



AIR-24-385
AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS

AGENDA OF: City Council Regular Meeting - Aug 26 2024
DATE SUBMITTED: Aug 19 2024 **DEPT. OF ORIGIN:** Finance Department
PREPARED BY: Rachel Wynslow

SUBJECT: Discussion regarding the Fiscal Year 2025 Proposed Budget.

ATTACHMENTS: [Budget Discussion #2 Follow Up](#)
[FY25 Budget Presentation to Council - Presentation #3-Updated](#)

FUNDING:

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

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to State law and according to City Charter, the City must adopt a budget by the last regularly scheduled Council meeting in September, prior to the beginning of the fiscal year. The budget must contain a complete financial statement of the City and the City must hold a public hearing on the budget and follow truth-in-taxation requirements.

The budget process begins each year by reviewing the proposed annual budget for fiscal year 2024-2025 through a budget workshop, which provides staff the opportunity to present the proposed budget and respond to any questions that City Council may have. On Monday, August 12th, Staff met with City Council to introduce the budget during Budget Discussion #1. This was followed by the Monday, August 19th meeting where Council held Budget Discussion #2. It is Staff's intent to further discuss the budget and answer any questions that Council may have regarding the proposed budget during Budget Discussion #3.

SCHEDULE

Previous Meetings & Events

- 8/07/24 – Proposed Budget submitted to City Council
- 8/12/24 – Budget Discussion #1
- 8/12/24 – Voted on Maximum Tax Rate (and adopted)
- 8/19/24 – Budget Discussion #2

Future Meetings & Events

- 8/26/24 – Budget Discussion #3
- 9/09/24 Budget Hearing
 - 1st Reading of FY25 Budget
 - 1st Reading of Tax Rate
 - 1st Reading of Non-Development Fee
 - CIP Adoption
- 9/23/24 – Tax Rate Public Hearing
 - 2nd Reading of FY25 Budget
 - 2nd Reading of Tax Rate
 - 2nd Reading of Non-Development Fee

Recommended Action

Presentation and discussion.



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 22, 2024
Re: Response to Questions from Budget Discussion #2

Executive Summary

Budget Discussion #1 took place on Monday, August 12th, 2024. Budget Discussion #2 took place on August 19th. 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. Where are we currently conducting paving and road rehabilitation projects to address roadway conditions?**

On our [Streets Division webpage](#), we have a live dashboard that illustrates the results of the 2023 Pavement Condition Assessment in addition to allowing users to view current rehabilitation work as well as forecasted rehabilitation activities through 2028.

- 2. Is what we are doing to properly compensate current PPD uniformed employees clear to the “rank and file”? How are our “peer” cities chosen? Was this compensation plan discussed with the PPOA?**

As shared in the [FY25 Compensation Proposal](#), we conducted a market survey and the “peer cities” for Police are listed in the memo. Based on the findings, we have revised the pay plan structures to remain competitive. CMO met with the PPOA to review the “peer cities” and share the recommendations based on the market. The PD “peer cities” were chosen based on the cities being our common local competitors for new officers.

- 3. How long will it take to implement the new court software included in the FY2025 budget?**

The Incode 10 upgrade will be initiated as soon as the budget is passed. The process may take four to six months, depending upon the availability of the vendor. There will be installation, training, and data migration during this time.

- 4. On the Street Rehab. Program – Clarify what has been added in FY24 and what is proposed in FY25 in addition to the annual \$1.3M contribution. What do we need to**

do in order to increase the annual \$1.3 mil. contribution to \$1.8 mil. and continue to increase it each year until it reaches the necessary balance to improve our PCI?

FY24 Budget Amendment #2 included \$3.0M for the street rehabilitation program. An additional \$1.3 is being allocated in FY25 for a total of \$4.3M. This is in addition to the annual \$1.3M contribution to the Infrastructure Fund in FY25.

The new Streets Crew adds an additional \$267K to the FY25 budget to support our street maintenance efforts.

In future years, we recommend adding \$500K per year to the Infrastructure Fund until it reaches approximately \$6.0M annually. This will require prioritizing this above other needs and/or increasing the O&M tax rate.

5. Professional Development: Is this the City funding required continuing education or voluntary personal development?

- a. Certification and licenses – ongoing costs to obtain and/or maintain certifications and licenses that are legally required for the job, or highly preferred to have.
- b. Conferences and seminar costs –Professional development that is preferred, but in most cases not required. Many conferences and seminars may include required Continuing Education credits to maintain certifications and licenses.

