



Tax-Backed Debt Fund



Debt Service Fund

- This Fund is where the City budgets the revenue and expenditures for all tax-backed debt.
- Expenditures in this fund pay for Non-Enterprise System (Water/Sewer) Debt and MUD Rebates.
- The tax rate has two components O&M and Debt Service
 - This is where the revenue generated from the debt service property tax rate goes.
- Tax-backed debt is paid for by property taxes.
- The primary driver of tax-backed debt payments are CIP projects.

Debt Service Rate

FY23 Proposed Debt Service Rate: 0.343765

- Estimated levy of \$44.2M
- \$0 committed from fund balance
 - New State worksheet formula removes that need/possibility

FY22 Adopted Debt Service Rate: 0.392000

- Estimated Levy of \$38.2M
- \$5.4M committed from fund balance



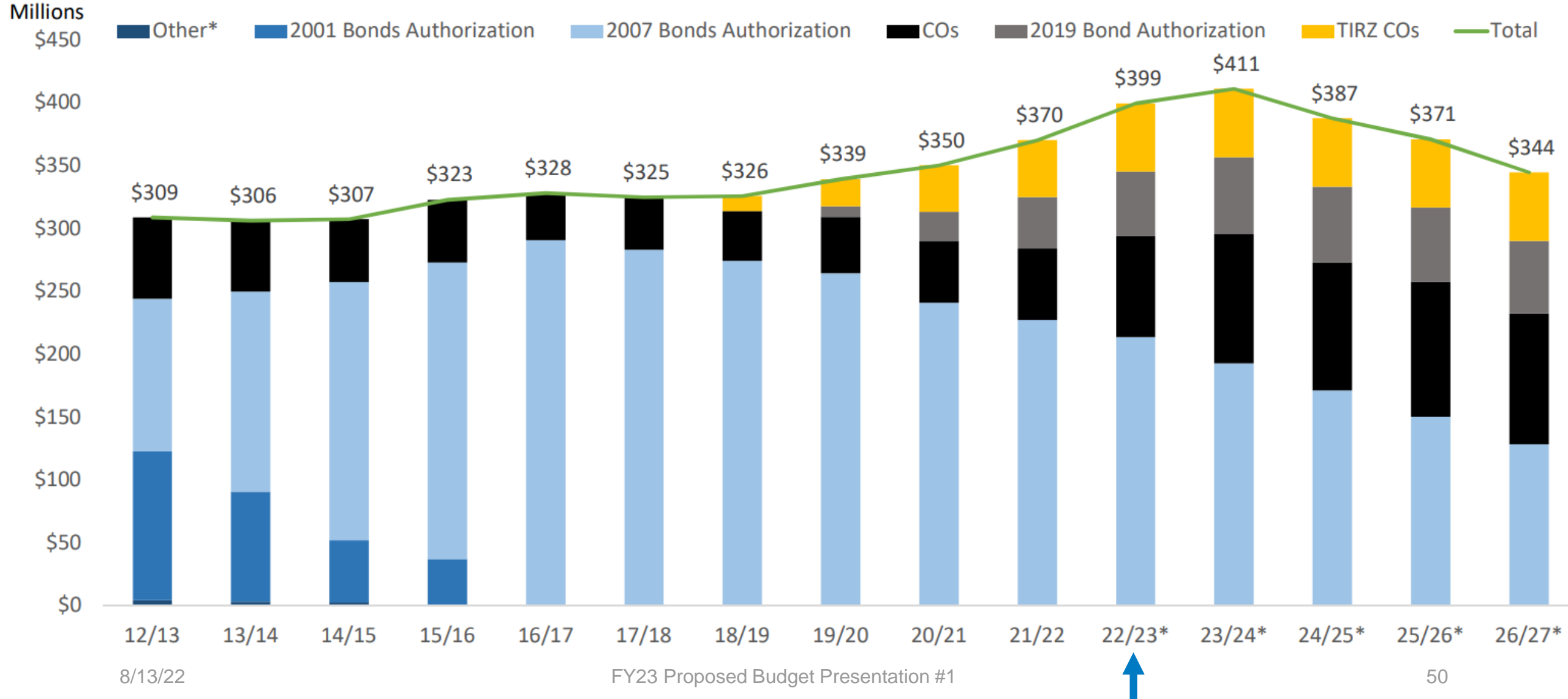
Debt Service Fund Summary

| | FY 2021 ACTUAL | FY 2022 ORIGINAL BUDGET | FY 2022 YEAR END AMENDED | FY 2023 PROPOSED BUDGET |
|-------------------------------|---------------------|-------------------------------|--------------------------------|-------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 38,374,500 | \$ 39,350,712 | \$ 38,476,392 | \$ 44,775,343 |
| Miscellaneous | 763,893 | 747,205 | 750,449 | 702,979 |
| Transfers | 2,530,075 | 3,074,369 | 3,074,369 | 3,302,442 |
| Bond Proceeds (Refunding) | 32,622,641 | | | |
| TOTAL REVENUES | 74,291,110 | 43,172,286 | 42,301,210 | 48,780,764 |
| EXPENDITURES | | | | |
| MUD Rebates | 7,116,217 | 7,591,760 | 7,289,085 | 7,763,930 |
| Bond Payment | 67,450,250 | 36,834,004 | 36,834,004 | 38,863,045 |
| TOTAL EXPENDITURES | 74,566,467 | 44,425,764 | 44,123,089 | 46,626,975 |
| REV OVER/(UNDER) EXP | (275,357) | (1,253,478) | (1,821,879) | 2,153,789 |
| BEGINNING FUND BALANCE | 6,162,589 | 6,200,953 | 5,887,231 | 4,065,352 |
| ENDING FUND BALANCE | \$ 5,887,231 | \$ 4,947,475 | \$ 4,065,352 | \$ 6,219,140 |
| Reserve 10% | \$ 7,456,647 | \$ 4,442,576 | \$ 4,412,309 | \$ 4,662,698 |
| Over Policy | \$ (1,569,416) | \$ 504,899 | \$ (346,957) | \$ 1,556,443 |
| Funds Committed * | \$ 8,395,925 | 5,444,092 | | |



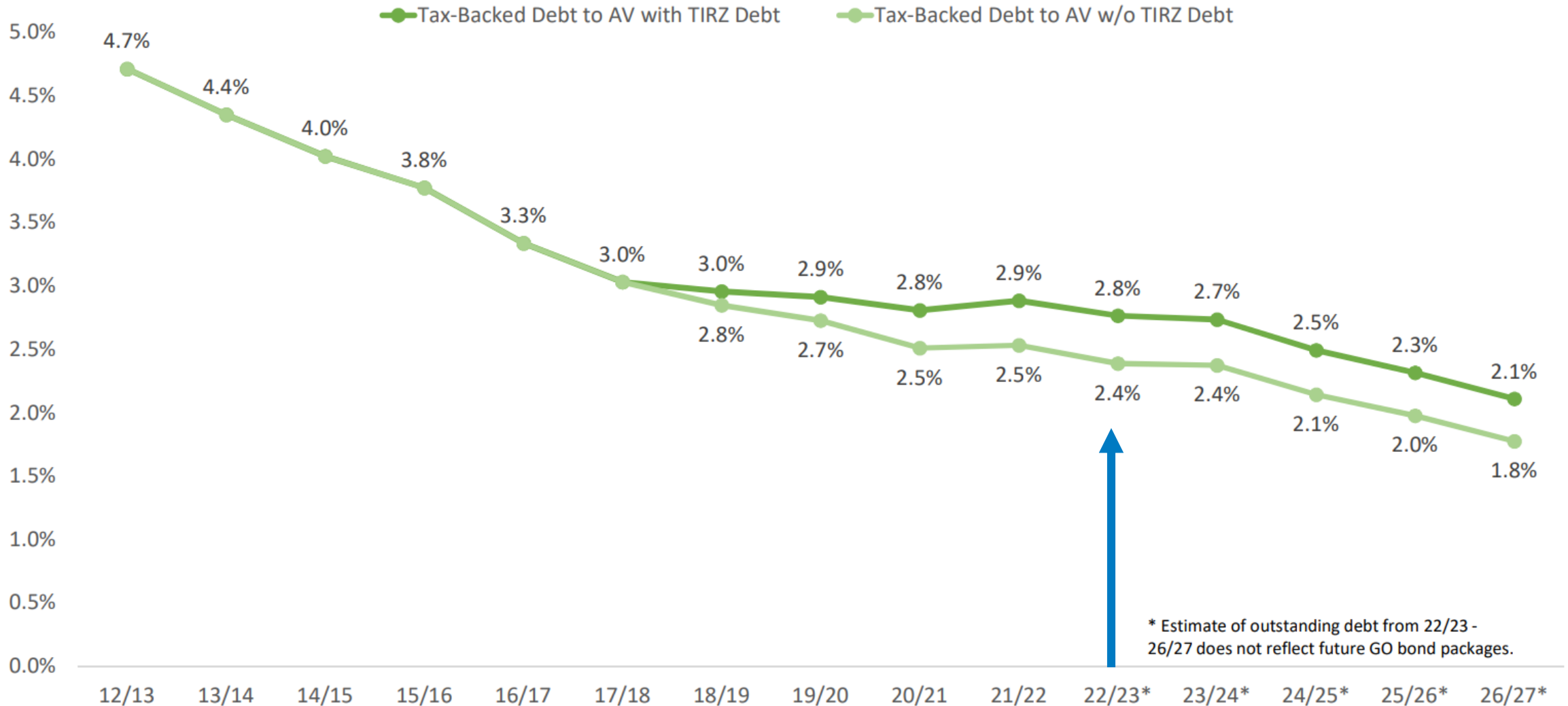
Total Tax-Backed Debt Over Time

General Obligation Debt



Total Tax-Backed Debt Over Time

Tax-Backed Debt to Assessed Value (AV)



* Estimate of outstanding debt from 22/23 - 26/27 does not reflect future GO bond packages.

