

PROPOSED ANNUAL BUDGET
FISCAL YEAR 2026-2027
AUGUST 17, 2026

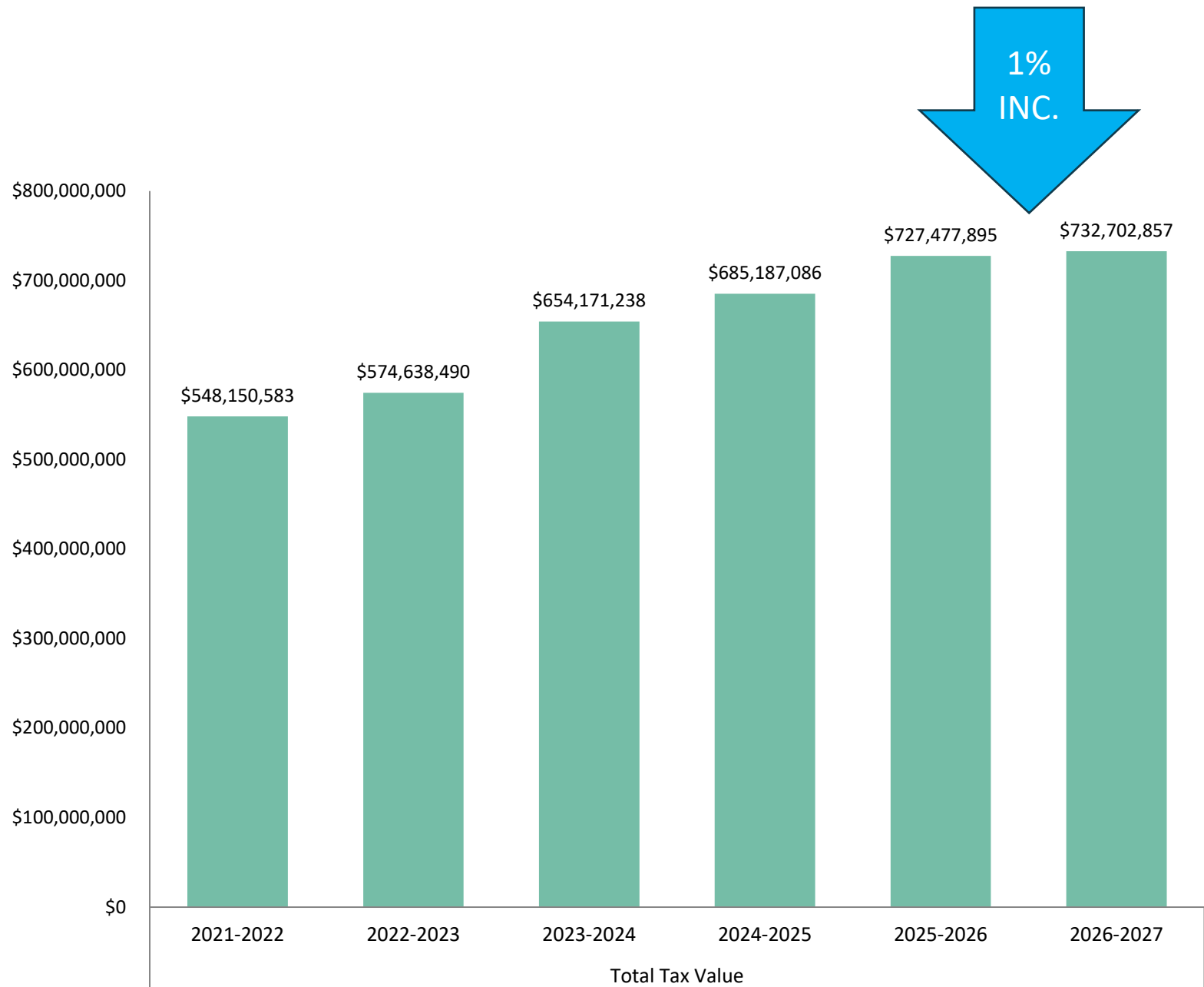
NNR & VAR

Proposed Tax Rate

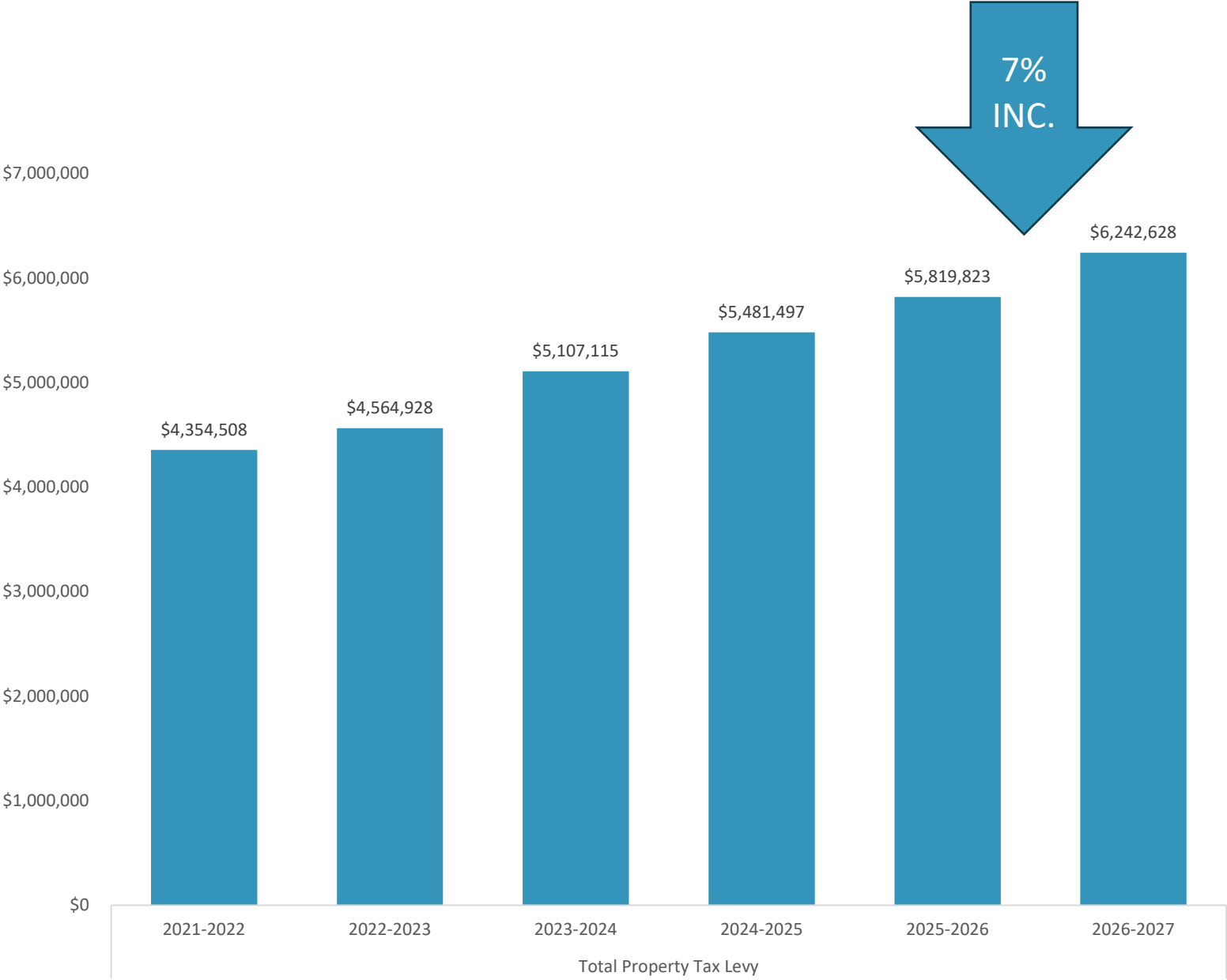
FY 2026 - 2027



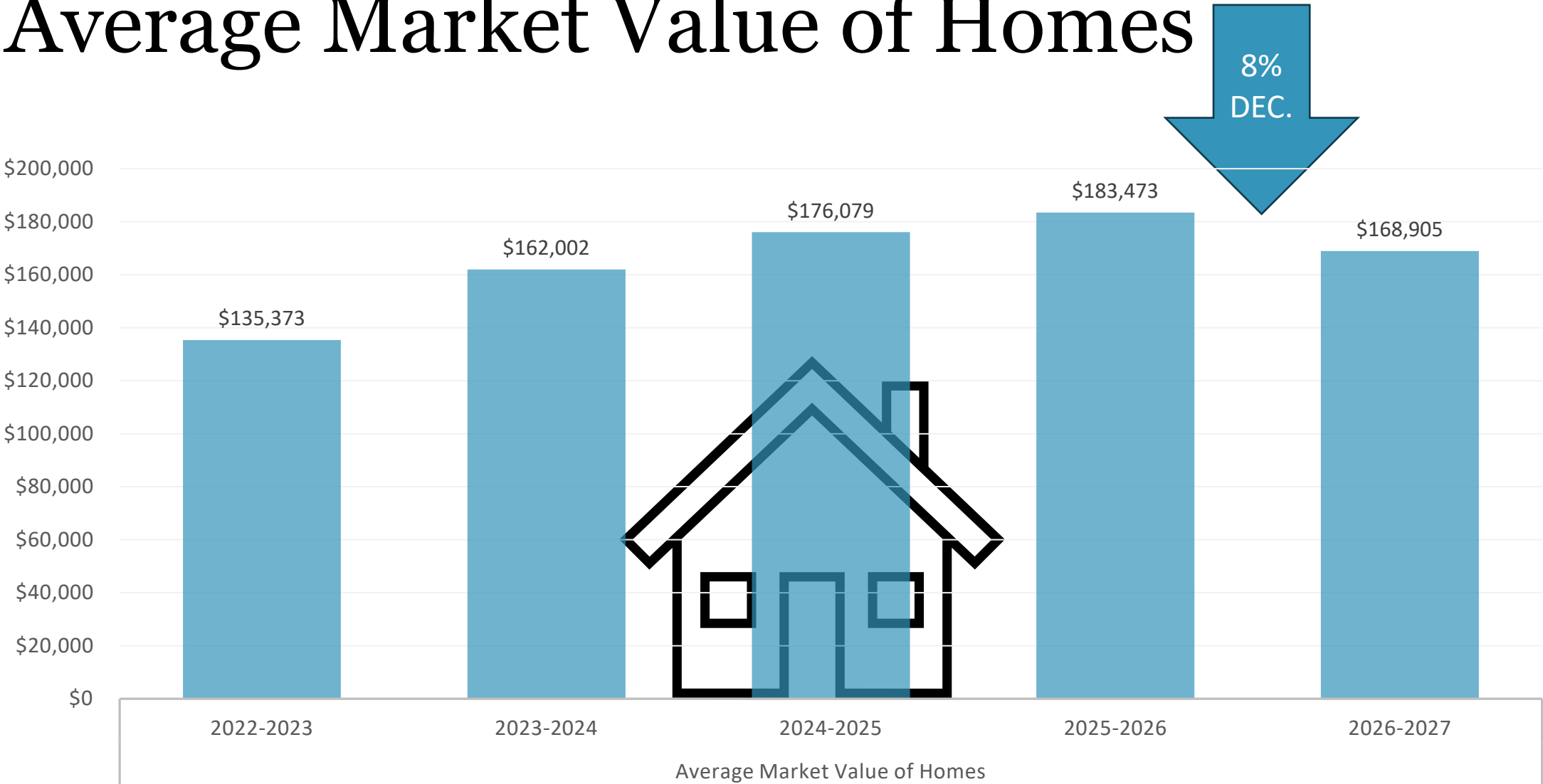
Property Values



Property Tax Levy



Average Market Value of Homes

