



AIR-23-364
AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS

AGENDA OF: City Council Workshop - Aug 12 2023
DATE SUBMITTED: Aug 04 2023 **DEPT. OF ORIGIN:** Finance Department
PREPARED BY: Daniela Oliva

SUBJECT: **Staff Presentation** – Overview and discussion regarding the Fiscal Year 2024 Proposed Budget.

ATTACHMENTS: [FY24 Budget Presentation to Council - Presentation #1](#)

FUNDING:

<input type="checkbox"/> Grant	<input type="checkbox"/> Developer/Other	<input type="checkbox"/> Cash
<input type="checkbox"/> G.O. Bonds To Be Sold	<input type="checkbox"/> G.O. Bonds - Sold	<input type="checkbox"/> Rev. Bonds to Be Sold
<input type="checkbox"/> Rev. Bonds - Sold	<input type="checkbox"/> C.O.'s To Be Sold	<input type="checkbox"/> C.O.'s - Sold

EXECUTIVE SUMMARY

BACKGROUND

The Fiscal Year 2024 (FY24) Proposed Budget presentation allows staff the opportunity to present the entire FY24 Budget for discussion by City Council. The Proposed Budget document can be found at [Fiscal Year 2024 Budget Development | City of Pearland, TX \(pearlandtx.gov\)](https://www.pearlandtx.gov/fiscal-year-2024-budget-development). All updates and meeting materials will be posted to this website throughout the scheduled workshops, public hearings and ordinance readings. The FY24 budget has been prepared in an effort to clearly communicate to the citizens and staff of the City the overall policies and goals of the City Council and City Management and who we are and what we do, thereby enabling the reader to gain valuable information about the City without requiring detailed accounting or budgetary knowledge. The budget document includes descriptions of various activities and programs (departments) of the City and comparative performance indicators for each program or activity, where available.

SCHEDULE

- August 12th @ 8:30 a.m. (Saturday) - Budget Discussion #1
- August 4th - Proposed Budget filed
- August 14th - Vote on Proposed Tax Rate
- August 21st - Budget Workshop #2
- August 23rd - Advertisement of Proposed Tax Rate
- August 28th - Budget Discussion #3
- August 30th-Notice of Budget Public Hearing Published
- September 11th-First reading of FY24 Budget and Tax Rate Ordinance, Budget Public Hearing, Adoption of FY24-28 CIP
- September 25th-Second reading of FY24 Budget Ordinance and Tax Rate Ordinance, Tax Rate Public Hearing

CURRENT AND FUTURE CIP FUNDING/FINANCIAL IMPACTS/DEBT SERVICE

[Publish](#)

City of Pearland FY24 Proposed Budget

Realigning for Resilience



Realigning for Resilience

Realigning: To change to a different position or state; readjust; reorient

Resilience: The capacity to withstand or recover quickly from difficulties; flexibility; durability; strength



Realigning for Resilience

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

Staff and leadership are energized and passionate about meeting the priorities set by Council. The FY24 budget boosts invests in high-priority areas while taking care of those who serve.



Framing the FY24 Budget

- FY23 \$1.3 billion Valuation Error and the ensuing \$.07765 drop in the tax rate
- FY23 Operating Deficit of \$7.06 million
- FY24 includes only a 1.5% increase in expenditures over FY23
- Absorbs a significant cost increase for property insurance
- Restores Motor Pool Lease Payments
- Structurally Balanced Budget
- Using existing resources for maximum efficiency
- Competitive compensation package
- Focus on our Strategic Priorities and Milestones



January/Feb. Assumptions for FY24 Versus Proposed Budget – General Fund

Assumption	Jan/Feb 2023	FY24 Budget	Comments
Estimated FY23 Beginning Fund Balance	\$33.71M	\$34.66M	+\$0.95M
Est. FY23 Revenue	\$106.5M	\$105.5M	-\$1.0M
Tax Rate @ 10% Growth	\$0.6435 to 0.674	\$0.6554	
Growth for non-personnel recurring expenses (inflation)	3.0%	3.0%	
Market Adjustment + Step Plan	4.5%	4.5%	
Supplementals	\$0.5M	\$1.16M	
Vehicle Replacements	\$0.5M	\$0	Used Motor Pool Unallocated Balance
Streets & Sidewalks	\$1.6M	\$1.3M	
Add to Drainage Fund	\$0.125M	\$0.125M	
Sales Tax Growth	4.0%	3.5%	
Other GF Revenues Growth	2 – 3%	2.6%	Not including TIRZ Admin Fee
Sick Leave Buyback	60 hours	60 hours	
Ending Fund Balance Above Policy Minimum	\$0.5M	\$0.71M	



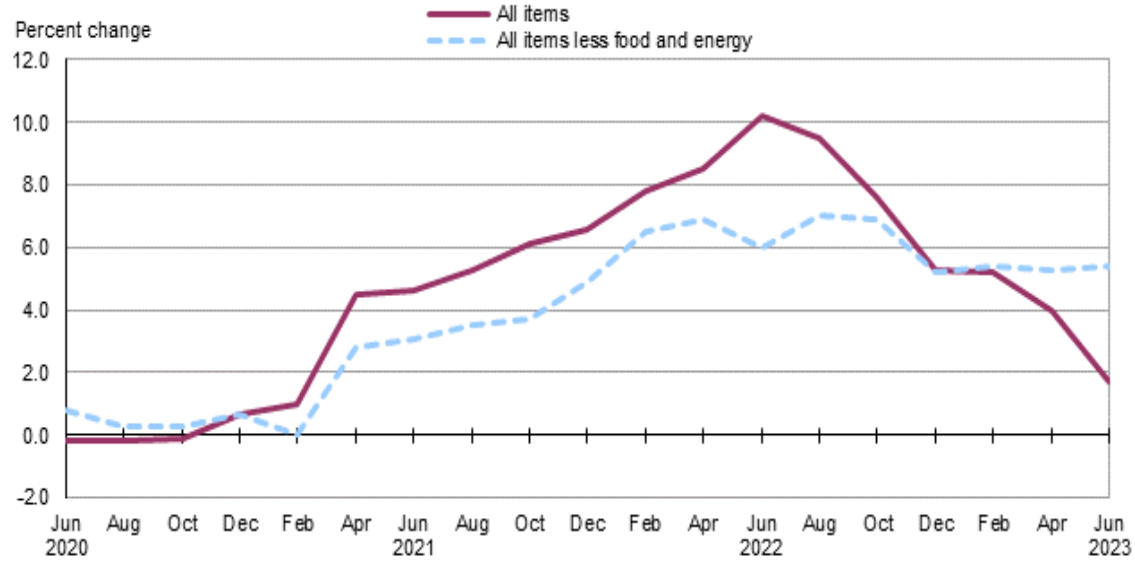
Valuing Our Staff

- The FY22 Compensation & Classification Study was fully implemented with the FY23 Budget. (Estimated impact over 2 years-\$5,512,260)
- The annual compensation goal of the City is to provide competitive market and step adjustments in order to ensure employees are on pace with the market, and future compensation studies have a less significant budget impact.
- For upcoming FY 24, employees eligible to receive a 4 or 5% effective raise.
 - 2% market adjustment and 2% step for non-Uniformed Public Safety employees
 - 2% market adjustment and 3% step for Uniformed Public Safety unless at max step
 - Non-Exempt employees at max step will receive 2% of their base salary as a lump sum compensation. For Civil Service it will be paid on their anniversary date in rank.
 - 60 hours of sick buyback
- Adjusted certification pay for Civil Service employees to match market rates.



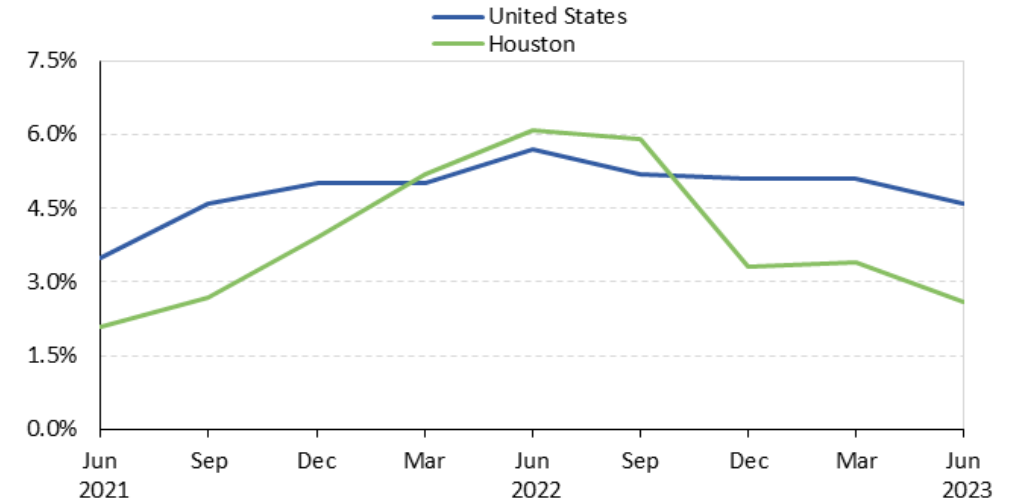
Inflation

Chart 1. Over-the-year percent change in CPI-U, Houston-The Woodlands-Sugar Land, TX, June 2020–June 2023



Source: U.S. Bureau of Labor Statistics.

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



Source: U.S. Bureau of Labor Statistics.

What is *not* in the FY24 Budget?

- Additional \$2.9 Million in Street Funding needed to maintain the transportation infrastructure
- 65 General Fund vehicles/equipment eligible for replacement \$4.4M replacement cost.
- \$3.3 million in supplemental staffing requests in the General Fund
 - \$2.8 million department requests in Public Safety Staff
 - \$275,000 in Parks & Recreation Staff
 - \$782,000 in Internal Service Department Staff
- \$3M in non-personnel requests – primarily in IT technology replacements
- Contribution to the Capital Replacement Fund for the IT and Facilities Internal Service Funds was not included in FY24.

FY24 Major General Fund Property Taxes



Major Changes from Printed Proposed Budget Book to Today

- Truth in Taxation Cover and Transmittal Letter - A typo correction to the debt service rate has been made
 - Updated on the Website
 - Handout provided today
- General Fund Expenditures Reduced to \$114,033,168
 - Reduced Parks - Parks mowing contract by \$210,195 to offset the Parks Maintenance Crew
 - Reduced Police - Animal Veterinary Control contract and added .5 FTE for PT Veterinarian for a savings of \$13,919 in total.



The Big Picture General Fund

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

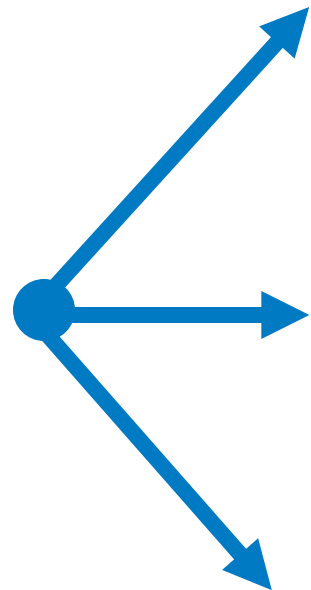
General Fund's Fund Balance is above the 25% policy minimum.

- FY24's ending fund balance is projected to be 25%, or 92 days.

	FY 2022 Actual	FY 2023 Amended	FY 2024 Proposed
Beginning Fund Balance	\$ 32,524,401	\$ 34,657,543	\$ 27,598,165
Revenue	104,807,787	105,543,391	115,263,443
Expenditure	102,680,185	112,602,769	114,033,168
Net	\$ 2,127,602	\$ (7,059,378)	\$ 1,230,275
Ending Balance	\$ 34,657,543	\$ 27,598,165	\$ 28,828,440
Policy Minimum Balance (90 Days)	\$ 25,318,402	\$ 27,571,710	\$ 28,117,767
Amount Over/(Under) 90 Day Target	\$ 9,339,142	\$ 26,456	\$ 710,673
Days of Reserves	123	90.09	92

No-New Revenue Rate vs Voter-Approval Rate

Staff completed the tax worksheet calculations which were validated and signed by Assessments of the Southwest



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



This is similar to the old “rollback rate”, but with a lower trigger for election (8% vs 3.5%), and election is automatic, not petitioned

FY24's Rate is below the Voter Approval Rate and above the No New Revenue rate



This rate works towards addressing the issues created by the FY23 tax valuation error.