Debt Fund Council Input and Discussion

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



Internal Service Funds



Internal Service Funds - Purpose

Purpose

- Ensure operating costs as well as long term liabilities (replacement costs) are accounted for internal services especially our Fleet, IT, and Facilities.
- Provides source of funds for required and planned replacement of assets.
- Helps account for the true cost of owning, operating, and replacing assets.
- Creates clarity on the true cost of delivering a program by allocating costs to specific departments and divisions where possible.
- Predictability - Eliminate year to year swings in needs from the GF.
- Decouples replacement needs from what may/may not be available any given year in the General Fund.



Internal Service Funds – Past Success and Next

Successes

- Motor Pool implemented in 2019.
- From 0% of vehicles covered by lease fees in 2019 to ~37% at the end of FY23.

New this year

- IT Fund
- Facilities Fund



Risk Management Fund

| | FY 2021 ACTUAL | FY 2022 ORIGINAL BUDGET | FY 2022 YEAR END AMENDED | FY 2023 PROPOSED BUDGET |
|-----------------------------|-------------------|-------------------------------|--------------------------------|-------------------------------|
| REVENUES | | | | |
| Transfers | \$ 1,664,003 | \$ 1,828,191 | \$ 1,828,191 | \$ 1,804,000 |
| Workers' Compensation | 472,472 | 490,000 | 474,000 | 474,000 |
| Insurance Reimbursements | 338,222 | 175,000 | 600,000 | 350,000 |
| Interest | 145 | 3,500 | 580 | 725 |
| Intergovernmental | - | - | - | - |
| TOTAL REVENUES | 2,474,842 | 2,496,691 | 2,902,771 | 2,628,725 |
| EXPENSES | | | | |
| Salaries & Benefits | 59,585 | 61,302 | 46,185 | 67,814 |
| Materials & Supplies | 40 | 600 | 600 | 800 |
| Repair & Maintenance | 22 | 100 | 100 | 100 |
| Insurance Premiums | 1,507,797 | 1,766,899 | 1,796,333 | 2,199,771 |
| Claims | 174,968 | 433,750 | 308,136 | 400,000 |
| Miscellaneous Services | 170,828 | 216,150 | 226,367 | 271,833 |
| Other | - | - | - | 100,000 |
| Capital Outlay | - | - | - | 35,802 |
| Transfer Out | 110 | - | - | 909 |
| TOTAL EXPENDITURES | 1,913,349 | 2,478,801 | 2,377,721 | 3,077,029 |
| REV OVER/(UNDER) EXP | 561,493 | 17,890 | 525,050 | (448,304) |
| BEGINNING NET ASSETS | 380,804 | 381,728 | 924,052 | 1,449,102 |
| ENDING NET ASSETS | \$ 924,052 | \$ 399,618 | \$ 1,449,102 | \$ 1,000,798 |

- Real Personal Property building value for FY23 is \$349M
- Premiums total \$2,199,771
- The fund is projected to end FY23 at \$1,007,798 – above the fund's minimum reserve target of \$1M.

Budget Book Location: Book
1 Internal Service Fund Tab
– Page 2

Medical Self Insurance Fund

| | FY 2021 ACTUAL | FY 2022 ORIGINAL BUDGET | FY 2022 YEAR END AMENDED | FY 2023 PROPOSED BUDGET |
|---|---------------------|-------------------------------|--------------------------------|-------------------------------|
| REVENUES | | | | |
| Interest Income | \$ 1,103 | \$ 1,105 | \$ 1,059 | \$ 1,082 |
| Contributions - Employee | 1,478,981 | 1,542,236 | 1,540,192 | 1,607,343 |
| Contributions - City | 7,334,777 | 7,766,287 | 7,551,564 | 8,154,739 |
| Retiree And Cobra Contributions | 65,370 | 30,000 | 57,640 | 58,887 |
| Miscellaneous | 401,769 | 436,004 | 510,114 | 562,848 |
| TOTAL REVENUES | 9,282,000 | 9,775,633 | 9,660,569 | 10,384,899 |
| EXPENSES | | | | |
| Administrative Fees | 1,306,370 | 1,395,051 | 1,409,582 | 1,652,661 |
| Claims | 8,007,351 | 8,324,519 | 8,261,395 | 8,674,962 |
| Miscellaneous | 73,943 | 56,063 | 56,063 | 57,276 |
| TOTAL EXPENDITURES | 9,387,664 | 9,775,633 | 9,727,040 | 10,384,899 |
| REV OVER/(UNDER) EXP | (105,665) | | (66,471) | |
| BEGINNING NET ASSETS | 3,136,567 | 3,470,494 | 3,030,902 | 2,964,431 |
| ENDING NET ASSETS | \$ 3,030,902 | \$ 3,470,494 | \$ 2,964,431 | \$ 2,964,431 |
| NET ASSETS AS % OF EXPENSES (Target ≥ 25%) | 32% | 36% | 30% | 29% |

- Medical Self-Insurance claims total \$8.6M and administration fees total \$1.7M.
- Ending balance exceeds the target fund balance of 25% of revenues by 4%.

Budget Book Location: Book 1 Internal Service Fund Tab – Page 3

Motor Pool Fund

| | FY 2021 ACTUAL | FY 2022 ORIGINAL BUDGET | FY 2022 YEAR END AMENDED | FY 2023 PROPOSED BUDGET |
|---|---------------------|-------------------------------|--------------------------------|-------------------------------|
| REVENUES | | | | |
| Investment Earnings | \$ 392 | \$ 500 | \$ 10,000 | \$ 30,000 |
| TIRZ Reimbursement and Sale Of Property | 2,025,596 | 6,850,000 | 6,899,902 | 50,000 |
| Transfer In | 5,134,026 | 5,952,469 | 7,403,469 | 9,189,221 |
| TOTAL REVENUES | 7,160,014 | 12,802,969 | 14,313,371 | 9,269,221 |
| EXPENDITURES | | | | |
| Salaries & Wages | 652,508 | 662,065 | 616,256 | 663,986 |
| Materials & Supplies | 24,276 | 12,950 | 13,981 | 19,670 |
| Buildings & Grounds | 25,643 | 4,000 | 1,000 | |
| Repair & Maintenance | 983,355 | 1,104,000 | 1,130,971 | 1,353,770 |
| Miscellaneous Services | 21,004 | 36,489 | 76,453 | 71,300 |
| Capital Outlay | 3,373,259 | 2,732,220 | 7,326,033 | 4,856,191 |
| Transfer Out | 249,025 | 10,354 | 10,354 | 167,024 |
| TOTAL EXPENDITURES | 5,329,069 | 4,562,078 | 9,175,048 | 7,131,941 |
| REV OVER/(UNDER) EXP | 1,830,946 | 8,240,891 | 5,138,323 | 2,137,280 |
| NET POSITION | 5,511,650 | 5,388,913 | 9,795,217 | 14,933,540 |
| TOTAL NET POSITION | \$ 9,795,217 | \$ 13,629,804 | \$ 14,933,540 | \$ 17,070,820 |

- The purpose of the Motor Pool fund is to provide for the maintenance and replacement of the city's vehicles and rolling stock with an approximated value of \$33.8M.
- The City is taking a phased approach to fully funding the Motor Pool Fund, starting with vehicle maintenance and annual replacements in FY19. Lease fees for any vehicle replaced in FY23 begin in FY24.
- If the proposed budget is approved the City will end FY23 with ~37% of vehicles covered by Lease Fees.

Budget Book Location: Book 1 Internal Service Fund Tab – Page 4

General Fund

FY23 Vehicle Replacements-\$980,000

| Department/Division | Unit Number | Type | Replacement Cost-Vehicle Plus Equipment |
|---------------------|-------------|----------------------|---|
| Police-Patrol | U163 | 2013 Chevrolet Tahoe | \$70,000 |
| Police-Patrol | U169 | 2014 Chevrolet Tahoe | \$70,000 |
| Police-Patrol | U160 | 2013 Chevrolet Tahoe | \$70,000 |
| Fire-Marshal | P266 | 2008 Ford Ranger 1/4 | \$50,000 |
| Police-Patrol | U171 | 2014 Chevrolet Tahoe | \$70,000 |
| Police-Patrol | U170 | 2014 Chevrolet Tahoe | \$70,000 |
| Police-Patrol | U185 | 2014 Chevrolet Tahoe | \$70,000 |
| EPW-Engineering | P321 | 2011 Ford F150 1/2 | \$40,000 |
| Police-Patrol | U187 | 2015 Chevrolet Tahoe | \$70,000 |
| Parks-Parks | P312 | 2011 Ford F250 3/4 | \$50,000 |