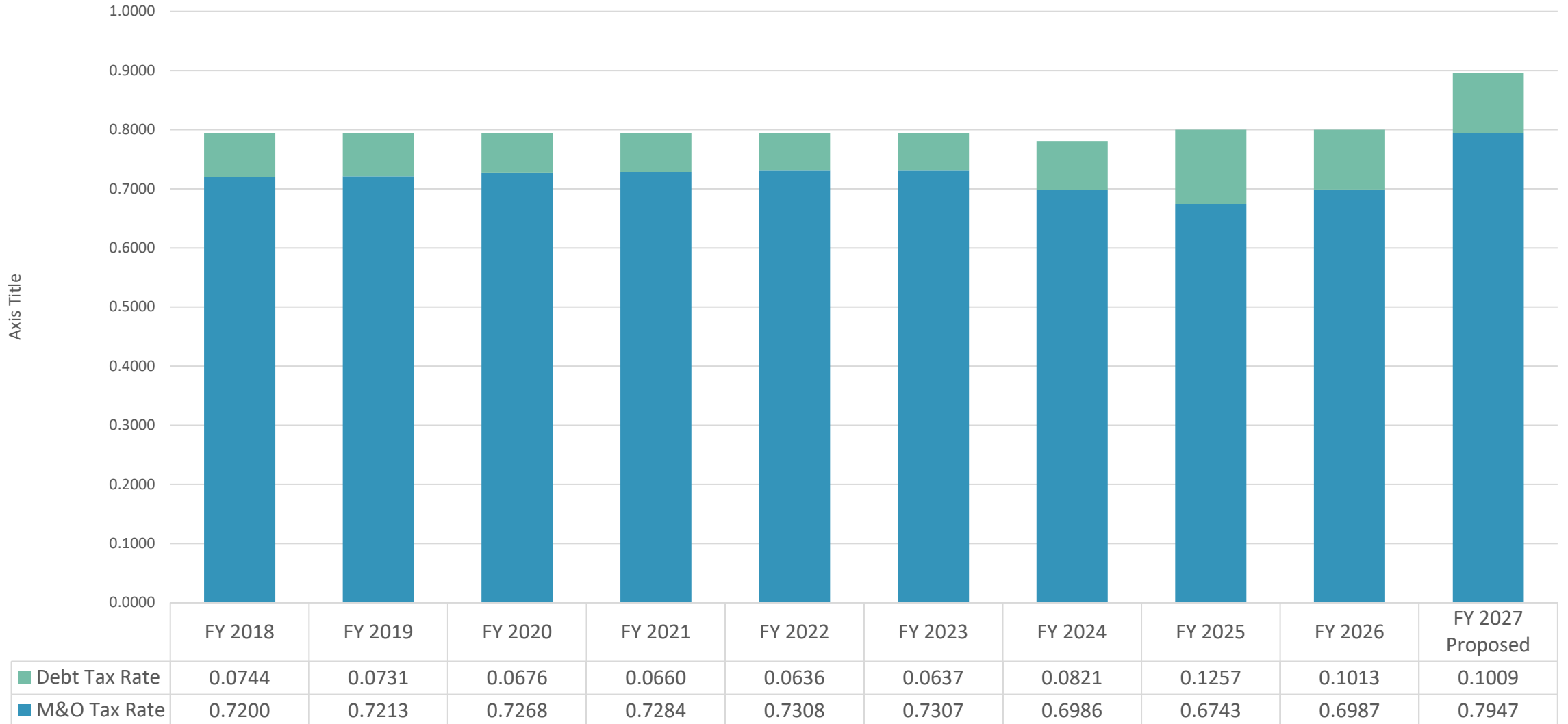


Property Tax Comparison

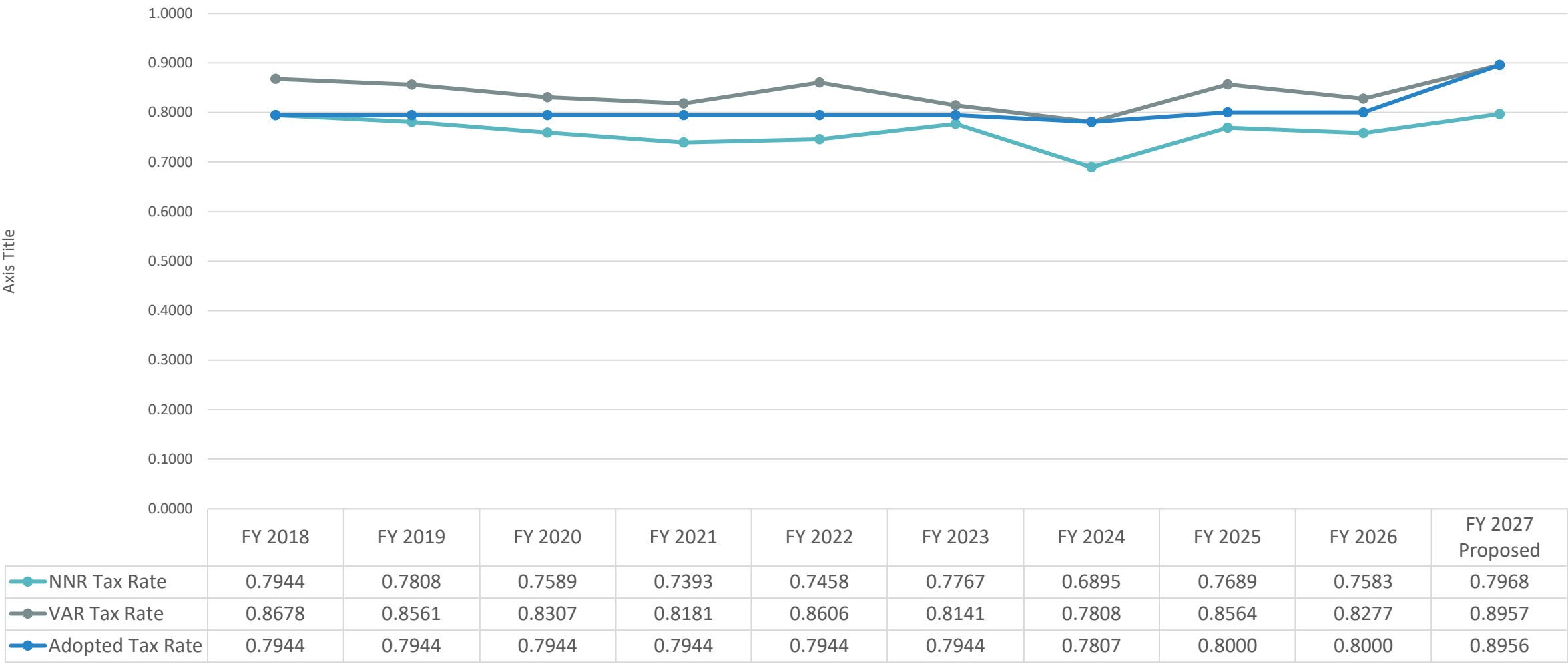
- Once published, Council can always lower the proposed rate but cannot raise.
- Must take a Record Vote to Propose
- Publication will note the City is raising more taxes

