PROPOSED BUDGET

BUDGET WORKSHOP #1

July 27, 2026

REVENUE OUTLOOK

Property Values & Sales Tax

UPDATED

Property Tax Outlook	Sales Tax Outlook
HCAD 26.01(a-1) estimate: Taxable value increased $55.3 million above the original estimate.	State sales tax collections remain positive, although growth has moderated from post-pandemic highs.
Continued residential appreciation and new construction support long-term property tax growth.	Consumer spending remains resilient, particularly in retail and service sectors.
Property tax remains the City's largest and most stable revenue source.	Manufacturing and energy-related sectors remain softer than consumer-focused industries.
Final taxable values remain subject to appraisal protests and certification.	Staff recommends a conservative FY2027 sales tax estimate of $515,000.

Property values continue to strengthen while sales tax growth remains positive but has normalized. Together, these trends support the FY2027 Proposed Budget and reinforce a conservative revenue forecast.

Economic Outlook – Employment

📈 Positive Trends	⚠️ Areas to Monitor
39,500 jobs added over the past 12 months	Unemployment increased from **4.6%** to **5.2%** in June
Initial unemployment claims **fell 12.7%** (4,520 → 3,948)	Employment growth is moderating
Diverse regional economy continues to support job growth	Labor market conditions warrant continued monitoring

National Unemployment Rate:
June 2025 = **4.1%**
June 2026 = **4.2% = *(+0.1%)***

United States

4.1% → 4.2% *(+0.1%)*

Houston Region

4.6% → 5.2% *(+0.6%)*

Key Takeaway:
- National unemployment remained stable.
- Houston's increase reflects slower job growth and a larger labor force, not widespread layoffs.

Source: 1) Greater Houston Partnership, Monthly Update: Unemployment (July 21, 2026), using Texas Workforce Commission data. 2) https://fred.stlouisfed.org/series/UNRATE#

Why a Structurally Balanced Budget Matters
Debt Service

UPDATED

Many Cities Today	Piney Point Proposed Budget
Service reductions	✓ Current service levels maintained
Tax increases	✓ Overall tax rate maintained
Hiring freezes	✓ Critical staffing maintained
Deferred maintenance	✓ Capital planning continues
Reliance on reserves for operations	✓ Operations funded with recurring revenues
Budget uncertainty	✓ Excess reserves above 25% policy

GF – INCOME STATEMENT

	FY2025 ACTUAL	FY2026 BUDGET	FY2026 PROJECTED	FY2027 PROPOSED
REVENUES				
Total Revenues	**$10,111,239**	**$10,452,697**	**$10,542,222**	**$10,337,462**
EXPENDITURES				
Operating Expenditures	7,806,533	8,560,295	8,475,777	9,242,953
Non-Operating Expenditures	2,721,195	3,000,000	3,000,000	1,094,509
Total Expenditures	**$10,527,728**	**$11,560,295**	**$11,475,777**	**$10,337,462**
Revenues Over (Under) Expenditures	(416,489)	(1,107,598)	(933,555)	**0**
Fund Balance – Beginning	6,205,368	5,788,879	5,788,879	4,855,324
Fund Balance – Ending	**$5,788,879**	**$4,681,281**	**$4,855,324**	**$4,855,324**
Reserve (25%)	—	2,140,074	2,140,074	2,310,738
Excess/(Deficit)	—	2,541,207	2,715,250	**2,544,586**

GF - REVENUE

- **Property Taxes**: General Fund property tax revenue is budgeted at $8.08 million. The decrease from FY2026 reflects the planned reallocation of a portion of the tax rate from the M&O levy to the I&S levy while maintaining the City's overall tax rate. Final figures will be updated upon receipt of certified HCAD values.
- **Sales Tax**: Budgeted at $515,000; estimate consistent with the TX Comptroller's outlook; continued consumer spending, but slower sales tax growth.
- **Permits & Insp.**: Budgeted at $539,600, consistent with current development activity and anticipated permit volume.
- **Investment Income**: Budgeted at $390,000. Although interest rates are expected to moderate, investment earnings remain well above historical averages.
- **Franchise Taxes:** Budgeted at $365,525, reflecting stable utility and telecom revenues.
- **Kinkaid PILOT:** The annual $107,500 voluntary contribution continues under the existing mitigation agreement.
- **METRO:** Continues at $136,000 under the existing agreement.
- **Alarms**: Program moved to MVPD.

