



Memo

To: Trent Epperson, City Manager
From: Rachel Wynslow, Head of Office of Management and Budget (OMB)
CC: Ron Fraser, Deputy City Manager
Victor Brownlees, Assistant City Manager
Date: August 15, 2024
Re: Response to Questions from Budget Discussion #1

Executive Summary

Budget Discussion #1 took place on Monday, August 12th, 2024. Included below are responses to questions asked related to the [proposed budget](#) and follow ups from that meeting. Responses are organized by fund.

Questions & Answers

General Fund Questions

1. How are all the different supplementals funded?

Page 32 and 33 of the Budget show each supplemental and whether it is funded by the General Fund, Enterprise Fund (W/S), or Other Funds. If it is funded by Other Funds the source of funds is included in the Supplemental description. The Other Funds include PEDC, CVB, Park Development, Motor Pool, IT, Drainage, and Capital Projects.

2. The \$.0204 reduction in the tax rate accounts for an approximated \$2,040,000 reduction in revenue to the City vs. keeping the tax rate flat. Is that correct?

At our current taxable valuation of \$11.7B the reduction is about \$3.58M which includes the reduction in the TIRZ Admin Fee. It is \$2.75M in property taxes and \$830K in the TIRZ Admin Fee.

3. Expenditures for FY25 are showing an increase of 3.5% EXCLUDING pay plans. What is it WITH the pay plans included?

The proposed budget is a 4.3% increase over expenses in the FY2024 Amended. This incorporates the updated pay plans, and additional supplementals funded.

Expense Category	FY24 Amended	FY25 Proposed	% Change
Salaries & Wages	78,234,263	84,129,549	7.5%
Materials & Supplies	5,416,146	4,533,598	-16.9%
Buildings & Grounds	777,572	502,024	-35.4%
Miscellaneous Services	11,855,027	11,921,746	.56%
Other	352,594	334,337	-5.2%
Capital Outlay	1,366,599	1,164,551	-14.8%
Transfers Out	17,796,479	18,634,074	4.7%
Total	\$117,948,966	\$123,066,372	4.3%

4. What are we doing to properly compensate those who have already joined the PD?

The increase to the Pay Classification Plan for Civil Service provides an 8.8% increase for all current Police Officers from Steps 1-10 and officers in the top step (Step 11) receiving a 5.2% increase. Sergeant steps will increase 6.2% and Lieutenant and Captain will increase 7.3%. These increases bring the full step plan (Step 1 to top out) for all classifications to 100% of the average of our peer cities pay plans.

5. Based on the numbers on page 11 we are looking at \$60.8 mil for the General Fund, \$41.3 mil for debt service, \$30.8 mil from sales tax, \$3 mil from fees, and \$4.6 mil from investment earnings (p. 43). That’s a total of \$140.5 mil in revenue with \$123 mil in expenses. This leaves a delta of \$17.5 mil. Where is that difference coming from?

The property taxes received for debt service are held in another fund (200-Debt Service Fund) and do not count towards the revenue supporting general fund expenditures. Similarly, the annual debt expenses are held in fund 200 and not reflected in General Fund. The total revenue supporting General Fund operating expenses is \$124.4M.

6. In the Conclusion on page 13 it says, “we are able to support the highest of our priorities with this year’s budget.” However, I don’t see added resources for roadways (unless we are relying on the PEDC for that - see #5), the IT internal service fund remains underfunded, and there is no money allocated for the much-needed Municipal Court software upgrade. These all seem to be very critical areas that need to be funded.

- The Municipal Court Software was funded in the IT fund for FY2025. This is expected to cost \$135,000 in the FY25 budget.
- Capital lease fees for Facilities and Information Technology were unable to be funded. However, the ongoing maintenance and operations of these funds is funded.
- The Street Rehabilitation Program project was approved with Budget Amendment #2 providing an additional \$4.3M for the Streets over FY24 and FY25.
- The proposed budget includes a \$1.3M contribution to the Infrastructure Reinvestment Fund for ongoing street & sidewalk maintenance.

- Supplementals include the 5-person Street Maintenance Crew funded to begin in April 2025.

7. Safe Community - p. 25. Are these salaries pay + benefits or just pay? The Police Officers average \$171,735.33, the Animal Control Officer is \$175,620, and the Crime Scene Supervisor is \$183,413. These seem to be substantial compensation packages. Do we have the data to backup these compensation ranges?

This is all costs for year one of the position. They include vehicles for each Police Officer position, the Animal Control Officer, and the Crime Scene Supervisor. While Salary and Benefits make up most of the cost, and will be recurring, the one-time vehicle cost is only present in year one. All positions will be compensated in accordance with the pay plan.

8. Sustainable Infrastructure - p. 26. “These positions are cost neutral and are funded via transfers from across active CIP Funds to the General Fund to reimburse for staff time and effort.” Does this mean we are financing this project management team through CO’s and Bonds? If so, does that mean that once the projects covered by those CO’s or Bonds is completed then the team will be laid off?

These positions, along with most Engineering Capital Projects staff and administrative staff are reimbursed for their time and effort from Capital Projects Funds. This includes interest earnings on bond and CO proceeds, and savings from project costs. It is unlikely the city will ever not have an active Capital Improvement Plan, and there are no plans to remove these positions in the future. However, if in the future the CIP is less robust, we would reduce staff through attrition or transfers.

9. What is the total annual budget for Parks and Rec. on the General Fund?

The total Parks & Recreation expenditure budget in the general fund is \$9,963,715. Revenue related to Parks & Recreation is \$2,157,578 bringing the net impact of Parks & Recreation to \$7,806,137.

10. General Fund Overview - p. 92 - 94. Page 92 shows an increase in revenues of \$8,692,278, or 7.5%, for FY25 over FY24. Page 94 shows an increase in expenses of \$5,117,406, or 4.339%, over the same time period. The difference between the increased revenues and the increased expenses is a net gain of \$3,547,872. However, the Ending Fund Balance YOY shows an increase of \$1,344,913. Subtracting the ending fund balance increase from the net gain leaves \$2,220,959 seemingly unaccounted for. What am I missing here?

FY2024 expenditure exceeds the FY2024 revenue causing a deficit. The FY 2025 revenue exceeds expenditure from FY2025 resulting in a YOY increase of 1.3M. Fund balance policy to maintain a 90 day of Fund Balance, so the revenue has to make up the deficit between FY2024 projected budget and FY 2025 leaving us with \$90K over the fund balance policy.

11. VATR vs NNR - p. 92 v p. 95 and p. 93 v p.96. Why are all the numbers the same between these pages? The only differences between the VATR and the NNR are between pages 94 and 97 and only in '26 and '27. FY 25's numbers are all the same.

The FY25 data is the proposed budget as is. The multi-year General Fund forecasts for FY2026 and FY2027 are for two different scenarios one at the VATR and one at the NNR.

12. What does the account miscellaneous miscellaneous encompass?

Miscellaneous Miscellaneous covers one specific account in the Materials & Supplies Category. Beginning in FY25 departments were instructed to stop using this account. However, it was used for materials & supplies that didn't exactly fit into other account descriptions. There is both miscellaneous miscellaneous and miscellaneous food ice and drinks. Food, Ice, and drinks will continue to be utilized going forward. This provides for council meals, ice and electrolyte purchases for our field crews, and meals needed for meetings.

13. What is the category of miscellaneous services, and why is it in so many account descriptions?

Miscellaneous Services is a functional expense category in accounting that includes city-wide and departmental expenses that do not fit into the other expenditure types. These include public notification publications, cellular phones, telephones, air cards, professional services, landscaping services (right of way maintenance), mileage, postage, printing, temporary staffing, professional development, certifications & licenses, memberships, copier services, streetlighting, and utilities for city facilities.

When the accounts in New World were set up, they often included the account and category level detail. So Miscellaneous is often used in the description of the account along with its true description. Professional/Contractual Services Miscellaneous makes up the bulk of these accounts, and miscellaneous is just there to cover the wide variety of professional contracts the city makes use of.

14. Can we get more information about miscellaneous services expenses?

Below is a chart that indicates miscellaneous services expenses by department and division across the entire general fund.