	<u>FY 2026-2027</u>	<u>FY 2025-2026</u>
Adopted and Proposed Tax Rate	\$0.8956	\$0.8000
No New Revenue Tax Rate	\$0.7968	\$0.7583
NNR Maintenance & Operations Tax Rate	\$0.7202	\$0.6401
Voter Approval Tax Rate	\$0.8957	\$0.8277
Debt Tax Rate	\$0.1009	\$0.1013

Tax Rate M&O & Debt



Tax Rate NNR, VAR, and Adopted Comparison

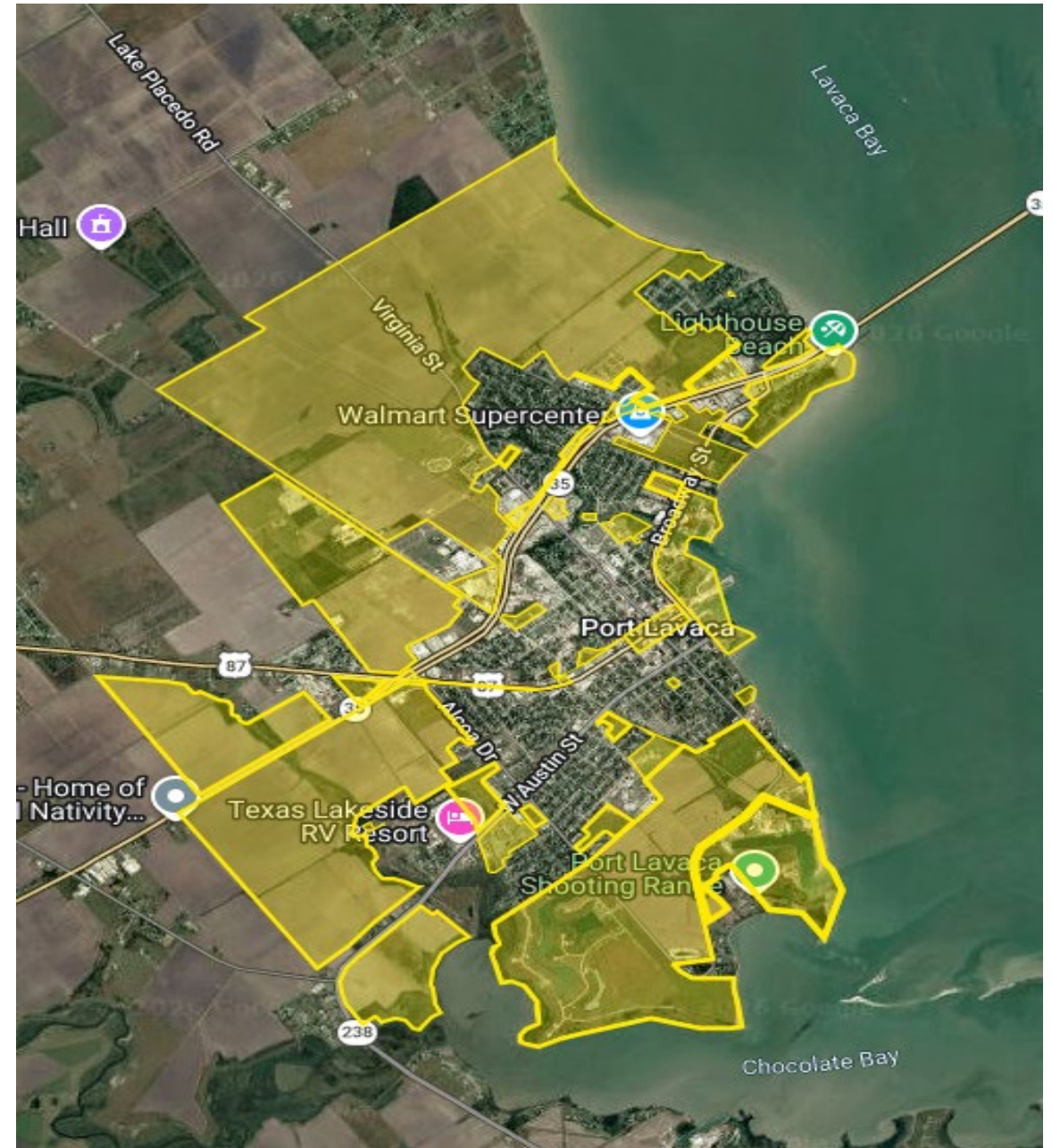


TIRZ Fund Revenue

TIRZ Property Tax

Total TIRZ Tax Roll* - \$14,486,760
X Tax Rate – 0.8956/100
Estimated Tax Levy - \$129,743
X 98% Collections - \$127,429

*Includes ARB Review Tax Roll





STRATEGIC PLAN FOCUS AREAS

FY 2026 - 2027

FY 2026 Accomplishments



Governance

Completed revamp of City website for improved accessibility and functionality

Continued Smoke Detector program within the community

Established a Building & Standards Commission

Completed Master Parks Plan

Continued developing the comprehensive plan

Completed revamp of Employee Handbook



Infrastructure & City Facilities:

Completed Ann Street Lift Station

Nautical Landing Improvements

- Parking Lot
- Window Replacement
- Building & Deck painted

Completed City Hall improvements for Phase IV

Completed phase 3 of smoke testing

Upgraded facility internet connections to fiber

Installed speed humps on various streets

Completed construction of the women's restroom at Fire Station 1

FY 2026 Accomplishments



Business Development

Established a TIRZ

Established a dedicated website for the RV campground



Community

Featured as a “Spotlight City” for an episode by the television show Expedition Texas

Designated as a Film Friendly Texas community



Quality of Life

Repaired manhole at Ann st. and Leona St.

