



**AIR-24-314**  
**AGENDA REQUEST**  
**BUSINESS OF THE CITY COUNCIL**  
**CITY OF PEARLAND, TEXAS**

**AGENDA OF:** City Council Workshop - Budget Discussion #1 - Aug 12 2024  
**DATE SUBMITTED:** Jul 15 2024                      **DEPT. OF ORIGIN:** Finance Department  
**PREPARED BY:** Rachel Wynslow

**SUBJECT:** **Staff Presentation** – Overview and discussion regarding the Fiscal Year 2025 Proposed Budget.

**ATTACHMENTS:** [2025 Proposed Budget](#)

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

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The Fiscal Year 2025 (FY25) Proposed Budget presentation allows staff the opportunity to present the entire FY25 Budget for discussion by City Council. The Proposed Budget document can be found at [Fiscal Year 2025 Proposed Budget](#). Additional material can be found on the [FY25 Budget Development site](#). All updates and meeting materials will be posted to this website throughout the scheduled workshops, public hearings and ordinance readings. The FY25 budget has been prepared in an effort to clearly communicate to the citizens and staff of the City the overall policies and goals of the City Council and City Management and who we are and what we do, thereby enabling the reader to gain valuable information about the City without requiring detailed accounting or budgetary knowledge. The budget document includes descriptions of various activities and programs (departments) of the City and comparative performance indicators for each program or activity, where available.

### **SCHEDULE**

- August 7th: Proposed Budget Filed
- August 12th: Budget Discussion #1
- August 12th: Vote on Proposed Maximum Tax Rate
- August 19th: Budget Discussion #2
- August 26th: Budget Discussion #3 (if needed)
- August 28th -Notice of Budget Public Hearing Published
- September 9th-Budget Public Hearing, 1st Reading of Budget, Tax Rate, Non-Development Fee Ordinances. FY25 CIP adoption.
- September 18th: Notice of Tax-Rate Public Hearing Published
- September 23rd: Tax Rate Public Hearing, 2nd Reading of Budget, Tax Rate, Non-Development Fee Ordinances.
- October 1st: Start of Fiscal Year 2025

# City of Pearland FY25 Proposed Budget



# Plan, Prepare & Preserve

**Planning:** for the future.

**Preparing:** for any eventuality.

**Preserving:** the community within the content of our Strategic Priorities and their associated milestones, fundamental services, and personnel.

## Budget Discussion #1

- Budget Development Process
- General Fund
  - Overview/Big Picture
  - Property Taxes
  - Other Revenue Sources
  - Expenditures
  - Supplementals
- Tax Backed Debt Fund
- Enterprise Fund
  - Overview
  - Rates
  - Model Preview
  - Supplementals
- PEDC Overview

## Budget Discussion #2

- Follow up on Questions from Discussion #1
- Compensation
  - Rule of 80
  - FTE Comparison
- Internal Service Funds
- Special Revenue Funds
- FY25 Capital Improvement Plan

## What is a Budget?

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



- February
  - Council Retreat
- March
  - Departments begin current FY Projections, and next budget year entry.
  - Budgets support existing programs and services only, and all increases must be justified.
  - Supplementals for new programs and services are developed.
- April
  - Budget Entry Closes
  - Budget Team reviews budget submissions and supplemental requests
  - Department leadership, CMO, and Budget Team conduct department budget meetings. Operational budgeting and supplementals reviewed





- **June:**
  - Current Fiscal year projections are brought forward.
- **July:**
  - Recommended compensation changes calculated
  - Final review of supplementals with CMO and Departments. CMO reviews what to move forward with.
  - Final proposed budget for all funds determined.
- **August**
  - Final proposed budget is developed and submitted
  - Council Discussion and Questions
- **September**
  - Budget, Tax Rate, and fee adoption
- **October-December**
  - New Budget Year Starts
  - Budget Amendment #1/Carryovers

# Budget Overview

# Valuing Our Staff

The annual compensation goal of the City is to provide competitive market and step adjustments to ensure employees are on pace with the market, and future compensation studies have a less significant budget impact.

For upcoming FY25:

- Employees eligible to receive a 5% effective raise: A five percent (5%) increase is recommended for non-public safety staff (3% market adjustment and 2% advancement through the salary range).
- Uniformed Public Safety Salary Changes: Police Officers (8.8%) and Firefighters (13%) and further adjustments to the pay plans to bring positions to market.
- Non-Exempt Non-Public Safety employees at max step will receive 2% of their base salary as a one-time payment.

## What is *not* in the FY25 Budget?

- Additional \$4.2 Million in Street Funding needed to maintain the transportation infrastructure
- 51 General Fund vehicles/equipment eligible for replacement \$4.8 Million replacement cost.
- \$5.9 Million in supplemental staffing requests in the General Fund
  - \$4.5 Million in Public Safety Staff
  - \$444,244 in Parks & Recreation Staff
  - \$1.5 Million in Internal Service Department Staff
- \$2.1 Million in non-personnel requests – primarily in IT technology replacements
- Contributions to the Capital Replacement Fund for the IT and Facilities Internal Service Funds was not included in FY25.

# 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.
  - FY25's ending fund balance is projected to be 25%, or 90 days.

	General Fund Comprehensive Summary		
	FY23 Actual	FY24 Amended	FY25 Proposed
Beinning Fund Balance	\$33,681,195	\$31,323,584	\$29,093,625
<b>Revenue</b>	\$105,976,671	\$115,719,007	\$124,411,285
<b>Expenditure</b>	\$108,182,064	\$117,948,966	\$123,066,372
<b>Net</b>	<b>(\$2,205,393)</b>	<b>(\$2,229,959)</b>	\$1,344,913
Ending Balance	\$31,475,802	\$29,093,625	\$30,438,538
Policy Minimum Balance (90 Days)	\$26,675,029	\$29,083,307	\$30,345,133
Amount Over/(Under) 90 Day Target	\$4,800,773	\$10,318	\$93,405
Days of Reserves	90	90	90

# Property Taxes

## Tax Rate Pressures

- Inflation & the Proposed Pay Plan are strong factors.
  - Adding an estimated \$3,750,000 from the amended budget.
  - This is equivalent to 2.5 Cents on the tax rate.
- Service enhancements proposed in the budget include the following
  - Police, Streets & Drainage, Fire, Customer Service
  - Equivalent to \$1,450,000 or 1 Cent on the tax rate

