



AIR-24-399
AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS

AGENDA OF: City Council Regular Meeting - Sep 09 2024
DATE SUBMITTED: Aug 28 2024 **DEPT. OF ORIGIN:** Finance Department
PREPARED BY: Rachel Wynslow

SUBJECT: Public Hearing on Proposed Fiscal Year 2024-2025 Budget.

ATTACHMENTS: [FY25 Budget Presentation to Council - Reading #1-Final](#)

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 the Texas Local Government Code, the City of Pearland is required to hold a public hearing on the proposed budget giving taxpayers an opportunity to participate in the process. The public notice giving the date, time, and location of the public hearing was published in the Reporter News on August 28, 2024, as well as being aired on the municipal channel and posted on the City's website at pearlandtx.gov. The information below includes detail from the FY 2025 budget filing, a tax rate of \$0.6350 and subsequent changes in revenues and expenditures. Any additional changes to the budget will be incorporated into the final budget ordinance for which the 2nd reading is scheduled September 23, 2024.

All figures included in this presentation represent the Proposed budget as of August 12th, 2024.

Additional FY25 budget information can be found by visiting <https://www.pearlandtx.gov/departments/finance/budget/fiscal-year-2023-budget-development>

POLICY/GOAL CONSIDERATION

Any changes from tonight's hearing will be incorporated for the Second Reading of the ordinance on September 23, 2024. All figures included in this presentation represent the proposed budget as of August 26th unless otherwise noted.

General Fund

In FY 2025 revenues are anticipated to exceed those in 2024 in most categories except Licenses & Permits, and Miscellaneous. Overall, the increase in total revenues from the FY 2024 Adopted Budget is 7.94%. Property tax, sales tax and charges for services are the three major revenue sources for the City.

Fiscal year 2025 total expenditures are \$123,066,372, at 7.9% higher than the FY 2024 adopted budget. Salaries and benefits remain the primary expenditure for FY 25, at 68% of the total budget.

Major changes in the General Fund are described in the Budget Overview section. This includes a 5% salary adjustment exempt and non-exempt employees outside of police and fire, with additional pay plan adjustments for police and fire.

Funding Highlights Include:

- Crime Scene Supervisor - Police-Investigations (1) \$183,413
- Animal Control Officer Police-Animal Services (1) \$175,620
- Police Officer - Police-Patrol (3) with Vehicles - \$515,206
- EMS Clinical Manager (1) \$94,933
- Records Analyst – City Secretary - \$14,000
- Chief Customer Experience Officer (1) \$120,319
- Project Management Team (3 FTE)-\$0
- Street Maintenance Team (5 FTE)-\$267,193
- Camp Coordinator's (2 Seasonal) \$0
- Camp Counselor (7 seasonal) \$0
- Recreation Attendants (4 @ PT) \$0

Debt Service Fund

Based on estimated property values, the budget as proposed assumes a Debt Service tax rate of \$0.3000 per \$100 in assessed valuation to meet FY25 obligations. This is a decrease from the rate of \$0.3229 per \$100 in assessed valuation in FY24. The tax rate generates \$40,450,000 in current property taxes.

Fund revenues include reimbursements from the University of Houston-Clear Lake System for debt associated with the construction of the University of Houston-Clear Lake Pearland Campus and transfers from the Water-Sewer Fund for rebates to in-city MUDs. Fund expenditures include rebates to the remaining in-city MUD's that still qualify for such support.

Expenditures total \$59,909,947 for fiscal year 2025 include \$44,396,661 in bond principal and interest payments.

Tax Rate

The Proposed Budget includes a tax rate of \$0.6350/100, which is above the No-New-Revenue Rate and below the Voter-Approval Rate. This tax rate represents a decrease of \$0.0204 from the current year tax rate.

Pursuant to Truth in Taxation laws, Council voted on a Maximum Tax Rate of \$0.6350/100. This set a tax ceiling which the city cannot exceed. The proposed budget document is based on a rate of \$0.6350/100 which will be voted on tonight and September 23rd Council meeting. A public hearing on the tax rate is planned scheduled for September 23, 2024, due to the proposed rate being higher than the No-New-Revenue rate.

