



AIR-22-441
AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS

AGENDA OF: City Council Regular Meeting - Sep 26 2022
DATE SUBMITTED: Aug 25 2022 **DEPT. OF ORIGIN:** Finance Department
PREPARED BY: Eric Roche

SUBJECT: **Consideration and Possible Action – Second and Final Reading of Ordinance No. 1619** - An appropriation Ordinance adopting a budget for the fiscal year beginning October 1, 2022, and ending September 30, 2023; pay plans for fiscal year 2023; and, pursuant to Local Government Code, Section 102.007, providing for a separate ratification of the property tax revenue increase reflected in the budget.

ATTACHMENTS: [Exhibit A](#)
 [Exhibit B-All COP Payplans 10.1.22](#)
 [Certification Pay](#)
 [FY23 Budget Presentation to Council - Presentation #4](#)
 [1619-Budget Ordinance.1619](#)
 [Follow up to Budget Presentation 4 First Reading by Pearson and Buckert Johnson 9.15.22](#)
 [Follow up to Budget Presentation 3 Memo 2 additional material by Roche 9.15.22](#)
 [Councilmember Proposal](#)
 [Kamkar - Supplement #1](#)
 [Kamkar - Supplement #2](#)

FUNDING: Grant Developer/Other Cash
 G.O. Bonds To Be Sold G.O. Bonds - Sold Rev. Bonds to Be Sold
 Rev. Bonds - Sold C.O.'s To Be Sold C.O.'s - Sold

EXECUTIVE SUMMARY

BACKGROUND

The City Council has reviewed the fiscal year 2022-2023 budget through a series of budget discussions and held a public hearing on the budget on August 29, 2022. The First Reading of this Ordinance was passed on September 12, 2022.

SCOPE OF CONTRACT/AGREEMENT

Pursuant to City Charter, Section 8.10, the budget shall be adopted no later than the last regularly scheduled council meeting in September. The second and final reading of the ordinance will be on September 26, 2022. The proposed pay plans for the 2023 fiscal year are being presented for your consideration and adoption.

BID AND AWARD

SCHEDULE

Previous Meetings & Events

- 3/21/22 – Comprehensive CIP Budget Workshop
- 6/27/22 – Early Budget Input Session
- 7/25/22 – CIP Adoption
- 8/5/22 – Proposed Budget delivered to Council
- 8/8/22 – Maximum Tax Rate Adopted
- 8/13/22 – Budget Discussion #1
- 8/22/22 – Budget Discussion #2
- 8/29/22 – Public Hearing on Budget/Budget Discussion #3 and Tax Rate
- 9/12/22 – Public Hearing Tax Rate; 1st reading of Budget, Tax Rate, and Fee Schedule Ordinances

Tonight's Meeting

- 9/26/22 – 2nd and final reading of Budget, Tax Rate, and Fee Schedule Ordinances

Future Events

- 10/1/22 – Fiscal Year FY23 Begins

POLICY/GOAL CONSIDERATION

New for Second Reading:

First, Budget Memo #4, title "Follow-Up to Budget Presentation #4 (First Reading)" outlined an alternative Alternative Proposal for small adjustment to acknowledge more one-time expenses. More information can be found in the attached memo, page 6. The alternative scenario provided changes \$122,363 in General Fund expenses to one-time expenditures (as opposed to recurring) and offsetting the decreased expense with a reduction in property taxes and TIRZ administrative charge revenue.

If Council wishes to amend the budget to reflect the \$122,363 mentioned above, a motion to amend the budget as follows will be needed. "I motion to amend Exhibit A by decreasing General Fund revenue from \$109,315,462 to \$109,193,099 - a reduction of \$122,363." General Fund expenditures do not need to be amended because the \$122,363 is simply having its funding mechanism switched - the total spending in the General Fund is not changing in the alternative scenario.

The accompanying tax rate decrease would need to occur during the reading of the tax ordinance. The total tax rate, if the \$122,363 option is enacted would be 0.623020. The O&M rate would be 0.284255 and the I&S rate would remain at 0.338765. This rate would reduce General Fund property tax revenues by \$95,888 and TIRZ administrative charge revenues by \$26,475.

Second, a Councilmember made a proposal to lower expenditures at the 9/12/22 meeting. The proposal is attached, with a brief summary provided here.

The proposal would reduce spending by \$1,423,447 by cutting the items highlighted in the table (with the exception of the project manager). Staff would recommend keeping the Parks and Recreation Program Contract Instructor Pay in the budget as it has revenue that is planned to offset its cost. additionally, the IT staff person is paid for out of the IT Fund, and therefore only partially paid for from the General Fund - so the reduction in spending would be somewhat smaller than the listed cost of the position.

The second part of the proposal is to reduce taxes by an additional 1.84 cents - a revenue reduction of \$3,016,149 in the General Fund. The O&M rate would decrease from 0.2850 to 0.266600. Of the \$3,016,149 being reduced a \$2,368,230 will be reduced from property tax revenue and \$647,919 from the TIRZ administrative charge.

The proposal's revenue decrease is larger than the expenditure decrease by \$1,592,702. The proposal includes a provision to make up this amount by leveraging General Fund balance.

Note: It is crucial that any changes to the tax rate be settled before the vote and adoption of the budget. If Council wishes to make changes to the tax rate they should do so during the discussion on the FY23 Budget so that revenues and expenditures can be adjusted *before* a final rate is adopted.

Any changes from tonight's hearing must be incorporated into Exhibit A and or Exhibit B (both attached), as needed via amendment on September 26, 2022.

From First Reading:

All consensus items directing staff to update the proposed budget have been made and are reflected in Exhibit A

During the 8/29/22 budget presentation, City Council reached consensus approval for the FY23 budget to include the following.

1. Consensus reached to add additional sick-leave buyback of 20 hours for FY23 for additional sick leave buyback to eligible employees. The number of hours can and will be revisited each budget year based on resources and priorities. - \$211,779
2. Consensus reached to reduce the debt service rate by the full .005 that was identified and reduce the transfer from the General Fund to Streets and Sidewalks (no offset to raise General Fund rate slightly to equalize TIRZ #2 transfer). See Property Tax Slides.
3. Consensus to maintain the transfers to internal service funds as planned. Additional questions on the functioning and strategy for the plan were posed and are answered in separate memo.
4. Consensus to fund all items listed, including pay raises equating to 5.5% (raising the pay plan and funding steps) and 6.5% for uniformed Police and Fire staff reached.
5. Although there were questions and recognition of the impact on ratepayers, there was **no consensus** on substantive changes that would move the required 13.1% revenue increase to maintain the required ratio coverage.
6. There was acknowledgement for the scaled back package of FD cost recovery fees, will include in the fee ordinance limited only for FY 23 to three one-time fees.

7. Items identified by the City Council for open questions were resolved and there was not sentiment for additional Tuesday meeting being needed
8. There was acknowledgement of the PEDC Board revision of their FY 23 Budget to include \$425,000, which is 1/3 of the new updated Master Drainage Plan. The ongoing maintenance costs of PEDC funded capital projects was deferred until the PEDC Board and the City Council can meet in October.

General Fund

Revenues in FY 2023 are anticipated to exceed those in 2022 in all categories except Licenses & Permits, Fines and Forfeitures, Charges for Service, and Transfers-In. Overall, the increase in total revenues from the FY 2022 Amended Budget is 4.1%. Property tax, sales tax and charges for services are the three major revenue sources for the City. Fiscal year 2023 total expenditures are \$110,701,878, 3.5% higher than the FY 2022 amended budget. Salaries and benefits remain the major expenditure for FY 23, at 65.2% of the total, a decrease of 0.98 percentage points over FY 2022 amended. The decrease in the percentage of the General Fund being spent on salaries and wages is due primarily to IT and Facility Management staff moving out of the General Fund and into the new IT Fund and Facilities Fund.

Funding Highlights Include:

- One Technology Support Specialist – IT – \$68,886
- A Unified Development Code Update – Community Development – \$300,000
- Four Firefighting Positions – Fire Department – \$436,520
- Police Equipment and Training – Police Department – General Fund Fund Balance – \$200,000
- One Police Officer – Police Department – General Fund – \$185,865
- Two Telecommunications Operators – Police Department – \$151,216
- A Fire Office Assistant Part Time to Full Time Conversion – Fire – \$15,000
- One Drainage Crew – Engineering and Public Works – General Fund transfer to Drainage Fund – \$662,000
- One Project Manager – Engineering and Public Works – 100% charged to projects – \$140,000
- Program Contract Instructor Pay – Parks & Recreation – \$32,960
- A Senior Office Assistant Part Time to Full Time Conversion – Parks – \$33,000
- Increased in sick leave buyback from 40 hours to 60 hours – General Fund Portion – \$196,416
- Funded the City's portion of the Drainage Master Plan Update - \$425,000

Debt Service Fund

The Debt Service fund accounts for the payment of principal and interest on debt issued by the City and tax rebate to in-City MUD's. Total principal and interest debt service payments for FY23 total \$38,863,045. This debt is funded by property taxes. The debt service tax rate will decrease from \$0.392 in FY22 to \$0.338765 in FY23. The fund balance at September 30, 2023 is estimated to be \$5,395,599, \$732,902 over the 10% policy reserve.

Tax Rate

The Proposed Budget includes a tax rate of \$0.623765/100, which is above the No-New-Revenue Rate and below the Voter-Approval Rate. This tax rate represents a decrease of \$0.077651 from the current year tax rate.

Pursuant to truth in taxation laws, Council voted on a Maximum Tax Rate of \$0.628765/100. This set a tax ceiling which the city cannot exceed. The proposed budget document is based on a rate of \$0.623765/100 which will be voted on at the September 12th and September 26th Council meetings. A public hearing on the tax rate was held on 8/29/22 due to the proposed rate being higher than the no-new-revenue rate. A second public hearing on the tax rate is scheduled for September 26, 2022.

Water and Sewer Operating Fund

FY23 budgeted revenues total \$59,556,004 a \$8,183,047 increase over the FY22 Amended Budget. Water and sewer charges increased by \$8,175,798 over the FY22 Amended Budget. This is mainly due to a proposed rate increase of 13.1%. This rate increase is driven by debt payments for significant capital investment such as:

- Surface Water Treatment Plant - \$175.5M
- JHEC Water Reclamation Facility - \$80.6M
- Bailey Water Plant Improvements - \$14.4M
- Barry Rose Water Reclamation Facility Replacement and Expansion - \$228.4M
- Longwood Water Reclamation Facility Decommissioning - \$36.2M

FY23 expenses total \$63,895,745. This is a decrease of \$159,785 over the FY22 Adopted Budget, and an increase of \$6,206,663 over the FY22 Amended Budget. The first driver in the decreased FY22 Amended Budget was lower than expected water production costs, before the summer drought. The second, and main driver was a switch from Water/Sewer Revenue Bonds to Certificates of Obligation - which considerably decreased the amount of funding that would have been otherwise placed in the debt reserve as required by Water/Sewer Revenue Bonds.

Funding highlights include:

- Surface Water Plant Staff & Lab Equipment - Engineering and Public Works - \$632,402
- Water Quality Compliance Team - Engineering and Public Works - \$378,722

The available ending fund balance (measured as cash equivalents) at September 30, 2023 is expected to be \$14,465,196. Expenditures exceed revenues by \$4,328,591. The Bond Coverage Ratio is 1.15 and operating cash reserves are 34%.

Other Funds

The City's budget also includes many other funds, such as the Hotel/Motel Occupancy Tax Fund, CDBG Fund, Grant Fund, Police State Seizure Fund, Solid Waste Fund, and the Pearland Economic Development Corporation to name a few. To see and review the entire budget, the budget can be found online at pearlandtx.gov/budget or for review through a request to the City Secretary's office.

Pay Plan Updates

The Police Pay Plan (Civil Service) has been updated to fix compression concerns between each rank. Historically, there was a 3% difference between the maximum of a lower grade versus the minimum of a higher grade. The error in calculation began in FY 2018, and the City has been calculating the annual COLA based on those rates. The discrepancy ranged between 2.17% to 3.04% between the ranks of Police Officer through Captain.

CURRENT AND FUTURE CIP FUNDING/FINANCIAL IMPACTS/DEBT SERVICE

O&M IMPACT INFORMATION

Recommended Action

Approval of Second Reading - An appropriation Ordinance adopting a budget for the fiscal year beginning October 1, 2022, and ending September 30, 2023.

As part of this item and immediately following the Second Reading, Local Government Code 102.007 requires the Council to separately ratify the property tax revenue increase reflected in the budget.

Section 102.007 specifically states that the ratification is separate from the vote to adopt the budget and separate from the vote to adopt the tax rate.

This means there will be 2 votes: 1) Adopting the Budget and 2) Ratification of the property tax revenue increase reflected in the budget.

EXHIBIT A
City of Pearland
Fiscal Year 2022-2023 Budget

Fund Description	Revenues	Expenses
	Adopted Budget	Adopted Budget
OPERATIONS		
100 General	109,315,462	110,711,878
200 Debt Service-General	47,957,223	46,626,975
900 PEDC	15,325,856	27,319,319
Special Revenue Funds		
305 Hotel/Motel	967,900	1,091,553
310 Municipal Court Security	48,004	34,625
315 Citywide Donation	65,900	177,680
320 Court Technology	45,100	32,943
330 Parks Donations	105,200	105,550
331 Tree Trust	2,100	457,500
332 Parks Financial Assistance Donations	5,050	5,000
335 Police State Seizure	108	52,200
336 Federal Police	100	35,000
337 Community Safety Fund	-	-
340 Park & Recreation Development	98,000	84,721
345 Sidewalk	5,100	-
346 Drainage Maintenance Fund	1,972,958	1,827,449
350 Grant	478,077	418,242
351 Community Development	478,854	478,854
352 CDBG - Disaster Recovery Fund	5,308,153	5,110,873
353 Disaster Recovery Fund	-	-
354 Hazard Mitigation Fund	503,760	499,760
355 Coronavirus Relief Fund	1,827,767	-
356 ARPA Fund	5,944,486	4,694,098
360 Traffic Impact Improvement	100	214,920
365 Truancy Prevention and Diversion	52,600	43,583
366 Municipal Jury Fund	1,025	1,000
370 Municipal Channel	236,500	101,500
380 Regional Detention	-	-
510 Lower Kirby	-	-
514 Infrastructure Reinvestment Fund	1,593,714	1,593,714
Internal Service Fund		
700 Risk Management Fund	2,628,725	3,077,029
702 Medical Self-Insurance	10,384,899	10,384,899
703 Motor Pool	9,269,221	7,132,986
704 Facilities Fund	3,305,095	3,045,014
705 Information Technology Fund	8,488,643	8,094,236
Proprietary Funds		
600 Water and Sewer	59,556,004	63,895,745
601 Water and Sewer Debt Fund	30,054,670	29,964,671
610 Solid Waste	8,597,262	8,593,462
SUB TOTAL - OPERATIONS	324,623,616	335,906,979
CAPITAL IMPROVEMENT PROGRAM		
Water/Sewer Capital Projects Funds		
550 Utility Impact Fee	45,000	3,124,184
551 Water Impact Fee	1,360,000	3,725,960
552 Sewer Impact Fee	1,010,000	-
555 Shadow Creek Impact Fee	-	-
565 1999 W & S Revenue Bonds	30,000	64,505
566 W & S Revenue Bonds 2020	8,000	48,454
567 TWDB Revenue Bond Series 2020	20,000	2,975
568 W & S Revenue Bonds 2021	25,000	136,998
569 W & S Revenue Bonds 2022	8,000	1,283,247
570 Water/Sewer Pay As You Go	40,000	226,131
571 TWDB Bonds 2021	20,000	24,051
572 TWDB Bonds 2022	-	-
573 TWDB Bonds 2023	-	-
574 W&S Revenue Bonds 2023	56,849,500	57,151,230
575 MUD 4 Capital Program	-	-
576 W&S Revenue Bonds 2024	-	-
Capital Projects Funds		
500 Capital Projects	1,232,500	1,327,524
501 Capital Projects-CO 2001	680,000	1,716,131
503 Capital Projects-CO 2006	15	27,431
506 Capital Projects-GO 2009	3,081,615	3,682,138
507 Capital Projects-GO 2020	20,000	116,060
508 Capital Projects-CO 2020	10,000	3,312,351
509 Capital Projects-GO 2021	10,000	157,524
511 PEDC Projects	20,400,109	20,400,109
512 Capital Projects-CO 2021	1,000	70,467
513 Capital Projects-GO 2022	1,000	91,230
515 Capital Projects-CO 2020 (TIRZ)	6,000	48,625
516 Capital Projects-CO 2021 (TIRZ)	20,000	100,128
517 Capital Projects-CO 2022	1,000	204,383
518 Capital Projects-CO 2022 (TIRZ)	1,000	59,570
519 Capital Projects-GO 2023	17,052,962	16,180,398
520 Capital Projects-CO 2023	26,442,503	24,400,836
521 Drainage CIP Fund	-	25,681
522 Capital Projects-GO 2024	-	-
523 Capital Projects-CO 2024	-	-
524 Capital Projects-CO 2023 (TIRZ)	9,470,000	9,483,606
SUB TOTAL - CIP	137,845,204	147,191,927
GRAND TOTAL:	462,468,820	483,098,906

Class	Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12
Police Officer	PO	\$64,866	\$66,812	\$68,816	\$70,881	\$73,007	\$75,197	\$77,453	\$79,777	\$82,170	\$84,635	\$87,174	\$89,790
144*		\$31.19	\$32.12	\$33.08	\$34.08	\$35.10	\$36.15	\$37.24	\$38.35	\$39.50	\$40.69	\$41.91	\$43.17

Sergeant	SG	\$92,483	\$95,258	\$98,116	\$101,059	\$104,091	\$107,214
22*		\$44.46	\$45.80	\$47.17	\$48.59	\$50.04	\$51.55

Lieutenant	LT	\$110,430	\$113,743	\$117,155	\$120,670
6*		\$53.09	\$54.68	\$56.32	\$58.01

Captain	CP	\$124,290	\$128,019	\$131,859
4*		\$59.75	\$61.55	\$63.39

A one step progression occurs on the officer's anniversary date , not at the beginning of the fund year.

Additional Police Officer Compensation	
Longevity Pay - LGC 141.032	Shift Differential Pay - LGC 143.047
In accordance with Local Government Code (LGC) 141.032, \$4 a month for each year of service in the department, not to exceed 25 years paid annually.	When Classified employee is eligible, shift differential pay is \$86.00 bi-weekly.
Certification Pay - LGC 143.044	Physical Fitness Pay - LGC 143.044
TCOLE BASIC CERTIFICATE \$.00/hr.	Those officers who have completed their probationary year and meet the requirements of Policy 203 of the Pearland Police Department are eligible for an incentive up to \$400 each fiscal year.
TCOLE INTERMEDIATE CERTIFICATE \$.29/hr.	Detective Assignment Pay - LGC 143.042
TCOLE ADVANCED CERTIFICATE \$.58/hr.	Those Police Officers and Sergeants who are assigned as Detectives to Professional Standards or the Criminal Investigations Division will receive \$100.00 bi-weekly assignment pay for the duration of the assignment. Assignments are at the discretion of the Chief of Police.
TCOLE MASTER PEACE CERTIFICATE \$.87/hr.	Field Training Officer Assignment Pay - LGC 143.043
Education Incentive Pay - LGC 143.044	Those Police Officers who are assigned as field training officers will receive pay in an amount equal to 1/2 hour of overtime for every 4 hours of field training provided.
All college degrees must be issued by an approved institution of higher education which is duly accredited by one of the regional accreditation agencies, no mail order degree will be approved.	Bilingual Assignment Pay - LGC 143.042
ASSOCIATE DEGREE \$.58/hr.	Any sworn employee who meet the requirements set forth by the City are eligible for \$75.00 bilingual pay monthly.
BACHELORS DEGREE \$.87/hr.	Police Officers in STEP 12 as of 09/30/2022; Sergeants in STEP 6 as of 09/30/2022; Lieutenants in STEP 4 as of 09/30/2022; and Captains in STEP 3 as of 09/30/2022; will receive 2% of their base salary as a lump sum compensation on their anniversary date in rank for FY23 only.
MASTERS DEGREE \$1.15/hr.	
Overtime	
All overtime for any classification shall be paid in accordance with applicable State and Federal Law, classified employees may accumulate up to 120 hours of Compensatory Time.	

Grade	Minimum	Maximum	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12
FP	\$ 49,162.50	\$ 68,052.40	\$ 49,162.50	\$ 50,637.38	\$ 52,156.50	\$ 53,721.19	\$ 55,332.83	\$ 56,992.81	\$ 58,702.59	\$ 60,463.68	\$ 62,277.59	\$ 64,145.92	\$ 66,070.28	\$ 68,052.40
*2080 hours	\$ 23.64	\$ 32.72	\$ 23.64	\$ 24.34	\$ 25.08	\$ 25.83	\$ 26.60	\$ 27.40	\$ 28.22	\$ 29.07	\$ 29.94	\$ 30.84	\$ 31.76	\$ 32.72
*2756 hours	\$ 17.84	\$ 24.69	\$ 17.84	\$ 18.37	\$ 18.92	\$ 19.49	\$ 20.08	\$ 20.68	\$ 21.30	\$ 21.94	\$ 22.60	\$ 23.28	\$ 23.97	\$ 24.69

Grade	Minimum	Maximum	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10		
F1	\$ 59,253.75	\$ 82,021.05	\$ 59,253.75	\$ 61,031.36	\$ 62,862.30	\$ 64,748.17	\$ 66,690.62	\$ 68,691.34	\$ 70,752.07	\$ 72,874.64	\$ 75,060.88	\$ 77,312.70	\$ 79,632.08	\$ 82,021.05
*2080 hours	\$ 28.49	\$ 39.43	\$ 28.49	\$ 29.34	\$ 30.22	\$ 31.13	\$ 32.06	\$ 33.02	\$ 34.02	\$ 35.04	\$ 36.09	\$ 37.17	\$ 38.28	\$ 39.43
*2756 hours	\$ 21.50	\$ 29.76	\$ 21.50	\$ 22.14	\$ 22.81	\$ 23.49	\$ 24.20	\$ 24.92	\$ 25.67	\$ 26.44	\$ 27.24	\$ 28.05	\$ 28.89	\$ 29.76

Grade	Minimum	Maximum	Step 1	Step 2	Step 3	Step 4
F2	\$ 65,179.13	\$ 85,043.97	\$ 65,179.13	\$ 67,134.50	\$ 69,148.54	\$ 71,222.99
*2080 hours	\$ 31.34	\$ 40.89	\$ 31.34	\$ 32.28	\$ 33.24	\$ 34.24
*2756 hours	\$ 23.65	\$ 30.86	\$ 23.65	\$ 24.36	\$ 25.09	\$ 25.84

Grade	Minimum	Maximum	Step 1	Step 2	Step 3	Step 4
F3	\$ 88,419.12	\$ 96,617.95	\$ 88,419.12	\$ 91,071.69	\$ 93,803.84	\$ 96,617.95
*2080 hours	\$ 42.51	\$ 46.45	\$ 42.51	\$ 43.78	\$ 45.10	\$ 46.45
*2756 hours	\$ 32.08	\$ 35.06	\$ 32.08	\$ 33.04	\$ 34.04	\$ 35.06

Grade	Minimum	Maximum	Step 1	Step 2	Step 3	Step 4
F4	\$ 99,516.49	\$ 108,744.37	\$ 99,516.49	\$ 102,501.99	\$ 105,577.05	\$ 108,744.37
*2080 hours	\$ 47.84	\$ 52.28	\$ 47.84	\$ 49.28	\$ 50.76	\$ 52.28
*2756 hours	\$ 36.11	\$ 39.46	\$ 36.11	\$ 37.19	\$ 38.31	\$ 39.46

Grade	Minimum	Maximum	Step 1	Step 2	Step 3
F5	\$ 112,006.70	\$ 118,827.90	\$ 112,006.70	\$ 115,366.90	\$ 118,827.90
*2080 hours	\$ 53.85	\$ 57.13	\$ 53.85	\$ 55.46	\$ 57.13
*2756 hours	\$ 40.64	\$ 43.12	\$ 40.64	\$ 41.86	\$ 43.12

CLASSIFICATION	GRADE
Firefighter	F1
Firefighter - PT	F1
Firefighter - Safer	F1
Driver / Operator	F2
Fire Field Training Officer	F2
Fire Inspector / Investigator	F2
PT - Fire Inspector / Investigator	F2
Fire Lieutenant	F3
Fire Captain	F4
Senior Training Officer	F4
Assistant Fire Marshal	F4
Battalion Chief	F5
Battalion Chief-Logistics	F5
Division Chief - EMS	F5
Division Chief - Training, Health & Safety	F5
Fire Marshal	F5
PT - Paramedic	FP

Step progression occurs at the beginning of fiscal year for employees in good standing (No PIP, No DML or Level II Warnings)

Certified Fire Fighters / EMTs with experience can be hired up to step 5 (refer to hiring matrix)

Driver Operators with experience can be hired up to step 4 (refer to hiring matrix)

FP and F1 fire personnel in STEP 12 as of 09/30/2022; F2 fire personnel in STEP 10 as of 09/30/2022; F3 and F4 fire personnel in STEP 4 as of 09/30/2022; F5 fire personnel in STEP 3 as of 09/30/2022; who are otherwise eligible for a STEP increase, will receive 2% of their base salary as lump sum compensation on 10/21/2022 for FY23 only