6. What do we pay the Tax Appraisal Districts for?

We contract with them to conduct the appraisals on an annual basis.

7. Will the expenses related to Contracted Fire Dispatch “drop off the books” if/when we consolidate them into 911 dispatch?

While these fees will not be coming out of Professional/Contractual Services Miscellaneous Expenses, they will be going towards increases in staffing, training, and equipment required for the joint dispatch center for Pearland Police Department and Pearland Fire Department. We are currently awaiting the study results to determine what the associated costs are with this endeavor.

8. What is HR Comp and Class?

The Compensation and Classification study analyzes the current pay practices to determine if we are competitive within the public sector and geographic location. The process includes re-examining the responsibilities, salary, and work performed by various positions throughout the City. The study helps determine if employee salaries are compliant with current employment, state, and federal laws. Best practice recommends a compensation and classification study to be completed every 3-5 years to remain competitive in the market. The last one was completed in FY21.

9. What is the increase in the Parks-Administrative budget for FY25? Page 219 of the budget book.

The Parks Administration budget is increasing from the FY24 adopted by \$1,017,008 or 62%. The most significant increase is in the Transfers Out category \$710K. This is due to an increasing IT transfer out, and the new Facilities O&M Transfer Out which is reflected in the administrative division of all departments. Salaries & Wages increased \$290K. This is due to two factors. The first was part of a realignment of existing budgeted positions 2 full-time positions moved from Recreation-Operations to Parks-Administration. The second was the 5% salary change. No new positions were added to Parks-Administration. The remaining Parks-Admin increase is in Miscellaneous Services \$16K which is for the Brink's armored car service previously budgeted from Finance.

10. What is the transfer out for \$1 mil in the Parks Budget?

The total transfer out for Parks-Administration is \$1,257,658 for the FY25 proposed budget. The IT transfer increased 13.3% based on staffing, and usage of the IT fund. This is calculated based on citywide software and hardware and then allocated based on the total number of full-time equivalents in the entire department. This may vary year to year but is tied to the total operating budget of the Information Technology Fund. The new transfer out in FY25 is the Facilities transfer. Previously by fund this was budgeted in Other Requirements but starting in FY25 is being charged out to departments based on the current fiscal year proportional usage. It does not represent actual facilities costs. The Motor Pool Operations & Maintenance transfers, and lease payments are reflected by division as we are able to collect more detail and more accurately charge those back to the user divisions.

11. What is the difference between copy charges and printing?

Copy charges are the image charges from our Ricoh copy machines or other in-house copies/printing. In general fund the FY25 budget for copy charges across all departments is \$68,764. Printing is usually done outside of the city facilities and is considered a contractual expense. The total printing budget across all departments is \$133,115. This includes printing for signs for Parks events, the annual calendar, the adopted CIP and budget books, business cards, and other items.

12. What are inventory items?

Inventory items are typically technology or other related items related items over \$1,000 purchased by departments. The largest inventory category is in Fire-Operations (\$73,390) where expenses for the FY25 proposed budget include AED replacement, bike replaces, ultrasounds screens, and video laryngoscope replacement. Other items include laptops, radio replacement, training prop replacements. For the general fund the Inventory account is proposed at \$121,537 across all departments.

13. How are we addressing OT expenditures in FY25, particularly concerning non civil service employees?

Non-Civil Service employees are Fire and all other departments. Overtime outside of Police and Fire is not significant in the General Fund. The increase in overtime for FY25 is related to the proposed compensation changes and to Public Safety. There is a public safety

increase in overtime of \$555K, but this is offset by some reductions in other departments based on spending bringing the proposed General Fund overtime budget to an increase of \$523K from the FY24 adopted. Overtime is required to be approved by a supervisor and/or director. The plan to address Fire overtime is addressed in the next answer.

14. Is there a plan in place to reduce overtime or to identify strategies to offset these costs?

Yes, there is currently a review of Fire overtime going on in FY24 with the 65th North Group. Other departments are being analyzed internally through HR and Payroll.

15. What are the current response rates for the police and fire departments? How do these response rates compare to national standards?

The target for the Police Department is to respond to 90% of priority 1 emergency calls within 6 minutes. For calendar year 2023 the Police Department's 90th Percentile Response rate was 6:26, this was down from 7:31 in 2022 and 7:30 in 2021- there is no "national standard".