Water and Sewer Operating Fund

FY25 budgeted revenues total \$78,230,151, a \$3,566,781 increase over the FY24 Amended Budget. Water and sewer charges increased by \$3,683,805 over the FY24 Amended Budget. This is mainly due to a proposed rate increase of 7%.

FY25 expenses total \$79,866,624. This is an increase of \$10,123,343 (14.52%) over the FY24 Amended Budget, and an increase of \$7,459,587 (10.30%) over the FY24 Adopted Budget.

Enterprise Funding highlights include:

- Deputy Director of Utilities (1) \$151,013
- Asset Reliability Team (4 FTE) \$421,575
- HR Business Partner – (1) \$91,023

The available ending fund balance (measured as cash equivalents) on September 30, 2024, is expected to be \$30,204,016. Revenues exceed expenditures by \$4,920,088 for FY2024 Amended Budget. The Bond Coverage Ratio is 1.31 and operating cash reserves are 15%.

Other Funds

The City's budget also includes many other funds, such as Hotel/Motel Occupancy Tax Fund, CDBG Fund, Grant Fund, Police State Seizure Fund, Solid Waste Fund, and the Pearland Economic Development Corporation to name a few. To see and review the entire budget, the budget can be found online at pearlandtx.gov/budget or via request to the City Secretary's office.

Enterprise Funding highlights includes:

- Director of Redevelopment (1) \$133,884
- Cyber Risk & Intelligence Specialist - Information Technology (1) \$113,609
- Maintenance Supervisor - EPW-Drainage (1) with vehicle - \$139,562
- Arts Administrator (1) \$74,445

Recommended Action

Conduct FY25 Proposed Budget Public Hearing

City of Pearland FY25 Budget Public Hearing



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.

Tonight's Agenda

- Budget Public Hearing
- 1st Reading of FY25 Budget
- 1st Reading of the FY25 Tax Rate
- 1st Reading of the Non-Development Fees
- CIP Adoption Resolution
- 1st Reading of Retiree Health Care Coverage

Budget Public Hearing

- Budget Highlights
- General Fund Overview
 - Supplementals
 - Revenue
 - Expenditures
- Enterprise Fund
 - Revenue Changes
 - Rate Model
 - Supplementals
- PEDC
- Future Dates