## Proposed Property Tax Rate for FY25

$$0.3350 + 0.3000 = 0.6350$$

Maintenance & Operations  
Rate

Debt Rate

Total Proposed Property  
Tax Rate



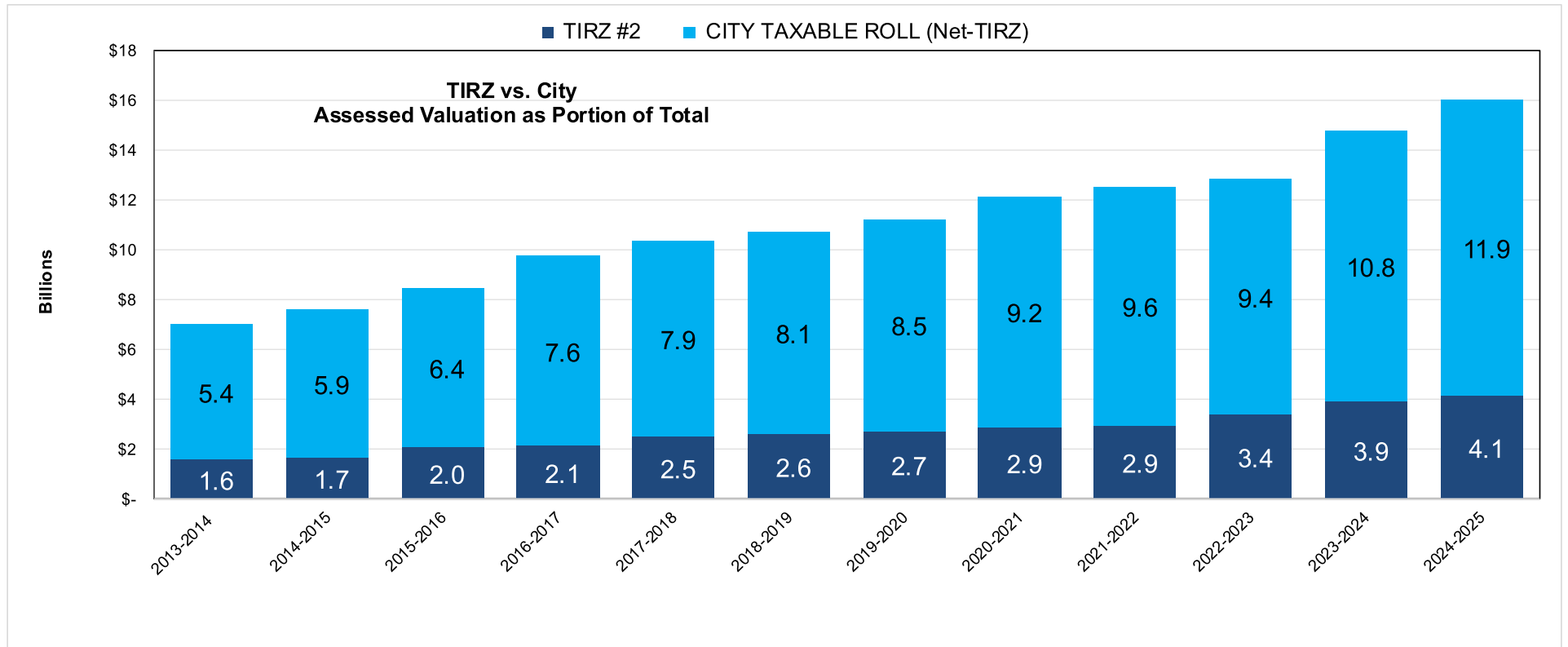
# Property Tax Revenue

Comparison of Potential Property Tax Rate and Revenue				
General Fund and Debt Service Property Tax Rates	FY2024 Actual Rates & Amended Budget	Fiscal Year 2025*		
		(1) Proposed Tax Rate	(2) No New Revenue Rate	(3) Voter Approval Rate
General Fund (O&M)	0.332500	0.335000	0.299536	0.433351
Debt Service (including in-City MUD rebate obligation)	0.322900	0.300000	0.300000	0.300000
Total	0.655400	0.635000	0.599536	0.733351
G.F. Property Tax Revenue + TIRZ Admin Fee (in millions)	\$41.4 + \$15.0 = \$56.4	\$45.1 + \$15.3 = \$60.4	\$40.3 + \$13.9 = \$54.2	\$58.7 + \$18.7 = \$77.4

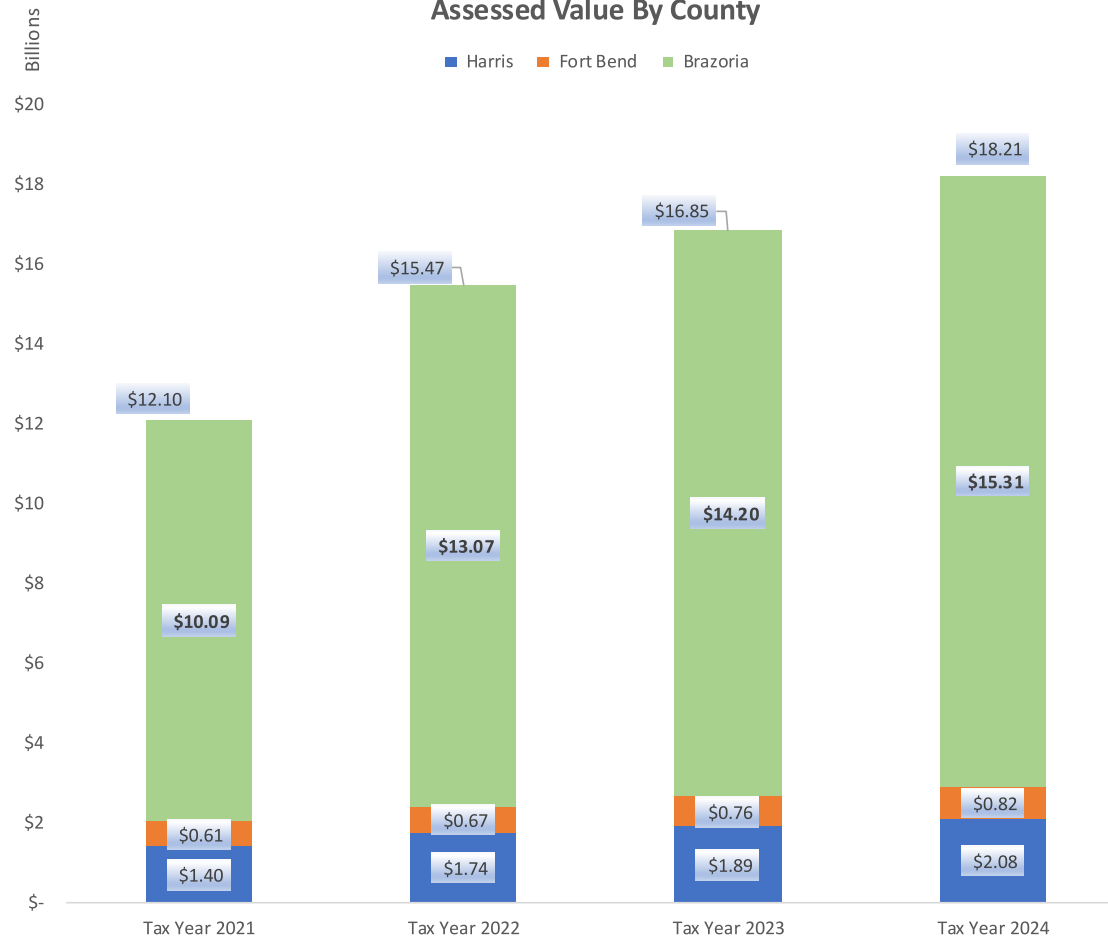
\* For Fiscal Year 2025, the proposed rate in green is used in the proposed budget revenue.

- General Fund O&M rate increased from .3325¢ in FY24 to .3350¢ in FY25.
- Debt Service Tax Rate decreased from .3229 cents in FY24 to .3000 cents in FY25.

# FY25 Taxable Values



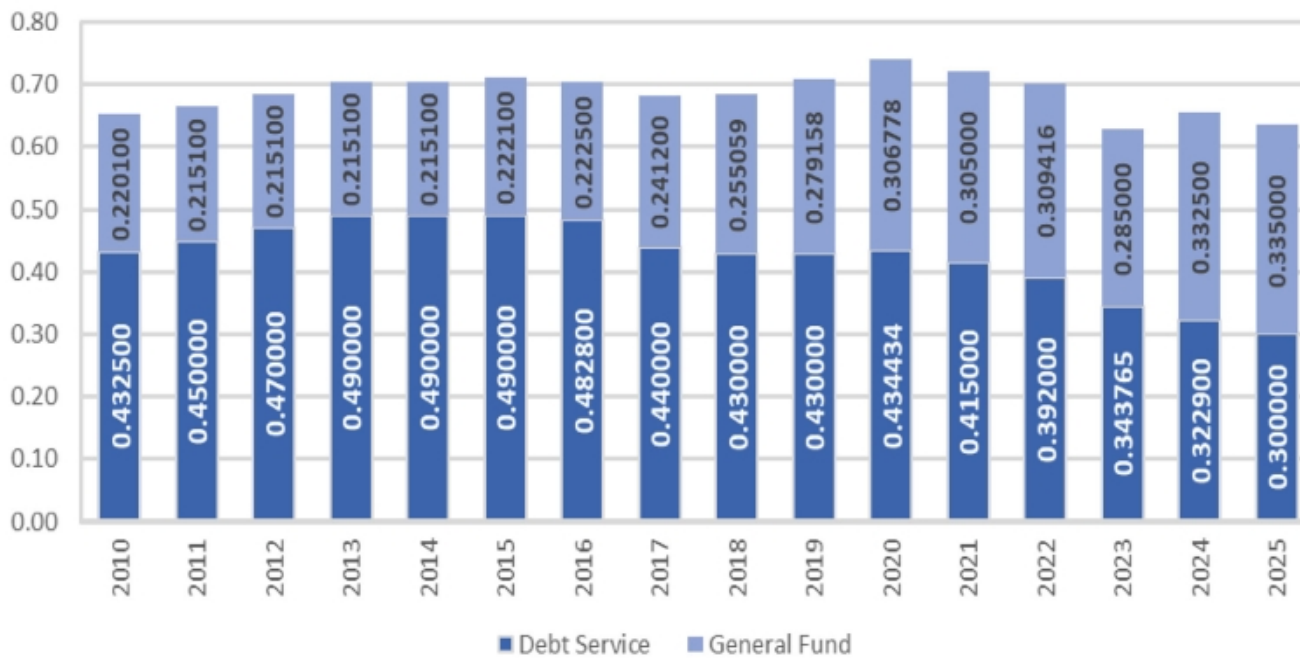
### Assessed Value By County



# Property Tax Revenue

FY25 is a **2.04¢ decrease** in total rate from FY24

Tax Rate Distribution



- FY25's rate is proposed below the Voter-Approval-Rate and uses a portion of prior years' unused increment that is a part of Voter-Approved calculation.
- \$45.1M in current collections to the General Fund; \$40.06M to Debt Service Fund.

