

**AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS**

AGENDA OF: 8/29/2015	ITEM NO.: Public Hearing
DATE SUBMITTED: 8/23/2015	DEPARTMENT OF ORIGIN: Finance
PREPARED BY: Tara Kilpatrick	PRESENTOR: Tara Kilpatrick
REVIEWED BY: Jon R. Branson	REVIEW DATE: August 25, 2016
SUBJECT: Public Hearing on the Proposed Fiscal Year 2016-17 Budget	
EXHIBITS: PowerPoint Presentation	
EXPENDITURE REQUIRED: N/A	AMOUNT BUDGETED: N/A
AMOUNT AVAILABLE: N/A	PROJECT NO.: N/A
ACCOUNT NO.: N/A	
ADDITIONAL APPROPRIATION REQUIRED: N/A	
ACCOUNT NO.: N/A	
PROJECT NO.: N/A	
To be completed by Department:	
<input checked="" type="checkbox"/> Finance	<input type="checkbox"/> Legal
<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution

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 Pearland Journal on August 18, 2016, as well as being aired on the municipal channel and posted on the City's web-site.

The information below includes detail from the FY 2017 budget filing, updated with property valuations, a tax rate of \$0.6812 and subsequent increases in revenues and expenditures. Any additional changes to the budget will be incorporated into the final budget ordinance for which the 1st reading is scheduled September 12, 2016.

FINANCIAL INFORMATION

Any changes from tonight's hearing will be incorporated for the First Reading of the ordinance on September 12, 2016.

General Fund

Revenues as proposed total \$72,220,820. Subsequent changes to the tax rate and property valuations resulted in an increase of \$1,570,669 for General Fund revenues. Therefore, the revised total revenues equal \$73,791,489.

Expenditures have been increased \$1,570,669 to account for additional expenditures to be offset with the revenue increase discussed above. These expenditures include:

Contribution to Police Fleet Replacement Fund	\$225,000
Facilities Management	\$200,000
Community Development Staffing	\$200,000
Streets Maintenance	\$435,000
Sidewalk Maintenance	\$200,000
Increase Fund Balance	\$310,669
Total	\$1,570,669

With these additional expenditures, the total expenditures for the General Fund equal \$76,204,035.

Staffing highlights for FY 2017 include:

- Human Resources – Risk Manager
- Community Development – PT to FT Office Assistant, PT to FY Inspector
- Police Department – Four patrol officers
- Fire Department – Emergency Management Coordinator
- IT – Senior Office Assistant
- Engineering – Assistant City Engineer, Addressing Coordinator
- Finance – Staff Accountant
- Parks – PT to FT Therapeutic Recreation Specialist

Other highlights include:

- Fires station alerting system - \$144,980
- 3% cost-of-living adjustment - \$951,563
- Police step raises - \$110,000
- Phase I police staffing study implementation - \$100,000
- Phase I compensation and pay plan implementation - \$200,000

Proposed revenues are **under** expenditures by \$2.4 million. **The ending fund balance at September 30, 2017 is estimated to be \$12 million which is over the two month reserve policy requirement by \$450,322.** The City's operating structural imbalance is projected to be brought to balance in fiscal year 2018.

Debt Service Fund

The Debt Service fund accounts for the payment of principal and interest on debt issued by the City and tax rebate to in-City MUD's. Total debt service payments for fiscal year 2017 total \$34.6 million which includes the payoff of three short-term notes. This debt is funded by property taxes. The debt service tax rate decreases from the FY 2016 rate of \$0.4828 to \$0.4400. The fund balance at September 30, 2017 is estimated to be \$6.8 million, \$3.3 million over a 10% policy reserve. It is possible to draw down the fund balance and reduce the over policy dollars by doing some bond cash defeasances and cash redemptions.

Tax Rate

The budget, pursuant to truth in taxation and Council direction, proposes to decrease the tax rate from the 2016 rate of \$0.7053 to \$0.6812 in FY 2017. The debt service and operating components calculate out at \$0.4400 and \$0.2412, respectively.

Water and Sewer Fund

The Water and Sewer Fund revenue totals \$44.8 million, which includes a 15.6% revenue increase, generating \$5.3 million in additional revenues. Expenses of \$45.6 million include funding for debt service at \$15.5 million.