Budget Highlights

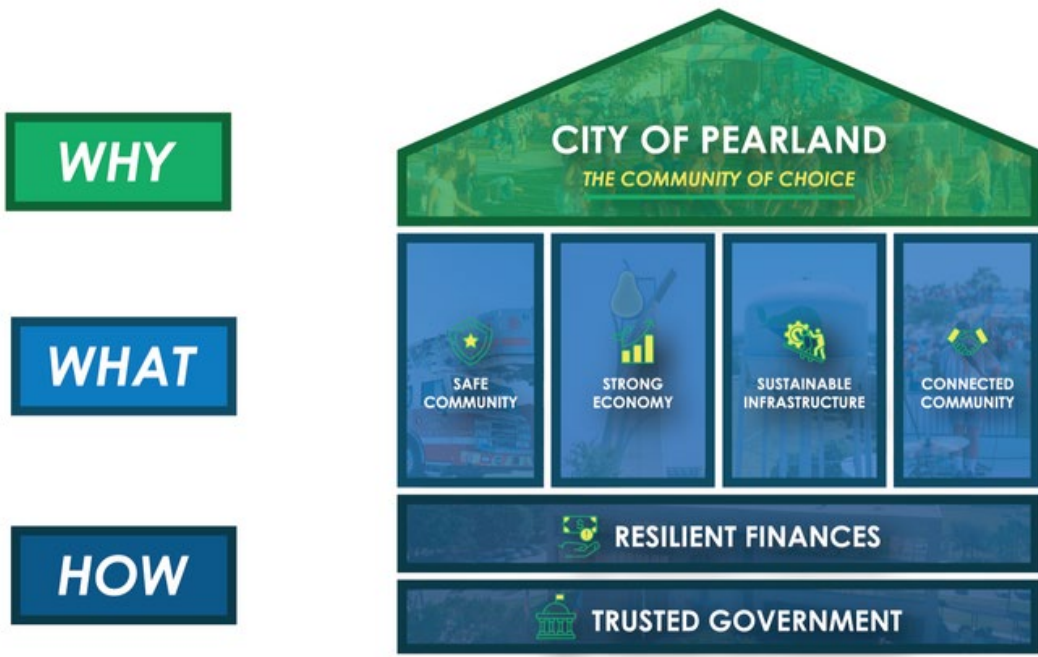
The Big Picture General Fund

- **Balanced Budget:** Annual revenues (including transfers) exceed annual operating costs.
- The General Fund's Fund Balance is above the 25% policy minimum.
 - FY25's ending fund balance is projected to be 25%, or 90 days.
- Includes proposed tax rate of .6350
 - .3000 for Debt Service
 - .3350 for O&M

General Fund Comprehensive Summary			
	FY23 Actual	FY24 Amended	FY25 Proposed
Beinning Fund Balance	\$33,681,195	\$31,323,584	\$29,093,625
Revenue	\$105,976,671	\$115,719,007	\$124,411,285
Expenditure	\$108,182,064	\$117,948,966	\$123,066,372
Net	(\$2,205,393)	(\$2,229,959)	\$1,344,913
Ending Balance	\$31,475,802	\$29,093,625	\$30,438,538
<hr/>			
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

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

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%

General Fund Expenditures

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%
Total	\$117.9M	\$123.0M	4.3%

