



2019

**POPULAR ANNUAL
FINANCIAL REPORT**
FOR YEAR ENDED SEPTEMBER 30, 2019

CONTENTS

ABOUT THE CITY

A Letter from the City Manager	3
City of Pearland Government	4
Organizational Structure	5
Pearland in Context	6
Pearland Quick Facts	7
Pearland by the Numbers	8
Statistics	9

CITY FINANCES

Revenues & Expenses	11
Net Position	12
Capital Assets & Debt	13
General Fund	14
Enterprise Fund	15

ACCOMPLISHMENTS & BEYOND

FY19 Major Initiatives	17
Looking to the Future	18

GLOSSARY OF TERMS



2019 POPULAR ANNUAL FINANCIAL REPORT

The City of Pearland is excited to present this Popular Annual Financial Report (PAFR). This is a short form report that provides summarized information about the City's financial activities for Fiscal Year 2019 (FY19) beginning October 1st, 2018 and ending September 30th, 2019. It is intended to give readers an overview of the City and its finances. It is derived from but does not provide all the detailed information required by accounting standards (Generally Accepted Accounting Principles or GAAP). The PAFR does not include information on all the City's Funds or Component Units.

Detailed financial information, including the audited financial statements, is available in the City's Comprehensive Annual Financial Report, commonly called the CAFR. The CAFR provides full disclosure of all material events in the notes to the financial statements, as well as required supplementary information and historical statistical information.

The CAFR and PAFR are available online at:
pearlandtx.gov/finance.



ABOUT THE CITY



A LETTER FROM THE CITY MANAGER

Mayor, Council and Citizens of Pearland!

I am pleased to present to you, the Popular Annual Financial Report (PAFR) for the Fiscal Year Ended September 30, 2019. The report provides additional transparency and accountability of City financial information by conveying financial information in a less complex summary form.

The PAFR here has been prepared through a partnership with the City of Pearland Finance staff, Engaging Local Government Leaders (ELGL) and the Government Finance Officers Association of the United States and Canada (GFOA).

A special acknowledgment goes to Breanna Higgins, Texas State University Master of Public Administration Graduate Student for her outstanding work on this document. We appreciate her coming alongside our team to produce the inaugural City of Pearland PAFR.

The City of Pearland is a proud recipient of two of the three GFOA awards for local government finance to date; we will be submitting the PAFR here for the third consideration:

- Distinguished Budget Presentation Award
- Certificate of Achievement for Excellence in Financial Reporting

Our City Finance Department is outstanding. We believe that participation in the GFOA award program enhances our citizens' understanding of the city's finances. Earning these awards demonstrates our belief that sharing financial information in formats consistent with the highest standards in governmental financial reporting is the best way to achieve financial transparency. We have earned the State of Texas Comptroller transparency stars for years. Moreover, in combination with the budget document, comprehensive annual financial report (CAFR), the City's website transparency page and the recently launched interactive budget tool using Microsoft Office Power BI, this PAFR sets us on path for the highest level of openness and sharing.

The PAFR is a high-level report that provides a summary of the financial activities of the City. The information in this report can be found in the CAFR in greater detail. The City of Pearland welcomes thoughts and opinions from the citizens. If you have any questions about this document, please email either me or Assistant Director, Rhonda Daugherty at RDaugherty@pearlandtx.gov.

Sincerely,

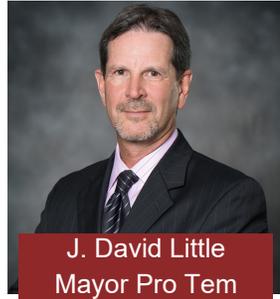
Clay Pearson
City Manager
Cpearson@pearlandtx.gov



CITY OF PEARLAND GOVERNMENT



Tom Reid
Mayor



J. David Little
Mayor Pro Tem



Luke Orlando
Council Position 1



Tony Carbone
Council Position 2



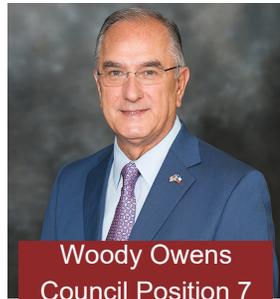
Gary Moore
Council Position 3



Adrian Hernandez
Council Position 4



Trent Perez
Council Position 6



Woody Owens
Council Position 7

THE CITY COUNCIL

The Mayor and Council members are elected at-large (meaning they represent every resident), and each of them hold office for a period of three consecutive years. Council members are limited to two full consecutive terms in office, and there is no term limit on the office held by the Mayor. The City Manager is appointed by Council and is responsible for implementation of Council priorities and day-to-day management of all City operations. The Mayor and Council provide community leadership, develop policies to guide the city in delivering services and achieving community goals, and encourage citizen awareness and involvement. Elected members of the City Council serve part-time as part of their commitment to the community and serving Pearland.