Recommended Title	Grade	Minimum	Midpoint	Maximum
Lifeguard	NE1	\$ 22,252.50	\$ 26,100.71	\$ 29,948.94
		\$ 10.70	\$ 12.55	\$ 14.40
Head Lifeguard	NE2	\$ 23,365.13	\$ 27,405.75	\$ 31,446.38
		\$ 11.23	\$ 13.18	\$ 15.12
Recreation Attendant	NE4	\$ 25,760.05	\$ 30,214.85	\$ 34,669.63
Summer Camp Counselor		\$ 12.38	\$ 14.53	\$ 16.67
Water Safety Instructor				
Custodian	NE5	\$ 27,048.05	\$ 31,725.59	\$ 36,403.11
Custodian-PT		\$ 13.00	\$ 15.25	\$ 17.50
Facility Attendant	NE6	\$ 28,400.45	\$ 33,311.87	\$ 38,223.27
		\$ 13.65	\$ 16.02	\$ 18.38
Office Assistant	NE8	\$ 31,311.50	\$ 36,726.33	\$ 42,141.16
PT-Office Assistant		\$ 15.05	\$ 17.66	\$ 20.26
Summer Camp Coordinator				
Customer Service Representative	NE9	\$ 32,877.08	\$ 38,562.65	\$ 44,248.22
Deputy Court Clerk		\$ 15.81	\$ 18.54	\$ 21.27
Park Maintenance Worker				
Permit Tech				
PT Customer Service Rep				
PT Deputy Court Clerk				
Sign Technician				
Custodial Crew Leader	NE10	\$ 34,520.93	\$ 40,490.78	\$ 46,460.63
Customer Service Rep II		\$ 16.60	\$ 19.47	\$ 22.34
Delinquency & Collections Specialist I				
Police Records Clerk				
Permit Tech II				
Deputy Court Clerk Senior	NE11	\$ 36,246.97	\$ 42,515.32	\$ 48,783.66
Office Assistant, Senior		\$ 17.43	\$ 20.44	\$ 23.45
Plans Expediter				
Plant Mechanic				
PT-Office Assistant, Senior				
Utility Billing Specialist				
Utility Field Service Tech				
Utility Maintenance Worker				
Accounts Payable Clerk	NE12	\$ 38,059.33	\$ 44,641.08	\$ 51,222.84
Administrative Assistant		\$ 18.30	\$ 21.46	\$ 24.63

Recommended Title	Grade	Minimum	Midpoint	Maximum
Administrative Assistant-PT				
Custodian Of Records				
Equipment Operator				
Pm Mechanic				
PT Accounts Payable Clerk				
Court Security Officer	NE13	\$ 39,962.29	\$ 46,873.14	\$ 53,783.98
Heavy Equipment Operator		\$ 19.21	\$ 22.54	\$ 25.86
Jailer				
TCO-Basic-PT				
Animal Control Officer	NE14	\$ 41,960.41	\$ 49,216.80	\$ 56,473.18
Backflow Inspector		\$ 20.17	\$ 23.66	\$ 27.15
Building Maintenance Tech				
CCTV Technician				
Code Enf/Health Officer				
Executive Assistant				
Juvenile Case Manager				
Laboratory Tech				
Mechanic				
Park Maintenance Crew Leader				
Park Naturalist				
Plant Electrician				
Pre-Treatment Technician				
Records Analyst				
Recreation Specialist				
Treatment Plant Operator I				
Utility Maint. Technician				
Youth Development Coordinator				
IT Support Specialist	NE15	\$ 44,058.41	\$ 51,677.63	\$ 59,296.85
Lead Court Security Officer		\$ 21.18	\$ 24.85	\$ 28.51
Payroll Technician				
PD-Police Cadet				
Fire - Cadet				
PT-Quartermaster				
Quartermaster				
Row Inspector				
Telecommunications Operator				
Traffic Signal Technician				
Adaptive Recreation Specialist	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Athletics Coordinator		\$ 22.24	\$ 26.09	\$ 29.93
Communications Specialist				

Recommended Title	Grade	Minimum	Midpoint	Maximum
Crew Leader				
Housing Rehabilitation Coordinator				
HR Coordinator				
GIS Technician				
Lead Jailer				
Maintenance Crew Leader				
Planning Technician				
Treatment Plant Operator II				
Utility Field Serv Tech Lead				
Utility Maint.Technician Sr.				
Volunteer Coordinator				
	NE17	\$ 48,574.41	\$ 56,974.60	\$ 65,374.77
Aquatics Technician		\$ 23.35	\$ 27.39	\$ 31.43
Buyer				
Community Outreach-Coord				
Construction Inspector				
Customer Service Supervisor				
Facility Supervisor				
Plans Examiner				
PW Infrastructure Liaison				
TCO-Team Leader				
Accounts Payable Supervisor	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Addressing Coordinator		\$ 24.52	\$ 28.76	\$ 33.00
Application Specialist				
Backflow Compliance Progr Coord				
CIP Coordinator				
Crime Victim Liaison				
Emergency Management Planner				
GIS Analyst				
Pre-Treatment Coordinator				
Project Coordinator				
Sr Code Enforcement Officer				
Staff Accountant				
Animal Services Supervisor	NE19	\$ 53,553.29	\$ 62,814.49	\$ 72,075.68
Assistant Manager-Permits & Insp		\$ 25.75	\$ 30.20	\$ 34.65
Billing Supervisor				
Building Inspector				
Park Supervisor				
Payroll Supervisor				
Urban Forester				
Videographer/Editor				

Recommended Title	Grade	Minimum	Midpoint	Maximum
Communications Supervisor	NE20	\$ 56,230.96	\$ 65,955.21	\$ 75,679.47
Contract Administrator		\$ 27.03	\$ 31.71	\$ 36.38
Crime Scene Investigator				
GIS Specialist				
Stormwater Coordinator				
Treatment Plant Supervisor				
Maintenance Supervisor	NE21	\$ 59,042.51	\$ 69,252.98	\$ 79,463.44
Maintenance Supervisor, Traffic		\$ 28.39	\$ 33.29	\$ 38.20
Building Maintenance Supervisor	NE22	\$ 61,994.64	\$ 72,715.62	\$ 83,436.62
Chief Inspector		\$ 29.81	\$ 34.96	\$ 40.11
Crime Analyst				
Shop Foreman				
Supervisor, Health & Env Serv				
PT Fire Inspector/Investigator				
Instrumentation Technician	NE23	\$ 65,094.36	\$ 76,351.40	\$ 87,608.44
Quartermaster Supervisor		\$ 31.30	\$ 36.71	\$ 42.12
Chief Construction Inspector	NE24	\$ 68,349.08	\$ 80,168.98	\$ 91,988.86
Maintenance Coordinator		\$ 32.86	\$ 38.54	\$ 44.23
Process Control Supervisor				
Municipal Court Prosecutor-PT	NE25	\$ 71,766.54	\$ 84,177.42	\$ 96,588.31
		\$ 34.50	\$ 40.47	\$ 46.44

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	Step 14	Step 15	Step 16
	\$32.86	\$33.52	\$34.19	\$34.87	\$35.57	\$36.28	\$37.01	\$37.75	\$38.50	\$39.27	\$40.06	\$40.86	\$41.67	\$42.51	\$43.36	\$44.23
NE25	\$71,766.54 \$34.50	\$73,201.87 \$35.19	\$74,665.91 \$35.90	\$76,159.22 \$36.62	\$77,682.41 \$37.35	\$79,236.06 \$38.09	\$80,820.78 \$38.86	\$82,437.19 \$39.63	\$84,085.94 \$40.43	\$85,767.66 \$41.23	\$87,483.01 \$42.06	\$89,232.67 \$42.90	\$91,017.32 \$43.76	\$92,837.67 \$44.63	\$94,694.42 \$45.53	\$96,588.31 \$46.44
NE26	\$75,355.25 \$36.23	\$76,862.35 \$36.95	\$78,399.60 \$37.69	\$79,967.59 \$38.45	\$81,566.94 \$39.21	\$83,198.28 \$40.00	\$84,862.25 \$40.80	\$86,559.49 \$41.62	\$88,290.68 \$42.45	\$90,056.49 \$43.30	\$91,857.62 \$44.16	\$93,694.78 \$45.05	\$95,568.67 \$45.95	\$97,480.04 \$46.87	\$99,429.65 \$47.80	\$101,418.24 \$48.76
NE27	\$79,122.65 \$38.04	\$80,705.10 \$38.80	\$82,319.20 \$39.58	\$83,965.58 \$40.37	\$85,644.90 \$41.18	\$87,357.79 \$42.00	\$89,104.95 \$42.84	\$90,887.05 \$43.70	\$92,704.79 \$44.57	\$94,558.89 \$45.46	\$96,450.06 \$46.37	\$98,379.06 \$47.30	\$100,346.65 \$48.24	\$102,353.58 \$49.21	\$104,400.65 \$50.19	\$106,488.66 \$51.20
NE28	\$83,078.42 \$39.94	\$84,739.98 \$40.74	\$86,434.78 \$41.56	\$88,163.48 \$42.39	\$89,926.75 \$43.23	\$91,725.28 \$44.10	\$93,559.79 \$44.98	\$95,430.98 \$45.88	\$97,339.60 \$46.80	\$99,286.40 \$47.73	\$101,272.12 \$48.69	\$103,297.57 \$49.66	\$105,363.52 \$50.66	\$107,470.79 \$51.67	\$109,620.20 \$52.70	\$111,812.61 \$53.76
NE29	\$87,232.91 \$41.94	\$88,977.56 \$42.78	\$90,757.11 \$43.63	\$92,572.26 \$44.51	\$94,423.70 \$45.40	\$96,312.18 \$46.30	\$98,238.42 \$47.23	\$100,203.19 \$48.17	\$102,207.25 \$49.14	\$104,251.40 \$50.12	\$106,336.42 \$51.12	\$108,463.15 \$52.15	\$110,632.42 \$53.19	\$112,845.06 \$54.25	\$115,101.97 \$55.34	\$117,404.00 \$56.44
NE30	\$91,594.40 \$44.04	\$93,426.28 \$44.92	\$95,294.81 \$45.81	\$97,200.70 \$46.73	\$99,144.72 \$47.67	\$101,127.61 \$48.62	\$103,150.17 \$49.59	\$105,213.17 \$50.58	\$107,317.43 \$51.59	\$109,463.78 \$52.63	\$111,653.06 \$53.68	\$113,886.12 \$54.75	\$116,163.84 \$55.85	\$118,487.12 \$56.96	\$120,856.86 \$58.10	\$123,274.00 \$59.27

Step progression occurs at the beginning of fiscal year for employees in good standing (No PIP, No DML or Level II Warnings)

Non-exempt personnel in STEP 16 of their respective grade as of 09/30/2022, who are otherwise eligible for a STEP increase, will receive 2% of their base salary as lump sum compensation on 10/21/2022 in FY23 only.

Non-exempt personnel compensated at a rate above STEP 16 of their respective grade as of 09/30/2022, will only receive a market adjustment to the extent that STEP 16 is adjusted above their current pay rate. These employees, who are otherwise eligible for a STEP increase, will receive 2% of their base salary as lump sum compensation on 10/21/2022 in FY23 only

Recommended Title	Grade	Minimum	Midpoint	Maximum
Planner I	E 001	\$ 48,489.70	\$ 61,824.37	\$ 75,159.03
Executive Assistant, Senior	E 002	\$ 50,914.19	\$ 64,915.58	\$ 78,916.99
Risk and Safety Coordinator	E 002	\$ 50,914.19	\$ 64,915.58	\$ 78,916.99
Planner II	E 003	\$ 53,459.89	\$ 68,161.36	\$ 82,862.83
Sales Manager	E 003	\$ 53,459.89	\$ 68,161.36	\$ 82,862.83
Benefits Coordinator	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Budget Analyst	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Business Administrator	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Natural Resources Manager	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Senior Accountant	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Senior Center Coordinator	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Special Events Coordinator	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Development Services Coordinator	E 005	\$ 58,939.53	\$ 75,147.90	\$ 91,356.27
HR Business Partner	E 005	\$ 58,939.53	\$ 75,147.90	\$ 91,356.27
Planner, Senior	E 005	\$ 58,939.53	\$ 75,147.90	\$ 91,356.27
Records Manager	E 005	\$ 58,939.53	\$ 75,147.90	\$ 91,356.27
Water B&C Assistant Manager	E 005	\$ 58,939.53	\$ 75,147.90	\$ 91,356.27
Deputy City Secretary	E 006	\$ 61,886.51	\$ 78,905.30	\$ 95,924.09
Resource Development Coordinator	E 006	\$ 61,886.51	\$ 78,905.30	\$ 95,924.09
Senior Budget Analyst	E 006	\$ 61,886.51	\$ 78,905.30	\$ 95,924.09
Aquatics Manager	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.29
Asset Manager	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.29
Associate Engineer	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.29
Communications Manager	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.29
Jail Division Manager	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.29
Manager, Acquisition	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.29
Manager, Operations	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.29
Municipal Court Administrator	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.29
Recreation Athletics Manager	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.29
Senior HR Business Partner	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.29
Construction Manager	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Grant/Special Proj Administrator	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Management Assistant	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Project Manager	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Superintendent Recreation	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Superintendent, Parks & Nat Reso	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Superintendent, Public Works	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Treasury Manager	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Senior Capital Analyst	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Accounting Manager	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Cyber Risk & Intelligence Spc.	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Database Administrator	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
IT Infrastructure Architect	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Manager Animal Services	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Manager, Surface Water Plant	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Manager, Water Billing & Collect	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Marketing Director	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Municipal Court Prosecutor	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Development Manager	E 010	\$ 75,223.44	\$ 95,909.88	\$ 116,596.36
Facilities Service Manager	E 010	\$ 75,223.44	\$ 95,909.88	\$ 116,596.36
Special Events & Development Manager	E 010	\$ 75,223.44	\$ 95,909.88	\$ 116,596.36
Assistant Director, Communications	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Emergency Management Coordinator	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14

Recommended Title	Grade	Minimum	Midpoint	Maximum
Financial Analyst	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Manager, GIS	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Senior Construction Manager	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Senior Development Manager	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Senior Project Manager	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Assistant City Engineer	E 012	\$ 82,933.84	\$ 105,740.65	\$ 128,547.46
Internal Services Administrator	E 012	\$ 82,933.84	\$ 105,740.65	\$ 128,547.46
IT Manager	E 012	\$ 82,933.84	\$ 105,740.65	\$ 128,547.46
Risk Manager	E 012	\$ 82,933.84	\$ 105,740.65	\$ 128,547.46
Assistant City Attorney	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Assistant Director, Community Development	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Assistant Director, HR	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Controller	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Purchasing Officer	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Vice President- EDC	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Assistant Director, P & R	E 014	\$ 91,434.56	\$ 116,579.07	\$ 141,723.56
Assistant Director, Public Works	E 014	\$ 91,434.56	\$ 116,579.07	\$ 141,723.56
Budget Officer	E 014	\$ 91,434.56	\$ 116,579.07	\$ 141,723.56
Assistant Director, Cap Proj	E 015	\$ 96,006.29	\$ 122,408.02	\$ 148,809.74
Assistant Director, Engineering	E 015	\$ 96,006.29	\$ 122,408.02	\$ 148,809.74
Assistant Director, Finance	E 015	\$ 96,006.29	\$ 122,408.02	\$ 148,809.74
Assistant Director-Traffic	E 015	\$ 96,006.29	\$ 122,408.02	\$ 148,809.74
Assistant Fire Chief	E 016	\$ 100,806.60	\$ 128,528.42	\$ 156,250.23
Deputy City Attorney	E 017	\$ 105,846.93	\$ 134,954.84	\$ 164,062.75
Deputy Finance Director	E 017	\$ 105,846.93	\$ 134,954.84	\$ 164,062.75
Assistant Police Chief	E 018	\$ 111,139.28	\$ 141,702.58	\$ 172,265.89

Exempt Pay Range				
Grade	Min	Mid	Max	Range Spread
E 001	\$48,490	\$61,825	\$75,159	55.00%
E 002	\$50,914	\$64,916	\$78,917	55.00%
E 003	\$53,460	\$68,161	\$82,863	55.00%
E 004	\$56,133	\$71,569	\$87,006	55.00%
E 005	\$58,940	\$75,148	\$91,356	55.00%
E 006	\$61,887	\$78,905	\$95,924	55.00%
E 007	\$64,980	\$82,851	\$100,720	55.00%
E 008	\$68,230	\$86,993	\$105,756	55.00%
E 009	\$71,642	\$91,343	\$111,044	55.00%
E 010	\$75,224	\$95,910	\$116,596	55.00%
E 011	\$78,985	\$100,706	\$122,426	55.00%
E 012	\$82,934	\$105,741	\$128,547	55.00%
E 013	\$87,081	\$111,028	\$134,975	55.00%
E 014	\$91,435	\$116,579	\$141,724	55.00%
E 015	\$96,007	\$122,408	\$148,810	55.00%
E 017	\$105,847	\$134,955	\$164,063	55.00%
E 018	\$111,139	\$141,703	\$172,265	55.00%
E 019	\$116,696	\$148,787	\$180,879	55.00%
E 020	\$122,531	\$156,227	\$189,924	55.00%

Recommended Title	Grade	Minimum	Midpoint	Maximum
Accounting Manager	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Accounts Payable Clerk	NE12	\$ 38,059.33	\$ 44,641.08	\$ 51,222.84
Accounts Payable Supervisor	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Adaptive Recreation Specialist	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Addressing Coordinator	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Administrative Assistant	NE12	\$ 38,059.33	\$ 44,641.08	\$ 51,222.84
Administrative Assistant-PT	NE12	\$ 38,059.33	\$ 44,641.08	\$ 51,222.84
Animal Control Officer	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Animal Services Supervisor	NE19	\$ 53,553.29	\$ 62,814.49	\$ 72,075.68
Application Specialist	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Aquatics Manager	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.30
Aquatics Technician	NE17	\$ 48,574.41	\$ 56,974.60	\$ 65,374.77
Asset Manager	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.30
Assistant City Attorney	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Assistant City Engineer	E 012	\$ 82,933.84	\$ 105,740.65	\$ 128,547.46
Assistant Director, Cap Proj	E 015	\$ 96,006.29	\$ 122,408.02	\$ 148,809.74
Assistant Director, Communications	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Assistant Director, Community Deplanement	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Assistant Director, Engineering	E 015	\$ 96,006.29	\$ 122,408.02	\$ 148,809.74
Assistant Director, Finance	E 015	\$ 96,006.29	\$ 122,408.02	\$ 148,809.74
Assistant Director, HR	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Assistant Director, P & R	E 014	\$ 91,434.56	\$ 116,579.07	\$ 141,723.56
Assistant Director, Public Works	E 014	\$ 91,434.56	\$ 116,579.07	\$ 141,723.56
Assistant Director-Traffic	E 015	\$ 96,006.29	\$ 122,408.02	\$ 148,809.74
Assistant Fire Chief	E 016	\$ 100,806.60	\$ 128,528.42	\$ 156,250.23
Assistant Fire Marshal	F3	\$ 88,419.12	\$ 92,518.54	\$ 96,617.95
Assistant Manager-Permits & Insp	NE19	\$ 53,553.29	\$ 62,814.49	\$ 72,075.68
Assistant Police Chief	E 018	\$ 111,139.28	\$ 141,702.58	\$ 172,265.89
Associate Engineer	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.30
Athletics Coordinator	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Backflow Compliance Progr Coord	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Backflow Inspector	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Battalion Chief - Fire	F5(2756)	\$ 112,006.69	\$ 115,417.29	\$ 118,827.89
Benefits Coordinator	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Billing Supervisor	NE19	\$ 53,553.29	\$ 62,814.49	\$ 72,075.68
Budget Analyst	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Budget Officer	E 014	\$ 91,434.56	\$ 116,579.07	\$ 141,723.56
Building Inspector	NE19	\$ 53,553.29	\$ 62,814.49	\$ 72,075.68
Building Maintenance Supervisor	NE22	\$ 61,994.64	\$ 72,715.62	\$ 83,436.62
Building Maintenance Tech	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Business Administrator	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Buyer	NE17	\$ 48,574.41	\$ 56,974.60	\$ 65,374.77
CCTV Technician	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Chief Construction Inspector	NE24	\$ 68,349.08	\$ 80,168.97	\$ 91,988.86
Chief Inspector	NE22	\$ 61,994.64	\$ 72,715.62	\$ 83,436.62
CIP Coordinator	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51

Recommended Title	Grade	Minimum	Midpoint	Maximum
Code Enf/Health Officer	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Communications Manager	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.30
Communications Specialist	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Communications Supervisor	NE20	\$ 56,230.94	\$ 65,955.21	\$ 75,679.47
Community Outreach-Coord	NE17	\$ 48,574.41	\$ 56,974.60	\$ 65,374.77
Construction Inspector	NE17	\$ 48,574.41	\$ 56,974.60	\$ 65,374.77
Construction Manager	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Contract Administrator	NE20	\$ 56,230.94	\$ 65,955.21	\$ 75,679.47
Controller	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Court Security Officer	NE13	\$ 39,962.29	\$ 46,873.14	\$ 53,783.98
Crew Leader	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Crime Analyst	NE22	\$ 61,994.64	\$ 72,715.62	\$ 83,436.62
Crime Scene Investigator	NE20	\$ 56,230.94	\$ 65,955.21	\$ 75,679.47
Crime Victim Liaison	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Custodial Crew Leader	NE10	\$ 34,520.93	\$ 40,490.77	\$ 46,460.63
Custodian	NE5	\$ 27,048.05	\$ 31,725.59	\$ 36,403.11
Custodian Of Records	NE12	\$ 38,059.33	\$ 44,641.08	\$ 51,222.84
Custodian-PT	NE5	\$ 27,048.05	\$ 31,725.59	\$ 36,403.11
Customer Service Rep II	NE10	\$ 34,520.93	\$ 40,490.77	\$ 46,460.63
Customer Service Representative	NE9	\$ 32,877.08	\$ 38,562.65	\$ 44,248.22
Customer Service Supervisor	NE17	\$ 48,574.41	\$ 56,974.60	\$ 65,374.77
Cyber Risk & Intelligence Spc.	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Database Administrator	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Delinquency & Collections Specialist I	NE10	\$ 34,520.93	\$ 40,490.77	\$ 46,460.63
Deputy City Attorney	E 017	\$ 105,846.93	\$ 134,954.84	\$ 164,062.75
Deputy City Secretary	E 006	\$ 61,886.49	\$ 78,905.31	\$ 95,924.09
Deputy Court Clerk	NE9	\$ 32,877.08	\$ 38,562.65	\$ 44,248.22
Deputy Court Clerk Senior	NE11	\$ 36,246.97	\$ 42,515.32	\$ 48,783.66
Deputy Finance Director	E 017	\$ 105,846.93	\$ 134,954.84	\$ 164,062.75
Development Manager	E 010	\$ 75,223.44	\$ 95,909.88	\$ 116,596.33
Development Services Coordinator	E 005	\$ 58,939.53	\$ 75,147.90	\$ 91,356.27
Division Chief - EMS	F5 (2080)	\$ 112,006.69	\$ 115,417.29	\$ 118,827.89
Division Chief - Training	F5 (2080)	\$ 112,006.69	\$ 115,417.29	\$ 118,827.89
Driver/Operator	F2	\$ 65,179.13	\$ 77,449.88	\$ 85,043.97
Emergency Management Coordinator	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Emergency Management Planner	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Equipment Operator	NE12	\$ 38,059.33	\$ 44,641.08	\$ 51,222.84
Executive Assistant	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Executive Assistant, Senior	E 002	\$ 50,914.19	\$ 64,915.58	\$ 78,916.99
Facilities Service Manager	E 010	\$ 75,223.44	\$ 95,909.88	\$ 116,596.33
Facility Attendant	NE6	\$ 28,400.45	\$ 33,311.87	\$ 38,223.27
Facility Supervisor	NE17	\$ 48,574.41	\$ 56,974.60	\$ 65,374.77
Financial Analyst	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Fire Field Training Officer	F2	\$ 65,179.13	\$ 77,449.88	\$ 85,043.97
Fire Inspector/Investigator	F2	\$ 65,179.13	\$ 77,449.88	\$ 85,043.97
Fire Lieutenant	F3	\$ 88,419.12	\$ 92,518.54	\$ 96,617.95