GF - REVENUE

REVENUES	FY2025 Actual	FY2026 Budget	FY2026 Projected	FY2027 Proposed
Property Taxes	7,205,570	8,260,747	8,260,747	**8,078,987**
Sales Taxes	534,440	500,000	500,000	**515,000**
Permits & Inspections	859,291	529,100	541,600	**539,600**
Court Revenue	191,892	143,562	175,850	**175,850**
Investment Income	400,964	373,505	405,000	**390,000**
Agencies & Alarms	20,350	0	0	**0**
Franchise Taxes	366,991	374,283	365,525	**365,525**
Contribution & Use Fee	107,500	107,500	107,500	**107,500**
Other Governmental	136,000	136,000	136,000	**136,000**
Donations & Other	14,977	5,000	27,000	**6,000**
Operating Revenues	**9,837,976**	**10,429,697**	**10,519,222**	**10,314,462**
Ambulance	27,013	0	0	**0**
CIP Cost Share	223,149	0	0	**0**
Non-Operating Transfers	23,101	23,000	23,000	**23,000**
Non-Op Revenues	**273,263**	**23,000**	**23,000**	**23,000**
Total Revenues	**10,111,239**	**10,452,697**	**10,542,222**	**10,337,462**

GF - BUDGET HIGHLIGHTS

- **Public Safety**: Allocates $5.77 million (56% of expenditures) to the MVPD and VFD, maintaining the City's commitment to exceptional police and fire protection.
- **Balanced Budget**: Recurring revenues fully fund recurring operations while maintaining a projected $4.86 million General Fund balance.
- **Capital Program**: Includes $1.09 million for capital improvements, with additional projects to be considered through fund balance, carryforward appropriations, or future financing.
- **Future Infrastructure**: Demonstrates the financial capacity to support a future capital program exceeding $18 million, subject to separate Council approval.
- **Supplemental Requests**: Incorporates recommended supplemental requests while identifying unfunded items for future Council consideration.
- **Property Tax Planning**: Maintains the overall tax rate while reallocating a portion of the tax rate from M&O to I&S to support future infrastructure planning.

GF - EXPENDITURES

UPDATED

EXPENDITURES	FY2025 Actual	FY2026 Budget	FY2026 Projected	FY2027 Proposed
Police Services	2,577,496	2,860,161	2,860,161	**3,450,703**
Fire Services	2,115,943	2,223,438	2,223,438	**2,317,494**
Sanitation Collection	620,134	649,591	645,074	**672,045**
Other Public Services*	32,205	42,000	51,500	**57,500**
Contract Services	477,786	527,000	502,000	**509,500**
Development Services	345,966	368,700	345,700	**347,000**
Administrative Services	1,324,335	1,455,938	1,443,304	**1,513,111**
Municipal Court	38,153	46,137	37,750	**58,750**
Public Works & Maintenance	274,515	387,330	366,850	**316,850**
Operating Expenditures	**7,806,533**	**8,560,295**	**8,475,777**	**9,242,953**
Capital Programs	2,721,195	3,000,000	3,000,000	**1,094,509**
Total Expenditures	**10,527,728**	**11,560,295**	**11,475,777**	**10,337,462**

* The category of Other Public Services encompasses Community Events, Library Services, Street Lighting.

GF - EXPENDITURES

Change in Allocation – FY26 Budgeted to FY27 Proposed

General Fund Expenditures	Change ($)	Change (%)
Police Services	$590,542	20.65%
Fire Services	$94,056	4.2%
Sanitation Services	$22,454	3.5%
Other Public Services	$15,500	36.9%
Contract Services	($17,500)	(3.3%)
Development Services	($21,700)	(5.9%)
Administrative Services	$57,173	3.9%
Municipal Court	$12,613	27.3%
Public Works & Maintenance	($70,480)	(18.2%)
Total Operating Expenditures	**$682,658**	**8.0%**

Police Services: Increase reflects the approved FY27 MVPD budget, including personnel, employee benefits, and the regional vehicle replacement program.
Other Public Services: Expanded events, resident communications, and Independence Festival.
Public Works: Decrease in one-time FY26 equipment.

GF - RESERVES

	FY26 Amended	FY26 Projected	FY27 Proposed
Revenues Over (Under) Expenditures	**($1,107,598)**	**($933,555)**	**$0**
Beginning Fund Balance	**$5,788,879**	**$5,788,879**	**$4,855,324**
Ending Fund Balance	**$4,681,281**	**$4,855,324**	**$4,855,324**
Reserve Requirement (25%)	**$2,140,074**	**$2,140,074**	**$2,310,738**
Excess Reserve	**$2,541,207**	**$2,715,250**	**$2,544,586**

- **Balanced Budget**: The FY2027 Proposed Budget is structurally balanced, with recurring revenues fully funding recurring operating expenditures.
- **Strong Financial Position**: The projected ending General Fund balance remains $4.86 million, preserving the City's financial flexibility.
- **Healthy Reserves**: The proposed budget exceeds the City's 25% reserve policy by approximately $2.54 million, providing capacity for emergencies and future capital needs.
- **Capital Planning**: The City maintains sufficient reserves while preparing for future infrastructure investments and evaluating a potential future bond program.