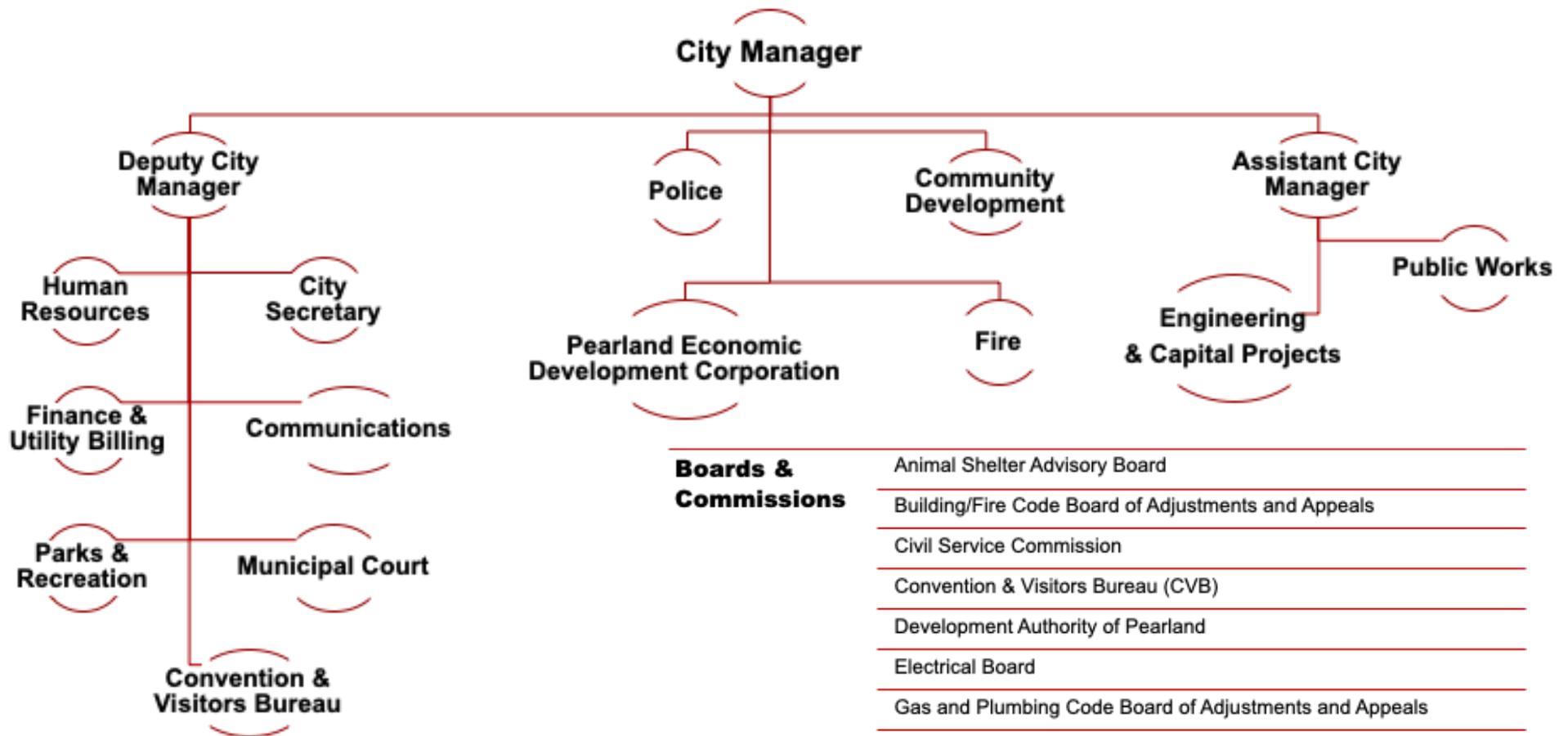
ORGANIZATIONAL VALUES

We are committed to a purpose greater than ourselves. What we do makes a positive difference and leaves a proud legacy. We serve together through these values:

- Trust: We build trust by providing excellent service, honoring it through accountability and effective communication.
- Respect: We act with kindness and empathy; embracing diversity and inclusion.
- Integrity: We are honest, ethical and do the right things for the right reasons.
- Teamwork: We are a caring workplace made up of a team working towards a shared purpose. We collaborate and support each other.
- Ownership: This is our city, we are invested and dedicated to its continuous success. We take pride in all we do.
- Innovation: We are progressive thinkers who embrace the challenge of continuous improvement.