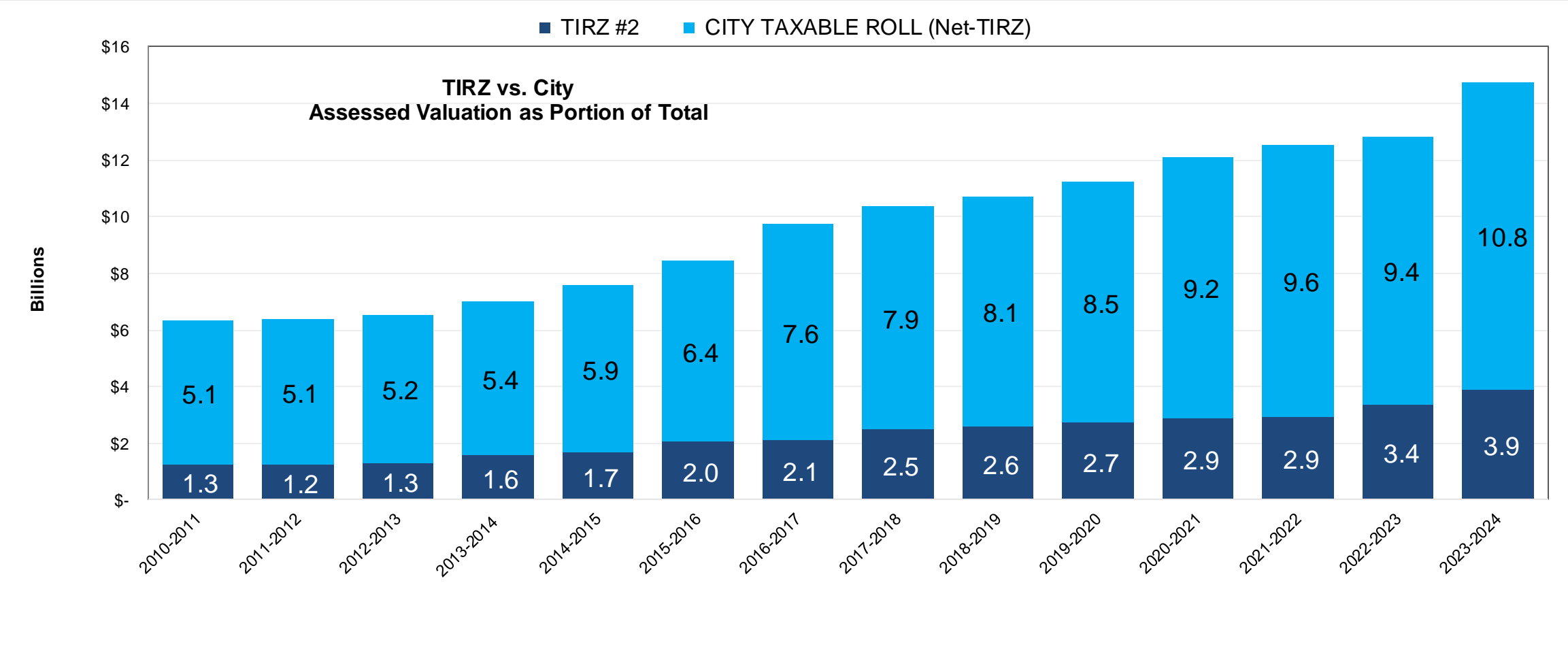
No-New-Revenue Rate
• Would bring in \$16.9M less than the proposed FY24 rate.



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



FY24 Taxable Values



Proposed Property Tax Rate for FY24

$$0.322500 + 0.332900 = 0.655400$$

Maintenance & Operations
Rate

Debt Rate

Total Proposed Property
Tax Rate



Proposed Property Tax Rate

	FY 2021	FY 2022	FY 2023	FY24 Proposed	Change from Last Year	Change from FY21 to FY24
O & M Rate	0.305	0.32	0.285	0.3225	.0475	-0.0175
Debt Rate	0.415	0.39	0.338	0.3329	-0.005	-0.0821
Total Rate	0.72	0.71	0.62	0.6554	0.035	-0.0646
O&M %	42.4%	44.7%	44.7%	49.21%		
DS %	57.6%	55.4%	55.4%	50.79%		

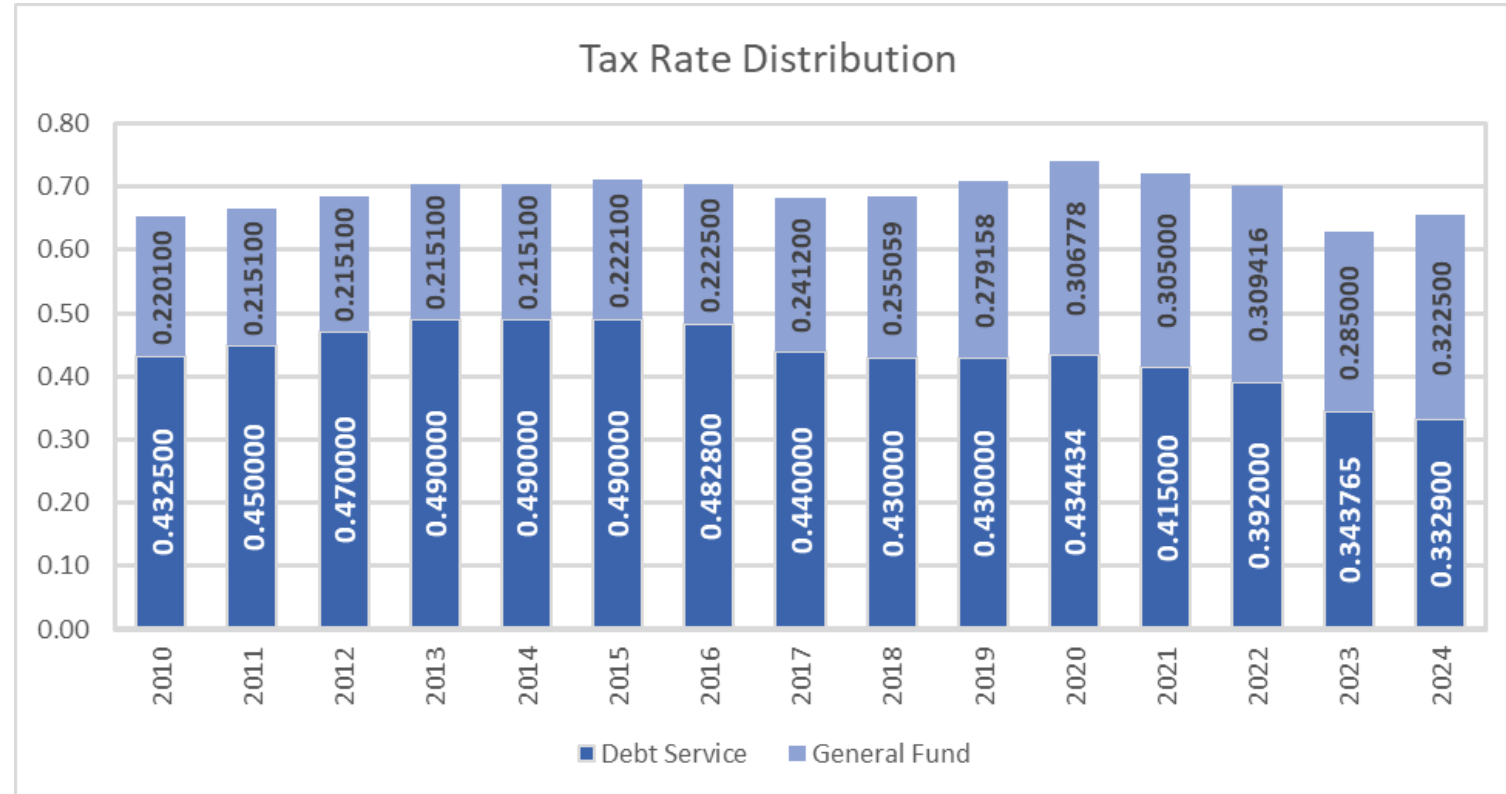
6.4¢ decrease in four years



Property Tax Revenue

- FY21, FY22 and FY23 were adopted below the NNR.
- FY24's rate is proposed below the Voter-Approval-Rate and uses a portion of prior years' unused increment that is a part of Voter-Approved calculation.
- \$39.8M in current collections to the General Fund; \$41.3M to Debt Service Fund.

FY24 is a 3.1635¢ increase in total rate from FY23



Property Tax Revenue

- State of Texas Tax worksheets from Assessments of the Southwest are included in pocket of binder.
- General Fund O&M rate increased from .2850¢ in FY23 to .3225¢ in FY24.
- Debt Service Tax Rate decreased from .338765 cents in FY23 to .3329 cents in FY24.

Comparison of Potential Property Tax Rate and Revenue				
General Fund and Debt Service Property Tax Rates	FY2023 Actual Rates & Amended Budget	Fiscal Year 2024*		
		(1) Proposed Tax Rate	(2) No New Revenue Rate (formerly Effective Tax Rate)	(3) Voter Approval Rate (formerly Rollback Tax Rate)
General Fund (O&M)	0.285000	0.322500	0.218775	0.381866
Debt Service (including in-City MUD rebate obligation)	0.338765	0.332900	0.332900	0.332900
Total	0.623765	0.655400	0.551675	0.714766
G.F. Property Tax Revenue + TIRZ Admin Fee (in millions)	\$31.4 + \$12.2 = \$43.6	\$40 + \$15.7 = \$55.7	\$27.2 + \$11.6 = \$38.8	\$47.3 + \$17.9 = \$65.2

* For Fiscal Year 2024, the adopted rate in green is used in the proposed budget revenue.

Homestead Exemptions

- Council discussed homestead exemptions at the June meeting
- Legislature was still in session, opted to let that play out
- Staff will bring back the homestead exemption discussion in the fall for future consideration

Homestead Property Tax Examples

Looking at estimated individual tax bills, a zero-growth property with a value of \$300,000 would see a **\$93 annual (\$7.75 per month) increase** in the City of Pearland portion of their tax bill.

Sample Homestead Property Tax Bills Projected for 2023 Tax Year (for FY 2024 Budget Cycle)

		Zero Growth		Homestead Example 1		Homestead Example 2		Homestead Example 3		Homestead Example 4		Homestead Example 5	
TY22 Actual City Tax Bill		\$ 1,825		\$ 1,727		\$ 1,267		\$ 1,183		\$ 1,767		\$ 1,154	
TY22 Taxable Value		\$ 300,000		\$ 284,020		\$ 208,288		\$ 194,590		\$ 290,488		\$ 189,960	
% Increase (Decrease)		0.0%		10.0%		10.0%		10.0%		10.0%		10.0%	
TY23 Taxable Value		\$ 300,000		\$ 312,422		\$ 229,117		\$ 214,049		\$ 319,537		\$ 208,956	
City Scenario	Proposed TY 2023 City Rate	TY 2023 Amount	Change from Prior Year Actual	TY 2023 Amount	Change from Prior Year Actual	TY 2023 Amount	Change from Prior Year Actual	TY 2023 Amount	Change from Prior Year Actual	TY 2023 Amount	Change from Prior Year Actual	TY 2023 Amount	Change from Prior Year Actual
	0.6554	\$ 1,917	93	\$ 1,996	\$ 269	\$ 1,464	\$ 197	\$ 1,368	\$ 185	\$ 2,042	\$ 275	\$ 1,335	\$ 182
Total Tax Bill		\$ 5,114		\$ 6,768		\$ 3,658		\$ 3,348		\$ 8,309		\$ 3,244	
City of Pearland %		37%		29%		40%		41%		25%		41%	
Total Tax as % of Taxable Value		1.7%		2.2%		1.6%		1.6%		2.6%		1.6%	

Homestead Property Tax Examples

Looking at Homestead Example 8, a home with a value of \$560,230 that sees a 10% increase in Taxable Value would see a **\$483 annual (\$40.25 per month) increase** in the City of Pearland portion of their tax bill .

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

		Homestead Example 6		Homestead Example 7		Homestead Example 8		Homestead Example 9		Homestead Example 10		Senior Example HS 11	
TY22 Actual City Tax Bill		\$ 1,441		\$ 2,164		\$ 3,097		\$ 2,086		\$ 2,097		\$ 206	
TY22 Taxable Value		\$ 236,907		\$ 355,877		\$ 509,300		\$ 343,068		\$ 344,828		\$ 180,330	
% Increase (Decrease)		10.0%		10.0%		10.0%		10.0%		10.0%		10.0%	
TY23 Taxable Value		\$ 260,598		\$ 391,464		\$ 560,230		\$ 377,375		\$ 379,311		\$ 198,363	
City Scenario	Proposed TY 2023 City Rate	TY 2023 Amount	Change from Prior Year Actual	TY 2023 Amount	Change from Prior Year Actual	TY 2023 Amount	Change from Prior Year Actual	TY 2023 Amount	Change from Prior Year Actual	TY 2023 Amount	Change from Prior Year Actual	TY 2023 Amount	Change from Prior Year Actual
	0.6554	\$ 1,665	\$ 224	\$ 2,502	\$ 337	\$ 3,580	\$ 483	\$ 2,411	\$ 325	\$ 2,424	\$ 327	\$ 206	\$ -
Total Tax Bill		\$ 4,305		\$ 11,082		\$ 14,228		\$ 8,191		\$ 6,743		\$ 921	
City of Pearland %		39%		23%		25%		29%		36%		22%	
Total Tax as % of Taxable Value		1.7%		2.8%		2.5%		2.2%		1.8%		0.5%	

General Property Tax Bill Comparison

Taxable Value Summary

	Tax Year 2022	Tax Year 2023	Annual \$ Change
Appraised Value	357,740	398,170	\$ 40,430
Homestead Cap Loss	12,912	18,859	\$ 5,947
Taxable Value	\$ 344,828	\$ 379,311	\$ 34,483

Proposed Tax Rate Comparison of Values

Taxing Entity	Tax Year 2022			Tax Year 2023			Annual \$ Change
	Rate	Amount***	% of Total Amount	Rate**	Amount	% of Total Amount	
Pearland Independent School District	1.3027	3,971	53.7%	1.0473	2,925	43.4%	(1,046)
City of Pearland	0.6238	2,097	28.4%	0.6554	2,424	35.9%	327
Brazoria County	0.2911	803	10.9%	0.2929	889	13.2%	86
Brazoria County Drainage District #4	0.1380	381	5.2%	0.1240	376	5.6%	(5)
Road & Bridge Fund (Brazoria County)	0.0500	136	1.8%	0.0429	129	1.9%	(8)
Total	2.4056	7,388		2.1625	6,743		(645)
% of Appraised Value		2.1%			1.7%		

Baseline Homestead Exemption

10% cap on taxable value growth from previous year

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

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

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

Brazoria County: 20% deduction to Taxable Value

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

Pearland ISD: \$100,000 deduction to Taxable Value in TY2023

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

** 2023 tax rates for other entities are not certified. Based either on advertised rates or 2022 rate.

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

What does 1¢ in Property Taxes Mean?

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

1¢

1/2¢

**General Fund
Revenue for FY24**

\$1.09M

\$545K

**Reduction in a Homestead
Homeowner's property tax bill
(average homestead taxable value
of \$377,232)**

\$36 per year. \$3.01 per month.

\$18 per year. \$1.50 per month.

What is a Budget?