Increased abatement of substandard buildings and properties

Implemented habitability inspections on rental properties

Emphasis on Focus Areas for FY 2027



Governance:

Update the City's strategic plan (unformal)

Implement financial reports for greater transparency

- Grants
- HOT funds

Develop a standardized application form for Advisory Boards & Commissions



Infrastructure & City Facilities:

City Hall Security Upgrades

Complete installation of Gateway Sign

Begin upgrades to Shellfish Lift Station

Replace roof at Nautical Landings

Improvements to Wilson Park

Rehabilitate sludge buildings and appurtenances

Emphasis on Focus Areas for FY 2027



Business Development:

Complete comprehensive plan for Ports & Harbors



Community:

Host the 3rd Annual Young Entrepreneurs Event

Host downtown art walk



Quality of Life:

Complete ADA compliance inspection of all City facilities and public areas

Install surveillance cameras at various City parks

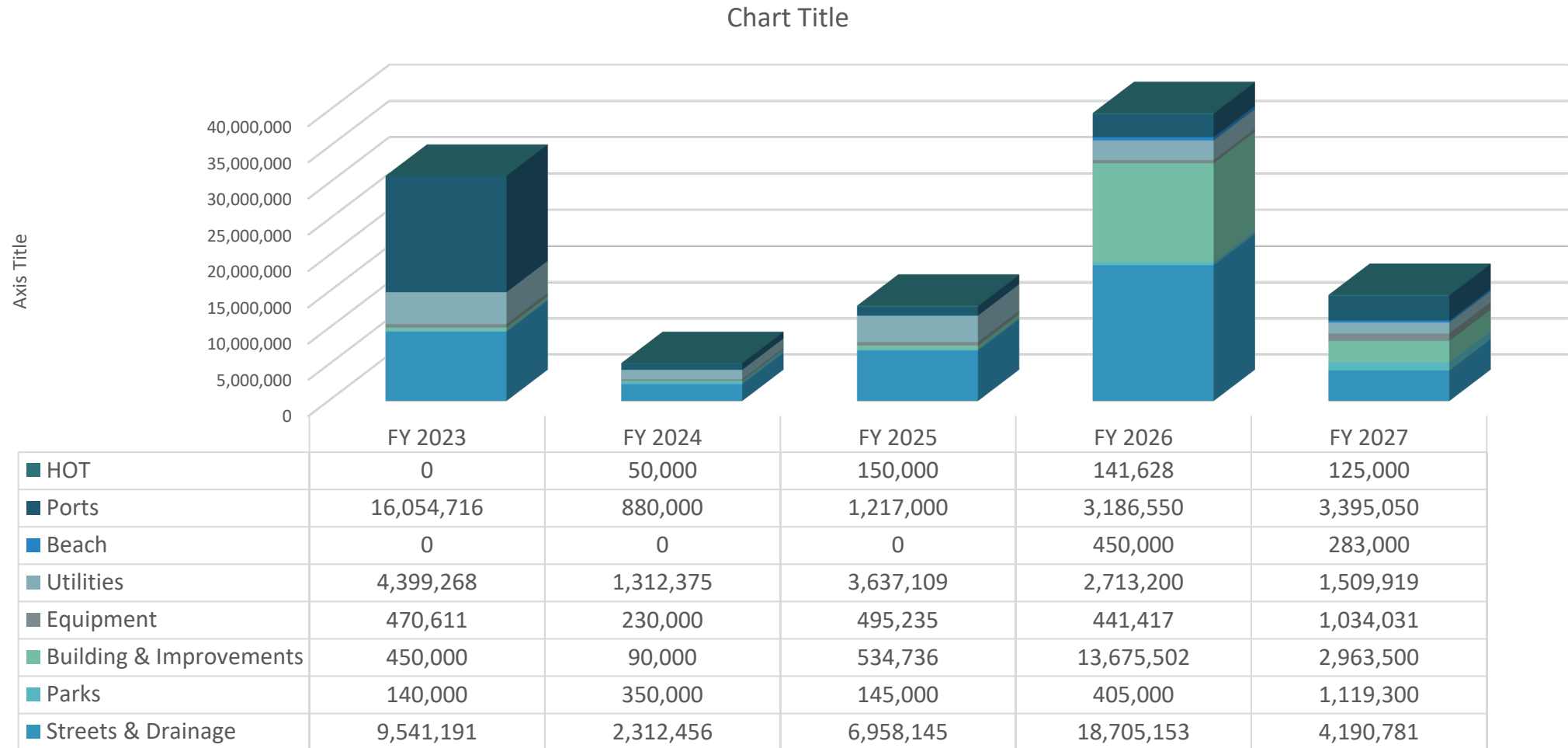
Repair any deficiencies with the sanitary sewer system



5-Year Capital Improvement Program

FY 2026 - 2027

CIP Program 5 Year History



FY 2026 - 2027



BUDGET

Budget Workshop

Fiscal Year 2027 Proposed **Operating** Budget

FY2027 Proposed \$21.3M* Expense Budget

FY2027 Proposed \$23.9M* Revenue Budget

*Less Capital Expenditures, Internal Transfers and Debt *Less Capital Grant Contributions, Internal Transfers

Proposed \$801,515 Decrease

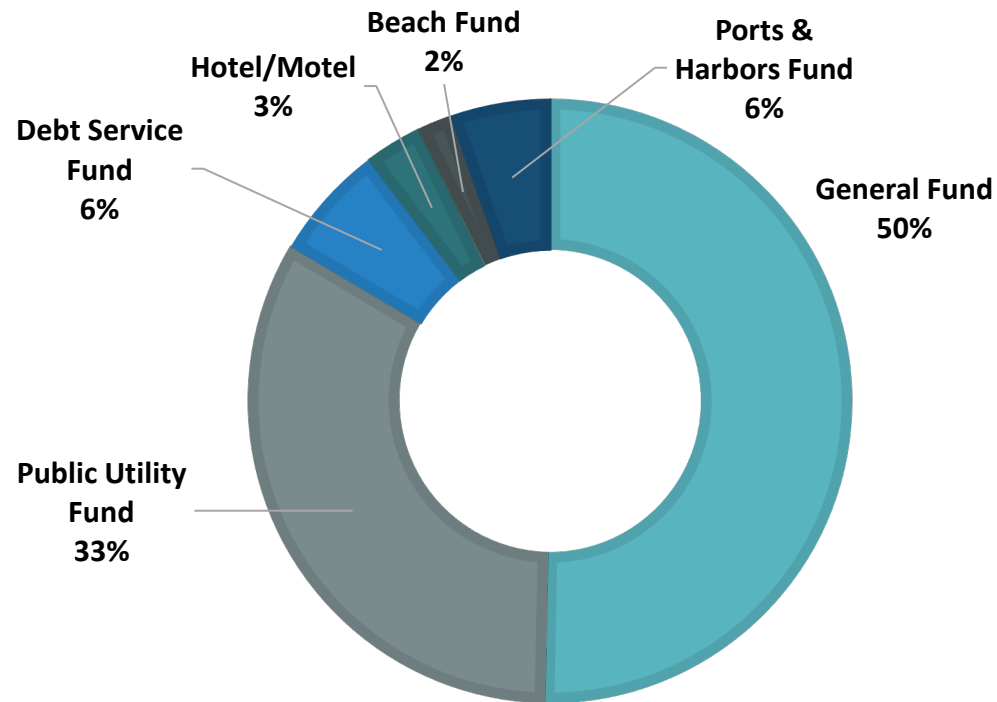
- General Fund – (\$811,388)
- Public Utility Fund – (\$112,864)
- Hotel/Motel Fund - \$49,450
- Beach Fund – \$8,859
- Ports & Harbors Fund- \$64,428

Proposed \$383,938 Decrease

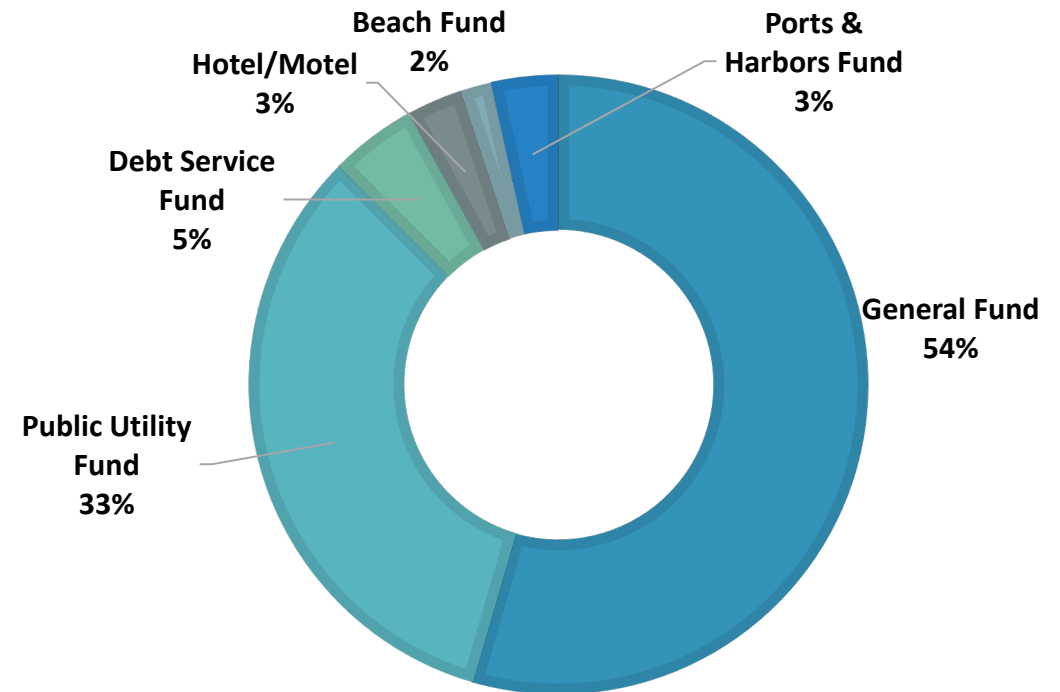
- General Fund – (\$520,529)
- Public Utility Fund – (\$110,193)
- Debt Service Fund – \$73,115
- Hotel/Motel Fund - \$56,250
- Beach Fund - \$20,000
- Ports & Harbors Fund – \$97,418