Enterprise Funds

Water and Sewer Operations

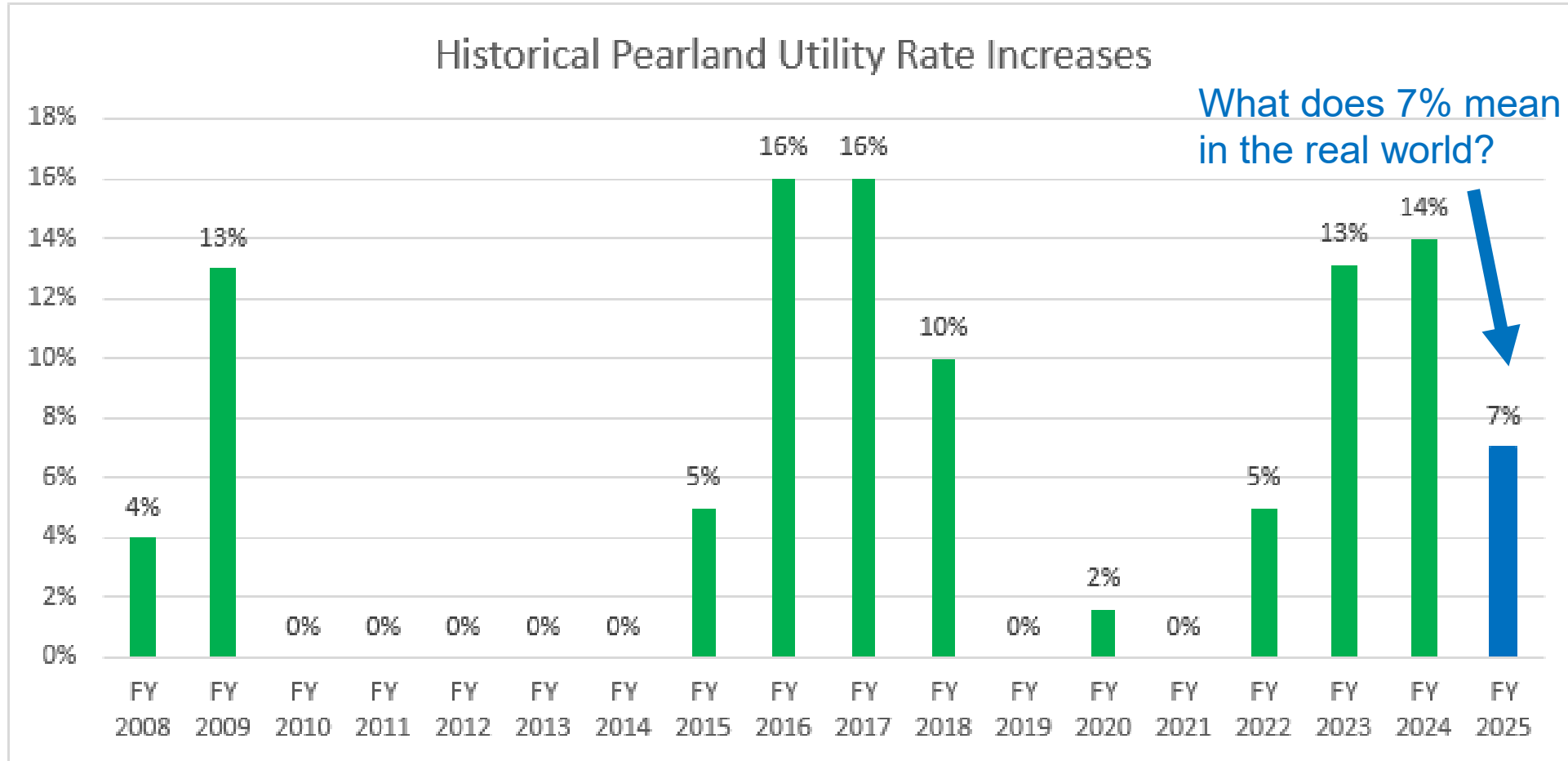
FY2025 Revenue Changes

- 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 debt we agree to have a Bond Coverage Ratio ≥ 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 ~\$7.06 more a month.**

- An 7% rate increase is proposed for FY25

History of Rate Increases in Pearland



Sample Bills with 7% Proposed Rate Increase for FY 25

The average resident will see a bill increase of ~\$7.06

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	\$ 22.86	\$ 1.50	\$ 30.79	\$ 32.95	\$ 2.16	\$ 52.15	\$ 55.81	\$ 3.66	7%
Residential	3,000	5/8"	\$ 26.85	\$ 28.73	\$ 1.88	\$ 37.56	\$ 40.19	\$ 2.63	\$ 64.41	\$ 68.92	\$ 4.51	7%
Residential	6,000	5/8"	\$ 43.32	\$ 46.34	\$ 3.02	\$ 57.87	\$ 61.91	\$ 4.04	\$ 101.19	\$ 108.25	\$ 7.06	7%
Residential	12,000	5/8"	\$ 84.66	\$ 90.56	\$ 5.90	\$ 98.49	\$ 105.35	\$ 6.86	\$ 183.15	\$ 195.91	\$ 12.76	7%
Small Office	4,000	5/8"	\$ 35.14	\$ 37.60	\$ 2.46	\$ 44.33	\$ 47.43	\$ 3.10	\$ 79.47	\$ 85.03	\$ 5.56	7%
Commercial	38,000	2"	\$ 418.98	\$ 448.23	\$ 29.25	\$ 490.01	\$ 524.17	\$ 34.16	\$ 908.99	\$ 972.40	\$ 63.41	7%
Fast Food Restaurant	59,000	4"	\$ 926.93	\$ 991.68	\$ 64.75	\$ 1,155.54	\$ 1,236.21	\$ 80.67	\$ 2,082.47	\$ 2,227.89	\$ 145.42	7%
Sit Down Restaurant	262,000	4"	\$ 2,325.60	\$ 2,487.79	\$ 162.19	\$ 2,529.85	\$ 2,705.93	\$ 176.08	\$ 4,855.45	\$ 5,193.72	\$ 338.27	7%

Rate Model

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%

Pearland Water Supplementals by Strategic Priority

Sustainable Infrastructure

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



PEDC

PEDC Proposed FY25 Highlights

- Proposed Revenue: \$16.6M
- 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.