General Fund Replacement Vehicles

Continued

| Department/Division | Unit Number | Type | Replacement Cost |
|------------------------|-------------|----------------------|------------------|
| Police-SRO | U177 | 2014 Chevrolet Tahoe | \$50,000 |
| Police-Patrol | U190 | 2015 Chevrolet Tahoe | \$70,000 |
| EPW-Facilities | P354 | 2014 Ford F150 1/2 | \$40,000 |
| Parks-Parks | P296 | 2008 Ford F250 3/4 | \$50,000 |
| Fire-Code Enforcement | P280 | 2008 Ford Ranger 1/4 | \$50,000 |
| Fire-Marshal | P337 | 2013 Ford F150 1/2 | \$50,000 |
| EPW-Streets & Drainage | P286 | 2008 Ford F150 1/2 | \$40,000 |

Enterprise Fund Replacement Vehicles

FY23 Vehicle Replacements-\$245,000

| Department/Division | Unit Number | Type | Replacement Cost |
|--------------------------------------|-------------|--------------------|------------------|
| EPW-Distribution & Collections | TL154 | 2011 Ford F450 1.5 | \$90,000 |
| EPW-Meter Services | P330 | 2012 Ford F150 1/2 | \$60,000 |
| EPW-Right of Way/Grounds Maintenance | P317 | 2011 Ford F150 1/2 | \$40,000 |
| EPW-Water Production | P357 | 2014 Ford F150 1/2 | \$40,000 |
| EPW-Distribution & Collections | R134 | Utility Trailer | \$15,000 |

New in FY23 – IT Fund

| | FY 2021 ACTUAL | FY 2022 ORIGINAL BUDGET | FY 2022 YEAR END AMENDED | FY 2023 PROPOSED BUDGET |
|---------------------------|-------------------|-------------------------------|--------------------------------|-------------------------------|
| REVENUES | | | | |
| Transfer In | | | | 8,488,643 |
| TOTAL REVENUES | | | | 8,488,643 |
| EXPENDITURES | | | | |
| Salaries & Wages | | | | 2,262,615 |
| Materials & Supplies | | | | 87,905 |
| Repair & Maintenance | | | | 4,490,775 |
| Miscellaneous Services | | | | 444,419 |
| Inventory | | | | 607,000 |
| Transfer Out | | | | 195,282 |
| TOTAL EXPENDITURES | | | | 8,087,996 |
| REV OVER/(UNDER) EXP | | | | 400,647 |
| NET POSITION | | | | |
| TOTAL NET POSITION | | \$ - | \$ - | \$ 400,647 |

- The purpose of the IT fund is to provide for the maintenance and replacement of the city’s current and future technology needs.
- 21 Full Time Employees (FTEs) are budgeted in this fund.
- It is modeled after the successfully implemented Motor Pool Fund.
- Cost are allocated to departments based on actual use. Eg; Parks specific software is now “charged” to the Parks Department Budget instead of the “IT Budget”.
- The IT Fund is a substantial improvement in transparency and helps Council and the Public see the full cost of programs.

Budget Book Location: Book 1 Internal Service Fund Tab – Page 8

New in FY23 – Facilities Fund

| | FY 2021 ACTUAL | FY 2022 ORIGINAL BUDGET | FY 2022 YEAR END AMENDED | FY 2023 PROPOSED BUDGET |
|---------------------------|-------------------|-------------------------------|--------------------------------|-------------------------------|
| REVENUES | | | | |
| Transfer In | | | | 3,305,095 |
| TOTAL REVENUES | | | | 3,305,095 |
| EXPENDITURES | | | | |
| Salaries & Wages | | | | 766,664 |
| Materials & Supplies | | | | 43,981 |
| Buildings & Grounds | | | | 1,242,752 |
| Repair & Maintenance | | | | 117,270 |
| Miscellaneous Services | | | | 789,518 |
| Transfer Out | | | | 84,940 |
| TOTAL EXPENDITURES | | | | 3,045,125 |
| REV OVER/(UNDER) EXP | | | | 259,970 |
| NET POSITION | | | | |
| TOTAL NET POSITION | | \$ - | \$ - | \$ 259,970 |

- The purpose of the Facilities Fund is to provide for building-related repair and maintenance, equipment maintenance capital replacement or asset recapitalization, and janitorial services.
- It is modeled after the successfully implemented Motor Pool Fund.
- Goal is to be funded on a building/department cost basis. However, that will be a multi-year data creation process. For FY23 it is simply paid for by one transfer from the General Fund and one transfer from the Enterprise Fund.
- The Facilities Fund is a major improvement in transparency and helps Council and the Public see the full cost of programs.

Budget Book Location: Book 1 Internal Service Fund Tab – Page 7

Internal Service Fund Council Input and Discussion

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



Special Revenue Funds



Special Revenue Funds Summary

| FUND | | FY2023 PROPOSED BEG BALANCE | FY2023 PROPOSED REVENUES | FY2023 PROPOSED EXPENDITURES | FY2023 PROPOSED END BALANCE |
|--------------|--------------------------------------|-----------------------------------|--------------------------------|------------------------------------|-----------------------------------|
| 305 | Hotel/Motel Occupancy Tax | \$ 5,999,540 | \$ 967,900 | \$ 1,092,342 | \$ 5,875,098 |
| 310 | Court Building Security | 48,653 | 48,004 | 34,625 | 62,032 |
| 315 | Citywide Donation | | 65,900 | 177,680 | 50,769 |
| 320 | Court Technology | (11,207) | 45,100 | 32,943 | 950 |
| 325 | Street Assessment* | | | | |
| 330 | Park Donations | 16,812 | 105,200 | 105,550 | 16,462 |
| 331 | Tree Trust | | 2,100 | 457,500 | 700,965 |
| 332 | Parks Financial Assistance Donations | | 5,050 | 5,000 | 50 |
| 335 | Police State Seizure | 109,443 | 108 | 52,200 | 57,351 |
| 336 | Federal Police | 69,725 | 100 | 15,000 | 54,825 |
| 340 | Park Development | 415,390 | 98,000 | 84,721 | 428,669 |
| 345 | Sidewalk | 64,072 | 5,100 | | 69,172 |
| 346 | Drainage Maintenance Fund | | 1,972,958 | 1,827,449 | 145,509 |
| 350 | Grant Fund | (58,500) | 478,077 | 419,577 | |
| 351 | Community Development Block Grant | 21,161 | 478,854 | 478,854 | 21,161 |
| 352 | CDBG Disaster Recovery | (197,280) | 5,308,153 | 5,110,873 | |
| 353 | Disaster Recovery Fund* | (456,452) | | | (456,452) |
| 354 | Hazard Mitigation | (4,000) | 503,760 | 499,760 | |
| 355 | Coronavrius Relief Fund | | 1,827,767 | | (1,431,340) |
| 356 | American Rescue Plan Act (ARPA) | | 5,944,486 | 4,694,098 | 250,388 |
| 360 | Traffic Improvement | | 100 | 214,920 | 115,208 |
| 365 | Truancy Prevention & Diversion | (3,343) | 52,600 | 45,583 | 3,674 |
| 366 | Municipal Jury | 1,552 | 1,025 | 1,000 | 1,577 |
| 370 | Municipal Channel | 257,862 | 236,500 | 101,500 | 392,862 |
| 380 | Regional Detention* | 194,764 | | | 194,764 |
| 510 | Lower Kirby* | | | | |
| 514 | Infrastructure Reinvestment | 476 | 1,768,800 | 1,768,800 | 476 |
| TOTAL | | \$ 3,858,503 | \$ 19,915,642 | \$ 17,219,975 | \$ 6,554,170 |

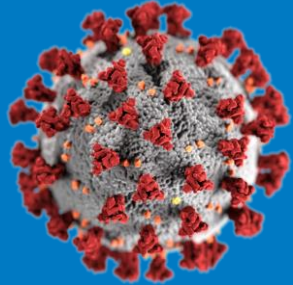
* These Funds have no budaoeted activtv for FY 2023

Budget Book
Location: Book
1 – Financial
Summaries Tab
– Page 1



ARPA Fund

(American Rescue Plan Act)



State & Local Fiscal Recovery Fund

Authorized by the U.S.
Treasury for Coronavirus
Pandemic Economic Recovery

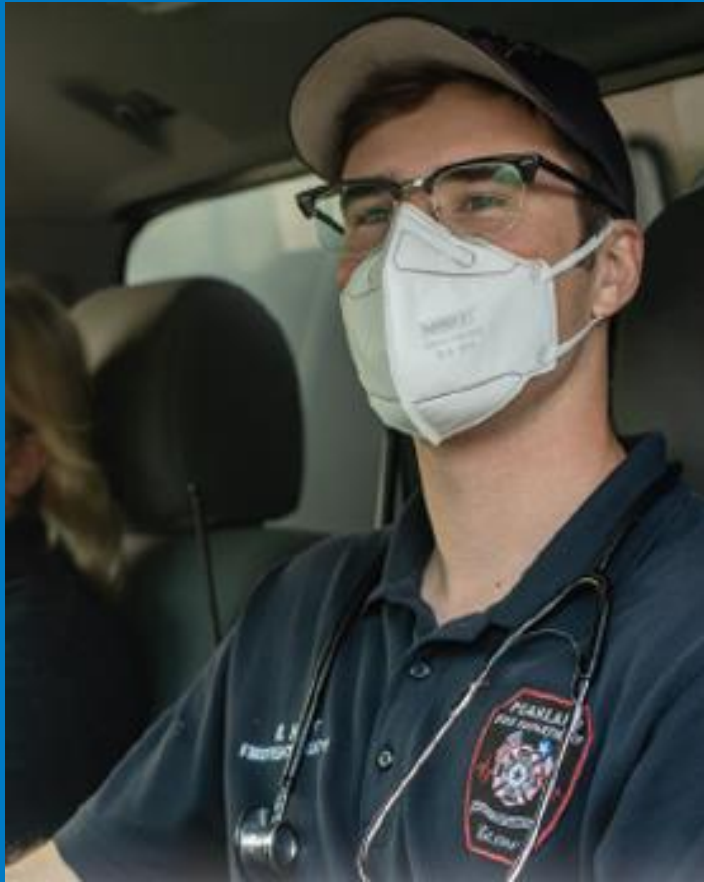
Eligible Costs from March 3,
2021 – December 24, 2024

- The COVID-19 pandemic and its impact on the economy have resulted in several stimulus packages. ARPA was the last major package of direct assistance approved by Congress in 2021.
- Pearland's ARPA allocation totals \$11,888,971, received in two equal tranches of \$5.9M in FY21 and FY 22.
- Funds can be used for municipal economic recovery in the form of revenue loss recovery, public safety and public health emergency response, for local water/sewer improvements, and expansion of local broadband infrastructure.
- The first tranche of ARPA funds has been spent in FY 2022 and the second and final tranche of ARPA funds is being allocated in the FY23 Proposed Budget.