# General Property Tax Bill Comparison

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	41.6%	251
City of Pearland	0.6554	2,424	35.1%	0.6350	2,485	30.1%	61
Brazoria County	0.2707	821	11.9%	0.3035	975	11.8%	153
Brazoria County Drainage District #4	0.1148	348	5.0%	0.1223	393	4.8%	44
Road & Bridge Fund (Brazoria County)	0.0433	130	1.9%	0.3035	965	11.7%	835
<b>Total</b>	<b>2.2214</b>	<b>6,900</b>		<b>2.5017</b>	<b>8,245</b>		<b>1,345</b>
<b>% of Appraised Value</b>		<b>1.7%</b>			<b>2.1%</b>		

## Baseline Homestead Exemption

10% cap on taxable value growth from previous year

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

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

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

**Brazoria County:** 20% deduction to Taxable Value

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

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

\*\* 2024 tax rates for other entities are not certified. Based either on advertised rates or 2023 rate.

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

# What does 1¢ in Property Taxes Mean?

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

1¢

1/2¢

**General Fund  
Revenue for FY25**

\$1.5M

\$750K

**Reduction in a Homestead  
Homeowner's property tax bill  
(average homestead taxable value  
of \$343,664)**

\$33.50 per year. \$2.80 per month.

\$16.75 per year. \$1.40 per month.



# General Fund Revenues

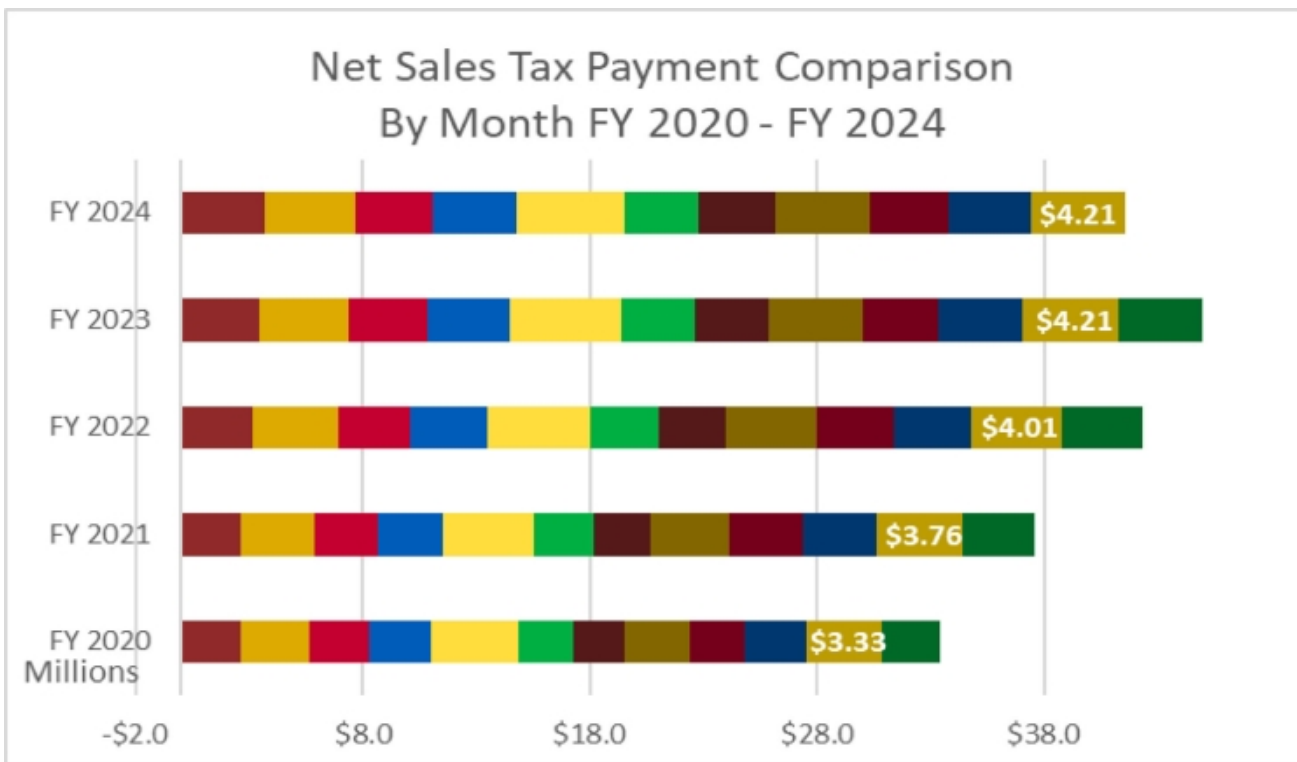
## Comparing FY24 to FY25 Revenues

Revenue Category	FY24 Amended	FY25 Budgeted	FY24 Amended vs FY25 Budgeted
Property Taxes	\$41.8M	\$45.5M	8.8%
Sales & Use Taxes	\$30.7M	\$31.2M	1.7%
Charges for Services	\$23.5M	\$23.8M	1.3%
Fines & Forfeitures	\$2.0M	\$2.0M	0.7%
Franchise Fees	\$7.1M	\$6.7M	-4.7%
Licenses & Permits	\$3.6M	\$3.1M	-15.4%
Miscellaneous	\$2.6M	\$5.1M	91.0%
Transfers In	\$4.4M	\$7.0M	60.1%
Revenue Totals	\$115.7M	\$124.4M	7.5%



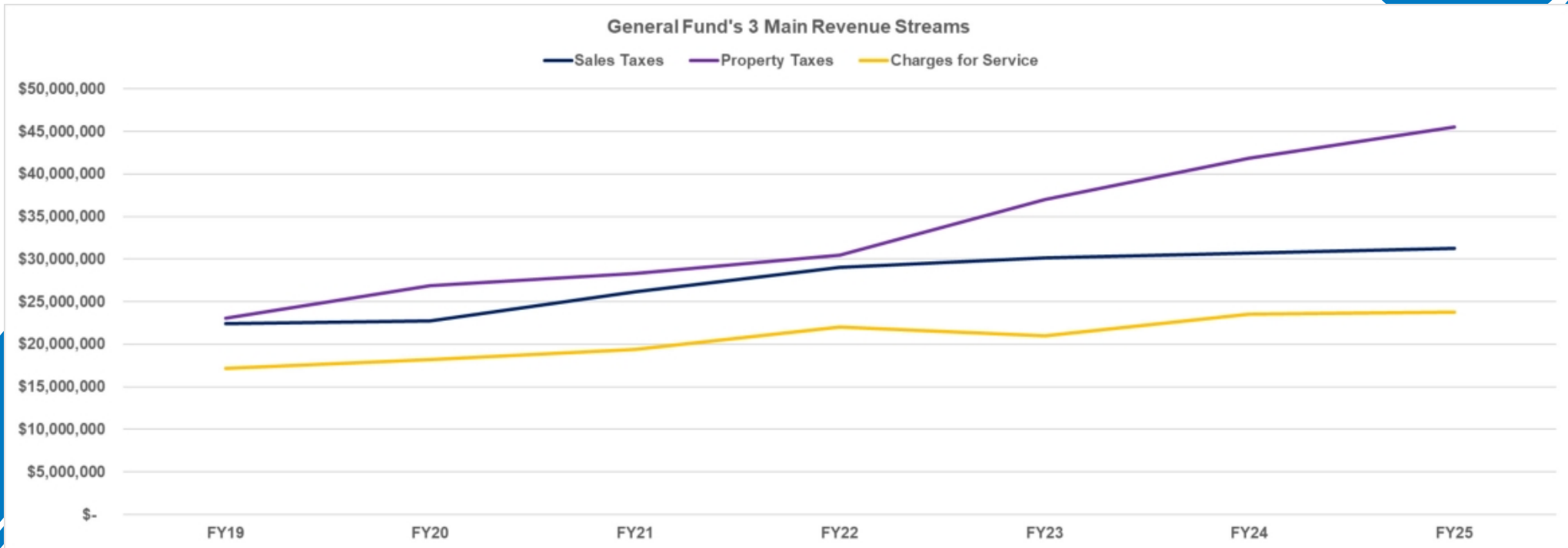
# Sales Tax Revenue

## FY24 saw slight sales tax growth



- The FY25 proposed budget is presented with a projected 1.7% sales tax growth over the FY24 amended budget in the General Fund.
- As always, sales tax performance is monitored each month and adjusted via budget amendment as needed.
- Sales tax revenues are budgeted for \$31.2 M in FY25; 25.1% of total General Fund Revenue.
- The Pearland Economic Development Corporation is budgeted for \$15.5M in dedicated funds for those uses as defined by State law.