PEDC Proposed FY25 Budget

Total Revenue	\$16,599,677
Total Expense	\$42,677,697
Difference	(\$26,078,021)
Beginning Fund Balance	\$31,570,824
Ending Fund Balance	\$5,492,804

Non-Development Fee Ordinance

- Adoption of 7% Water/Sewer Rate Change
- Temporary Food Handling-reduction to \$75
- Contractual Changes
 - Solid Waste
 - Parks Rental Janitorial Services
 - Meter Costs
 - Credit Card Processing Fees

Capital Improvement Plan

Capital Improvement Plan Resolution

- Adopts the 5-year Capital Improvement Plan
- The FY25 Budget adopts the FY25 budget for these projects.
- Future years will be approved in future budgets.

5 Year CIP by Project Type

Project Type	Project Total	Historical	FY2025	FY2026	FY2027	FY2028	FY2029	Total Allocation FY25-29
Drainage	145,941,860	22,664,455	65,643,405	33,363,000	13,421,000	10,850,000	-	123,277,405
Facilities	175,670,243	54,392,784	7,144,009	41,280,950	9,956,500	62,896,000	-	121,277,459
Parks	57,493,849	6,262,148	18,862,801	32,218,900	150,000	-	-	51,231,701
Streets	280,567,588	82,800,715	27,244,010	15,226,580	16,997,046	82,872,625	55,426,612	197,766,873
Wastewater	371,111,072	294,620,961	38,730,111	19,867,000	8,183,000	9,710,000	-	76,490,111
Water	85,233,025	18,905,766	34,708,009	8,536,750	2,212,000	2,379,000	11,391,500	59,227,259
Project Total	1,116,017,637	479,646,829	192,332,345	150,493,180	50,919,546	168,707,625	66,818,112	629,270,808

5 Year CIP by Funding Source

Row Labels	Project Total	Historical	FY2025	FY2026	FY2027	FY2028	FY2029	Total Allocation FY25-29
2007 & 2019 GO Bonds	50,383,154	49,831,251	551,903	-				551,903
2023 General Obligation Bonds	160,559,366	10,182,999	56,250,367	66,375,000	17,821,000	9,930,000		150,376,367
Certificates of Obligation	93,651,791	33,988,502	25,871,052	27,712,237	624,000	5,456,000		59,663,289
Future GO Bond Package	219,163,782	575,000			21,929,546	141,232,625	55,426,611	218,588,782
General Revenue - Cash	7,659,747	5,590,745	1,009,002	910,000	150,000	-		2,069,002
HGAC-TIP	15,251,782	8,567,656	-	6,684,126				6,684,126
Impact Fees - Cash	700,000	700,000	-	-	-	-		-
Impact Fees - Debt	111,184,632	37,404,132	45,247,500	27,618,500	-	-	914,500	73,780,500
Other Funding Sources	50,424,468	21,456,137	24,316,381	4,651,950	-	-		28,968,331
PEDC	25,805,000	2,629,701	23,175,299	-				23,175,299
TIRZ Reimbursable Debt	19,055,001	19,054,998	3					3
W/S Certificates of Obligation	346,715,886	108,390,338	126,398,180	74,388,368	7,873,000	12,089,000	10,477,000	231,225,548
W/S Revenue Bonds	10,215,027	10,215,025	2	-	-	-		2
W/S Revenues - Cash	5,326,001	2,898,999	950,002	935,000	542,000	-		2,427,002
Funding Total	1,116,095,637	311,485,483	303,769,691	209,275,181	48,939,546	168,707,625	66,818,111	797,510,154

Retiree Health Care Coverage

- Staff **proposes** updating Ordinance 1121-1 from the current structure, which requires retirees to be at least 60 years old with 20 years of service to qualify for a 100% subsidy for the employee only on the base plan. The recommendation is to transition to the Rule of 80, which provides the subsidy when a staff member retires at any age, when the sum of their age and years of service with the City equals 80. Under this rule, retirees would be eligible for a 100% subsidy for the employee only on the base plan.

Tonight's Agenda

- Budget Public Hearing
- 1st Reading of FY25 Budget
- 1st Reading of the FY25 Tax Rate
- 1st Reading of the Non-Development Fees
- CIP Adoption Resolution
- 1st Reading of Retiree Health Care Coverage

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 FY25 Budget, Tax Rate, Non-Development Fee Ordinance, Retiree Health Care