FY2027 SUPPLEMENTAL REQUESTS
Included in Proposed Budget *(Pending Council Approval)*

Request	Amount
Health Insurance Market Adjustment	**$34,938**
Market Salary Adjustments	**$48,092**
Community Celebrations (VIF/Banners)	**$8,000**
Public Relations / Quarterly Newsletter	**$6,000**
GFL Rate Contingency	**$5,000**
HCAD Assessment Contingency	**$5,000**
Enhanced Financial Reporting (GFOA)	**$2,500**
Total Recommended Supplementals	**$109,530**

Key Takeaways

- Base Budget maintains current service levels.
- Recommended supplementals total $109,530.
- Unfunded items remain subject to Council direction.
- Additional requests may be funded through available revenues or fund balance before budget adoption.

FY2027 SUPPLEMENTAL REQUESTS
Currently Unfunded / Under Review

Item	Cost
Additional Full-Time Position	**$92,000**
Fuel Reimbursement Program	**$33,150**
Additional Part-Time Position	**$25,000**
Office Improvements	**$10,000**
Conference Chairs	**$3,600**
Event Planner	**$3,000**
Total Planning Items	**$166,750**

- Recommended Requests: $130,030.
- Planning Items: $166,750.
- Total Supplemental Requests: $296,780.
- Staff is asking for Council input on Changes/ Additions to Supplemental Programs

DEBT OBLIGATIONS

Fiscal Year	Principal	Interest	Total
FY2027	$435,000	$6,525	$441,525
Outstanding After FY2027	$0	—	—

- FY27 is the final year of debt service on the City's existing General Obligation Bonds.
- The City will retire $435,000 in principal and $6,525 in interest during FY2027. Upon payment, the City will have no outstanding General Obligation debt, providing additional financial flexibility.
- The FY2027 budget assumes a potential future capital program; however, no new debt has been authorized, and any future financing will require separate City Council approval.

FUTURE CAPITAL FINANCING OPTIONS
Preliminary Debt Capacity Analysis

Project Size	Amortization	Annual Debt Service	Tax Rate Impact*
$15 Million	20 Years	**$1.17 M**	**+$68** / $1.5M Home
	25 Years	**$1.03 M**	**+$68**
	30 Years	**$964 K**	**+$83**
$20 Million	20 Years	**$1.56 M**	**+$158**
	25 Years	**$1.37 M**	**+$158**
	30 Years	**$1.28 M**	**+$178**

** Estimated first-year impact assuming current valuation assumptions. Actual rates will depend on certified values, project costs, interest rates, and final bond sizing.*

Key Considerations

- Preliminary financing options from $15M–$20M.
- Multiple repayment terms evaluated.
- Current planning assumption: ~$18 million.
- No debt has been authorized.

FUTURE CAPITAL FINANCING OPTIONS
Capital Financing Strategy

OPTIONS:

1. **General Obligation (GO) Bonds / Certificates of Obligation (COs):** Used for long-term capital improvements and typically repaid through the Interest & Sinking (I&S) tax rate.
   - **Issue long-term debt when major projects are construction-ready.**

2. **Tax Notes:** Short-term obligations (generally up to seven years under Texas law) that may be issued for certain public purposes, including equipment, land, or public works projects. They can provide flexibility when a project is not yet ready for long-term financing.
   - **Finance smaller eligible projects with short-term tax notes, if appropriate.**

TEXAS PROPERTY TAX (SB 2) OVERVIEW
Cities Under 30,000 Population

Tax Rate	Council Action Required
No-New-Revenue (NNR) Rate	Generates approximately the same property tax revenue as the prior year on existing property.
Voter-Approval Rate (VAR)	May increase M&O tax revenue by up to **3.5%** (plus revenue from new property) without an election.
Above the VAR	Requires voter approval at an election before the higher rate may be adopted.

Key Takeaway:

The FY2027 Proposed Budget complies with Texas Truth-in-Taxation requirements. Final tax rate options will be presented after receipt of the certified HCAD values and completion of the Truth-in-Taxation calculations.