ORGANIZATIONAL STRUCTURE



Boards & Commissions

- Animal Shelter Advisory Board
- Building/Fire Code Board of Adjustments and Appeals
- Civil Service Commission
- Convention & Visitors Bureau (CVB)
- Development Authority of Pearland
- Electrical Board
- Gas and Plumbing Code Board of Adjustments and Appeals
- Library Board
- Pearland Parks, Recreation & Beautification Board
- Pearland Economic Development Corporation
- Planning and Zoning Commission
- Tax Increment Reinvestment Zone Number 2 (TIRZ)
- Zoning Board of Adjustments



PEARLAND IN CONTEXT



General Areas

- Downtown: 17 minutes
- Energy Corridor: 27 minutes
- Galleria / Uptown Park: 18 minutes
- Galveston: 32 minutes
- Medical Center: 13 minutes
- Museum District: 12 minutes

Transportation

- George Bush Intercontinental (IAH): 33 minutes
- Ellington Field (EFD): 6 minutes
- Metro Light Rail: 9 minutes
- Pearland Regional (LVJ): in Pearland
- Port of Freeport: 58 minutes
- Port of Houston Authority: 20 minutes
- Port of Houston: 29 minutes
- William P. Hobby (HOU): 11 minutes

Attractions

1. Battleship Texas: 23 minutes
2. BBVA Compass Stadium: 14 minutes
3. George R. Brown Convention Center: 14 minutes
4. Kemah Boardwalk: 26 minutes
5. Minute Maid Park: 14 minutes
6. Moody Gardens: 37 minutes

7. NASA Johnson Space Center: 16 minutes
8. NRG Stadium: 9 minutes
9. San Jacinto Monument: 22 minutes
10. Toyota Center: 13 minutes

Universities

11. Rice University: 20 minutes
12. University of Houston: 13 minutes
13. University of Houston Clear Lake - Main Campus: 17 minutes



PEARLAND QUICK FACTS

ABOUT THE CITY

INCORPORATED

DEC. 1959

GEOGRAPHY

48.82
SQ. MILES

EDUCATION

37,000
ENROLLED IN
SCHOOL



DEMOGRAPHICS

\$41,674
PER CAPITA
PERSONAL INCOME



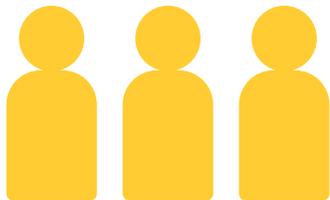
35
MEDIAN
AGE



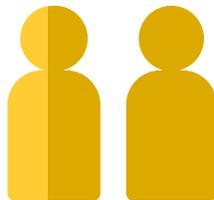
127,500
NUMBER OF
RESIDENTS



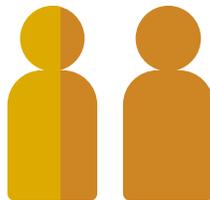
RACE AND ETHNICITY*



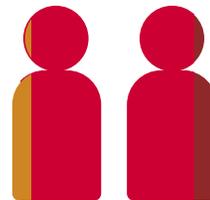
44%
WHITE



21%
HISPANIC
OR LATINO



18%
BLACK OR
AFRICAN
AMERICAN



14%
ASIAN

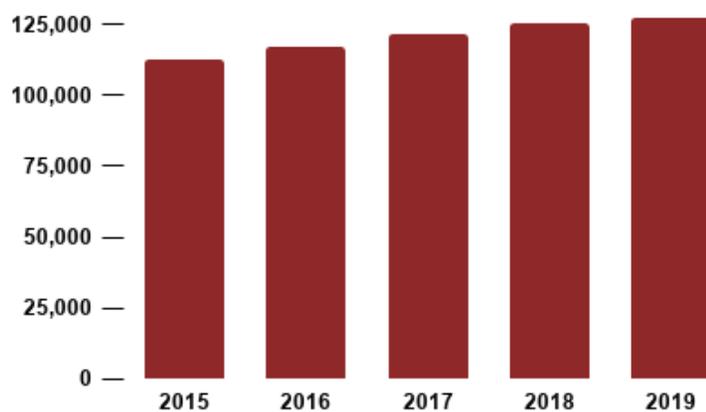
3%
OTHER

PEARLAND BY THE NUMBERS



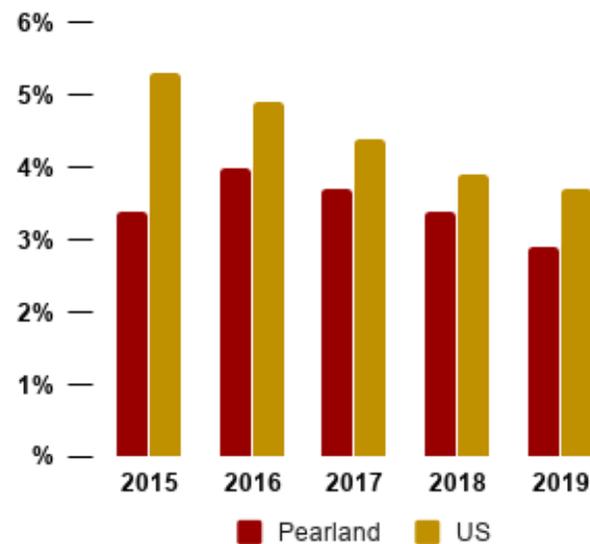
		2016	2017	2018	2019
Police	Police Stations	1	1	1	1
	Police Vehicles	186	194	209	211
	Arrests	5,044	4,865	4,844	4,604
Fire	Fire Stations	6	7	6	5
	Fire Vehicles	42	56	60	61
	Ambulances	9	9	10	10
	Patients Treated	6,117	4,610	6,273	7,181
Public Works	Streets (miles)	936	928	940	978
	Street sweeping (miles)	1,160	1,112	1,815	497
Parks and Recreation	Parkland - acres	337	388	392	547
	Pools	3	3	3	2
	Outdoor basketball courts	6	6	6	8
	Soccer fields	18	12	14	12
	Baseball/softball fields	6	14	16	16
Water and Sewer	Water mains (miles)	537	546	551	553
	Sanitary sewers (miles)	440	448	456	459
	Water produced - wells (in millions of gallons)	2,190	2,417	3,024	2,333
	Wastewater treated (in millions of gallons)	3,367	3,455	3,308	3,775