# 81% of General Fund Revenues Come from three Main Revenue Streams



Charges for Service are mostly TIRZ administrative charges

\*FY24 Estimated  
\*\*FY25 Proposed

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# General Fund Expenditures

# General Fund Summary

General Fund Comprehensive Summary			
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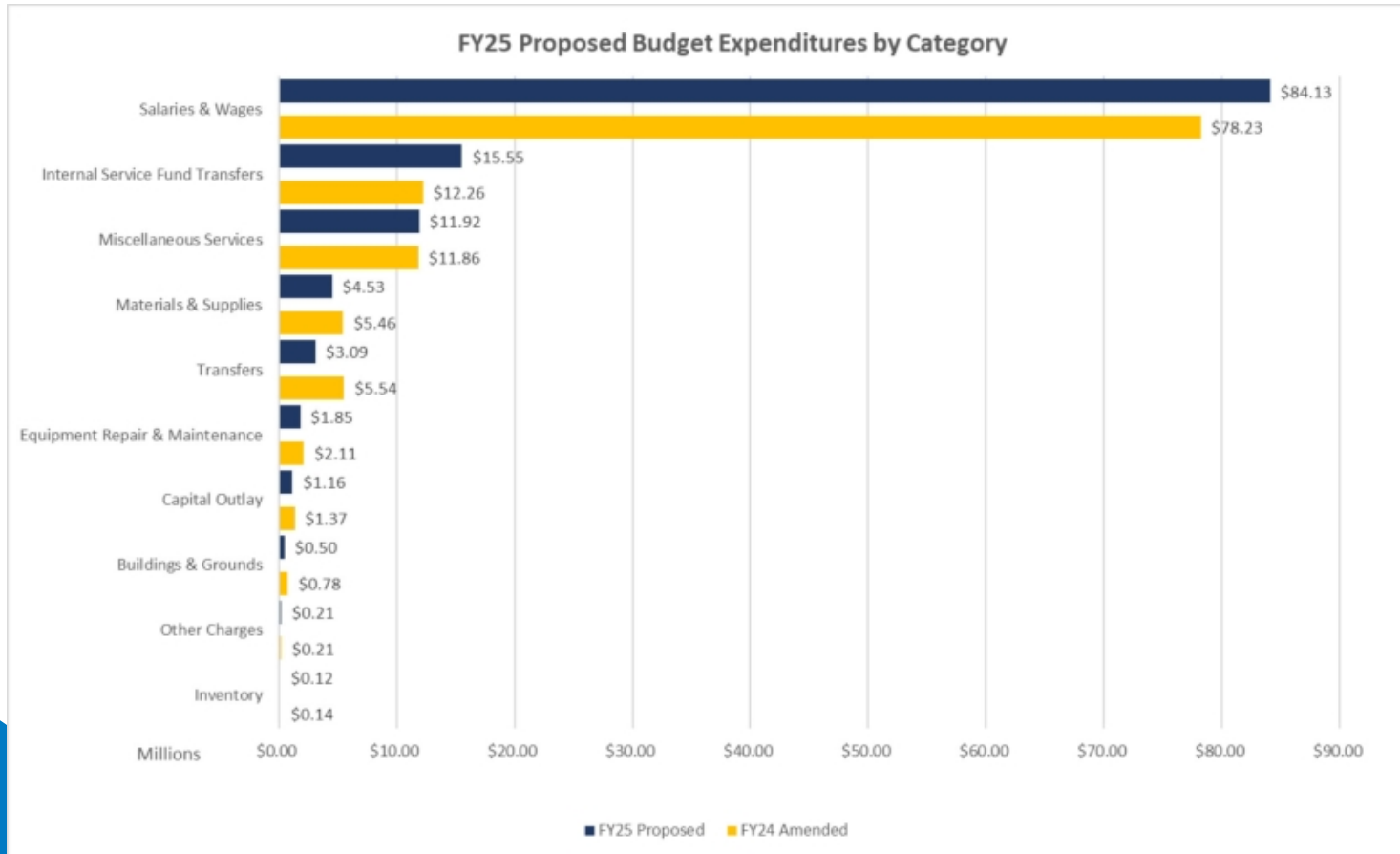
- ✓ **Exceeds Policy Minimum**  
Projected ending balance of 90 days meets policy minimum
- ✓ **Maintains Core Services**

- ✓ **S&P AA/Stable and AA+ Fitch Credit Rating**
- ✓ **Structurally Balanced**

## Comparing FY24 to FY25 Expenditures

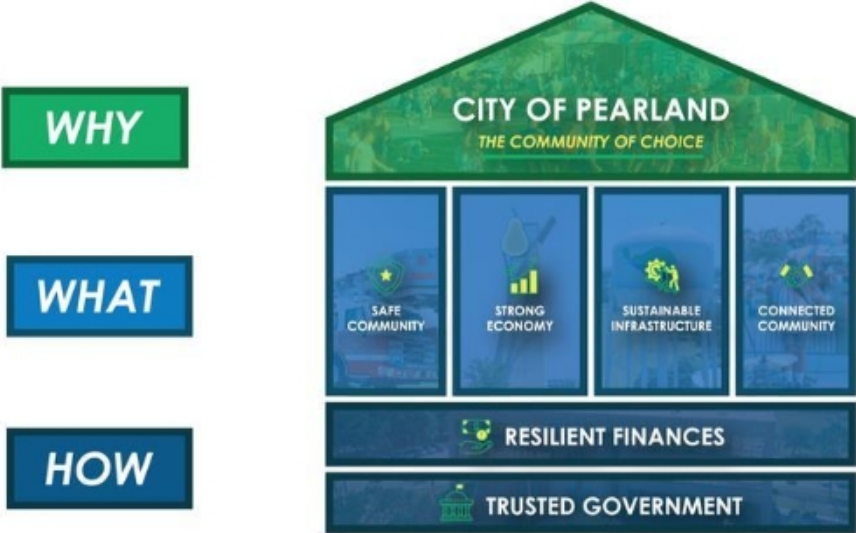
Expenditures Category	FY24 Amended	FY25 Budgeted	FY24 Amended vs FY25 Budgeted
Public Safety	\$71.9M	\$76.5M	6.4%
Public Works	\$16.6M	\$17.4M	4.8%
General Government	\$9.8M	\$10.9M	1.1%
Parks & Recreation	\$8.8M	\$9.9M	12.5%
Community Services	\$5.3M	\$5.3M	0.0%
Transfer Out	\$5.5M	\$3.0M	-4.5%
<b>Total</b>	<b>\$117.9M</b>	<b>\$123.0M</b>	<b>4.3%</b>

# FY25 Proposed Budget Expenditures by Category



# Strategic Priorities

## STRATEGIC PRIORITIES: A DIFFERENT VIEW



# Supplementals by Strategic Priority

## **TRUSTED GOVERNMENT**

Records Analyst – City Secretary - \$14,000

## **SAFE COMMUNITY**

Police Officers (3) – Police-Patrol - \$515,206

Animal Control Officer –Police-Animal Services - \$175,620

Crime Scene Supervisor – Police-Investigations - \$183,413

EMS Clinical Manager – Fire Operations - \$94,993

## **SUSTAINABLE INFRASTRUCTURE**

Project Management Team (3 FTE)-EPW-Capital Projects - \$0

Street Maintenance Team (5 FTE)-Public Works-Streets - \$267,193

## **CONNECTED COMMUNITY**

Chief Customer Experience Officer – City Manager’s Office - \$120,316

West Pearland Summer Camp Program-Parks-Recreation - \$0

Recreation Attendant – Parks & Recreation- Athletics - \$0



# 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

- FY25 Proposed Debt Service Rate: 0.3000
- Estimated levy of \$40.5M
- Total tax revenue with frozen values is \$40.7M