Recommended Title	Grade	Minimum	Midpoint	Maximum
Fire Marshal	F5 (2080)	\$ 112,006.69	\$ 115,417.29	\$ 118,827.89
Firefighter	F1	\$ 59,253.75	\$ 70,637.40	\$ 82,021.05
Firefighter-PT	F1	\$ 59,253.75	\$ 70,637.40	\$ 82,021.05
Firefighter-Safer	F1	\$ 59,253.75	\$ 70,637.40	\$ 82,021.05
Fire-Fire Cadet	NE15	\$ 44,058.43	\$ 51,677.63	\$ 59,296.85
GIS Analyst	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
GIS Specialist	NE20	\$ 56,230.94	\$ 65,955.21	\$ 75,679.47
GIS Technician	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Grant/Special Proj Administrator	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Head Lifeguard	NE2	\$ 23,365.13	\$ 27,405.75	\$ 31,446.38
Heavy Equipment Operator	NE13	\$ 39,962.29	\$ 46,873.14	\$ 53,783.98
Housing Rehabilitation Coordinator	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
HR Business Partner	E 005	\$ 58,939.53	\$ 75,147.90	\$ 91,356.27
HR Coordinator	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Instrument Technician	NE23	\$ 65,094.37	\$ 76,351.40	\$ 87,608.44
Internal Services Administrator	E 012	\$ 82,933.84	\$ 105,740.65	\$ 128,547.46
IT Infrastructure Architect	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
IT Manager	E 012	\$ 82,933.84	\$ 105,740.65	\$ 128,547.46
IT Support Specialist	NE15	\$ 44,058.43	\$ 51,677.63	\$ 59,296.85
Jail Division Manager	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.30
Jailer	NE13	\$ 39,962.29	\$ 46,873.14	\$ 53,783.98
Juvenile Case Manager	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Laboratory Tech	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Lead Court Security Officer	NE15	\$ 44,058.43	\$ 51,677.63	\$ 59,296.85
Lead Jailer	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Lifeguard	NE1	\$ 22,252.50	\$ 25,218.08	\$ 29,948.94
Maintenance Coordinator	NE24	\$ 68,349.08	\$ 80,168.97	\$ 91,988.86
Maintenance Crew Leader	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Maintenance Supervisor	NE21	\$ 59,042.51	\$ 69,252.98	\$ 79,463.44
Maintenance Supervisor, Traffic	NE21	\$ 59,042.51	\$ 69,252.98	\$ 79,463.44
Management Assistant	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Manager Animal Services	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Manager, Acquisition	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.30
Manager, GIS	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Manager, Operations	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.30
Manager, Surface Water Plant	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Manager, Water Billing & Collect	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Marketing Director	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Mechanic	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Municipal Court Administrator	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.30
Municipal Court Prosecutor	E 009	\$ 71,641.36	\$ 91,342.75	\$ 111,044.13
Municipal Court Prosecutor-PT	NE25	\$ 71,766.54	\$ 84,177.42	\$ 96,588.31
Natural Resources Manager	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Office Assistant	NE8	\$ 31,311.50	\$ 36,726.33	\$ 42,141.16
Office Assistant, Senior	NE11	\$ 36,246.97	\$ 42,515.32	\$ 48,783.66
Park Maintenance Crew Leader	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18

Recommended Title	Grade	Minimum	Midpoint	Maximum
Park Maintenance Worker	NE9	\$ 32,877.08	\$ 38,562.65	\$ 44,248.22
Park Naturalist	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Park Supervisor	NE19	\$ 53,553.29	\$ 62,814.49	\$ 72,075.68
Payroll Supervisor	NE19	\$ 53,553.29	\$ 62,814.49	\$ 72,075.68
Payroll Technician	NE15	\$ 44,058.43	\$ 51,677.63	\$ 59,296.85
PD-Police Cadet	NE15	\$ 44,058.43	\$ 51,677.63	\$ 59,296.85
Permit Tech	NE9	\$ 32,877.08	\$ 38,562.65	\$ 44,248.22
Permit Tech II	NE10	\$ 34,520.93	\$ 40,490.77	\$ 46,460.63
Planner I	E 001	\$ 48,489.70	\$ 61,824.37	\$ 75,159.03
Planner II	E 003	\$ 53,459.89	\$ 68,161.36	\$ 82,862.83
Planner, Senior	E 005	\$ 58,939.53	\$ 75,147.90	\$ 91,356.27
Planning Technician	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Plans Examiner	NE17	\$ 48,574.41	\$ 56,974.60	\$ 65,374.77
Plans Expediter	NE11	\$ 36,246.97	\$ 42,515.32	\$ 48,783.66
Plant Electrician	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Plant Mechanic	NE11	\$ 36,246.97	\$ 42,515.32	\$ 48,783.66
Pm Mechanic	NE12	\$ 38,059.33	\$ 44,641.08	\$ 51,222.84
Police Records Clerk	NE10	\$ 34,520.93	\$ 40,490.77	\$ 46,460.63
Pre-Treatment Coordinator	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Pre-Treatment Technician	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Process Control Supervisor	NE24	\$ 68,349.08	\$ 80,168.97	\$ 91,988.86
Project Coordinator	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Project Manager	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
PT - Paramedic	FP	\$ 49,162.50	\$ 56,536.88	\$ 68,052.40
PT Accounts Payable Clerk	NE12	\$ 38,059.33	\$ 44,641.08	\$ 51,222.84
PT Customer Service Rep	NE9	\$ 32,877.08	\$ 38,562.65	\$ 44,248.22
PT Deputy Court Clerk	NE9	\$ 32,877.08	\$ 38,562.65	\$ 44,248.22
PT Fire Inspector/Investigator	NE22	\$ 61,994.64	\$ 72,715.62	\$ 83,436.62
PT-Office Assistant	NE8	\$ 31,311.50	\$ 36,726.33	\$ 42,141.16
PT-Office Assistant, Senior	NE11	\$ 36,246.97	\$ 42,515.32	\$ 48,783.66
PT-Quartermaster	NE15	\$ 44,058.43	\$ 51,677.63	\$ 59,296.85
Purchasing Officer	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
PW Infrastructure Liaison	NE17	\$ 48,574.41	\$ 56,974.60	\$ 65,374.77
Quartermaster	NE15	\$ 44,058.43	\$ 51,677.63	\$ 59,296.85
Quartermaster Supervisor	NE23	\$ 65,094.37	\$ 76,351.40	\$ 87,608.44
Records Analyst	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Records Manager	E 005	\$ 58,939.53	\$ 75,147.90	\$ 91,356.27
Recreation Athletics Manager	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.30
Recreation Attendant	NE4	\$ 25,760.05	\$ 30,214.85	\$ 34,669.63
Recreation Specialist	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Resource Development Coordinator	E 006	\$ 61,886.49	\$ 78,905.31	\$ 95,924.09
Risk & Safety Coordinator	E 002	\$ 50,914.19	\$ 64,915.58	\$ 78,916.99
Risk Manager	E 012	\$ 82,933.84	\$ 105,740.65	\$ 128,547.46
Row Inspector	NE15	\$ 44,058.43	\$ 51,677.63	\$ 59,296.85
Sales Manager	E 003	\$ 53,459.89	\$ 68,161.36	\$ 82,862.83
Senior Accountant	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98

COP Pay Plan
 All Positions
 (excluding Civil Service)

Recommended Title	Grade	Minimum	Midpoint	Maximum
Senior Budget Analyst	E 006	\$ 61,886.49	\$ 78,905.31	\$ 95,924.09
Senior Capital Analyst	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Senior Center Coordinator	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Senior Construction Manager	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Senior Development Manager	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Senior HR Business Partner	E 007	\$ 64,980.83	\$ 82,850.56	\$ 100,720.30
Senior Project Manager	E 011	\$ 78,984.61	\$ 100,705.38	\$ 122,426.14
Shop Foreman	NE22	\$ 61,994.64	\$ 72,715.62	\$ 83,436.62
Sign Technician	NE9	\$ 32,877.08	\$ 38,562.65	\$ 44,248.22
Special Events & Development Manager	E 010	\$ 75,223.44	\$ 95,909.88	\$ 116,596.33
Special Events Coordinator	E 004	\$ 56,132.88	\$ 71,569.43	\$ 87,005.98
Sr Code Enforcement Officer	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Sr. Training Officer	F4 (2080)	\$ 99,516.49	\$ 104,130.42	\$ 108,744.36
Staff Accountant	NE18	\$ 51,003.13	\$ 59,823.32	\$ 68,643.51
Stormwater Coordinator	NE20	\$ 56,230.94	\$ 65,955.21	\$ 75,679.47
Summer Camp Coordinator	NE8	\$ 31,311.50	\$ 36,726.33	\$ 42,141.16
Summer Camp Counselor	NE4	\$ 25,760.05	\$ 30,214.85	\$ 34,669.63
Superintendent Recreation	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Superintendent, Parks & Nat Reso	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Superintendent, Public Works	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Supervisor, Health & Env Serv	NE22	\$ 61,994.64	\$ 72,715.62	\$ 83,436.62
TCO-Basic-PT	NE13	\$ 39,962.29	\$ 46,873.14	\$ 53,783.98
TCO-Team Leader	NE17	\$ 48,574.41	\$ 56,974.60	\$ 65,374.77
Telecommunications Operator	NE15	\$ 44,058.43	\$ 51,677.63	\$ 59,296.85
Traffic Signal Technician	NE15	\$ 44,058.43	\$ 51,677.63	\$ 59,296.85
Treasury Manager	E 008	\$ 68,229.88	\$ 86,993.10	\$ 105,756.31
Treatment Plant Operator I	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Treatment Plant Operator II	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Treatment Plant Supervisor	NE20	\$ 56,230.94	\$ 65,955.21	\$ 75,679.47
Urban Forester	NE19	\$ 53,553.29	\$ 62,814.49	\$ 72,075.68
Utility Billing Specialist	NE11	\$ 36,246.97	\$ 42,515.32	\$ 48,783.66
Utility Field Serv Tech Lead	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Utility Field Service Tech	NE11	\$ 36,246.97	\$ 42,515.32	\$ 48,783.66
Utility Maint. Technician	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18
Utility Maint. Technician Sr.	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Utility Maintenance Worker	NE11	\$ 36,246.97	\$ 42,515.32	\$ 48,783.66
Vice President- EDC	E 013	\$ 87,080.53	\$ 111,027.68	\$ 134,974.83
Videographer/Editor	NE19	\$ 53,553.29	\$ 62,814.49	\$ 72,075.68
Volunteer Coordinator	NE16	\$ 46,261.35	\$ 54,261.52	\$ 62,261.69
Water B&C Assistant Manager	E 005	\$ 58,939.53	\$ 75,147.90	\$ 91,356.27
Water Safety Instructor	NE4	\$ 25,760.05	\$ 30,214.85	\$ 34,669.63
Youth Development Coordinator	NE14	\$ 41,960.40	\$ 49,216.79	\$ 56,473.18



City of Pearland
Certification and Degree Pay

	Certification/Degree	Current Amount	New Amount
All Employees	Bi-lingual Pay	\$75 per month	\$75 per month
EPW	Backflow Preventer Insp.	\$.14 per hour	\$65.00 bi-weekly
	Customer Service Inspector		\$65.00 bi-weekly
	Groundwater - Class B	\$.29 per hour	\$80.00 bi-weekly
	Groundwater - Class C	\$.14 per hour	\$65.00 bi-weekly
	Surface Water Class B	\$.29 per hour	\$80.00 bi-weekly
	Surface Water Class C	\$.14 per hour	\$65.00 bi-weekly
	Water - Class A	\$.43 per hour	\$95.00 bi-weekly
	Water Distribution - Class B	\$.29 per hour	\$80.00 bi-weekly
	Water Distribution - Class C	\$.14 per hour	\$65.00 bi-weekly
	Water Operator- Class A	\$.43 per hour	\$95.00 bi-weekly
	Water Operator- Class B	\$.29 per hour	\$80.00 bi-weekly
	Water Operator - Class C	\$.14 per hour	\$65.00 bi-weekly
	Water Operator - Class D		\$50.00 bi-weekly
	WW Colleciton - Class II	\$.14 per hour	\$65.00 bi-weekly
	WW Collection - Class I		\$50.00 bi-weekly
	WW Collection - Class III	\$.29 per hour	\$80.00 bi-weekly
	WasteWater Treatment Facility Operator - Class A	\$.43 per hour	\$95.00 bi-weekly
	WasteWater Treatment Facility Operator - Class B	\$.29 per hour	\$80.00 bi-weekly
	WasteWater Treatment Facility Operator - Class C	\$.14 per hour	\$65.00 bi-weekly
	WasteWater Treatment Facility Operator - Class D		\$50.00 bi-weekly
Fire	Associate's Degree	\$46.15 biweekly	\$46.15 biweekly
	Bachelor's Degree	\$69.23 biweekly	\$69.23 biweekly
	Driver/Operator	\$11.54 biweekly	\$11.54 biweekly
	EMT - Paramedic	\$207.69 biweekly	\$207.69 biweekly
	Fire Inspector Advanced	\$34.62 biweekly	\$34.62 biweekly
	Fire Inspector Basic	\$11.54 biweekly	\$11.54 biweekly
	Fire Inspector Intermediate	\$23.08 biweekly	\$23.08 biweekly
	Fire Inspector Master	\$46.15 biweekly	\$46.15 biweekly
	Fire Instructor I	\$11.54 biweekly	\$11.54 biweekly
	Fire Instructor II	\$23.08 biweekly	\$23.08 biweekly
	Fire Instructor III	\$34.62 biweekly	\$34.62 biweekly
	Fire Instructor III Master	\$46.15 biweekly	\$46.15 biweekly
	Fire Investigator Advanced	\$34.62 biweekly	\$34.62 biweekly
	Fire Investigator Basic	\$11.54 biweekly	\$11.54 biweekly
	Fire Investigator Intermediate	\$23.08 biweekly	\$23.08 biweekly
	Fire Investigator Master	\$46.15 biweekly	\$46.15 biweekly
	Fire Master Peace Officer	\$46.15 biweekly	\$46.15 biweekly
	Fire Officer I	\$11.54 biweekly	\$11.54 biweekly
	Fire Officer II	\$23.08 biweekly	\$23.08 biweekly
	Hazardous Materials Tech	\$23.08 biweekly	\$23.08 biweekly
Master's Degree	\$92.31 biweekly	\$92.31 biweekly	
TCFP Advanced	\$46.15 biweekly	\$46.15 biweekly	
TCFP Intermediate	\$23.08 biweekly	\$23.08 biweekly	
TCFP Master	\$69.23 biweekly	\$69.23 biweekly	
Police	Animal Control Certification	\$11.54 biweekly	\$11.54 biweekly
	Associate's Degree	\$.58/hour	\$.58/hour
	Bachelor's Degree	\$.87/hour	\$.87/hour
	Certified Euthanasia Technician	\$11.54 biweekly	\$11.54 biweekly
	DHS Administrative	\$11.54 biweekly	\$11.54 biweekly
	Master's Degree	\$1.15/hour	\$1.15/hour
	NACA Levels 1-3 (cumulative)	\$4.62 biweekly	\$4.62 biweekly
	NEC Levels 1-2 (cumulative)	\$4.62 biweekly	\$4.62 biweekly
	Shift Differential - 12 hour	\$86.00 biweekly	\$86.00 biweekly
	Shift Differential - 8 hour	\$80.00 biweekly	\$80.00 biweekly
	TCO-Advanced		\$50.00 Bi-Weekly
	TCO-Intermediate		\$25.00 Bi-Weekly
	TCOLE Advanced	\$.58/hour	\$.58/hour
	TCOLE Intermediate	\$.29/hour	\$.29/hour
	TCOLE Master	\$.87/hour	\$.87/hour
	TCO-Master		\$75.00 Bi-Weekly

City of Pearland FY23 Proposed Budget

Budget Adoption First Reading
Monday, September 12, 2022



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
	Shaded			Shaded		Shaded
	Shaded		Shaded		Shaded	Shaded
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		Shaded	Shaded			Shaded
			Shaded	Shaded		Shaded
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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 investment in high-priority areas while taking care of those who serve.



Summary of 8.29.22 Discussion and Public Hearing

Consensus

- **Increase sick-leave buyback by 20 hours for FY23 for eligible employees. (\$211,779)**
 - The number of hours can and will be revisited each budget year based on resources and priorities.
- **Reduce the debt service rate by the full .005. (See Property Tax Slides.)**
 - Reduced the transfer from the General Fund to Streets and Sidewalks to offset to equalize TIRZ #2 revenue.
- **Maintain the transfers to internal service funds as planned.**
 - Additional questions on the functioning and strategy for the plan were posed and are answered in separate memo.
- **Fund supplemental items listed**
 - Including pay raises equating to 5.5% non-uniform and 6.5% for uniformed staff.

No Consensus

- Substantive changes that would move the 13.1% water rate increase required to maintain bond ratio coverage.

Acknowledgement

- Scaled back package of Fire Department cost recovery fees.
 - will include in the fee ordinance limited only for FY23 to three one-time fees.
- PEDC Board revision of FY23 Budget to include \$435,000 (1/3 of the new updated Master Drainage Plan).
 - Ongoing maintenance costs of PEDC funded capital projects was deferred until PEDC Board/Council October meeting.

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	\$22.0M	\$20.8M
Franchise Fees	\$6.4M	\$6.7M
Licenses & Permits	\$4.7M	\$4.7M
Fines & Forfeitures	\$2.2M	\$2.0M
Miscellaneous	\$584K	\$1.1M
Transfers In	\$9.6M	\$6.9M
Total	\$105.0M	\$109.3M



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 majority place of expenditures.
- General Government dropped due to improved categorization of transfers to other funds (such as IT, Facilities, Drainage, and Infrastructure Reinvestment Fund).
- General Fund expenditures total up +3.5% over amended FY 22 Budget.

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%	\$16,311,381	15%
Public Safety	\$46,847,908	57%	\$51,473,628	57%	\$59,731,313	56%	\$65,327,281	59%
Public Works	\$11,502,132	14%	\$11,369,557	13%	\$14,710,936	14%	\$15,298,084	14%
Community Services	\$3,798,941	5%	\$4,098,948	5%	\$4,625,896	4%	\$5,461,283	5%
Parks & Recreation	\$5,739,764	7%	\$6,274,103	7%	\$7,386,075	7%	\$8,313,849	8%
Expenditure Totals	\$81,929,112		\$90,570,329		\$106,984,484		\$110,711,878	
							Change	3.5%

FY23 General Fund Highlights

Trusted Government

Technology Support Specialist	IT	\$68,886
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Strong Economy

Unified Development Code Update	Community Development	\$300,000
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Safe Community

Four Firefighting Positions	Fire Department	\$436,520
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Fire Office Assistants Part Time to Full Time Conversion	Fire Department	\$15,000
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Police Equipment	Police Department	\$200,000
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Police Officer	Police Department	\$185,865
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Two Telecommunication Operators	Police Department	\$151,216
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Sustainable Infrastructure

Drainage Crew (GF transfer to Drainage Fund)	Engineering & Public Works	\$662,000
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Project Manager (100% Charged to Projects, net zero)	Engineering & Public Works	\$140,000
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Welcoming Community

Program Contract Instructor Pay	Parks & Recreation	\$32,960
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Senior Office Assistant Part Time to Full Time Conversation	Parks & Recreation	\$33,000
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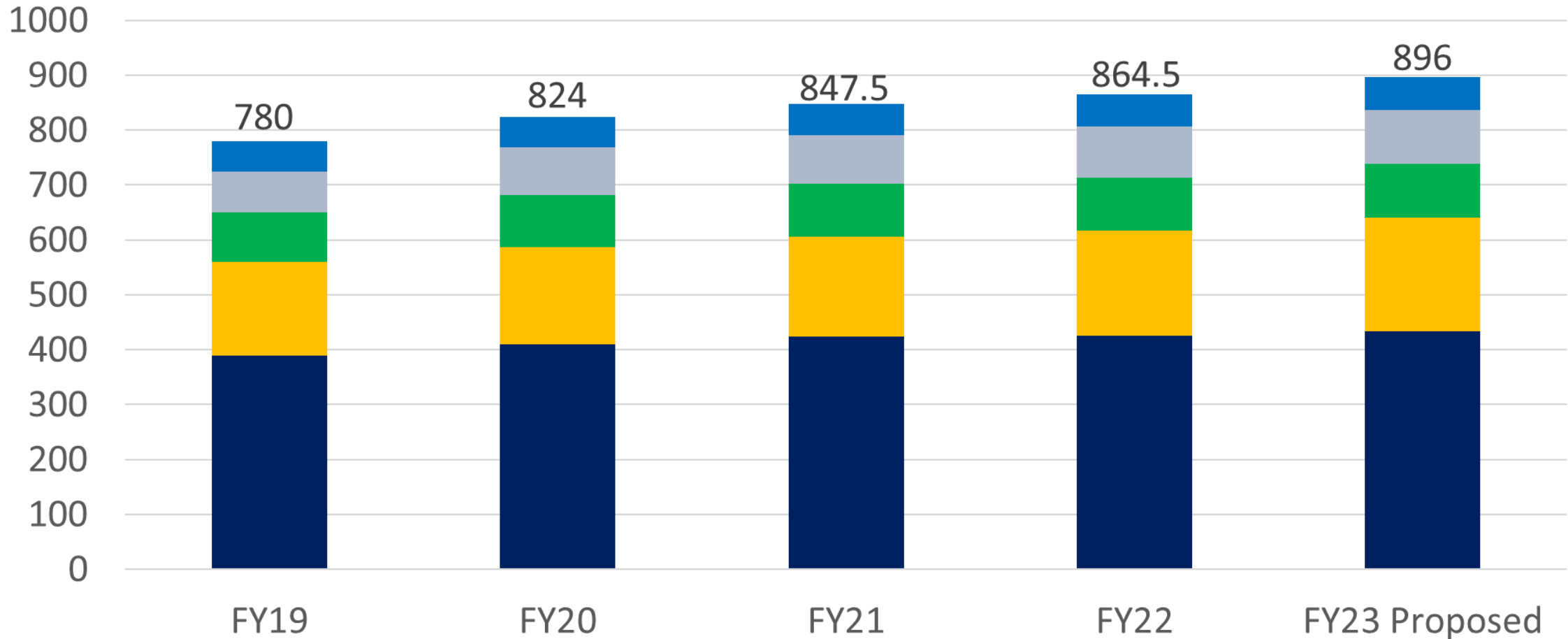
Major Accomplishments built into the FY23 Budget

- Implements new Drainage Regular Maintenance Crew - \$662,000 (more than 2x times existing)
 - In addition, major capital addressed (PERs underway and May 2023 bond consideration and update to Master Drainage Plan being assembled)
- Adds four new firefighters to balance shifts and add one slot per the three shifts - \$436,520
- Invests in updating the Unified Development Code - \$300,000
- Funded two telecommunications operators and one police officer in Police - \$337,081
- Finances the purchase of police equipment for emergency event preparedness and response - \$200,000 and subject to expansion and/or additional grant offsets
- Delivers pay raises of effectively +5.5% (6.5% for Police and Fire Uniformed Employees) for a total cost of ~ \$3M in the General Fund and \$3.8M City-wide
- Increase sick leave buyback from 40 hours to 60 hours - \$211,779

Total of these highlights on City Council stated priorities = \$5.1 million

City-wide Staffing Trend - FTEs

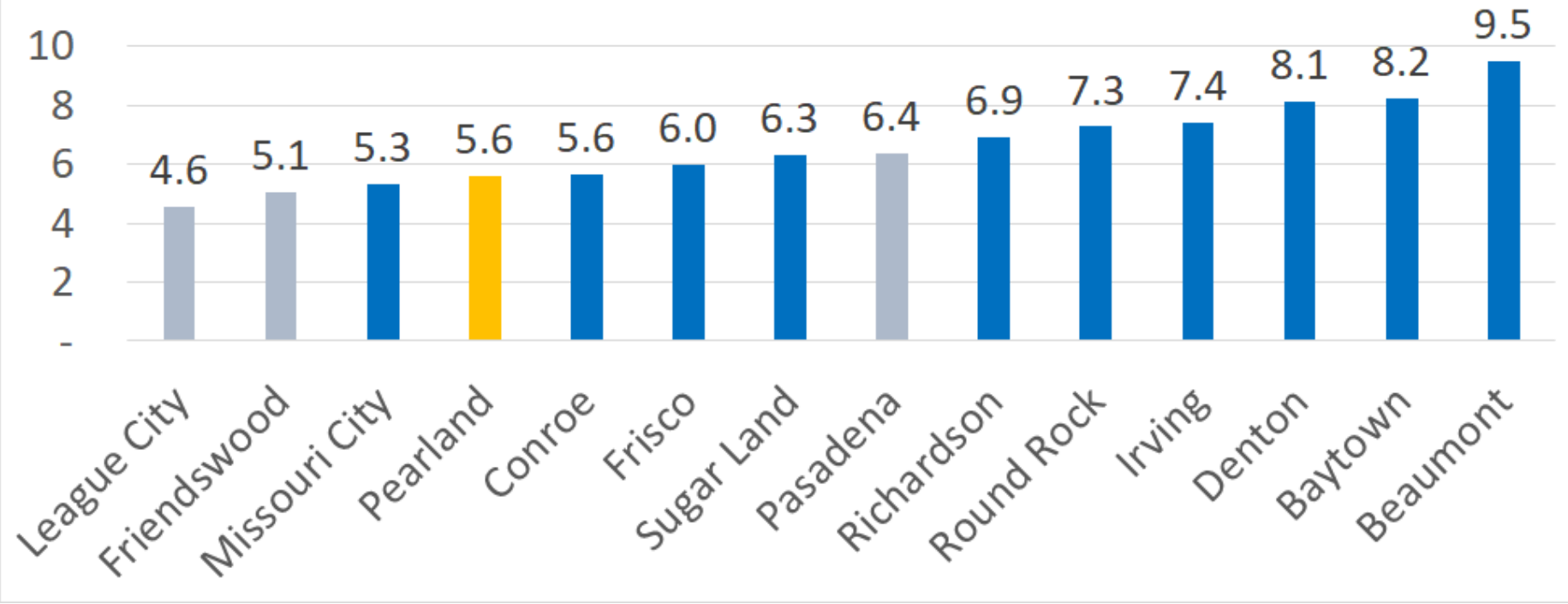
- Public Safety
- Public Works
- Parks and Rec
- General Government
- All Other Departments



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

- Friendswood, League City, and Pasadena have volunteer fire departments.
 - Cities with grey bars do not have a professional fire department.
- Not all cities have data at a detailed enough level to break their FTE counts into service areas or departments. Key areas are broken down in following slides.
- **Pearland would need to decrease by 128 FTE to be as lean as League City. League City does not have a Professional Fire Department.**
- **Pearland would need to add 493 GF employees to be at the same rate as Beaumont**