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



General Fund Revenues



Comparing FY23 to FY24 Revenues

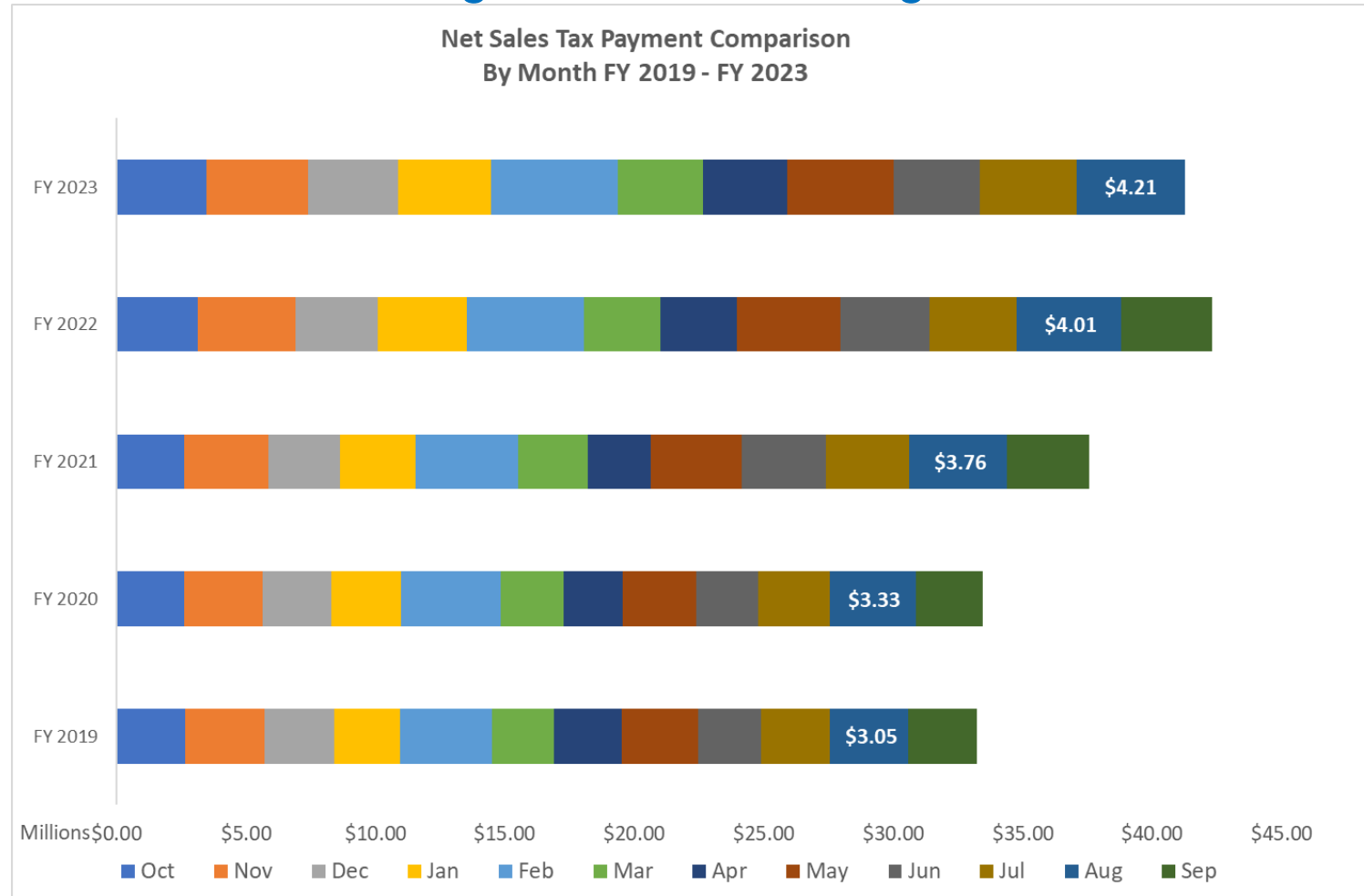
Revenue Category	FY23 Amended Revenue	FY24 Proposed Revenue Budget
Property Taxes	\$31.4M	\$40.0M
Sales & Use Taxes	\$31.0M	\$32.0M
Charges for Service	\$20.0M	\$23.8M
Fines & Forfeitures	\$2.0M	\$2.0M
Franchise Fees	\$6.9M	\$6.9M
Licenses & Permits	\$3.5M	\$4.0M
Miscellaneous	\$2.4M	\$2.1M
Transfers In	\$8.4M	\$4.4M
Total	\$105.5M	\$115.2M



Sales Tax Revenue

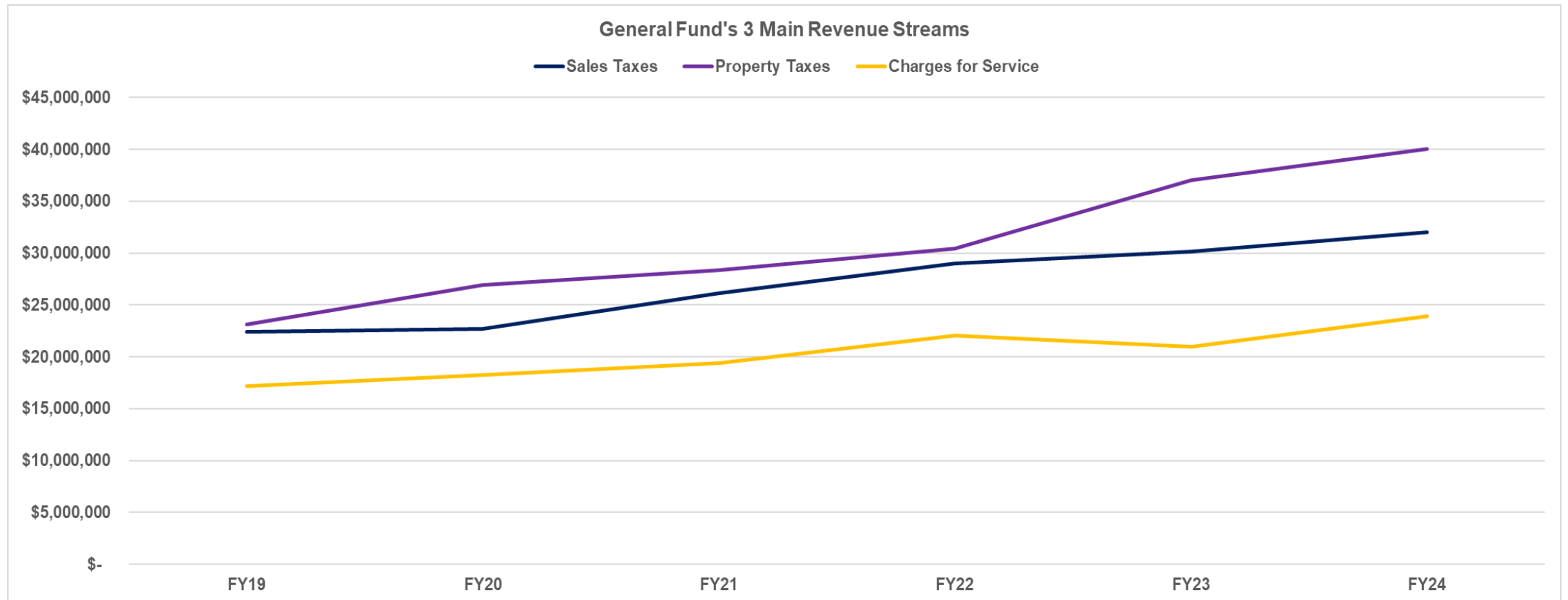
- The FY24 proposed budget is presented with a projected 3.50% sales tax growth over the FY23 amended budget in the General Fund.
- As always, will monitor sales tax performance each month and adjust via budget amendment as needed.
- Sales tax revenues are budgeted for \$31.6 M in FY24; 27.8% of total General Fund Revenue.
- The Pearland Economic Development Corporation is budgeted for \$15.9M in dedicated funds for those uses as defined by State law.

FY23 saw significant sales tax growth



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

Charges for Service are mostly TIRZ administrative charges



*FY23 Estimated

**FY24 Proposed

General Fund Expenditures



General Fund Summary

	FY 2022 Actual	FY 2023 Amended	FY 2024 Proposed
Beginning Fund Balance	\$ 32,524,401	\$ 34,657,543	\$ 27,598,165
Revenue	104,807,787	105,543,391	115,263,443
Expenditure	102,680,185	112,602,769	114,033,168
Net	\$ 2,127,602	\$ (7,059,378)	\$ 1,230,275
Ending Balance	\$ 34,657,543	\$ 27,598,165	\$ 28,828,440
Policy Minimum Balance (90 Days)	\$ 25,318,402	\$ 27,571,710	\$ 28,117,767
Amount Over/(Under) 90 Day Target	\$ 9,339,142	\$ 26,456	\$ 710,673
Days of Reserves	123	90.09	92

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

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



Comparing FY23 to FY24 Expenditures

Expenditures Category	FY23 Amended Expense	FY24 Proposed Expense Budget
Public Safety	\$65.8M	\$68.7M
Public Works	\$15.4M	\$16.0M
General Government	\$9.7M	\$9.6M
Parks & Recreation	\$8.6M	\$8.8M
Community Services	\$5.2M	\$5.5M
Transfer Out	\$7.9M	\$5.5M
Total	\$112.6M	\$114.0M



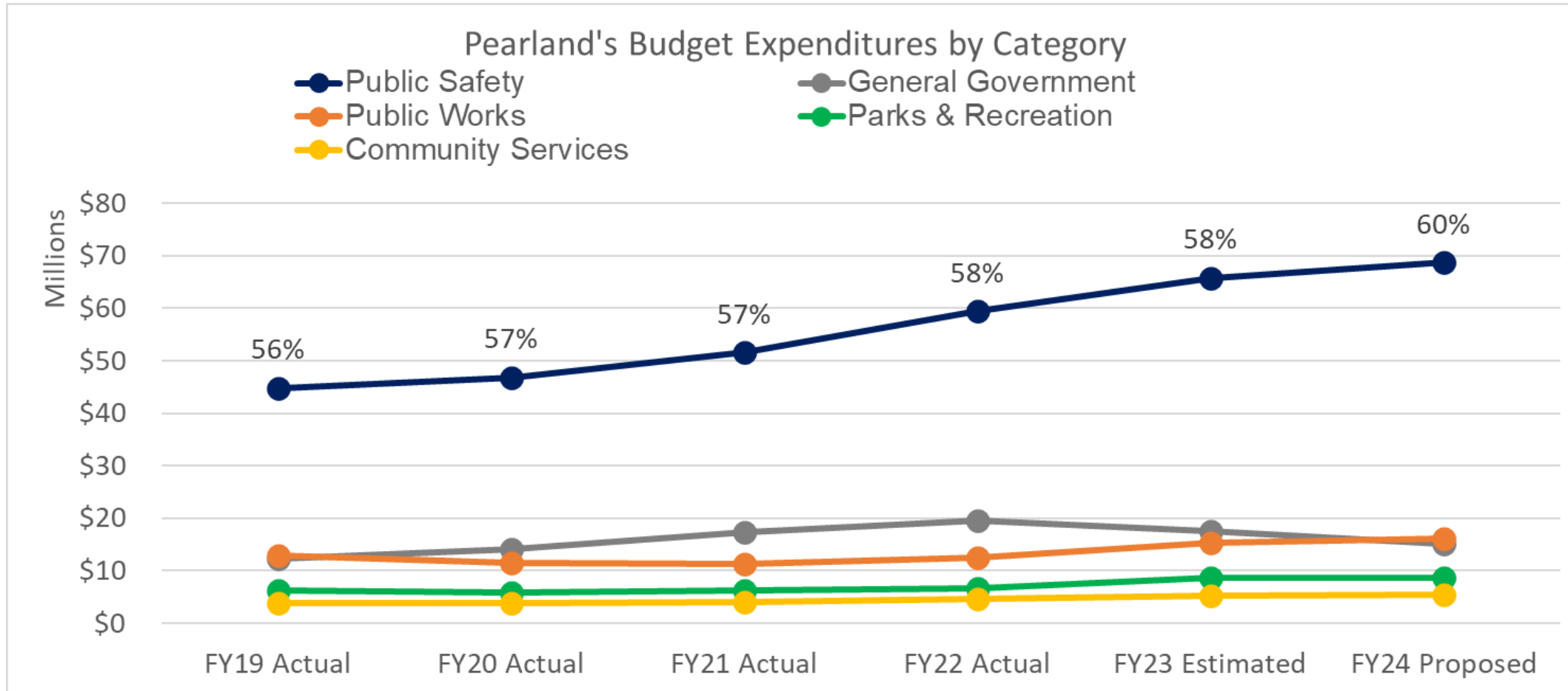
General Fund Expenditures

- A people organization, General Fund expenditures are primarily salaries and wages.
- Public Safety is one of Council's top goals, and is FTE intensive - therefore, our major source of expenditures.
- Included supplementals are tied to strategic priority milestones.