Fiscal Year 2027 Proposed Budget

**FY 2027 Expense Budget:
\$29.7M**

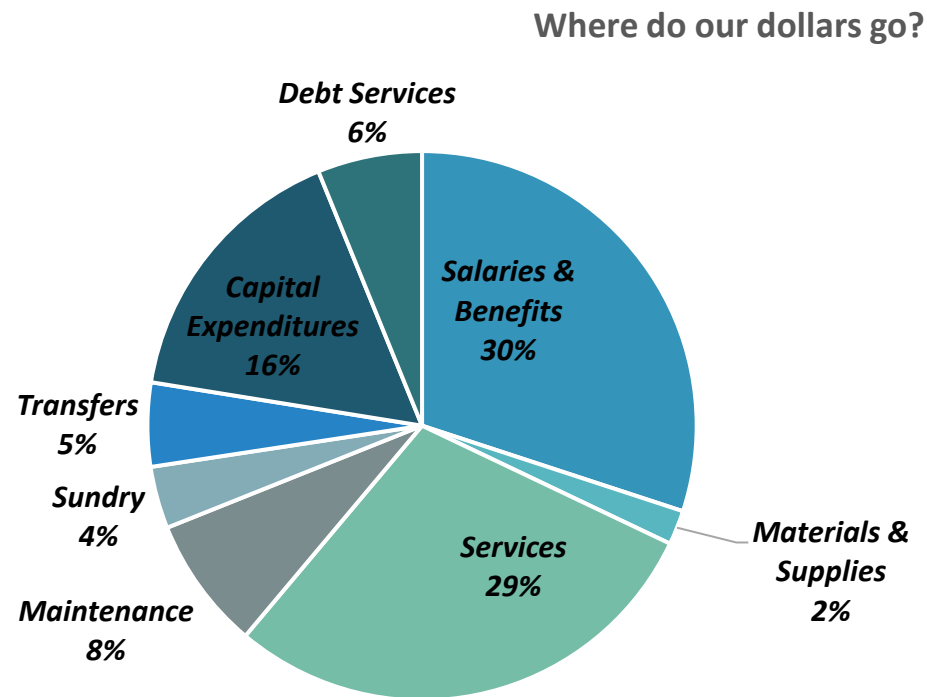


**FY 2027 Revenue Budget:
\$26.5M**

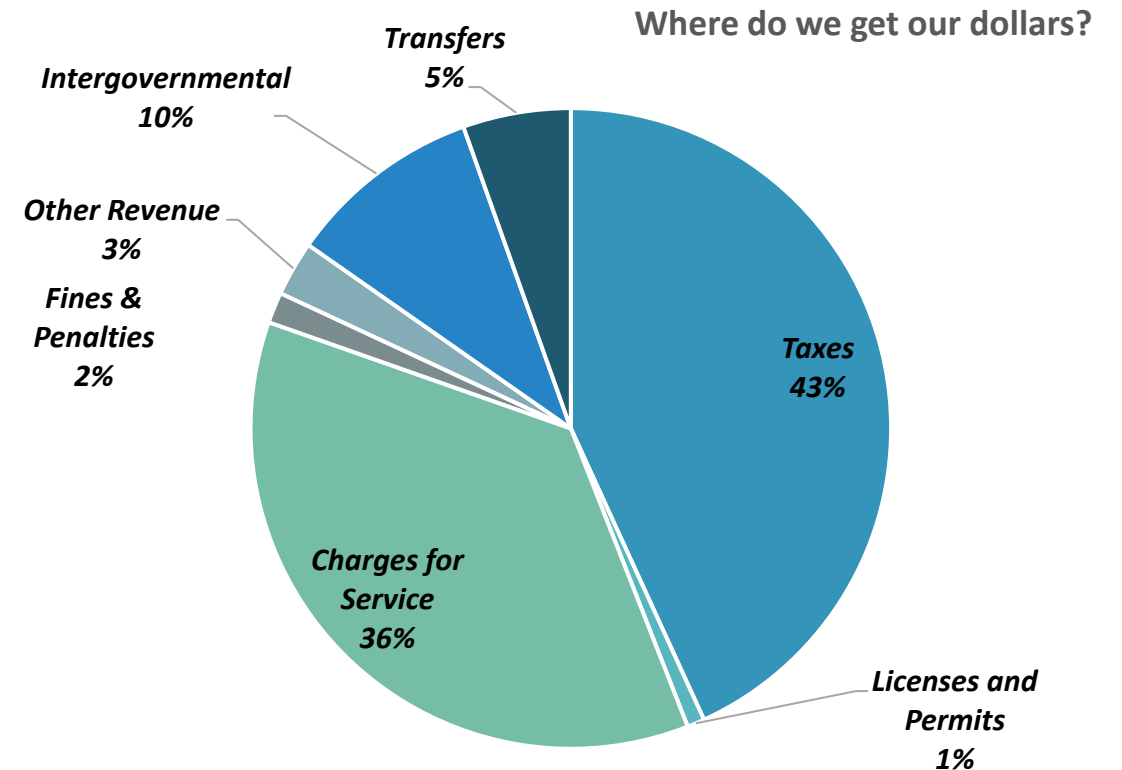


Fiscal Year 2027 Proposed Budget

**FY 2027 Expense Budget:
\$29.7M**



**FY 2027 Revenue Budget:
\$26.5M**



Hotel Occupancy Fund

FY 2026 - 2027



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H.O.T. Fund Highlights

Tourism and Events (page 141-147)

- ❑ 8% increase in revenue with projected rise in Hotel/Motel donation payments from local business to support community events
- ❑ 6% increase in expenditures
 - ❑ \$30,000 proposed increase in Special Event – Birding Festival expenditures. A portion of this increase will be offset by donations received to support the event.
 - ❑ 10% increase in all other Special Event expenditures
 - ❑ Gateway Signage sign project - \$125,000
 - ❑ Carry over Capital Project from prior FY 2026

Department Head: Jody Weaver, City Manager

Department Representative: Tania French

Ports & Harbors

FY 2026 - 2027



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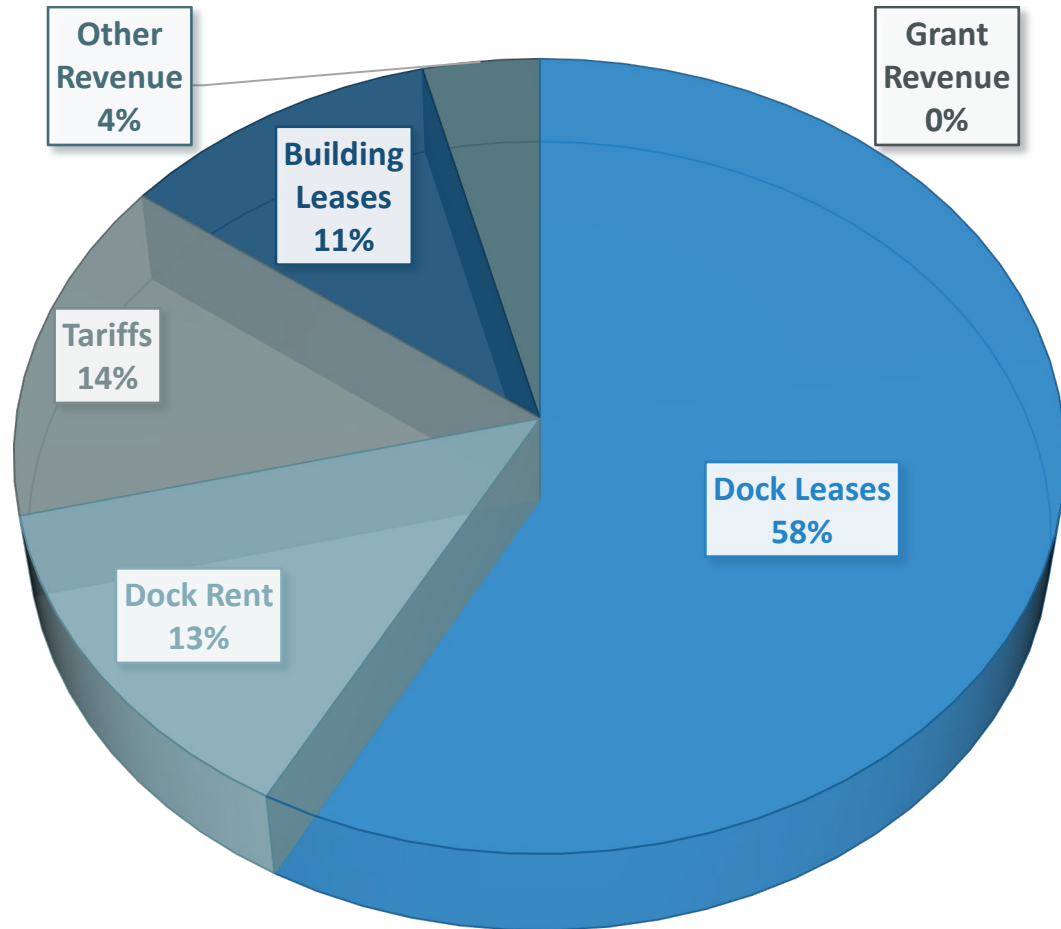
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Port & Harbors Highlights