ARPA Fund

FY23 Allocation



- \$2,455,659 for the replacement of Fire Engine #22 and Ladder Truck #1.
 - *Eligible per 31 CFR 35.6(b)(1)(i)*
- \$425,000 for new permitting software in Community Development.
 - *Eligible per 31 CFR 35.6(b)(3)(ii)(E)(3)*
- \$1,687,319 for public safety force account labor expenses (Transfer to General Fund).
 - *Eligible per 31 CFR 35.6(b)(3)(ii)(E)(1)*
- \$250,388 fund balance available for future ARPA-eligible activities.

Drainage Maintenance Fund

Budget Book Location: Book 1 – Special Revenue Funds Tab – Page 16



Drainage in FY23

The development of the Drainage Utility Fund was a result of the process the City went through to evaluate a drainage utility fee to fill the gap in service.

The drainage utility fee revenue in the pro forma throughout discussions was proposed to be spent on three categories:

- 1) Maintenance (Staff and Equipment),
- 2) Small Capital Projects (under \$500k)
- 3) Large Capital Projects

The vast majority of funds in the pro forma was for capital projects



Drainage in FY23

Maintenance (Staff and Equipment)

- The creation of a Drainage Utility Fund will now begin the process of addressing the first two drainage categories (Maintenance and Small Capital Projects)
- The Drainage Maintenance Fund begins a new maintenance phase by dedicating staff, equipment and funding to begin conducting maintenance activities in a program driven approach and in a pro-active versus reactive manner.
- Council supported the drainage maintenance budget through the approval of Resolution R2022-39. This resolution dedicated to drainage maintenance in the FY23 budget.



Drainage in FY23

- Created the “Drainage Maintenance Fund” for clear and distinct reporting on this major priority.
- Split from Streets and Drainage Division in Engineering and Public Works.
 - Streets remained in General Fund.
 - Drainage staff and program costs went to Drainage Fund.
- Includes appropriation of \$662K as outlined in R2022-39.
 - Funded new Drainage Maintenance and Operations Crew.

Drainage Maintenance Fund Revenue

| Revenue Category | Note | FY23 Proposed Revenue Budget |
|------------------|------------------------------------|------------------------------|
| Transfer-In | Previous Existing Drainage Funding | \$1,310,958 |
| Transfer-In | Drainage Resolution | \$662,000 |
| PEDC | Transfer from PEDC for Drainage* | \$23,000 |
| Total | | \$1,995,958 |

*PEDC identified contribution for on-going maintenance from previous PEDC capital projects.

**Master Drainage Plan Update - PEDC and City EPW staff are proposing a possible partnership between PEDC, the City and Brazoria County Drainage District #4, to each contribute a one-third share of an estimated \$1.3M MDP update to identify subregional and local projects.



Drainage in FY23

- Created the “Drainage Maintenance Fund” for clear and distinct reporting on this major priority.
- Split from Streets and Drainage Division in Engineering and Public Works.
 - Streets remained in General Fund.
 - Drainage staff and program costs went to Drainage Fund.
- Includes appropriation of \$662K as outlined in R2022-39.
 - Funded new Drainage Maintenance and Operations Crew.

Drainage Maintenance Fund Expenses

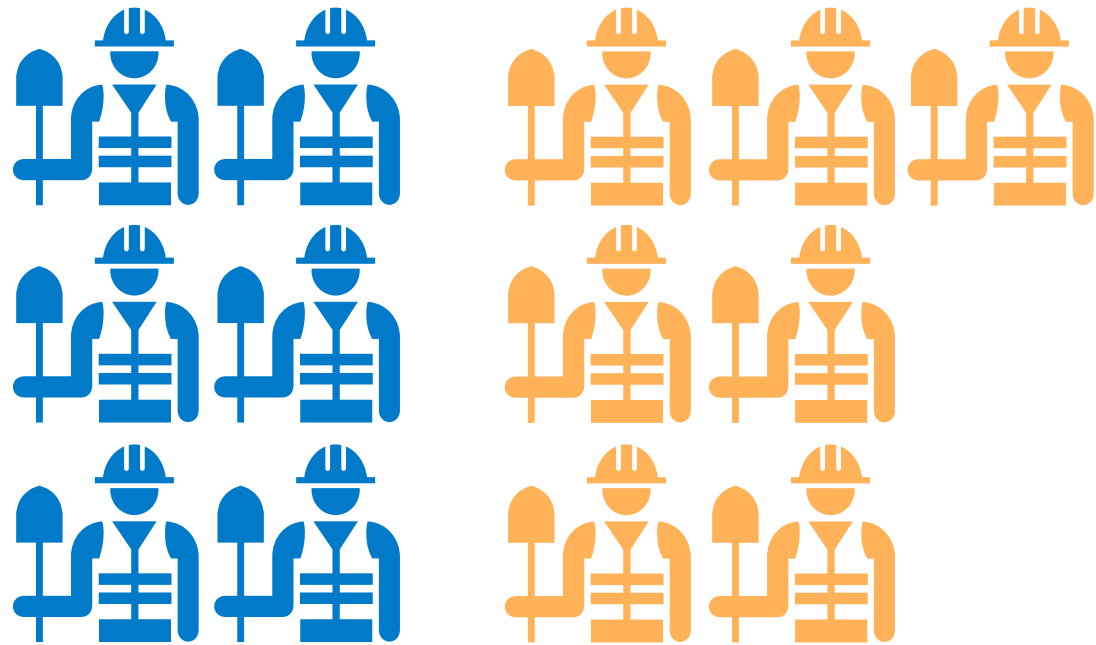
| Expense Category | Note | FY23 Proposed Revenue Budget |
|-----------------------------------|------|------------------------------|
| Salaries & Wages | | \$750,309 |
| Materials & Supplies | | \$31,151 |
| Repair & Maintenance | | \$23,182 |
| Miscellaneous Services | | \$469,292 |
| Inventory | | \$1,369 |
| Transfer Out Repair & Maintenance | | \$57,660 |
| Transfer Out Lease Payments | | \$494,459 |
| Total | | \$1,827,449 |



Drainage in FY23

- Created the “Drainage Maintenance Fund” for clear and distinct reporting on this major priority.
- Split from Streets and Drainage Division in Engineering and Public Works.
 - Streets remained in General Fund.
 - Drainage staff and program costs went to Drainage Fund.
- Includes appropriation of \$662K as outlined in R2022-39.
 - Funded new Drainage Maintenance and Operations Crew.

Drainage Maintenance Fund Staffing in FY 23



- 6 Existing Staff Positions put into "home base" of new drainage fund
- 7 New Staff Budgeted in FY23

Drainage in FY23

- Created the “Drainage Maintenance Fund” for clear and distinct reporting on this major priority.
- Split from Streets and Drainage Division in Engineering and Public Works.
 - Streets remained in General Fund.
 - Drainage staff and program costs went to Drainage Fund.
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 - Funded new Drainage Maintenance and Operations Crew.

Outcomes of Increased Staffing

Both the enclosed pipe and open ditch drainage systems will be inspected, cleaned, and restored to original capacity on a 10-year cycle

- **3X** increase in ditch cleaning – Previously a 30-year cycle
- Prior to FY 23, enclosed pipes have **never** been proactively inspected and cleaned – Only reacted to when there is an active drainage issue.

Drainage in FY23

Master Drainage Plan

- Staff recommend that PEDC, BDD4, and the City partner together to fund the update (1/3rd each)

- In 2019 the City and BDD4 completed a partnership to develop a shared agency Master Drainage Plan (MDP) that would be utilized to guide future drainage infrastructure needs
- The current plan is a static model and is developed around the needs for regional infrastructure and under past rainfall criteria and has limitations
- It's time to update the Master Drainage Plan with new data from HCFCD,(Clear Creek Model), FIRM maps, and Atlas 14 (rainfall data).
- The MDP update will focus on producing a dynamic model that will be able to model various rainfall over time and identify areas of concern
- The MDP will assist in identifying projects from a regional, sub-regional and local level. These projects can then be prioritized for funding opportunities through the CIP.
- Identified projects that can benefit City business and commercial areas could be funded through PEDC



Drainage in FY23

Small Capital Projects

- The vision is that the Drainage Operations Fund will cash-fund small capital projects as needed.
- Previously an unmet need - Funding for these sorts of projects was not typically available in previous years.
- Over multiple fiscal years, the goal is to budget an annual amount for small capital projects per a new Drainage Plan.
- The fund has a small reserve (\$145K) in FY23 that could be used for small capital projects which would not have previously been done.