GENERAL FUND			
DEPARTMENT & DIVISION		2024 Projected	2025 Budgeted
CITY COUNCIL			
100 - City Council	100 - Administration	\$ 58,398	\$ 77,378
CITY MANAGER			
105 - City Manager's Office	100 - Administration	\$ 75,835	\$ 75,378
105 - City Manager's Office	115 - Office of Management and Budget		\$ 757,086
105 - City Manager's Office	270 - Office of Emergency Management	\$ 101,980	\$ 91,530
LEGAL			
110 - Legal	100 - Administration	\$ 44,251	\$ 44,323
CITY SECRETARY			
115 - City Secretary's Office	100 - Administration	\$ 193,745	\$ 156,015
HUMAN RESOURCES			
120 - Human Resources	100 - Administration	\$ 355,352	\$ 449,109
FIANANCE			
130 - Finance	100 - Administration	\$ 1,078,257	\$ 401,385
OTHER ADMIN			
150 - Other Requirements	100 - Administration	\$ 560,484	\$ 630,480
POLICE			
200 - Police	100 - Administration	\$ 377,994	\$ 380,528
200 - Police	200 - Patrol	\$ 34,867	\$ 20,600
200 - Police	205 - Patrol - Commercial Motor Vehicle	\$ 3,840	\$ 5,040
200 - Police	215 - Investigations	\$ 64,614	\$ 69,320
200 - Police	225 - Admin - Community Services	\$ -	\$ 3,000
200 - Police	230 - Admin - Training	\$ 258,873	\$ 264,105
200 - Police	235 - Admin - School Resource Officer	\$ 21,820	\$ 18,080
200 - Police	240 - Support - Communciations/Records	\$ 84,400	\$ 19,700
200 - Police	245 - Support - Jail	\$ 14,180	\$ 14,180
200 - Police	250 - Support - Animal Services	\$ 283,404	\$ 339,621
200 - Police	255 - Training Academy	\$ 4,650	\$ 4,650
FIRE			
205 - Fire	100 - Administration	\$ 129,185	\$ 194,767
205 - Fire	230 - Admin - Training	\$ 389,228	\$ 473,389
205 - Fire	260 - Operations	\$ 823,856	\$ 692,135
205 - Fire	265 - Marshal	\$ 19,235	\$ 19,235
205 - Fire	275 - Health Code Enforcement	\$ 92,260	\$ 96,460
PUBLIC WORKS & ENGINEERING			
300 - PW Engineering & Capital Projects	305 - Traffic Management	\$ 736,419	\$ 652,812
300 - PW Engineering & Capital Projects	340 - Engineering	\$ 225,848	\$ 198,691
300 - PW Engineering & Capital Projects	345 - Capital Projects	\$ 99,595	\$ 107,455
305 - Public Works	100 - Administration	\$ 66,942	\$ 81,663
305 - Public Works	311 - Streets	\$ 1,740,959	\$ 1,723,326
305 - Public Works	315 - Grounds Maintenance	\$ 1,994,926	\$ 2,208,261
COMMUNICATION			
400 - Communications	100 - Administration	\$ 128,111	\$ 136,411
MUNICIPAL COURT			

405 - Municipal Court	100 - Administration	\$ 59,359	\$ 63,514
COMMUNITY DEVELOPMENT			
410 - Community Development	100 - Administration	\$ 22,070	\$ 51,782
410 - Community Development	415 - Permits & Inspections	\$ 107,893	\$ 118,180
410 - Community Development	420 - Planning	\$ 524,242	\$ 209,517
410 - Community Development	425 - Development Services	\$ 5,835	\$ 11,580
LIBRARY			
415 - Library	100 - Administration	\$ 70,983	\$ 89,273
PARKS			
500 - Parks & Recreation	100 - Administration	\$ 80,430	\$ 81,987
500 - Parks & Recreation	510 - Recreation	\$ 30,618	\$ 40,974
500 - Parks & Recreation	520 - Athletics	\$ 75,179	\$ 38,293
500 - Parks & Recreation	525 - Special Events	\$ 25,386	\$ 29,625
500 - Parks & Recreation	530 - Senior Programs	\$ 41,187	\$ 46,558
500 - Parks & Recreation	535 - Aquatics	\$ 11,731	\$ 16,381
500 - Parks & Recreation	540 - Parks	\$ 166,236	\$ 150,368
500 - Parks & Recreation	545 - Recycling	\$ 4,275	\$ 3,603
500 - Parks & Recreation	550 - Natural Resources	\$ 40,885	\$ 40,039
500 - Parks & Recreation	555 - Recreation Operations	\$ 525,210	\$ 523,959
MISCELLANEOUS SERVICES TOTAL		\$ 11,855,027	\$ 11,921,746

Below is a chart with itemized description of expenditures for the General Fund:

GENERAL FUND		
DESCRIPTION	2024 PROJECTED	2025 BUDGETED
Advertising and Promotion Advertising	14,628	14,628
Advertising and Promotion Legal/Public Notice	14,173	13,675
Advertising and Promotion Marketing Programs/Promo	1,100	4,900
Communications Cable TV	120	120
Communications Cellular Communications	191,911	213,031
Communications Computer Access	600	600
Communications Pc Aircard Charges	168,637	168,246
Communications Telephone	2,600	3,350
Insurance Services Administration Fees	70,700	76,700
Insurance Services Insurance Miscellaneous	2,000	2,000
Insurance Services Notary	1,674	1,674
Other Services Applicant Polygraphs	1,000	1,800
Other Services Bank/Credit Card Charges	200,000	225,000
Other Services Clean Up	70,000	71,500
Other Services Election Expense	111,000	115,000
Other Services Force Mow	12,000	12,000
Other Services HR Testing & Processing	22,000	25,050
Other Services Investigative Costs	27,479	26,000
Other Services Medical Exams	70,815	73,763
Other Services Mileage	5,589	5,904
Other Services Postage	52,778	56,928
Other Services Printing	118,189	133,114
Other Services Recruitment Costs	66,000	98,782
Other Services Temporary Staffing	282,563	356,936
Professional Development Books Periodicals and Subscription	36,837	41,097
Professional Development Certifications & Licenses	329,469	430,125
Professional Development Conferences & Seminar Costs	696,677	737,470
Professional Development Membership & Dues	91,413	88,241
Professional Development T.C.O.L.E. Training	3,800	3,800
Professional/Contractual Services Accounting Services	154,915	266,000
Professional/Contractual Services Consulting	274,790	198,000
Professional/Contractual Services Courier Service	360	380
Professional/Contractual Services EMS Billing Service	130,000	-
Professional/Contractual Services Lab/Testing	12,500	12,500
Professional/Contractual Services Landscaping	1,896,513	2,112,380
Professional/Contractual Services Legal Expense	51,200	53,600
Professional/Contractual Services Miscellaneous	3,080,329	2,643,146
Professional/Contractual Services Tax Appraisal District	618,675	659,362
Professional/Contractual Services Veterinary	124,250	124,000
Rental Equipment Rental	118,753	124,829
Utility Services Electricity	29,953	28,582
Utility Services Street Lighting	1,703,244	1,680,806
Utility Services Utilities	993,793	1,016,728
TOTAL MISCELLANEOUS	\$11,855,027	\$11,921,746

15. What are the larger expenses in Professional/Contractual Services Miscellaneous?

Professional/Contractual Services Miscellaneous Expenses over \$50,000 include the following:

- Street Sweeping Contract **\$65,000**
- Guardrail Repair Contract **\$50,000**
- CIP Consultant **\$50,000**
- HR Comp and Class **\$100,000**
- Kennel Cleaning Contract **\$144,000**
- Contracted Fire Dispatch Services **\$384,250**
- Pavement Marking Contract **\$310,000**
- Span Wire Installation at Intersections **\$105,000**

- Third Party/Inspections & Plan Review Services **\$55,000**
- Tree Care Contract & Maintenance **\$172,000**

16. Can we get more information about miscellaneous revenue?

Below is a chart that indicates miscellaneous services revenues by itemized description of miscellaneous revenues.

FUND 100- MISCELLANEOUS REVENUES		
Revenue Description	2024 Projected	2025 Budgeted
Miscellaneous Building Rent	\$15,594	\$15,594
Miscellaneous Phone & Fax Reimbursement	\$9,504	\$9,000
Miscellaneous Street Light	\$25,000	\$20,000
Miscellaneous Other Xerox Copies	\$3,017	\$3,000
Miscellaneous Sale Of Property	\$9,202	\$23,000
Miscellaneous Miscellaneous	\$329,196	\$400,000
Miscellaneous FEMA Reimbursement	\$10,696	\$0
Miscellaneous Vending Machines	\$1,741	\$600
Miscellaneous Nsf Fees	\$415	\$100
Miscellaneous Public Safety	\$39,548	\$2,500
Miscellaneous Public Safety	\$6,657	\$7,000
Miscellaneous Jail Phone	\$2,521	\$2,600
Miscellaneous Court Bonds	\$4,735	\$5,000
Miscellaneous Waiver Of Encroachment	\$1,714	\$1,750
Miscellaneous Sign Revenue	\$3,273	\$3,273
Miscellaneous Parks	\$991	\$991
Miscellaneous Cash Over/Short	\$0	\$462
Total Miscellaneous Revenues	\$463,804	\$494,870

Miscellaneous Miscellaneous revenue includes the T-Mobile payments for the cell phone tower, and rebates from the P-Card program.