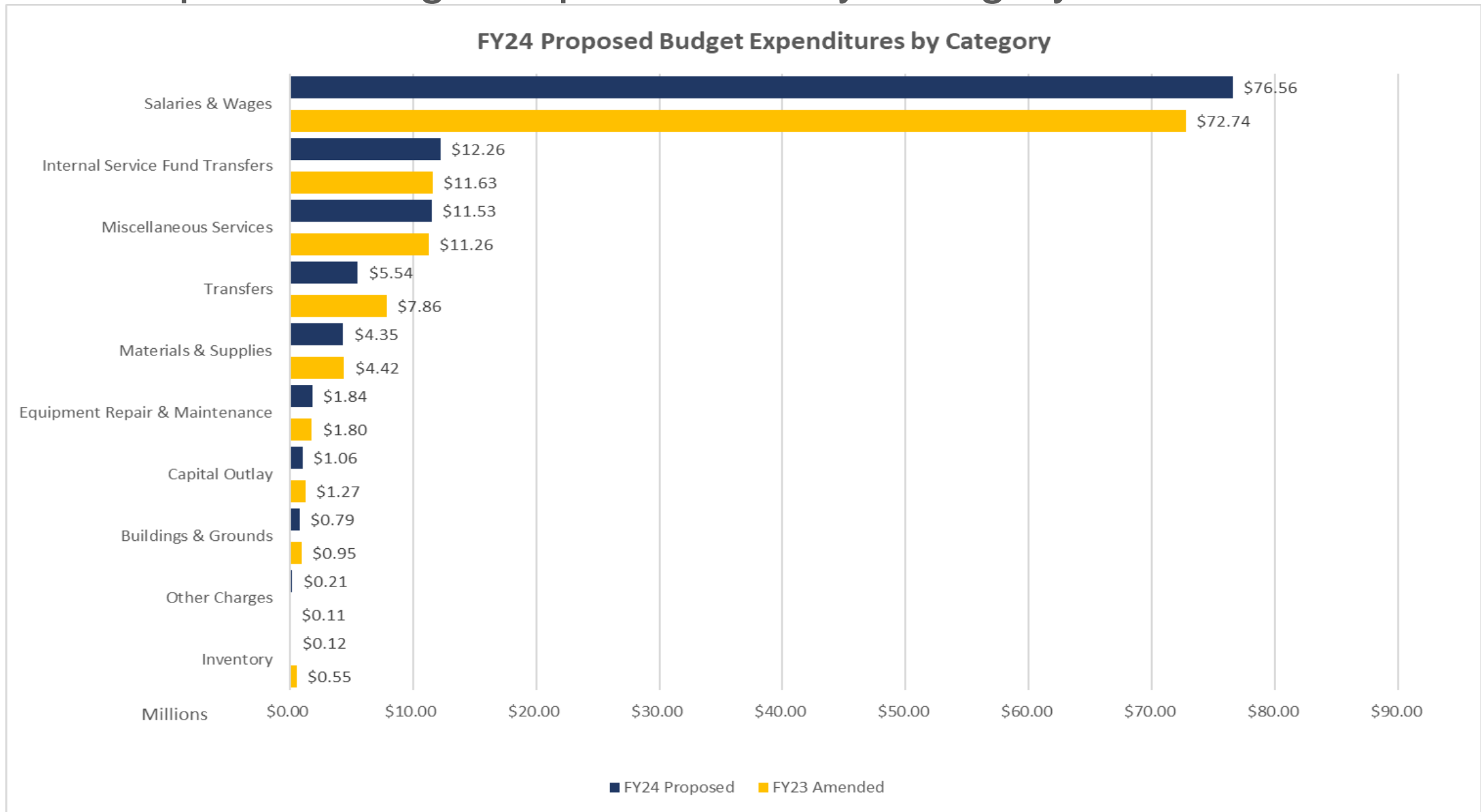
Annual Budget by Function Report

Fund: 100 General Fund	2021 Actual		2022 Actual		2023 Amended		2024 Proposed	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Expenditures								
General Government (including transfers out)	\$17,354,094	19%	\$19,576,365	19%	\$17,563,263	16%	\$15,150,674	13%
Public Safety	\$51,539,218	57%	\$59,361,770	58%	\$65,754,855	58%	\$68,641,213	60%
Public Works	\$11,369,557	13%	\$12,506,179	12%	\$15,398,523	14%	\$16,024,640	14%
Community Services	\$4,098,948	5%	\$4,585,033	4%	\$5,239,975	5%	\$5,465,098	5%
Parks & Recreation	\$6,274,003	7%	\$6,650,838	6%	\$8,646,153	8%	\$8,751,543	8%
Expenditure Totals	\$90,635,819		\$102,680,185		\$112,602,769		\$114,033,168	

Long Term Trends



FY24 Proposed Budget Expenditures by Category



General Government

General Government Budgets

GENERAL GOVERNMENT EXPENDITURE SUMMARY

EXPENDITURES BY DEPT / DIVISION	2023 YEAR END AMENDED	2024 PROPOSED BUDGET	Changes (\$) Amount	Changes %	Comments
City Council	\$ 194,073	\$ 178,539	\$ (15,534)	-8%	FY24 budget for contractual services is lower. FY23 estimated was higher to reflect accrual
City Manager	1,765,083	1,568,085	(196,998)	-11%	payment.
Legal	1,200,854	1,236,610	35,756	3%	
City Secretary	729,269	812,732	83,463	11%	
Human Resources	1,785,436	1,849,938	64,502	4%	
Finance	2,908,191	3,033,273	125,082	4%	
Information Technology**	-	-	-	0%	
Other Requirements*	1,124,693	933,467	(191,226)	-17%	Reduction reflects the end of a capital lease.
GENERAL GOVERNMENT TOTAL	\$ 9,707,599	\$ 9,612,644	\$ (94,955)	-1%	

General Government Supplementals



- No FY24 supplementals were included in the budget for this group.

Public Safety

Public Safety Budgets

PUBLIC SAFETY EXPENDITURE SUMMARY

EXPENDITURES BY DEPT / DIVISION	2023 YEAR END AMENDED	2024 PROPOSED BUDGET	Changes (\$) Amount	Changes %	Comments
Police Administration	\$ 4,645,573	\$ 4,964,365	\$ 318,792	7%	
Patrol	18,892,304	18,955,622	63,318	0%	
Commercial Vehicle Enforcement	307,049	338,566	31,517	10%	Reflects annual salary adjustments and reinstatement of lease fees.
Investigations	4,322,273	4,385,243	62,970	1%	
Community Service	1,850,221	1,399,073	(451,148)	-24%	Reflects reassignment of previously budgeted positions, minor reduction in Motor Pool operating transfer.
Training	449,457	458,566	9,109	2%	
School Resource Officers (SRO)	1,640,936	1,798,743	157,807	10%	Reflects addition of one FTE and associated equipment.
Communications & Records	2,801,254	3,130,092	328,838	12%	Reflects full costs of budgeted positions, and the \$80,000 dispatching study.
Jail	1,342,529	1,985,979	643,450	48%	Full year of the Court Security function, additional budgeted positions being included in this division.
Animal Services	1,153,845	1,363,975	210,130	18%	Full costs for all budgeted positions, increased costs related to shelter operations.
Training Academy		386,581	386,581		2 previously budgeted FTE's moved to this division, which will be offset by operating revenue related to operations of the training academy.
POLICE TOTAL	37,405,441	39,166,805	1,761,364	5%	
Fire Administration	2,456,587	2,873,509	416,922	17%	Realignment of previously budgeted positions, increased IT transfer.
Fire Training	773,480	884,769	111,289	14%	Reflects increased hours of training for the entire Fire Department.
Fire Operations	22,974,688	23,554,427	579,739	3%	
Fire Marshal	929,765	860,895	(68,870)	-7%	
Health/Code Enforcement	821,456	818,134	(3,322)	0%	
FIRE TOTAL	27,955,976	28,991,734	1,035,758	4%	
Office of Emergency Management	327,414	393,438	66,024	20%	Reflects full of year of third position and the inclusion of the All Hazards Incident Management Course.
CITY MANAGER TOTAL	327,414	393,438	66,024	20%	
PUBLIC SAFETY TOTAL	\$ 65,688,831	\$ 68,551,977	\$ 2,863,146	4%	

Public Safety Supplementals by Strategic Priority

Safe Community

3 Firefighter Positions

\$0

Utilizing a reduction in hours for part-time Firefighters the Operations division will fund 3 full-time Firefighter positions to better meet their staffing needs.

Police Sergeant with Vehicle

\$82,572

In response to HB3 a full-time Sergeant will be added to the SRO division. This is fully reimbursable over time by PISD.

Two Police Officers With Vehicles

\$390,662

Adding two Police Officers with vehicles (paid for in MP by Broadway Allocation) to the Patrol division in order to meeting staffing needs.

Police Radio Replacement

\$410,000

Year 1 of 5 for the replacement of end-of-life Police Radios.

Public Safety Dispatching Study

\$80,000

Dispatching Study to explore a single dispatch center for Police & Fire.

AHIMT Course

\$25,900

Increase IMT staff proficiency and experience with ICS planning process.

Engineering & Public Works

Engineering & Public Works Budgets

PUBLIC WORKS EXPENDITURE SUMMARY

EXPENDITURES BY DEPT / DIVISION	2023 YEAR END AMENDED	2024 PROPOSED BUDGET	Changes (\$) Amount	Changes %	Comments
<i>ENGINEERING & CAPITAL PROJECTS</i>					
Traffic Operations And Maintenance	1,960,055	1,722,411	(237,644)	-12%	Reduction in materials and supplies, contractual services and utility charges.
Engineering	1,580,457	1,450,891	(129,566)	-8%	
Capital Projects	1,660,424	1,849,722	189,298	11%	Full year of salary & benefit costs for all budgeted positions, expense for reimbursed CIP consultant.
<i>PUBLIC WORKS</i>					
Public Works Operations Administration	1,345,647	2,075,905	730,258	54%	Split between EPW and Utilities group resulted in re-alignment of staff and increased costs. Associated operating expenses also moved with that realignment.
Streets & Drainage	5,969,311	2,097,958	(3,871,353)	-65%	Streets and drainage split into two divisions, this now represents the costs for the transfer to the DMF.
Streets		3,813,665	3,813,665		Streets & Drainage split to reflect accurate costs. This represents Streets Operating costs, and the transfer to the Infrastructure Reinvestment Fund.
Row Mowing	2,882,629	3,014,088	131,459	5%	
PUBLIC WORKS TOTAL	\$ 15,398,523	\$ 16,024,640	\$ 626,117	4%	

Engineering & Public Works Supplementals by Strategic Priority

Sustainable Infrastructure

Business Process Review and Update-Engineering-Capital Projects **\$50,000**

Fully reimbursed from CIP funds, this will review the processes, procedures and documents that support the Capital Improvement Plan.

Community Services

Community Services Budgets

COMMUNITY SERVICES EXPENDITURE SUMMARY

EXPENDITURES BY DEPT / DIVISION	2023 YEAR END AMENDED	2024 PROPOSED BUDGET	Changes (\$) Amount	Changes %	Comments
Community Development					
Community Development Administration	\$ 478,686	\$ 532,064	53,378	11%	Reflects salary adjustments, sick leave buyback, and increased IT transfer.
Permits & Inspections	1,101,852	1,072,764	(29,088)	-3%	
Planning	879,159	1,259,525	380,366	43%	Reflects one time cost to do the UDC update
Development Services	821,712	420,403	(401,309)	-49%	Software replacement in FY23 was a one time cost.
Communications	868,702	984,817	116,115	13%	311 call center, resumption of lease fees
Municipal Court	979,182	1,099,661	120,479	12%	Full year of all budgeted positions.
Library Facility	110,682	95,864	(14,818)	-13%	FY23 includes replacement of ceiling tiles not needed in FY24
COMMUNITY SERVICES TOTAL	\$ 5,239,975	\$ 5,465,098	\$ 225,123	4%	

Community Services Supplementals by Strategic Priority

Strong Economy

UDC Updates-Community Development

\$300,000

Updates to the Unified Development Code in order to present an updated document to outline development policies in a clear and understandable way to benefit the community.

Trusted Government

311 Call Center-Communications

\$30,000

Initial phase of the development of a unified city-wide call center.

Parks & Recreation

Parks and Recreation Budget

PARKS & RECREATION EXPENDITURE SUMMARY

EXPENDITURES BY DEPT / DIVISION	2023 YEAR END AMENDED	2024 PROPOSED BUDGET	Changes (\$) Amount	Changes %	Comments
Administration	\$ 1,540,177	\$ 1,645,487	\$ 105,310	7%	
Recreation Center	356,348	378,543	22,195	6%	
Athletics	376,752	388,924	12,172	3%	
Special Events	623,540	628,955	5,415	1%	
Senior Program	382,282	402,278	19,996	5%	
Aquatics	645,362	780,492	135,130	21%	7% increase from FY23 adopted budget. There was significant salary savings in FY23 amended budget.
Parks	2,908,432	2,574,202	(334,230)	-11%	Reduction in Capital Outlay for FY24.
Recycling	2,291	2,360	69	3%	
Natural Resources	378,003	392,938	14,935	4%	
Recreation Operations	1,432,966	1,557,364	124,398	9%	
PARKS & RECREATION TOTAL	\$ 8,646,153	\$ 8,751,543	\$ 105,390	1%	

Community Services Supplementals by Strategic Priority

Whole Community

Parks Maintenance Crew-Parks-Parks

Reductions in the Parks Landscaping Contract will fully offset this 4-person crew with vehicles and equipment.

\$0

4 PT to 2 FT Head Lifeguards-Parks-Aquatics

Reallocation of part-time pooled hours to better meet the needs of the facility and customers with full-time staff.

\$0

4 PT to 2 FT Lifeguards-Parks-Aquatics

Reallocation of part-time pooled hours to better meet the needs of the facility and customers with full-time staff.

\$0

2 PT to 1 FT Facility Attendant-Parks-Recreation Operations

Reallocation of part-time pooled hours to better meet the needs of the facility and customers with full-time staff.