With increased maintenance activities proposed by staff being dedicated to the investigation, cleaning and evaluating the drainage system, the development of Small Capital Projects will occur.

Projects that are a result of the cleaning/investigation and would be requested to be funded similar to the Infrastructure Investment Fund for Street Maintenance.

Projects could include:

- Replacement of smaller lengths of broken pipe (40'-200')
- Manhole and inlet restoration
- On-call repair services
- Funding of the Master Drainage Plan update (proposed shared cost with PEDC, BDD4)
- Property Buy-outs for areas of detention



Drainage in FY23

Large Capital Projects

Council created a committee to evaluate a future 2023 Voter Bond Referendum of drainage projects identified by staff and utilizing various reports:

- Master Drainage Plan
- Hurricane Harvey After-Action Drainage Report
- City Staff known historical areas



Drainage in FY23

Citizens Drainage Bond Advisory Committee

- Appointed by the City Council: 19 members
- Evaluate the City's drainage system and drainage improvement projects
- Prioritize potential future projects
- Identify partnership opportunities
- Evaluate the upcoming May 2023 referendum size and duration
- Evaluate property tax impact related to referendum size
- Provide formal recommendation to the City Council
- Sunset: December 1, 2022



Projects Being Evaluated by Bond Committee

| Project Name | | | |
|--------------|--|----|--|
| 1 | Wagon Trail Road (south of Fite to Mary's Creek) (roadside ditch and culverts) | 10 | E. Plumb (Old Alvin to Barry Rose Road) |
| 2 | Pine Hollow Drainage Improvements | 11 | Fite Road (Harkey to McLean) |
| 3 | Veterans Drainage Improvements (Walnut to Mary's Creek) | 12 | Southwest Quadrant of Old Town (McLean to SH35 south of Broadway) |
| 4 | Isla, N. Galveston, Cheryl Drive | 13 | East & West Circle/Shady Crest |
| 5 | Tranquility Lakes Detention Pump Station Rehabilitation and Generator | 14 | SCR - Ocean Point Ct 100 yr overflow at cul-de-sac |
| 6 | Hickory Slough Pump Station Generator | 15 | Hickory Creek Place - Subdivision |
| 7 | Hatfield Road (FM518 to Hickory Slough) | 16 | Garden Acres - Subdivision |
| 8 | Harkey Road Drainage (Josephine to Mary's Creek) | 17 | Herridge Miller Subdivision - roadside and detention Brookland Acres detention |
| 9 | Longwood Estates (roadside ditch and culverts) | 18 | Fite Road (Harkey to Cullen) |

Special Revenue Fund Council Input and Discussion

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



Component Units

Budget Book Location: Book 1 – PEDC Tab



PEDC Fund

Income Statement

- Misc. Revenue in FY 21 and 22 include \$9.5M for sale of property in Lower Kirby
- Transfers out to the City include \$13.3M for SH288 Corridor master improvements, \$275,000 for Rice Drier Redevelopment and \$1.6M for Lower Kirby drainage and utilities infrastructure for business areas
- Direct Business Incentives of \$1.2M
- Capital Outlay includes \$4.8M for Old Town SE Quadrant Infrastructure Improvements and \$475,000 for Smith Ranch Road reconstruction project for additional business area road and drainage infrastructure

Budget Book Location: Book 1 – PEDC
Tab – Page 3

| | FY 2021 Actual | FY 2022 Original Budget | FY 2022 Year End Amended | FY 2023 Proposed Budget |
|---|----------------------|-------------------------------|--------------------------------|-------------------------------|
| OPERATING REVENUES | | | | |
| Sales Tax | \$ 12,877,864 | \$ 11,799,344 | \$ 13,451,252 | \$ 13,989,302 |
| Interest Income | 35,326 | 100,000 | 100,000 | 18,554 |
| Intergovernmental | 12,000 | 12,000 | 1,912,000 | 1,312,000 |
| Miscellaneous | 7,609,327 | 6,000 | 2,228,509 | 6,000 |
| TOTAL | 20,534,518 | 11,917,344 | 17,691,761 | 15,325,856 |
| OPERATING EXPENDITURES | | | | |
| Operating | 2,317,826 | 3,390,972 | 3,337,825 | 3,742,987 |
| Bond Payments | 285,400 | 279,500 | 279,500 | 273,600 |
| Inventory | | 5,000 | 5,000 | 5,000 |
| Capital Outlay | 460,999 | 3,471,000 | 871,000 | 6,261,000 |
| TOTAL | 3,064,224 | 7,146,472 | 4,493,325 | 10,282,587 |
| REVENUES OVER/(UNDER) EXPENDITURES | 17,470,293 | 4,770,872 | 13,198,436 | 5,043,269 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers Out | (1,105,080) | (17,670,209) | (11,317,209) | (15,345,353) |
| Incentives | (1,562,825) | (1,529,890) | (979,361) | (1,256,379) |
| Bond Proceeds | | | | |
| TOTAL | (2,667,905) | (19,200,099) | (12,296,570) | (16,601,732) |
| NET CHANGE IN FUND BALANCE | 14,802,389 | (14,429,227) | 901,866 | (11,558,463) |
| BEGINNING FUND BALANCE | 22,474,393 | 34,805,573 | 37,276,781 | 38,178,646 |
| ENDING FUND BALANCE | \$ 37,276,781 | \$ 20,376,346 | \$ 38,178,646 | \$ 26,620,183 |



Component Unit Funds Input and Discussion

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



Enterprise Funds

Water and Sewer Operations



Two Main Funds: Operating and Debt

The Enterprise **Operating** Fund pays for the operation of:

- Water/Sewer Grounds
- Lift Stations
- Clean water treatment and distribution
- Purchase of bulk water
- Wastewater collection and treatment
- Pretreatment Fats, Oils, Greases (FOG)
- Water wells and Water towers
- Water Meter Services
- Utility Billing & Customer Services
- All Water/Sewer maintenance activities
- Electricity and other treatment costs
- All utility personnel
- Overhead (IT, Admin, Finance, Legal, etc.)

Operations are required to meet regulatory requirements for safety and health.

The Enterprise **Debt** Fund pays for:

- Interest and principal per approved schedule related to the construction of necessary capital improvement projects.

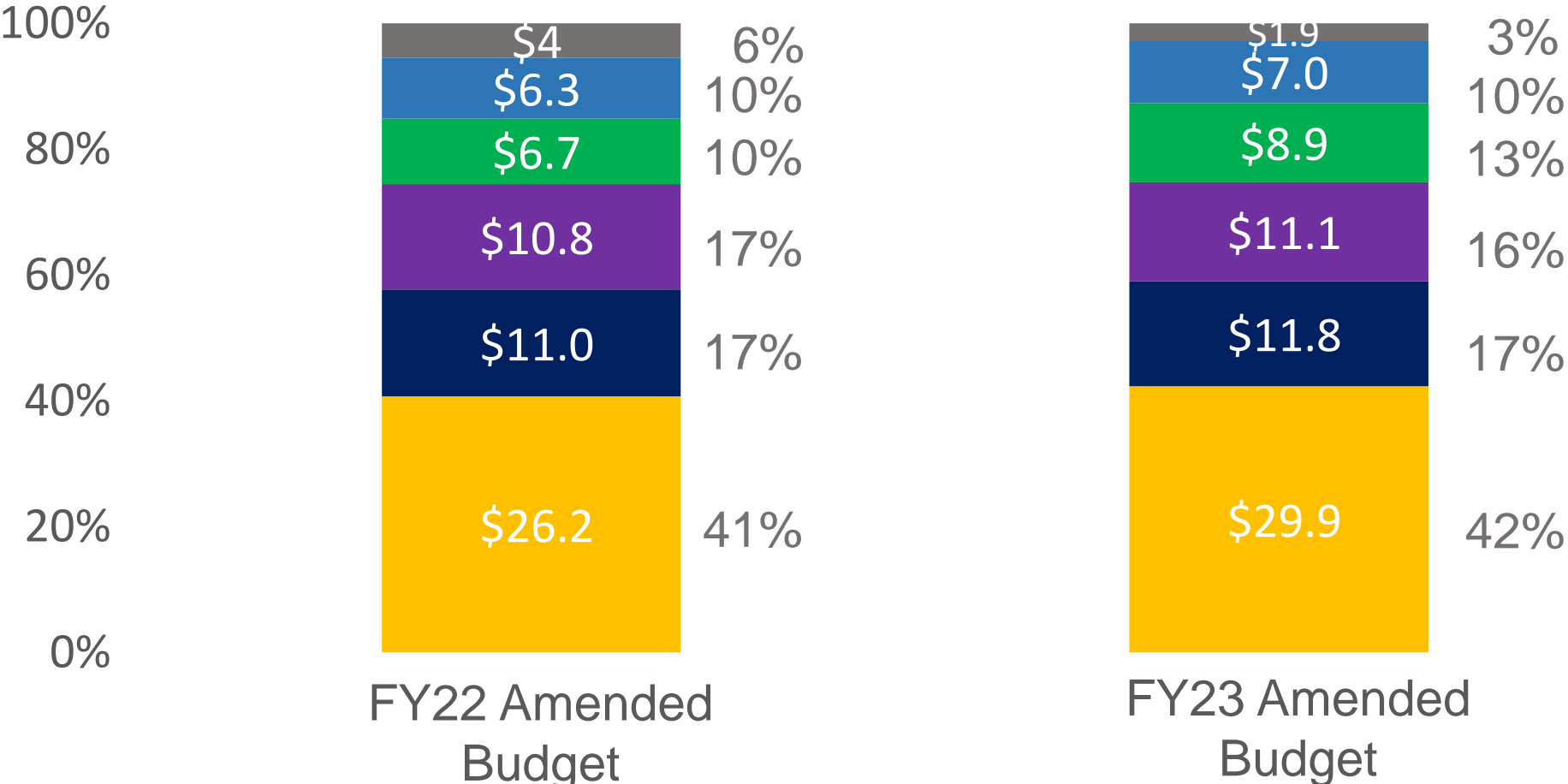
Debt payments are not flexible nor optional

Water and Sewer System Expenditures

(Both Funds Combined)

- Principle and Interest
- Salaries & Wages
- Transfers Out
- Material & Supply
- Misc Services
- Other Categories

For comparison, in FY18 Enterprise Principle and Interest expenditures totaled \$17.3M



What is driving Enterprise Debt Fund Expenditures growth in the system?