- ❑ Page 131-138
- ❑ 4% Allowance for Merit Increases which totals \$4,940
- ❑ Includes \$600,000 funding of One-Time Capital Expenditures
- ❑ 1,236 days or 41 months operating reserves
- ❑ Balanced Budget

Ports & Harbors Highlights

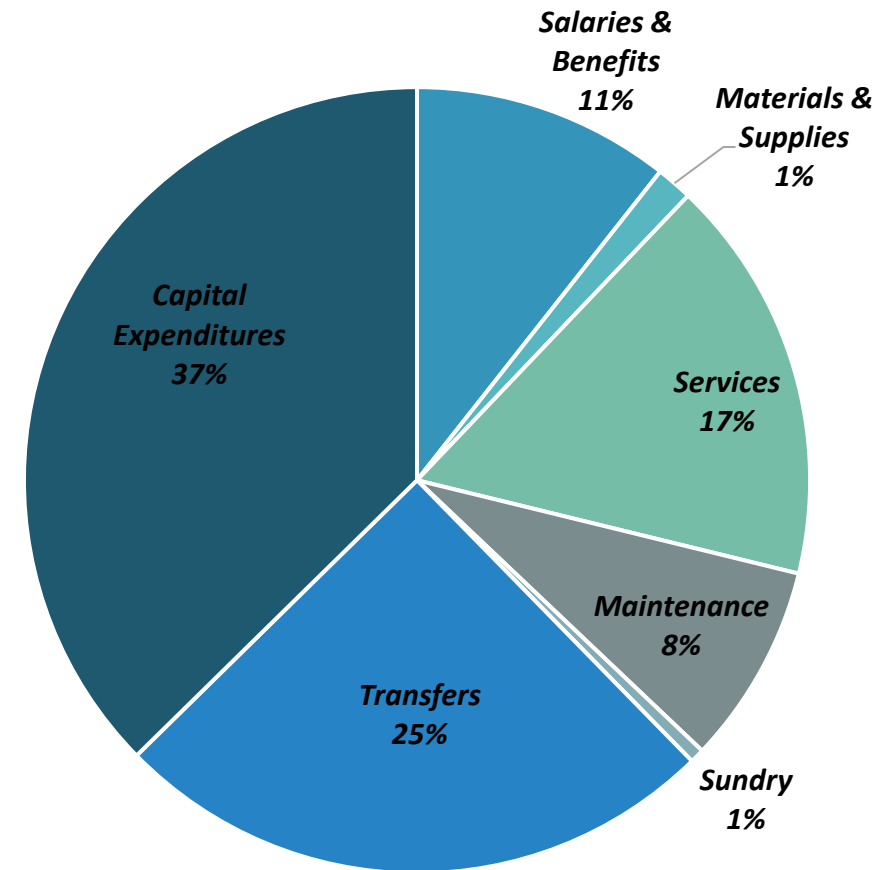
Revenue



- Total Port Revenues - \$925,490
- 37.5% decrease in revenue over prior year FY 2026
- The decrease in revenue is primarily due to lower anticipated grant revenue in FY 2027 compared to FY 2026

Port & Harbors Fund

- ❑ Port & Harbors Fund (page 137-138)
- ❑ 7% decrease in Port expenditures
 - ❑ \$70,000 increase in Contracted Services for comprehensive plan for Ports & Harbors
 - ❑ \$200,000 Capital Project for NL Roof and AC Replacement
 - ❑ \$200,000 Capital Project for bulkheading along north of Smith Harbor
 - ❑ \$150,000 Capital Project for Bayfront Park entrance rehabilitation
- ❑ Department Head: Jim Rudellat, Harbor Master



General Fund

FY 2026 - 2027



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General Fund – Highlights

❖ 4% Allowance for Merit Increases which totals \$172,765

❖ Hiring Freeze:

❖ Development Services: Part-time Intern

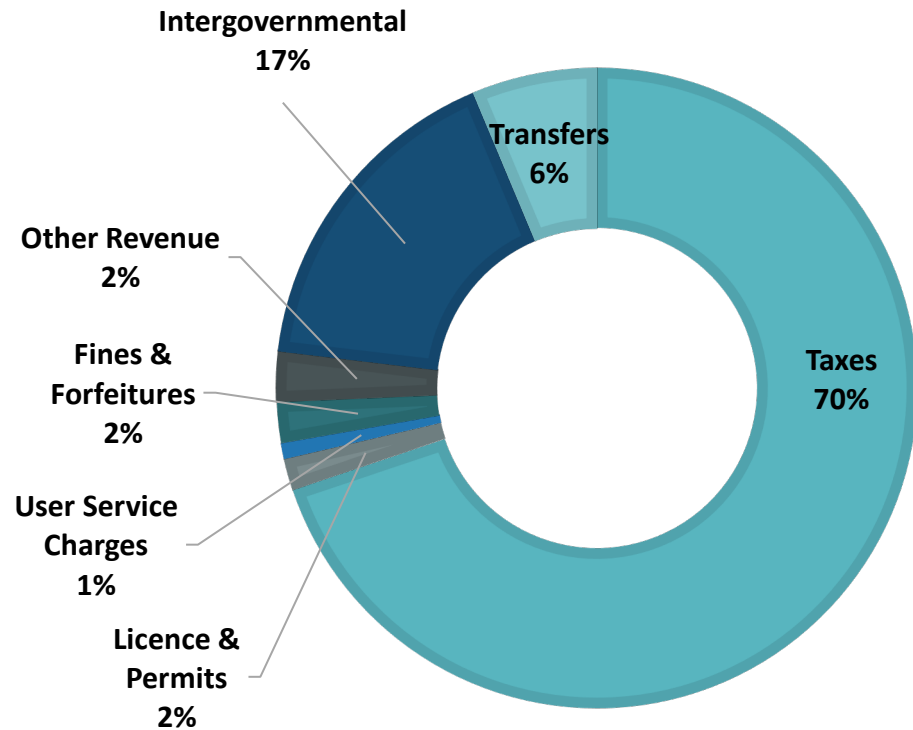
❖ Includes \$3,033,331 funding of Capital Expenditures of which are offset by \$1,863,605 in grant funds