17. Can we see additional sample property tax bills? Including one from a MUD and Alvin ISD? Can you confirm the original sample property tax bill is correct?

The original sample property tax bill has the wrong tax rates for Brazoria County and Road & Bridge Fund (Brazoria County). The revised property tax bill is presented below:

Taxable Value Summary							
	Tax Year 2023			Tax Year 2024			Annual \$ Change
Appraised Value	398,170			401,340			\$ 3,170
Homestead Cap Loss	18,859			-			\$ (18,859)
Taxable Value	\$ 379,311			\$ 401,340			\$ 22,029
Proposed Tax Rate Comparison of Values							
Taxing Entity	Tax Year 2023			Tax Year 2024			Annual \$ Change
	Rate	Amount***	% of Total Amount	Rate**	Amount	% of Total Amount	
Pearland Independent School District	1.1373	3,177	46.0%	1.1373	3,427	47.2%	251
City of Pearland	0.6554	2,424	35.1%	0.6350	2,484.80	34.3%	61
Brazoria County	0.2707	821	11.9%	0.2613	839	11.6%	18
Brazoria County Drainage District #4	0.1148	348	5.0%	0.1148	369	5.1%	20
Road & Bridge Fund (Brazoria County)	0.0433	130	1.9%	0.0422	134	1.9%	4
Total	2.2214	6,900		2.1906	7,254		354
% of Appraised Value		1.7%			1.8%		

Sample property tax bills – Alvin ISD w/ MUD #34

Taxable Value Summary							
	Tax Year 2023			Tax Year 2024			Annual \$ Change
Appraised Value	348,400			376,750			\$ 28,350
Homestead Cap Loss	28,863			25,259			\$ (3,604)
Taxable Value	\$ 319,537			\$ 351,491			\$ 31,954
Proposed Tax Rate Comparison of Values							
Taxing Entity	Tax Year 2023			Tax Year 2024			Annual \$ Change
	Rate	Amount***	% of Total Amount	Rate**	Amount	% of Total Amount	
Alvin Independent School District	1.1923	2,618	34.2%	1.1700	2,942	35.1%	325
City of Pearland	0.6554	2,042	26.7%	0.6350	2,176	26.0%	134
BRAZORIA CO. MUD #34	0.5500	1,406	18.4%	0.5500	1,547	18.5%	141
Brazoria County	0.2707	692	9.1%	0.2613	735	8.8%	43
Alvin Community College	0.1513	483	6.3%	0.1513	532	6.4%	48
Brazoria County Drainage District #4	0.1148	293	3.8%	0.1148	323	3.9%	29
Road & Bridge Fund (Brazoria County)	0.0433	109	1.4%	0.0422	117	1.4%	8
Total	2.9777	7,643		2.9246	8,372		728
% of Appraised Value		2.2%			2.2%		

18. What are salary and wages longevity?

All regular City employees employed full time for a minimum of 13 months at the start of the fiscal year shall receive \$4.00 per month per year of service. This is paid annually from the account indicated above. Longevity fluctuates year to year since it based on the tenure of employees currently in that department/division.

19. How is salary and wages clothing allowance and wearing apparel different?

Wearing apparel is when the city buys a standard uniform and/or city branded apparel (Wearing Apparel) or Personal Protective Equipment (PPE) in order to best execute job duties. This includes the standard uniform for PD, and Pearland Water employees to name a few. Clothing allowance when employees must attend work functions in clothing outside of their uniform that is not provided by the city. This is primarily utilized by Police Detectives.

20. What are the proposed compensation changes and what is the financial impact?

The current compensation changes included in the budget for all employees other than sworn public safety are 5%. For Non-Exempt Employees who are not sworn they are receiving a 2% step and 3% COLA. That is mirrored for the exempt employees.

For Public Safety, there are several different changes. The Civil Service Pay Plan starting pay grade was adjusted for each position to increase between 6.2% to 8.8%. No Civil Service employee is receiving less than a 5.2% increase.

The Fire pay plan % increase for the first step in each classification is between 8.6% to 13%. Based on the pay plan adjustments, no position on the fire pay plan is getting less than a 6.5% increase.

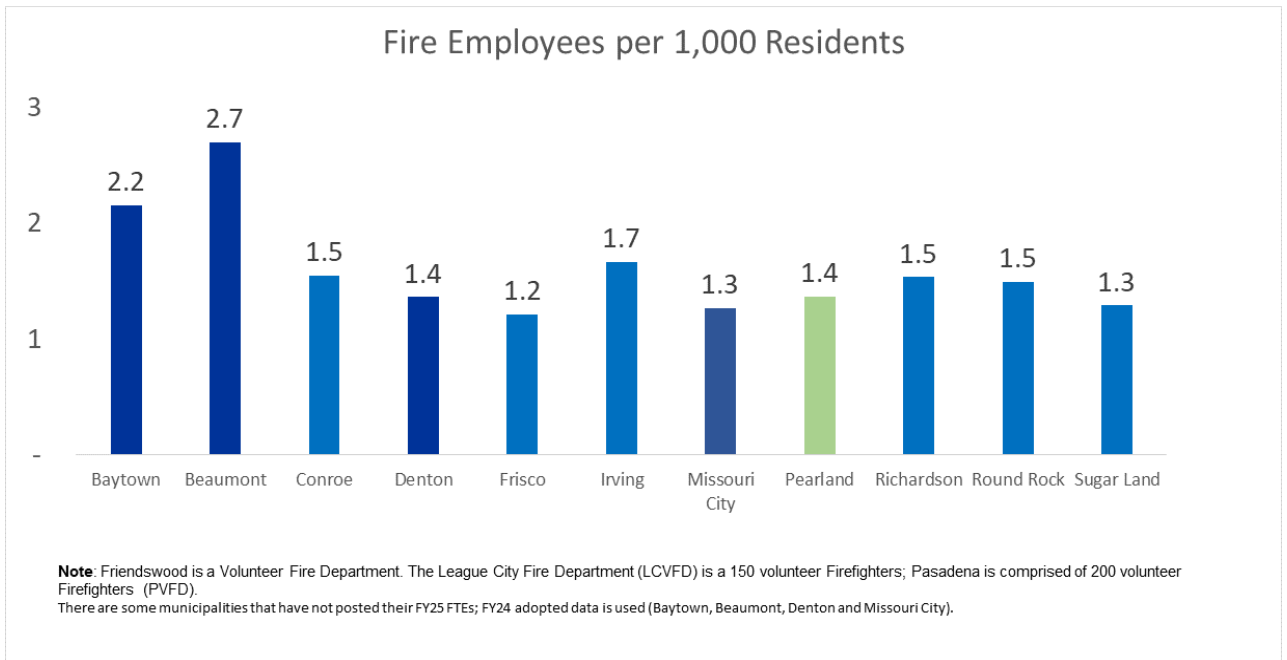
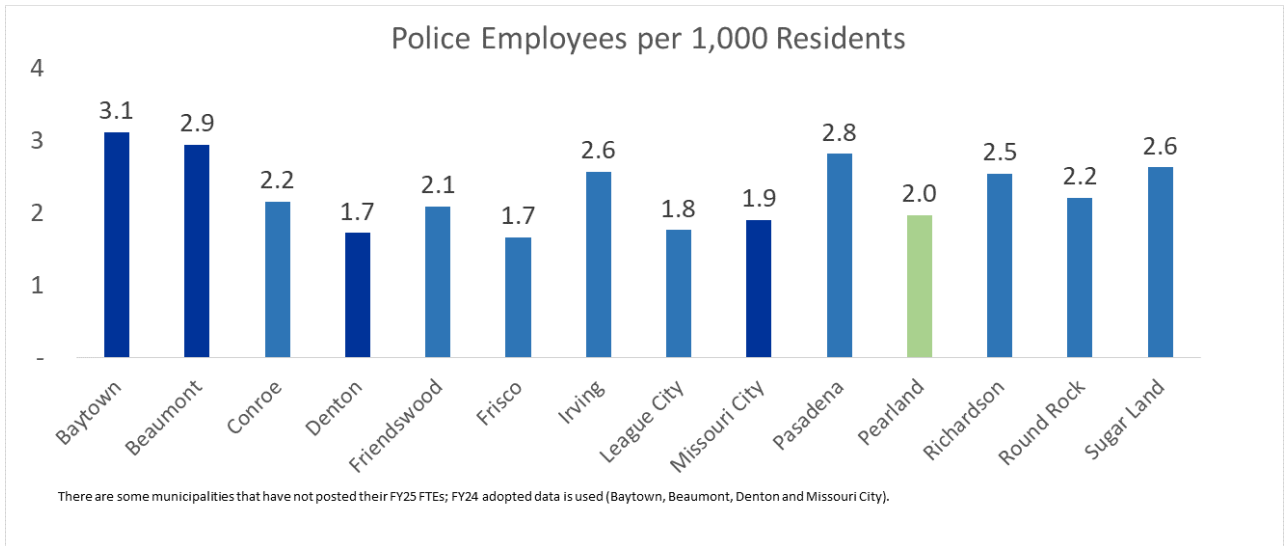
21. What would the impact of an additional 1% for city staff be? What about a 2% compensation increase?