Surface Water Treatment Plant Operational in FY23 \$175.5M



JHEC Water Reclamation Facility Expansion \$80.6M



Bailey Water Plant Improvements \$14.4M



8/13/22

FY23 Proposed Budget Presentation #1

Barry Rose Water Reclamation Facility Replacement & Expansion \$228.4M



Longwood Water Reclamation Facility Decommissioning \$36.2M



Critical CIP projects Being Built

These project costs are all:

- **Not a surprise** – they have been in the CIP for years
- **Approved by Council** – All projects are approved multiple times (CIP adoption, Intent to Reimburse authorization, and Debt Issuance)
- **Built into the rate model** – The rate increases are not reactionary and were always going to be needed to pay for these projects
- **As shown in the CIP and Multi-Year Projections** - When projects are completed, they often have an Operations and Maintenance component, in the case of the Surface Water Treatment Plant this means hiring new staff to run the plant and purchasing startup equipment.

Surface Water Treatment Plant Milestones* & Hiring** Timeline

| Department-Division | Position Title | Start Date |
|---|-----------------------|------------|
| Plant Milestone: FY23 October – Plant begins pretreatment & raw water intake to pumps | | |
| EPW – Surface Water Plant | Plant Mechanic | 10/1/2022 |
| EPW – Surface Water Plant | Plant Electrician | 10/1/2022 |
| Plant Milestone: FY23 December – Plant begins membrane testing of clean water. Process takes three months to complete | | |
| EPW – Surface Water Plant | Plant Mechanic | 1/1/2023 |
| EPW – Surface Water Plant | SWTP Operator II | 1/1/2023 |
| EPW – Surface Water Plant | SWTP Operator I | 1/1/2023 |
| EPW – Surface Water Plant | SWTP Operator I | 1/1/2023 |
| EPW – Surface Water Plant | Laboratory Technician | 1/1/2023 |
| Plant Milestone: FY23 – February – Plant begins using raw water to run membranes, disinfections systems, and high service pumps – which send water out of the plant. | | |
| Plant Milestone: FY23 – April – Plant begins full systems testing with TCEQ. Process takes 3 months to complete | | |
| EPW – Surface Water Plant | SWTP Operator I | 4/1/2023 |
| EPW – Surface Water Plant | SWTP Operator II | 4/1/2023 |
| Plant Milestone: FY23 – June – Plant begins sending water into system | | |

*Subject to market and logistics delays

**FY23 Staff Costs is \$396,658 + one time startup costs

Water Quality Compliance Team

Team will be responsible for compliance sampling, monitoring of disinfection residuals, and flushing of the water distribution system.

- The City is required to collect water quality sampling (30 TAC Part 1 Subchapter D, 290.46).
 - The sampling will increase by 20% in FY23 - from 100 samples per month to 120 samples per month due to population growth over 130,000 as tracked by TCEQ.
 - The water system contains over 1,000 flushing points per month and the number increases with new development.
- Crew will also assist in maintaining the current workload and is critical to providing the current service level
- Water quality compliance team will be responsible for these operations and are critical to responding to customer water quality service requests in a timely manner.
 - Current Responses Time - Typically an hour.
 - Response to calls for water quality. Staff runs tests, flushes lines, works with resident, and closes out service request.
 - Response to low flow reports – (currently 1 hour response time) staff run tests and work with residents to determine cause.
- Cost of this program is \$262,404 and contains 4 new FTEs

FY2023 Revenue Changes

- The City must bring in enough money to pay for debt and operations.
- Increased consumption helps to some extent.
- Rate increases are the main way for cities to bring in the necessary Enterprise Fund revenue.
- When we sell debt we agree to have a Bond Coverage Ratio ≥ 1.15 .
- Enterprise Operating Fund balance must remain above 15%.

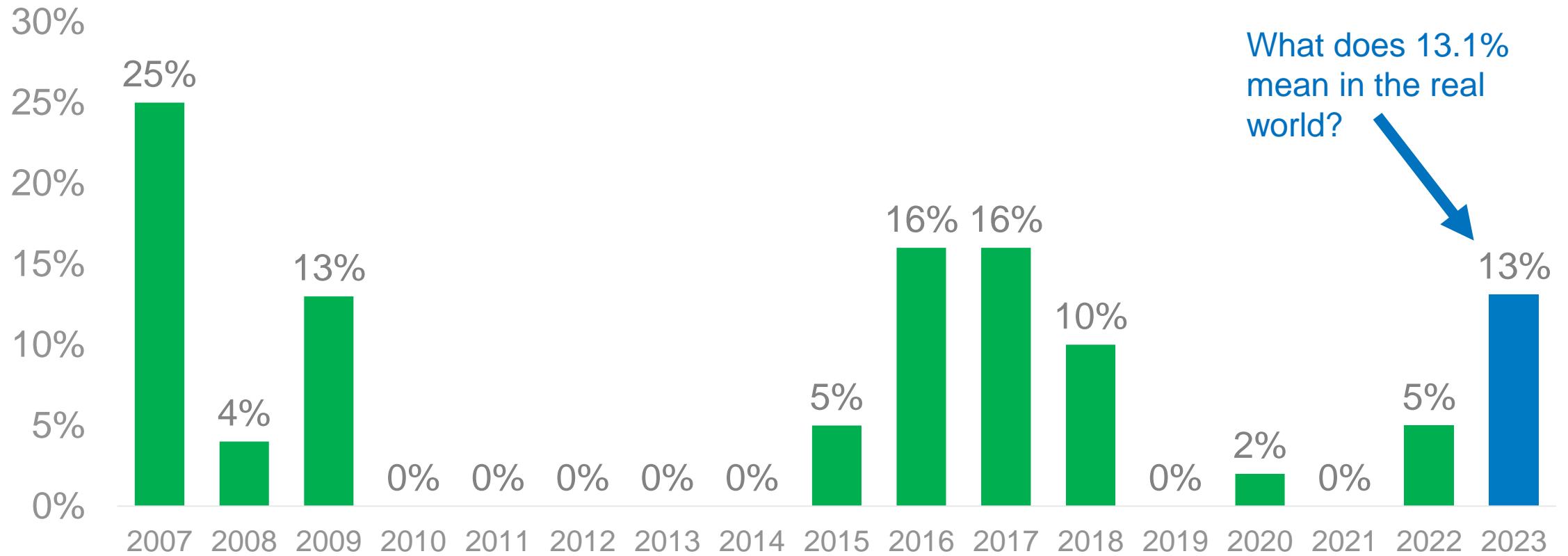
An average household in Pearland uses approximately 6,000 gallons of water per month. They will pay ~\$7.50 more a month.

- A 13.1% rate increase is proposed for FY23
- At the same time, customers are moving from having 32 days on a bill to a bill of 30/31 days.
- Due to the tiers and days billed, most customers' bills will not increase by 13.1% if they use similar amounts of water next year as they do this year.



History of Rate Increases in Pearland

Historical Pearland Utility Rate Increases



What does 13.1% mean in the real world?