The target, based on the national fire industry standard, for the Fire Department is to respond to 90% of priority 1 emergency calls within 7-1/2 minutes. We currently average 10 minutes and 50 seconds. Factors such as population density, traffic conditions, funding, technology, and officers/firefighters per capita and per square mile all have impact on response times.

16. Once an employee reaches the maximum salary for their position, are they then only compensated through cost-of-living adjustments and longevity pay?

Once an employee reaches their maximum step, they are usually compensated with a lump sum payment that is equivalent to 2%. The employee will receive the Cost of Living Adjustment (COLA) applied to the step plan. The proposed COLA for FY 25 is 3%, meaning the employee will receive a 3% COLA and a 2% lump sum payment. In addition to these salary adjustments, they are also eligible for a longevity payment.

17. Are we responsible for covering the costs of employee-dependent insurance? If so, what is the average cost per employee?

The city covers 100% for employees only, and 64% for dependents on the Kelsey Care 80 plan. For other the other plans the dependent care coverage ranges from 57-62%.

18. On page 32, the funding allocation for the Connected Community – Hickory Slough project shows \$161,257 general funds. Should this be allocated to Other funds - PEDC?

Yes, that is correct. That is a PEDC contribution and not an impact on the General Fund. It is not budgeted in General Fund.

19. The budget allocates \$356,936 for temporary staffing. Is this intended to help cover vacancies in open positions?

No, the primary area of this expense is throughout the Parks divisions for \$195K. This covers the instructors to teach a variety of classes who are not City of Pearland employees. An additional \$162K is in the Fire-Administrative division to cover their Medical Director Contract and Behavioral Psychologist Contract services.

Special Revenue Funds

20. Where do PEG funds come from?

These funds are collected through cable franchise fees. They support capital expenditures for the PEG channel.

21. On page 45, there is a capital outlay of \$600,000. Could we specify which project(s) this funding is earmarked for?

These dollars are not specified for a specific project at this time. There are limited circumstances in which there is eligibility for Hotel/Motel dollars to be spent on Parks projects. A possible project could be the addition of turf fields at the Shadow Creek Ranch Sports Complex. These dollars will only be spent if such a circumstance arises and based on the dollar amount would require Council review and approval to spend. By allocating these dollars in the budget, we do not have to wait for a budget amendment which only happens twice a year and have flexibility to move forward if Council wishes.

22. On page 8, there's an allocation of \$1.3 million for the Infrastructure Fund, with the Street Rehabilitation Program allocating an additional \$1.3 million for FY25 and \$3 million for FY24. Is it feasible to carry over the \$3 million from FY24 to FY25, given the potentially short window for expending these funds?

The Street Rehabilitation Program (\$4.3M total) is a CIP project and there is \$3M available in FY24 and an additional \$1.3M available in FY25. Once the dollars are made available to a CIP project they remain with the project until the project closes out or money is allocated elsewhere. These dollars will remain available to them if the work is being done. For the Infrastructure Reinvestment Fund the same is true, if they cannot spend what is allocated in a single year, they are able to keep expending the funds into the next fiscal year. The first \$3M from the Street Rehabilitation Program is scheduled for award on the August 26th Council agenda.

Enterprise Fund Questions

23. What inflation rate did we use in the out years for water/sewer rates?

We currently use 1% growth in revenue projections for non-rate supported revenue. Water\Sewer Charges and Late Payment Fee revenue (1% of Water\Sewer Charges) based on the proposed rate change for the fiscal year shown. In addition to the rate changes, 1% connection growth is currently forecasted. This is evaluated and adjusted in the model annually.

For the expenditures, we use an average of 4% rate for Salaries and Benefit; and 2% - 3% for other expenditure categories which are reviewed regularly.

24. Can we see a scenario for 7% rate increase for FY25 and what that would look like for future years?

FY 2025 Proposed Scenario: smoothing rates in FY2025 – FY2029.

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 4: 7% water rate growth in FY2025 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%	7%	7%	7%	11%	11%
Bond Cov. Ratio (1.15)	1.42	1.31	1.37	1.54	1.68	2.10	2.25
Reserve Requirement (15%)	60%	58%	47%	33%	18%	15%	15%

City of Pearland FY25 Proposed Budget

Discussion #3



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.