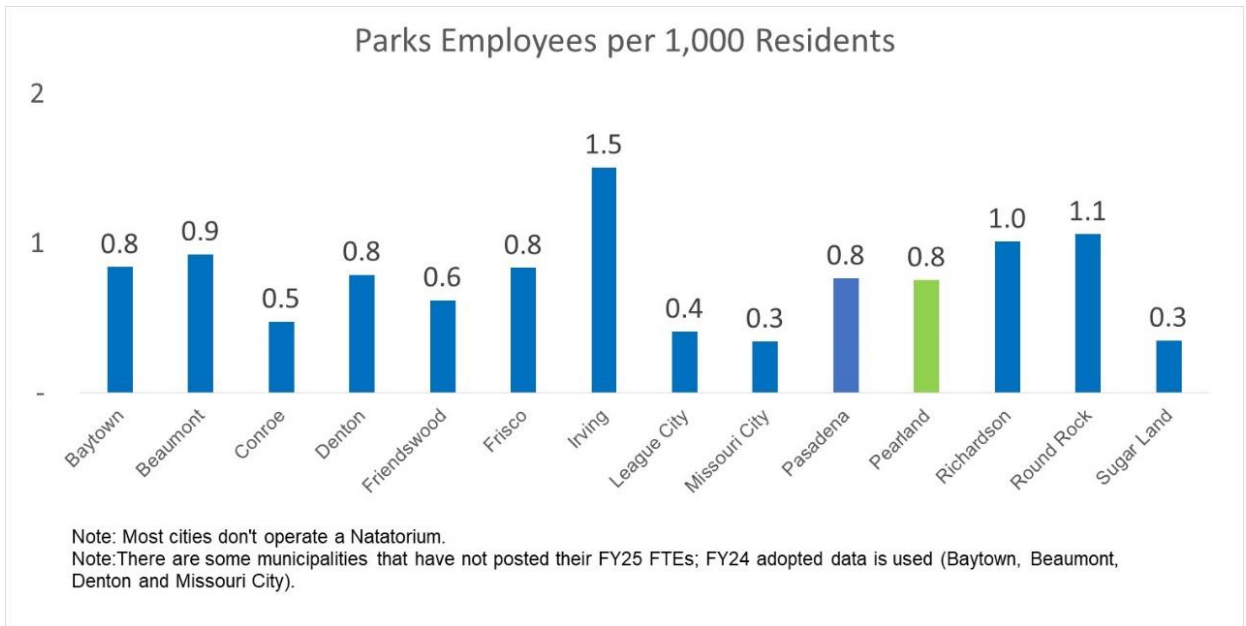
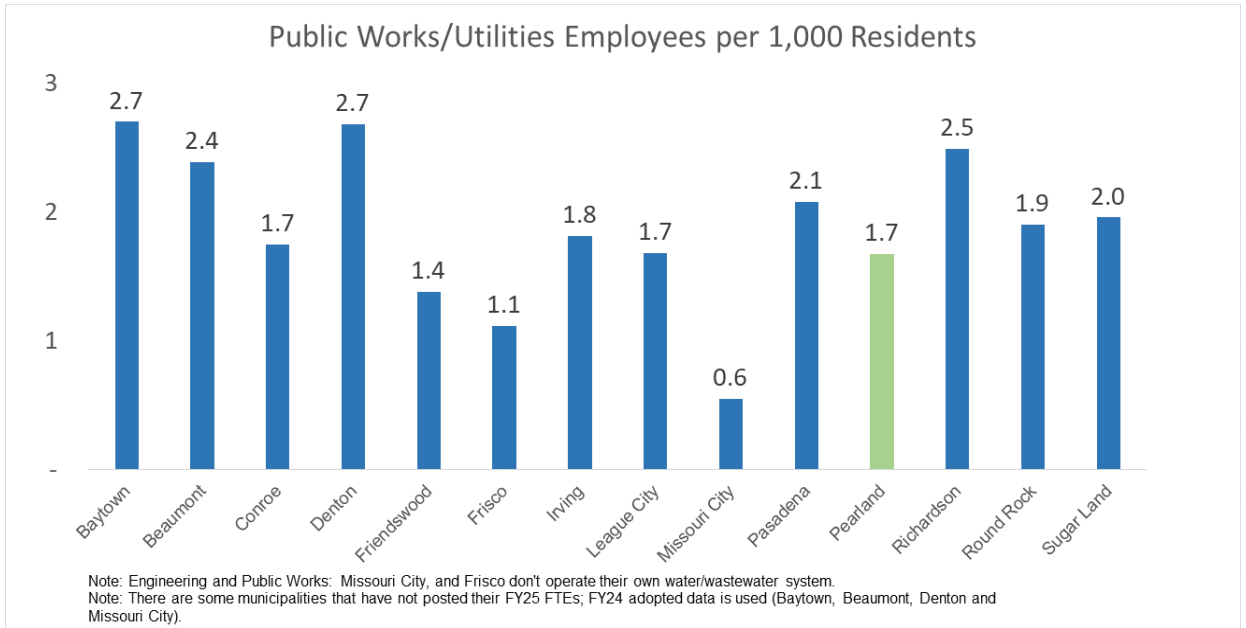
Additional compensation changes including benefits for general fund are indicated below for both a 1% change and a 2% change. These amounts would be on top of what is already proposed, and it would be required to cut expenses elsewhere to support these increases in the General Fund.

Category	Current Average % Increase in Pay Plan	Cost of Additional 1% to Pay Plan	Cost of Additional 2% to Pay Plan
Police	7%	\$330,000	\$660,000
Fire	10%	\$270,000	\$540,000
Other Departments	5%	\$250,000	\$500,000
General Fund Total	7.5%	\$850,000	\$1,700,000
Other Funds	5%	\$160,000	\$320,000
Total City-Wide	7%	\$1,010,000	\$2,020,000

22. How many employees in each department does the City of Pearland have relative to other municipalities?

The four largest departments are shown below. There are many nuances to these comparisons such as: Fire and EMS are sometimes separated; some cities have volunteer fire departments; some cities do not operate their own utilities; etc. When those may factor in it is noted in the footnote of the chart.





23. What are transfers out?

There are several transfers out. Most of them are to fund the internal service funds. This includes Motor Pool O&M transfers, lease fee transfers, IT Transfers, Facilities Transfers, a transfer to fund the risk fund. There are also transfers to pay for the Infrastructure Reinvestment Fund, the Drainage Maintenance Fund and to reimburse the Enterprise Fund for water used.

24. For the transfers can we get additional information on the transfers in and out by type?

The City operates several internal service funds which have transfers in and out from across several departments and funds. Below we have broken down the transfers in and out of each of the internal service funds.

Transfers out for Facilities are calculated using the YTD O&M cost by location, and then allocated back to the departments on an FTE basis. Costs will vary from fiscal year to fiscal year depending on utilization. There is a one fiscal year lag.

Transfers Out Facilities		
Account		FY25 Proposed Budget
100-105-100.5900.050	CMO-Administration	21,083
100-110-100.5900.050	Legal	26,359
100-115-100.5900.050	City Secretary	17,586
100-120-100.5900.050	Human Resources	38,670
100-130-100.5900.050	Finance	30,093
100-200-100.5900.050	Police-Administration	329,943
100-205-100.5900.050	Fire-Administration	705,124
100-305-100.5900.050	EPW-Admin	320,137
100-400-100.5900.050	Communications	24,601
100-405-100.5900.050	Municipal Court	-
	Community Development-Admin	44,342
100-415-100.5900.050	Library	67,116
100-500-100.5900.050	Parks-Administration	637,743
General Fund (100) Total		\$ 2,262,797
305-800-100.5900.050	Visit Pearland	22,065
CVB Fund (305) Total		\$ 22,065
600-130-390.5900.050	Finance-Utility Billing	54,337
600-150-100.5900	Other Requirements	550,354
600-314-100.5900.050	Pearland Water-Admin	311,760
Enterprise Fund (600) Total		\$ 916,451
705-000-000.5900	IT-Non-Departmental	83,052
Information Tech (705) Total		\$ 83,052
Grand Total		\$ 3,284,365

Transfers In Facilities		
Account	Detail	FY25 Proposed Budget
704-000-000.3900.050		
	From General Fund (100)	2,262,797
	From CVB Fund (305)	22,065
	From Enterprise Fund (600)	916,451
	From Information Technology Fund (705)	83,052
Grand Total		\$ 3,284,365

The table below shows repair & maintenance transfers for the Motor Pool Fund. Allocations are made based the YTD utilization of services for the first six months of the fiscal year. Therefore, charges across departments/divisions vary year to year depending on the maintenance needed by the departments fleet of vehicles.

