

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.



Budget Discussion #2

- General Fund-Follow up to answer questions from Discussion #1
 - General Overview of Budget Assumptions
 - Compensation and Staffing Ratio's
 - Property Taxes
 - Review Revenue
 - Sales Taxes
 - Charges for Services
 - Expenses
 - Transfers Out
 - Overview of Supplementals
 - Fee Changes
- Tax Backed Debt Fund
- Internal Service and Special Revenue Funds
- Component Units
- Enterprise Fund

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



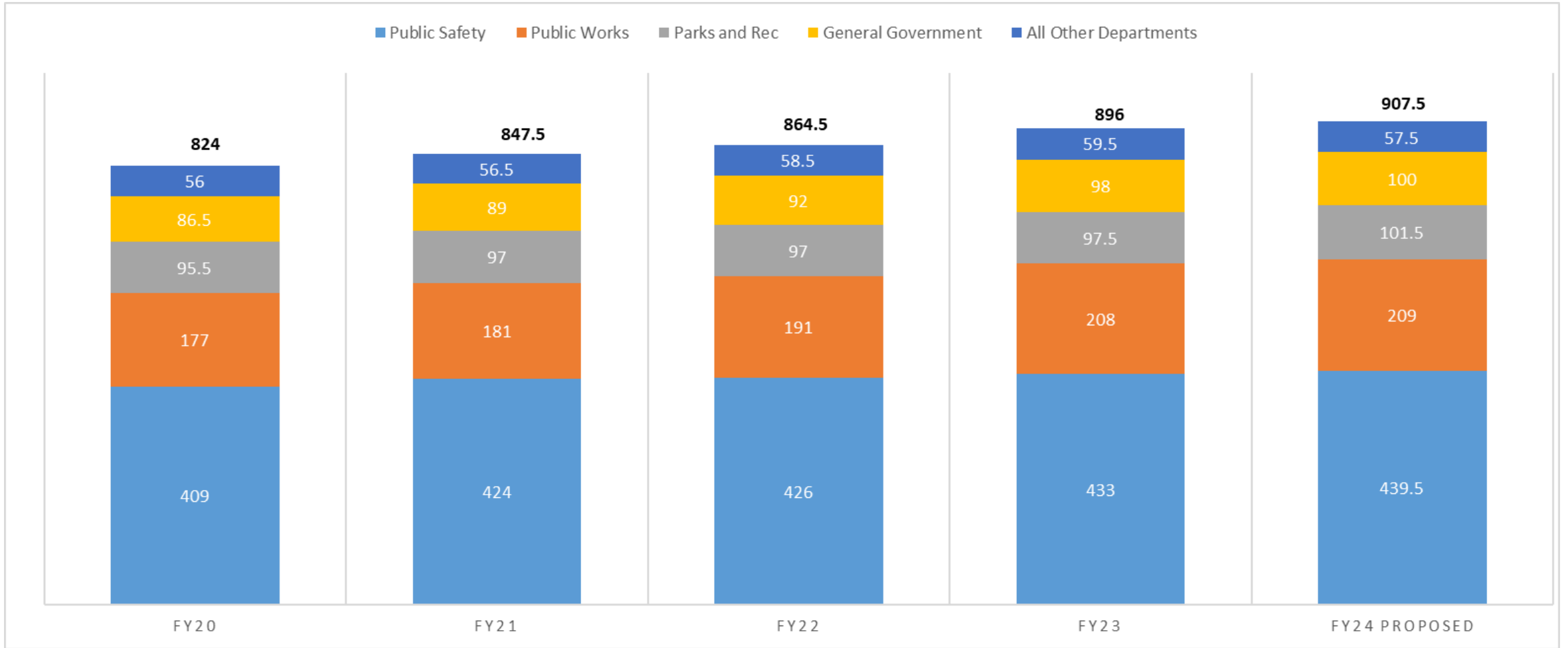


Valuing Our Staff

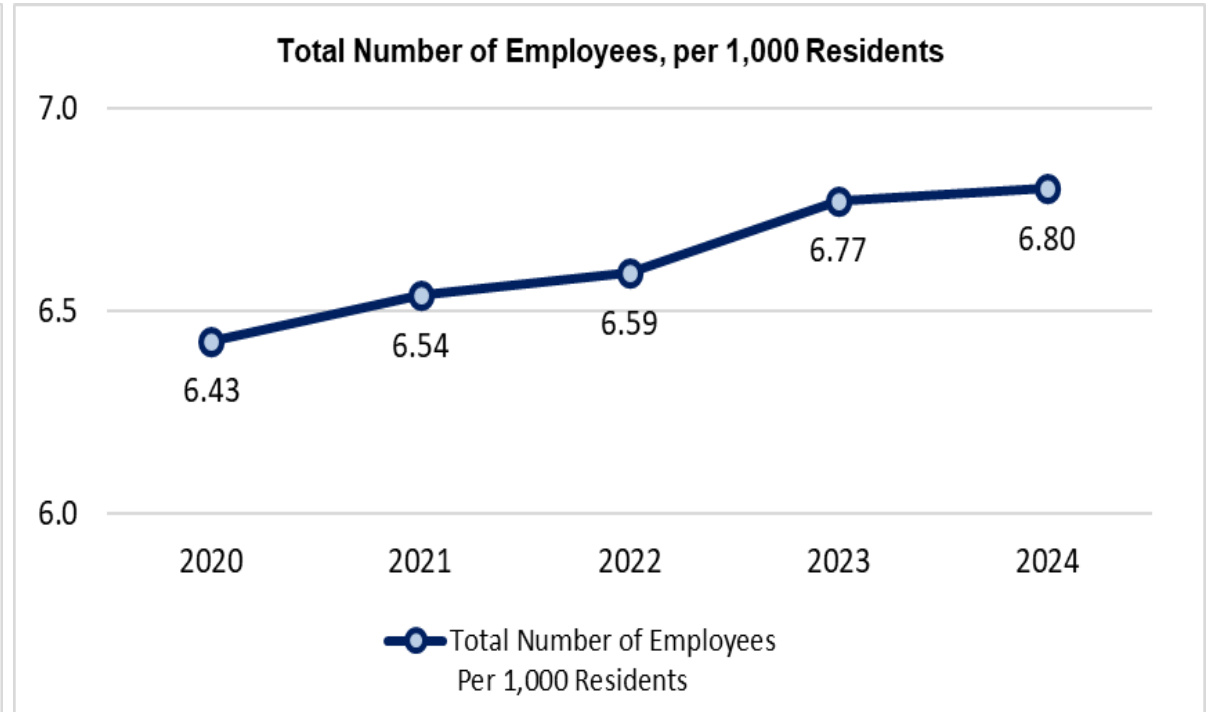
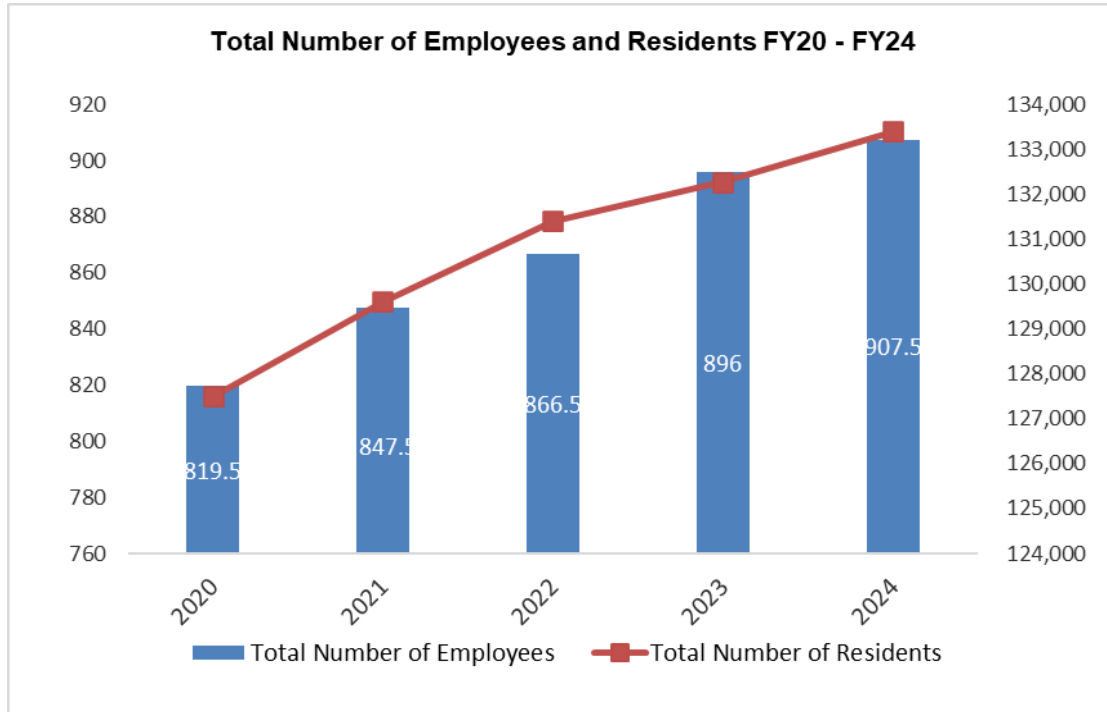
- The FY22 Compensation & Classification Study was fully implemented with the FY23 Budget. (Estimated impact over 2 years-\$5,512,260)
- The annual compensation goal of the City is to provide competitive market and step adjustments in order to ensure employees are on pace with the market, and future 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.