STATISTICS



POPULATION RATE

The Pearland economy is directly linked with the Houston metropolitan area. With available land, business facilities, a sound infrastructure, and a diverse workforce supported by educational programs, Pearland's growth has been consistent and will continue to be sustained over time with continued development. The community is fast-growing increasing from 18,000 residents in 1990 to 125,198 residents estimated as of January 2018 with an estimated growth of an additional 58,000 residents by 2032.



UNEMPLOYMENT RATES

The City of Pearland has seen a steady decline in the unemployment rate since 2016. The City has consistently seen a lower unemployment rate as compared to the United States. On average, the unemployment rate in 2019 was 2.9%.

PRINCIPAL EMPLOYERS*

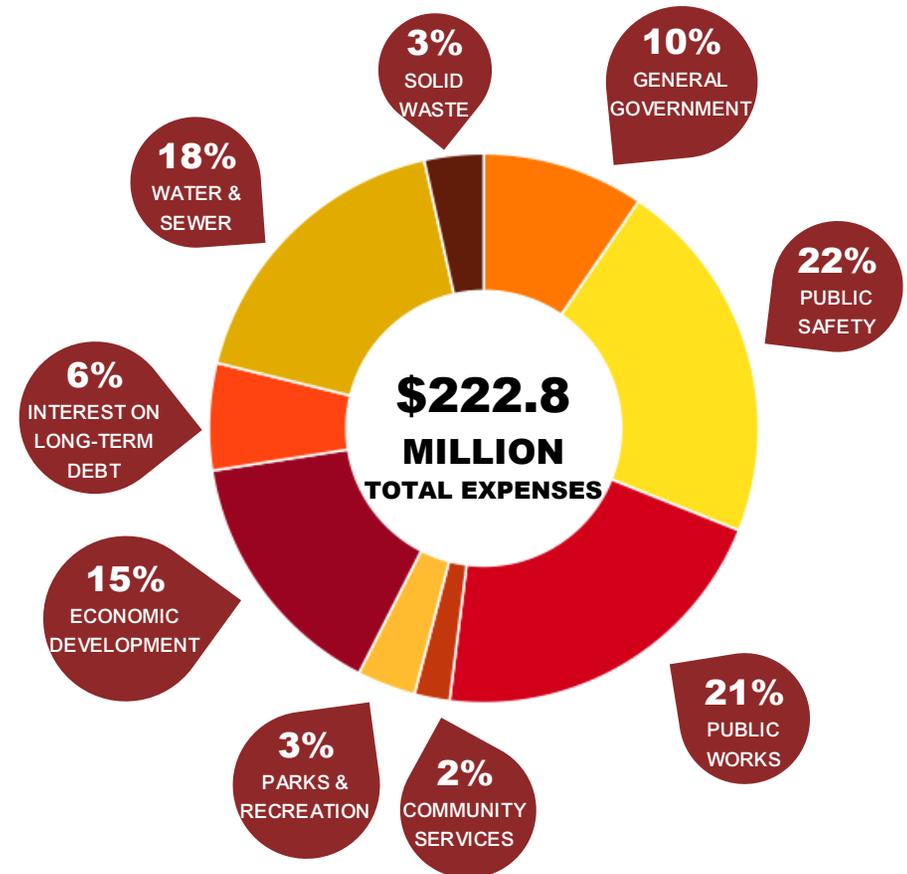
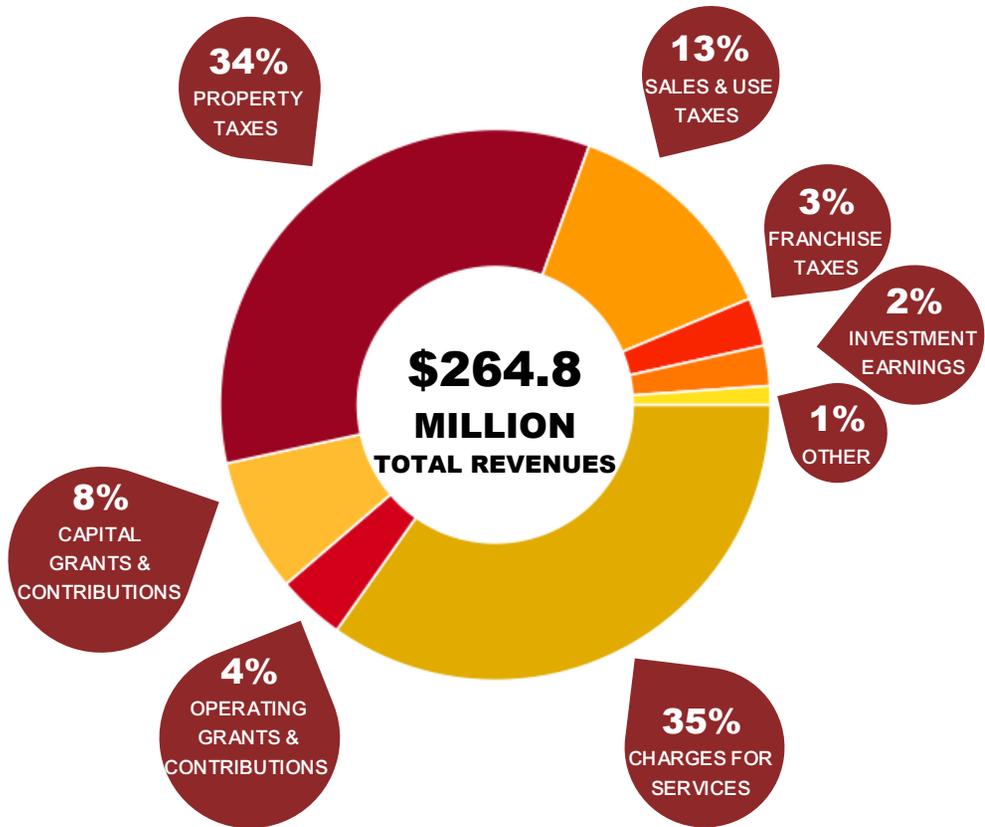
Employer	Business Type	% of Total City Employment
Pearland ISD	Education Services	4.20%
Kelsey Seybold	Health Care Services	1.36%
City of Pearland	Government	1.24%
Alvin ISD	Education Services	1.19%
Memorial Hermann	Health Care Services	0.71%
Lonza	Chemicals Manufacturing	0.66%
Pearland Medical Center	Health Care Services	0.63%
Dover Energy	Manufacturing	0.52%
Merit Medical	Health Care Services	0.48%
Kemlon	Manufacturing	0.42%
Total		11.41%