Transfers Out Repair & Maintenance			Transfers In Repair & Maintenance		
Account	Department/Division	FY25 Proposed Budget	Account	Detail	FY25 Proposed Budget
100-105-270.5900.020	CMO-Emergency Management	2,061	703-150-910.3900.020		
100-120-100.5900.020	Human Resources	305		Transfer From General Fund (100)	1,740,030
100-200-100.5900.020	Police-Administration	18,616		Transfer From Drainage Maintenance Fund (346)	65,209
100-200-200.5900.020	PolicePatrol	647,247		Transfer From Enterprise Fund (600)	467,512
100-200-205.5900.020	Police-Commercial Motor Vehicle	1,032		Transfer From Motor Pool (703)	935
100-200-215.5900.020	Police-Investigations	14,968		Transfer From Facilities Fund (704)	8,099
100-200-225.5900.020	Police-Community Services	6,216		Transfer From Information Technology Fund 705	456
100-200-250.5900.020	Police-Animal Services	9,719	Grand Total		\$ 2,282,241
100-200-235.5900.020	Police-SRO	8,698			
100-205-100.5900.020	Fire-Administration	3,455			
100-205-260.5900.020	Fire-Operations	889,637			
100-205-265.5900.020	Fire-Marshar	14,232			
100-205-275.5900.020	Fire-Code Enforcement	5,344			
100-300-305.5900.020	Engineering-Traffic Control	12,399			
100-300-340.5900.020	Engineering-Engineering	15,467			
100-300-345.5900.020	Engineering-Capital Projects	5,342			
100-305-100.5900.020	EPW-Administration	985			
100-305-311.5900.020	EPW-Streets	2,114			
100-305-315.5900.020	EPW-Grounds Maintenance	47,746			
100-400-100.5900.020	Communications	179			
100-410-415.5900.020	Community Development-Permits & Inspections	8,642			
100-410-420.5900.020	Community Development-Permits & Inspections	179			
100-500-525.5900.020	Parks-Special Events	566			
100-500-530.5900.020	Parks-Senior Services	749			
100-500-540.5900.020	Parks-Parks	21,178			
100-500-550.5900.020	Parks-Natural Resources	2,953			
General Fund (100) Total		1,740,029			
346-305-312-5900.020	EPW-Drainage	65,209			
Drainage Maintenance Fund (346) Total		65,209			
600-130-390.5900.020	Finance-Utility Billing	15,214			
600-305-315.5900.020	EPW-Grounds Maintenance	10,034			
600-314-350.5900.020	Pearland Water-Lift Stations	24,577			
600-314-355.5900.020	Pearland Water-Wastewater Treatment	11,589			
600-314-360.5900.020	Pearland Water-Environmental Services	1,709			
600-314-365.5900.020	Pearland Water-Water Production	26,721			
600-314-370.5900.020	Pearland Water-Distribution and Collections	376,180			
600-314-395.5900.020	Pearland Water-Surface Water Plant	1,489			
Enterprise Fund (600) Total		467,513			
703-305-325.5900.020	EPW-Fleet	935			
Motor Pool Fund (703) Total		935			
704-305-330.5900.020	EPW-Facilities	8,099			
Facilities Fund (704) Total		8,099			
705-140-100.5900.020	Information Technology	456			
Information Technology Fund (705) Total		456			
Grand Total		2,282,241			

For Transfers In Lease Payments, the transfer is based on actual cost to replace a vehicle included in the Motor Pool in line with the replacement criteria. Amounts should increase over time as more vehicles are added to the lease fees. Also included, are new vehicles included for positions being added to the budget. This may cause one time costs to reflect in the lease fees depending on the number of positions being added.

Transfers Out Lease Payment		
Account	Department/Division	FY25 Proposed Budget
100-105-270.5900.030	CMO-Emergency Mgmt.	5,556
100-200-100.5900.030	Police-Admin	13,334
100-200-200.5900.030	Police-Patrol	967,499
100-200-205.5900.030	Police-CMV	22,384
100-200-215.5900.030	Police-Investigations	195,028
100-200-225.5900.030	Police-Community Services	5,556
100-200-235.5900.030	Police-SRO	15,000
100-200-250.5900.030	Police-Animal Services	113,867
100-205-100.5900.030	Fire-Admin	51,668
100-205-260.5900.030	Fire-Operations	675,815
100-205-265.5900.030	Fire-Marshal	11,112
100-300-305.5900.030	EPW-Traffic	13,167
100-300-340.5900.030	EPW-Engineering	27,780
100-300-345.5900.030	EPW-Capital Projects	144,626
100-305-311.5900.030	EPW-Streets	220,650
100-305-315.5900.030	EPW-Grounds Maintenance	17,224
100-400-100.5900.030	Communications	16,667
100-500-540.5900.030	Parks-Parks	18,044
100-500-555.5900.030	Parks-Recreation Operations	30,560
General Fund (100) Total		2,565,537
346-305-312.5900.030	EPW-Drainage	356,821
Drainage Maintenance Fund (346) Total		356,821
600-130-390.5900.030	Finance-Utility Billing	77,780
600-305-315.5900.030	EPW-Grounds Maintenance	102,280
600-314-100.5900.030	Pearland Water-Admin	40,566
600-314-350.5900.030	Pearland Water-Lift Stations	51,782
600-314-355.5900.030	Pearland Water-Wastewater	208,959
600-314-360.5900.030	Pearland Water-Environmental Services	22,224
600-314-365.5900.030	Pearland Water-Water Production	117,228
600-314-370.5900.030	Pearland Water-Distribution & Collections	484,076
600-314-395.5900.030	Pearland Water-Surface Water	45,004
Enterprise Fund (600) Total		1,149,899
703-305-325.5900.030	EPW-Fleet	6,112
Motor Pool (703) Total		6,112
705-305-330.5900.030	Information Technology	9,000
Information Technology (705) Total		9,000
706-305-325.5900.030		435,000
Capital Holding (706) Total		\$ 435,000
Grand Total		\$ 4,522,369

Transfers In Lease Payment		
Account	Detail	FY25 Proposed Budget
703-150-910.3900.030		
	From General Fund - Fund 100	2,565,537
	From Drainage Maintenance - Fund 346	356,821
	From Water & Sewer Fund - Fund 600	1,149,899
	From Motor Pool Fund - Fund 703	6,112
	From IT Fund - Fund 705	9,000
	From Capital Fund - Fund 706	435,000
Grand Total		\$ 4,522,369

The table below reflects the Capital Holding Fund (Fund 706) Related Transfers. Currently, only Motor Pool capital lease fees are recorded in this fund. They first pass-through fund 703 to show they are associated with Motor Pool and are then transferred to Capital Holding. As vehicles in the motor pool reach replacement criteria, the money is transferred from the Capital Holding fund to Motor Pool to make the replacement purchase in Capital Outlay.

Transfers Out Fleet Management	
Account	FY25 Proposed Budget
703-150-910.5900.030	2,644,959
Fund 703 Total	2,644,959
Grand Total	2,644,959

Transfers In Fleet Management		
Account	Detail	FY25 Proposed Budget
706-305-325.3900.030		
	From Motor Pool Fund - Fund 703	2,644,959
Grand Total		\$ 2,644,959

The table below reflects the Information Technology Related Transfers:

Information Technology Transfers				
Fund	Department/Division	Account Number	Transfer Out	Transfer In
General Fund	CMO-Administration	100-105-100.5900.025	56,252	
General Fund	Legal	100-110-100.5900.025	42,710	
General Fund	City Secretary	100-115-100.5900.025	28,474	
General Fund	Human Resources	100-120-100.5900.025	62,642	
General Fund	Finance	100-130-100.5900.025	124,200	
General Fund	Police-Administration	100-200-100.5900.025	2,592,300	
General Fund	Fire-Administration	100-205-100.5900.025	1,334,513	
General Fund	EPW-Administration	100-305-100.5900.025	825,323	
General Fund	Communications	100-400-100.5900.025	69,863	
General Fund	Municipal Court	100-405-100.5900.025	173,343	
General Fund	Community Development-Admin	100-410-100.5900.025	159,453	
General Fund	Parks-Administration	100-500-100.5900.025	619,915	
	General Fund Total		6,088,988	
Hotel/Motel	Visit Pearland	305-800-100.5900.025	60,937	
	Hotel/Motel Fund Total		60,937	
Court Technology	Court Technology	320-405-100.5900.025	24,300	
	Court Technology Fund Total		24,300	
Enterprise Fund	Finance-Utility Billing	600-130-390.5900.025	1,002,144	
Enterprise Fund	EPW-Grounds Maintenance	600-305-315.5900.025	339,818	
Enterprise Fund	Pearland Water-Administration	600-314-100.5900.025	3,212,083	
	Enterprise Fund Total		4,554,045	
Motor Pool	EPW-Fleet	703-305-325.5900.025	108,937	
	Motor Pool Fund Total		108,937	
Information Technology	Information Technology	705-000-000.3900.025	-	10,837,207
	Information Technology Total		-	10,837,207
	Grand Total		\$ 10,837,207	\$ 10,837,207

Debt Service Fund

25. Debt Service Fund - p. 44. Why are we looking at a deficit of \$1,973,084 for FY2025? If we are looking at a deficit, then why are we proposing a \$.0229 reduction in the debt service tax rate?