Funding highlights include:

- Backflow preventer compliance program - \$142,553
- Water reclamation facility building repairs - \$100,000
- Water & wastewater ground maintenance - \$226,740
- 3% cost-of-living adjustment - \$151,282
- Phase I compensation and pay plan implementation - \$100,000

Expenditures exceed revenues by \$808,737 and with a \$2.7 million reserve for debt service. Cash Equivalents at September 30, 2017 are estimated at \$11.4 million bringing the bond coverage to 1.65 and the cash reserve ratio for the fund at 25%.

Other

The City's budget also includes many other funds, such as the 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 on-line on the City's web-site or for review through a request to the City Secretary's office.

The first reading of the ordinance to adopt the budget is scheduled for September 12, 2016.

RECOMMENDED ACTION

Conduct a public hearing on the proposed budget for fiscal year 2016-2017.

v * tr = r



CITY OF PEARLAND, TEXAS

FISCAL YEAR

2016-2017

PUBLIC HEARING ON BUDGET

AUGUST 29, 2016



$$v * tr = r$$

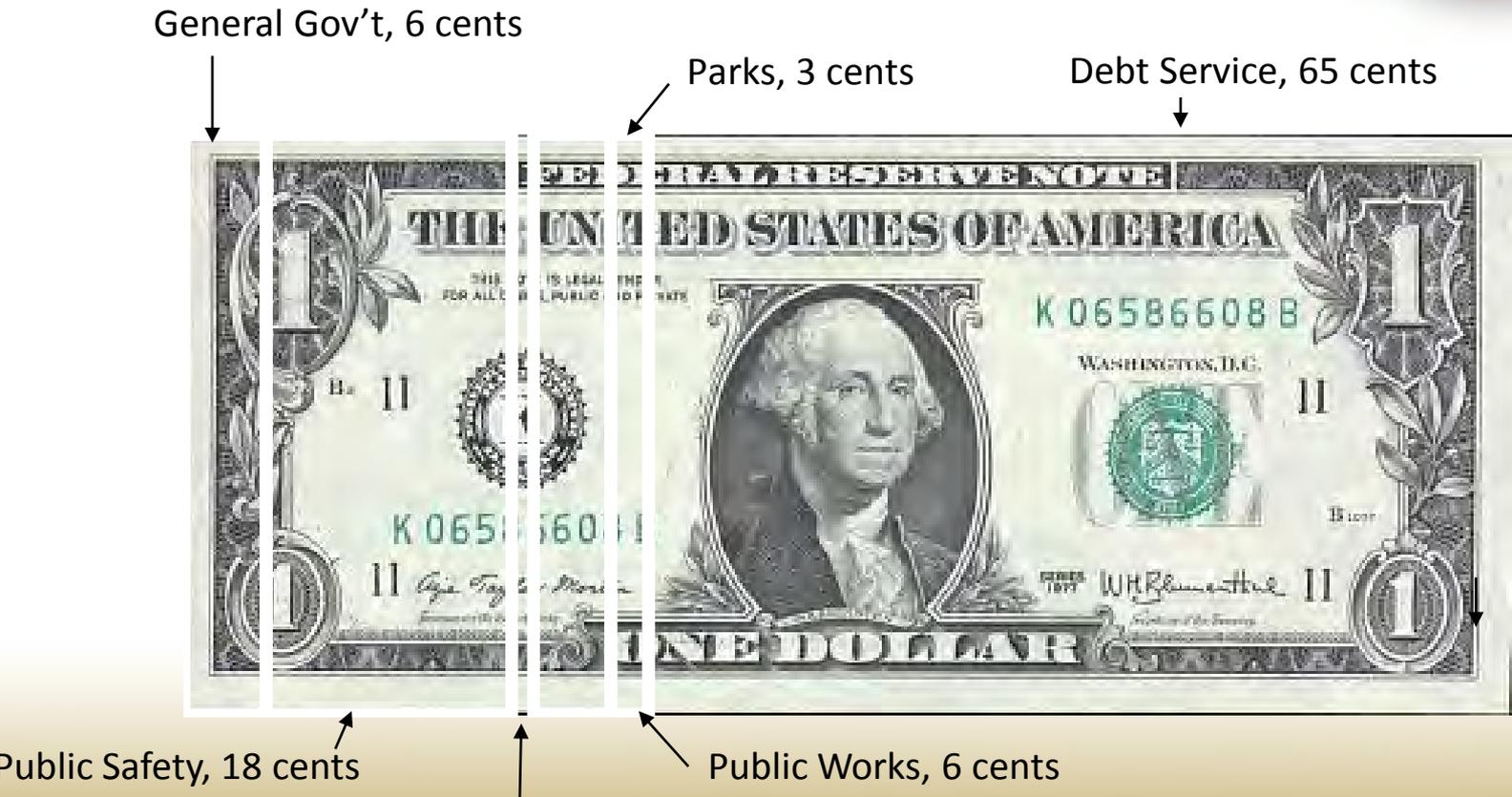


The Value that Pearland Brings

$$v * tr = r$$

The property and sales value (v) of the community multiplied by the tax rate (tr) brings financial resources (r).

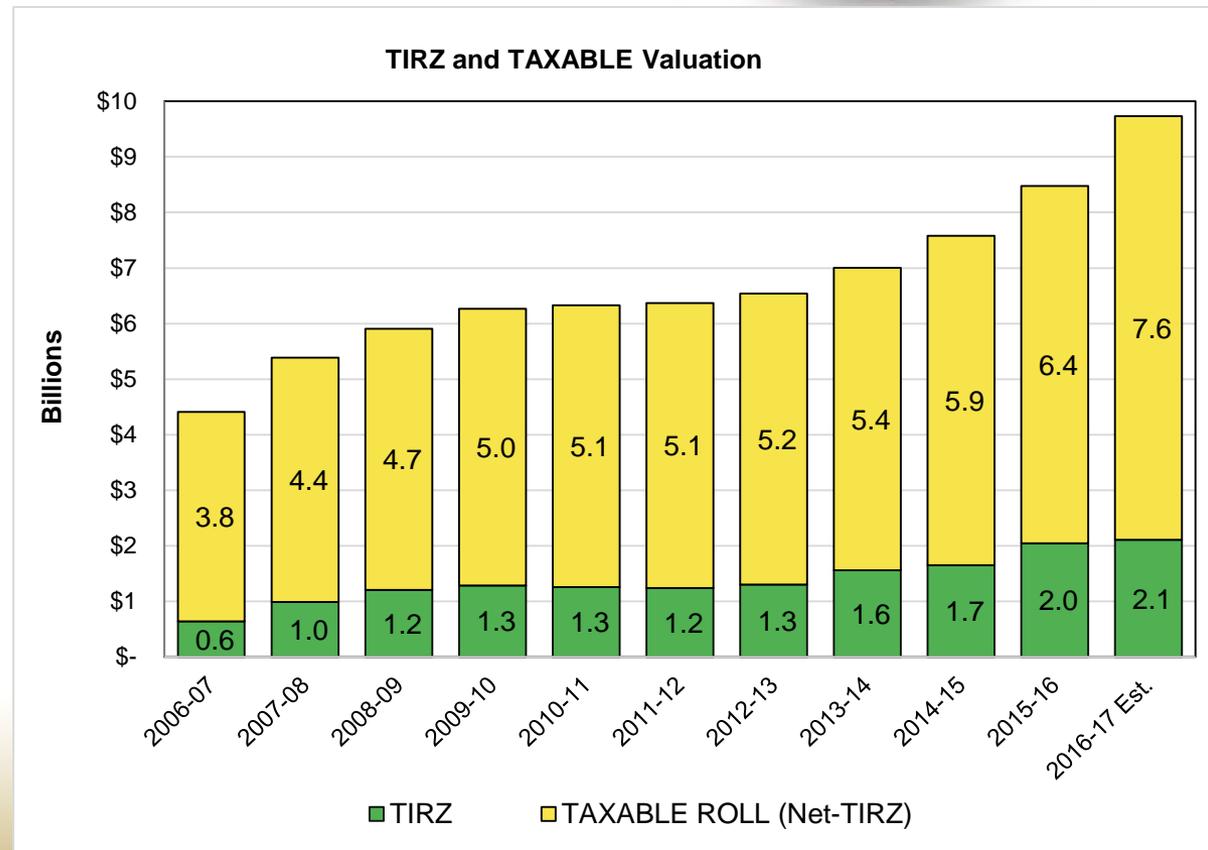
Where Do Your Tax Dollars Go?