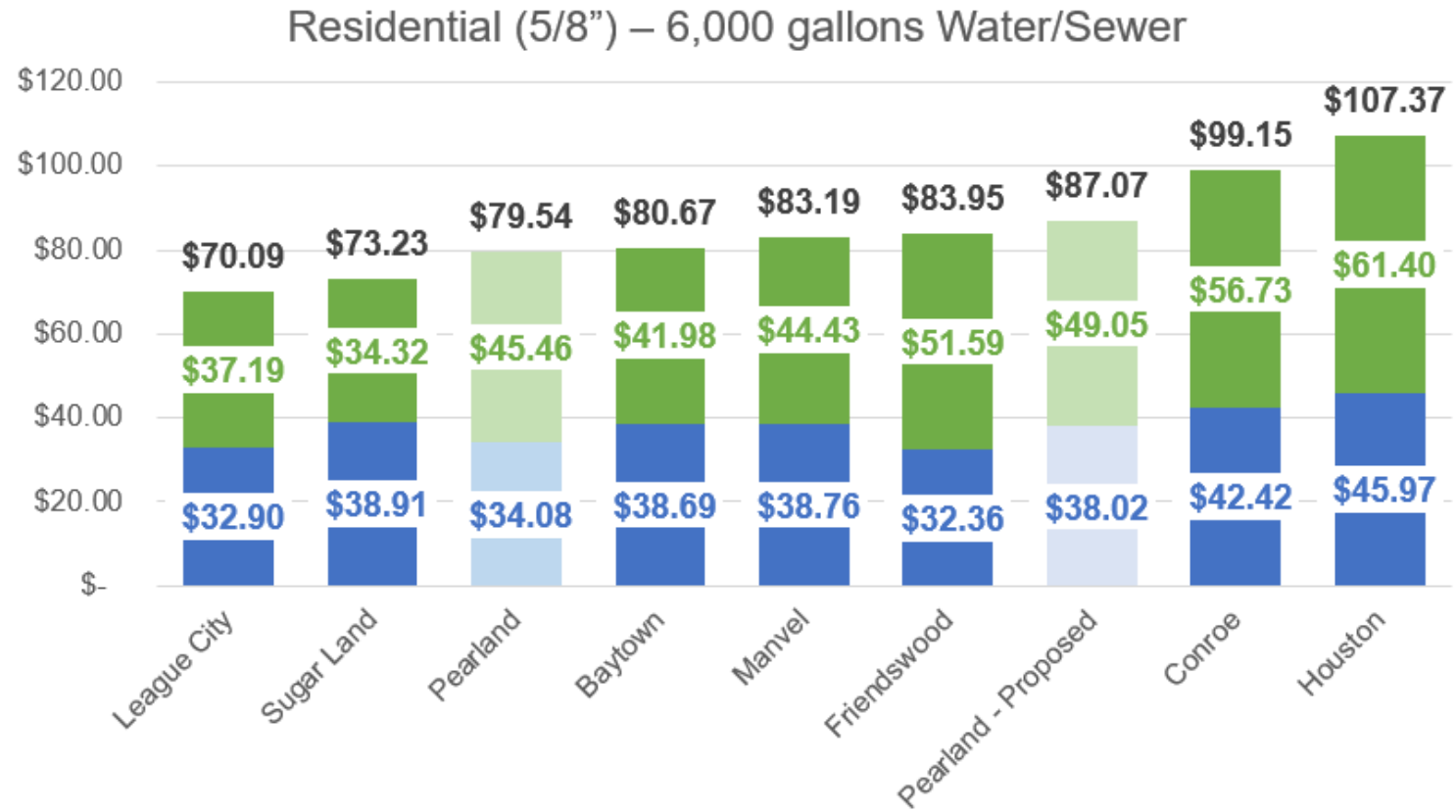
Sample Bills with 13.1% Proposed Revenue Increase for FY 23

The average resident will see a bill increase of ~\$7.53

| Account Type | Meter Usage | Meter Size | Water Current Rate | Water Proposed Rate | Water Increase | Sewer Current Rate | Sewer Proposed Rate | Sewer Increase | Current TOTAL | Proposed TOTAL | INCREASE TOTAL | |
|----------------------|--------------|-----------------|--------------------|---------------------|----------------|--------------------|---------------------|----------------|----------------|----------------|----------------|-------------|
| Residential | 2,000 | 5/8-inch | \$16.57 | \$18.74 | \$2.17 | \$23.88 | \$27.01 | \$3.13 | \$40.45 | \$45.75 | \$5.30 | 13.1% |
| Residential | 3,000 | 5/8-inch | \$20.45 | \$23.56 | \$3.11 | \$28.66 | \$31.23 | \$2.57 | \$49.10 | \$54.79 | \$5.68 | 11.6% |
| Residential | 6,000 | 5/8-inch | \$34.08 | \$38.02 | \$3.94 | \$45.46 | \$49.05 | \$3.59 | \$79.54 | \$87.07 | \$7.53 | 9.5% |
| Residential | 12,000 | 5/8-inch | \$67.76 | \$74.26 | \$6.50 | \$79.06 | \$84.69 | \$5.63 | \$146.82 | \$158.95 | \$12.13 | 8.3% |
| Small Office | 2,000 | 5/8-inch | \$16.57 | \$18.74 | \$2.17 | \$23.88 | \$27.01 | \$3.13 | \$40.45 | \$45.75 | \$5.30 | 13.1% |
| Commercial | 38,000 | 2-inch | \$336.80 | \$367.39 | \$30.59 | \$391.80 | \$429.88 | \$38.08 | \$728.60 | \$797.27 | \$68.67 | 9.4% |
| Fast Food Restaurant | 59,000 | 4-inch | \$738.16 | \$812.88 | \$74.72 | \$915.01 | \$1,013.37 | \$98.36 | \$1,653.16 | \$1,826.25 | \$173.09 | 10.5% |
| Sit Down Restaurant | 262,000 | 4-inch | \$1,894.4 | \$2,039.0 | \$144.56 | \$2,051.8 | \$2,219.19 | \$167.38 | \$3,946.25 | \$4,258.19 | \$311.94 | 7.9% |

Comparison Bill

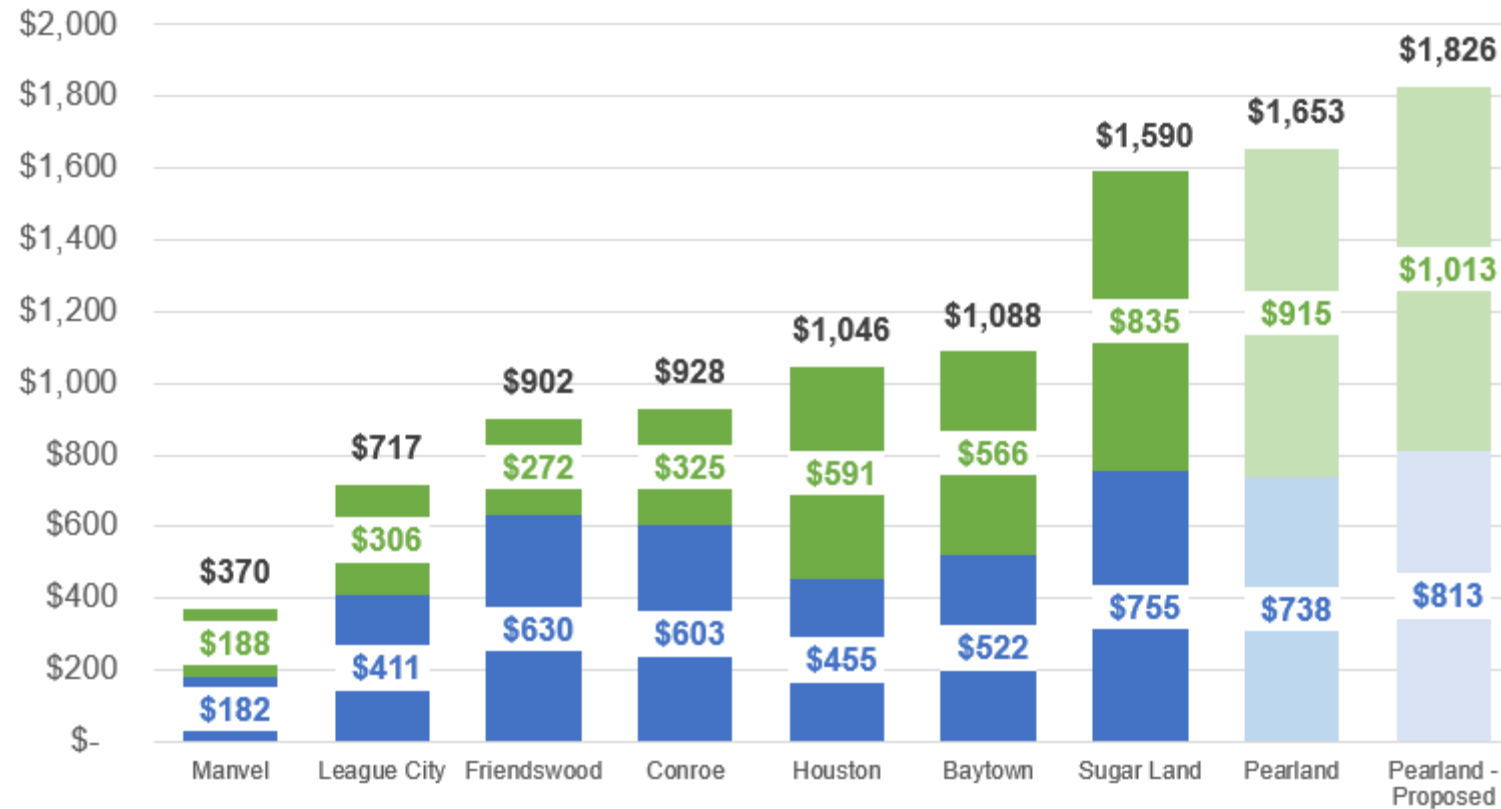
What does a typical residential Water & Sewer bill look like in nearby cities?



Comparison Bill

What does a typical Fast Food Restaurant bill look like in nearby cities?

Fast Food Restaurant - 59,000 Gallons Water/Sewer



What is driving rate increases?

Enterprise Operating Fund

- The FY23 proposed budget for the Enterprise Operating Fund is \$63.8M. FY23's Enterprise Operating Fund Budget is a \$170K decrease from the FY22 adopted budget of \$64.0M.
 - Primarily accomplished by reducing the transfer-out to the Enterprise Debt Fund. Switching to COs lowered reserve requirements, hence a smaller transfer.



Debt Fund

- Expenditures in this Fund are paid for via a transfer from the Enterprise Operating Fund (Transfer-In).
- FY23's Enterprise Fund Operations Budget is a \$3.7M increase from the FY22 adopted budget of \$26.3M.