Debt Service Fund Balance should be at least 10% (or \$4,439,666M in FY2025) of current year Debt payment (Principal and Interest). We propose the Debt Service Fund Balance of \$4,439,716 in FY2025, still meeting the requirement and be able to reduce the debt

service tax rate for TY 2024. Additionally, due to the projected fund balance in FY24 we were able to utilize amounts above the policy to lower the debt service rate for FY24, so that we are not overtaxing.

Special Revenue Fund Questions

26. Could any of these Special Revenue Funds be used to pay down some of our taxpayer's debt?

No, these Special Revenue funds usually reflect revenue that comes in from an outside source for a specific purpose. For example, the City-Wide donation funds are from a specific person or organization to the City department sometimes to do very specific things. They are utilized when possible, to offset general fund costs.

27. Safe Community - p. 29. Could we reduce the number of unmarked units purchased from 8 to 5 at a cost of \$300k and to fund the Municipal Court software upgrade?

The unmarked units being purchased are from Motor Pool Fund balance directly. There is not availability to use these funds for non-Motor Pool purposes. The Incode software replacement has been budgeted in the Information Technology Fund for FY25.

28. Connected Community - p. 31. Southdown. If we do not repair the park, would we be looking a potential negligence liability issue? Could PEDC funds or HOT funds be used for this rather than the General Fund? How close are our other parks to needing similar rehabilitation?

If we do not replace the playground we would be required to close the playground. General Fund dollars are not being spent on this project. This project is fully funded from the Park Development Fund. Other parks that might need work were identified in the Parks Master Plan. PEDC funds could be used for this expenditure but HOT cannot. We have several other park playgrounds, courts, pavilions, splash pads, etc. that will require recapitalization in the future. We have annual allocations that will be allocated to cover some of these expenditures.

29. Parks and Rec. - p. 56. Where is the \$453,885 shortfall being made up from? Is the \$900K Capital Outlay for the Southdown playground and fall zone replacement?

There is no shortfall, as this reflects expenses exceeding revenue for fiscal year 2025. The proposed ending fund balance for FY25 is \$114. The \$900K is for the Southdown playground replacement.

30. HOT - p.45. This fund seems to be maintaining a balance of \$7.7 mil + year over year. Can any of these funds be used to improve parks rather than coming out of the General Fund?

No, this fund can only be used for very specific purposes according to the law. We would not be able to fund the Southdown Playground replacement from this fund as it has no nexus to tourism. The Cultural Arts Master Plan will also examine how these funds can be deployed in the future.

However, there is \$600,000 included in Capital Outlay Buildings & Grounds in the proposed FY25 budget to utilize for a Park collaboration in the event one can be developed that meets the legal requirements.

31. City Wide Donation - p. 47. Could these funds potentially go towards the needed municipal court software upgrade? Then the unmarked vehicles could all be purchased and, if HOT funds can fund Southdown then the whole \$900k could go towards roads.

No, because they are donated to Police, Fire, and Animal Services by citizens or organizations to assist them in funding items. The Fire department uses them to offset costs for training supplies, and Animal Services utilizes them for veterinary care for highly adoptable animals. Previously, these funds have been used to assist in funding the Mobile Command Post or other high-cost items so it can carry a fund balance.

32. Municipal Channel - p. 69. This account seems to not only fund itself year over year but it also has several years of operating costs in its fund balance. Could \$300k of this be moved over to the IT Internal Service Fund and allow that account to be shored up?

Federal guidelines for use of PEG funds say we can only expend the funds for capital costs associated with PEG facilities (public, educational and governmental channel).

33. Infrastructure Reinvestment - p. 71. I thought the plan was to increase this account by \$500k each year to start making headway on getting to the minimum \$5.97 mil needed just to maintain what we have. This appears to be showing a flat allocation of \$1.3 mil.

It is a flat allocation. The goal was to increase funding by \$500K on an annual basis. However, without an increase in general fund revenue above what is proposed there were no dollars available to increase the contribution by \$500K in FY25. We added the Street Rehabilitation Program to the CIP for a total of \$4.3M.

Capital Project Questions

34. Are there CIP projects that could be cut in order fund other higher priorities such as our heavily underfunded roadway system?

During the CIP development process projects are evaluated and scheduled based on necessity. Projects have been prioritized based on the community's needs in alignment with the City's Strategic Priorities. Several factors go into the evaluation. Projects already in progress should not be removed from the Capital Improvement Plan as funds are already committed. The council could direct the delay or removal of projects not under design or construction, however publicly published schedule commitments on bond funded projects should be considered before delaying projects. There are currently two projects in place to specifically address streets and sidewalk rehabilitation. The Street Rehabilitation Program aims to address the City's 2024 pavement condition survey that detail the streets in need of rehabilitation at an estimated total cost of \$4.4M. The Concrete Sidewalk Gaps and Replacement project will cost an estimated total cost of \$15.4M and targets the City's sidewalk network to define, remove, and replace broad sections of sidewalks throughout the City. Additionally, multiple drainage projects and all the roadway projects in the CIP address segments of our roadway system.

35. Capital Project Fund - p. 72. The sum total of the Ending Fund Balances (assuming all appropriations are approved throughout the fiscal year) is \$5,731,452. Does this mean we intend to borrow \$5,731,452 more than is needed to accomplish the goals of the CIP for FY25?

The City of Pearland only borrows what is needed to fund CIP projects. To reduce the debt service burden to taxpayers, we make every effort to identify and obtain different funding sources including EDC and Grants. Projects are in various states of construction across funds, and these fund balances represent working capital as the projects complete. Available fund balance may be utilized in future years for completion of projects, or for debt service payments. These fund balances also help reimburse for operating expenses of the Capital Improvement team.

36. If so, can we reduce the amount we borrow to lower the taxpayer's debt service burden and thus be able to reduce the overall proposed tax rate, on the debt service side, while also covering the shortfall discussed related to the debt service fund?

The City of Pearland only issues the necessary debt to cover Capital Improvement Projects in progress annually as indicated in the adopted Capital Improvement Plan. There is no shortfall in the debt service fund, but expenditures do exceed revenue. The debt service fund maintains a fund balance of 10% of the FY25 debt payments including principal and interest.

37. Capital Project Funds (Enterprise) - p. 76. Why is the ending fund balance \$25,533,675 across all funds?

All funds included here relate to Capital Improvement Projects. These are the estimated running fund balances. As work is done on the included water/wastewater projects these funds will be reduced. There is over \$500M in ongoing water/wastewater Capital Improvement Plans so it is expected that the CIP funds would maintain a fund balance for in progress work.

38. If this is the case, could we offset much of the need for a Water/Sewer rate increase with some of this excess?

No, however as Enterprise Funded Capital Projects are completed any potential fund balances are examined to see if they can be transferred to assist with debt payments. No such transfers were identified in FY25.

39. How does this ending fund balance square with \$17,797,559 in “Operating Reserve over Policy” on p. 78 or are they unrelated?

They are unrelated.

Enterprise Fund Questions

40. By raising the water rates 8% that results in the average consumer paying \$97.08 more per year and the base consumer paying \$50.04 per year. Do we have the data on the highest residential consumer and the impact it would have on them?

For the month of July 2024, the customer that consumed the highest usage would see an increase of \$121.22. This increase is not a representative of this customer’s typical usage and appears to be an outlier. For their average usage, this customer would see a monthly increase of \$21.34.

41. How many Pearland Water customers don’t reach a base usage of 2,000 gallons per month?

The number of customers that do not reach the base usage of 2,000 gallons will fluctuate from month to month. In the month of July 2024, a total of 3,507 (9.4%) customers did not reach the base usage of 2,000 gallons. The total number of residential customers is 37,339.

42. We are projecting a rate increase of 8% YOY for the next 4 years with 7% in '29. I see on page 103 that this results in a steady increase in our Bond coverage ratio YOY with the ratio being in excess of the required 1.15 of .95 by 2029. However, the required 25% reserve balance diminishes YOY to right at 25% in 2029. How is our coverage ratio going up but our reserves ratio is going down?