# Debt Service Fund Summary

## 200 - Debt Service Fund Comprehensive Summary

Name	FY2023 Actual	FY2024 Adopted Budget	FY2024 Projected	FY2025 Budgeted
Beginning Fund Balance:	\$3,436,146	\$3,369,997	\$3,369,997	\$6,412,800
<b>Revenues</b>				
Property Taxes	\$36,879,625	\$41,319,476	\$40,301,531	\$40,680,000
Investment Earnings	\$371,342	\$350,000	\$1,298,217	\$0
Miscellaneous	\$10,802,953	\$11,399,761	\$11,920,947	\$14,599,978
Transfers In	\$3,552,442	\$4,501,938	\$87,519	\$2,656,885
Other Financing Sources	\$4,420,000	\$0		\$0
<b>Total Revenues:</b>	<b>\$56,026,363</b>	<b>\$57,571,175</b>	<b>\$53,608,214</b>	<b>\$57,936,863</b>
<b>Expenditures</b>				
Other	\$8,048,964	\$8,879,000	-\$700,322	\$3,870,158
Interest Expense	\$48,039,340	\$47,249,580	\$51,265,732	\$56,039,789
<b>Total Expenditures:</b>	<b>\$56,088,305</b>	<b>\$56,128,580</b>	<b>\$50,565,411</b>	<b>\$59,909,947</b>
<b>Total Revenues Less Expenditures:</b>	<b>-\$61,942</b>	<b>\$1,442,595</b>	<b>\$3,042,803</b>	<b>-\$1,973,084</b>
<b>Ending Fund Balance:</b>	<b>\$3,374,204</b>	<b>\$4,812,592</b>	<b>\$6,412,800</b>	<b>\$4,439,716</b>

## General Fund & Debt Fund Input and Discussion

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

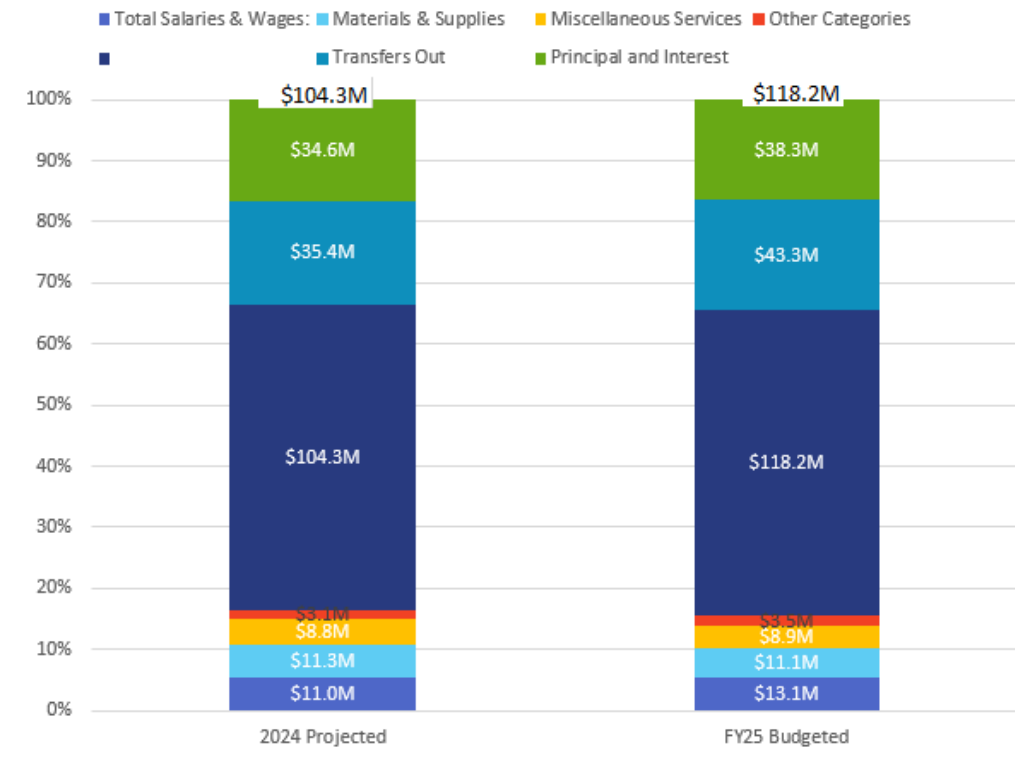


# Enterprise Funds

## Water and Sewer Operations



# Water and Sewer System Expenditures (Operations and Debt Funds Combined)



FY25 Proposed Budget Presentation #1



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

## FY25 CIP Projects

WW1502 – Barry Rose WRF Replacement and Expansion - \$229.4M

WW1603 – JHEC WWTP Expansion - \$80.5M

WA1605 – Surface Water Plant - \$175.5M

WW1906 – Longwood Water Reclamation Facility Decommissioning - \$38M

**Total: \$523.4M**

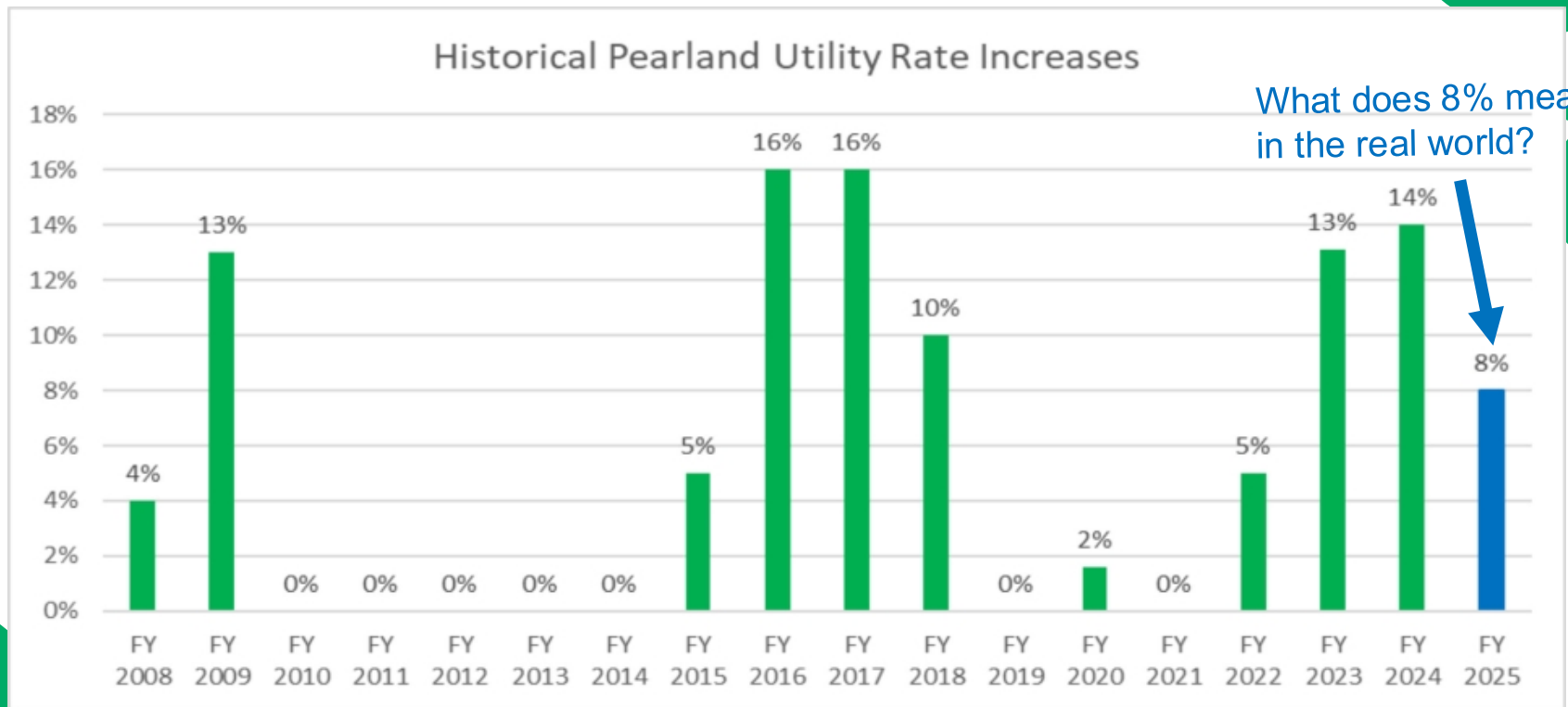


# FY2025 Revenue Changes

- 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 deb we agree to have a Bond Coverage Ratio  $\geq 1.15$ .
- Enterprise Operating Fund balance must remain above 15%. The City must bring in enough money to pay for debt and operations.