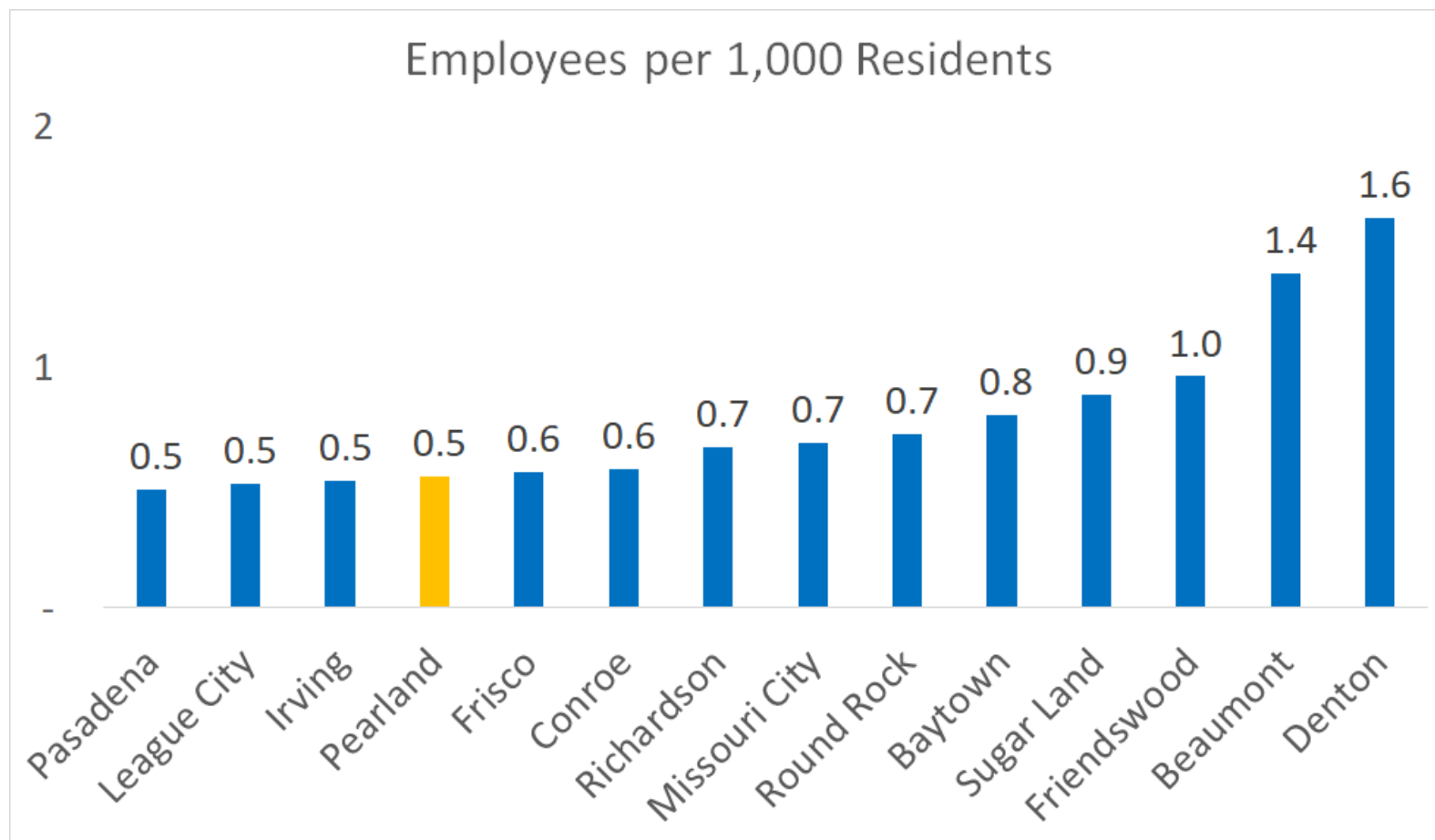
General Fund Employees Per 1,000 Residents



Data collected in FY22 – little relative movement between years.

City	League City	Friendswood	Missouri City	Pearland	Conroe	Frisco	Sugar Land	Pasadena	Richardson	Round Rock	Irving	Denton	Baytown	Beaumont
City Population	114,392	41,213	74,259	125,828	89,956	200,509	111,023	144,379	119,469	119,468	256,684	110,093	83,471	115,008
Total GF FTEs	522	209	395	702	508	1,197	703	918	826	869	1,904	893	686	1,093

General Government Comparison

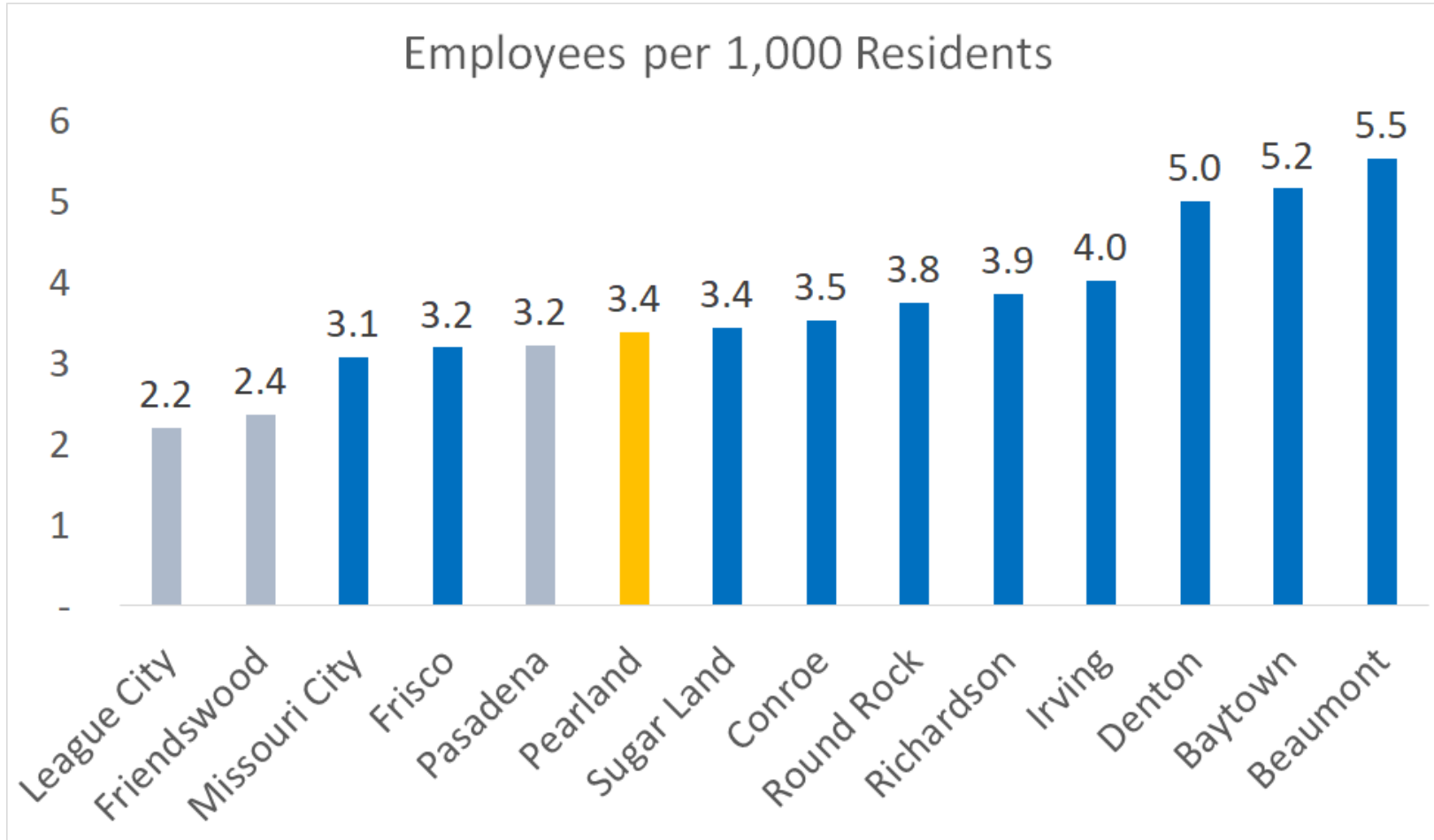


Departments Included in “General Government”.

- City Manager’s Office
- Mayor’s Office
- City Secretary's Office
- Finance
- Human Resources
- IT
- Legal

Data is from FY22

Public Safety Comparison



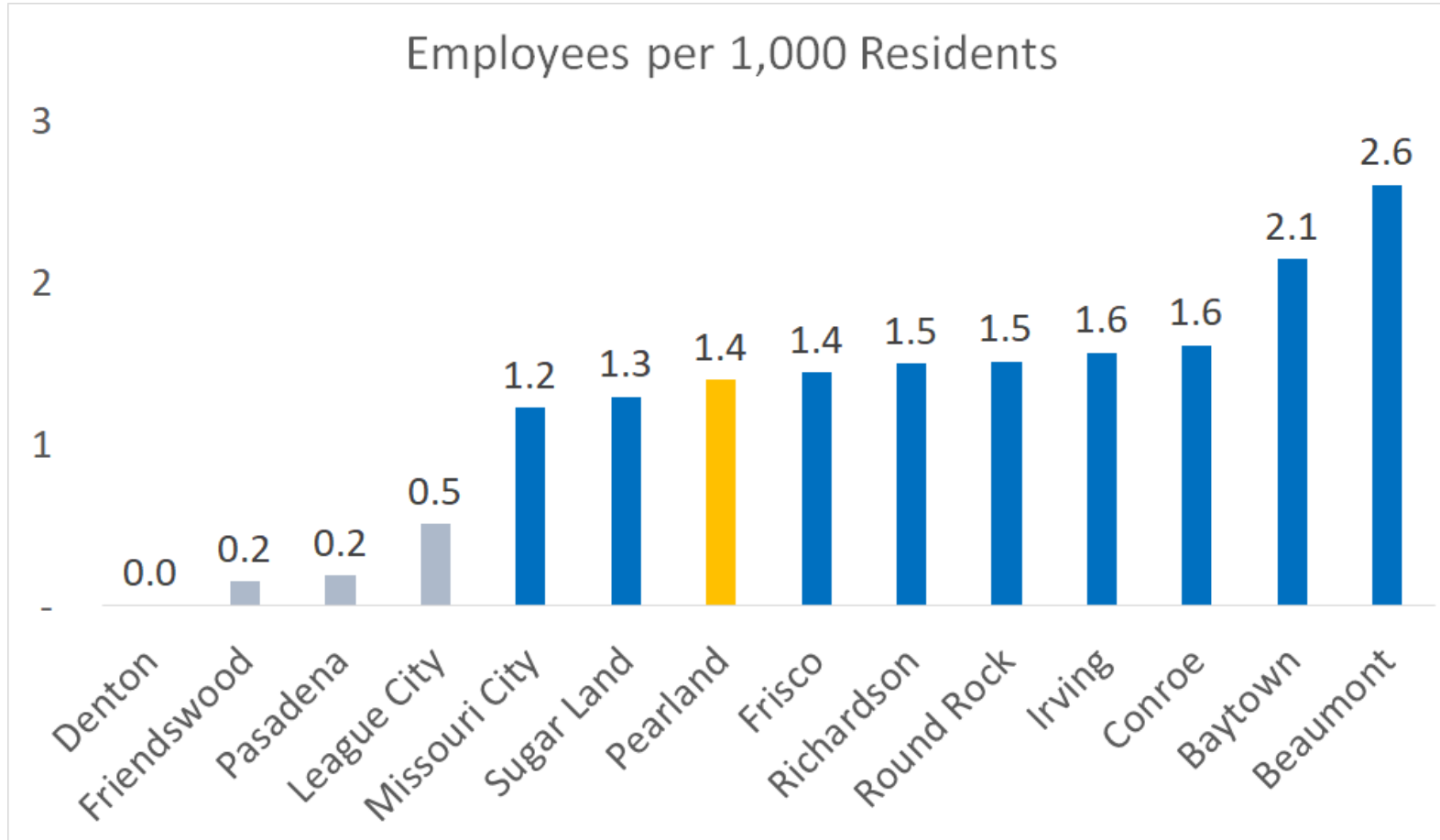
Pearland has approximately the same number of Public Safety FTE's as Sugar Land.

Departments included in "Public Safety".

- Fire
- Emergency Management
- Police
- Friendswood, League City, and Pasadena have *volunteer* fire departments. Pasadena has 58 Fire Department FTE's.
- EMS (Separate department in other cities)

Data is from FY22

Fire Department Comparison



Data is from FY22

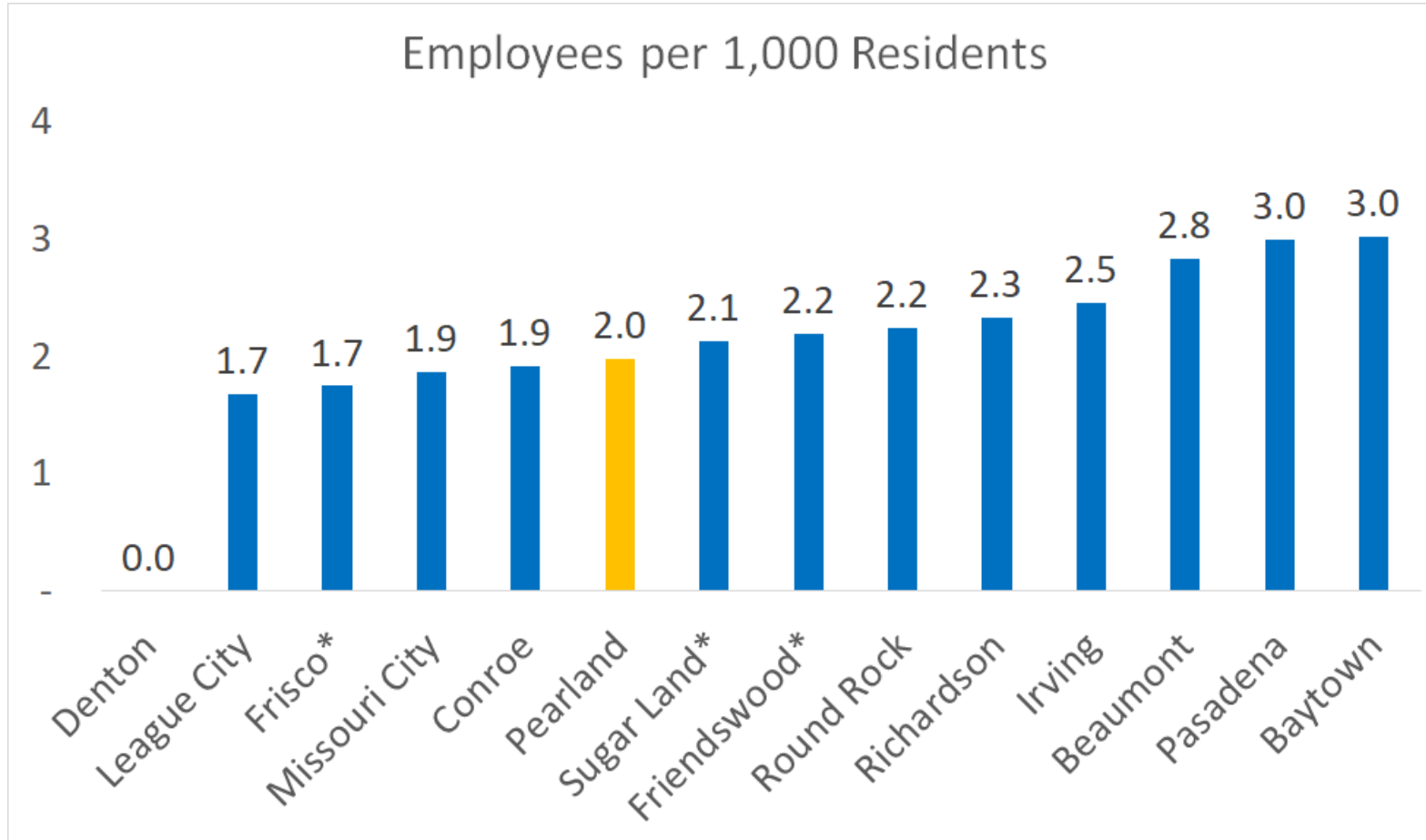
Pearland has approximately the same number of Fire FTE's per 1,000 residents as Frisco.

Friendswood, League City, and Pasadena have volunteer fire departments. Pasadena has 58 Fire Department FTE's. Large industrial complexes along the Houston Ship Channel have their own fire brigades.

Numbers includes all Fire Department personnel.

Denton did not provide a breakdown of Public Safety personnel between Police and Fire

Police Department Comparison



Pearland has approximately the same number of FTE's per 1,000 residents as Conroe and Sugar Land.

- Numbers includes all Police Department personnel, both sworn and professional.
- Some cities do not have jails, school resource officers, animal services, or dispatch staff.
- Denton did not provide a breakdown of Public Safety personnel between Police and Fire

* = Non-Civil Service Police Depts.

Changes to General Fund-Sick Buyback

The *total* budgeted cost of Sick Buyback at 60 hours for FY 23 is \$699,365 across all funds.

- There are 145 employees *eligible* to receive the new proposed maximum of 60 hours or 84 hours for Uniformed Fire Employees.
- Increased expenditures to adjust from 40 hours to 60 hours (84 hours Fire) across all funds.
 - The increase expenditures in the General Fund is \$196,416.
 - The increase expenditures in the Enterprise Fund for FY23 is \$11,150.

Changes to General Fund- Master Drainage Plan Update

- \$435,000 for the City's portion of the Master Drainage Plan has been funded out of General Fund fund balance in the FY23 proposed budget. This money will be combined with PEDCs approved \$435,000 and a proposed \$435,000 from Brazoria County Drainage District #4 to pay for the updated plan.
- Transfer out to Fund 500 (a capital fund) has been updated with a \$435,000 increase for project DR2303 Master Drainage Plan Update. This is one time cash funding and was taken from fund balance.
- The PEDC Fund has been updated to reflect their \$435,000 contribution to the Master Drainage Plan update.

Changes to General Fund-Debt Service Rate Reduction

On 8/29/22 Council requested staff to reduce the debt service tax rate by 0.005 and to reduce Street and Sidewalk spending to make up for the lost TIRZ Administrative Charge revenue.

- Debt Service Fund
 - The proposed debt service property tax rate has been reduced by 0.005 – for a total debt service rate of 0.338765
 - Debt Service Fund Revenue has been decreased by \$643,500.
- General Fund
 - TIRZ Administrative Charges for Services revenue account reduced by \$175,000.
 - The transfer out from the General Fund to the Infrastructure Reinvestment Fund has been reduced by \$175,000.

New: Changes to the Police Federal Seizure Fund

The Police department has decided to bring Polygraph services in-house beginning in FY23. An additional \$20,000 for the 10-week Basic Polygraph Examiner training course been added to the Federal Seizure Fund for FY23. This includes all travel expenses associated with the course.

Internal Service Funds



Investing and Planning in the Future with Internal Service Funds

Purpose of the Internal Service Funds

- 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 the volatility of year-to-year swings to address needs from the GF.
- Continues to steadily provide necessary equipment and resources for service delivery regardless of the General Fund's volatility from year to year

Resilient Finances

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



Property Tax Revenue

To General Fund and Debt Service



Proposed Property Tax Rate for FY23

$$0.28500 + 0.338765 = 0.623765$$

Maintenance & Operations
Rate

Debt Rate

Total Proposed Property Tax
Rate – A reduction of 7.3 cents
(11.1% City rate reduction) from
prior year adopted



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.

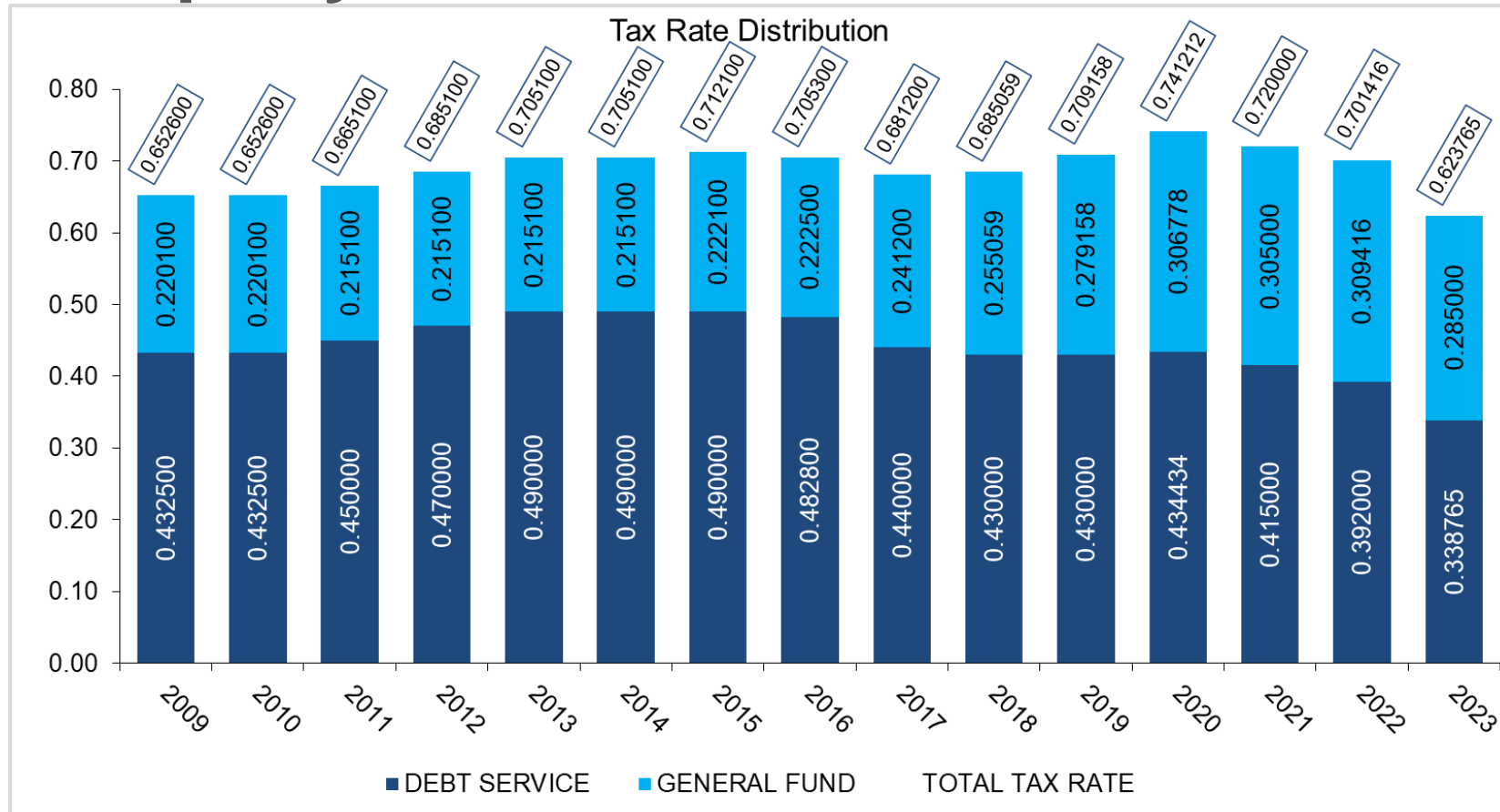
Debt Service Rate

- The proposed debt service rate is 0.338765.
- A half cent reduction from 0.343765 to 0.338765 in the debt service rate reduced property tax revenue by \$643,541 in the debt service fund.
- It also reduced TIRZ administrative charge revenue in the General Fund – decreasing revenue there to the GF by \$175,086.
 - \$175,086 was reduced on the expenditure side in the General Fund by decreasing the transfer to the Infrastructure Maintenance Fund (Streets and Sidewalks).

	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	\$ 43,951,802
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	47,957,223
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)	1,330,248
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	\$ 5,395,599
Reserve 10%	\$ 7,456,647	\$ 4,442,576	\$ 4,412,309	\$ 4,662,698
Over Policy	\$ (1,569,416)	\$ 504,899	\$ (346,957)	\$ 732,902

Scenario	Total Tax Rate	O&M Rate	Debt Service Rate
Proposed Rate	0.628765	0.285000	0.343765
Debt Service Rate Reduced by 0.005	0.625765	0.285000	0.338765
Difference	- 0.005	0	-0.005

Proposed Property Tax Rate: 0.623765



- FY23 Proposed Tax Rate of **0.623765** is a **7.77** cent reduction from FY22 Adopted Tax rate of **0.701416**
- Since all Homestead Exempt Residents have their taxable value capped at a 10% increase, all non-Senior examples will have the City Tax Bill dollar amount decrease because the City tax rate reduced by $(0.623765 - 0.701416) / 0.701416 = -11.07\%$.
- Lowest City rate in at least 15 years.

Proposed Property Tax Rate: 0.623765

Property Tax & TIRZ Revenue Scenarios for FY23

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) Updated Proposed Tax Rate	(3) Original Proposed Tax Rate	(4) Voter Approval Rate (+ 3.5% additional revenue)	
General Fund (O&M)	0.309416	0.199279	0.285000	0.285000	0.289846	-0.024416
Debt Service (including in-City MUD rebate obligation)	0.392000	0.343765	0.338765	0.343765	0.343765	-0.053235
Total	0.701416	0.543044	0.623765	0.628765	0.633611	-0.077651
G.F. Property Tax Revenue + TIRZ Admin Fee (in millions)	\$30.1 + \$12.7 = \$42.8	\$25.6 + \$10.2 = \$35.8	\$36.7 + \$13.0 = \$49.7	\$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.