CITY FINANCES



REVENUES & EXPENSES



Total Revenues for FY19 totaled approximately \$264.8 million, an increase of \$9.8 million or 4% compared to FY18.

Total Expenses for the City totaled approximately \$222.8 million, an increase of \$1.1 million or 0.5% compared to FY2018.

These funds come from the Net Position and are different from the General Fund. This accounts for everything the City receives and everything the City owes.

NET POSITION

STATEMENT OF NET POSITION (IN THOUSANDS)

	Governmental Activities	Business-type Activities	Total 2019	Total 2018
Current Assets	\$ 153,973	\$ 153,186	\$ 307,159	\$ 278,716
Capital Assets	860,947	374,349	1,235,296	1,202,380
Total Assets	1,014,920	527,536	1,542,456	1,481,096
Total Deferred Outflows of Resources	20,856	2,837	23,693	18,365
Other Liabilities	19,155	11,598	30,753	27,456
Long-term liabilities outstanding	472,634	259,005	731,640	704,921
Deferred Inflows of Resources	153	21	174	3,505
Total Liabilities	491,789	270,603	762,392	732,377
Net Investment in Capital Assets	488,077	214,672	702,749	665,344
Restricted Net Position	56,491	15,270	71,761	81,788
Unrestricted Net Position	(734)	29,806	29,072	16,447
Total Net Position	\$ 543,834	\$ 259,748	\$ 803,582	\$ 763,579

This increase is primarily because of the increase in capital assets funded by debt issued in FY19 and FY18.

The City's financial activities also include Component Units which are legally separate organizations for which the City is financially responsible for. Financial information for these component units is reported together with the financial information presented for the primary government (the City).

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Positive net position indicates financial stability. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$803.6 million at the end of FY19. The increase in total net-position from the prior year is \$42.1 million.



CAPITAL ASSETS & DEBT

CAPITAL ASSETS (IN THOUSANDS)

	Governmental Activities	Business-Type Activities	Total 2019	Total 2018
Land	\$ 31,166	\$ 3,796	\$ 34,962	\$ 34,957
Construction in progress	145,667	98,530	244,197	194,847
Infrastructure	604,170	228,151	832,321	843,402
Buildings and improvements	68,500	23,783	92,283	96,024
Machinery and equipment	9,338	1,118	10,457	9,846
Furniture and fixtures	2,105	10	2,116	2,968
Contractual water rights	-	18,960	18,960	20,336
Total Capital Assets	\$ 860,947	\$ 374,349	\$ 1,235,296	\$ 1,202,380

The City's governmental activities and business-type activities had invested \$860.9 million and \$374.3 million, respectively, in a variety of capital assets and infrastructure. This represents a net increase of \$17.2 million. Construction in progress at year-end represents numerous ongoing projects, the largest of which relate to street, parks, and water/sewer projects.