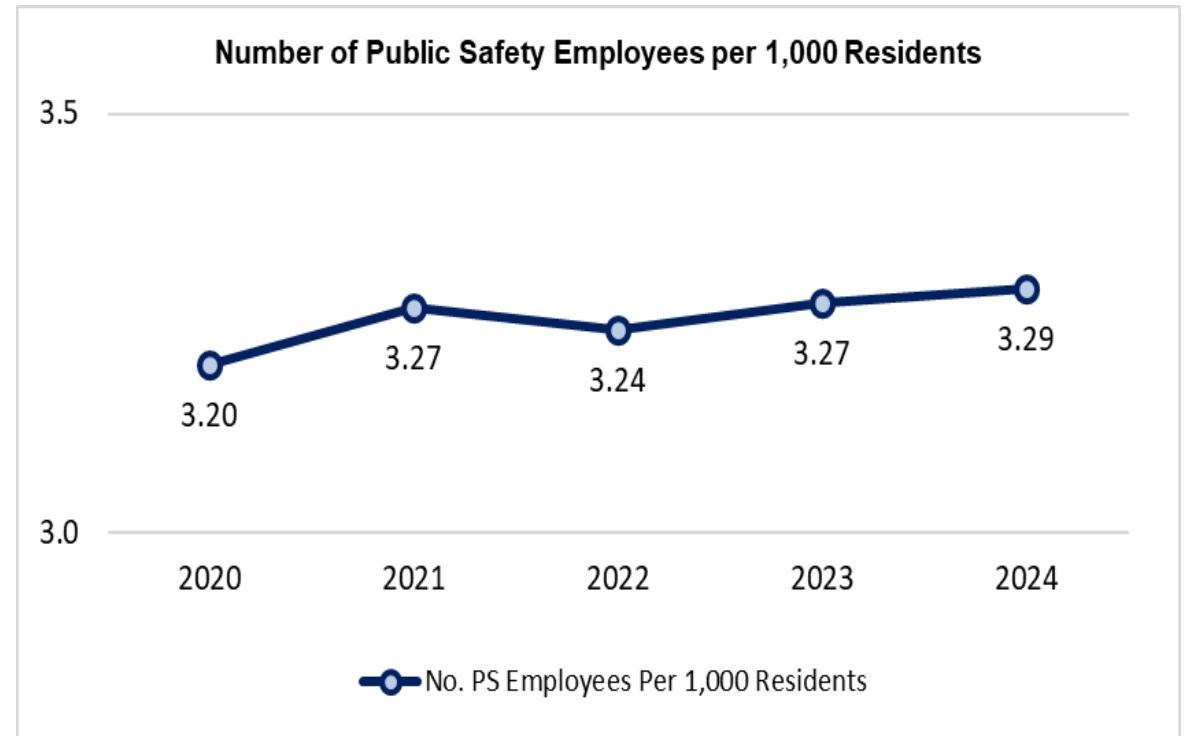
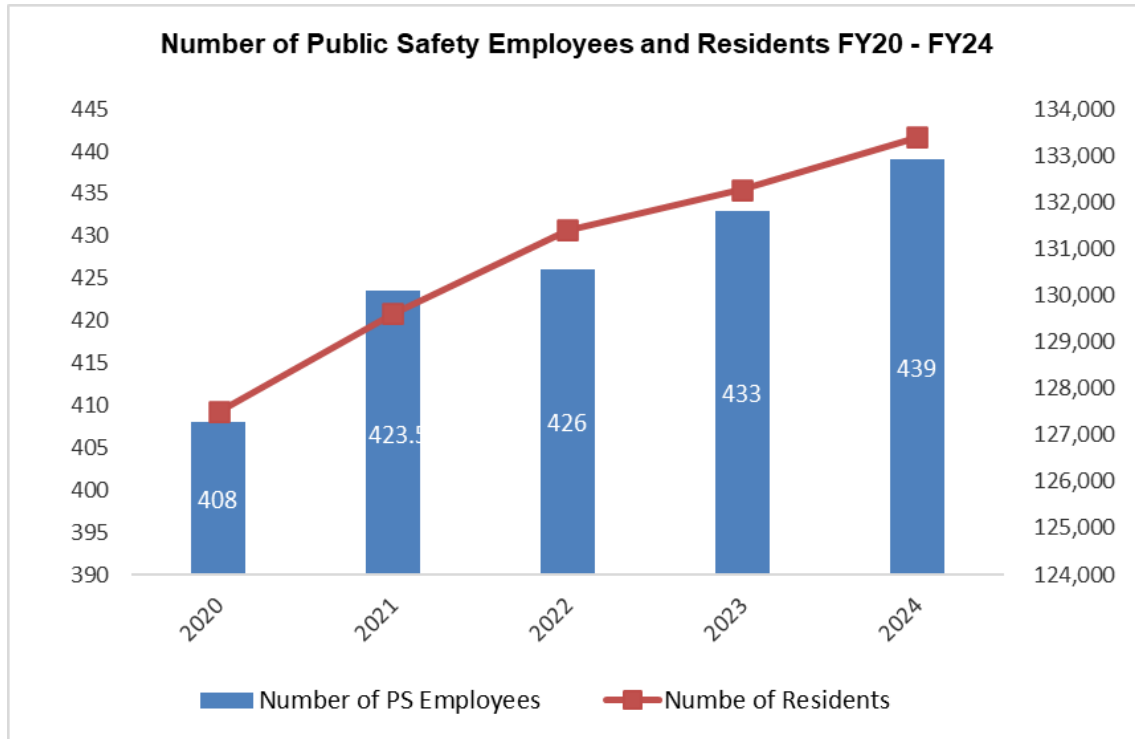
Citywide Staffing Trends