When we changed from issuing Revenue Bonds to Certificates of Obligation to fund Capital Improvement projects the bond coverage ratio changed. When issuing Revenue Bonds we have to maintain a bond coverage ratio of 1.4. With the switch to certificates of obligation we have to maintain a 1.15 coverage ratio on the revenue bonds previously issued. The CO's do not require a bond coverage. Going forward the amount of funds set aside for bond coverage will continue to diminish.

43. Can we see what the impact of different rate changes would be on the Enterprise Fund?

FY 2025 Proposed: smoothing rates in FY2025 – FY2029. The proposed recommendation provides the lowest water & sewer rates from FY25 through FY29.

Fiscal Year	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
% increase	13.1%	14%	8%	8%	8%	8%	7%
Bond Cov. Ratio (1.15)	1.42	1.31	1.40	1.60	1.78	2.10	2.10
Reserve Requirement (15%)	60%	58%	48%	36%	24%	21%	16%

Scenario 1: keeping 6% water rate growth in FY 2025 & FY 2026 and smoothing rates in future years

Fiscal Year	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
% increase	13.1%	14%	6%	6%	10%	11%	11%
Bond Cov. Ratio (1.15)	1.42	1.31	1.34	1.48	1.71	2.14	2.29
Reserve Requirement (15%)	60%	58%	46%	29%	16%	15%	15%

Scenario 2: keeping 3% water rate growth in FY 2025 and smoothing rates in future years

Fiscal Year	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
% increase	13.1%	14%	3%	10%	10%	11%	10%
Bond Cov. Ratio (1.15)	1.42	1.31	1.26	1.51	1.74	2.18	2.29
Reserve Requirement (15%)	60%	58%	43%	27%	15%	15%	16%

Scenario 3: lowest water rate increases for each fiscal year to meet bond ordinance and financial policy.

Fiscal Year	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
% increase	13.1%	14%	0%	4%	31%	2%	9%
Bond Cov. Ratio (1.15)	1.42	1.31	1.17	1.24	2.07	2.2	2.27
Reserve Requirement (15%)	60%	58%	39%	15%	15%	15%	15%

44. W&S Summary - p.78. With \$17.8 mil above reserve policy, couldn't we pay down some debt on the W&S system with some of that?

The \$17.8M is our forecast number for FY2025 if everything matches with our projections in FY2024 and FY2025, also with the water rate of 8% in FY2025.

Also, this part shows only Fund 600 – Water & Sewer Fund, the combine Reserved Fund “600 & 601” ratio of 25% is not mentioned here.

45. Wouldn't paying down the debt help reduce the need for rate increases somewhat?

Yes, it could. However, debt payments are made on a schedule, and we are meeting our FY25 obligations. Our Financial Advisor looks for opportunities to refinance or defease debt in order to reduce overall debt.

46. It appears that W&S operating fund runs at a deficit every year. I don't understand how we are making up the difference. Are we selling debt to fund operating expenditures in the Enterprise Fund?

No, we only issue debt to fund Water and Sewer related Capital Improvement Projects. We make up part of the deficit through water rate increase, and also use part of the Cash Equivalent available from prior years as long as we still can maintain the bond ratio and two reserves policies.

47. Starting on p. 98. Why don't the revenues listed here match the W&S Charges listed on p. 91? What other revenues are being accounted for on p. 98 that aren't on p. 91?

The W&S charges on p.91 is linked directly to water rate. This Water/Sewer Charges is also listed under Charges for Service in p. 99. The W&S revenue on p. 98 is explained in detail on p.99 as Total Revenue under Multi-Year Budget 2025-2029 Enterprise Fund Detail.

48. Can we get additional detail on miscellaneous services in the Enterprise Fund?

Below is a chart comprised of Enterprise Fund expenditures by department and division.

FUND 600 MISCELLANEOUS EXPENSES		
DEPARTMENT & DIVISION	2024 Projected	2025 Budgeted
FINANCE		
130 - Finance390 - Utility Customer Service	\$540,392	\$611,208
OTHER SERVICES		
150 - Other Requirements100 - Administration	\$550,000	\$450,000
PUBLIC WORKS		
305 - Public Works315 - Grounds Maintenance	\$115,536	\$113,953
314 - Utilities Department100 - Administration	\$169,928	\$198,239
314 - Utilities Department350 - Lift Stations	\$391,892	\$388,910
314 - Utilities Department355 - Wastewater Treatment	\$3,722,288	\$3,684,822
314 - Utilities Department360 - Environmental Services	\$51,713	\$54,468
314 - Utilities Department365 - Water Production	\$2,430,850	\$1,955,485
314 - Utilities Department370 - Distribution & Collection	\$403,440	\$291,440
314 - Utilities Department395 - Surface Water Plant	\$473,809	\$1,120,520
MISCELLANEOUS SERVICES TOTAL	\$8,849,848	\$8,869,045

ENTERPRISE FUND		
DESCRIPTION	2024 PROJECTED	2025 BUDGETED
Advertising and Promotion Legal\Public Notice	\$ 55,000	\$ 50,000
Cell Phone	\$ -	\$ 1,270
Communications Cellular Communications	\$ 77,976	\$ 80,020
Communications Internet	\$ 124,255	\$ 109,800
Communications Pc Aircard Charges	\$ 45,039	\$ 42,348
Inventory Items	\$ 1,850	\$ 1,850
Medical Supplies	\$ 200	\$ 1,400
Other Services - Printing	\$ 1,000	\$ 1,000
Other Services Bank/Credit Card Charges	\$ 550,000	\$ 450,000
Other Services Mileage	\$ 185	\$ 100
Other Services Postage	\$ 289,579	\$ 322,375
Other Services Printing	\$ 80,561	\$ 92,375
Other Services Temporary Staffing	\$ 6,793	\$ -
Professional Development Books Periodicals and Subscription	\$ 920	\$ 920
Professional Development Certifications & Licenses	\$ 103,497	\$ 113,294
Professional Development Conferences & Seminar Costs	\$ 34,699	\$ 56,036
Professional Development Membership & Dues	\$ 12,831	\$ 15,479
Professional/Contractual Services Consulting	\$ 50,000	\$ 100,000
Professional/Contractual Services Landscaping	\$ 111,668	\$ 110,085
Professional/Contractual Services Legal Expense	\$ 26,306	\$ 26,306
Professional/Contractual Services Miscellaneous	\$ 5,593,510	\$ 4,876,096
Rental Building/Facility Rental	\$ 1,224	\$ 1,820
Rental Equipment Rental	\$ 57,712	\$ 66,040
Utility Services Electricity	\$ 2,491	\$ 2,700
Utility Services Utilities	\$ 1,622,552	\$ 2,347,731
TOTAL MISCELLANEOUS	\$8,849,848	\$8,869,045

Professional/Contractual Services over \$50,000 are listed below.

- Lift Station Cleaning-\$150,000
- MUD 3 CIP-\$590,000
- MUD WWTP O&M-\$200,000
- Sludge Disposal-\$945,000
- TCEQ Fees & Permit Renewals (Wastewater)-\$150,000
- Wet Haul Contract-\$630,000
- SCADA PLC Updates (Wastewater)-\$50,000
- Annual TCEQ Permit Fees (Water)-\$100,000
- Brazoria County Grounds Water District Fees Well Permits-\$100,000
- MUD 2 Fees JWP CIP Project-\$550,000
- MUD 2 O&M-\$168,000
- PLC & SCADA Services (Water) -\$100,000
- EPA/TCEQ Compliance testing-\$70,000
- Laboratory Testing-\$70,000
- Sanitary Water on Call Repair Service-\$180,000
- Sludge Disposal-\$150,000 (Surface Water)

49. Why is the Solid Waste Fund running at a deficit year over year and where are the funds being made up from?

Solid Waste is a pass-through Fund. Solid Waste Revenue – Charges for services are the Net of Trash Fees that the City collects directly from residents on behalf of Frontier minus the 15% Franchise Fee belongs to the City. Frontier invoices the City for the balance. The fund balance may reflect as negative due to the different billing cycles. Year over year revenues do exceed expenditures.

50. Deputy Director of Utilities. The last line of this description is “strengthen our position in becoming a regional supplier of water for surrounding areas.” Is this a goal of ours?

It is not a specified goal at this time but has been discussed for many years as an option to lower the overall costs for our current customers in the future, as our adjacent communities grow and need water sources. Managing this process/relationship as well as our contracts with the City of Houston, GCWA, and MUDs 1, 2, & 3 would be a focus of this position.

Internal Service Fund Questions

51. Sustainable Infrastructure - p. 30. The Cyber Risk & Intelligence Specialist. I agree that this role is needed. It appears to be funded by the IT Internal Service fund. Is this correct? Isn't that fund already heavily underfunded?