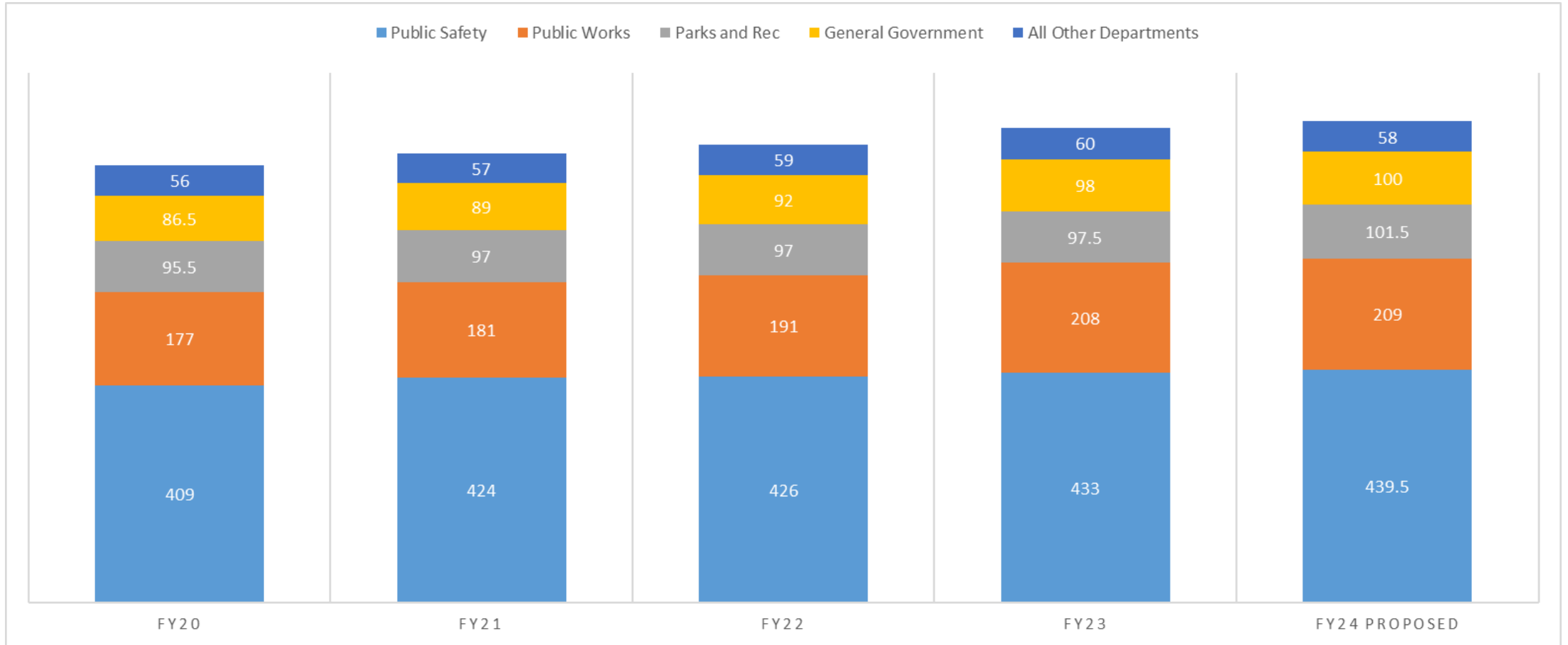
\$0

4 PT to 2 FT Recreation Attendants-Parks-Recreation Operations

Reallocation of part-time pooled hours to better meet the needs of the facility and customers with full-time staff.

\$0

Citywide Staffing Trends



General Fund Council Input and Discussion

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



Tax-Backed Debt Fund



Debt Service Fund

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

Debt Service Rate

FY24 Proposed Debt Service Rate: 0.3329

- Estimated levy of \$34.9M
- Total tax revenue with frozen values is \$41.9M
- \$0 committed from fund balance
 - New State worksheet formula removes that need/possibility

FY23 Adopted Debt Service Rate: 0.338765

- Estimated Levy of \$33.3M



Debt Service Fund Summary

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Property Taxes	\$ 37,762,999	\$ 43,951,802	\$ 37,330,000	\$ 41,319,476
Miscellaneous	776,539	702,979	11,021,700	11,749,761
Transfers	2,621,118	3,302,442	3,552,442	4,501,938
Bond Proceeds (Refunding)			4,420,000	
TOTAL REVENUES	41,160,657	47,957,223	56,324,142	57,571,175
EXPENDITURES				
MUD Rebates	7,289,088	7,763,930	8,048,961	8,879,000
Bond Payment	36,322,653	38,863,045	48,536,040	47,249,580
TOTAL EXPENDITURES	43,611,741	46,626,975	56,585,001	56,128,580
REV OVER/(UNDER) EXP	(2,451,085)	1,330,248	(260,859)	1,442,595
BEGINNING FUND BALANCE	5,887,231	4,065,351	3,436,147	3,175,287
ENDING FUND BALANCE	\$ 3,436,147	\$ 5,395,598	\$ 3,175,287	\$ 4,617,881



Debt Fund Council Input and Discussion

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



Internal Service Funds



Internal Service Funds - Purpose

Purpose

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



Internal Service Funds – Past Success and Next

Successes

- Motor Pool implemented in 2019.
- From 0% of vehicles covered by lease fees in 2019 to ~42% at the end of FY24.
- TIRZ Broadway Allocation money in Motor Pool Fund balance utilized to fund
 - General Fund vehicle replacements for FY24
 - Replacements of up to 3 Fire Heavy Apparatus
- FY24 Budget restored General Fund lease payments to the Motor Pool based on the updated replacement criteria



Motor Pool Fund

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Investment Earnings	90,347	30,000	537,400	403,050
TIRZ Reimbursement and Sale Of Property	6,598,161	50,000	146,031	50,000
Transfer In	6,826,427	9,189,221	8,332,622	5,612,710
TOTAL REVENUES	\$ 13,514,935	\$ 9,269,221	\$ 9,016,053	\$ 6,065,760
EXPENDITURES				
Salaries & Wages	571,086	665,031	626,372	599,195
Materials & Supplies	12,819	19,670	20,167	21,212
Buildings & Grounds	794	-	-	-
Repair & Maintenance	1,062,544	1,353,770	1,392,232	1,336,110
Miscellaneous Services	40,164	71,300	86,011	68,950
Inventory	1,102	-	-	-
Capital Outlay	1,840,652	4,856,191	9,810,091	6,939,913
Transfer Out	10,354	167,024	167,024	5,564,417
TOTAL EXPENDITURES	\$ 3,539,516	\$ 7,132,986	\$ 12,101,897	\$ 14,529,797
REV OVER/(UNDER) EXP	\$ 9,975,419	\$ 2,136,235	\$ (3,085,844)	\$ (8,464,037)
NET POSITION	\$ 9,888,855	\$ 14,933,540	\$ 19,864,274	\$ 16,778,430
TOTAL NET POSITION	\$ 19,864,274	\$ 17,069,775	\$ 16,778,430	\$ 8,314,393

- The purpose of the Motor Pool fund is to provide for the maintenance and replacement of the city's vehicles and rolling stock with an approximated value of \$33.8M.
- The City is taking a phased approach to fully funding the Motor Pool Fund, starting with vehicle maintenance and annual replacements in FY19. Lease fees begin the fiscal year after a vehicle is received.
- If the proposed budget is approved the City will end FY24 with ~42% of vehicles covered by Lease Fees.

Budget Book Location: Book 1 Internal Service Fund Tab – Page 5

Facilities Fund

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Investment Earnings	-	-	12,700	9,525
Transfer In	-	3,305,095	3,924,724	3,312,559
TOTAL REVENUES	\$ -	\$ 3,305,095	\$ 3,937,424	\$ 3,322,084
EXPENDITURES				
Salaries & Wages	-	766,553	807,596	769,104
Materials & Supplies	-	43,981	44,193	43,382
Buildings & Grounds	-	1,242,752	1,204,663	1,204,088
Repair & Maintenance	-	117,270	552,270	310,364
Miscellaneous Services	-	789,518	849,857	903,065
Capital Outlay	-	-	-	154,000
Transfer Out	-	84,940	84,940	72,554
TOTAL EXPENDITURES	\$ -	\$ 3,045,014	\$ 3,543,519	\$ 3,456,557
REV OVER/(UNDER) EXP	\$ -	\$ 260,081	\$ 393,905	\$ (134,473)
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -	\$ 393,905
ENDING FUND BALANCE	\$ -	\$ 260,081	\$ 393,905	\$ 259,432

- The purpose of the Facilities Fund is to provide for building-related repair and maintenance, equipment maintenance capital replacement or asset recapitalization, and janitorial services.
- It is modeled after the successfully implemented Motor Pool Fund.
- Goal is to be funded on a building/department cost basis. However, that will be a multi-year data creation process. Currently funded based on FTE by fund.
- **FY24 includes the cost of Phase II Generator Heater Enclosures.**
- The Facilities Fund is a major improvement in transparency and helps Council and the Public see the full cost of programs.
- **Unable to fund capital leases for FY24. All costs relate to operations and maintenance of existing facilities.**

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

Information Technology Fund

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Investment Earnings	-	-	-	1,308
Transfer In	-	8,488,643	8,768,407	9,443,705
TOTAL REVENUES	\$ -	\$ 8,488,643	\$ 8,768,407	\$ 9,445,013
EXPENDITURES				
Salaries & Wages	-	2,268,855	2,318,851	2,457,789
Materials & Supplies	-	87,905	88,405	60,905
Repair & Maintenance	-	4,490,775	4,988,919	5,049,941
Miscellaneous Services	-	444,419	488,470	535,716
Inventory	-	607,000	470,521	747,965
Capital Outlay	-	-	-	275,000
Transfer Out	-	195,282	195,282	87,250
TOTAL EXPENDITURES	\$ -	\$ 8,094,236	\$ 8,550,448	\$ 9,214,566
REV OVER/(UNDER) EXP	\$ -	\$ 394,407	\$ 217,959	\$ 230,447
NET POSITION	\$ -	\$ -	\$ -	\$ 217,959
TOTAL NET POSITION	\$ -	\$ 394,407	\$ 217,959	\$ 448,406

- The purpose of the IT fund is to provide for the maintenance and replacement of the city’s current and future technology needs.
- 21 Full Time Employees (FTEs) are budgeted in this fund.
- It is modeled after the successfully implemented Motor Pool Fund.
- Costs are allocated to departments based on actual use. Eg; Parks-specific software is now “charged” to the Parks Department Budget instead of the “IT Budget”.
- **In FY24 there is year 1 of 3 for the replacement of IT Switches relating to IT Infrastructure**
- **Unable to phase in capital lease fees for this fiscal year.**

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

New in FY24-Capital Fund

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Investment Earnings	-	-	-	-
Transfer In	-	-	-	5,390,878
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ 5,390,878
EXPENDITURES				
TOTAL EXPENDITURES				
REV OVER/(UNDER) EXP	\$ -	\$ -	\$ -	\$ 5,390,878
NET POSITION	\$ -	\$ -	\$ -	\$ -
TOTAL NET POSITION	\$ -	\$ -	\$ -	\$ 5,390,878

- The purpose of the Capital Fund is to hold capital lease fees paid for Internal Service Fund replacements until such time as the budgeted replacements are to occur.
- Contains only Motor Pool Lease fees paid at this time. The first scheduled replacement of vehicles paying lease fees is anticipated in FY25.
- When phased in, will also hold capital lease fees for Facilities and IT fund.

Budget Book Location: Book 1 Internal Service Fund Tab – Page 9

Risk Management Fund

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Transfers	1,828,191	1,804,000	1,804,000	3,663,479
Workers' Compensation	529,516	474,000	502,000	474,000
Insurance Reimbursements	595,402	350,000	360,500	360,000
Interest	2,541	725	34,400	23,964
Intergovernmental	-	-	-	-
TOTAL REVENUES	\$ 2,955,650	\$ 2,628,725	\$ 2,700,900	\$ 4,521,443
EXPENSES				
Salaries & Benefits	48,337	67,814	67,824	57,027
Materials & Supplies	-	800	800	800
Repair & Maintenance	110	100	300	100
Insurance Premiums	1,772,589	2,199,771	2,882,012	3,579,804
Claims	296,300	400,000	510,884	512,180
Miscellaneous Services	222,807	271,833	278,365	269,150
Other	-	100,000	100,000	100,000
Capital Outlay	-	35,802	35,802	-
Transfer Out	94,365	909	909	-
TOTAL EXPENDITURES	\$ 2,434,507	\$ 3,077,029	\$ 3,876,896	\$ 4,519,061
REV OVER/(UNDER) EXP	\$ 521,142	\$ (448,304)	\$ (1,175,996)	\$ 2,382
BEGINNING NET POSITION	1,154,938	1,679,934	1,676,080	500,084
ENDING NET POSITION	\$ 1,676,080	\$ 1,231,630	\$ 500,084	\$ 502,466

- Real Personal Property building value for FY24 is \$349M
- Premiums total \$3,579,804 which is an increase of \$1.4M from FY23 adopted.
- **The fund is projected to end FY24 at \$502,466 – under the fund’s minimum reserve target of \$1M.**

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

Medical Self Insurance Fund

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Interest Income	5,879	1,082	61,094	61,094
Contributions - Employee	1,585,762	1,607,343	1,509,924	1,625,199
Contributions - City	7,823,627	8,154,739	8,154,739	8,411,300
Retiree And Cobra Contributions	82,501	58,887	103,175	103,175
Miscellaneous	544,898	562,848	573,354	602,022
TOTAL REVENUES	\$10,042,666	\$10,384,899	\$10,402,286	\$ 10,802,790
EXPENSES				
Administrative Fees	1,441,466	1,652,661	1,635,897	1,635,796
Claims	8,337,574	8,674,962	8,792,020	9,205,278
Miscellaneous	441,875	30,000	35,000	35,000
Other	15,851	27,276	22,276	22,276
TOTAL EXPENDITURES	\$10,236,766	\$10,384,899	\$10,485,193	\$ 10,898,350
REV OVER/(UNDER) EXP	\$ (194,100)	\$ -	\$ (82,907)	\$ (95,560)
NET POSITION	\$ 3,030,902	\$ 2,964,431	\$ 2,836,802	\$ 2,753,895
TOTAL NET POSITION	\$ 2,836,802	\$ 2,964,431	\$ 2,753,895	\$ 2,658,335

- Medical Self-Insurance claims total \$9.2M and administration fees total \$1.6M.
- Ending balance is below the target fund balance of 25% of revenues by 1%.