Taxable Value



Revaluations in a quality community and new growth have brought the taxable roll (excluding the Shadow Creek Ranch TIRZ) to \$7.6 billion, an 18.6% jump from the prior year. There is definitely positive momentum.



Big Picture



- 1. Operating Deficit
- 2. Fund balance *just* above minimum.
- 3. Significant increases from FY 2015/16 for services still being absorbed

General Fund Overview	FY 2014/15 Actual	FY 2015/16 Amended Budget	FY 2016/17
(dollars in millions)			
Beginning Fund Balance	\$19.50	\$21.40	\$14.40
Revenue	\$65.90	\$71.30	\$73.80
Expenditures (including transfers)	\$64.00	\$78.20	\$76.20
Operating Net	\$1.90	(\$6.90)	(\$2.40)
Ending Fund Balance	\$21.40	\$14.40	\$12.00
Targeted minimum fund balance (2 months of recurring operating expenditures)		\$11.20	\$11.50

Totals may not add due to rounding.

Amended FY 2015/16 Budget **through** July 2016 amendments.

Two cents additional to O&M shown in green reflects \$1.6 million additional revenue from property tax and spending \$1.3 million; targeted fund balance of 15.1% estimated on new expenditure total.

Valuing our Staff



1. In this budget, we have built in 3% cost of living for all full- and part-time employees, a \$1.1 million expense (plus step increases for civil service).
2. We have initiated a City-wide classification and compensation study that will look at complete compensation definitively and independently. That report, once received, will give us a framework for current and future decisions; we have \$200,000 in this budget for phase I of implementation.



Public Safety Investments



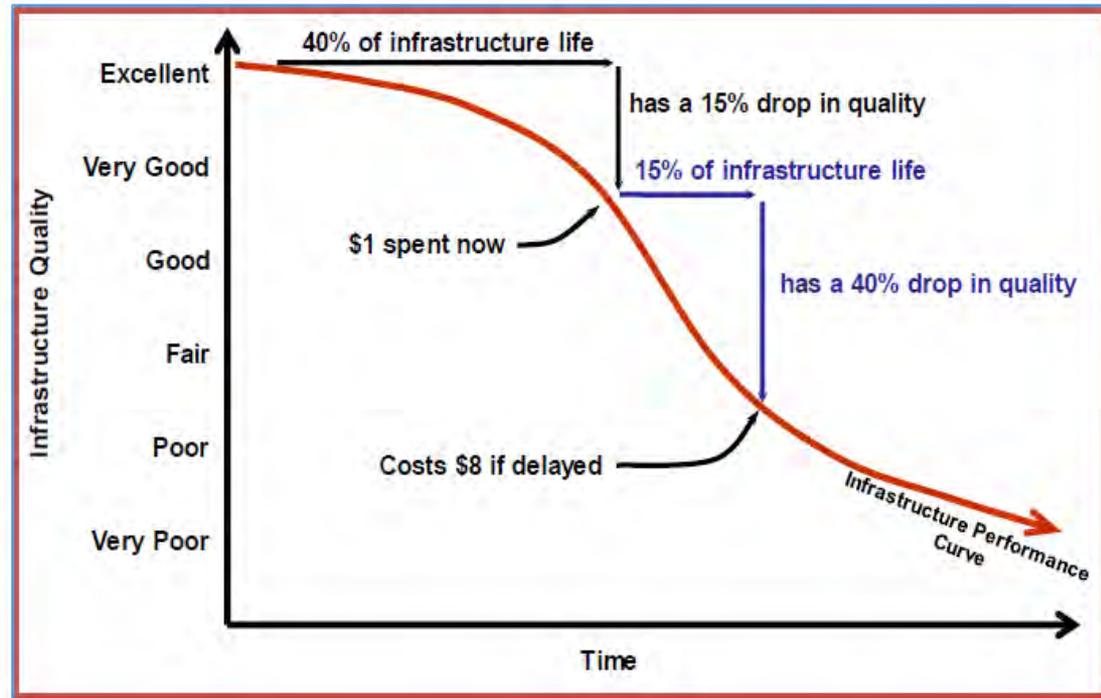
1. Expenditures for Police and Fire in FY 2016/17 represent 53% of our \$76.2 million in General Fund expenditures at \$40.3 million, about equal to the FY 2015/16 estimate. However, the \$40 million level for police and fire is \$6.5 million, 20%, more, than the FY 2014/15 actual amount.
2. In this budget, we have included funds, \$100,000, to begin implementation of the Berkshire Police staffing and utilization study. There is also funding for four additional officers and additional vehicles.
3. The budget includes fleet replacements in police with 22 replacement police vehicles and three motorcycles. There is a replacement ambulance (\$160,000) and two replacement vehicles in the Fire Department.
4. The results of a Standards of Cover and Staffing Utilization Study for the Fire Dept., awarded to Citygate Associates, should be available by February of 2017 in time to prepare for the FY2018 budget, if not before.