- **An average household in Pearland using approximately 6,000 gallons of water per month. They will pay ~\$8.09 more a month.**
- An 8% rate increase is proposed for FY25

# History of Rate Increases in Pearland

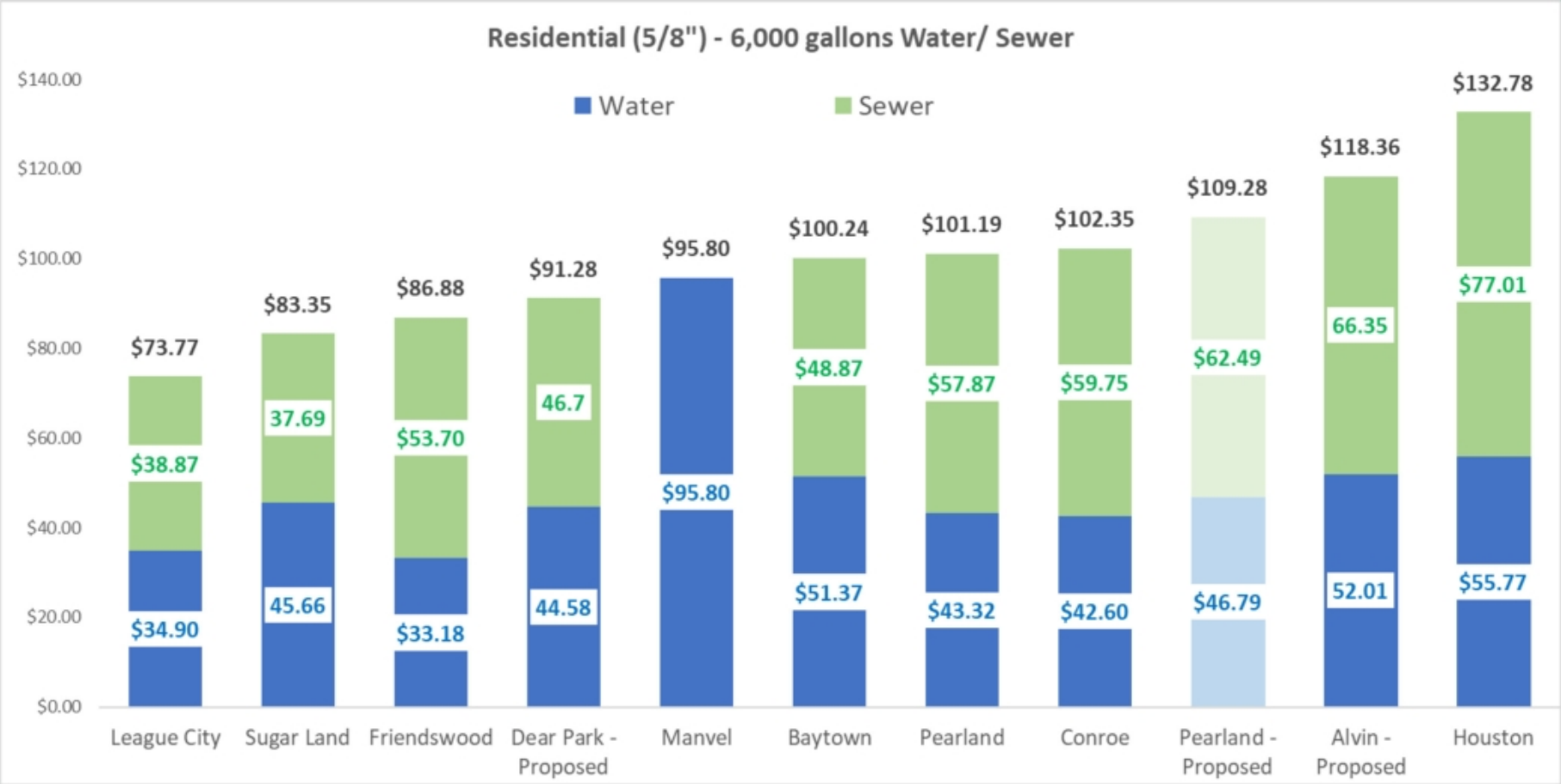


# Sample Bills with 8% Proposed Rate Increase for FY 25

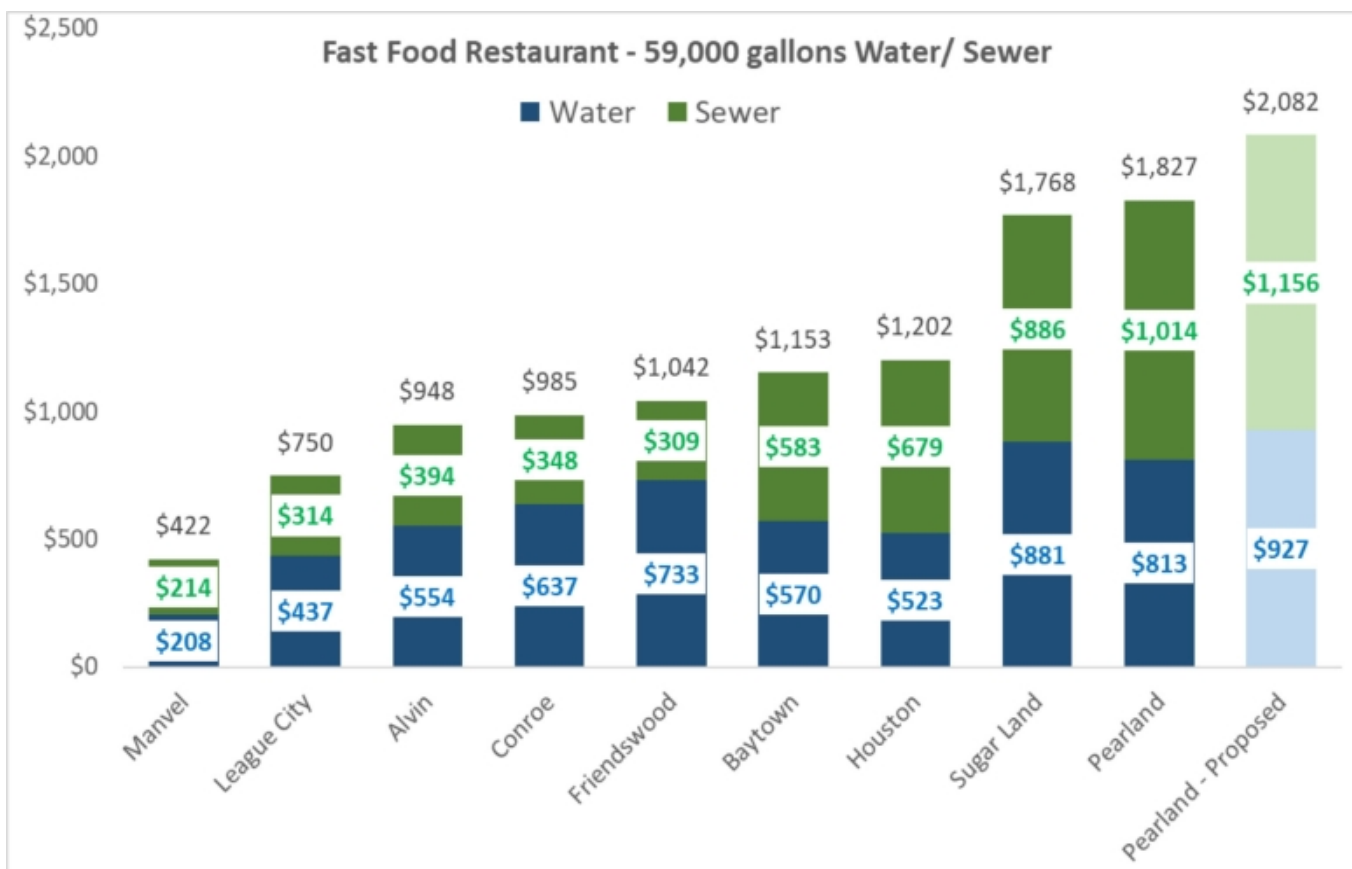
The average resident will see a bill increase of ~\$8.09