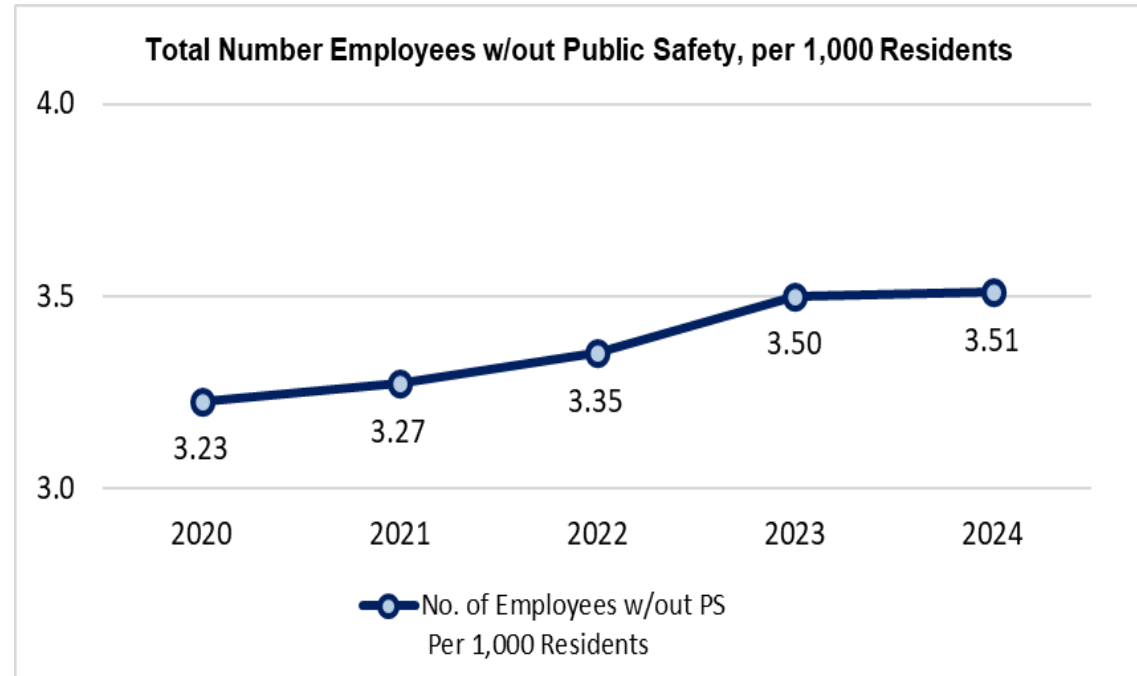
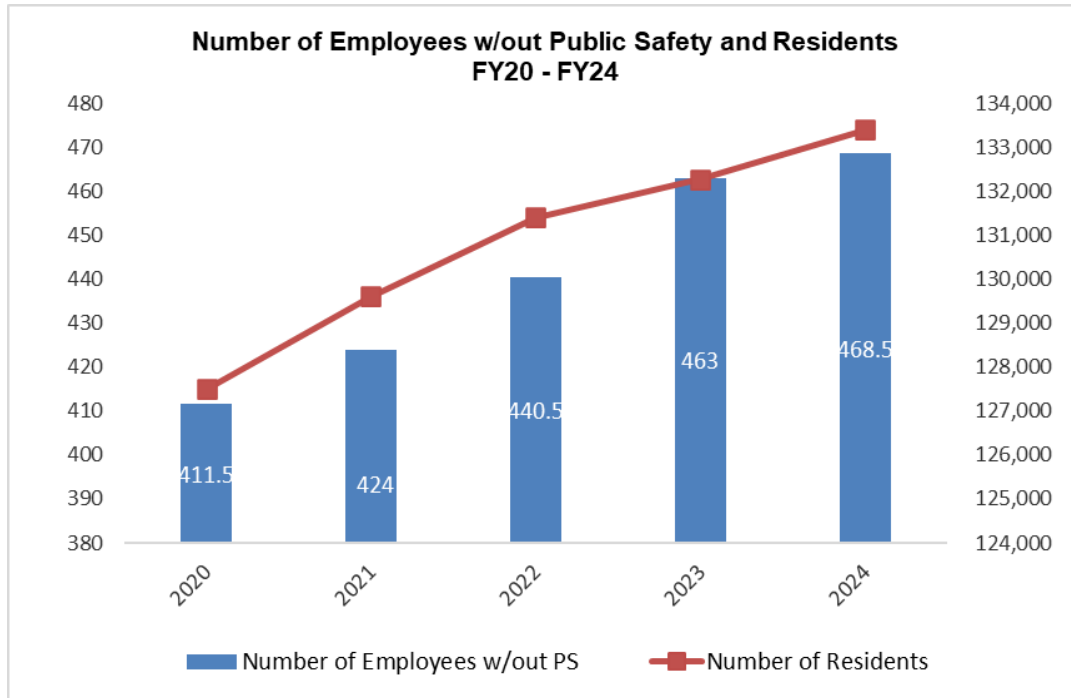
City of Pearland Employees per 1,000 Residents



CoP-Public Safety Employees per 1,000 Residents



CoP Non-Public Safety Employees per 1,000 Residents



FY24 General Fund Property Taxes



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.

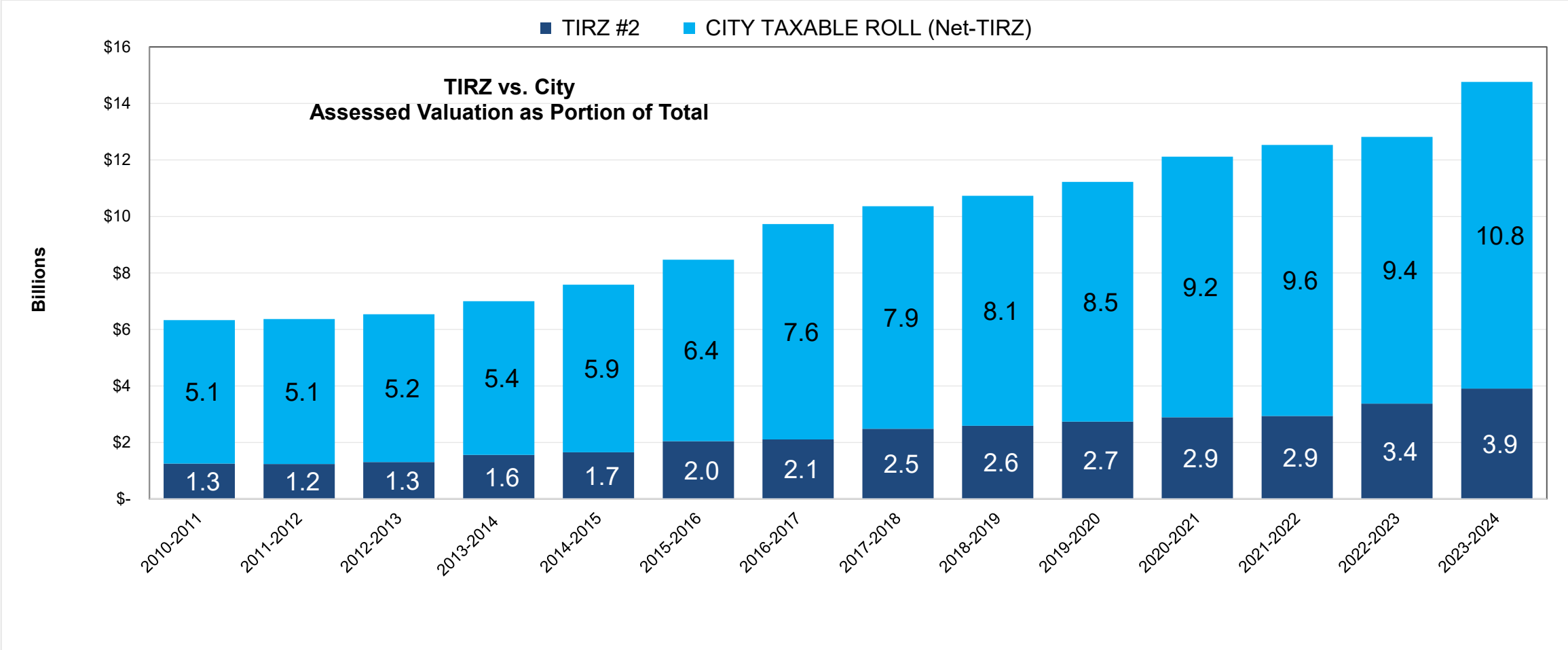
- FY24's ending fund balance is projected to be 25%, or 92 days.

	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

FY24 Taxable Value by County

County	Taxable Value
Brazoria	\$8,800,035,000
Fort Bend	\$762,457,489
Harris	\$1,286,617,020
Total	\$10,849,109,510

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

Established as the maximum possible tax rate on August 14, 2023



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	.0375	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	0.0325	-0.0646
O&M %	42.4%	45.1%	45.7%	49.21%		
DS %	57.6%	54.9%	54.3%	50.79%		

6.4¢ decrease in four years



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.

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.