The operating costs for the IT Internal Service Funds are reimbursed through transfers from several other operating funds including General Fund, and Enterprise Fund. While

the operating funds can't support the full Information Technology plan, they were able to support the increase of this position. What is underfunded is the Capital Replacement Fund and ongoing device replacement.

52. Does the Health Claims fund typically run at \$2 mil + surplus? Is there a ceiling of how much we would look to keep as a surplus in this account before stopping funding it?

The fund balance policy for this fund is to maintain 25%-35% of expenditures per year. The proposed budget falls within that range as recommend by HUB our benefit administrator.

53. What are we planning to purchase for \$8 mil in the Motor Pool fund?

The Capital Outlay category for Motor Pool fund includes all of the replacement vehicles for General Fund and Enterprise Fund for FY25. Also included are the new Fire Station 7 Apparatus, and a replacement ambulance. New vehicle purchases related to additional positions are also included this year. General Fund vehicle replacements for FY25, fire apparatus, ambulance, and additional Police CID vehicles were all purchased utilizing Motor Pool fund balance and had no impact on General Fund.

54. Where does the \$2.7 mil get “transferred out” to?

The \$2.7M represents the capital lease fees for FY25 for vehicles that were purchased in FY19 or later that will be replaced when they reach replacement criteria. These are the vehicles covered by the Motor Pool Fund. The funds first are transferred from the fund/department/division with eligible vehicles into the Motor Pool Fund and are then transferred out from the Motor Pool Fund to the Capital Holding Fund. In FY24 the Capital Holding Fund was implemented so Council could better see what was identified for planned capital replacement versus what was available fund balance in Motor Pool. At this time the Capital Holding Fund contains only vehicle lease fees attributable to the Motor Pool. FY25 is the first year in which vehicles are eligible for replacement under the Motor Pool policy so you will see a transfer out from Fund 706 to Fund 703 for the replacement of those eligible vehicles.

55. Where does the \$10.8 mil for the Information Technology Fund get “transferred in” from? Why is there a fund balance of \$365,298 at the end of the fiscal year?

The Transfers In come from across the organization. The Information Technology operating fund supports the existing staff, hardware and software needs. There were additional needs identified in the 5-year Information Technology plan that we have been unable to implement. In FY25 there is the addition of a Cyber Risk & Intelligence Specialist, replacement of the Municipal Court Incode software, additional CityWorks components, and a slight increase in the cycle of laptop/Toughbook replacements. The original goal was to maintain 5% of operating costs in these internal service funds to cover emergencies. However, since these funds are supported by transfers from General Fund, and Enterprise Fund, and other funds that maintain a fund balance policy this was deemed

redundant. Amounts in excess will be used to help offset future transfers or to fund one-time supplementals.

56. What is the \$7.6 Capital Fund for if the Motor Pool, Facilities, and IT funds are already funded? I read that it's a "holding fund" but I don't understand what it is holding money for that is not accounted for in the other related funds (703, 704, and 705).

The money in the Capital Holding fund is all the capital lease fees paid for vehicles purchased since FY2019. As vehicles are replaced per the replacement criteria money will be withdrawn from this fund and used to fund capital vehicle replacements. This amount will vary year to year based on eligible vehicle replacements. This fund will always maintain a fund balance, and the Motor Pool is not fully funded as 381 or 60% of vehicles remain outside of the lease fee program.

PEDC

57. Hickory Slough Expansion: Is this a project that can wait and some of the monies be refocused on roadway repairs? \$16.7 mil is 3-4 years worth of deferred repair and maintenance on our roads. Was this part of a bond package, thus requiring the funds to be spent in this manner and I am just not recalling at this moment?

The City and PEDC entered into a funding agreement so that PEDC could assist the City in saving funds on parks and recreation purposes, which the City could repurpose debt issuances for other needs including new fire apparatus. The agreement approved in summer of 2023 for PEDC to fund the Phase II expansion of the Hickory Slough Sports Complex, estimated at \$17.6M or the actual cost, along with PEDC funding \$232,951 in one-time capital equipment items needed for the operation of the complex, and \$384,021 for a portion of the estimated annual ongoing operations and maintenance. The Complex is currently under design and expected to go under construction in 2025. The Hickory Slough Detention Facility and the Sports Complex were approved by city voters in the 2007, 2019 and 2023 bond referendums.

58. Could Parks and Rec. be funded and managed through the PEDC, including maintenance and upkeep? This would have our parks system directly tied to the economic strength of the city. Just a thought as I continue to look for ways to fund pressing issues like roads, IT (since it touches every function of the City), and the court system upgrades.

No. While the EDC can fund park capital projects without a requirement to create or retain jobs, they can only pay operational costs related to a project where they funded the capital costs. Section 505.303 of the Local Government Code authorizes the expenditure of PEDC funds for maintenance and operating costs of a project so long as the project is publicly owned and operated, and Type B funds were utilized to purchase or construct the project.

59. 20% of the PEDC budget equates to how much, dollars wise, being invested into infrastructure and is this investment primarily for roadway repairs? How much of that 20% is planned to be allocated to road improvements?

PEDC and the City Council adopted resolutions in 2023 to proactively redevelop older areas of the community to increase job opportunities and investment; and to diversify the City's tax base. The redevelopment will include targeted infrastructure recapitalization investments to preserve existing value and encourage new investment. The allocation shall focus on areas contained in the SH 35 Corridor Redevelopment Strategy, Old Town and the Broadway Corridor Development Plan and will improve the community's image, create market appeal, and provide opportunities for taxable value increases.

PEDC committed to allocate 20% of its annual sales tax revenue, or a little over \$3M per year, calculated as a rolling average over a five (5) year period beginning in FY 23. Recapitalization will include roadways, water, drainage with curb and storm sewers, sanitary sewer, costs for professional services and right of way acquisition. The plan presented to the Board and City Council from FY23 to FY28 had an estimated \$23.8M in expenditures that equated to 25.1% of sales tax revenue.

60. How much of our needed roadways could be repaired with PEDC funds or are we doing all we reasonably can with the 20% allocated from the PEDC already?

The 20% and all PEDC road infrastructure expenditures must meet the criteria of "projects" as defined in Texas Local Government Code, Section 501.103, that requires infrastructure necessary to promote or develop new or expanded business enterprises. PEDC must focus on streets in industrial and commercial areas.

61. Do we have a metric on how much further behind we will be if we keep allocating \$4.67 mil less than what is needed or are we thinking the 20% from the PEDC is going to make up the difference?

PEDC funds are for the complete reconstruction of streets that are in poor condition and cannot be spent on general maintenance of City streets. The streets that PEDC is reconstructing are beyond what routine maintenance can cost effectively address. PEDC's 20% recapitalization allocation alleviates the City having to issue debt to reconstruct these streets. So, while it will not make up the difference alone, it is one of our tools to address our street conditions, along with general fund, bond programs, and outside funding sources like state, federal, and county matching funds.

62. How much of the \$36 mil Capital Outlay from the EDC fund is comprised of the earmarked 20% for infrastructure, if any?

The FY25 budget includes \$6M for the 20% recapitalization.

63. PEDC - p. 105. Where is the 20% allocation for infrastructure accounted for?

Under "Mobility and Infrastructure" section the "State Highway 35/Old Town" line item includes the 20% allocation.

64. How is the PEDC planning to fund this 20% allocation if its 2025 budget is already running at a \$21.3 mil deficit?

PEDC FY25 budget is being funded by existing fund balance, sales tax and debt issuance. PEDC will have a projected \$10.1M fund balance at the end of FY 25.

65. Recognizing that the EDC is required by law to maintain some level of debt. Is \$100,000 sufficient?

The advice from the City's Financial Advisor (John Robuck) is as follows:

A private placement bond issue for \$100,000 would only generate proceeds of approximately \$60,000 for the EDC due to the minimum issuance costs/fees to sell bonds. In the current market, banks/financial institutions are not going to aggressively bid (or bid at all) on a debt obligation that has an annual debt service payment of \$10,000 to \$14,000. Their internal diligence, account maintenance and annual reviews will cost much more than they could earn by lending the funds to the EDC. That being said, we could sell a \$100,000 bond issue to a bank/financial institution, but the interest rate will be much higher than current market rates. In order to potentially attract a potential buyer, I would recommend a bond issue of at least \$825,000 to \$1,000,000, which would make the annual debt service requirement approximately \$100,000. Even a debt obligation of this size could be difficult to "place" - a debt sale of at least \$5M is more likely to appeal to the market.

As the EDC continues to develop its plans to contribute further towards investment in City infrastructure there will be opportunities to leverage sales tax dollars to support debt funded projects. This could include the EDC itself issuing debt for specific projects and alleviating the debt burden on taxpayers and/or utility customers. In that case it is likely that the level of EDC debt would be in excess of \$5M.