❖ 189 days or 6 months operating reserves

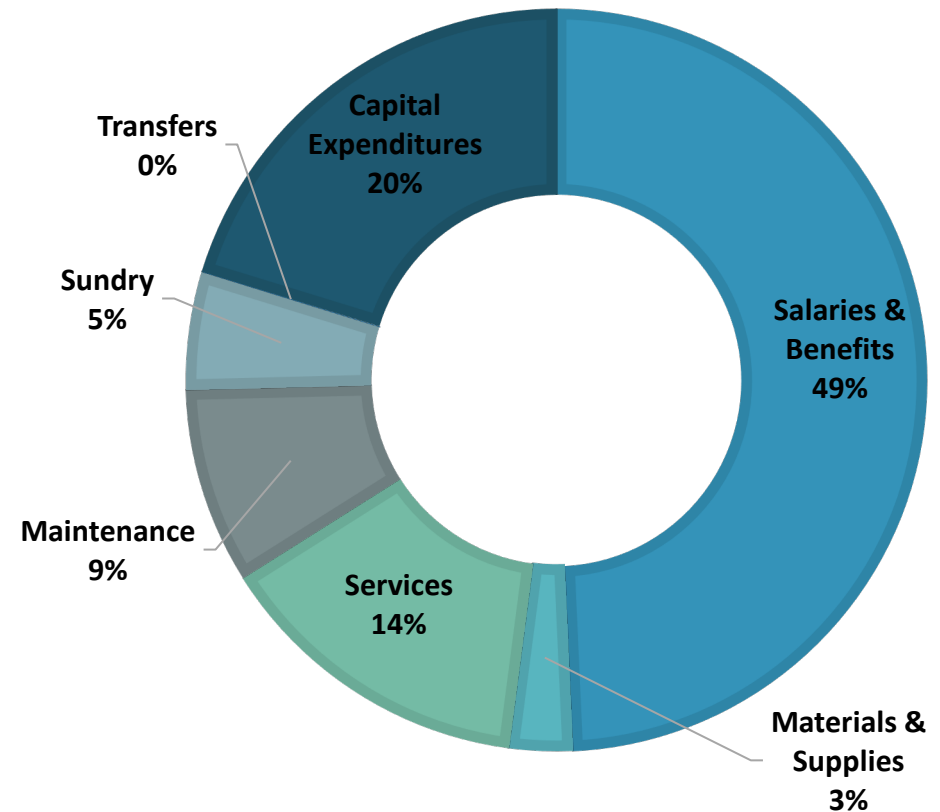
❖ Balanced Budget

General Fund Highlights

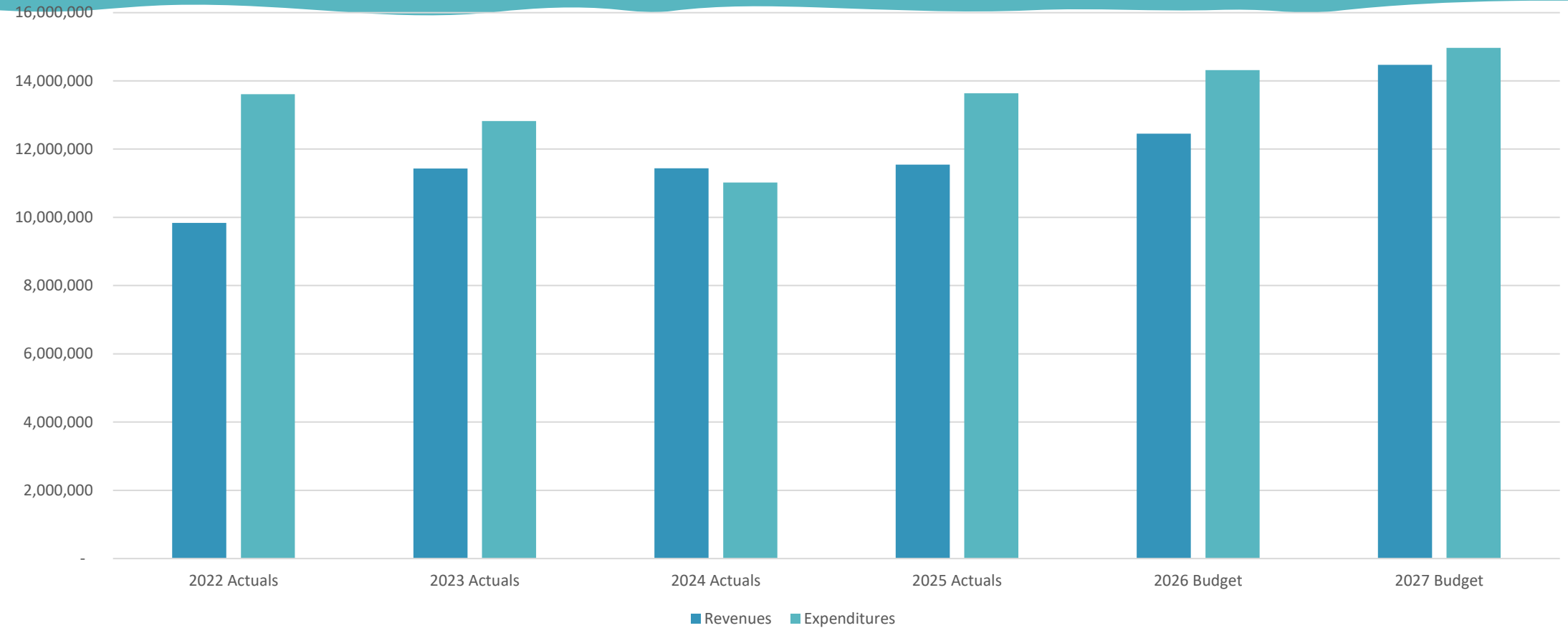
Revenues



Expenses



Revenue Vs Expense



General Fund Highlights

Revenue

Property Tax

Total Tax Roll* -	\$1,117,325,920
Less Exemptions -	\$397,049,625
Total Tax Value -	\$732,702,857
X Tax Rate –	0.8956/100
Estimated Tax Levy -	\$6,562,087
X 98% of Collections =	\$6,430,845

13% increase over FY 2026 Est. Collections

M&O Revenue = \$5,781,973

Debt Revenue = \$648,872

*Includes ARB Review Tax Roll

Other Revenue Highlights



Sales Tax- 3% decrease due to decline in sales tax revenue, projecting revenues same as actual revenues for FY 2025



Permit Revenue – Decrease of 27%, largely due to a slowdown in building and development activity throughout the city.



Interest Income – Decrease of 14%, rates are projected to continue declining. Projected revenues provide a more conservative outlook for the year



Grant Revenue – 252% increase due to the anticipated reimbursement from multiple grant funded capital projects

General Fund

Police (page 70-73)

- 15% increase in overall budget
- Supplemental Requests
 - \$20,000 for expenditures related to TPCA Accreditation
 - \$30,000 increase for an increased cost for Dispatch Interlocal agreement
- Capital Improvement Requests
 - \$10,500 for AC Replacement
 - \$77,659 for Motorola Equipment
 - \$151,186 for Catalytic Converter Theft Prevention
 - \$77,688 for Body Worn Cameras

Department Head: Tobie Bias, Police Chief

General Fund

Animal Control (page 77-80)

- 1% increase in overall budget

Department Head: Tobie Bias, Police Chief

General Fund

- ❑ Fire Department (page 74-76)
 - ❑ 10% decrease in overall budget
 - ❑ Capital Improvement Requests
 - ❑ \$727,498 for Motorola Radios
- ❑ Department Head: Joe Reyes Jr., Fire Chief

General Fund

Development Services (page 81-84)

- 1% increase in overall budget
- Supplemental Requests
 - \$20,000 increase in Demolition Services for the anticipated increase in the need for funds

Department Head: Derrick Smith, Director of Development Services

General Fund

City Council (page 47-48)

- 2% increase in overall budget
- Includes the adopted 10% compensation increase for the Mayor and two Council Members, as well as a partial-year salary increase for two Council Members elected in the May election. (This will complete this adopted increase)
- Supplemental Request:
 - Increase of \$500 to Travel & Training budget for anticipated increase in training requests
 - Expenditures are projected to decrease by \$800 due to the discontinuation of Rotary membership dues.

City Secretary (page 52-54)

- 11% decrease in overall budget
- Supplemental Requests:
 - Increase of \$7,500 in Election Cost for the modernization of the election process

Municipal Court (page 58-60)

- 0% change in overall budget

Department Head: Lorena Perez-Diaz, City Secretary

General Fund

City Manager (page 49-51)

- 27% decrease in overall budget
- Capital Improvement Requests:
 - \$100,000 for Regan Building Renovations
 - \$450,000 for MGBT Kitchen Property Project

Human Resource (page 55-57)

- 7% decrease in overall budget

Department Head: Jody Weaver, City Manager

Brittney Hogan, Finance Director

General Fund

City Hall (page 67-69)

- 1% increase in overall budget
- Capital Improvement Requests:
 - \$275,000 for City Hall Renovations
 - \$116,500 for City Hall Reroof & AC replacement
 - \$18,000 for Hurricane Shutters

Non-Departmental (page 96-97)

- 12% decrease in overall budget

Department Head: Jody Weaver, City Manager

Brittney Hogan, Finance Director

General Fund

Technology Services (page 61-63)

- 2% increase in overall budget
- Supplemental Requests
 - Increase of \$13,000 in Equipment City Hall for switches for new server
 - Increase of \$15,000 in Equipment Streets for updated firewall, switches, and computer for Public Works Director
- Capital Improvement Requests:
 - \$60,000 for new server at City Hall

Finance (page 64-66)

- 9% increase in overall budget

Department Head: Brittney Hogan, Finance Director

General Fund

- ❑ Streets (page 85-88)
 - ❑ 32% decrease in overall budget
- ❑ Parks (page 89-92)
 - ❑ 48% increase in overall budget
 - ❑ Capital Improvement Requests
 - ❑ \$744,300 for Clement Cove Shared Use Path
 - ❑ \$50,000 for Pickleball Courts
 - ❑ \$175,000 for covered basketball court at Wilson Park
- ❑ Bauer Center (page 93-95)
 - ❑ 38% decrease in overall budget
- ❑ Department Head: Wayne Shaffer, Public Works Director