General Fund Revenues



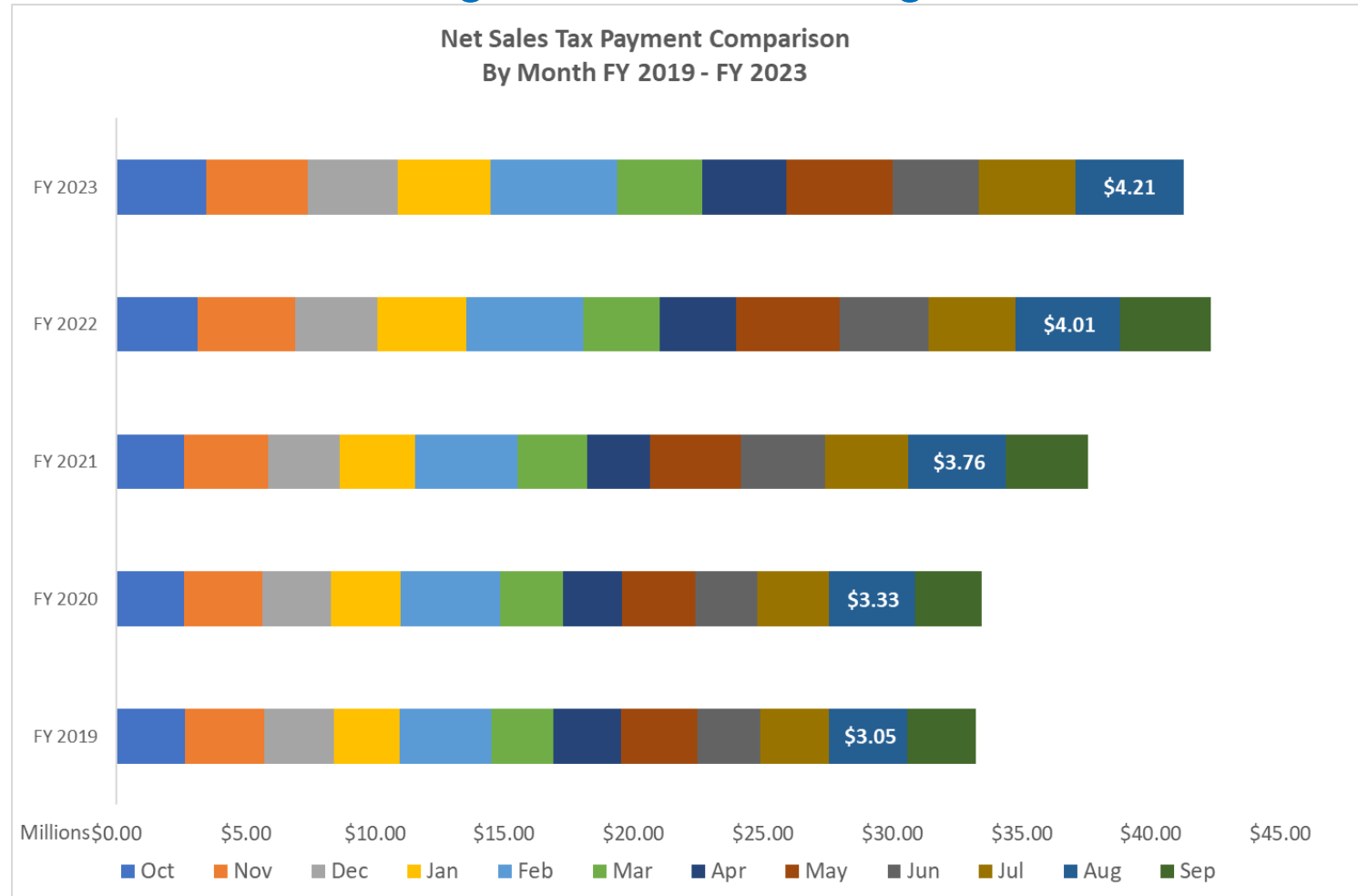
Comparing FY23 to FY24 Revenues

Revenue Category	FY23 Amended Revenue	FY24 Proposed Budget	% Change
Property Taxes	\$31.4M	\$40.0M	27%
Sales and Use Taxes	\$31.0M	\$32.0M	3%
Charges for Service	\$20.0M	\$23.8M	19%
Fines & Forfeitures	\$2.0M	\$2.0M	0%
Franchise Fees	\$6.9M	\$6.9M	0%
Licenses & Permits	\$3.5M	\$4.0M	14%
Miscellaneous	\$2.4M	\$2.1M	-13%
Transfers In	\$8.4M	\$4.4M	-48%
Total	\$105.5M	\$115.2M	9%

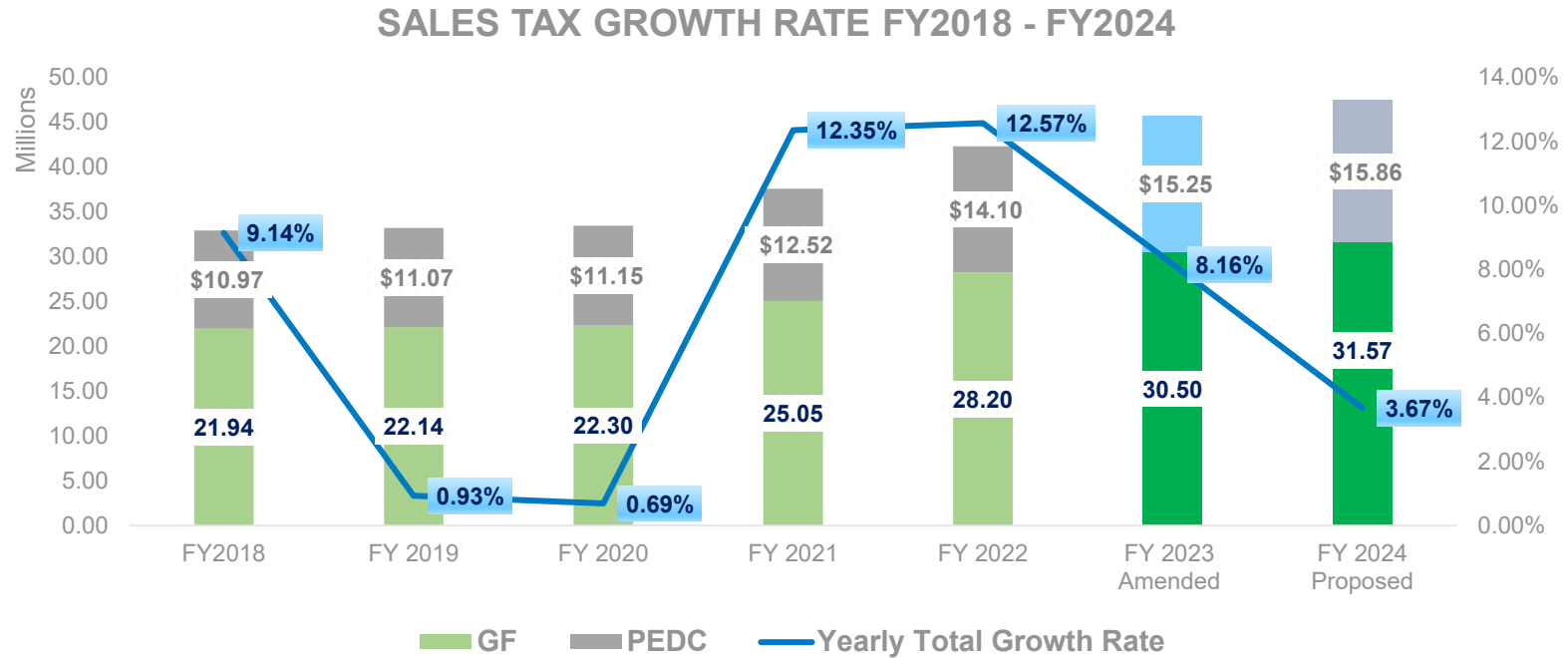
Sales Tax Revenue

- 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.

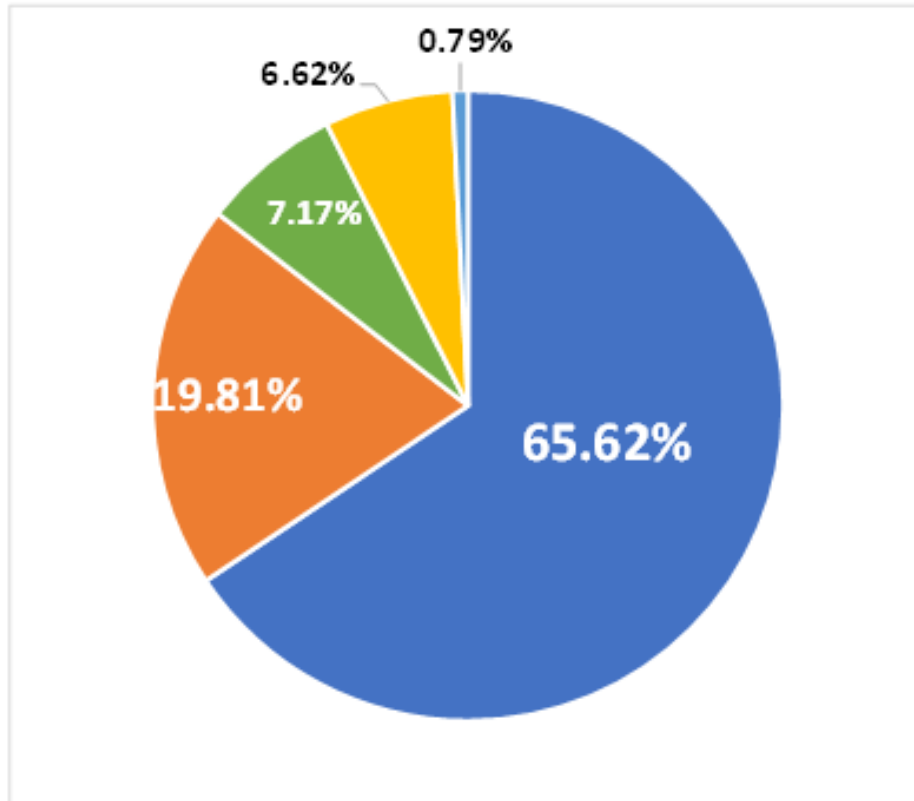
FY23 saw significant sales tax growth



Sales Tax Growth



Charges for Services



Finance: TIRZ Admin Fee
\$15.68 Million - 65.62%
Fire: Ambulance Services
\$4.73 Million - 19.81%
Parks and Rec: Facility Rentals, and Programs
\$1.71 Million - 7.17%
Police: SRO Contract, False Alarm, Training Tuition
\$1.58 Million - 6.62%
PW Engineering & Capital Projects: Traffic Impact and Inspection Fees
\$0.19 Million - 0.79%