Account Type	Usage	Meter Size	Water			Sewer			INCREASE			
			Current Rate	Proposed Rate	Water Increase	Current Rate	Proposed Rate	Sewer Increase	Current TOTAL	Proposed TOTAL	TOTAL	%
Residential	2,000	5/8"	\$ 21.36	\$ 23.07	\$ 1.71	\$ 30.79	\$ 33.25	\$ 2.46	\$ 52.15	\$ 56.32	\$ 4.17	8%
Residential	3,000	5/8"	\$ 26.85	\$ 29.00	\$ 2.15	\$ 37.56	\$ 40.56	\$ 3.00	\$ 64.41	\$ 69.56	\$ 5.15	8%
<b>Residential</b>	<b>6,000</b>	<b>5/8"</b>	<b>\$ 43.32</b>	<b>\$ 46.79</b>	<b>\$ 3.47</b>	<b>\$ 57.87</b>	<b>\$ 62.49</b>	<b>\$ 4.62</b>	<b>\$ 101.19</b>	<b>\$ 109.28</b>	<b>\$ 8.09</b>	<b>8%</b>
Residential	12,000	5/8"	\$ 84.66	\$ 91.43	\$ 6.77	\$ 98.49	\$ 106.35	\$ 7.86	\$ 183.15	\$ 197.78	\$ 14.63	8%
Small Office	4,000	5/8"	\$ 35.14	\$ 37.95	\$ 2.81	\$ 44.33	\$ 47.87	\$ 3.54	\$ 79.47	\$ 85.82	\$ 6.35	8%
Commercial	38,000	2"	\$ 418.98	\$ 452.46	\$ 33.48	\$ 490.01	\$ 529.15	\$ 39.14	\$ 908.99	\$ 981.61	\$ 72.62	8%
Fast Food Restaurant	59,000	4"	\$ 926.93	\$ 1,001.02	\$ 74.09	\$ 1,155.54	\$ 1,247.89	\$ 92.35	\$ 2,082.47	\$ 2,248.91	\$ 166.44	8%
Sit Down Restaurant	262,000	4"	\$ 2,325.60	\$ 2,511.34	\$ 185.74	\$ 2,529.85	\$ 2,731.82	\$ 201.97	\$ 4,855.45	\$ 5,243.16	\$ 387.71	8%

# Comparison Bill



# Comparison Bill



# What is driving rate increases?

- Enterprise Operating Fund
- The FY25 proposed budget for the Enterprise Operating Fund is \$79.8M. FY25's Enterprise Operating Fund Budget is a \$7.4M increase from the FY24 adopted budget of \$72.4M.
  - Reflects a full year of Surface Water Plant Operations
  - Increased Maintenance and Operations Cost
  - Compensation Changes, and the addition of 5 full-time staff members.
  - Year Two of cash funding the contribution to GCWA Shannon Water Pump Project
  - Two cash funded CIP projects
- Debt Fund
  - Expenditures in this Fund are paid for via a transfer from the Enterprise Operating Fund (Transfer-In).
  - FY25's Enterprise Fund Operations Budget transfer to the debt service fund is a \$3.5M increase from the FY24 adopted budget of \$25.5M.

# Enterprise Operating Fund - Income Statement

	FY 2023 ACTUAL	FY 2024 ADOPTED BUDGET	FY 2024 PROJECTED BUDGET	FY 2025 BUDGET
<b>REVENUES</b>				
SALE OF WATER	36,049,208	36,657,020	39,133,693	41,447,062
SEWER REVENUES	28,351,367	30,976,703	32,987,931	35,072,154
OTHER SERVICE CHARGES	1,464,195	1,129,859	1,496,751	1,337,810
INVESTMENT EARNINGS	250,918	130,000	506,763	556,234
OTHER MISCELLANEOUS INCOME	342,515	7,039	16,232	15,740
TRANSFERS IN	450,000	522,000	522,000	522,000
OTHER FINANCING SOURCES	-	-	-	-
<b>REVENUE</b>	<b>\$ 66,908,204</b>	<b>\$ 69,422,621</b>	<b>\$ 74,663,370</b>	<b>\$ 78,951,000</b>
<b>EXPENSES</b>				
UTILITY CUSTOMER SERVICES <sup>1</sup>	2,973,661	3,848,201	3,860,626	4,410,933
OTHER REQUIREMENTS	30,152,118	35,020,861	30,871,667	38,212,609
PUBLIC WORKS/ UTILITIES ADMINISTRATION	3,852,113	4,292,635	4,351,540	5,193,115
GROUND MAINTENANCE	839,716	814,650	745,497	1,144,423
LIFT STATIONS	1,257,284	1,656,381	1,801,993	1,501,049
WASTEWATER	5,232,810	6,203,684	6,181,008	6,644,691
ENVIRONMENTAL SERVICES	646,743	670,479	598,939	691,674
WATER PRODUCTION	9,800,547	11,122,633	12,673,772	11,258,438
DISTRIBUTION & COLLECTION	4,567,338	4,913,533	4,940,423	5,690,464
CONSTRUCTION	229	-	-	-
WATER METER SERVICES <sup>2</sup>	766,058	-	(10,595)	-
PRETREATMENT FOG	27,435	-	-	-
SURFACE WATER TREATMENT	1,654,980	3,863,980	3,728,412	5,119,228
<b>EXPENSES</b>	<b>\$ 61,771,032</b>	<b>\$ 72,407,037</b>	<b>\$ 69,743,282</b>	<b>\$ 79,866,624</b>
REVENUES OVER/(UNDER) EXPENSES	5,137,171	(2,984,416)	4,920,088	(915,624)
Beginning Cash Equivalents (Fund 600 & 601)	19,737,756	15,217,637	24,874,928	30,204,016
Add Unrestricted Cash in Debt Service Fund - 601		608,503	409,000	489,161
<b>Ending Cash Equivalents (Fund 600 &amp; 601)</b>	<b>\$ 24,874,928</b>	<b>\$ 12,841,724</b>	<b>\$ 30,204,016</b>	<b>\$ 29,777,553</b>
Bond Coverage - 1.15 minimum required **	1.42	1.16	1.31	1.40
Water/Sewer Unreserved Working Capital - 15%	9,265,655	10,861,056	10,461,492	11,979,994
Operating Reserve Over Policy	\$ 15,609,273	\$ 1,980,668	\$ 19,742,524	\$ 17,797,559

# Enterprise Debt Fund Income Statement

	FY 2023 ACTUAL	FY 2024 ADOPTED BUDGET	FY 2024 PROJECTED BUDGET	FY 2025 BUDGET
<b>REVENUES</b>				
Investment Earnings	354,534	204,750	409,000	519,188
Transfers In	29,934,670	34,362,647	34,528,233	38,309,945
<b>TOTAL</b>	<b>\$ 30,289,204</b>	<b>\$ 34,567,397</b>	<b>\$ 34,937,233</b>	<b>\$ 38,829,133</b>
<b>EXPENDITURES</b>				
Principal Payment	20,030,000	22,695,000	23,205,000	23,105,000
Interest Expense	9,826,353	11,667,649	11,323,232	15,204,945
Bond Issuance Costs	-	-	-	-
Other Debt Service	23,700	30,000	30,000	30,000
<b>TOTAL</b>	<b>\$ 29,880,053</b>	<b>\$ 34,392,649</b>	<b>\$ 34,558,232</b>	<b>\$ 38,339,945</b>
<b>REVENUES OVER/(UNDER) EXPENSES</b>	<b>409,151</b>	<b>174,748</b>	<b>379,001</b>	<b>489,188</b>
<b>Beginning Cash Equivalents</b>	<b>19,372,099</b>	<b>19,635,909</b>	<b>19,635,909</b>	<b>20,014,910</b>
Year End Transaction	(145,341)			
<b>Ending Cash Equivalents</b>	<b>\$19,635,909</b>	<b>\$19,810,657</b>	<b>\$20,014,910</b>	<b>\$20,504,098</b>
Reserve for Debt Service*	15,766,567	15,362,814	15,362,814	14,973,653
Balance Over the Reserve	3,869,342	4,447,843	4,652,096	5,530,445