Public Utility Fund

FY 2026 - 2027

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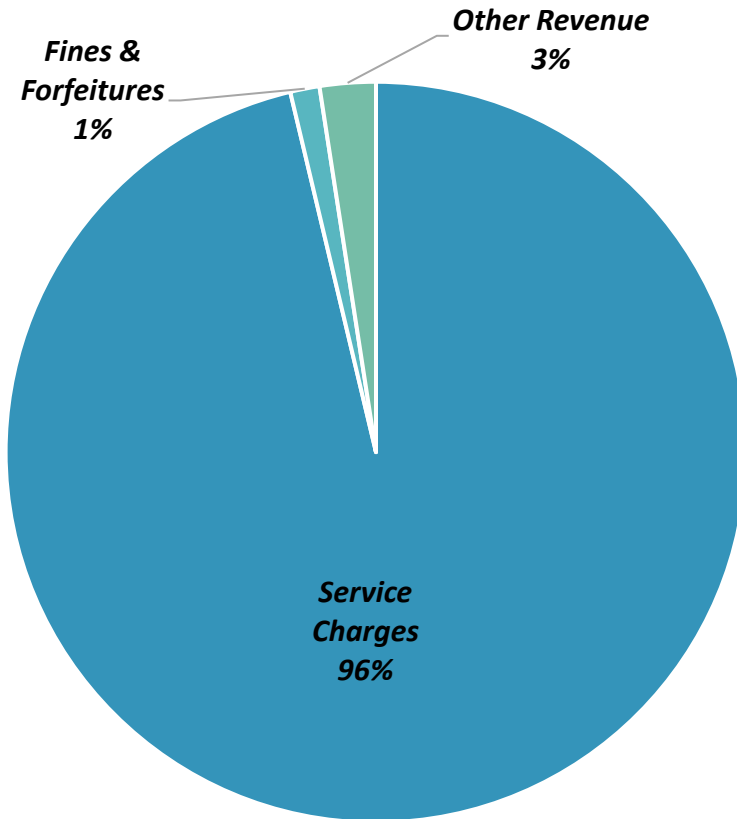
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PUF – Highlights

- ❑ 4% Allowance for Merit Increases which totals \$32,058
- ❑ Includes \$809,919 funding of Capital Expenditures
- ❑ 169 days or 5.5 months operating reserves
- ❑ Balanced Budget

Public Utility Fund Highlights

Revenue



- Total Public Utility Fund Revenues - \$8,759,761
- 1.25% decrease in revenue over prior year FY 2026
- 1% decrease in metered water
- 5% increase in GBRA Fees

Public Utility Fund

- ❑ Technology Services (page 108-109)

- ❑ 5% increase in overall budget

- ❑ Supplemental Requests

- ❑ \$13,000 increase in Equipment – WWTP for updated firewalls and switches

- ❑ Utility Billing (page 110-112)

- ❑ 1% decrease in overall budget

- ❑ Non-Departmental (page 121-122)

- ❑ 3% decrease in overall budget

- ❑ Supplemental Requests

- ❑ \$4,500 increase in Advertising & Legal for anticipated newspaper legal notices

- ❑ 5% increase in purchased water from Undine

- ❑ Department Head: Brittney Hogan, Finance Director

Public Utility Fund

- ❑ Maintenance (page 113-116)
 - ❑ 19% decrease in overall budget
 - ❑ Supplemental Requests
 - ❑ \$25,000 increase in Private I&I Program
 - ❑ \$10,000 increase in Furniture & Equipment
 - ❑ Capital Improvement Requests
 - ❑ \$239,330 for Waterline Replacement Program
 - ❑ \$360,589 for Clay Sewer line Program
 - ❑ \$60,000 for slope and cover protection at Chocolate Bayou
- ❑ Wastewater (page 117-120)
 - ❑ 19% increase in overall budget
 - ❑ Supplemental Requests
 - ❑ \$9,000 increase in Leases & Rentals for Pump Rental
 - ❑ \$50,000 increase in Water for increased usage of water
 - ❑ Capital Improvement Requests
 - ❑ \$150,000 for Shellfish Lift Station

❑ Department Head: Wayne Shaffer, Director of Public Works

Beach Operations

FY 2026 - 2027



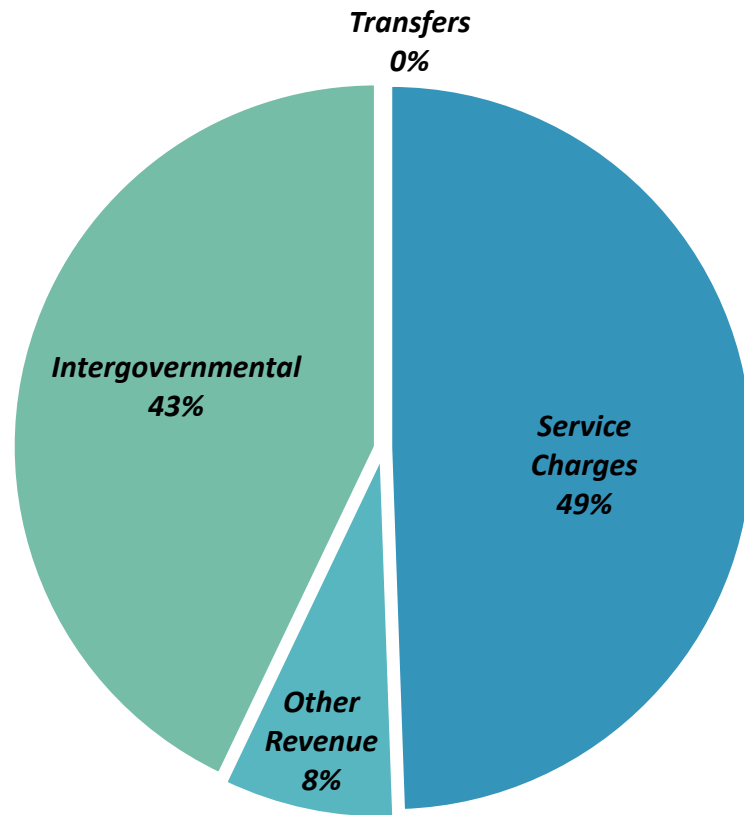
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Beach Operations — Highlights

- ☐ Pages 123-129
- ☐ 4% Allowance for Merit
Increases which totals \$1,530
- ☐ Includes \$283,000 funding of
One-Time Capital Expenditures
- ☐ 888 days or 29.5 months
operating reserves
- ☐ Balanced Budget

Beach Operations Highlights

Revenue



- Total Beach Fund Revenues - \$424,750
- 7.56% decrease in revenue over prior year FY 2026
- \$100,000 budgeted for anticipated Gate Fees
- 20% decrease in RV Rental revenue
- Grant Revenue –
 - \$182,250 reimbursement from TPWL for LHB Boat Ramp



Beach Fund

- ❑ Beach Operations (page 128-129)
 - ❑ 22% decrease in overall budget
 - ❑ Capital Improvement Requests
 - ❑ \$40,000 for new cabanas at splash pad
 - ❑ \$243,000 LHB Boat Ramp
- ❑ Department Director: Wayne Shaffer, Director of Public Works

Debt Service Fund

FY 2026 - 2027



Current Debt Obligations Funded



2008 Surplus Harbor Revenue COs - \$127,270 (funded by Port & Harbors)



2018 Surplus Harbor Revenue COs - \$134,476 (funded by Port & Harbors)



2022 Certificates of Obligation Bonds -
\$546,650

\$191,546 Funded with Public Utility Fund
\$355,104 Funded with Property Taxes



2024 Certificates of Obligation Bonds -
\$1,022,900

\$78,778 Funded with Public Utility Fund
\$500,000 Funded with Debt Service Fund
\$444,122 Funded with Property Taxes

A wooden gazebo with a tiered roof stands on a beach. The sun is setting directly behind the gazebo, creating a silhouette effect and a bright orange glow in the sky. The sky is filled with wispy clouds. The gazebo has a small upper section with open sides and a larger lower section with a railing. The beach is visible in the foreground, and the ocean is in the background.

What's Next?

- **September 14**
 - **Regular Council Meeting**
 - **Public Hearings on Budget & Tax Rate**
 - **Approve CIP**
 - **1st reading on Budget & Tax**
- **September 21**
 - **Special Council Meeting**
 - **2nd reading on Budget & Tax**