PROPERTY TAX RATE COMPARISON
Memorial Villages (FY2026/FY2027)

City	Tax Rate	Difference
Spring Valley Village	**$0.395000**	+54.9%
Hedwig Village	**$0.336334**	+31.8%
Bunker Hill Village	**$0.271000**	+6.2%
Piney Point Village	**$0.255140**	—
Hunters Creek Village	**$0.205164**	−19.6%

Key Takeaway:

- **Piney Point maintains the second-lowest property tax rate among the Memorial Villages.**
- **Even with the proposed M&O/I&S reallocation, the overall tax rate remains unchanged at $0.25514.**
- **Future capital financing decisions will be evaluated while maintaining the City's long-term financial stability.**

OVERLAPPING PROPERTY TAX RATES
Piney Point Village Taxing Jurisdictions (2026)

UPDATED

Taxing Entity	North of Buffalo Bayou	Share	South of Buffalo Bayou	Share
School District (SBISD/HISD)	1.023100	53.1%	0.878300	46.6%
Harris County	0.380960	19.8%	0.380960	20.2%
Piney Point Village	**0.255140**	**13.3%**	**0.255140**	**13.5%**
HC Hospital District	0.187610	9.7%	0.187610	10.0%
Houston Community College	—	—	0.098802	5.2%
Flood Control	0.049660	2.6%	0.049660	2.6%
MV Water Authority	0.022920	1.2%	0.022920	1.2%
Hou. Port Authority	0.005900	0.3%	0.005900	0.3%
HC Department of Education	0.004798	0.2%	0.004798	0.3%
Total Overlapping Tax Rate	**1.930088**	**100.0%**	**1.884090**	**100.0%**

- North of Buffalo Bayou, Spring Branch ISD represents 53.1% of the total property tax rate; then, south of Buffalo Bayou, HISD represents 46.6% of the total, with HCC adding 5.2%.
- Piney Point Village represents approximately 13–14% of the total property tax bill in either taxing area.
- The FY27 Proposed Budget maintains the City's overall tax rate while reallocating a portion between the M&O and I&S funds.

UPDATED PROPERTY TAX ESTIMATE
Impact on FY27 Proposed Budget

UPDATED

	Budget Assumption	Updated Estimate	Increase
Estimated Taxable Value	$3,721,667,039	$3,776,956,557	+$55,289,518
- Growth Percentage	*7.93%*	*9.53%*	*+1.60%*
M&O Tax Rate	$0.221510	$0.221510	—
I&S Tax Rate	$0.033630	$0.033630	—
M&O Levy (98% Collection)	$8,078,987	$8,199,008	+$120,021
I&S Levy	$1,251,597	$1,270,191	+$18,594
Total Property Tax Levy	$9,330,584	$9,469,199	+$138,615

Updated HCAD estimates increase projected property tax revenue by approximately $139,000 while maintaining the proposed tax rate and M&O/I&S allocation. Final figures remain subject to the certified appraisal roll and Truth-in-Taxation calculations.

LIST OF CHANGES FROM PROPOSED

General Fund

UPDATED

	FY26 CHANGE	FY27 CHANGE	DATE OF CHANGE
Preliminary (Filed) Revenues:	**$10,542,222**	**$10,337,462**	
Changes to Preliminary Revenues:			
1 Levy Adjustment (HCAD Est.)		$120,021	07/27/26
2 Levy Adjust. (98% -> 99.5%)		$3,638	07/27/26
3 Verizon Franchise Adjustment	$8,900	$8,900	07/27/26
Total Revenue Changes:	**$8,900**	**$132,559**	
Total Revenue with Changes:	**$10,551,122**	**$10,470,021**	
Preliminary (Filed) Expenditures:	**$11,475,777**	**$10,337,462**	
Changes to Preliminary Expenditures:			
1 *NO CHANGE*	$0	$0	
Total Change in Expenditures:	**$0**	**$0**	
Total Expenditures with Changes:	**$11,475,777**	**$10,337,462**	
Net Revenues Over/(Under) Expenses	*($924,655)*	*$132,559*	
Ending Fund Balance	**$4,864,224**	**$4,996,783**	

