



City of Galveston

Finance Department
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September 9, 2021

To: Brian Maxwell, City Manager
Hon. Mayor and City Council

From: Michael W. Loftin, Assistant City Manager for Finance

RE: **Conduct a public hearing on September 9, 2021 on the FY 2022 Proposed Budget as required by State law.**

I. Background

- A. Chapter 102 of the Local Government Code sets forth procedural and publication requirements for the city Budget including those listed here.
1. Section 102.001(b): The City Manager serves as the budget officer for the city.
 2. Section 102.003(b): "The budget must contain a complete financial statement of the municipality that shows:
 - a. The outstanding obligations of the municipality;
 - b. the cash on hand to the credit of each fund;
 - c. the funds received from all sources during the preceding year;
 - d. the funds available from all sources during the ensuing year;
 - e. the estimated revenue available to cover the proposed budget; and
 - f. the estimated tax rate required to cover the proposed budget."
 3. A public hearing on the budget must be called at least fifteen calendar days after the date the proposed budget is filed with the City Secretary (Section 102.006(b)). This public hearing must be advertised between at least ten days, but not more than 30 days prior to the public hearing.
 4. The adopted budget must be accessible on the city's web page.
 5. A very specific statement must be placed in the advertisement and on the cover page of the budget document (not the cover itself) as outlined in the next section here.
 6. Section 102.009(b) provides, "After final approval of the budget, the governing body may spend municipal funds only in strict compliance with the budget, except in an emergency."
 7. Section 102.010, the law states: "This chapter does not prevent the governing body of the municipality from making changes in the budget for municipal purposes."
 8. Section 102.011 provides, "If a municipality has already adopted charter provisions that require the preparation of an annual budget covering all municipal expenditures and if the municipality conducts a public hearing on the budget as provided by Section 102.006 and otherwise complies with the provisions of this chapter relating to property tax increases, the charter provisions control."
 9. Section 102.007 provides for the adoption of the budget as follows:
 - a) "At the conclusion of the public hearing, the governing body of the municipality shall take action on the proposed budget. A vote to adopt the budget must be a record vote.
 - b) The governing body may make any changes in the budget that it considers warranted by the law or by the best interest of the municipal taxpayers.
 - c) Adoption of a budget that will require raising more revenue from property taxes than in the previous year requires a separate vote of the governing body to ratify the property tax increase reflected in the budget. A vote under this subsection is in addition to and

separate from the vote to adopt the budget or a vote to set the tax rate required by Chapter 26, Tax Code, or other law.”

- B. The City Charter includes provisions under Article VII for Finance that cover the budget as well.
 - 1. Section 5 - The city’s fiscal year begins October 1 and ends September 30.
 - 2. Section 6 – “At least forty-five (45) days prior to the beginning of each fiscal year the City Manager shall submit to the Council a proposed budget, which shall include:
 - (a) The anticipated revenues and the proposed expenditures for the year, in detail;
 - (b) A statement of all capital projects proposed to be undertaken during the year, and the method of their financing;
 - (c) A statement of the capital projects planned for the next succeeding five (5) fiscal years, with estimates of their costs. The budget shall be accompanied by a report from the City Manager, with supporting schedules and exhibits, setting forth a complete financial plan for operation of the City during the coming fiscal year, with suitable explanation of any major changes in the cost of operation or the financial policy.”
 - 3. Section 8 - “After the public hearing thereon the Council shall approve and adopt the budget by the second regularly scheduled Council meeting in September, either in the same form as submitted by the City Manager or with such changes as the Council may find to be necessary or desirable. No budget shall be adopted or appropriation made unless the anticipated revenues for the fiscal year equal or exceed the authorized expenditures. The adoption of the budget shall require a favorable vote of at least a majority of all the members of the Council. In the event the budget has not been adopted by the beginning of the fiscal year, the latest budget proposed by the City Manager shall take and remain in effect until the budget is finally adopted by the Council.”

II. Current Situation

- A. The language that was included in the hearings advertisement and in the Proposed Budget itself in eighteen-font type as required by Section 102.005 State law is as follows:
"This budget will raise more total property taxes than last year's budget by \$2,435,700 which is a 6.29 percent increase, and of that amount \$707,000 is tax revenue to be raised from new property added to the tax roll this year."
- B. The increase in property tax revenue is distributed in the Proposed Budget as follows:

**PROPERTY TAX REVENUE GROWTH
 PROPOSED FY 2022 BUDGET
 Net of Tax Rebates to TIRZ 13 and MUD 30**

By Fund	FY 2021 Estimate	FY 2022 Proposed	Amount of Increase	Percent Increase Over FY 2021
General Fund Operations	\$31,668,800	\$32,734,000	\$1,065,200	3.36%
Rosenberg Library	\$3,444,100	\$4,114,400	\$670,300	19.46%
Debt Service Fund	\$3,617,400	\$4,317,600	\$700,200	19.36%
Total	\$38,730,300	\$41,166,000	\$2,435,700	6.29%

- C. The Budget provides for pay adjustments for all city employees including those agreed to for collective bargaining purposes for police and fire, no increase in water and sewer rates, continuation of the CIP with an emphasis on streets, drainage, water and sewer projects, and a small increase (approximately one half of one percent) in the number of budgeted positions.
- D. Two record votes will be required by City Council to adopt the Budget since the Budget includes an increase in property tax revenue. The first motion will be to adopt the budget itself. The second motion will be “to ratify the property tax increase reflected in the budget.” (Section 102.007(c) of State law).
- E. The Proposed Budget for FY 2022 is accessible through the City’s Financial Transparency page at: <https://www.galvestontx.gov/DocumentCenter/View/12727/FY2022-Proposed-Budget>