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 92 days exceeds minimum of 90 days by 2 days
- ✓ **Maintains Core Services**

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

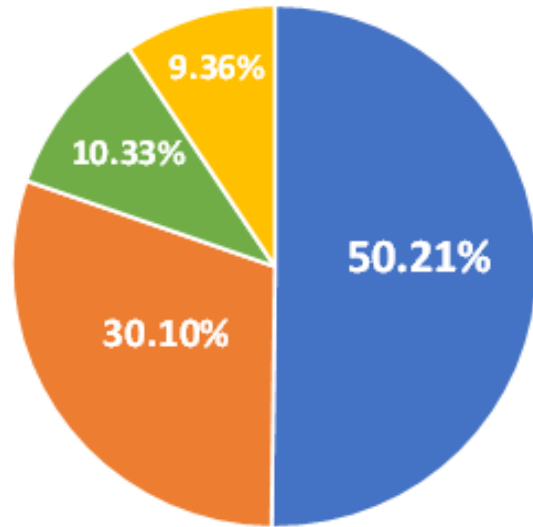


Comparing FY23 to FY24 Expenditures

Expenditures Category	FY23 Amended Expense	FY24 Proposed Expense Budget	% Change
Public Safety	\$65.8M	\$68.7M	4%
Public Works	\$15.4M	\$16.0M	4%
General Government	\$9.7M	\$9.6M	-1%
Parks & Recreation	\$8.6M	\$8.8M	2%
Community Services	\$5.2M	\$5.5M	6%
Transfer Out	\$7.9M	\$5.5M	-30%
Total	\$112.6M	\$114.0M	1%



All Transfers Out-General Fund



Transfers Out:
\$8.94 Million - **50.21%**

Transfers Out IT Operations & Maintenance:
\$5.36 Million - **30.10%**

Transfers Out Motor Pool Repair & Maintenance:
\$1.83 Million - **10.33%**

Transfers Out Motor Pool Lease Payments:
\$1.67 Million - **9.63%**

Account Number	Account Description	Transaction Description	Total Amount
5900	Transfers Out	To Fund 600 (water used)	\$522,000
5900	Transfers Out	To Fund 700 - Risk Management	\$2,381,261
5900	Transfers Out	To Fund 704-Facilities	\$2,634,769
5900	Transfers Out	To Fund 346-Drainage Maintenance Fund	\$2,097,958
5900	Transfers Out	To Fund 514-Infrastructure Reinvestment Fund	\$1,300,000
			\$8,935,988

Transfers Out-Motor Pool Repair & Maintenance By Department-All Funds

Fund Code	Fund Description	Department Description	Account Description	2024 City Manager Recommended
100	General Fund	Police	Transfers Out Repair & Maintenance	\$1,095,145.00
100	General Fund	Fire	Transfers Out Repair & Maintenance	\$566,748.00
100	General Fund	PW Engineering & Capital Projects	Transfers Out Repair & Maintenance	\$16,923.00
100	General Fund	Public Works	Transfers Out Repair & Maintenance	\$56,016.00
100	General Fund	Community Development	Transfers Out Repair & Maintenance	\$12,261.00
100	General Fund	Parks & Recreation	Transfers Out Repair & Maintenance	\$91,027.00
				\$1,838,120.00
346	Drainage Maintenance Fund	Public Works	Transfers Out Repair & Maintenance	\$126,626.00
600	Water & Sewer Fund	Finance	Transfers Out Repair & Maintenance	\$24,228.00
600	Water & Sewer Fund	Public Works	Transfers Out Repair & Maintenance	\$1,594.00
600	Water & Sewer Fund	Utilities Department	Transfers Out Repair & Maintenance	\$159,926.00
				\$185,748.00
703	Motor Pool Fund	Public Works	Transfers Out Repair & Maintenance	\$11,505.00
704	Facilities Fund	Public Works	Transfers Out Repair & Maintenance	\$22,554.00

Transfers Out-Motor Pool Lease Fees-By Department-All Funds

Fund	Department	Amount
100	Office of Emergency Management	5,556
	Police	789,856
	Fire	577,877
	Engineering and Capital Projects	57,615
	EPW	106,594
	Communications	16,667
	Parks and Recreation	110,894
	Total	\$1,665,059
346	EPW-Drainage Maintenance	\$155,341
600	Finance	72,224
	EPW	87,280
	Utilities	1,383,141
	Total	\$1,542,645
703	EPW-Motor Pool	\$6,112
	Grand Total	\$3,369,157

Lease fees include replacement vehicles and new vehicle purchases

Transfers Out-IT Operations & Maintenance- All Funds

Fund	Fund Description	Department	FY24 Proposed Budget
100	General Fund	City Manager's Office	50,422
100	General Fund	Legal	38,702
100	General Fund	City Secretary	49,570
100	General Fund	Human Resources	58,637
100	General Fund	Finance	116,557
100	General Fund	Police	2,215,017
100	General Fund	Fire	1,231,614
100	General Fund	Public Works	617,848
100	General Fund	Communications	64,649
100	General Fund	Municipal Court	126,697
100	General Fund	Community Developer	239,505
100	General Fund	Parks and Recreation	547,094
	Total		5,356,312
305	Hotel/Motel Occupancy Tax	CVB	59,778
320	Court Technology	Municipal Court	13,770
350	Grant Fund	City Manager's Office	2,000
600	Enterprise Fund	Finance	783,902
600	Enterprise Fund	Utilities Department	3,108,165
	Total		3,892,067
703	Motor Pool Fund	Public Works	119,778
	Grand Total		9,443,705

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	

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 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 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.

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

Fee Changes

Description	Justification	Old Fee	New Fee	Department
Solid Waste & Recycling Services	These fees apply to the monthly cost for both trash and recycling; below includes other specific fees.			Utilities
	FWS Residential Garbage Fee	\$19.25	\$20.77	Utilities
	95-Gallon Replacement Cart (trash or recycling)	\$57.97	\$62.55	Utilities
	Additional 95-Gallon Trash Cart	\$11.23 per Month	\$12.11 per Month	Utilities
	Additional 95-Gallon Recycling Cart	\$7.58 per Month	\$8.18 per Month	Utilities
	Unusual residential Garbage Accumulation Service	\$236.36 per Hour	\$255.03 per Hour	Utilities
	Disposal Fee – Unusual Residential Garbage Accumulation	\$13.70 per Yard	\$14.78 per Yard	Utilities
Description	Justification	Old Fee	New Fee	Department
Child Daycare Facility	This Fee applies to the annual inspection of any child daycare facility.	\$0	\$100 Annual	Fire
Combustible High Pile Storage	This Fee applies to indoor storage for combustible materials.	\$0	\$150 Annual	Fire
Commercial Cooking Inspection	This Fee is for commercial cooking suppression test. This inspection will ensure that in event of cooking fire suppression system will activate as intended and that system is installed correctly.	\$0	\$150 Annual	Fire