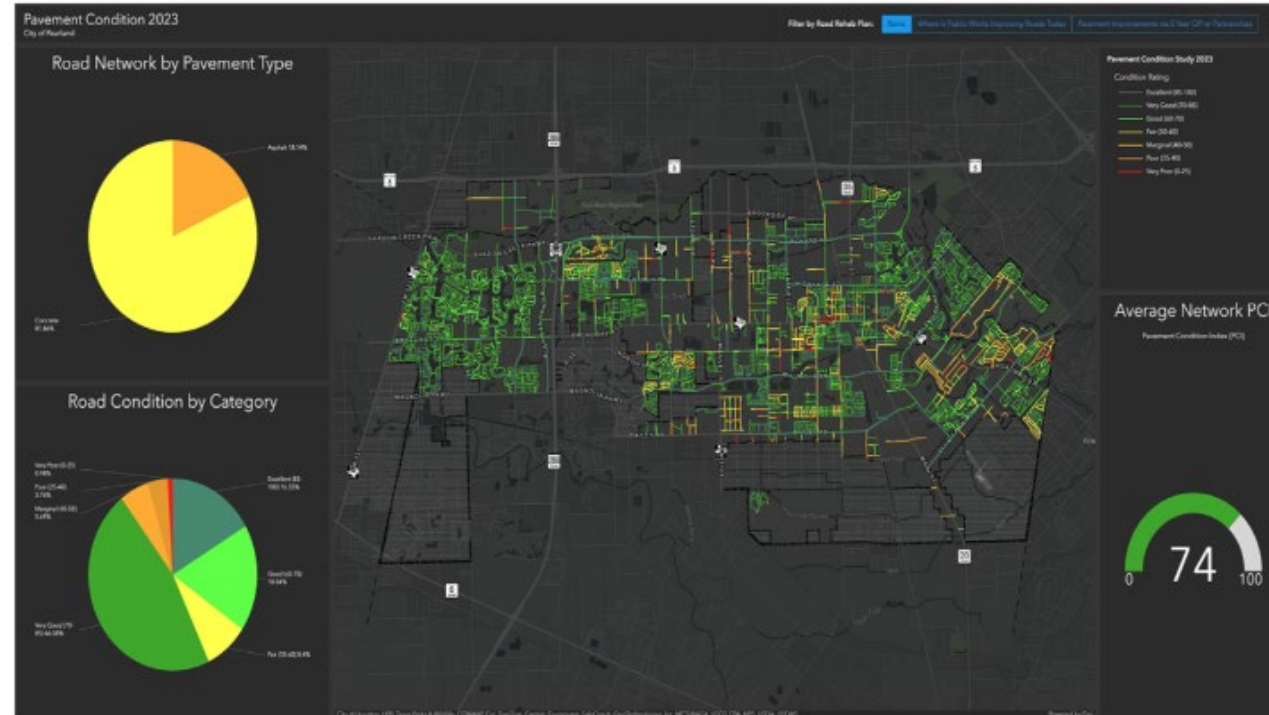
Budget Discussion #3

- Follow up from Discussion #2
 - Memo
 - Streets
 - 7% Water Rates
- Future Dates

Follow Up on Discussion #2

Streets Dashboard

Click the Dashboard Preview below to visit a live, full-page view of the Pavement Condition dashboard.



Enterprise Fund Rates

FY 2025 Proposed Scenario: smoothing rates in FY2025 – FY2029.

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 4: 7% water rate growth in FY2025 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%	7%	7%	7%	11%	11%
Bond Cov. Ratio (1.15)	1.42	1.31	1.37	1.54	1.68	2.10	2.25
Reserve Requirement (15%)	60%	58%	47%	33%	18%	15%	15%

Enterprise Fund Rates

Scenario 1: 6% water rate growth in FY2025 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: 3% water rate growth in FY2025 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%

Next Steps/Calendar Items

- ~~August 7th: Proposed budget submitted~~
- ~~August 12th: Budget Discussion #1~~
- ~~August 12th: Vote on Maximum Tax Rate~~
- ~~August 19th: Budget Discussion #2~~
- ~~August 26th: Budget Discussion #3 (if needed)~~
- September 9th- Budget Public Hearing, First Reading of FY25 Budget, First Reading of Tax Rate, First Reading of Non-Development Fees, CIP Adoption
- September 23rd – Tax Rate Public Hearing, Second Reading of FY25 Budget, Second Reading of Tax Rate, Second Reading of Non-Development Fees