LONG-TERM DEBT (IN THOUSANDS)

	Governmental Activities	Business-Type Activities	Total 2019	Total 2018
General obligation bonds	\$ 269,520	\$ 4,480	\$ 274,000	\$ 283,020
Certificates of obligation	51,620	-	51,620	41,750
Revenue bonds	85,065	232,415	317,480	312,730
Unamortized issuance premium/(discount)	26,639	16,808	43,446	34,741
Capital leases payable	761	86	847	1,455
Total	\$ 433,605	\$ 253,789	\$ 687,393	\$ 673,696

At the end of FY19, the City had total bonds, certificates of obligation, and capital leases outstanding of \$687.4 million. This 2% increase is a result of new debt issued offset by scheduled principal payments.

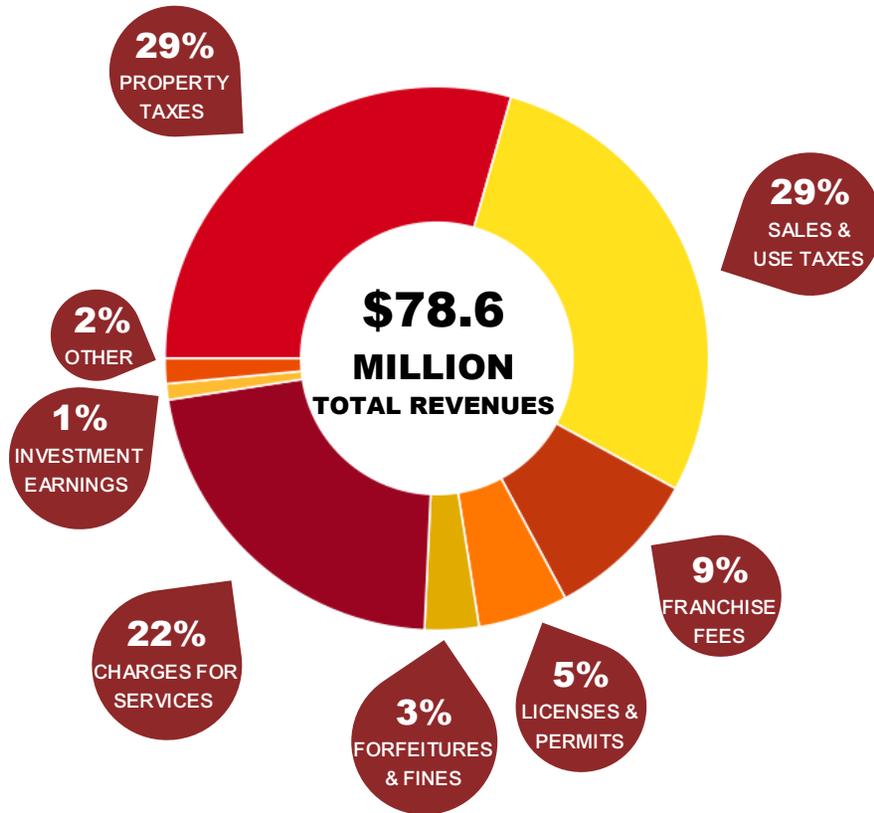
DEBT RATING

	Standard and Poor's	Fitch	Moody's Investor Services
General obligation bonds	AA	AA	Aa2
Revenue Bonds	AA-	AA-	Aa3
PEDC Bonds	-	-	A1
DAP Bonds	A-	-	-

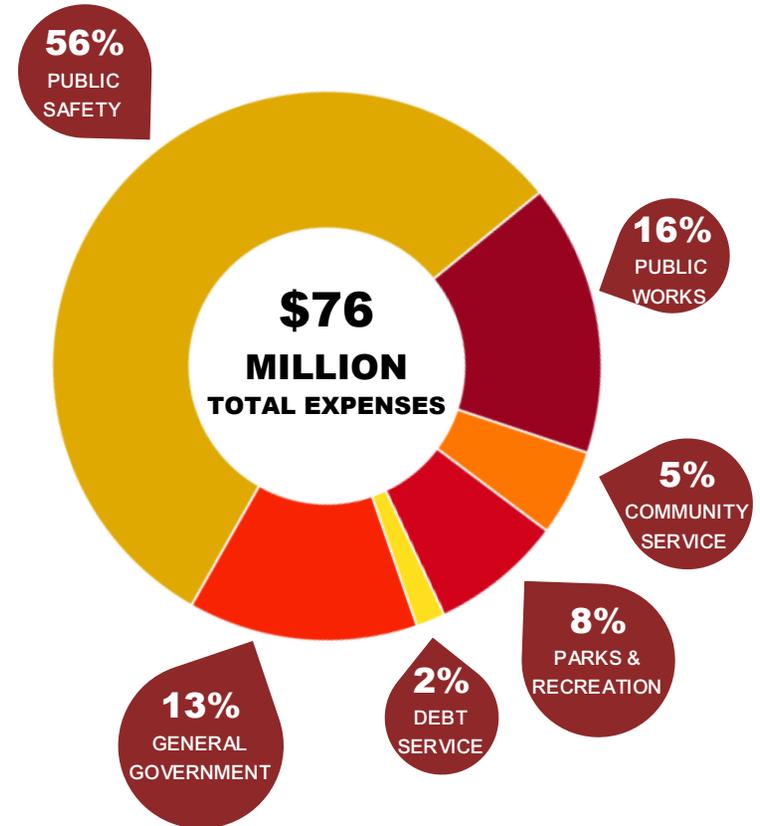
Just as individuals have credit ratings, bond issuers (like the City, Pearland Economic Development Corporation and Development Authority of Pearland) are also rated. The above ratings show a low risk of defaulting.