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**



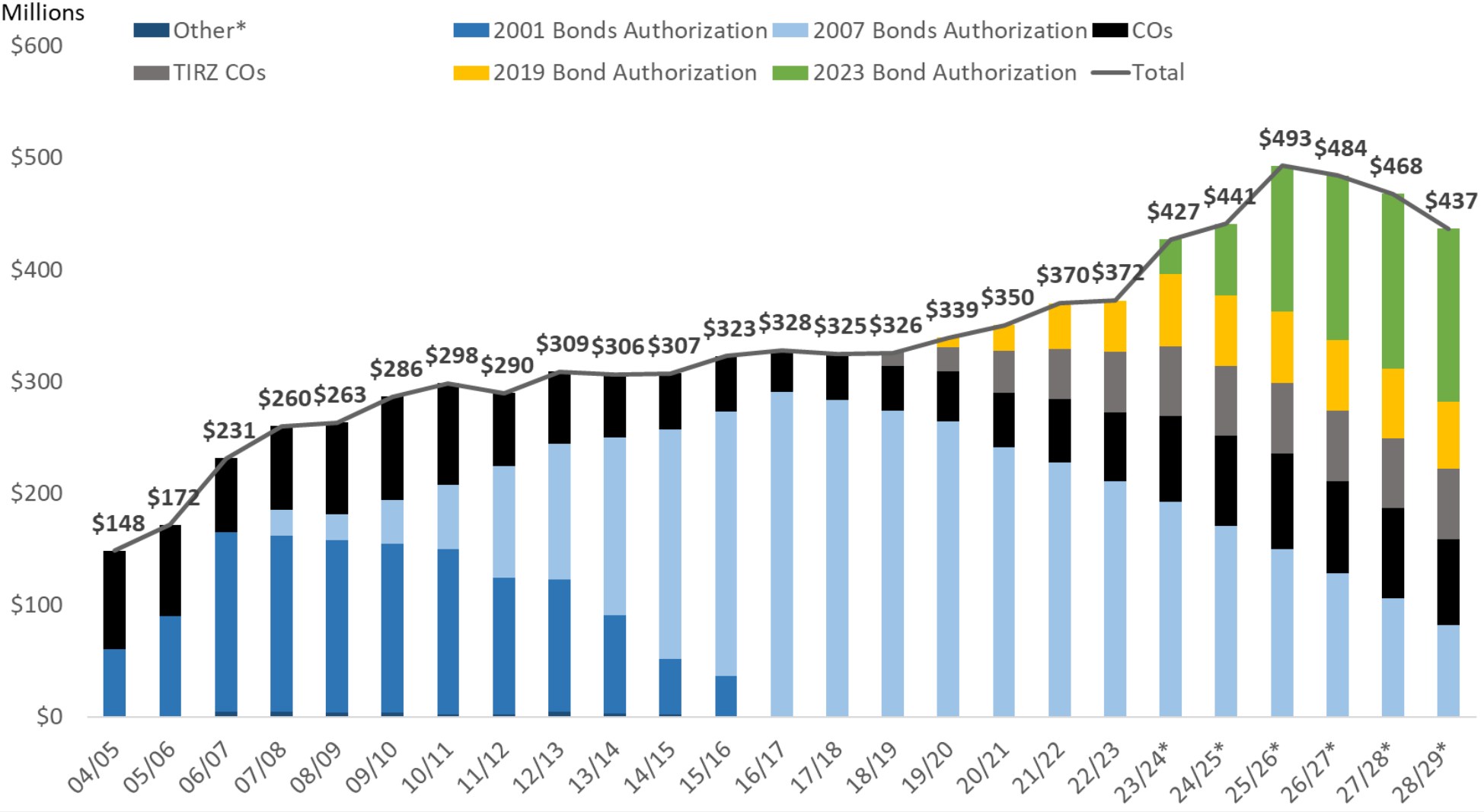
Debt Service Fund Summary

	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



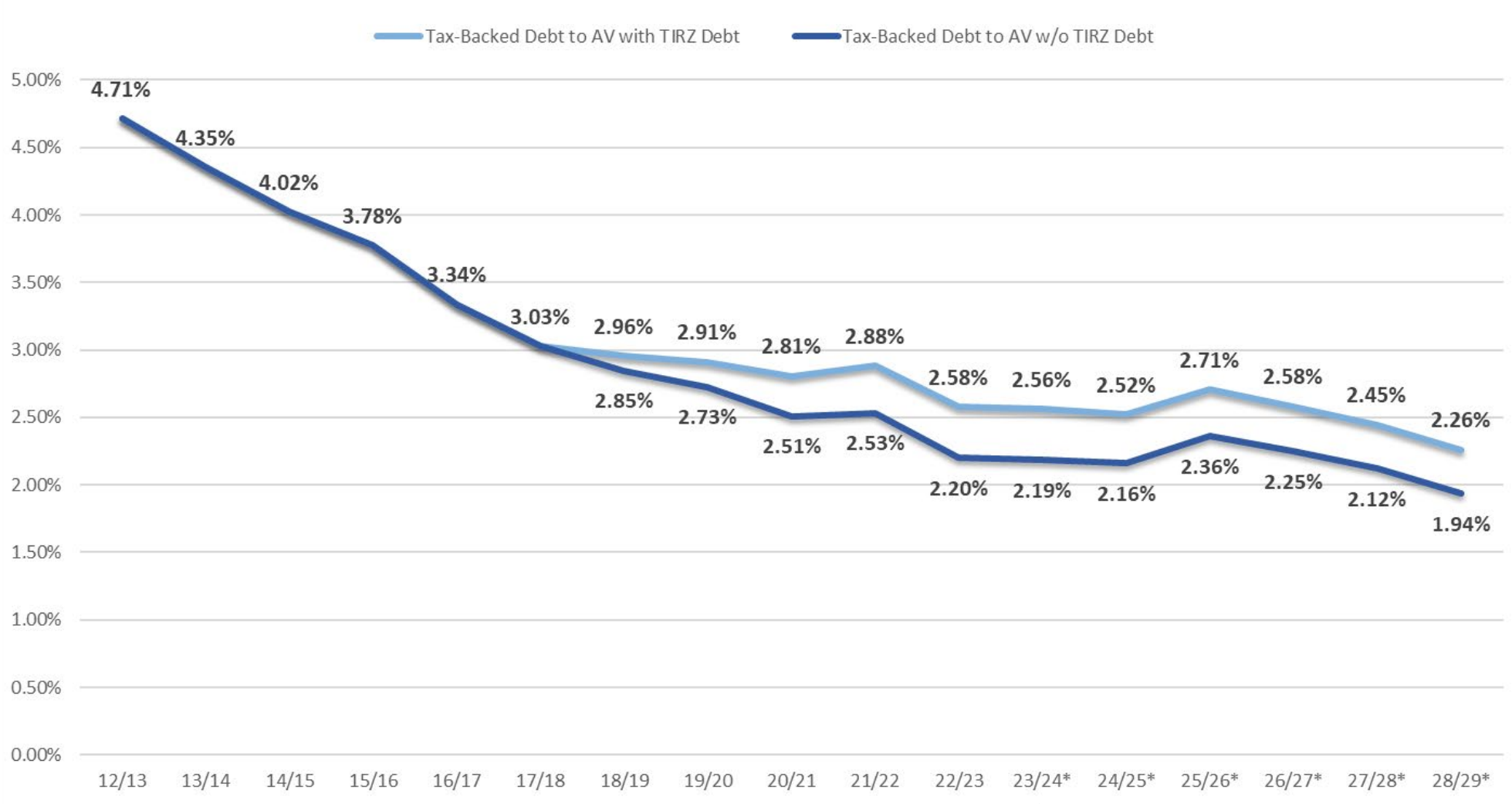
Debt by Type

General Obligation Debt



Debt to Assessed Value Ratio

Tax-Backed Debt to Assessed Value (AV)



Internal Service Funds



Internal Service Funds – Past Success and Next Steps

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



Internal Service Fund Supplementals by Strategic Priority

Safe Community

Replacement Vehicles

General Fund

Approximately \$500,000

Enterprise Fund

Approximately \$1.07M

3 Fire Heavy Apparatus Replacements

Approximately \$4.5M

Sustainable Infrastructure

Phase II Generator Heater Enclosures

\$144,000

IT Switches-Information Technology Fund

\$275,000

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



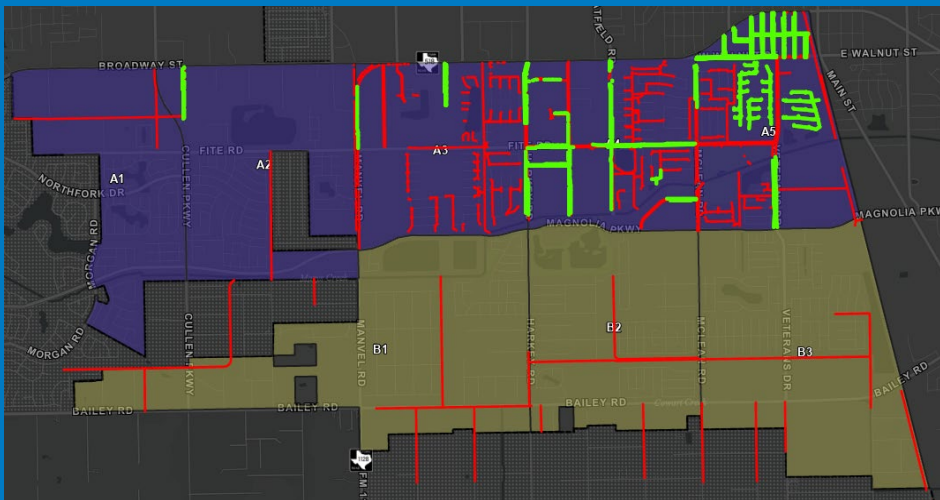
Convention and Visitor's Bureau Fund

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 in FY24

- 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



8/21/2023

FY24 Proposed Budget Presentation #2



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
- Includes transfer for Drainage Maintenance-\$32,400
- Supporting the Strong Economy Strategic Priority: \$350,000 for Old Town Master Plan