Capital improvements and Infrastructure Asset Recapitalization



1. Our Capital Improvements Plan has \$545 million of projects within the next Five-Years. The vast majority, \$311 million, is for needed water and wastewater improvements. Those needs are repaid by users of the systems.
2. As has been written in some national publications, now is a great time to be completing infrastructure work from a financing perspective. Pearland is doing that.
3. For the remaining \$234 million, \$169 million is for new street widening or extensions across Pearland.
4. The amount for paving rehabilitation was increased to \$950,512, below prior years and below the targeted recapitalization range. The FY 2016/17 paving program as cited in the March 2016 Five-Year Pavement Rehabilitation Plan includes two subdivisions as well as a few additional streets. We want to be in the \$3 million/year range for recapitalization on streets and sidewalks. The sidewalk program was increased to \$528,760.



Strategic Priorities



Funding Highlights



Engaged Community

Super Bowl Events in Pearland – Hotel/Motel Occupancy Tax -Convention & Visitors’ Bureau and the Parks Donation Fund	\$ 174,000
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Safe Community

Fire Department Emergency Management Coordinator with Vehicle	\$ 117,534
Fire Station Alerting System	\$ 144,980
Police Department – 4 Patrol Officers with 2 vehicles	\$ 349,820
Patrol and CID Fleet Expansion – 8 Vehicles	\$ 409,564
Future Police Fleet Replacement	\$ 225,000
Water/Sewer - Backflow Preventer Compliance Program	\$ 142,553

Healthy Economy

Corridor Enhancements – PEDC	\$5,789,000
Community Development Staffing	\$ 200,000

Funding Highlights



Sustainable Infrastructure

Water Reclamation Facility (WRF) Building Repairs	\$ 100,000
Water & Wastewater Ground Maintenance	\$ 226,740
Streets Maintenance	\$435,000
Sidewalks Maintenance	\$200,000
Facilities Maintenance	\$200,000

Fiscally Responsible

Risk Manager	\$ 106,948
Increased Fund Balance	\$ 310,669
Cost of Living - 3% Total	\$ 1,129,798
General Fund	\$ 951,563
Water/Sewer	\$ 151,282
Other Funds	\$ 26,953

Highlights - Staffing



New Positions - FY 2017

<u>Fund/Department</u>	<u>Position</u>	<u>Net FTE Change</u>
General Fund		
Human Resources	Risk Manager	0.5
Community Development	PT to FT Office Assistant	0.5
Community Development	PT Inspector to FT Inspector	0.5
Fire	Emergency Management Coordinator (9 Months)	1.0
Police	4 Police Officers and 2 Vehicles (6 months)	4.0
Information Systems	Sr. Office Assistant - FT	1.0
Engineering	Asst. City Engineer (6 mos - Trade FT Office Asst. for Engineer)	0.0
Engineering	Addressing Coordinator (6 months)	1.0
Finance	Staff Accountant	1.0
Parks and Recreation	Increase PT Therapeutic Rec Specialist to FT	0.5
Total General Fund		10.0