GENERAL FUND

WHERE THE MONEY COMES FROM



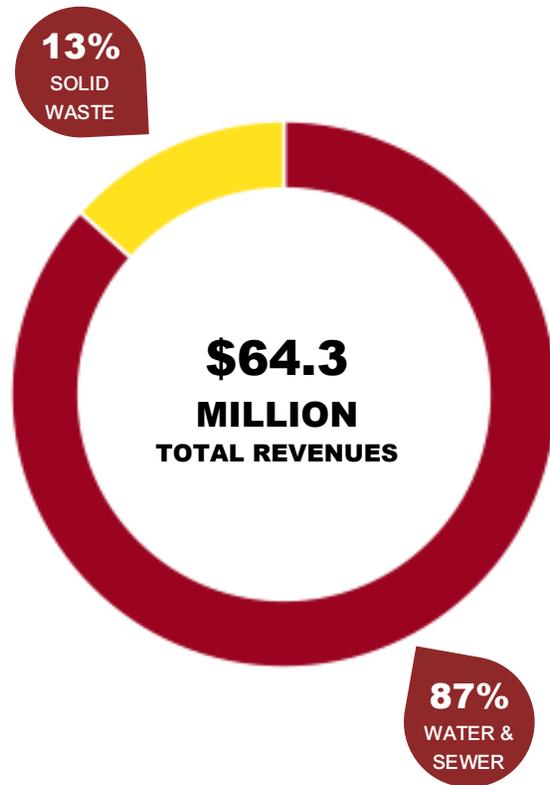
WHERE THE MONEY GOES



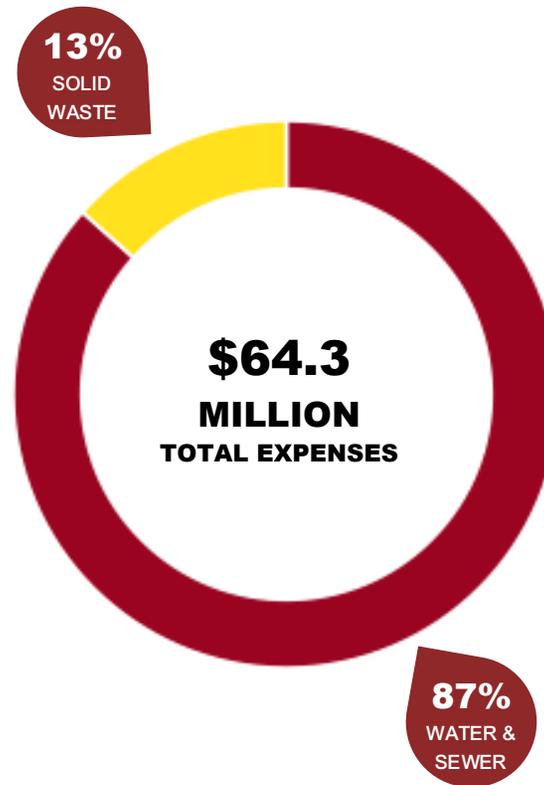
During the year, there was a \$1.8 million increase in appropriations between the adopted and amended budget. The increase is due to funding that comes from prior year encumbrances and projects, and to reflect projections during the 2019-2020 budget process. Actual revenues of \$78.6 million were \$1.0 million over the amended budget, which is mainly due to an increase in licenses and permits. Actual expenditures of \$76.0 million were under the amended budget by \$2.9 million. The FY19 fund balance is \$17.2 million, in excess of budget by \$3.7 million.

ENTERPRISE FUND

WHERE THE MONEY COMES FROM



WHERE THE MONEY GOES



The City maintains two types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for its Water and Sewer Fund and Solid Waste Fund.

CITY ACCOMPLISHMENTS & BEYOND



FY19

MAJOR INITIATIVES

PUBLIC SAFETY

- Fire Station 1, relocated on the northeast corner of McHard and Old Alvin Road, opened in September 2019 to provide quicker response times.
- In May of 2019, Pearland voters approved a general obligation bond of \$1.3 million for Phase I of the Fire Training Field Improvement Plan to construct a two-story live fire training building. This building will be located on the existing Fire Training Field behind the David L. Smith Fire Administration Building on Veterans Drive, and is expected to be completed by May 2021.