# Rate Model

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>Adopted / Proposed Water and Sewer Rate Change</b>	<b>13.1%</b>	<b>14%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>7%</b>
Total Revenue	66,908,203	74,663,370	78,951,000	86,681,783	92,799,107	101,497,707	102,789,283
Operating Expenses - Fund 600	35,266,735	43,421,837	46,771,793	49,077,623	50,970,778	53,856,354	55,653,607
Non-operating Expenses - Fund 600	3,364,589	752,976	3,984,886	3,079,129	3,380,101	3,274,461	3,769,558
Debt Service Expenses Net of Impact fee - Fund 601	23,139,707	25,568,469	29,109,945	38,847,226	45,582,749	46,643,798	47,541,909
<b>Total Expenses</b>	<b>61,771,031</b>	<b>69,743,282</b>	<b>79,866,624</b>	<b>91,003,978</b>	<b>99,933,628</b>	<b>103,774,613</b>	<b>106,965,074</b>
<b>Net Annual Revenue Over Expenditures</b>	<b>5,137,172</b>	<b>4,920,088</b>	<b>(915,625)</b>	<b>(4,322,195)</b>	<b>(7,134,521)</b>	<b>(2,276,906)</b>	<b>\$ (4,175,792)</b>
Beginning Cash Equivalents Net of Restricted for Debt Service (Fund 600 & 601)	19,737,756	24,874,928	30,204,016	29,777,552	25,970,695	19,388,662	17,694,738
Add Unrestricted Cash in Debt Service Fund - 601 <sup>10</sup>	-	409,000	489,161	515,338	552,488	582,981	570,904
Ending Cash Equivalents Net of Restricted for Debt Service (see calculation on Multi-year Forecast) <sup>1</sup>	24,874,928	30,204,016	29,777,552	25,970,695	19,388,662	17,694,738	14,089,850
<b>Additional Debt Issuance as of July 2024</b>	<b>55,247,635</b>	<b>81,365,735</b>	<b>170,245,680</b>	<b>102,006,868</b>	<b>7,873,000</b>	<b>12,089,000</b>	<b>11,391,500</b>
Surface Water Treatment Plant (Phase 1)	500,000	-	-	-	-	-	-
Barry Rose WRF Replacement and Expansion	15,845,000	36,555,735	45,247,500	27,618,500	-	-	-
Longwood Water Reclamation Facility Decommissioning	-	17,573,000	14,500,000	-	-	-	-
Sewer System Expansion	20,641,265	15,469,000	75,967,608	46,860,500	-	-	-
Other Projects	18,261,370	11,768,000	34,530,572	27,527,868	7,873,000	12,089,000	11,391,500
<b>Debt Service Coverage</b>							
W/S Revenue + Impact Fee Revenue	73,703,166	77,363,370	82,751,000	90,481,783	96,599,107	105,297,707	106,589,283
Less Operating Expenses	35,266,735	43,421,837	46,771,793	49,077,623	50,970,778	53,856,354	55,653,607
<b>Net Revenue Available for Debt Services</b>	<b>38,436,431</b>	<b>33,941,533</b>	<b>35,979,207</b>	<b>41,404,160</b>	<b>45,628,329</b>	<b>51,441,353</b>	<b>50,935,676</b>
Current Year W/S Annual Debt Service	27,071,642	25,870,156	25,772,433	25,870,526	25,697,370	24,453,648	24,277,914
Bond Coverage - 1.15 required to issue COs*	1.42	1.31	1.40	1.60	1.78	2.10	2.1
<b>Restricted for Debt Service</b>	<b>15,766,567</b>	<b>15,362,814</b>	<b>14,973,653</b>	<b>14,558,316</b>	<b>14,105,827</b>	<b>13,622,846</b>	<b>13,151,942</b>
Water/Sewer Unreserved Working Capital 15% - Ending Cash / (Operating Expense + CO's Debt Serv.)	60%	58%	48%	36%	24%	21%	16%
Combine Reserved Fund 600 + 601 25%= Ending Cash / (Operating Expenses + Debt Service Payment)	66%	66%	57%	45%	34%	30%	25%

1) Due to prior year-end closing/ audit entry, Actual Beginning Cash Balance FY23 can be different from Prior Ending Cash Balance FY22

\* FY25 Coverage Ratio = (FY25 Revenue - FY25 Operating Expense) / (FY25 W/S Revenue Bond Debt Service)

The current Rate Model includes: 5% Salary Increase, and \$541K Vehicle Replace

# Pearland Water Supplementals by Strategic Priority

## Sustainable Infrastructure

- Asset Reliability Team-Utilities-Administration and Wastewater \$421,575
- Deputy Director of Utilities-Administration \$151,013

# Enterprise Funds Council Input and Discussion

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

# PEDC Proposed FY25 Highlights

- Proposed Revenue: \$21.3M
- Proposed Expenses: \$42.6M or \$21.3M over projected revenue
- Three major expenditures total \$26.6M; represent 62% of total expenses
  - Hickory Slough Sports Complex expansion - \$16.7M
  - Industrial Drive reconstruction - \$4.7M
  - Possible sanitary sewer extension to the Smith Ranch Road area - \$4.9M
- Of the proposed FY25 expenses \$34M is earmarked for infrastructure improvements or 80% of total expenditures.
- Issuing \$4.7M in bonds for Industrial Drive and existing fund balance for Hickory Slough Sports Complex

# PEDC Proposed FY25 Budget

Total Revenue	\$21,299,677
Total Expense	\$42,677,697
<b>Difference</b>	<b>(\$21,378,021)</b>
Beginning Fund Balance	\$31,570,824
Ending Fund Balance	\$10,192,804

# PEDC Five-Year Forecast Highlights

- \$6.7M - Business Development – Committed Assistance Agreements in FY25-29 includes \$1.7M and future potential assistance of \$5.0M.
- \$7.8M- Lower Kirby Infrastructure: Multiple projects to facilitate development in Lower Kirby, including the continued expansion of the regional detention system, realignment of White Road, and engineering and construction of Hooper Road phase II and West Fruge reconstruction.
- \$2.8M - SH 35 North Main Business Park: FY25-26 includes \$2.8M for roads, water, sanitary sewer and drainage improvements for the North Main Business Park, per a public private partnership to develop area into a light flex building park.
- \$9.0M – Old Town Revitalization Plan Implementation: In FY25-29 for projects anticipated around the new revitalization plan for Old Town.
- \$5.7M - SH 288 – Smith Ranch: Extension of sanitary sewer to the area and \$800,000 for design and construction of Wooten Road expansion from Smith Ranch to SH 288 frontage road.

# PEDC Five-Year Forecast Highlights

- \$9.2M - FM 518/Broadway Reconstruction: FY25-29 includes \$9.2M for right of way, traffic signal upgrades, key intersection/road upgrades and streetscape enhancements.
- \$18M – FM 518/Broadway Water and Sanitary Relocation: Proposing to fund water and sewer utility relocations for the 5-mile corridor with FY26-27 includes \$18M for construction to relocate lines.
- \$22.2M – 20% Recapitalization of Existing Infrastructure: Per Board and Council resolution FY25-29 includes \$22.2M for infrastructure projects that go towards the 20% sales tax revenue allocation for redevelopment in targeted areas of the City, that support long-term maintenance, and will improve roadway conditions, drainage, and utilities.
- \$18.1M- Parks/Places to Gather - Hickory Slough Sports Complex: FY25 - \$16.7M for Hickory Slough Phase 2 Sports Complex construction; FY27-29 - \$1.4M for the sports complex operations and maintenance contribution.
- \$4.1M Parks/Places to Gather - Clear Creek Trail – Green Tee to Dixie Farm Segment: Partial funding for 3.8 mile segment of the Clear Creek Trail.

# PEDC Five-Year Forecast

	FY25 PROPOSED BUDGET	FY26 FORECAST	FY27 FORECAST	FY28 FORECAST	FY29 FORECAST
Total Revenues	\$ 21,299,677	\$ 23,455,580	\$ 30,725,130	\$ 23,236,520	\$ 17,336,671
Total Expenditures	\$ 42,677,697	\$ 23,533,882	\$ 37,750,097	\$ 18,028,655	\$ 16,597,129
<b>NET CHANGE IN FUND BALANCE</b>	\$ (21,378,021)	\$ (78,302)	\$ (7,024,967)	\$ 5,207,865	\$ 739,542
Beginning Fund Balance	\$ 31,570,824	\$ 10,192,804	\$ 10,114,501	\$ 3,089,534	\$ 8,297,399
<b>ENDING FUND BALANCE</b>	\$ 10,192,804	\$ 10,114,501	\$ 3,089,534	\$ 8,297,399	\$ 9,036,941



# PEDC Five Year Forecast

- All expenditures are consistent with the priorities outlined in our Pearland Prosperity community strategic plan to ensure Pearland is the community of choice for People and Businesses in our region.
- These highlighted projects alone represent \$103.6M in mostly infrastructure projects. Sales tax revenue over five years estimated to be \$80.4M.
- Forecast includes reimbursements and issuance of \$22.7M in debt for reconstruction of Industrial Drive west of Main and to relocate City water and sanitary sewer lines along FM 518
- Over 5-Years PEDC would maintain a positive fund balance while implementing projects that will strengthen our economy and expand our tax base.

## Next Steps/Calendar Items

- ~~August 12 - Budget Discussion #1~~
- August 12th - Vote on Proposed/Maximum Tax Rate
- August 19th - Budget Discussion #2
- August 26th - Budget Discussion #3
- September 9th – Public Hearing Budget/First Reading of FY24 Budget-Budget Public Hearing
- September 23rd – Public Hearing Tax Rate/Second Reading of FY24 Budget-Tax Rate Public Hearing