Projects require debt to pay for construction. Pearland has issued the debt and now it's time to pay the mortgage.

- The capital projects being built are necessary and required to:
 - Expand the supply of water to meet current and future demands.
 - Expand and renew our wastewater treatment capacity to meet State capacity requirements for current and future flows.
 - Maintain the existing system to supply of water and treat wastewater for our Residents and Businesses.
 - Keep our water supply safe and high quality.
 - Ensure that State/Federal regulations are followed.
- These projects are some of the largest in City history
 - They set the City up for long-term success.
 - Decrease reliance on Houston for water by providing Pearland control of its own water production.
- Large investments are required to meet Council's strategic priority of sustainable, well-planned infrastructure that provides long-term community value in a growing City.



Actions Taken to Reduce Pressure on Utility Rates

Options Previously Enacted

- Staggered hiring of FTEs in FY22
- Careful and continual oversight of FY22 Budget
- Switching from Water/Sewer Revenue Bonds to Certificates of Obligation (lowers bond coverage ratio requirement)
- Moved to structured debt
- Council approved right-sizing of reserve requirements in the Enterprise Operating Fund and Enterprise Debt Fund
- Clearer communication to Council regarding FY23 CIP and its impact on rates
- Reworked FY23 CIP to lower rate pressure in FY24-FY27
- Updated revenue and expenditure projections 1st week of August to capture recent drought-driven usage trends.
- Staggered hiring of FTEs in FY23

Ongoing Actions

- Continuing discussion on utility rates
- Council suggested staff work with an outside firm on 7/25/22 to validate the model. Staff are finalizing the contract this week.
- Build community trust through transparency

What does Pearland need to do to meet its Bond Coverage Ratio?

The city is required to maintain a bond coverage at or above 1.15. This is calculated with the following formula:

$$\text{Bond Coverage Ratio} = \frac{(\text{Revenue} - \text{Operating Expenses})}{\text{Current Debt Obligations}}$$

FY23 Bond Coverage Ratio is set to be 1.15 – the minimum required.

$$1.15 = \frac{66,350,967 - 35,300,654}{27,071,642}$$



What does Pearland need to do to meet its Enterprise Operating Fund Reserve Requirement of 15%?

- The Enterprise Operating Fund must maintain a reserve of 15% of total expenses.
- Reserves are projected to decrease to 34% by the end of FY23. Any revenue increase lower than 13.1% will increase the amount of reserves used.
- In FY24 the ending fund balance is projected to be 16%.
- In FY25 reserves will decrease to the recommended fund balance of 15%.
- Once reserves hit 15% no additional withdrawals will be made and the Enterprise Fund revenue stream will need to be sufficient to pay for operations and debt service.



| | FY 2021 ACTUAL | FY 2022 ORIGINAL BUDGET | FY 2022 YEAR END AMENDED | FY 2023 PROPOSED BUDGET |
|--|---------------------|-------------------------------|--------------------------------|-------------------------------|
| REVENUES | | | | |
| SALE OF WATER | \$24,726,803 | \$28,063,627 | \$26,530,887 | \$31,821,496 |
| SEWER REVENUES | 21,869,109 | 24,361,195 | 23,291,919 | 26,177,108 |
| OTHER SERVICE CHARGES | 1,361,062 | 1,515,000 | 1,090,000 | 1,078,700 |
| INVESTMENT EARNINGS | 10,572 | 25,000 | 4,000 | 12,000 |
| OTHER MISCELLANEOUS INCOME | (60,867) | 12,500 | 56,151 | 16,700 |
| TRANSFERS IN | 4,076,363 | 400,000 | 400,000 | 450,000 |
| OTHER FINANCING SOURCES | 1,006,508 | | | |
| REVENUE | 52,989,550 | 54,377,322 | 51,372,957 | 59,556,004 |
| EXPENSES | | | | |
| UTILITY CUSTOMER SERVICES | 2,147,954 | 2,030,662 | 2,173,083 | 3,172,377 |
| INFORMATION TECHNOLOGY ¹ | 1,781,866 | 2,065,029 | 2,104,038 | |
| OTHER REQUIREMENTS | 37,407,452 | 35,226,353 | 29,723,130 | 30,141,580 |
| PUBLIC WORKS ADMINISTRATION | 1,053,577 | 1,222,393 | 1,383,699 | 3,911,505 |
| WATER/SEWER GROUNDS | 695,394 | 746,591 | 760,605 | 798,130 |
| LIFT STATIONS | 1,245,329 | 1,304,959 | 1,427,740 | 1,343,509 |
| WASTEWATER | 4,173,498 | 4,994,532 | 5,292,545 | 5,879,747 |
| ENVIRONMENTAL SERVICES ² | 349,157 | 376,669 | 345,342 | 734,903 |
| WATER PRODUCTION | 7,545,625 | 10,086,678 | 8,658,964 | 9,774,318 |
| DISTRIBUTION & COLLECTION | 3,022,379 | 4,142,947 | 4,094,253 | 4,334,636 |
| CONSTRUCTION | 1,371,096 | | | |
| WATER METER SERVICES | 637,811 | 807,396 | 764,133 | 993,851 |
| PRETREATMENT FOG | 243,720 | 259,358 | 263,507 | |
| SURFACE WATER TREATMENT | | 791,963 | 686,893 | 2,800,039 |
| EXPENSES | 61,674,857 | 64,055,530 | 57,677,932 | 63,884,595 |
| REVENUES OVER/(UNDER) EXPENSES | (8,685,307) | (9,678,208) | (6,304,975) | (4,328,591) |
| Beginning Cash Equivalents | 28,732,998 | 24,610,461 | 20,956,644 | 14,651,669 |
| Add Unrestricted Fund Balance in EF Debt Fund | | | | 2,763,775 |
| Ending Cash Equivalents | \$20,956,644 | \$14,932,253 | \$14,651,669 | \$13,086,853 |

Enterprise Operating Fund Income Statement

Budget Book Location: Book 1 – Enterprise
Fund Tab – Page 1

| | | | | |
|---|-------------|---------------|--------------|-------------|
| Bond Coverage - 1.15 minimum required ³ | 1.38 | 1.17 | 1.11 | 1.15 |
| Water/Sewer Unreserved Working Capital - 25% ⁴ | 15,418,714 | 16,013,883 | | |
| Water/Sewer Unreserved Working Capital - 15% ⁴ | | | \$14,419,483 | 9,582,689 |
| Operating Reserve Over Policy | \$5,537,930 | (\$1,081,630) | \$232,186 | \$3,504,164 |

1) Information and technology becomes and Internal Service Fund Starting 2022, IT Expenses are transfer out from Individual Department / Division

2) Beginning FY23, Backflow Compliance and Pretreatment FOG is combined into Environmental Services Division

3) Calculation for Bond Coverage Requirement as shown in Enterprise Debt Fund.

4) Water/Sewer Unreserved Working Capital was reduced to 15% in Enterprise Operating Fund in FY22

Enterprise Debt Fund

Income Statement

| | FY 2021 ACTUAL | FY 2022 ORIGINAL BUDGET | FY 2022 YEAR END AMENDED | FY 2023 PROPOSED BUDGET |
|--|---------------------|-------------------------------|--------------------------------|-------------------------------|
| REVENUES | | | | |
| INVESTMENT EARNINGS | 5,535 | 5,500 | 13,000 | 120,000 |
| OTHER FINANCING SOURCES | | | | |
| TRANSFERS IN | 42,219,564 | 30,671,491 | 25,783,038 | 29,934,670 |
| TOTAL | 42,225,099 | 30,676,991 | 25,796,038 | 30,054,670 |
| EXPENSES | | | | |
| PRINCIPAL PAYMENT | 16,305,000 | 18,365,000 | 18,365,000 | 20,030,000 |
| INTEREST EXPENSE | 7,366,607 | 7,871,290 | 7,871,290 | 9,904,671 |
| BOND ISSUANCE COSTS | | 150,000 | 15,000 | |
| OTHER DEBT SERVICE | 23,150 | 30,000 | 30,000 | 30,000 |
| TOTAL | 23,694,757 | 26,416,290 | 26,281,290 | 29,964,671 |
| REVENUES OVER/(UNDER) EXPENSES | 18,530,342 | 4,260,701 | (485,252) | 89,999 |
| Beginning Cash Equivalents | 0 | 8,894,987 | 18,530,342 | 18,045,090 |
| Ending Cash Equivalents | \$18,530,342 | \$13,155,688 | \$18,045,090 | \$18,135,089 |
| Reserve for Debt Service* | 13,087,664 | 15,776,567 | 15,776,567 | 15,776,567 |
| Balance Over the Reserve | 5,442,678 | (2,620,879) | 2,268,523 | 2,358,522 |
| Bond Coverage Requirement Calculation* | | | | |
| Operating Revenue & Impact ¹ | 52,757,883 | 60,742,890 | 57,676,525 | 66,350,967 |
| Less Operating Expense ¹ | 25,549,939 | 30,699,859 | 29,027,508 | 35,300,654 |
| Net Revenue Available for Debt Services | 27,207,944 | 30,043,031 | 28,649,017 | 31,050,313 |
| W/S Revenue Bond Debt Service | 19,663,339 | 25,783,037 | 25,783,037 | 27,071,642 |
| Bond Coverage - 1.15 minimum required ² | 1.38 | 1.17 | 1.11 | 1.15 |



Enterprise Funds Council Input and Discussion

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