8/21/2023

	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



Tax Backed Debt Fund through Component Units

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

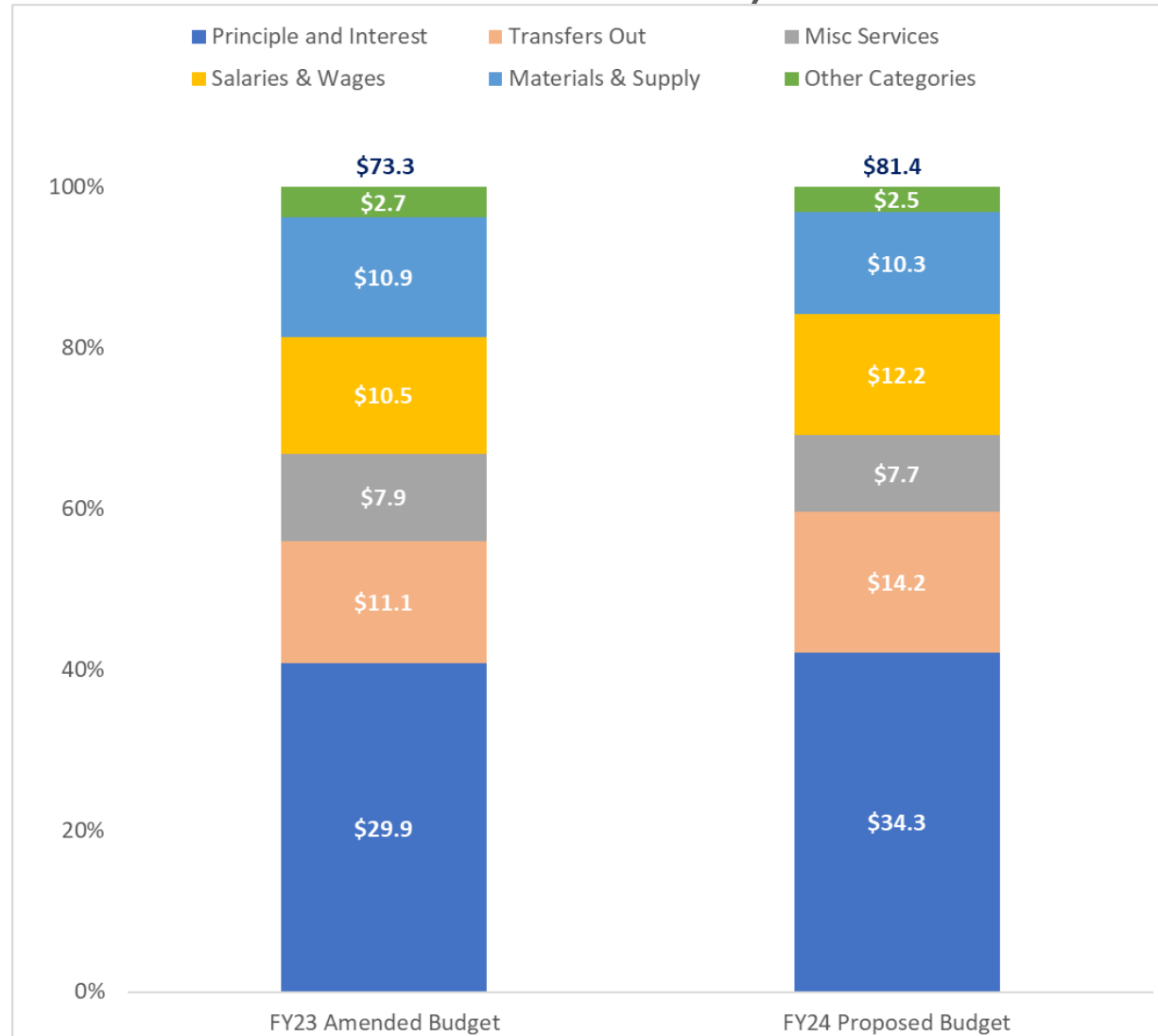


Enterprise Funds

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?



CIP Projects Impacting Rates

Project	Cost
Surface Water Treatment Plant Phase I	\$175.5M
Surface Water Treatment Plant Phase IIa (FY26 Start)	\$57.9M
JHEC Facility Expansion	\$80.6M
Baily Water Plant	\$14.4M
Barry Rose Water Reclamation Facility Replacement	\$229.4M
Longwood Decommissioning	\$38.1M

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

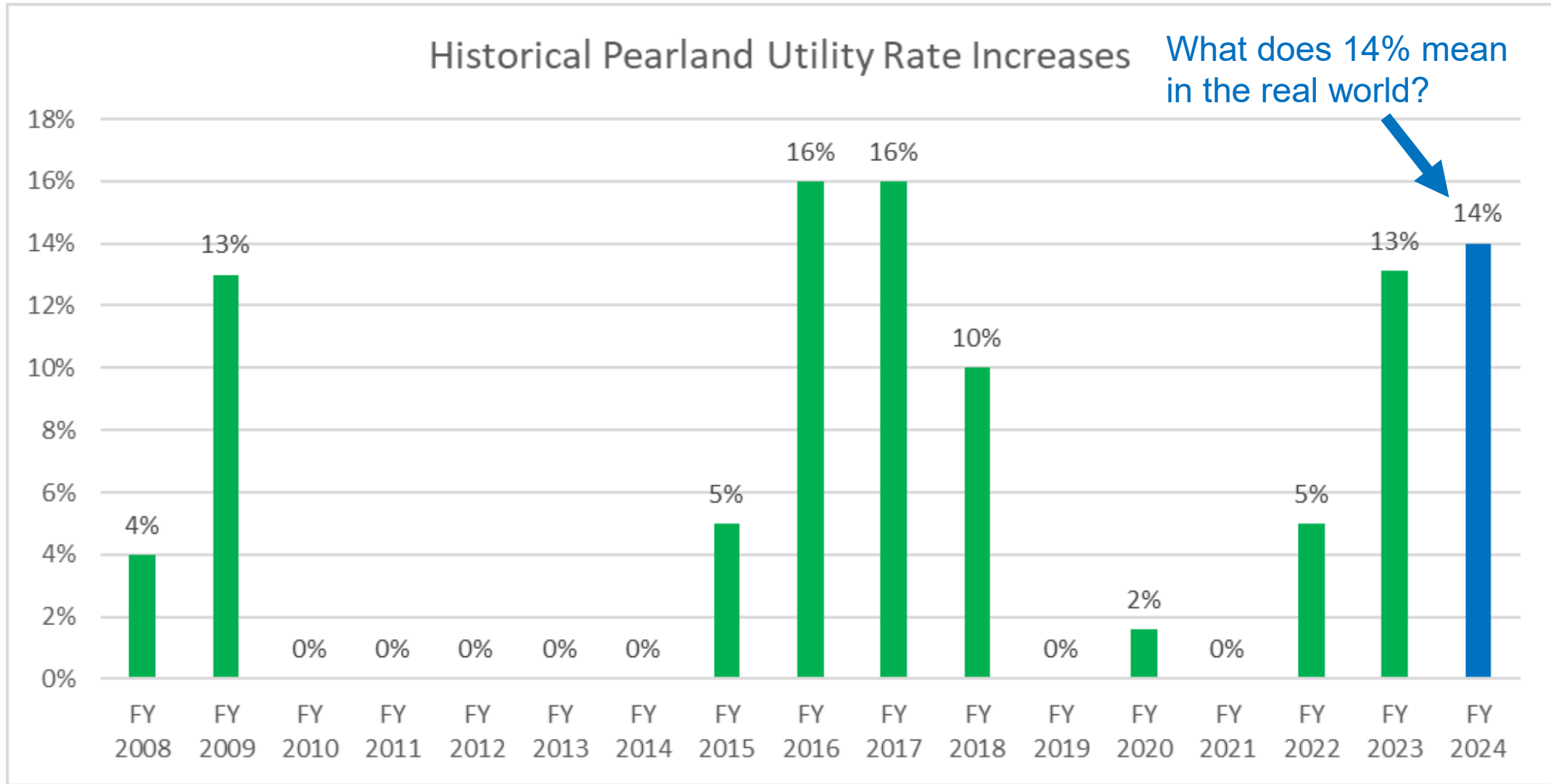
- The City must bring in enough money to pay for debt and operations.
- Increased consumption helps to some extent.
- Rate increases are the main way cities bring in the necessary Enterprise Fund revenue.
- When we sell COs we agree to have a Bond Coverage Ratio ≥ 1.15 .
- Enterprise Operating Fund balance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