- General Fund O&M rate *decreased* from .3094¢ in FY22 to .2850¢ in FY23.
- Debt Service Tax Rate *decreased* from .3920 cents in FY22 to .3388 cents in FY23, including the .05 reduction made by council on 8/29/22.
- State calculation for NNR brings in *less* revenue to the General Fund than FY22, partially because State calculation includes debt service (including voter-approved). Meaning that generally when you sell debt, less money will be available for operations with NNR.
- Additional General Fund revenue of \$6.6 million with the lower rate provides additional drainage maintenance (2x existing), four additional firefighter slots, three positions in Police, and + 5.5% (+6.5 for uniformed police and fire) pay increases for retention and attraction of talent.

Proposed Property Tax Rate: 0.623765

Current Scenario for FY23

Revenue Category	FY22 Adopted Budget	FY23 Proposed Budget	Change from prior year	Notes
General Fund O&M Property Tax revenue. Current Taxes Account Only (no late fees, penalties, etc.)	\$30,709,155	\$36,681,811	\$5,972,656	Part of funding for supplements including additional firefighters, city-wide salary increases, additional drainage maintenance crew, Police staffing and equipment, etc.
Debt Service Fund Property Tax revenue. Current Taxes Account Only (no late fees, penalties, etc.)	\$38,905,515	\$43,601,802	\$4,696,287	Debt rates driven by Council approved and adopted CIP including the most-recent voter approved bond issue. FY22 Debt Fund Budget was adopted with a purposeful net loss of \$1,253,478 to lower fund balance towards adopted reserve policy – which lowered the amount of property tax revenue needed to be collected in FY22.
Property Tax – Current Tax Account Total Revenue GF and Debt Service Fund	\$69,614,670	\$80,283,613	\$10,668,943	
TIRZ Admin Charge Revenue in GF	\$13,097,255	\$12,996,354	(\$100,901)	
Total Current Taxes with TIRZ	\$82,711,925	\$93,279,967	\$10,568,042	

Homestead Property Tax Examples

Looking at estimated individual tax bills, for base reference, a zero-growth property with a Taxable value after City Exemption of \$292,500 would see a \$229 annual (\$19.08 per month) decrease in the City of Pearland portion of their tax bill.

		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 Pearland Taxable Value		\$ 292,500		\$ 251,745		\$ 184,353		\$ 171,900		\$ 257,478		\$ 167,691	
% Increase (Decrease)		0.0%		10.0%		10.2%		10.3%		10.0%		10.3%	
TY22 Pearland Taxable Value		\$ 292,500		\$ 276,920		\$ 203,081		\$ 189,590		\$ 283,226		\$ 184,960	
Adopted TY 2021 City Rate	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
0.7014	0.6238	\$ 1,840	(229)	\$ 1,727	\$ (38)	\$ 1,267	\$ (26)	\$ 1,183	\$ (23)	\$ 1,767	\$ (39)	\$ 1,154	\$ (22)
Total Tax Bill		\$ 6,581		\$ 6,852		\$ 4,261		\$ 3,945		\$ 8,391		\$ 3,838	
City of Pearland % of Total		28%		25%		30%		30%		21%		30%	
Total Tax as % of Taxable Value before City Exemption		2.2%		2.4%		2.0%		2.0%		2.9%		2.0%	

Homestead Property Tax Examples

More realistically, looking at Homestead Example 8, a home with a value of \$509,300 that sees a 10% increase in Taxable Value would see a **\$69 annual (\$5.75 per month) decrease** in the City of Pearland portion of their tax bill.

As shown in the Senior Example HS 11, if you qualify your home for an age 65 or older or disabled person homestead exemption for taxes, the taxes on that home cannot increase while you own and live in that home. The City's tax \$ amount for this resident has not seen any increase since 2010.

		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 Pearland Taxable Value		\$ 209,986		\$ 315,437		\$ 451,425		\$ 304,083		\$ 305,643		\$ 170,045	
% Increase (Decrease)		10.0%		10.0%		10.0%		10.0%		10.0%		3.1%	
TY22 Pearland Taxable Value		\$ 230,984		\$ 346,980		\$ 496,568		\$ 334,491		\$ 336,207		\$ 175,330	
Adopted TY 2021 City Rate	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
0.7014	0.6238	\$ 1,441	\$ (32)	\$ 2,164	\$ (48)	\$ 3,097	\$ (69)	\$ 2,086	\$ (46)	\$ 2,097	\$ (47)	\$ 206	\$ -
Total Tax Bill		\$ 4,918		\$ 11,490		\$ 14,523		\$ 8,116		\$ 7,399		\$ 896	
City of Pearland %		29%		19%		21%		26%		28%		23%	
Total Tax as % of Taxable Value before City Exemption		2.1%		3.2%		2.9%		2.4%		2.1%		0.5%	

General Fund Income Statement

	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	109,315,462
Expenditure	90,570,329	106,984,484	110,711,878
Net	\$ 3,513,592	\$ (1,983,356)	\$ (1,396,416)
Ending Balance	\$ 32,589,889	\$ 30,541,045	\$ 29,144,629
Policy Minimum Balance (90 Days)	\$ 22,332,410	\$ 26,379,736	\$ 27,296,353
Amount Over/(Under) 90 Day Target	\$ 10,191,991	\$ 4,161,309	\$ 1,858,277
Days of Reserves	131	104	96

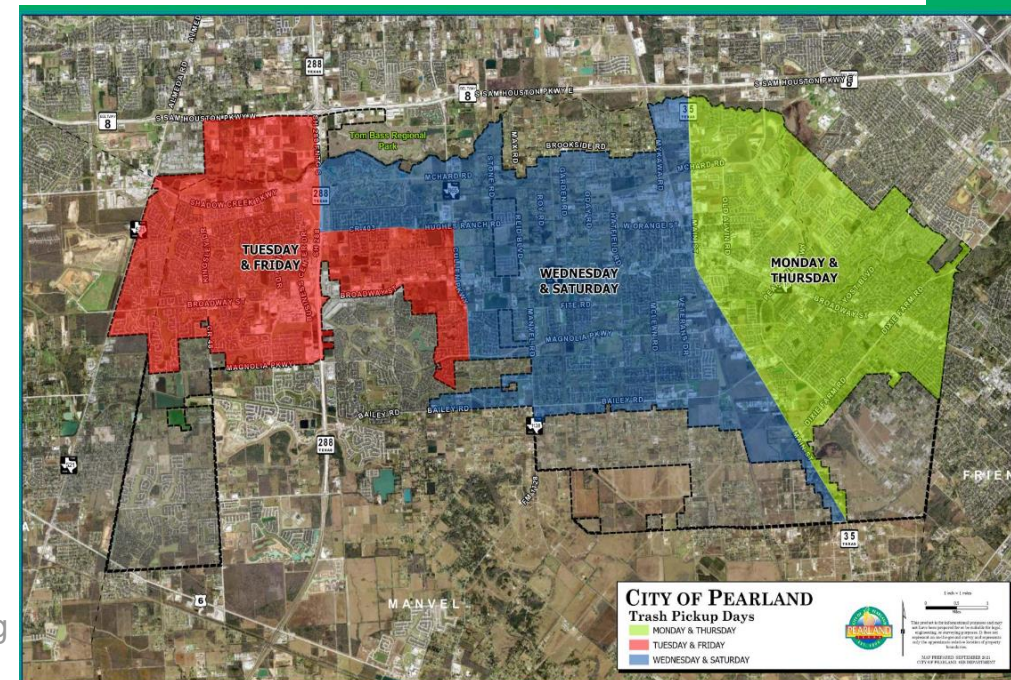
Solid Waste Fund



Solid Waste Fund

- For FY23 Frontier's proposed rate starting October 1, 2022 will be a 5.4% increase as illustrated below.
- The solid waste contract with Frontier Waste allows for service rates to adjust annually to the reported CPI: **Urban Consumer - Garbage and trash collection Index**
 - The Houston MSA beginning October 2022 CPI increase for FY23 is **5.4%** (lower than overall inflation)
 - Frontier initially requested a rate that was higher than the CPI Garbage and Trash Collection Rate; per our contract we can only increase based off the CPI rate, which was 5.4% at the time of their request.
- The solid waste fund was budgeted correctly based on the 5.4% increase.
 - The fee schedule will be updated to reflect the increase.
 - Commercial Fees are billed directly between customers and Frontier.

Fee	FY22	FY23 Proposed
Residential Garbage	\$18.26 / Month	\$19.25 / Month



Enterprise Fund



Enterprise Funds

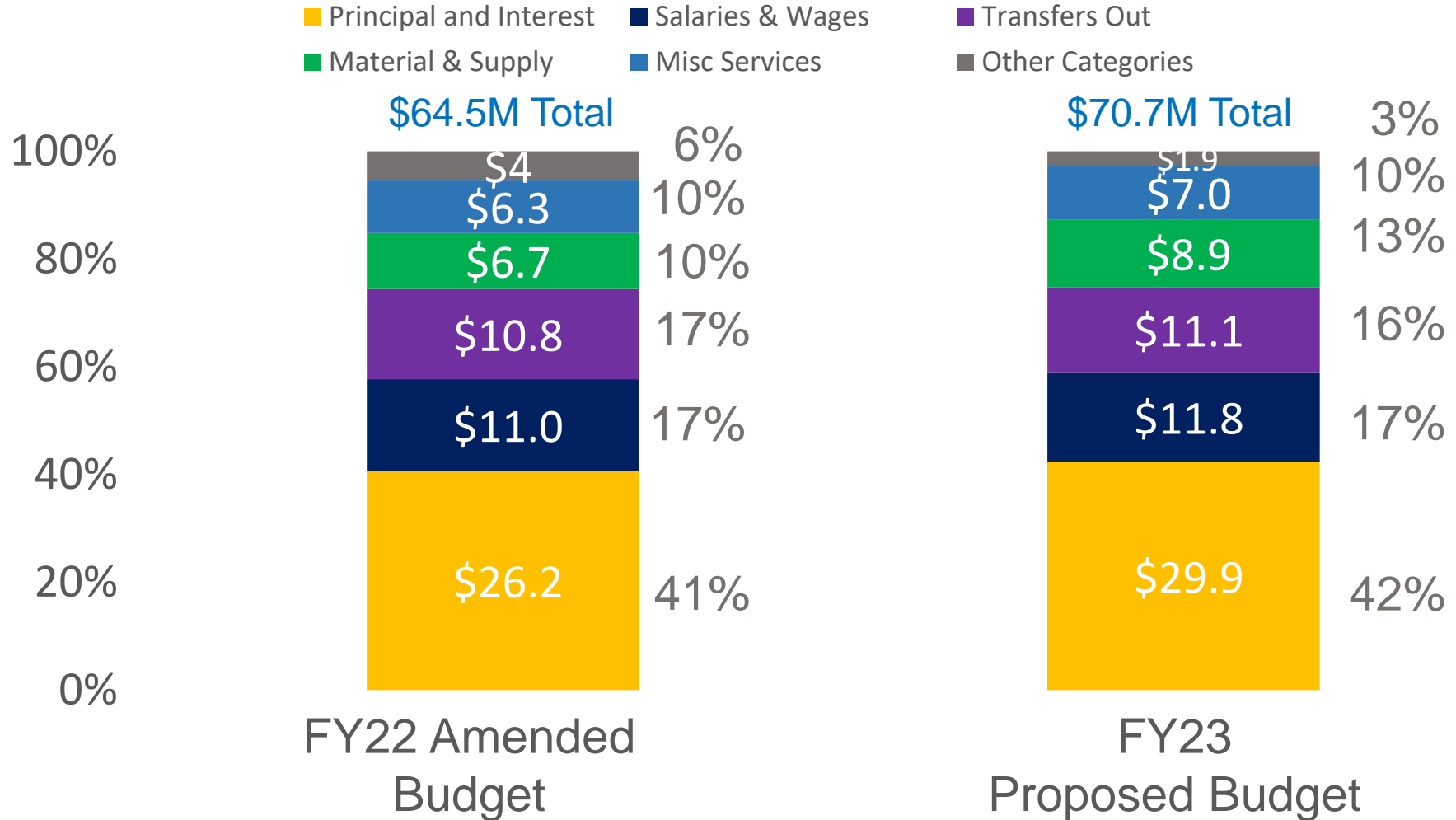
Water and Sewer Operations



Water and Sewer System Expenditures

(Both W/S Operating and Debt Funds Combined)

- For comparison, in FY18 Enterprise Principal and Interest expenditures totaled \$17.3M
- FY 23 change over FY 22 is driven by principal and interest (\$3.7 million) and materials and supply (\$2.2 million)



What is driving Enterprise Debt Fund Expenditures growth in the system? - \$535.1M in Projects to Grow, Upgrade, and Modernize the Systems



Surface Water Treatment Plant Operational in FY23 \$175.5M - Construction in Process at 75%



JHEC Water Reclamation Facility Expansion \$80.6M - Construction in Process at 65%



Bailey Water Plant Improvements \$14.4M - Construction in Process at 20%



Barry Rose Water Reclamation Facility Replacement & Expansion \$228.4M- Met 75% capacity and required to be in design

All major capital projects are already underway or committed and/or are required for meeting capacity and quality compliance requirements.



Longwood Water Reclamation Facility Decommissioning \$36.2M- Met 90% capacity, required to construct expansion, exemption provided as service area is built-out

Water / Sewer Rate Model (Purpose and Assumptions)

1. The Water / Sewer Rate Model is built meeting the minimum rate increase that still meets:
 - i. 1.15 Bond Coverage Requirement as stated in Bond Ordinances (Ordinance No. [1600](#))
 - ii. 15% Operating Reserve as stated in the latest [Financial Policy](#)
2. The proposed Rate Model assume:
 - i. 5.5% Salary Increase
 - ii. Certification Pay
 - iii. 60-hour Sick Leave buyback
 - iv. \$687K for SWTP – 9 FTEs with staggered hiring dates
 - v. \$398K for Water Quality Compliance Team – 4FTEs
 - vi. \$245K for Vehicle Replacement
 - vii. \$2.4M increase in Water Sales and Sewer Charges Revenue for FY22 compares to the latest Budget Amendment to account for the summer drought
 - viii. \$1M increase in Water Production cost for FY22 compares to the latest Budget Amendment to account for the summer drought

Water / Sewer Rate Model – Implications of failing to meet obligations

The Water / Sewer Rate Model is built with the intention to proposed the minimum rate increase that still meets:

- 1.15 Bond Coverage Requirement as stated in Bond Ordinances (Ordinance No. [1600](#))
 - **Section 5.7** of the Ordinance: The City is required to increase the rates and charges of the System, should there be a deficiency in required funds. If System revenues are lower than expected and, as a result, the net revenues available for debt service drop below the 1.15x coverage requirement, the City shall increase the rates and charges of the System to meet (or exceed) the coverage requirement.
 - **Section 7.10:** If the City does not maintain the 1.15x coverage requirement and net revenues available for debt service decrease to a point that it is unable to make the required principal and interest payments, Bond Owners may bring legal action to require the City to increase rates and charges of the System to satisfy the requirements of the Ordinance.
 - Also, there are other consequences for failure to adhere to requirements detailed in the Ordinance. The rating companies will downgrade the rating on WSS Bonds and depending on the severity of the deficiency, they could withdraw their rating entirely. As a result of a rating downgrade or withdraw, the City could also be subject to “headline” risk or negative press coverage, which could potentially scare bond investors away from buying the City’s other debt obligation (i.e. Certificates of Obligation, Permanent Improvement Bonds, etc.).

Water / Sewer Rate Model – Implications of failing to meet obligations (Cont.)

The Water / Sewer Rate Model is built with the intention to proposed the minimum rate increase that still meets:

- 15% Operating Reserve as stated in the latest [Financial Policy](#)
 - Failure to comply with Financial Policy puts us at risk in the event of emergencies or unforeseen revenue reductions. In addition, it could negatively impact credit ratings, thereby increasing costs to ratepayers for years to come. Lastly, it may result in audit findings.
 - Furthermore, the rating companies will downgrade the rating on WSS Bonds and depending on the severity of the deficiency, they could withdraw their rating entirely. As a result of a rating downgrade or withdraw, the City could also be subject to “headline” risk or negative press coverage, which could potentially scare bond investors away from buying the City’s other debt obligation (i.e. Certificates of Obligation, Permanent Improvement Bonds, etc.).

Water / Sewer Rate Model

The **highlighted yellow** reflects the calculation from the +13.1% revenue increase which is the minimum to meet the 1.15 required bond coverage.

As **highlighted in green** from FY24 to FY27, Unreserved Working Capital of 15% is the driver for the future years as the Enterprise Operating ran out of cash due to operating at a net loss for 4 consecutive years from FY21 to FY24.

The water and sewer enterprise has many fixed elements such as debt service and staffing, but revenue is an estimate of usage (weather, consumption).

The rate model is built upon assumptions clearly laid out herein and the best available information. Open to questions and challenges to those assumptions.

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Adopted / Proposed Water and Sewer Rate Change	0.0%	5.0%	13.1%	16.0%	19.0%	15.0%	8.0%
Total Revenue	52,989,550	53,751,299	59,556,004	69,539,163	84,500,901	96,818,377	105,467,401
Operating Expenses - Fund 600	25,549,939	30,027,508	35,311,804	40,829,047	42,272,213	45,116,465	46,584,001
Non-operating Expenses - Fund 600	17,030,818	8,717,704	5,444,234	7,581,398	8,321,255	9,401,201	9,887,651
Debt Service Expenses Net of Impact fee - Fund 601	19,094,100	19,932,720	23,139,707	28,154,422	33,760,322	41,388,962	48,546,698
Total Expenses	61,674,857	58,677,932	63,895,745	76,564,868	84,353,790	95,906,628	105,018,350
Net Annual Revenue Over Expenditures	(8,685,307)	(4,926,633)	(4,339,741)	(7,025,704)	147,111	911,749	449,051
Beginning Cash Equivalents Net of Restricted for Debt Service	28,732,998	20,956,644	16,030,012	14,454,046	7,832,094	8,368,366	9,695,453
Add Unrestricted Cash in Debt Service Fund - 60110	-	-	2,763,775	403,753	389,161	415,338	452,488
Ending Cash Equivalents Net of Restricted for Debt Service (see calculation on Multi-year Forecast) ¹	20,956,644	16,030,012	14,454,046	7,832,094	8,368,366	9,695,453	10,596,992
Additional Debt Issuance as of June 2022	85,370,000	49,203,515	63,946,500	95,296,176	149,018,750	117,612,500	62,836,000
Surface Water Treatment Plant (Phase 1 & 2)		20,980,000	5,245,000			7,022,000	50,920,000
Sewer System Expansion	75,000,000	12,541,265	34,852,000	40,920,750	107,811,750	63,742,500	-
Other Projects	10,370,000	15,682,250	23,849,500	54,375,426	41,207,000	46,848,000	11,916,000
Debt Service Coverage							
W/S Revenue + Impact Fee	52,757,883	60,054,867	66,350,967	76,624,097	91,585,845	103,910,574	112,536,185
Less Operating Expenses	25,549,939	30,027,508	35,311,804	40,829,047	42,272,213	45,116,465	46,584,001
Net Revenue Available for Debt Services	27,207,944	30,027,359	31,039,163	35,795,050	49,313,632	58,794,109	65,952,184
Bond Ordinance							
Current Year W/S Annual Debt Service	19,663,339	25,783,037	27,071,642	25,870,156	25,772,433	25,870,526	25,697,370
Bond Coverage - 1.15 required to issue COs*	1.38	1.16	1.15	1.38	1.91	2.27	2.57
Restricted for Debt Service	13,087,664	15,766,567	15,766,567	15,362,814	14,973,653	14,558,316	14,105,827
Financial Policy							
Water/Sewer Unreserved Working Capital 15% - Ending Cash / (Operating Expense + CO's Debt Serv.)	75%	49%	34%	16%	15%	16%	17%
Combine Reserved Fund 600 + 601 = Ending Cash/ (Operating Expenses + Debt Service Payment)	121%	98%	50%	33%	30%	27%	25%

1) Due to year-end closing entry, Actual Ending Cash Balance can be slightly different from Beginning Cash plus Revenue minus expenditure

* FY23 Coverage Ratio = (FY23 Revenue - FY23 Operating Expense)/ (FY23 W/S Revenue Bond Debt Service)

Income Statement

FY 23 and Prior History

	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	1,575,000	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	54,437,322	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)	(9,618,208)	(6,304,975)	(4,328,591)
Beginning Cash Equivalents*	28,732,998	24,610,461	20,956,644	16,030,012
Add Unrestricted Fund Balance in EF Debt Fund				2,763,775
Ending Cash Equivalents	\$20,956,644	\$14,992,253	\$14,651,669	\$14,465,196
Bond Coverage - 1.15 minimum required ³	1.38	1.17	1.11	1.15
Water/Sewer Unreserved Working Capital - 25% ⁴	7,524,980	8,995,051		
Water/Sewer Unreserved Working Capital - 15% ⁴			\$5,266,208	6,404,552
Operating Reserve Over Policy	\$13,431,664	\$5,997,203	\$9,385,461	\$8,060,644

* Beginning Cash Balance for FY23 reflects an increase in Water and Sewer Revenue and Water Purchase Expenses due to the unforeseen drought condition following the Adopted of FY22 Amended Budget

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 Enviromental 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

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.

$$1.15 = \frac{66,350,967 - 35,311,804}{27,071,642}$$

Description	Amount
Expenses in Enterprise Operating Fund 600	<u>63,895,745</u>
Minus	
A portion of Transfer Out for: Debt Service, Non-Operating Transfer for MUD Rebates, and General Fund Reimbursement	28,466,941
New Vehicle for SWTP: a portion of 600-305-395.5900	<u>117,000</u>
Total Operating Expenses	35,311,804
Debt Service for W/S Revenue Bond Only	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.



Surface Water Treatment Plant Operations

- As prescribed by 30 TAC §290.46 (e)(6)(B), TCEQ requires water systems such as ours with more than 1,000 connections to staff Class B and Class C operators. The City's Operator II's will be required to hold a Class B and serve as shift supervisors for Operator I's who will be required to hold a Class C. The obvious need for redundancy in both positions is to assure adequate coverage for compliance
 - **Included in FY 23 is hiring two Operator II positions and three Operator I positions to provide the correct license and redundancy to operate the SWTP.**
- The hiring of staff is staggered and coordinated with start-up of the plant
- Not having operators for the startup and operations of the new SWTP will result in non-compliance and potential violations from TCEQ. The SWTP will need to be staffed for start-up and operations

Surface Water Treatment Plant Milestones

September 2022

- CMAR installs temporary piping and valving for startup loops. Plant is broken into several loops to test the individual areas
- Begin filling Ground Storage Tank (GST) with Well water for clean water testing
 - Chlorinate GST water
- Complete electrical to plant water and fire pumps for use in moving clean water around plant loop
- Complete the installation (GCWA) of canal gates and open forebay
- Training on Generators & Sludge Collection treatment and disposal
- **Begin the advertisement for Plant Mechanic, Plant Electrician**

October 2022

- Loop 1 – Pre-Treatment
 - Complete testing of all temporary piping and connections to treatment units
 - Move clean water to Raw Water Lift Station and adjust control valves to match flow to Pre-Treatment
 - Begin testing of vertical screens and SCADA reporting equipment
 - Startup raw water pumps and begin pumping to Pre-Treatment, recirculating water back to Raw Water Lift Station
 - Run Pre-Treatment until flow balanced and chem requirements are adjusted
 - **Advertise for Lab Tech, Plant Mechanic, 2-Op 1 and 1-Op 2s**
 - **Begin Training Flow meters & Membrane systems**

Surface Water Treatment Plant Milestones

October 2022

- Loop 2 – Solids Removal
 - Begin Sludge removal/ solids handling processes
 - Need polymers here at thickener and Belt presses
 - Bring Belt presses on-line
 - Haul roll-offs contract needs to be in place by this point
 - With Pre-Treatment now running provide chemicals for Solids handling
 - Complete Testing of Pre-Treatment, meet a reading of 2 Nephelometric Turbidity Unit (Ntu) or less - **TCEQ Requirement**
 - Testing provided by lab until Lab Tech is hired

November 2022

- Loop 3 – Membrane System (clean water)
 - Complete check out of all piping and valves for clean water pumping to Membrane
 - Clean Water circulation through strainers, membranes and Granular Activated Carbon (GAC) vessels & back to the GST
 - Require flow check of each Rack individually up to one week, calibrating chemical feed pumps with water
 - Calibrating control valves and pump flow rates
 - Will need Clean-in-Place and membrane cleaning Chemicals at this point
 - Calibrating SCADA
 - **Operator Training at this stage include:**
 - **Chlorine Dioxide generation, Elect Switch Gear, High Service pumps, Chlorine gas system/ scrubber**

Surface Water Treatment Plant Milestones

January 2023

- Loop 4 – Pre-treatment testing (raw water)
 - Open Raw Water Lift Station (RWLS) to Canal and begin pumping dirty water through RWLS into Pre-Treat and back to canal
 - Begin monitoring flow for chemical injections for meeting 2 Nephelometric Turbidity Unit (Ntu) or less - **TCEQ Requirements**
 - Chlorine, and Chlorine Dioxide as well as coagulant use will be erratic and high
 - **Lab Tech on site and performing these tests and reporting to TCEQ**
 - Adjust to meet 2 Ntu
 - Begin Membrane demonstration testing still clean water this will require several weeks prior to opening to dirty water
 - **Operator Training on Chlorine System and Scrubber**

February 2023

- Loop 5 - Membrane Testing (raw water)
 - Once Vendor is satisfied with membrane performance on Clean Water & Turbidity from Pre-Treatment open system to canal water
 - Need full operational chemicals at this point
 - Need completed Sludge Haul contract
 - Plant flows back to GST
 - Fully integrate Supervisory Control and Data Acquisition SCADA and tie into receiving plants
 - Once water meeting drinking water quality it can be stored for flushing of transmission lines.
 - Chlorinate and test Transmission lines until approved
 - **Advertise for 1 – Operator II and 1 – Operator 1**

Surface Water Treatment Plant Milestones

February – April 2023

- **Plant to run as if in production to record water quality**
 - Continue to adjust the plant for operations
 - Continue test & flush of transmission lines
 - Run performance tests of membrane system, max capacity

April 2023

- Stable operation with full plant staff operations meeting TCEQ requirements
- Apply for TCEQ approvals. Can take up to 90 days after submittal to received approval.