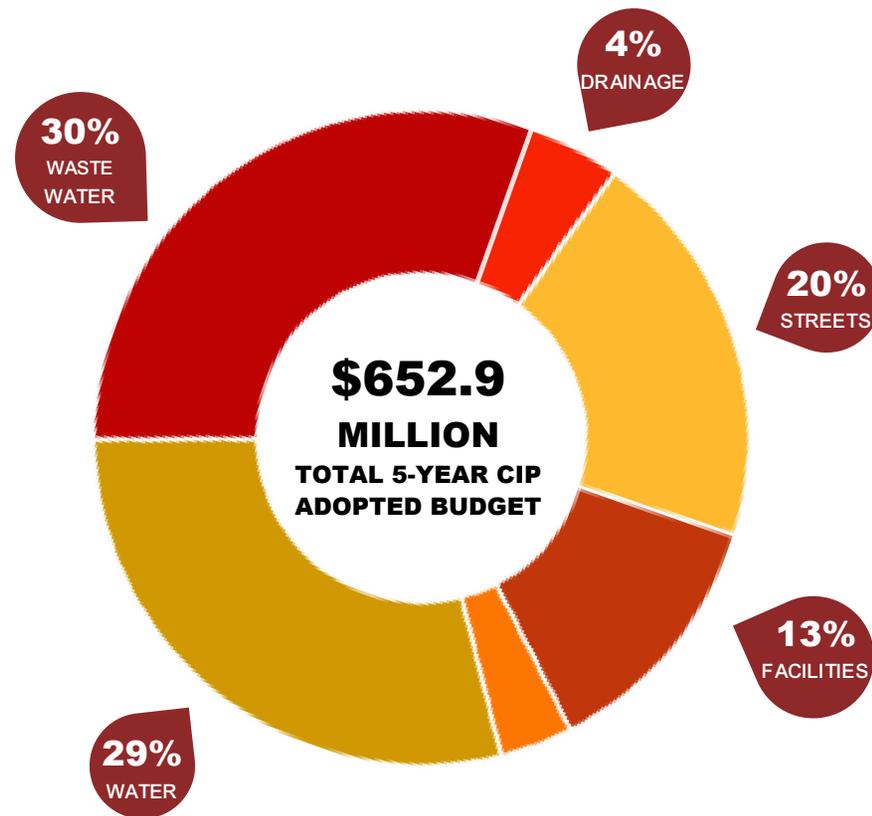
ECONOMIC DEVELOPMENT BY THE PEDC

- Endress+Hauser, a leader in the field of measurement technology for industrial process engineering, broke ground on its new Gulf Coast Regional Campus in March 2019.
- Dover Precision Components, an integrated provider of performance-critical solutions for rotating and reciprocating machinery, broke ground on a new innovation lab in September 2019.
- Energy Rental Solutions (ERS), a Caterpillar dealer dedicated to the specialty rental business, celebrated the groundbreaking of its new headquarters in Pearland in March 2019. The facility was completed in late 2019 and is home to approximately 55 employees, including executive management, sales, operations, administrative, service technicians, and warehouse personnel.
- Lonza opened the world's largest dedicated gene and cell therapy manufacturing facility in Pearland's Lower Kirby District in April 2018, and the 300,000-square-foot facility continues to grow. The company had multiple expansions in 2019, including the construction of additional parking and laboratory space.



LOOKING TO THE FUTURE

With continued residential and commercial development, the needs to build new infrastructure and maintain existing infrastructure are a priority and will be implemented through an aggressive capital improvement program. The City's adopted (August 12, 2019) Five-Year Capital Improvement Program for years 2020–2024 totals \$652.9 million.



GLOSSARY

ASSETS

- What the City owns

BUSINESS-TYPE ACTIVITY

- These activities intended to recover all or most of their costs through user fees and charges. These activities include water, sewer and solid waste.

CAFR

- Comprehensive Annual Financial Report

DAP

- Development Authority of Pearland

DEFERRED INFLOWS

- Refers to an acquisition of an asset that is applicable to a future reporting period.

DEFERRED OUTFLOWS

- Refers to a consumption of an asset that is applicable to a future reporting period.

DIFFERENCE BETWEEN NET POSITION AND GENERAL FUND

- The General Fund only has financial resources that can be received or paid for now. Net position includes items that can be received later and paid for later.

FUND BALANCE

- The net ending balance of a Fund's financial resources that are spendable or available for appropriation.

GOVERNMENT ACTIVITY

- Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues.

LIABILITIES

- What the City owes

NET POSITION

- Difference between assets and liabilities

PEDC

- Pearland Economic Development Corporation

PAFR

- Popular Annual Financial Report





2019

POPULAR ANNUAL FINANCIAL REPORT

FOR YEAR ENDED SEPTEMBER 30, 2019

Prepared by Breanna Higgins, Texas State University MPA Candidate, for the City of Pearland Finance Department in partnership with the ELGL & GFOA PAFR Fellowship Program. More information can be found at: pearlandtx.gov/finance

City of Pearland
3519 Liberty Drive
Pearland, Texas 77581
Phone: 281.652.1600
pearlandtx.gov