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

Internal Service Fund Supplementals by Strategic Priority

Safe Community

Replacement Vehicles
General Fund
\$500,000 Enterprise
Fund
\$1.07M

Approximately

Approximately

3 Fire Heavy Apparatus Replacements

Approximately \$4.5M

Sustainable Infrastructure

Phase II Generator Heater Enclosures

\$144,000

IT Switches-Information Technology Fund

\$275,000

Internal Service Fund Council Input and Discussion

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



Special Revenue Funds



Special Revenue Funds Summary

FUND		FY2024 PROPOSED BEG BALANCE	FY2024 PROPOSED REVENUES	FY2024 PROPOSED EXPENDITURES	FY2024 PROPOSED END BALANCE
305	Hotel/Motel Occupancy Tax	7,275,862	1,717,000	1,720,554	7,272,308
310	Court Building Security	56,671	42,825	50,127	49,369
315	Citywide Donation	153,797	69,670	92,000	131,467
320	Court Technology	(3,449)	45,050	33,648	7,953
325	Street Assessment*	1,486,929	-	-	1,486,929
330	Park Donations	95,380	120,928	109,200	107,108
331	Tree Trust	1,080,050	24,500	437,500	667,050
332	Parks Financial Assistance Donations	(8,106)	8,106	-	(0)
335	Police State Seizure	149,704	3,133	55,200	97,637
336	Federal Police	115,702	3,750	15,000	104,452
337	Community Safety Fund	-	-	-	-
340	Park Development	3,501	2,625	-	6,126
345	Sidewalk	29,461	305,400	-	334,861
346	Drainage Maintenance Fund	65,457	5,975	-	71,432
350	Grant Fund	633,718	180,030	372,388	441,360
351	Community Development Block Grant	9,386	466,162	467,340	8,208
352	CDBG Disaster Recovery*	(197,280)	-	-	(197,280)
353	Disaster Recovery Fund*	(307,736)	-	-	(307,736)
354	Hazard Mitigation*	755,430	-	-	755,430
355	Coronavirus Relief Fund*	(1,412,395)	-	-	(1,412,395)
356	American Rescue Plan Act (ARPA)*	1,000,000	-	-	1,000,000
360	Traffic Improvement	337,434	5,209	214,920	127,723
365	Truancy Prevention & Diversion	(6,193)	52,600	43,910	2,497
366	Municipal Jury	1,517	1,035	1,000	1,552
370	Municipal Channel	332,236	246,325	101,500	477,061
380	Regional Detention*	194,764	-	-	194,764
514	Infrastructure Reinvestment	1,636,221	1,326,921	1,760,217	1,202,925
TOTAL		\$ 13,478,060	\$ 4,627,244	\$ 5,474,504	\$ 12,630,800

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



Convention and Visitor's Bureau Fund

Budget Book Location: Book 1 –
Special Revenue Funds Tab –
Page 3

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Hotel/Motel Occupancy Tax	1,518,308	921,900	1,400,000	1,540,000
Short Term Rental Occupancy Taxes	4,585	25,000	20,000	12,000
Investment Earnings	46,616	6,000	200,000	150,000
Miscellaneous	51,144	15,000	20,000	15,000
TOTAL REVENUES	\$ 1,620,654	\$ 967,900	\$ 1,640,000	\$ 1,717,000
EXPENDITURES				
Salaries & Wages	325,727	361,973	362,027	379,739
Materials & Supplies	73,099	117,750	117,750	117,750
Miscellaneous Services	483,630	525,566	453,082	527,066
Transfers	944	86,264	86,264	695,999
TOTAL EXPENDITURES	\$ 883,399	\$ 1,091,553	\$ 1,019,123	\$ 1,720,554
REV OVER/(UNDER) EXP	737,254	(123,653)	620,877	(3,554)
BEGINNING FUND BALANCE	\$ 5,917,731	\$ 5,999,540	\$ 6,654,985	\$ 7,275,862
ENDING FUND BALANCE	\$ 6,654,985	\$ 5,875,887	\$ 7,275,862	\$ 7,272,308



Convention and Visitor's Bureau Fund

Whole Community

- Permissible use of funds includes sports facility improvements. Included in the FY24 budget is a transfer of \$586,544 to Capital Improvement Funds to build additional restrooms at Centennial Park.
- This is contingent on meeting the requirement to host 10 regional, state, or national championship sporting event activity in the prior year. We expect to hit this milestone by the end of calendar year 2023. There are also requirements revenue over the next 5 years.

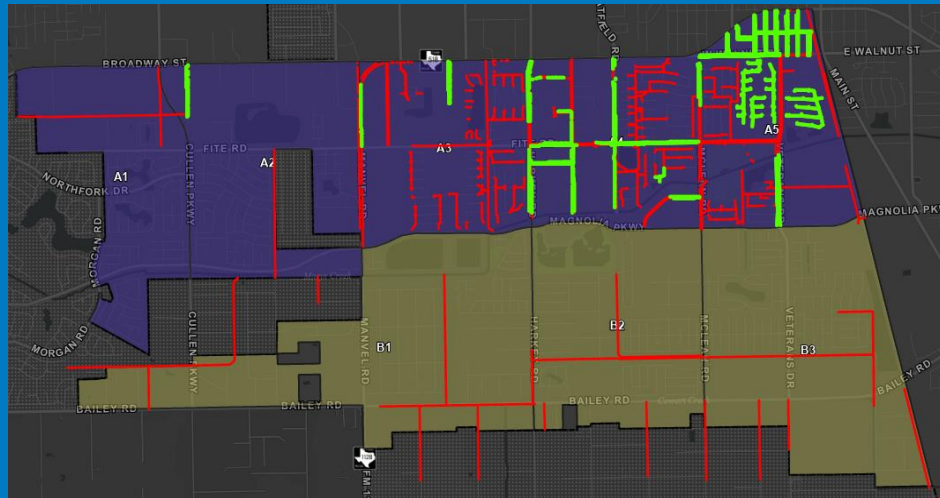
Drainage Maintenance Fund

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

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Transfers In	-	1,972,958	1,972,958	2,097,958
Interest Earnings Interest	-	-	6,820	5,115
TOTAL REVENUES	\$ -	\$ 1,972,958	\$ 1,979,778	\$ 2,103,073
EXPENDITURES				
Salaries and Wages	-	750,309	658,227	1,005,634
Materials & Supplies	-	31,151	31,231	28,182
Repair & Maintenance	-	23,182	23,182	23,172
Miscellaneous Services	-	469,292	459,669	600,658
Inventory	-	1,396	1,396	-
Transfers Out	-	552,119	552,119	281,967
TOTAL EXPENDITURES	\$ -	\$ 1,827,449	\$ 1,725,824	\$ 1,939,613
REV OVER/(UNDER) EXP	-	145,509	253,954	163,460
BEGINNING FUND BALANCE	-	-	-	\$ 253,954
ENDING FUND BALANCE	-	\$ 145,509	\$ 253,954	\$ 417,414

Drainage in FY23 & 24

Operations & Maintenance



FY23 resulted in the completion of:

- Onboarding all new drainage personnel
- Acquisition of all new drainage equipment
- Survey & Cleaning of 16 miles of open drainage systems
- Inspection & cleaning of combined 7 miles of enclosed drainage systems

FY24 will include the following

- Continued enclosed system inspection and cleaning of target 33 miles annually
- Continued survey and grading of open drainage systems target of 14 miles annually
- Continue monitoring of drainage maintenance in year 2 to meet intent of Strategic Priority Milestone to evaluate the program
- Onboarding of a **stormwater inspector** necessary to meet the following requirements (Sustainable Infrastructure)
 - Inspecting the city's drainage system & 326 detention facilities
 - Ensuring compliance with the City's increased Municipal Separate Storm Sewer (MS4) TCEQ permit requirements

Infrastructure Reinvestment Fund

Budget Book Location: Book
1-Special Revenue Funds-
Page 29

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Investment Earnings	2,522	-	36,000	26,921
Transfers	2,406,203	1,593,714	1,593,714	1,300,000
TOTAL REVENUES	\$ 2,408,725	\$ 1,593,714	\$ 1,629,714	\$ 1,326,921
EXPENDITURES				
Streets	1,478,204	940,894	1,027,033	1,107,477
Sidewalks	670,704	652,820	652,820	652,740
TOTAL EXPENDITURES	\$ 2,148,908	\$ 1,593,714	\$ 1,679,853	\$ 1,760,217
REV OVER/(UNDER) EXP	259,817	-	(50,139)	(433,296)
BEGINNING FUND BALANCE	\$ 1,426,543	\$ 90,649	\$ 1,686,360	\$ 1,636,221
ENDING FUND BALANCE	\$ 1,686,360	\$ 90,649	\$ 1,636,221	\$ 1,202,925



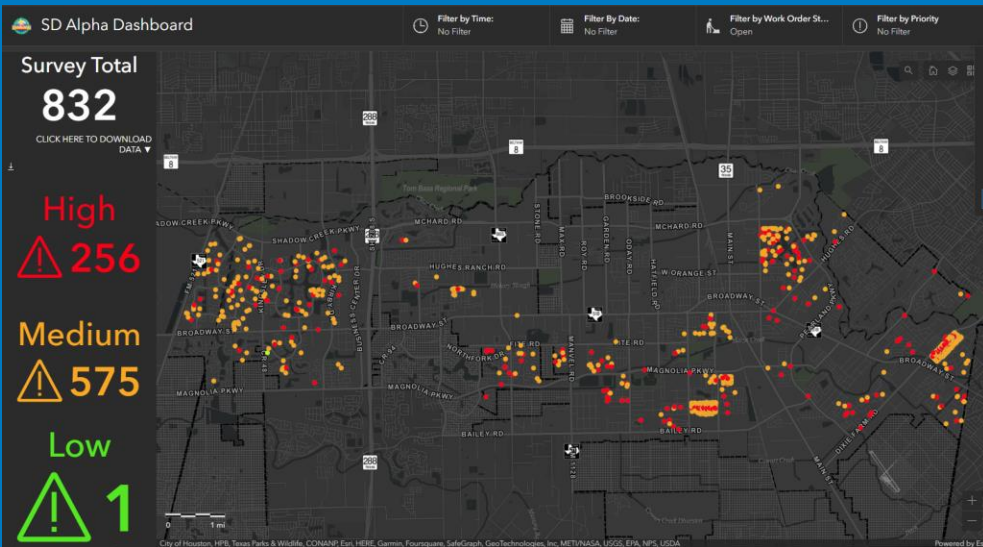
Operations & Maintenance

FY23 resulted in the completion of:

- Replaced 3.34 miles of sidewalk
- Completed 5.5 miles of road rehabilitation
- Awarded an annual pavement condition survey
- Awarded interlocal paving contract for 4.5 miles of additional road rehabilitation planned to commence Sept. 1

FY24 will include the following

- **Completion of annual pavement condition survey to set basis for future budget needs and programmed street restoration sites into FY25**
- Continued sidewalk rehabilitation program with focus on 832 open work orders estimated at \$1,131,520
- Award contract for policy development for sidewalk gap abatement
- Award & honor contractual obligations in FY24 interlocal paving agreement with Brazoria County as warranted by pavement condition survey



Special Revenue Fund Council Input and Discussion

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



Component Units

Budget Book Location: Book 1 – PEDC Tab



PEDC Fund

Income Statement

- All expenditures are consistent with the Pearland Prosperity Plan
- Revenue: in FY 23 and 24 include sales tax increase and reimbursements from Lower Kirby
- Expenditures: Direct Business Incentives in FY 23 and 24 of \$2.2M.
- In FY 24 expenditures: \$3.2M for Lower Kirby Dev., \$730,000 for SH35 targeted redevelopment, and \$375,000 for Argovitz Detention Expansion
- Supporting the Strong Economy Strategic Priority: \$350,000 for Old Town Master Plan

	FY 2022 Actual	FY 2023 Original Budget	FY 2023 Year End Amended	FY 2024 Proposed Budget
OPERATING REVENUES				
Sales Tax	\$ 14,250,278	\$ 13,989,302	\$ 15,248,339	\$ 15,858,273
Interest Income	224,376	18,554	1,588,349	1,262,839
Intergovernmental	12,000	1,312,000	12,000	1,512,000
Miscellaneous	2,368,898	6,000	543,000	10,000
TOTAL	16,855,552	15,325,856	17,391,688	18,643,112
OPERATING EXPENDITURES				
Operating	2,985,027	3,742,987	3,705,550	3,985,256
Bond Payments	279,500	273,600	273,600	267,700
Inventory		5,000	5,000	5,000
Capital Outlay	294,886	6,261,000	950,000	1,659,150
TOTAL	3,559,413	10,282,587	4,934,150	5,917,106
REVENUES OVER/(UNDER) EXPENDITURES	13,296,139	5,043,269	12,457,538	12,726,006
OTHER FINANCING SOURCES (USES):				
Transfers Out	(9,909,844)	(15,780,353)	(18,815,257)	(5,962,757)
Incentives	(954,361)	(1,256,379)	(1,780,015)	(507,000)
Bond Proceeds				
TOTAL	(10,864,205)	(17,036,732)	(20,595,272)	(6,469,757)
NET CHANGE IN FUND BALANCE	2,431,934	(11,993,463)	(8,137,734)	6,256,249
BEGINNING FUND BALANCE	37,276,781	38,178,646	39,708,715	31,570,982
ENDING FUND BALANCE	\$ 39,708,715	\$ 26,185,183	\$ 31,570,981	\$ 37,827,232