July 2023

- Commence water production and send water to the distribution system

Surface Water Treatment Plant Hiring Timeline

Position Title	Responsibilities	Start Date
SWTP – Plant Mechanic	Maintain plant equipment, conduct PMs per the equipment manufacturer, repair equipment	10/1/2022
SWTP– Electrician	Maintain the electrical equipment and wiring, conduct electrical troubleshooting and repairs, conduct electrical PMs	10/1/2022
SWTP – Plant Mechanic	Maintain plant equipment, conduct PMs per the equipment manufacturer, repair equipment	1/1/2023
SWTP – Operator II	Duties include backwashing filters, monitoring pump station activities, adjusting chemical feed systems, flow adjustments, and determining proper corrective procedures regarding water quality	1/1/2023
SWTP – Operator I (2)	Duties include daily inspection of all treatment process areas and performance of technical tasks relative to assigned area of responsibility	1/1/2023
SWTP – Laboratory Technician	Will routinely perform a variety of chemical, physical, and biological analyses on surface water; perform compliance duties such as, calibration of process instruments, routine sampling, conduct treatment optimization studies, and compile test data reporting in accordance with regulatory agencies	1/1/2023
SWTP – Operator II	See above responsibilities	4/1/2023
SWTP – Operator I	See above responsibilities	4/1/2023

Water Quality Compliance Team

Team will be responsible for compliance sampling, monitoring of disinfection residuals, water quality service calls, low pressure service calls, and flushing of the water distribution system.

The City is required to collect water quality sampling and flush dead end lines(30 TAC Part 1 Subchapter D, 290.46 and 290.110).

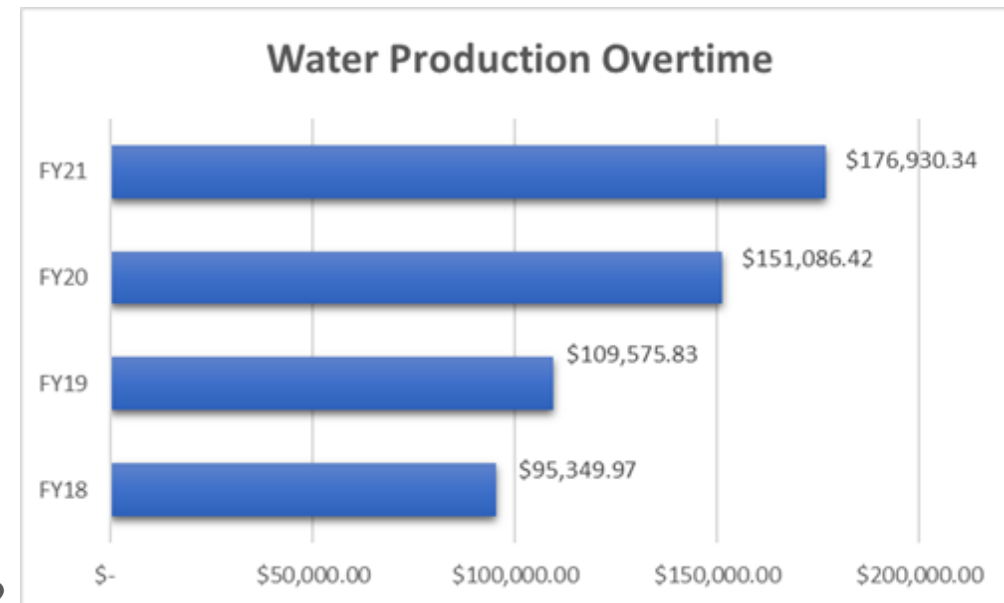
- The water system contains over 1,000 flushing points required to be flushed each month. In 2012 there were 466 flushing points. By 2018 it had increased to 953 (2x increase). Since 2018 an average of 12 additional flushing points are added each year. No additional staff has been added with the increase in flushing points. The process of flushing takes an average of 0.5 hours per location to drive, set up, flush, shut down and pack up to go to the next location. The process equates to approximately 6,000 staff hours annually.
- The system 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 average time to drive, set up, test for residual, flush, disinfect the location, collect sample, document and pack up is 0.5 hours. The additional 20 samples will add an additional 2.5 hours of work per week. The requirement equates to approximately 720 staff hours annually to collect the 120 samples and does not include any time for resampling from lab results.

Water Quality Compliance Team

Team will be responsible for compliance sampling, monitoring of disinfection residuals, water quality service calls, low pressure service calls, and flushing of the water distribution system.

- Current Responses Time – Approximately an hour.
 - Response to calls for water quality. Staff runs tests, flushes lines, works with residents, and closes out service request. Average is 19 requests per month.
 - Response to low flow reports – Staff run tests and works with residents to determine cause. This team will assist Water Production and Distribution & Collection to provide the appropriate response. Average is 2 requests per month.
- 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.
- The need for this team is identified by the increase in overtime that has occurred as additional flushing points are added to the system, testing requirements and water quality calls.
- The implementation of the team will reduce overtime, provide for staff redundancy, maintaining the current workload and is critical to providing the current service level
- The new team will allow water production staff to concentrate on plant operations instead of water quality calls

Cost for this team is \$262,404 in salaries for 4 FTEs and an additional \$116,318 in non-salary costs for a total cost of \$378,722.



FY2023 Revenue Changes

- The City must bring in enough money to pay for debt and operations.
- Increased consumption helps to some extent.
- Costs increase for labor, utilities, chemicals, etc.
- When we sell debt, we agree to have a Bond Coverage Ratio ≥ 1.15 .
- Enterprise Operating Fund balance must remain above 15%.

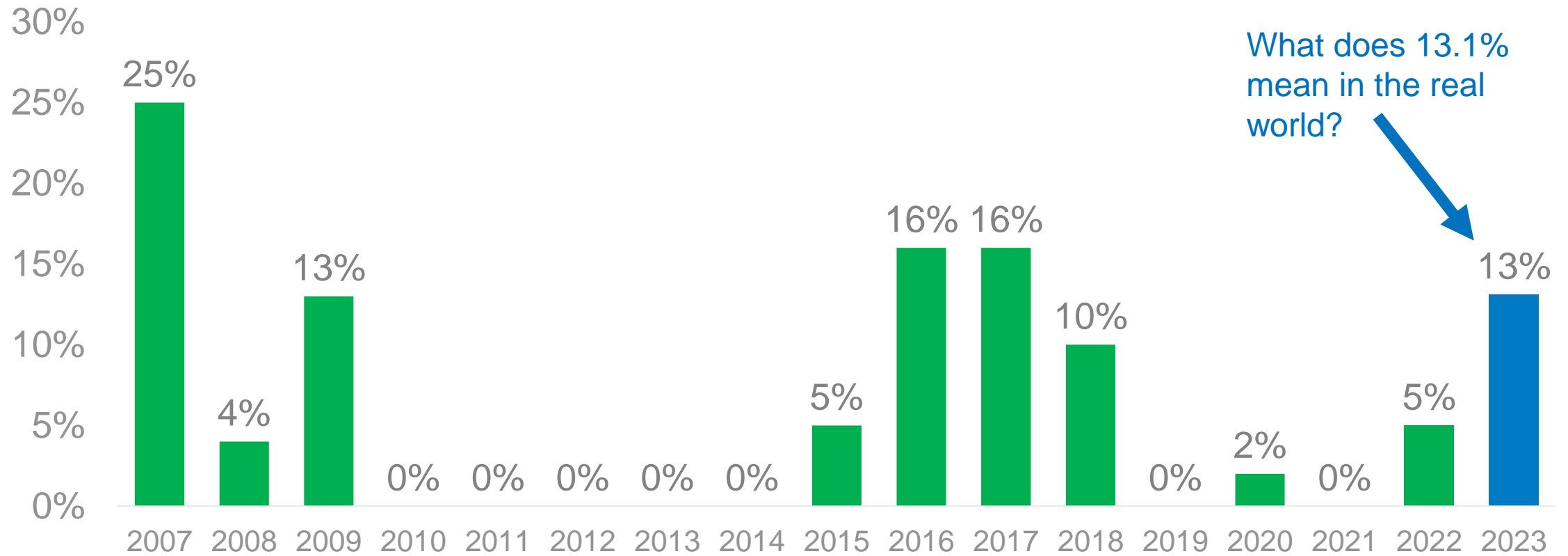
An average household in Pearland uses approximately 6,000 gallons of water per month. They will pay ~\$7.50 more a month (+9.5%).

- An increase of +13.1% to the rate structure is required 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.

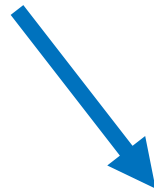


History of Rate Increases in Pearland

Historical Pearland Utility Rate Increases



What does 13.1% mean in the real world?



What does 1% in Rate Increase/Decrease mean?

- On the customer side, a reduction from a 13.1% rate increase to a 12.0% rate increase will lower the price paid on a Residential 6,000-gallon bill by \$0.86/month and Residential 12,000-gallon bill by \$1.58/month.

W/S Rate Increase	Total Revenue Reduction to City from proposed rate	Price reduction on residential 6,000-gallon bill	Price reduction on residential 12,000-Gallon bill
13.10% (required per existing Rate Model)	NA	NA	NA
13%	\$79,844	\$0.13	\$0.25
12%	\$570,600	\$0.86	\$1.58
11%	\$1,071,249	\$1.62	\$2.94
10%	\$1,587,502	\$2.36	\$4.34
9%	\$2,117,187	\$3.20	\$5.84

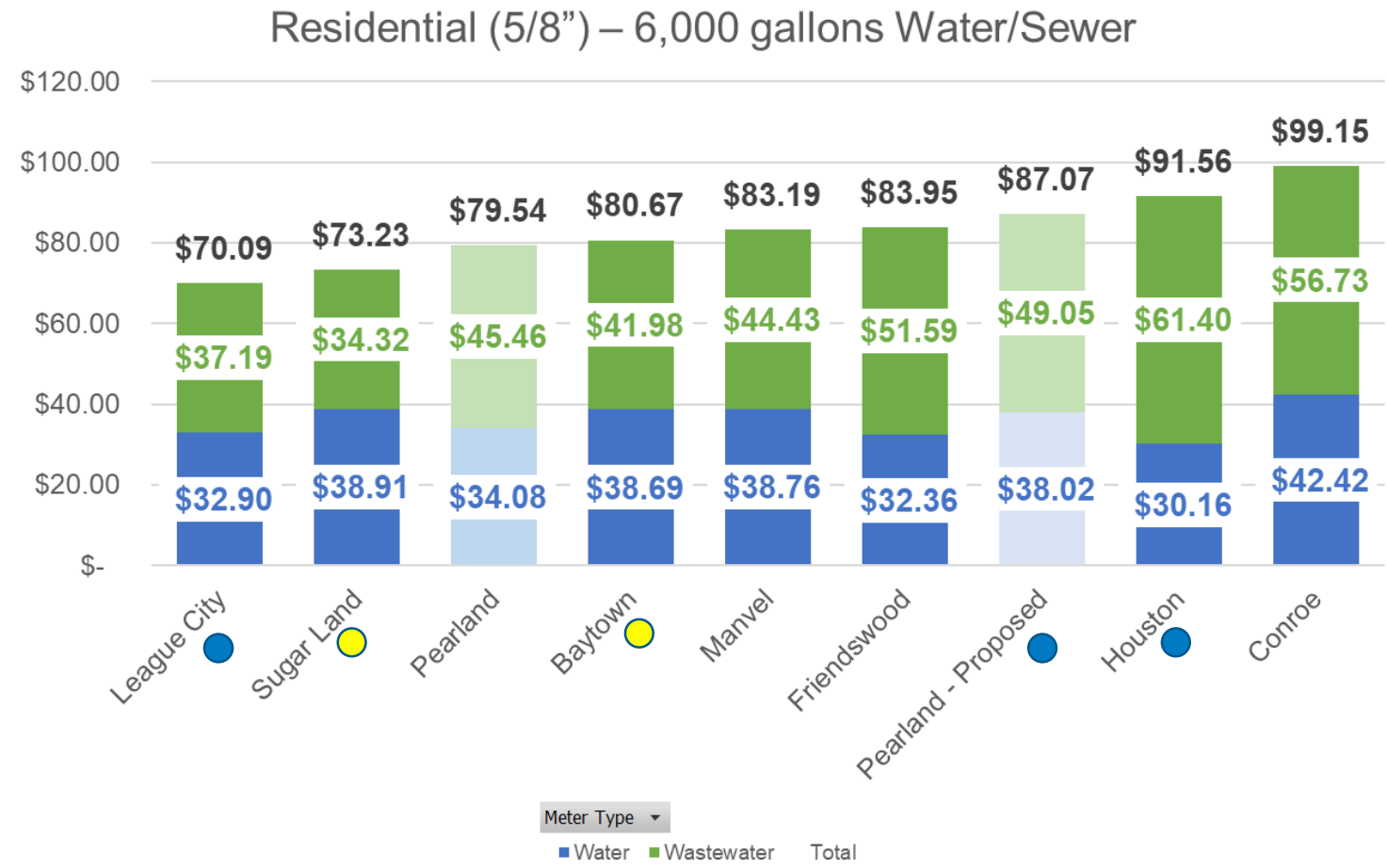
Sample Bills with 13.1% Proposed Revenue Increase for FY 23

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

Account Type	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	\$1,894.44	\$2,039.00	\$144.56	\$2,051.81	\$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?

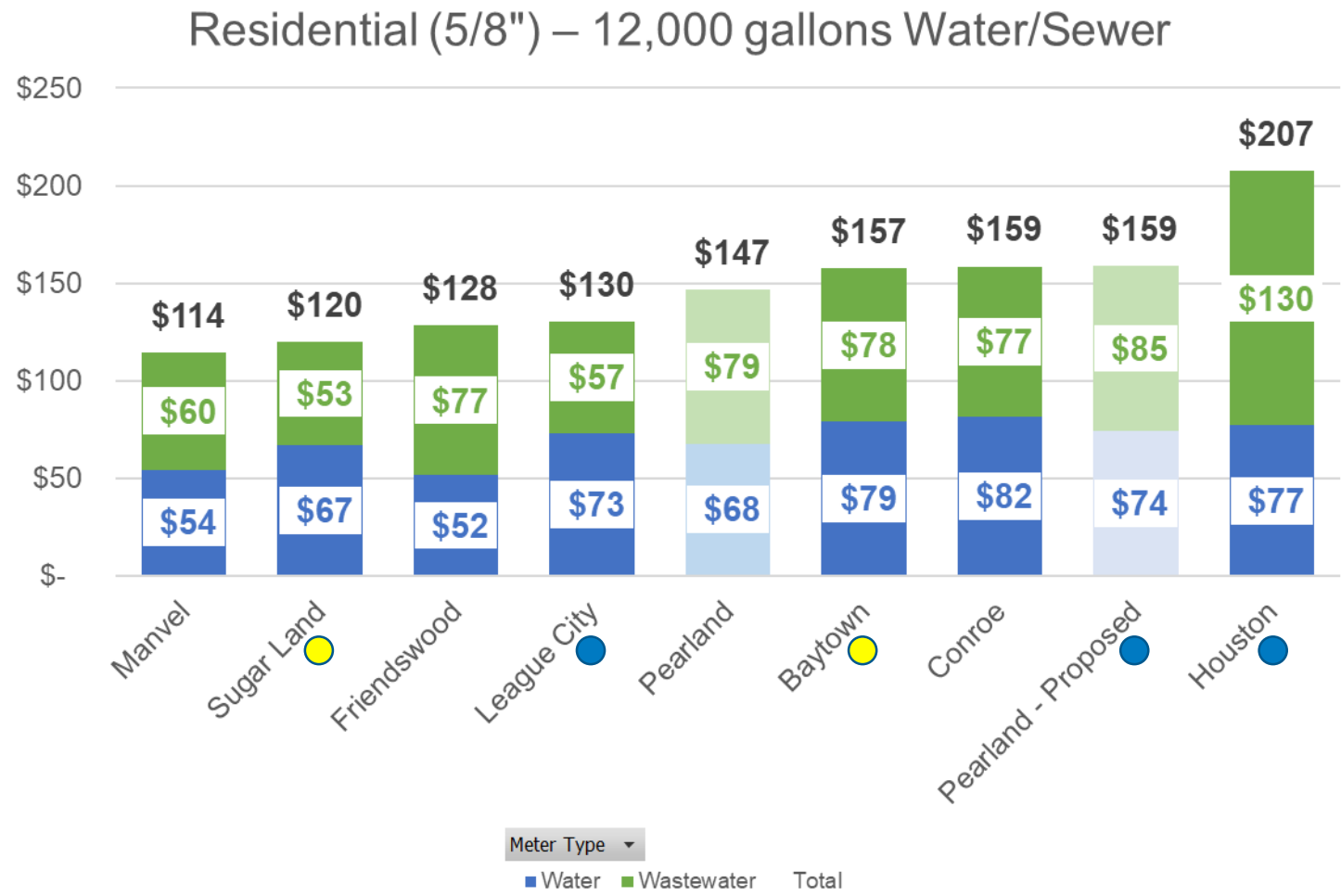


- Proposed rate increase included in presented figure.
- City with plan to increase water and sewer rates in FY2023 but information is not incorporated in this chart due to insufficient Detail



Comparison Bill

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



- City with plan to increase water and sewer rates in FY2023. Proposed rate increase is included in the presented figure.

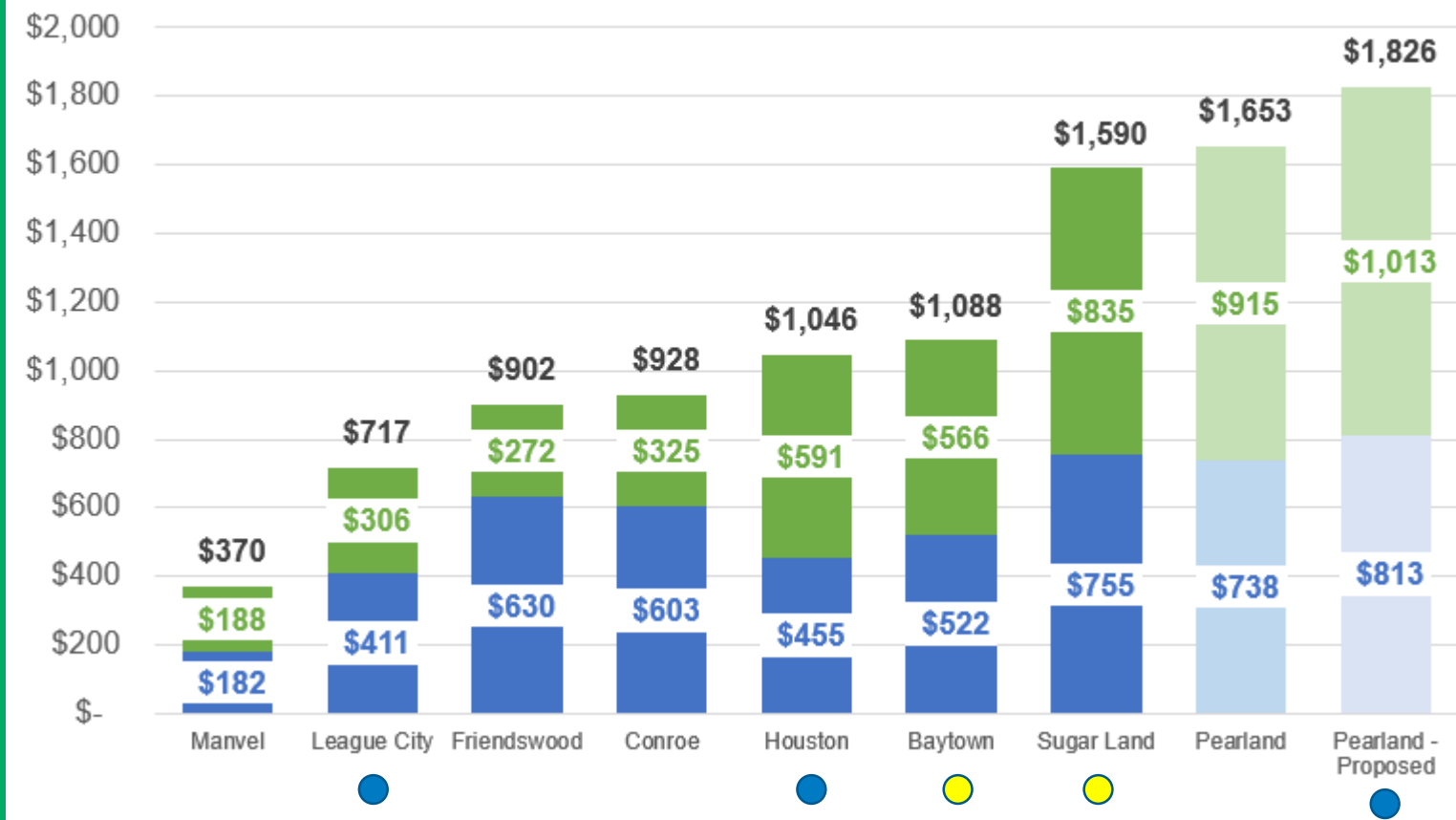
- City with plan to increase water and sewer rates in FY2023 but information is not incorporated in this chart due to insufficient Detail



Comparison Bill

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

Fast Food Restaurant - 59,000 Gallons Water/Sewer



● City with plan to increase water and sewer rates in FY2023.
 ● Proposed rate increase included in presented figure.

● City with plan to increase water and sewer rates in FY2023 but information is not incorporated in this chart due to insufficient Detail



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 Debt Fund Budget of \$29.9M is a \$3.5M increase from the FY22 adopted budget of \$26.4M.

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
- Increased communication to Council regarding FY23 CIP and 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
- Continued discussions with Council regarding the 5-Year CIP priorities

Budget Schedule

Previous Meetings & Events

- ~~3/21/22~~ — Comprehensive CIP Budget Workshop
- ~~6/27/22~~ — Early Budget Input Session
- ~~7/25/22~~ — CIP Adoption
- ~~8/5/22~~ — Proposed Budget delivered to Council
- ~~8/8/22~~ — Maximum Tax Rate Adopted
- ~~8/13/22~~ — Budget Discussion #1
- ~~8/22/22~~ — Budget Discussion #2
- ~~8/29/22~~ — Public Hearing on Budget & Tax Rate/Budget Discussion #3
- 9/12/22 – 1st reading of Budget, Fee Schedule Ordinances

Future Meetings & Events

- 9/26/22 – Public Hearing on Property Tax Rate; 2nd and Final Reading of Budget, adoption of Property Tax Rates, and Fee Schedule Ordinances
- 10/1/22 – Fiscal Year FY23 Begins



ORDINANCE NO.1619

An appropriation Ordinance adopting a budget for the fiscal year beginning October 1, 2022, and ending September 30, 2023; pay plans for fiscal year 2023; and, pursuant to Local Government Code, Section 102.007, providing for a separate ratification of the property tax revenue increase reflected in the budget.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS:

Section 1. That the City Manager's proposed 2022-2023 Budget, attached hereto as Exhibit "A", be adopted in compliance with provisions of Article 8 of the Home Rule Charter of the City of Pearland, Texas which sets forth certain specific requirements as to the City of Pearland,

Section 2. That City Council hereby appropriates certain sums, more specifically identified on Exhibit "A" attached hereto, for the proposed fiscal year 2022-2023 Budget.

Section 3. That the City Council hereby confers upon the City Manager general authority to contract for expenditures, within appropriated fund amounts, for all budgeted items the cost of which do not exceed the constitutional and statutory requirements for competitive bidding.

Section 4. That the City Council deems the Pay Plans and Organizational Plan, attached hereto as Exhibit "B", contained in the 2022-2023 Budget to be in the best interest of the City and is hereby adopted.

Section 5. That this ordinance shall become effective from and after its passage on second and final reading.

PASSED and APPROVED ON FIRST READING this the 12th day of September, A. D., 2022.