Highlights - Staffing

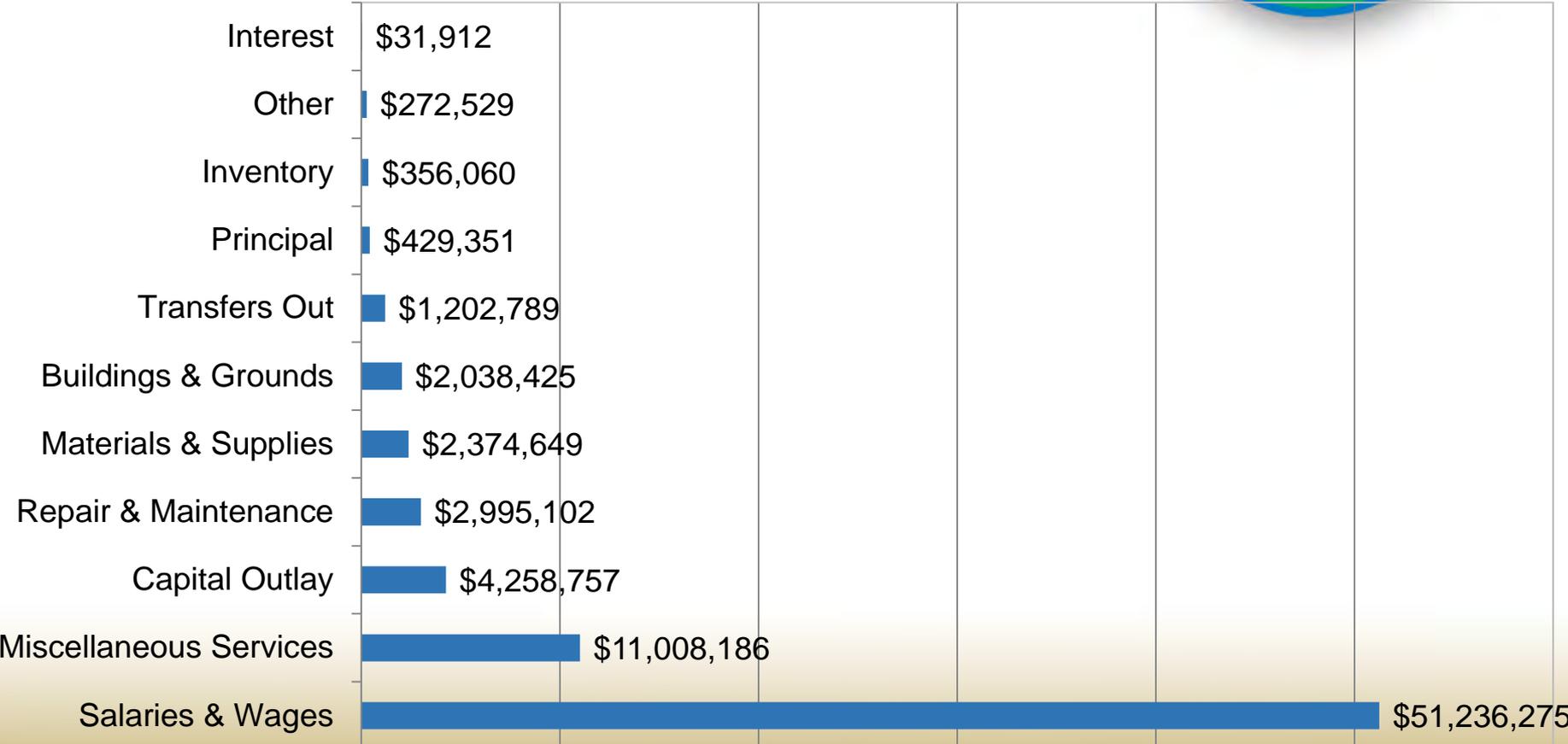


New Positions - FY 2017

<u>Fund/Department</u>	<u>Position</u>	<u>Net FTE Change</u>
Enterprise Fund		
Utility Customer Service	Customer Service Reps - 1 FT and 2 PT to 2 FT	2.0
Public Works	Backflow Compliance Program Manager	1.0
Total Enterprise Fund		3.0
Internal Service Fund - Property/Liability Insurance		
Human Resources	Risk Manager	0.5
Total		13.5