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



Component Unit Funds Input and Discussion

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



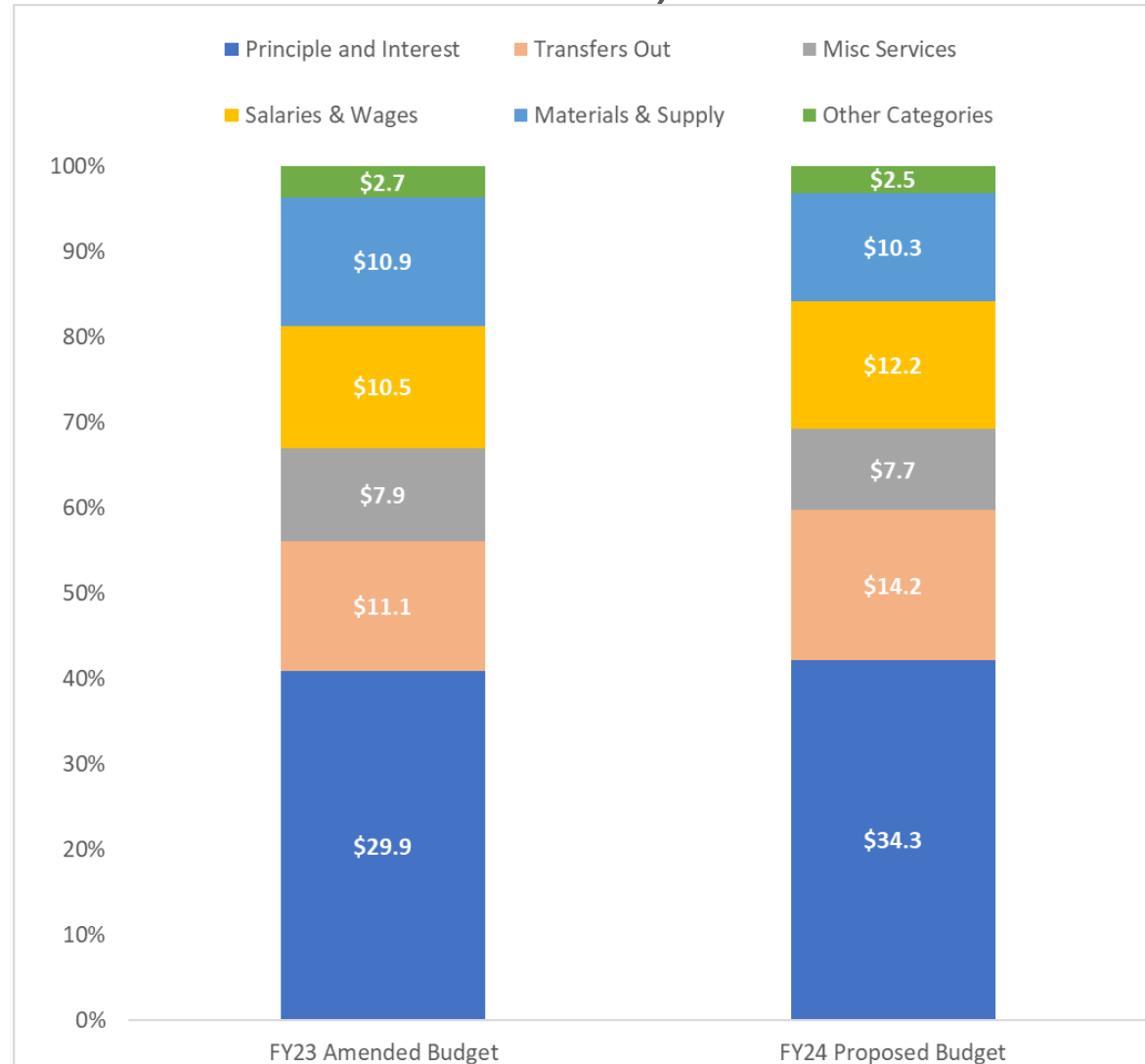
Enterprise Funds

Water and Sewer Operations



Water and Sewer System Expenditures

(Operations and Debt Funds Combined)



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



**Surface Water Treatment
Plant (Phase 1): \$175.5 Million**
Currently operational

**Surface Water Treatment Plant
(Phase 2a): \$57.9 Million**
Project Start Date: FY26



JHEC Water Reclamation Facility Expansion: \$80.6M



Bailey Water Plant Improvements: \$14.4 Million





Barry Rose Water Reclamation Facility Replacement & Expansion: \$229.4 Million

Longwood Water Reclamation Facility Decommissioning: \$38.1 Million



Critical CIP projects Being Built

These project costs are all:

- **Planned for**– They have been in previous CIP years
- **Required** – To meet the state permitting requirements for system capacity
- **Approved by Council** – All projects are approved multiple times (CIP adoption, Intent to Reimburse authorization, and Debt Issuance)
- **Built into the rate model** – The rate increases are not reactionary and were always going to be needed to pay for these projects
- **As shown in the CIP and Multi-Year Projections** - When projects are completed, they often have an Operations and Maintenance component.

FY2024 Revenue Changes

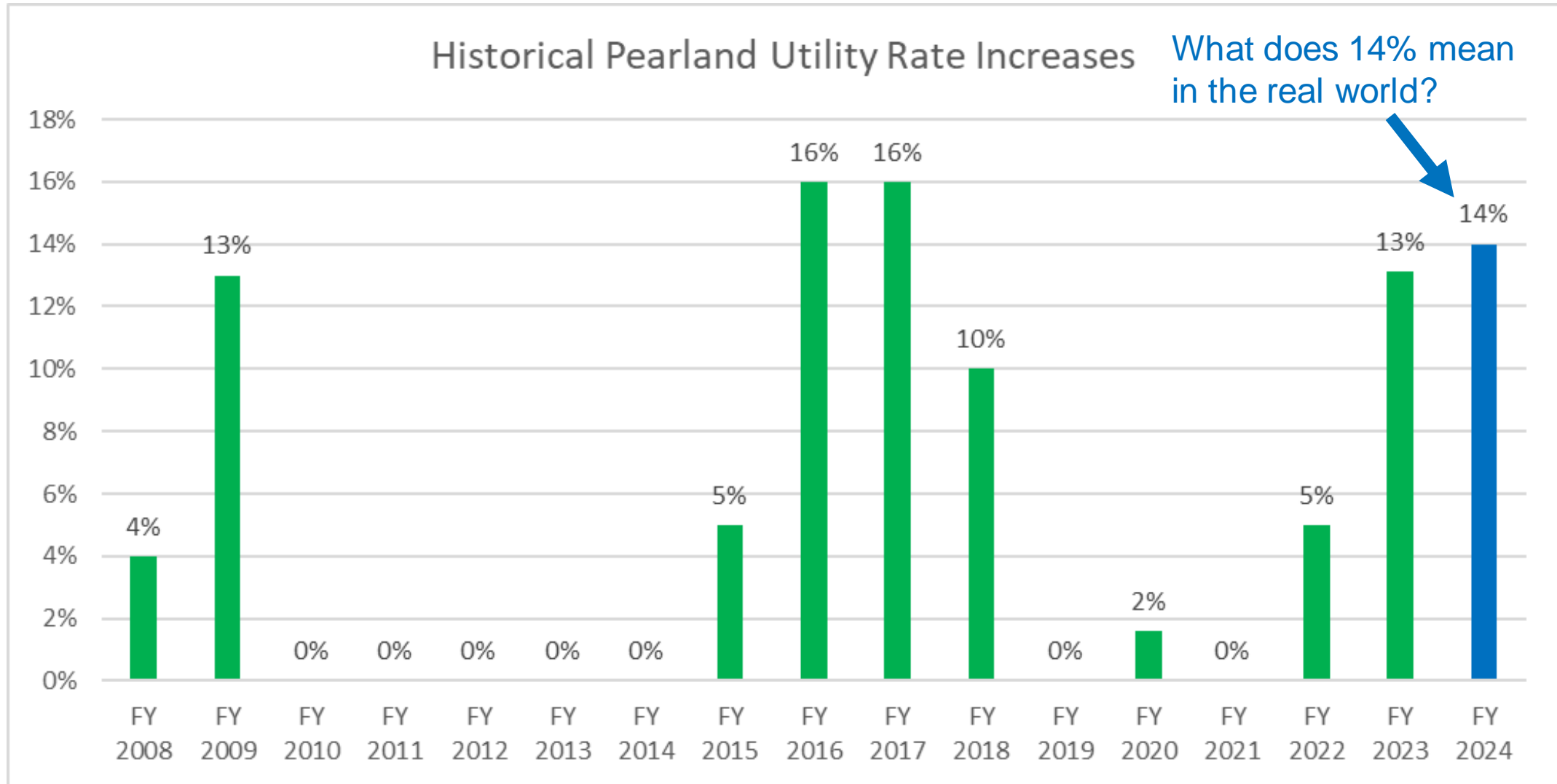
- The City must bring in enough money to pay for debt and operations.
- Increased consumption helps to some extent.
- Rate increases are the main way cities bring in the necessary Enterprise Fund revenue.
- When we sell COs we agree to have a Bond Coverage Ratio ≥ 1.15 .
- Enterprise Operating Fund balance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

An average household in Pearland using approximately 6,000 gallons of water per month. They will pay ~\$12.40 more a month.

- A 14% rate increase is proposed for FY24



History of Rate Increases in Pearland



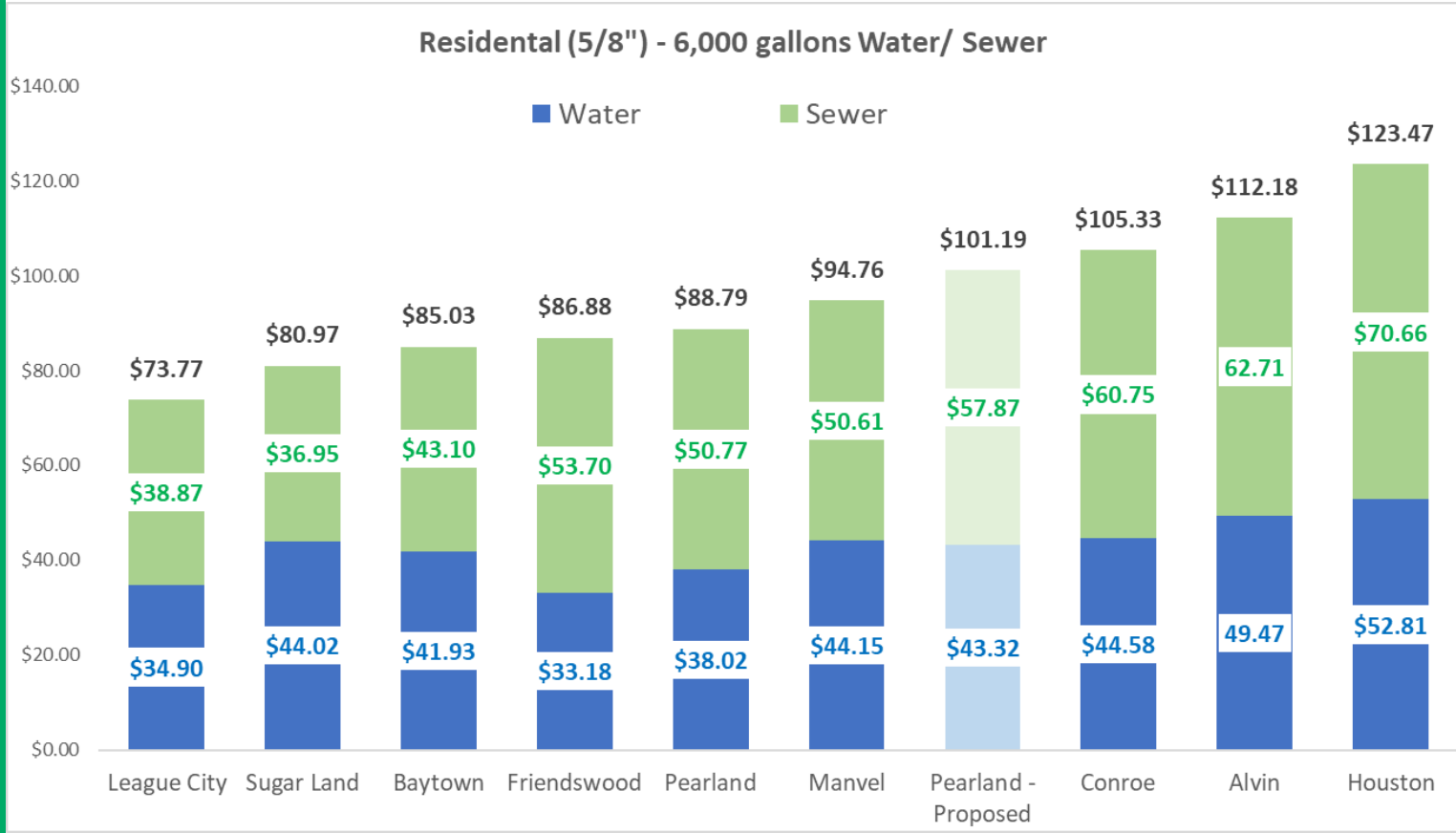
Sample Bills with 14% Proposed Rate Increase for FY 24

The average resident will see a bill increase of ~\$12.40

Account Type	Usage	Meter Size	Water			Sewer			INCREASE			
			Current Rate	Proposed Rate	Water Increase	Current Rate	Proposed Rate	Sewer Increase	Current TOTAL	Proposed TOTAL	INCREASE TOTAL	%
Residential	2,000	5/8"	\$ 18.74	\$ 21.36	\$ 2.62	\$ 27.01	\$ 30.79	\$ 3.78	\$ 45.75	\$ 52.15	\$ 6.40	14%
Residential	3,000	5/8"	\$ 23.56	\$ 26.85	\$ 3.29	\$ 32.95	\$ 37.56	\$ 4.61	\$ 56.51	\$ 64.41	\$ 7.90	14%
Residential	6,000	5/8"	\$ 38.02	\$ 43.32	\$ 5.30	\$ 50.77	\$ 57.87	\$ 7.10	\$ 88.79	\$ 101.19	\$ 12.40	14%
Residential	12,000	5/8"	\$ 74.26	\$ 84.66	\$ 10.40	\$ 86.41	\$ 98.49	\$ 12.08	\$ 160.67	\$ 183.15	\$ 22.48	14%
Small Office	4,000	5/8"	\$ 30.82	\$ 35.14	\$ 4.32	\$ 38.89	\$ 44.33	\$ 5.44	\$ 69.71	\$ 79.47	\$ 9.76	14%
Commercial	38,000	2"	\$ 367.39	\$ 418.98	\$ 51.59	\$ 429.88	\$ 490.01	\$ 60.13	\$ 797.27	\$ 908.99	\$ 111.72	14%
Fast Food Restaurant	59,000	4"	\$ 812.88	\$ 926.93	\$ 114.05	\$ 1,013.71	\$ 1,155.54	\$ 141.83	\$1,826.59	\$2,082.47	\$ 255.88	14%
Sit Down Restaurant	262,000	4"	\$2,039.00	\$2,325.60	\$ 286.60	\$ 2,219.53	\$ 2,529.85	\$ 310.32	\$4,258.53	\$4,855.45	\$ 596.92	14%