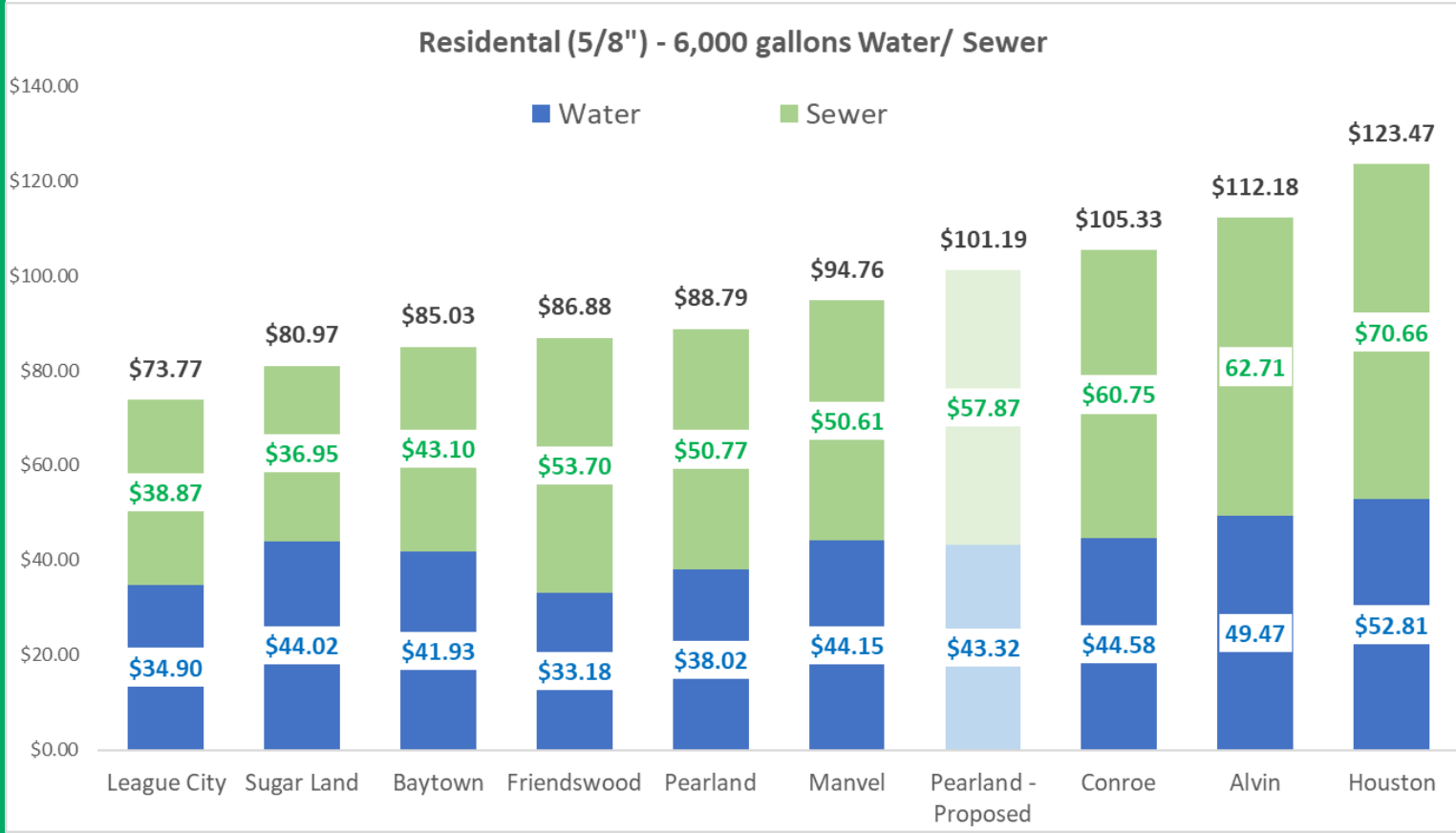
Sample Bills with 14% Proposed Rate Increase for FY 24

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%

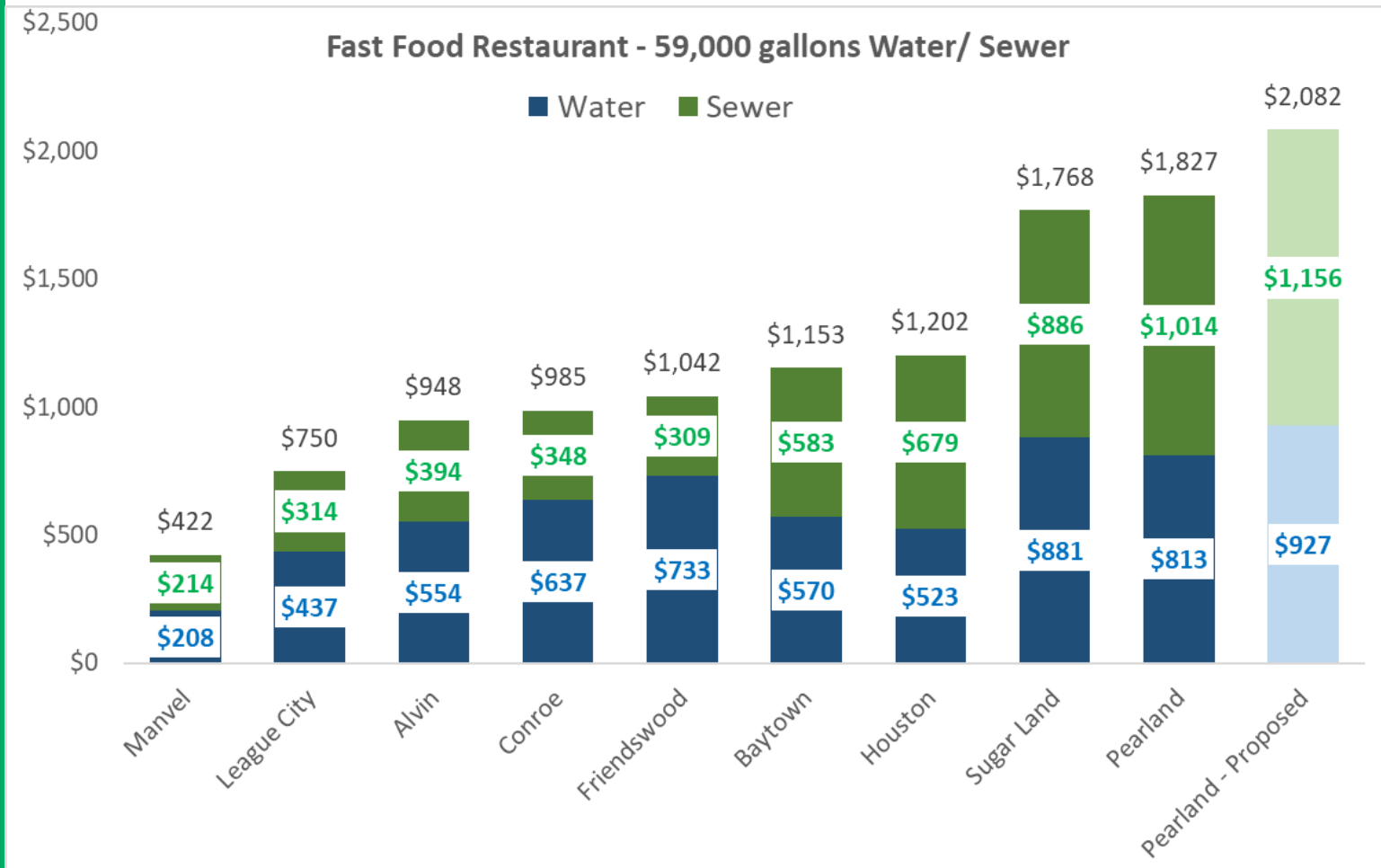
Comparison Bill

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.

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.

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



Rate Model

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
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

Increases in Expenditures Not Related to Debt

- Full Year of Surface Water Plant Operations. Including staff, water, and chemical purchases. \$1M
- GCWA Shannon Water Pump Project-\$458,000
- Vehicle Replacements-Increased from \$250,000 in FY23 to \$1,075,000. This replaces all vehicles that meet the eligibility criteria for replacement in Enterprise Fund.
- Transfer for MUD rebates increased \$1.2M
- Risk Fund Transfer Increased-\$632K
- EPW/Utilities Administration split including 3 new positions-\$378K
- Salary and Wages-\$400K



Utilities Supplementals by Strategic Priority

Sustainable Infrastructure

- Management Assistant-Utilities Administration \$115,811
- Business Administrator-Utilities Administration \$83,163
- Environmental Health and Safety Coordinator-Utilities Administration \$99,330
- Pearland Water Asset Management Consultant-Utilities Administration \$50,000



Impact Fees

- Transfer from Impact Fee Funds to Enterprise Debt Service Fund
- Pay the debt service payments for projects related to impact fees
- W/S Impact Fee Transfers to the Enterprise Debt Service Fund total \$6,794,963 for FY24

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, First Reading of the Tax Rate
- September 25 – Public Hearing Tax Rate, Second Reading of FY24 Budget, Second Reading of the Tax Rate