Expenditure by Category



Total General Fund FY 2017



SUMMARY

	FY 2016 Amended	FY 2017 Proposed	% Change
Revenues	\$71,273,286	\$73,791,489	3.5%
Expenditures	78,219,844	76,204,035	-2.6%
Revenues - Expenditures	(6,946,558)	(2,412,546)	-65.3%
Beginning Balance	21,354,237	14,407,679	
Ending Balance	14,407,679	11,995,233	
Policy - 2 months Recurring Oper.	11,199,984	11,544,911	
Amount Over Policy	3,207,695	450,222	



Debt Service Fund

	Projected FY 2015/16	Proposed FY 2016/17
Revenues		
Property Tax	\$31,045,687	\$33,532,286
Miscellaneous	\$1,289,081	\$888,736
Transfers In	\$730,917	\$553,766
Bond Proceeds	\$29,323,390	\$0
Total	\$62,389,075	\$34,974,788
Expenditures		
MUD Rebates	\$5,497,146	\$6,687,537
Debt Service	\$54,585,454	\$26,008,322
Short Term Notes	\$929,640	\$1,911,500
Total	\$61,012,240	\$34,607,359
Revenues Over (Under) Expenditures	\$1,376,835	\$ 367,429
Fund Balance - Beginning	\$5,033,616	\$6,410,451
Fund Balance - Ending	\$6,410,451	\$6,777,880
Reserve - 10%	\$3,085,662	\$3,460,736
Over Policy	\$3,324,788	\$3,317,144



Water & Sewer Fund FY 2017

Revenues	\$44,810,025
Expenses	<u>\$45,618,762</u>
Revenues Over Expenses	(\$808,737)
Cash Equivalents - Beginning	\$14,915,184
Reserve for Debt Service	<u>\$2,688,411</u>
Cash Equivalents - Ending	\$11,418,036
Bond Coverage (1.4x)	1.65
Cash Reserve Ratio (25%)	25%



Water-Sewer Revenue Increase

Water	<u>Current</u>	<u>Proposed</u>	
Base	13.78	14.88	\$1.10 increase
Volume			
2,001-6,000	3.48	3.76	
6,001-15,000	4.35	4.70	Non-Res.
15,001-25,000	5.22	5.64	Irrigation
25,001- +	6.96	7.52	
Sewer			
Base	17.44	21.63	\$4.19 increase
Volume	3.97	4.92	

WATER & SEWER FUND

Base vs. Volume



Revenues	Current Rates	Proposed Rates
Water		
Base	\$ 6,867,200	\$ 7,355,108
Volume	11,632,800	12,438,050
	<hr/> 18,500,000	<hr/> 19,793,158
Sewer		
Base	\$ 7,541,895	\$ 10,563,349
Volume	8,058,105	9,879,018
	<hr/> 15,600,000	<hr/> 20,442,367
% of Revenues		
Base	42%	49%
Volume	58%	51%



Property/Liability Insurance Fund

PROPOSED BUDGET & FUND BALANCE

	FY 2017 Proposed Beginning Balance	FY 2017 Proposed Revenues	FY 2017 Proposed Expenditures	FY 2017 Proposed Ending Balance
TOTAL	\$181,008	\$1,470,812	\$1,370,267	\$409,965

Property Insurance accounts for premiums on property and general liability insurance including windstorm. Rate increases on property insurance, auto liability, auto damage and law enforcement liability. New facilities to be added in FY 2016-17 include the Orange Street Service Center Field Operations Support building and the upgrades to City Hall and Annex. Contributions from other funds based on insurance and values.



Medical Self Insurance Fund

PROPOSED BUDGET & FUND BALANCE

	FY 2017 Proposed Beginning Balance	FY 2017 Proposed Revenues	FY 2017 Proposed Expenditures	FY 2017 Proposed Ending Balance
TOTAL	\$2,058,949	\$7,461,188	\$7,505,354	\$2,014,783

Medical Self-Insurance includes claims (\$6.4 million) and administration fees totaling \$970,000. Individual Stop Loss of \$125K; Aggregate Stop Loss of \$6.83 million. Ending balance exceeds the target fund balance of \$1,874,000 by \$140,783.