J. KEVIN COLE
MAYOR

ORDINANCE NO.1619

ATTEST:

FRANCES AGUILAR, TRMC, MMC
CITY SECRETARY

PASSED and APPROVED ON SECOND and FINAL READING this the 26th day of

September, A. D., 2022

J. KEVIN COLE
MAYOR

ATTEST:

FRANCES AGUILAR, TRMC, MMC
CITY SECRETARY

APPROVED AS TO FORM:

DARRIN M. COKER
CITY ATTORNEY



To: City Council
From: Clay Pearson, City Manager
Amy Johnson, CFO
CC: Senior Staff
Date: September 15, 2022
Re: Follow-up to Budget Presentation #4 (First Reading)

15 September 2022
To: Mayor and City Council members
Important background to address the open comments and questions from First Reading on 9/12. Please review and ask questions or comments early next week well prior to our meeting responsibilities with adopting the FY 23 Budget on 9/26.
Clay

Executive Summary

The first reading of the proposed budget occurred on 9/12/22 in the City Council Chambers. A recording of that meeting is available [here](#), and a copy of the presentations can be found [here](#), [here](#), and [here](#).

This memo contains responses to questions or requests for more information made by City Council during 1st reading of the FY23 Proposed Budget. Responses are organized by Fund and Department.

Question #1: What effect would reducing the General Fund’s fund balance to zero dollars above policy have on the property tax rate and government services?

First, it is important to reiterate the City’s adopted [Financial Policies](#), which provide guidance on the use of fund balance.

Section V.A and V.C of the City Council-adopted financial policies outline the 90-day fund balance requirement and put restrictions on the use of Fund Balance.

Section V.A of the City’s Financial Policies states: *“The City shall maintain the General Fund unrestricted fund balance equivalent to 90 days of the total operating expenditures of the General Fund. If the fund balance exceeds this amount, **funding non-recurring expenditures or funding Pay-as-You-Go capital projects in the following fiscal year may be used** (emphasis added) to draw down the balance.*

Further, section V.C states: *“Fund balance/Working Capital shall only be used for **emergencies, non-recurring expenditures/expenses or major capital purchases that cannot be accommodated through current year savings. Should such use reduce balances below the level established as the objective for that fund, restoration recommendations will accompany the request/decision to utilize said balances.**”*

Section II.A and II.B outline the requirements for a balanced budget.

Section II.A lists the requirements for the City Manager to propose: “The City shall annually adopt a balanced budget where annual revenues plus other means of financing such as fund balance are equal to, or exceed, operating expenditures. Any increase in expenses, decrease in revenues, or combination of the two that would result in a budget imbalance will require budget revision, rather than spending unappropriated

surpluses or designated reserves to support ongoing operations. All budget revisions will require the vote and approval of City Council before any additional spending of City funds. Any year end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and the balance will be available for capital projects and/or “non-recurring” expenditures.”

*Section II.B details the current funding basis: “The City shall budget and operate on a current funding basis. **Recurring expenditures shall be budgeted and controlled so as not to exceed current revenues. Recurring expenses will be funded exclusively with recurring revenue sources to facilitate operations on a current funding basis.**”*

Per the City’s financial policies, the reduction of property tax revenue with the intent to use General Fund’s fund balance to make up for the lost revenue is not consistent with Policy unless those items are one-time expenses.

In other words, the budgeted positions for improving public safety, 4 firefighters, 2 telecommunications operators and 1 police officer should not be funded out of fund balance per the City’s adopted financial policies. However, Council always has the ultimate authority on the use of fund balance, any may choose to use fund balance to pay for these positions.

General Fund Projected Fund Balance

The General Fund is forecast to be \$1,858,277 over the 90-day fund balance policy at the end of FY23. The estimated amount will change once revenues and expenditures are closed for FY22. If the fund balance dips below the 90-day policy the City’s Financial Management Policies requires a plan to replenish the fund balance. (Section II.L last paragraph).

	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	109,315,462
Expenditure	90,570,329	106,984,484	110,711,878
Net	\$ 3,513,592	\$ (1,983,356)	\$ (1,396,416)
Ending Balance	\$ 32,589,889	\$ 30,541,045	\$ 29,144,629
Policy Minimum Balance (90 Days)	\$ 22,332,410	\$ 26,379,736	\$ 27,296,353
Amount Over/(Under) 90 Day Target	\$ 10,191,991	\$ 4,161,309	\$ 1,858,277
Days of Reserves	131	104	96

Major One-Time Costs and Recurring Costs in the FY23 Budget

The FY23 Proposed Budget contains a mixture of General Fund items that are one-time costs and recurring costs.

The FY 23 budget approved on First Reading already contains \$1,518,779 in major one-time costs. Of this, \$1,396,416¹ in expenses are currently being paid with General Fund's fund balance.

FY23 Major Items by Cost Type

Items	One-time Cost	Recurring Cost
1 Police Officer	\$72,000	\$113,865
Pay Raise +5.5% (6.5% for Police and Fire Uniformed Employees)	\$0	\$3.8M
2 telecommunications operators	\$0	\$337,081
4 Firefighters	\$0	\$436,520
Drainage Regular Maintenance Crew	\$0	\$662,000
Purchase of Police Equipment	\$200,000	\$0
Updating the Unified Development Code	\$300,000	\$0
Increase Sick buyback from 40 to 60 hours	\$211,779	\$0
Master Drainage Plan	\$435,000	\$0
Fire Radio Replacements Year 2 of 2 ²	\$300,000	\$0
Total	\$1,518,779	\$5,349,466

Reduction in Tax Revenue

Moreover, a reduction in the M&O property tax rate will reduce the amount of revenue from the TIRZ administrative charge which is “free” money to the General Fund operating from the TIRZ #2 that would otherwise go towards allowed projects. To reduce the number of days in reserve to 90 would require a \$1,858,277 reduction in General Fund revenue, split between Property Tax revenue and TIRZ Administrative Charge Revenue.

A reduction in revenues leading to the minimum fund balance policy of 90 days would involve a reduction of 0.011335 from the proposed rate. The proposed FY23 budget property tax alternative scenario will decrease the Maintenance and Operations (M&O) rate from 0.28500 to 0.273665 – reducing O&M Property Tax revenue from \$36,681,811³ to \$35,222,904 – a \$1,458,907 reduction in property taxes and General Fund revenue. With this rate, the reduction in TIRZ Administrative Revenue would be \$400,070 – decreasing from \$13M to \$12.6M.

¹ See “Net” figure for “FY 2023 Proposed” Column General Fund Income Statement

² Year 1 of 2 funded via FY22 Budget Amendment #5

³ Please note that this amount is the Property Taxes Current Taxes Account. The Budget Book shows property taxes inclusive of delinquent taxes, penalties and interests, and PILOTS, why the budget book property tax revenue on the General Fund Tab – Page 1 is larger than the \$36,681,811 in current taxes discussed here.

Combining the TIRZ reduction and further Property Tax rate reductions creates a total revenue decrease of \$1,858,277 in the General Fund.

The total rate would decrease from 0.623765 to 0.612430 by taking fund balance to offset expenditures. To date, there have not been off setting recurring costs identified, but there is a section later in this memo for a small change to make all of the recurring costs offset by use of General Fund’s fund balance.

As can be seen on the next page, the additional tax rate decrease would reduce homestead owners City property tax bills, on average, by an additional ~\$34. Paired with a proposed rate that already provides lower tax bills to residents, homestead owners bills would average ~\$91 less than what they paid in FY22.

Changes on Sample Tax Bills -- Property Tax Rate of 0.623765 Scenario

Example Property ⁴	City of Pearland Property Tax Bill Change Compared to Prior Year Proposed Rate of 0.623765	City of Pearland Property Tax Bill Change Compared to Prior Year Alternative Rate of 0.612430	Difference from Proposed Rate to Alternate Rate
Zero Growth	-\$229	-\$263	-\$34
Homestead Example 1	-\$38	-\$70	-\$32
Homestead Example 2	-\$26	-\$49	-\$23
Homestead Example 3	-\$23	-\$45	-\$22
Homestead Example 4	-\$39	-\$71	-\$32
Homestead Example 5	-\$22	-\$43	-\$21
Homestead Example 6	-\$32	-\$58	-\$26
Homestead Example 8	-\$48	-\$88	-\$40
Homestead Example 9	-\$69	-\$125	-\$56
Homestead Example 10	-\$46	-\$84	-\$38
Homestead Example 11	-\$47	-\$85	-\$38
Homestead Example Mayor	-\$61	-\$112	-\$51
Average	-\$57	-\$91	-\$34

⁴ Details on these example properties can be found at the end of this memo in Appendix A.

Restatement of actual revenue differences and impact of State Worksheet “NNR”

Potential Property Tax Rates and General Fund Revenue					
FY 23					
	FY22 Adopted Rate	"No New Revenue" Rate from State Worksheet	Alternate Rate to Extinguish Fund Balance over Policy	Proposed Rate	Voter Approval Rate Max (+3.5%) from State Worksheet
General Fund Rate(O&M)	0.309416	0.199279	0.273665	0.285000	0.289846
Debt Service Rate	0.392000	0.343765	0.338765	0.338765	0.343765
Total Property Tax Rate	0.701416	0.543044	0.612430	0.623765	0.633611
Revenue (Difference from FY22 Adopted)	\$30.1M	\$26.2M (\$3.9M less)	\$35.2M (\$5.1M more)	\$36.7M (\$6.6M more)	\$37.3M (7.2M more)
TIRZ Admin Revenue (Difference from FY22 Adopted)	\$12.7M	\$10.2M (\$2.5M less)	\$12.6M (\$100K less)	\$13.0M (\$300K more)	\$13.3M (\$600K more)
Total Revenue	\$42.8M	\$35.8M	\$47.8M	\$49.7M	\$50.6M
Revenue Change from FY22		\$7M less	\$5.0M more	\$6.9M more	\$7.8M more
Taxable Value to City	\$ 8,349,767,700	\$ 11,072,015,057	\$ 11,072,015,057	\$ 11,072,015,057	\$ 11,072,015,057
Property Tax Revenue as % of Taxable Value	0.36%	0.24%	0.32%	0.33%	0.34%

Analysis of Using Fund Balance for Recurring Costs

The positive aspect of further lowering the tax rate the full amount is that homestead owners would pay ~\$34 less in property taxes for the year. However, there are negative implications for the FY24 budget if Council chooses to override the City’s financial policies.

- First, credit rating agencies will notice that the City has elected to not follow its own financial policies. This could result in a negative change to the City’s credit rating, which would lead to higher interest rates and thus higher costs on capital projects.
- Second, being at the policy minimum somewhat increases risk by removing money that may be needed in the event of an emergency. If Council wishes to hedge itself against a potential economic recession, it may consider maintaining a fund balance above the 90-day policy minimum.
- Third, under SB2, there are tax rate implications for FY24. Reducing the O&M rate in FY23 will lower the No-New-Revenue (NNR) revenue available for O&M in FY24. As the City sells debt in FY23 the No New Revenue rate will require moving a portion of the total tax rate from O&M to Debt Service – meaning less money for O&M. This is the same issue the City is seeing with the No New Revenue Rate in FY23. Under the NNR there will likely be less O&M property tax revenue in FY24 – but the recurring costs paid for by fund balance in FY23 will remain. It is unclear if the City would be able to maintain the new staff being added in FY23 under the FY24 NNR rate. Paying for recurring costs out of fund balance would almost certainly mean less budget flexibility come FY24 – as those costs would become recognized as recurring costs (unless the positions are removed from the budget in FY24 after having been added in FY23).

- Fourth, **these are projections.** As we learned in FY22 revenues can come in higher or lower than expected. Thus, as the City reduces reserves to the policy minimum the fallout from a revenue shortfall would become more impactful due to a decreased reserve. **Of particular note is the Harris County uncertified tax rolls,** which will not be certified until after the budget and tax rate adoption. In general, last year Harris County *overestimated* the uncertified tax rolls for numerous cities who then found themselves with less property tax revenue once the rolls were finally certified after budgets and tax rates were adopted.

Alternative Proposal for small adjustment to acknowledge more one-time expenses

The City's adopted financial management policies outline that General Fund's fund balance, per adopted policy, may only be used to pay for one-time expenses. Since the reduction in property tax revenue is a recurring revenue decrease (from the proposed rate) it would need to be accompanied with reduced recurring expenses, or the use of fund balance for more one-time items.

Fund balance could be used to offset **all** of the \$1,518,779 in one-time costs. This would increase the use of fund balance by moving (\$1,518,779-\$1,396,416) \$122,363 in expenditures from recurring sources (eg; property tax revenue) to one-time revenue sources (eg; use fund balance).

If the City Council wishes to follow the current financial policies, they could reduce the property tax rate and TIRZ #2 revenue by a total of \$122,363 – maximizing the use of fund balance to reduce property taxes while adhering to financial policies. For the \$122,363, the total property tax rate would be 0.623020. The O&M rate would be 0.284255 and the I&S rate would remain at 0.338765. This rate would reduce the GF property tax revenues by \$95,888 and TIRZ administrative charge revenues by \$26,475.

Conclusion

Council is the ultimate authority on the use of fund balance and may choose to override the City's financial policies to pay for recurring costs with fund balance. As always, there are tradeoffs between following financial policies, minimizing tax burden, and providing services. The alternate proposal provides a middle ground for a further tax rate reduction while adhering to the adopted financial policies.

Question #2: Did City staff account for the fact that some residents paid 10 base charges this past year when calculating the minimum necessary FY 23 water rates in the model?

Base charges are established on a calendar year basis, and as shown below, there are 12 per cycle per year. It is important to once again state that any assertion otherwise about more or less base charges is not accurate.

2022			2022			2022			2022		
12/14/2022	12/28/2022	1/21/2023	11/19/2022	12/3/2022	12/27/2022	11/26/2022	12/11/2022	1/5/2023	12/3/2022	12/18/2022	1/12/2023
11/13/2022	11/27/2022	12/21/2022	10/19/2022	11/3/2022	11/27/2022	10/26/2022	11/10/2022	12/5/2022	11/2/2022	11/17/2022	12/12/2022
9/11/2022	9/30/2022	10/24/2022	9/18/2022	10/3/2022	10/27/2022	9/25/2022	10/10/2022	11/3/2022	10/2/2022	10/20/2022	11/14/2022
8/10/2022	8/31/2022	9/26/2022	8/17/2022	9/4/2022	9/28/2022	8/24/2022	9/11/2022	10/5/2022	8/31/2022	9/23/2022	10/17/2022
7/9/2022	8/1/2022	8/25/2022	7/16/2022	8/6/2022	8/30/2022	7/23/2022	8/13/2022	9/6/2022	7/30/2022	8/25/2022	9/19/2022
6/7/2022	7/2/2022	7/26/2022	6/14/2022	7/7/2022	8/1/2022	6/21/2022	7/14/2022	8/8/2022	6/28/2022	7/28/2022	8/22/2022
5/6/2022	6/2/2022	6/27/2022	5/13/2022	6/7/2022	7/1/2022	5/20/2022	6/14/2022	7/8/2022	5/27/2022	6/28/2022	7/22/2022
4/4/2022	5/3/2022	5/27/2022	4/11/2022	5/6/2022	6/1/2022	4/18/2022	5/15/2022	6/8/2022	4/25/2022	5/29/2022	6/22/2022
3/3/2022	4/3/2022	4/27/2022	3/10/2022	4/8/2022	5/2/2022	3/17/2022	4/15/2022	5/9/2022	3/24/2022	4/29/2022	5/23/2022
1/30/2022	3/4/2022	3/28/2022	2/6/2022	3/9/2022	4/4/2022	2/13/2022	3/16/2022	4/11/2022	2/20/2022	3/30/2022	4/25/2022
12/29/2021	2/2/2022	2/28/2022	1/5/2022	2/7/2022	3/3/2022	1/12/2022	2/14/2022	3/10/2022	1/19/2022	2/28/2022	3/24/2022
11/27/2021	1/3/2022	1/27/2022	12/4/2021	1/8/2022	2/1/2022	12/11/2021	1/15/2022	2/8/2022	12/18/2021	1/29/2022	2/22/2022
13	13*	13	12	12	12	12	12	12	12	12	12
*2nd Bill Date not assessed base charges, garbage and MUD			2 Due Dates in same month are 30 days apart.								

As covered with Council earlier this year, FY23 Rate is mainly driven by FY23 Bond Coverage Ratio. This ratio was written in the City [Bond Ordinance](#) and monitor by creditors such as TWDB. The ratio is driven by the following factors:

- $Bond\ Coverage\ Ratio = \frac{(Revenue - Operating\ Expenses)}{Current\ Debt\ Obligations}$
- FY23 Forecasted Revenue are driven by estimated future usage that based on the last 3 years of usage and system growth.
- Revenue and Expenses recorded in FY22 will not impact FY23 Bond Coverage Ratio.

Annual water revenues reported in the Annual Comprehensive Financial Report are not broken down into base charges and usage, it is strictly amounts billed during the 365-day fiscal year.

Lastly, the rate model is run through the budget process to try to best predict the revenues needed to run the business of the Enterprise Fund. The model and annual budgeting process should not to be conflated with the audit and accrual numbers of the past actual amounts used. Budget and Audit are based on different accounting standards and require significant financial expertise to compare. Despite multiple staff explanations about this, some continue to try and tie them to each other. While the outcome of the audit should track closely with the projected numbers of the budget, trying to tie the two together dollar for dollar is not an efficient use of staff

time, especially in the light of these same questions having been repeatedly answered over the past two years.

Please note as well that the rate model developed in-house by staff has been reviewed by Lechowicz & Tseng Municipal Consultants and determined to be sound and accurate for its assumptions and calculations. The final report should be available late next week.

Question #3: What is budgeted in the Infrastructure Reinvestment Fund (Streets & Sidewalks)?

The FY23 proposed budget contains \$1,593,714 for Street and Sidewalk maintenance. In FY22, additional money was added through budget amendments to increase this budget to \$2,406,453. While the FY23 proposed budget is below the FY22 Amended budget, it is a \$131,243 (9%) higher than the FY22 original adopted budget. The 9% growth represents fiscally sustainable growth not reliant on one-time influxes of General Fund cash into the fund.

On the other hand, per the City Engineer, an additional \$2.8M in annual funding is needed to maintain the Street and Sidewalk network at the current condition level. The total annual budget would need to be ~\$4.4M, a 176% percent increase, to be able maintain our street and sidewalk infrastructure quality. As infrastructure ages and is not maintained properly the cost of repairs will increase exponentially.

We should work to address this shortfall in the long-term, or else future ratepayers will bear substantially higher infrastructure costs (taxes) and worse quality street and sidewalk infrastructure.

	FY 2021 ACTUAL	FY 2022 ORIGINAL BUDGET	FY 2022 YEAR END AMENDED	FY 2023 PROPOSED BUDGET
REVENUES				
Investment Earnings	\$ 106	\$	\$ 250	\$
Transfers	1,609,752	1,462,471	2,406,203	1,593,714
TOTAL REVENUES	1,609,858	1,462,471	2,406,453	1,593,714
EXPENDITURES				
Streets	1,113,038	1,500,000	3,687,704	940,894
Sidewalks	36,549	53,000	1,294,403	652,820
TOTAL EXPENDITURES	1,149,587	1,553,000	4,982,107	1,593,714
REV OVER/(UNDER) EXP	460,271	(90,529)	(2,575,654)	
BEGINNING FUND BALANCE	966,272	90,649	1,426,543	476
Recognizing Prior Year Project Expenditures			1,149,587	
ENDING FUND BALANCE	\$ 1,426,543	\$ 120	\$ 476	\$ 476

The FY22 expenditures recognized the total programmatic funds made available since FY21. However, prior year expenditures should have been excluded. There is a line titled "Recognizing

Prior Year Expenditures” recognizing this so that funds will not be double spent. Fund balance is expected to finish on September 30,2022 at \$476.

Question #4: What is budgeted in the Debt Service Fund?

The Tax-Backed Debt Service Fund has \$47.9M in revenue budgeted. This is an increase of \$5,656,013 over the FY22 Amended Budget. The FY22 amended budget for this fund was purposefully adopted to spend down \$1.8M in fund balance to reduce the tax rate in FY22. The fund in FY23 does not have extra fund balance to perform the same tax rate maneuver in FY23. Indeed, FY23’s revenue must adjust for last year’s one time reduction in revenue while also covering increased debt service costs.

Tax-Backed Debt Service Fund Expenditures in FY 23 are budgeted to be \$46.6M – an increase of \$2,503,886. Of this, ~\$500K in additional money is budgeted for MUD rebates, which are *estimated* to cost ~\$7.75M this year. Bond Payments are increasing by ~\$2M over the FY22 amended budget. Bond payments are used to pay back debt-funded CIP projects, with the exception of Enterprise Water and Sewer projects, which are funded out of the Enterprise System.

The Debt Service Fund has been amended to reflect a somewhat smaller property tax levy for FY 23 than originally proposed and maintains \$732K over minimum fund balance given uncertainties with MUD payments and the Harris County certified valuation.

	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	\$ 43,951,802
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	47,957,223
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)	1,330,248
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	\$ 5,395,599
Reserve 10% Over Policy	\$ 7,456,647 \$ (1,569,416)	\$ 4,442,576 \$ 504,899	\$ 4,412,309 \$ (346,957)	\$ 4,662,698 \$ 732,902

More information is available on the [City’s FY23 Budget Development Website](#).



15 September 2022
 To: Mayor and City Council members
 Two open questions from presentation #3 answered herein. Clay

To: Clay Pearson, City Manager
 Trent Epperson, Deputy City Manager
 Ron Fraser, Assistant City Manager

From: Eric Roche, Budget Officer

CC: Senior Staff

Date: September 8, 2022

Re: Follow-up to Budget Presentation #3, Memo 2 additional material

Executive Summary

The third presentation of the proposed budget occurred on 8/29/22 in the City Council Chambers. A recording of that meeting is available [here](#), and a copy of the presentation can be found [here](#).

This memo contains additional responses to questions or requests for more information made by City Council during Budget presentation #3. Responses are organized by Fund and Department.

Question #1 – Why is Pearland Staff-to-Account ratio different than peers in the 2020 Raftelis study?

In the [2020 Raftelis](#) comparison of "Customer Accounts per all Meter-to-Cash FTE's", Pearland can be updated to reflect the current total number of accounts as 39,600. The Utility Billing team is currently comprised of authorized staffing to 21 FTEs.

Today, Utility Billing staff service 39,600 accounts, or 1,893 accounts per employee. This is an increase from the original Raftelis Report which showed staff servicing 1,430 accounts per employee.

Other cities examined in the study averaged 2,290 accounts per staff (not counting Pearland in this calculation). With the updated Pearland figure of 1,893 accounts per employee, Pearland's staff-to-account ratio would still place on the high end. Eliminating two positions would place us at 2,084 accounts per employee, a more favorable location among our peers.

Listed below, cities from the 2020 Raftelis report illustrate the number of offices for their city's population, along with updated account figures per all meter-to-cash FTE's.

City	Population *2020 Census	City Offices Allowing In- person payment	Customer Accts per ALL meter- to-cash FTEs *From 2020 Raftelis' report	# of Accounts	# of Meter-to- Cash FTEs	Updated Accounts per ALL meter-to- cash FTEs
Franklin, TN	80,675	1	1,128			No Response
Olathe, KS *PW techs	139,216	1	1,750	47,750	30	1,592
McKinney, TX	191,197	1	1,959	68,000	36	1,889

City	Population *2020 Census	City Offices Allowing In- person payment	Customer Accts per ALL meter- to-cash FTEs *From 2020 Raftelis' report	# of Accounts	# of Meter-to- Cash FTEs	Updated Accounts per ALL meter-to- cash FTEs
Pearland, TX (2022)	132,744	2	1,430	39,751	21	1,893
Cedar Park, TX	77,181	1	1,656	22,772	11	2,070
Benchmark City Average						2,074
Frisco, TX	188,387	1	1,696	66,000	31	2,129
Town of Cary, NC	169,177	1	4,252	67,724	31	2,185
League City, TX	105,410	1	1,854	36,494	16	2,281
Sugar Land, TX	118,563	1	2,590	39,000	17	2,294
Central Arkansas Water	450,000	1	3,727	137,535	59	2,331

Worth noting: Pearland is the only city staffing two separate in-person counter locations at present.

If the priority is to reduce costs, a simple measure that Staff can explore is closing the Public Safety Building (PSB) location and consolidating the Staff at the Annex by placing kiosks at both the PSB and possibly at the West Pearland Library on Shadow Creek Parkway.

The cost of kiosks is approximately \$75,000 each. From August 2021 to Aug 2022, the Annex saw 14,959 in-person and phone payments handled at this location. PSB saw 12,939 in-person and phone payments handled at this location. During that same time period, there were 174,247 electronic payments. **In-person and phone payments are only 13.8% of all payments accepted.**

Not staffing the PSB will allow the current staff to interchange from the cashier window to the back office to process phone calls and emails more efficiently at one location. Should staff consider closing the PSB counter we could reduce positions through attrition. Having two locations to staff requires multiple positions to cover for absences, sick days, etc.

In addition, recruitment has been difficult as it is with other City operations, with a smaller pool of applicants and more options for other employment at higher pay rates.

With the current concerns of high call volume equating to longer wait queues, and the delay of the AMI project, Staff continues to strive to provide positive, timely customer service. Currently, Utility Billing is short 1 CSR II and 3 CSR Is and continues to operate two locations, taking payments, responding to customer concerns, and processing new and terminated service requests, answering over 2,500 phone calls and over 1,100 emails monthly with 3 CSR Is (plus one in training/just hired 8/29), 1 CSR II and 1 Customer Service Supervisor.

One staff member processes EPW and Finance monthly reports regarding solid waste accounts, MUD fees, and consumption reports for state reporting. Staff member also processes over 5,000 delinquent robocalls and notices, along with collaborating the shut offs and reconnections of non-pay accounts with the Customer Service and Meter Technician Teams. In addition, this Staff member is the contact for Frontier Waste Solutions issues and payment arrangements for the Customer Service Team.