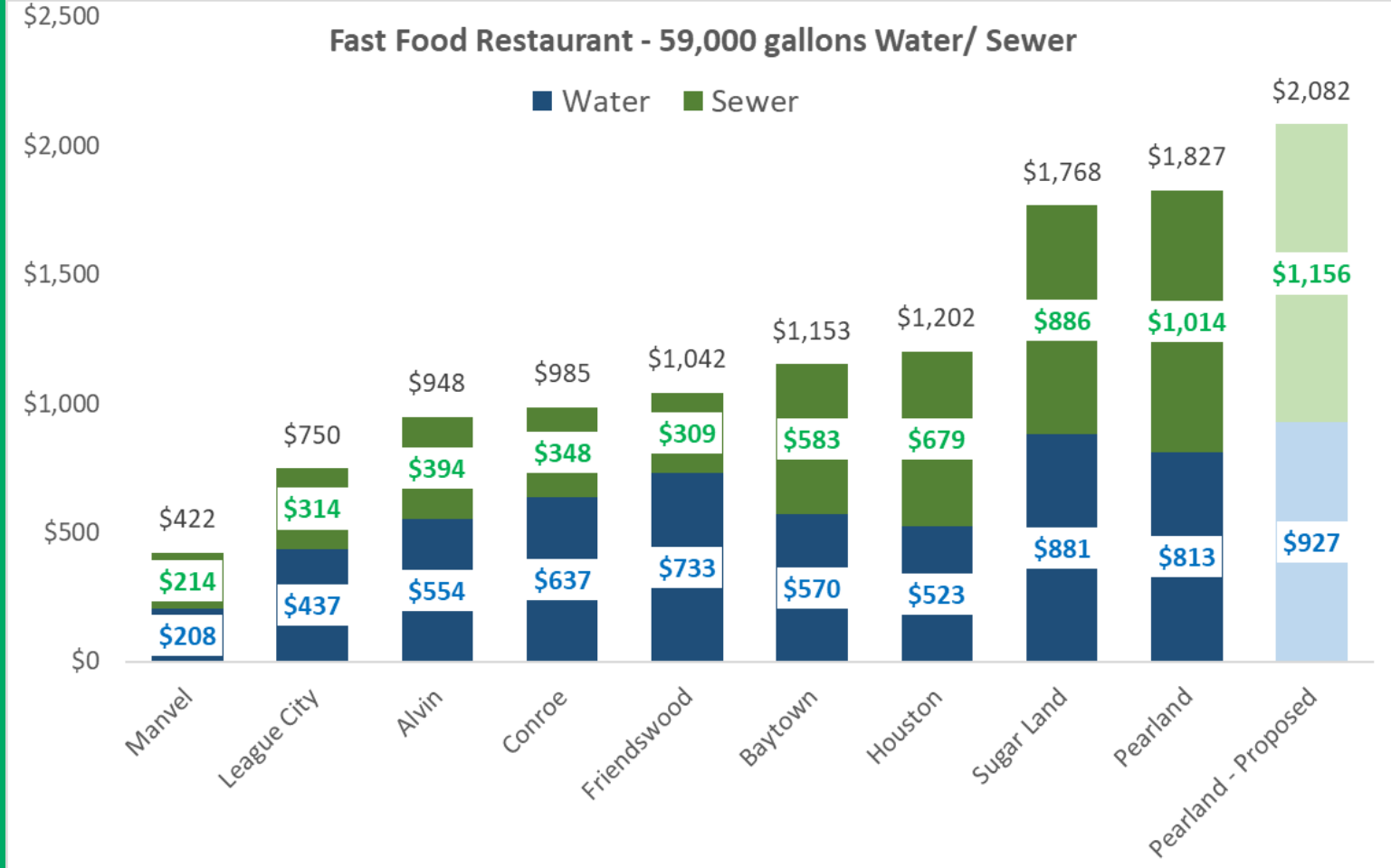
Comparison Bill

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



Comparison Bill

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



What is driving rate increases?

Enterprise Operating Fund

- The FY24 proposed budget for the Enterprise Operating Fund is \$72.4M. FY24's Enterprise Operating Fund Budget is a \$5.9M increase from the FY23 adopted budget of \$66.5M.
 - Reflects the first full year of Surface Water Plant Operations and a full year of the Water Quality Team.

Debt Fund

- Expenditures in this Fund are paid for via a transfer from the Enterprise Operating Fund (Transfer-In).
- FY24's Enterprise Fund Operations Budget transfer to the debt service fund is a \$2.2M increase from the FY23 adopted budget of \$23.1M.

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

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



Actions Taken to Reduce Pressure on Utility Rates

Options Previously Enacted

- 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
- Reworked FY23 CIP to lower rate pressure in FY24-FY27
- Updated Impact Fee in FY23
- Validate new rate model at the end of 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:

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

FY24 Bond Coverage Ratio is set to be 1.16 - with 1.15 as the minimum required. **This is the controlling factor for the FY24 increase.**

$$1.16 = \frac{72,122,620 - 42,044,216}{25,870,156}$$



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 26% by the end of FY24. Any revenue increase lower than 14% will increase the amount of reserves used.
- In FY25 the ending fund balance is projected to be 16%.
- In FY26 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.



Enterprise Operating Fund Income Statement

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

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
SALE OF WATER	28,179,605	31,821,496	33,516,718	36,657,020
SEWER REVENUES	23,258,767	26,177,108	29,128,278	30,976,703
OTHER SERVICE CHARGES	1,266,010	1,078,700	1,148,823	1,129,859
INVESTMENT EARNINGS	11,511	12,000	161,780	130,000
OTHER MISCELLANEOUS INCOME	77,194	16,700	236,131	7,039
TRANSFERS IN	400,000	450,000	450,000	522,000
OTHER FINANCING SOURCES	-	-	-	-
REVENUE	\$ 53,193,086	\$ 59,556,004	\$ 64,641,730	\$ 69,422,621
EXPENSES				
UTILITY CUSTOMER SERVICES ¹	2,328,583	3,173,718	2,807,356	3,848,201
INFORMATION TECHNOLOGY	2,027,350	-	15,318	-
OTHER REQUIREMENTS	29,044,759	30,141,580	30,177,732	35,020,861
PUBLIC WORKS ADMINISTRATION	1,252,686	3,915,051	3,934,882	4,292,635
WATER/SEWER GROUNDS	717,650	799,908	825,230	814,650
LIFT STATIONS	1,036,929	1,344,461	1,508,550	1,656,381
WASTEWATER	4,420,410	5,878,161	6,556,506	6,203,684
ENVIRONMENTAL SERVICES	362,851	733,646	509,315	670,479
WATER PRODUCTION	8,397,844	9,775,955	12,347,900	11,122,633
DISTRIBUTION & COLLECTION	3,831,136	4,338,609	4,467,748	4,913,533
CONSTRUCTION	(86,405)	-	-	-
WATER METER SERVICES ²	624,800	994,617	1,137,145	-
PRETREATMENT FOG	244,697	-	29,436	-
SURFACE WATER TREATMENT	663,125	2,800,039	2,176,785	3,863,980
EXPENSES	\$ 54,866,416	\$ 63,895,745	\$ 66,493,903	\$ 72,407,037
REVENUES OVER/(UNDER) EXPENSES	(1,673,329)	(4,339,741)	(1,852,173)	(2,984,416)
Beginning Cash Equivalents (Fund 600 & 601)	18,743,139	16,030,012	17,069,810	15,217,637
Add Unrestricted Cash in Debt Service Fund - 601*		2,763,775		608,503
Ending Cash Equivalents (Fund 600 & 601)	\$ 17,069,810	\$ 14,454,046	\$ 15,217,637	\$ 12,841,723

	1.18	1.15	1.17	1.16
Bond Coverage - 1.15 minimum required **				
Water/Sewer Unreserved Working Capital - 15%	8,229,962	9,584,362	9,974,085	10,861,056
Operating Reserve Over Policy	\$ 8,839,847	\$ 4,869,684	\$ 5,243,551	\$ 1,980,668

* Beginning FY24, excess balance in Reserve For Debt Service and Interest Earning in Fund 601 will be counted toward Operating Cash Equivalents

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

1) Water/Sewer Utilities split from EPW department beginning in FY24

2) Meter Services Division of Public Works merging into Utility Customer Service beginning in FY24

Enterprise Debt Fund

Income Statement

	FY 2022 ACTUAL	FY 2023 ORIGINAL BUDGET	FY 2023 YEAR END AMENDED	FY 2024 PROPOSED BUDGET
REVENUES				
Investment Earnings	72,579	120,000	273,000	204,750
Transfers In	26,499,728	29,934,670	29,934,670	34,362,647
TOTAL	\$ 26,572,307	\$ 30,054,670	\$ 30,207,670	\$ 34,567,397
EXPENDITURES				
Principal Payment	18,365,000	20,030,000	20,030,000	22,695,000
Interest Expense	8,059,087	9,904,671	9,904,670	11,667,649
Bond Issuance Costs	263,440	-	-	-
Other Debt Service	23,900	30,000	30,000	30,000
TOTAL	\$ 26,711,427	\$ 29,964,671	\$ 29,964,670	\$ 34,392,649
REVENUES OVER/(UNDER) EXPENSES	(139,121)	89,999	243,000	174,748
Beginning Cash Equivalents	19,403,980	18,045,090	19,372,099	19,615,099
Year End Transaction	107,240			
Ending Cash Equivalents	\$19,372,099	\$18,135,089	\$19,615,099	\$19,789,847
Reserve for Debt Service*	15,766,567	15,776,567	15,776,567	15,362,814
Balance Over the Reserve	3,605,532	2,358,522	3,838,532	4,427,033
Bond Coverage Requirement Calculation*				
Operating Revenue & Impact ¹	59,496,654	66,350,967	71,436,693	72,122,620
Less Operating Expense ¹	29,071,215	35,300,654	39,788,723	42,044,216
Net Revenue Available for Debt Services	30,425,439	31,050,313	31,647,970	30,078,404
W/S Revenue Bond Debt Service	25,783,037	27,071,642	27,071,642	25,870,156
Bond Coverage - 1.15 minimum required ²	1.18	1.15	1.17	1.16

Budget Book Location: Book 1 – Enterprise
Fund Tab – Page 6

8/12/2023

FY24 Proposed Budget Presentation #1



Rate Model

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Adopted / Proposed Water and Sewer Rate Change	5%	13.1%	14%	17%	17%	11%	8%
Total Revenue	53,193,086	64,641,730	69,422,620	83,971,543	98,956,551	109,519,322	119,816,496
Operating Expenses - Fund 600	29,071,215	39,788,723	42,044,216	47,515,743	50,286,047	53,126,243	55,176,830
Non-operating Expenses - Fund 600	5,862,480	3,565,473	4,959,938	6,240,449	6,121,777	7,088,374	8,187,072
Debt Service Expenses Net of Impact fee - Fund 601	19,932,720	23,139,707	25,402,883	33,760,322	41,388,962	48,546,698	53,292,056
Total Expenses	54,866,416	66,493,903	72,407,037	87,516,513	97,796,786	108,761,315	116,655,957
Net Annual Revenue Over Expenditures	(1,673,329)	(1,852,173)	(2,984,417)	(3,544,970)	1,159,765	758,007	3,160,539
Beginning Cash Equivalents Net of Restricted for Debt Service (Fund 600 & 601)	18,743,139	17,069,810	15,217,637	12,841,722	9,785,913	11,461,015	12,771,510
Add Unrestricted Cash in Debt Service Fund - 601 ¹⁰	-	-	608,503	489,161	515,338	552,488	582,981
Ending Cash Equivalents Net of Restricted for Debt Service (see calculation on Multi-year Forecast) ¹	17,069,810	15,217,637	12,841,722	9,785,913	11,461,015	12,771,510	16,515,030
Additional Debt Issuance as of July 2023	49,203,515	55,247,635	118,263,750	160,804,000	97,953,000	46,543,000	38,034,000
Surface Water Treatment Plant (Phase 1 & 2)	20,980,000	500,000	-	-	7,022,000	25,460,000	25,460,000
Sewer System Expansion	12,541,265	36,486,265	55,063,000	104,995,000	55,237	-	-
Other Projects	15,682,250	18,261,370	63,200,750	54,840,895	90,875,763	21,083,000	12,574,000
Debt Service Coverage							
W/S Revenue + Impact Fee Revenue	59,496,654	71,436,693	72,122,620	87,880,136	102,582,955	112,863,537	123,160,711
Less Operating Expenses	29,071,215	39,788,723	42,044,216	47,515,743	50,286,047	53,126,243	55,176,830
Net Revenue Available for Debt Services	30,425,439	31,647,970	30,078,404	40,364,393	52,296,908	59,737,294	67,983,881
Bond							
Current Year W/S Annual Debt Service	25,783,037	27,071,642	25,870,156	25,772,433	25,870,526	25,697,370	24,453,648
Bond Coverage - 1.15 required to issue COs*	1.18	1.17	1.16	1.57	2.02	2.32	2.78
Ordinance							
Restricted for Debt Service	15,766,567	15,766,567	15,362,814	14,973,653	14,558,316	14,105,827	13,622,846
Financial Policy							
Water/Sewer Unreserved Working Capital 15% - Ending Cash / (Operating Expense + CO's Debt Serv.)	53%	34%	26%	16%	15%	15%	18%
Combine Reserved Fund 600 + 601 25% = Ending Cash/ (Operating Expenses + Debt Service Payment)	113%	47%	39%	29%	27%	25%	25%

1) Due to prior year-end closing/ audit entry, Actual Beginning Cash Balance FY22 can be different from Prior Ending Cash Balance FY21

* FY24 Coverage Ratio = (FY24 Revenue - FY24 Operating Expense)/ (FY24 W/S Revenue Bond Debt Service)

The current Rate Model includes: 4% Salary Increase, and \$1,075K Vehicle Replace

Enterprise Funds Council Input and Discussion

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



Next Steps/Calendar Items

- ~~August 12 - Budget Discussion #1~~
- August 14 - Vote on Proposed/Maximum Tax Rate
- August 21 - Budget Discussion #2
- August 28 - Budget Discussion #3
- September 11 – Public Hearing Budget/First Reading of FY24 Budget-Budget Public Hearing
- September 25 – Public Hearing Tax Rate/Second Reading of FY24 Budget-Tax Rate Public Hearing