Other Funds by Strategic Priority

SAFE COMMUNITY

PROPOSED BUDGET & FUND BALANCES

Fund	2017 Proposed Beginning Balance	2017 Proposed Revenues	2017 Proposed Expenditures	2017 Proposed Ending Balance
COURT BUILDING SECURITY FUND	16,203	53,050	62,031	7,222
CITYWIDE DONATION FUND	34,046	21,900	-	55,946
COURT TECHNOLOGY FUND	15,975	60,010	73,579	2,406
POLICE SEIZURE FUND	204,495	250	35,100	169,645
FEDERAL POLICE FUND	6,767	65	-	6,832
COURT JUVENILE MANAGEMENT FUND	10,293	85,100	63,301	32,092



Other Funds by Strategic Priority

SUSTAINABLE INFRASTRUCTURE

PROPOSED BUDGET & FUND BALANCES

Fund	2017 Proposed Beginning Balance	2017 Proposed Revenues	2017 Proposed Expenditures	2017 Proposed Ending Balance
SOLID WASTE FUND	(833)	7,150,864	7,145,789	4,242
SIDEWALK FUND	17,509	5,000	-	22,509
TRAFFIC IMPROVEMENT FUND	527,829	2,500	-	530,329
UofH CAPITAL RENEWAL FUND	302,171	-	302,171	-



Other Funds by Strategic Priority

PARKS, RECREATION & EVENTS

PROPOSED BUDGET & FUND BALANCES

Fund	2017 Proposed Beginning Balance	2017 Proposed Revenues	2017 Proposed Expenditures	2017 Proposed Ending Balance
HOTEL/MOTEL OCCUP. TAX FUND (CVB)	4,235,503	1,551,500	1,114,780	4,672,223
PARK DONATIONS FUND	93,240	121,100	157,500	56,840
PARK DEVELOPMENT FUND	1,092,136	53,000	418,250	726,886
TREE TRUST FUND	6,751	10	6,000	761



Other Funds by Strategic Priority

ENGAGED COMMUNITY

PROPOSED BUDGET & FUND BALANCES

Fund	2017 Proposed Beginning Balance	2017 Proposed Revenues	2017 Proposed Expenditures	2017 Proposed Ending Balance
MUNICIPAL CHANNEL (PEG) FUND	852,580	307,800	502,675	657,705

GRANT FUNDS

PROPOSED BUDGET & FUND BALANCES

Fund	2017 Proposed Beginning Balance	2017 Proposed Revenues	2017 Proposed Expenditures	2017 Proposed Ending Balance
GRANT FUND	10,063	196,955	197,926	9,092
CDBG	-	325,431	325,431	-

Pearland Economic Development Corporation



HEALTHY COMMUNITY SUSTAINABLE INFRASTRUCTURE

PROPOSED BUDGET & FUND BALANCE

	FY 2017 Proposed Beginning Balance	FY 2017 Proposed Revenues	FY 2017 Proposed Expenditures	FY 2017 Proposed Ending Balance
TOTAL	\$18,565,440	\$10,832,926	\$15,903,568	\$13,494,798

The budget includes \$1.4 million for bond payments and continues the implementation of the Pearland 20/20 Strategic Plan as follows:

- Business Incentives \$1.3 million
- 288 Corridor Enhancements \$5.5 million
- State Highway 35 Redevelopment Strategy \$2.0 million
- Lower Kirby Enhancements \$1.8 million

Calendar



Saturday,
August 6
August 15

Budget Discussion #1

Budget Discussion #2; Record vote to propose tax rate and schedule Public Hearings

August 22nd
August 29th

Budget Discussion #3

Budget Discussion #4; 1st Public Hearing on tax rate; Public Hearing on Budget

Tuesday,
September 6th
September 12th

Budget Discussion #5; 2nd Public Hearing on tax rate

1st reading of Ordinance to adopt tax rate; 1st reading of Ordinance to adopt budget and pay plans; 1st reading to adopt fee changes

September 19th

2nd and final reading of Ordinance to adopt tax rate; 2nd and final reading of Ordinance to adopt FY 2016/17 budget and pay plans; 2nd and final reading to adopt fee changes; Resolution to adopt Five-Year CIP