Until this month, Customer Service Staff was also balancing other departments' daily receipts, a process entailing an extra 1 to 2 hours of work away from phones, emails and foot traffic. As of September 1st of this year, each department is responsible for balancing their daily receipts with Finance, not Utility Billing.

To that end, the Billing team has been assisting with phone calls, and assuming the tasks of new service and termination service processes from customer service. Recently, the billing team is short one team member, along with one meter technician, both promoted within the City to other divisions.

In addition to standard duties performed, any meter not read by AMI/AMR is read manually and *not* estimated like many other localities do. We have a high usage audit preemptive process which includes meter techs validating meter reads and managing our top 100 residential users via auto email, notifying them that their next bill is going to be high. **Staff cannot speak to the level of customer service or enhanced high usage auditing provided by the other cities.**

All in all, the Utility Billing function, complete with staff/personnel costs, represents 3% of the entire Enterprise Operating Fund. Debt Service for Capital Improvement Projects make up the majority of the Enterprise Fund. While leadership is always keen to ensure we are adequately managing our resources, attempting to balance the Enterprise Fund with fewer of some of the City's lowest-paid employees will not significantly impact rates.

Question #2: What was the estimated revenue for the original fees proposed by Fire Marshal's office? What is the proposed revenue with the three fees moving forward?

FY23 estimated revenue for the original proposed Fire Marshall Fees was projected to be \$61,750 based on the estimated number of inspections and the proposed fee. With the scaling back of the proposed fees to the three currently proposed one-time fees, FY23 revenue is currently estimated at \$1,625. These revenue amounts are not currently reflected in the FY23 budget.

Eric Roche

From: Clay Pearson <CPearson@pearlandtx.gov>
Sent: Wednesday, September 21, 2022 11:20:20 PM
To: Eric Roche <eroche@pearlandtx.gov>; Amy Buckert Johnson <ajohnson@pearlandtx.gov>
Cc: Manager's Office <DL-ManagersOffice@pearlandtx.gov>; Budget <Budget@pearlandtx.gov>; Darrin Coker <DCoker@pearlandtx.gov>
Subject: Fwd: Councilmember Hernandez proposal

Please include this on the budget agenda item for second reading. Clay

Get [Outlook for iOS](#)

Clay Pearson

City Manager | Administration
City of Pearland | 3519 Liberty Drive | Pearland, TX 77581
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pearlandtx.gov
[Click here for COVID-19 Updates](#) | [Click Here to Utilize Online Features](#)

Get Connected:



From: Adrian Hernandez <ahernandez@pearlandtx.gov>
Sent: Wednesday, September 21, 2022 10:36:32 PM
To: Clay Pearson <CPearson@pearlandtx.gov>
Subject: Re: Councilmember Hernandez proposal

👍 Thank you for the succinct summary.

Adrian Hernandez

Councilmember Position 4 | City Council
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From: Clay Pearson <CPearson@pearlandtx.gov>
Sent: Wednesday, September 21, 2022 20:48
To: Adrian Hernandez <ahernandez@pearlandtx.gov>

Cc: Ron Fraser <RFraser@pearlandtx.gov>; Amy Buckert Johnson <ajohnson@pearlandtx.gov>

Subject: Fwd: Councilmember Hernandez proposal

Please confirm so we can put into packet for the mandatory budget and property tax rate agenda items consideration. Thanks. Clay

Per our conversation this evening, Councilmember Hernandez is proposing the following:

- **Cuts** in the amount of **\$1,423,447** (highlighted items in the table below)
- A **property tax revenue reduction** by another 1.84 cents on O&M, from .2850 to .266600 (a revenue reduction of **\$3,016,149**) from forgoing both tirz revenue and property tax revenue
- **Difference of \$1,592,702 is proposed to come out of fund balance. Recognizing that we will not be doing the investments in new positions except for drainage maintenance which would have portion of that recurring revenue offset by fund balance.**

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



6

9/12/22

FY23 Proposed Budget 1st Reading

7

Thanks –
Amy

Amy Buckert Johnson
 Chief Financial Officer | Finance
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ECONOMYCAPITAL ACCOUNT

Markets Brace for Hard Landing as Fed Delivers Sobering Message

Wall Street sees inflation-taming efforts as likely to result in a recession



By *Greg Ip* [Follow](#)

Sept. 22, 2022 5:30 am ET

This time, markets understood quite clearly what the Federal Reserve meant: Inflation is too high and it will likely take a recession to get it down.

There is really no other way to interpret the economic and interest-rate projections Fed officials released Wednesday, and Chairman Jerome Powell's accompanying remarks.

Markets expected the Fed to raise its interest-rate target by 0.75 percentage point, to a range of 3% to 3.25%, but not that officials would also project rates would reach 4.6% in a year's time, up sharply from the peak 3.8% rate projected in June.

The revisions to officials' economic outlook were less surprising, but just as sobering. Until this week, officials had projected what has been dubbed "immaculate disinflation": Inflation, now running above 8%, would fall sharply to around 2%, with virtually no increase in unemployment.

Such a combination hasn't occurred in the post-World War II era. Now, though, policy makers see unemployment reaching 4.4% in a year, compared with 3.7% now and a recent low of 3.5%. Since 1948 that magnitude of increase has occurred only in or around recessions.

It is unprecedented for the Fed to predict so steep a rise in unemployment "before a recession has already begun," Derek Tang of LH Meyer/Monetary Policy Analytics, a financial-research firm, wrote on Twitter. "They are trying to tell us there will be a hard landing; there is no other way."

In July, markets rallied on remarks by Mr. Powell that were interpreted as foreshadowing a pivot to rate cuts. That interpretation turned out to be wrong, and on Wednesday, investors didn't repeat the mistake. Major stock-market indexes ended the day sharply lower, and two-year Treasury bond yields moved further above 10-year yields. Such yield-curve inversions have preceded every recession since 1980.

Mr. Powell didn't sugarcoat things. Inflation has to come down, he said, and that requires a softer labor market. "I wish there was a painless way to do that. There isn't," he told reporters.

Elaborating, he said, "No one knows whether this process will lead to a recession or, if so, how significant that recession would be." It depends, he noted, on how quickly wage and price pressures subside, which in turn depends on whether people continue to expect a return to 2% inflation, and whether the supply of labor improves.

He didn't repeat, as he has in earlier news conferences, hopes for a soft landing, which is a slowing in growth sufficient to reduce inflation without a recession. "The chances of a soft landing are likely to diminish to the extent that policy needs to be more restrictive, or restrictive for longer," he said, which is precisely what the Fed just warned lies ahead.

Yet there were enough mixed signals to raise questions about whether the Fed does in fact plan to do enough to bring inflation down. For one thing, officials still expect economic growth of 1.2% next year, which is more like a soft landing than a recession—and stronger than the expected rise in unemployment would typically entail.



Moreover, 4.6% isn't, in the scheme of things, a very high interest rate, compared to the task at hand. To slow growth and reduce inflation the Fed must typically push real interest rates (the nominal rate minus inflation) well into positive territory. Stripping out volatility from energy and other factors, Mr. Powell suggested underlying inflation today is around 4.5%. If so, then 4.6% is around zero in real terms.

So how, then, does inflation fall to 3.1% (excluding food and energy) in a year, as Fed officials project? They implicitly assume much of it will happen painlessly as supply-chain disruptions ease and rising labor-force participation reduces wage demands. This is plausible; yet as Mr. Powell admitted, that has been the expectation since the start of the year and it hasn't happened. There has been, in recent months, some relief in the form of falling energy costs and improved supply chains, but that has been swamped by upward pressure on prices of almost everything else—a result of a strong job market still delivering 10% annual growth in wage and salary income.

So Mr. Powell has delivered, and markets got, a pessimistic message. It isn't clear that it is pessimistic enough.

Write to Greg Ip at greg.ip@wsj.com

Inflation and the Economy

Analysis from The Wall Street Journal, selected by the editors

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Are We in a Recession Now?

Appeared in the September 23, 2022, print edition as 'Markets Now Brace for a Hard Landing'.

<https://www.wsj.com/articles/the-trouble-with-butter-tight-dairy-supplies-send-prices-surging-ahead-of-baking-season-11663846684>

The Trouble With Butter: Tight Dairy Supplies Send Prices Surging Ahead of Baking Season

High costs for farmers and labor shortages mean lofty prices for the spread; 'I have kind of a butter army'

By Jesse Newman

Updated Sept. 22, 2022 4:13 pm ET

All the world's inflation woes are melting into a stick of butter.

Lower milk production on U.S. dairy farms and labor shortages for processing plants have weighed on butter output for months, leaving the amount of butter in U.S. cold storage facilities at the end of July the lowest since 2017, according to the Agriculture Department.

Tight supplies have sent butter prices soaring at U.S. supermarkets, surpassing most other foods in the past year. U.S. grocery prices in August rose 13.5% during the past 12 months, the largest annual increase since 1979, according to the Labor Department. Butter outstripped those gains, rising 24.6% over the same period.

The forces at work in butter highlight the challenge of curtailing inflation. Economic pressures fueling high prices for livestock feed, labor shortages and other factors could persist, keeping prices for the kitchen staple elevated longer term.

On average, butter prices hit \$4.77 per unit in the four-week period ending Aug. 27, the highest level since at least 2017, according to Nielsen.

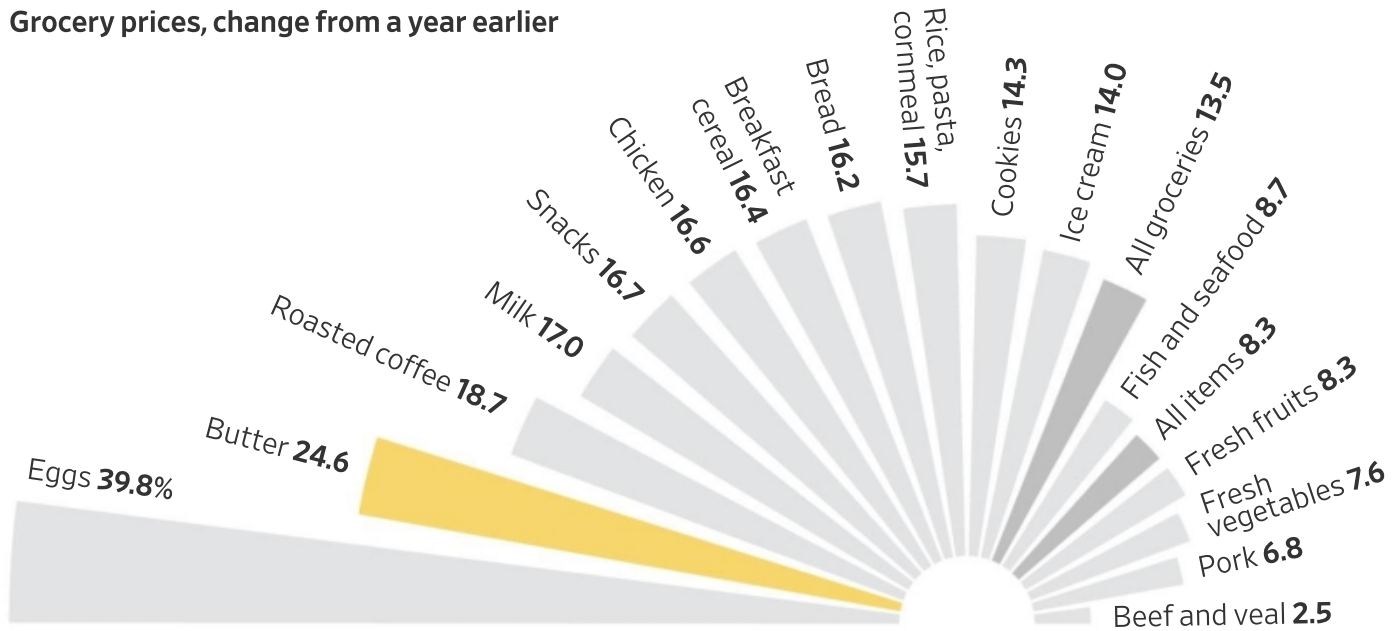
While consumers pay up for butter, some U.S. producers are working to squeeze out more sticks ahead of the busy holiday baking season.

Joe Coote, chief executive of Washington-based Darigold Inc., a major U.S. dairy processor, said the company is trying to open up more production capacity at its two butter plants in the Northwest. Mr. Coote said Darigold is looking for ways to run its butter churns and packaging lines more quickly, and with less down time.

“We want to run the assets we have harder when we can get more milk off farm,” Mr. Coote said.

The problem for butter starts with milk. The U.S. dairy herd contracted last year as farmers’ costs surged. Rising expenses tied to feed, labor and other goods have pinched farmers’ margins despite record-high milk prices.

Grocery prices, change from a year earlier



Note: As of August 2022.
Source: Labor Department
Jemal R. Brinson/THE WALL STREET JOURNAL

Fewer cows resulted in less milk for butter churns, which pump out much of their butter in the first half of the year to be stored ahead of strong demand from home bakers during the winter holidays. Milk production through June declined by 1%, a sizable loss compared with the typical 1.5% and 2.5% annual growth, dairy economists said, though farmers have been rebuilding their herds, boosting milk production since then.

In the U.S. dairy industry’s hierarchy, bottlers typically get first dibs on milk, then manufacturers of goods such as ice cream, yogurt and cheese. Much of what’s left winds up in butter, exacerbating the squeeze for butter churns in periods of short supply. That is especially true in recent years as dairy processors have brought new or expanded cheese plants online, boosting demand for milk to turn into cheese, dairy executives and economists said.

Labor shortages have prompted some butter makers to reduce or idle production, according to Tanner Ehmke, an economist at agricultural lender CoBank.

Marshall Reece, a senior vice president at Minnesota-based Associated Milk Producers Inc., said the company's butter production is down between 5% and 10% this year compared with pre-pandemic years due to short staffing. Starting in 2021, AMPI has struggled to fully staff evening shifts at its butter plant in New Ulm, Minn., reducing the number of production lines it can run.

"It's the second shift that typically runs over family time that's become harder and harder to fill," Mr. Reece said.

Following declines in 2021, U.S. butter production fell 2% through July, according to USDA. Butter in cold storage facilities during the same period dropped 21% to 314 million pounds.

Prices of commodity butter traded on the Chicago Mercantile Exchange have soared nearly 40% this year, reaching more than \$3.20 per pound during trading this month, the highest on record.

Shifts in global trade patterns have taxed butter supplies. Since 2016, the U.S. has imported more butter than it exported, from countries such as Ireland and New Zealand. That dynamic reversed in 2021, with U.S. exports this year through July surging 30% versus the same period last year as higher butter prices in foreign markets earlier this year made U.S.-produced butter more attractive, according to federal data and dairy economists.

Dairy executives and economists say rising costs are pressuring manufacturers' profit margins. Prices for cream, a key component of butter, have soared in recent months, with some butter makers opting to sell cream to manufacturers of goods, such as ice cream, rather than churn it into butter.

Competition for cream has grown in recent years as U.S. consumers turn to higher-fat dairy products, eating more sour cream and drinking 2% or whole milk over skim, CoBank's Mr. Ehmke said.

Trevor Wuethrich, president of Wisconsin-based Grassland Dairy Products Inc., said his company is searching for cream to make more butter this fall as customers place larger-than-normal orders. At the same time, he said butter makers are trying not to overproduce.

“What happens when orders stop? Now everyone is holding \$3 butter and the market crashes,” Mr. Wuethrich said.

AMPI’s Mr. Reece said he has warned retailers not to discount butter too aggressively during the holiday season, telling them: “Don’t go crazy. You can’t have a fire sale on butter, we won’t be able to supply you.”

Kristi Peterka, a factory worker who recently began selling baked goods in Yankton, S.D., said she has been furiously stocking up on butter during store sales, adding to the roughly 40 pounds she has stacked in an extra refrigerator.

Since she began selling homemade desserts a year and a half ago, local butter prices have surged 30% to \$5.19 per pound, Ms. Peterka said. Recently, she said a nearby supermarket offered butter for one day for \$1.68 per pound, with a limit of 2 pounds per purchase. During such sales, Ms. Peterka said she enlists help, sending her parents and in-laws shopping, too.

“I have kind of a butter army,” Ms. Peterka said.

How Is Inflation Hitting You?

Numbers current as of August 2022.

Pick the items that you purchase regularly to see how inflation affects you personally.

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8.26%

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Corrections & Amplifications

Tanner Ehmke is an economist at agricultural lender CoBank. An earlier version of this article misspelled his surname as Emkhe. (Corrected on Sept. 22)

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Appeared in the September 23, 2022, print edition as 'Butter Cost Rises on Tight Supply'.

<https://www.wsj.com/articles/the-market-still-isnt-priced-for-a-proper-recession-11663857523>

MARKETSSTREETWISE

The Market Still Isn't Priced for a Proper Recession

Markets are doing what they always do, hoping against hope that there's no recession, or at least a very mild one, right up to the last minute

By James Mackintosh

Sept. 22, 2022 10:38 am ET

The stock market is almost always late to wake up to the threat of recession, but it's increasingly hard to miss the warnings from the Federal Reserve. Not only might there be a recession, but the Fed has no intention of stepping in to save investors this time.

The problem is one I've been banging on about all year: Investors still aren't factoring in much threat to earnings, even though recessions almost always hit earnings hard. Instead, most of the fall in stock prices has been due to rising rates lowering valuations. There's been an acceptance of slightly lower earnings for this year, at least when the oil windfall boosting energy companies is excluded, but Wall Street continues to predict decent profit growth next year.

Put another way: Investors still hope for a fairly soft landing. The problem is that the Fed has clearly lost confidence in its own ability to engineer an economic slowdown that avoids recession. As that message sinks in, expect stock prices to sink further.

The key question, of course, is how much risk to earnings is priced in already. After all, stocks are down 20% this year and only 3% above their June low, confirming that the bear market continues.

One approach is to compare now to before the pandemic. Of the current members of the S&P 500, 85% have higher forecast earnings per share for the next 12 months than they did in February 2020. At the same time, 81% trade at lower multiples of those forecasts.

This divergence reflects two obvious factors, and a third up for debate. The first is the pandemic itself, which boosted the earnings of many of the tech firms that dominate the

market, and overall profit margins. The second is the valuation of their future growth, reduced by the Fed pushing up interest rates.

The third factor that explains the difference is the risk to future growth. Earnings forecasts don't come with probabilities, so if I think there's more danger of a recession I should put less value on those future earnings. The bull case would be that this is already happening, hence the lower valuation, so investors won't be shocked by a recession. After all, a majority of fund managers surveyed by Bank of America already say that a recession is likely, the highest since 2020 and before that 2009.

There is definitely some of this recession prep going on. But the strong link between forward price-to-earnings ratios and real rates, as captured by the yield on 10-year Treasury inflation-protected securities, shows that still most of the decline in stocks this year wasn't about the threat to earnings, merely the mechanical effect of the Fed. That's backed up by the biggest losers being the most extreme growth stocks, which in principle ought to be less affected by recession than sellers of less innovative products.

There hasn't been a lot of recession preparation in the bond markets, either. The most reliable bond market predictor of downturns is the three-month Treasury bill yield rising above the 10-year yield, which has yet to happen. A bit of worry was visible in the bond market on Wednesday, with the 10-year yield dropping even as the two-year yield rose—implying investors expect higher rates to slow the economy enough to allow lower rates on average over the decade—but such moves have been rare this year.

It's also hard to price a recession when there's so much money sloshing around and the jobs market is so strong. Pandemic-era savings are being used up but are still high. There are almost two job vacancies for every job seeker, and despite the drumbeat of big companies cutting back staff, last week initial jobless claims hit their lowest level since 1969, when not adjusted for seasonality. Those paid hourly who switched job got a median pay rise of 8.4% annualized in the three months to August, according to the Atlanta Fed, the highest since its data started in 1997 and higher than the Fed's preferred measure of inflation.

In normal times this would be great news. Strong consumers mean a stronger economy, higher profits even after paying bigger wages and good times on Wall Street. But when the Fed is deliberately trying to weaken the job market and limit wage rises, signs of strength in the economy just mean even more Fed action is needed to crush it.



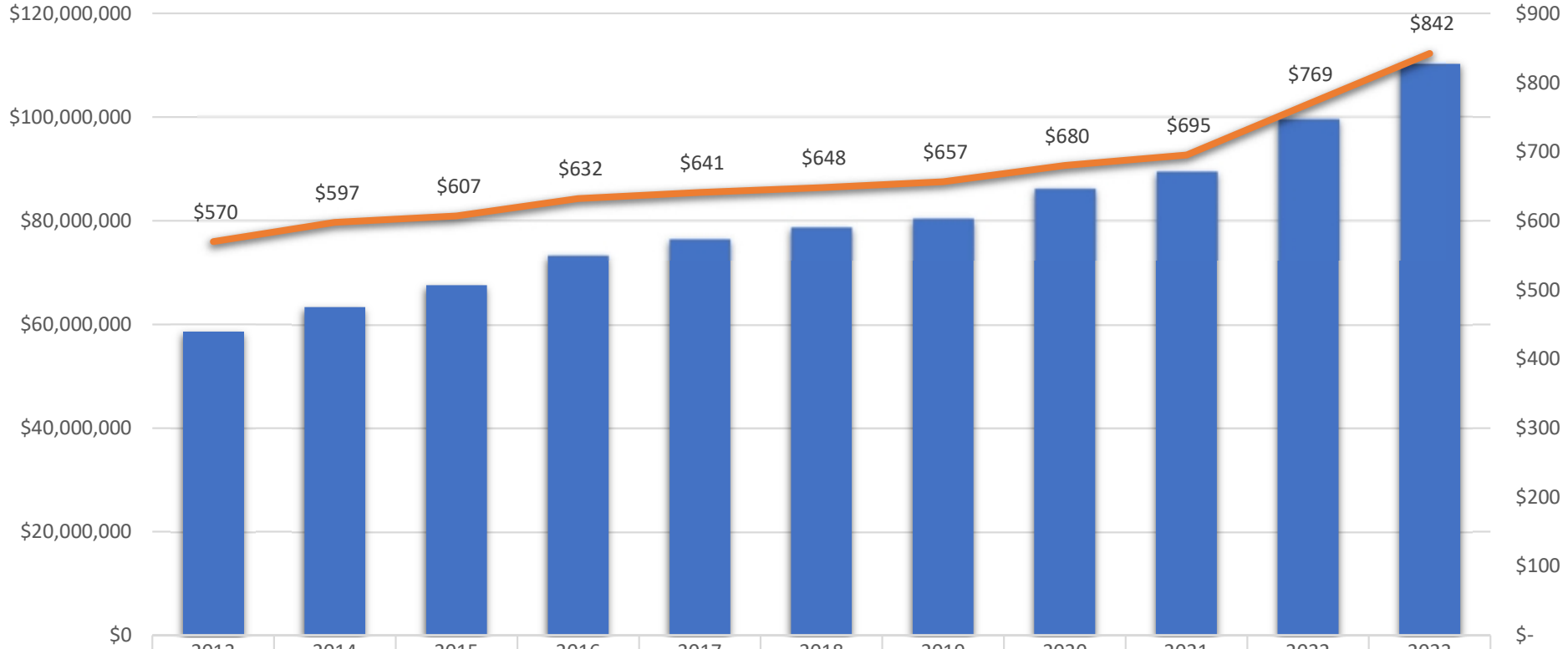
My view is that the markets are doing what they always do, hoping against hope that there's no recession, or at least a very mild one, right up to the last minute. I was hoping for such a benign outcome earlier this year, but it now seems unlikely. Historically it has occasionally worked out, as in the 1990 recession, when earnings barely dropped and the S&P bottomed out with a 19.9% fall, or the 1994 soft landing, when stocks fell less than 10%.

Usually it doesn't work out, however, and the drop in valuations is merely the first step, as recession eviscerates earnings expectations and leads to another leg down in share prices. I'll be a buyer when a recession like this starts to be priced in.

Write to James Mackintosh at james.mackintosh@wsj.com

Appeared in the September 23, 2022, print edition as 'Market Still Isn't Priced for Recession'.

Pearland General Fund Expenses Per Citizen



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
■ Pearland General Fund	\$58,575,000	\$63,349,000	\$67,520,000	\$73,273,000	\$76,454,035	\$78,716,000	\$80,424,000	\$86,212,000	\$89,471,000	\$99,624,000	\$110,256,000
— Cost per Pearland Citizen	\$570	\$597	\$607	\$632	\$641	\$648	\$657	\$680	\$695	\$769	\$842

Notes

1. Budget data from City of Pearland
2. Population estimates from City of Pearland population website and US Census Bureau

CITY OF PEARLAND

Fiscal Year 2022-2023

Budget Cover Page

This budget will raise more revenue from property taxes than last year's budget by an amount of \$10,757,831, which is an 18.28 percent increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$1,466,831.

The members of the governing body voted on the budget as follows:

FOR:

AGAINST:

PRESENT and not
voting:

ABSENT:

Property Tax Rate Comparison

	2022-2023	2021-2022
Property Tax Rate:	\$0.628765/100	\$0.701416/100
No-New-Revenue Tax Rate:	\$0.543044/100	\$0.735485/100
No-New-Revenue Maintenance & Operations Tax Rate:	\$0.245649/100	\$0.321489/100
Voter-Approval Tax Rate:	\$0.633611/100	\$0.737016/100
Debt Rate:	\$0.343765/100	\$0.392000/100

Total debt obligation for CITY OF PEARLAND secured by property taxes:
\$44,123,666