LIST OF CHANGES FROM PROPOSED
Debt Service

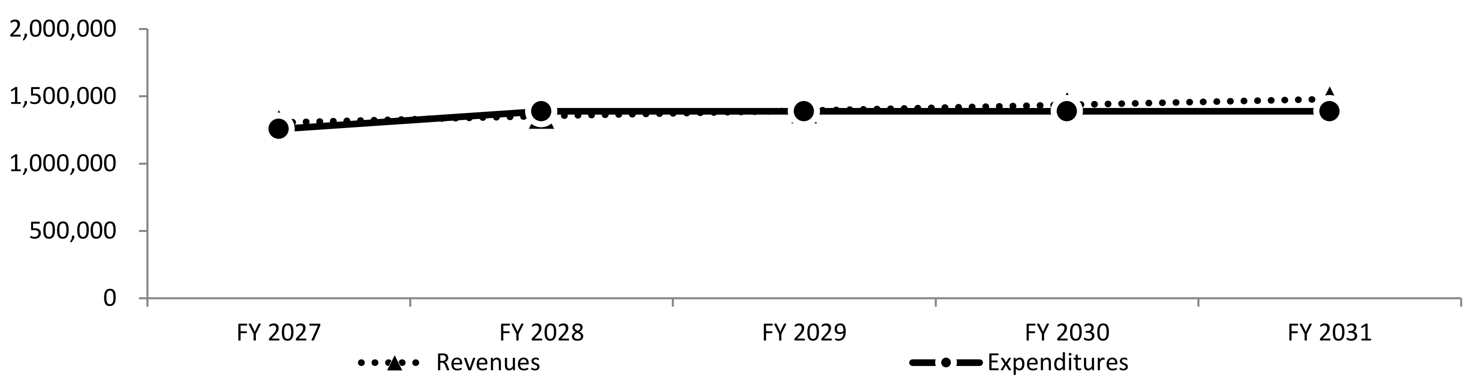
UPDATED

	FY26 CHANGE	FY27 CHANGE	DATE OF CHANGE
Preliminary (Filed) Revenues:	**$336,257**	**$1,286,597**	
Changes to Preliminary Revenues:			
1 Levy Adjustment (HCAD Est.)		$18,594	07/27/26
Total Revenue Changes:	**$0**	**$18,594**	
Total Revenue with Changes:	**$336,257**	**$1,305,191**	
Preliminary (Filed) Expenditures:	**$449,425**	**$446,525**	
Changes to Preliminary Exp:			
1 Series 2026 (New Debt)		$810,000	07/27/26
Total Change in Expenditures:	**$0**	**$810,000**	
Total Expenditures with Changes:	**$449,425**	**$1,256,525**	
Net Revenues Over/(Under)	*($113,168)*	*$48,666*	
Ending Fund Balance	**$138,897**	**$187,563**	

MULT-YEAR FORECAST
Debt Service

UPDATED

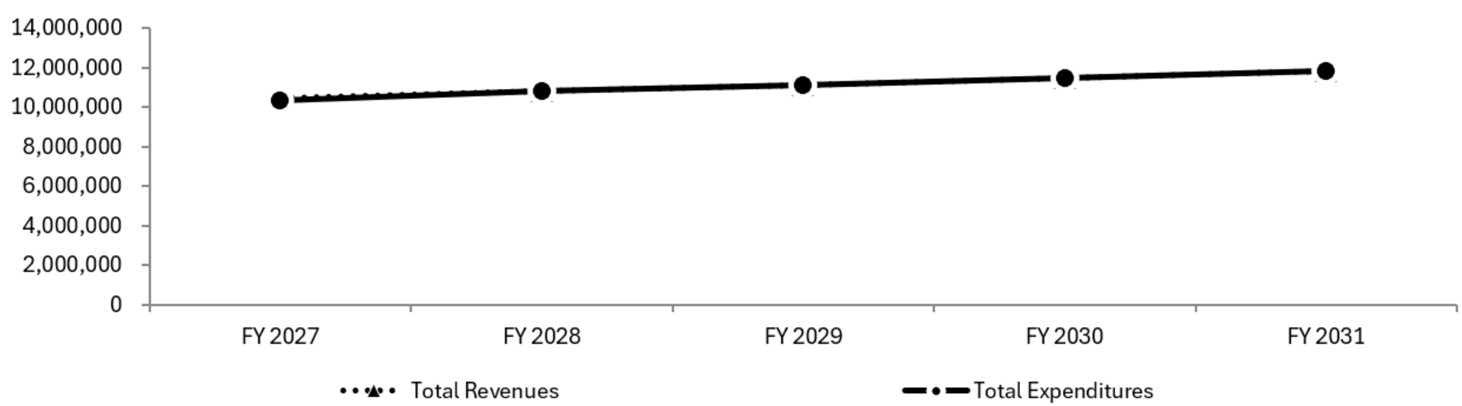
	FY 2027 PROPOSED	FY 2028 PROJECTED	FY 2029 PROJECTED	FY 2030 PROJECTED	FY 2031 PROJECTED
Property Taxes	1,270,191	1,308,297	1,347,546	1,387,972	1,429,611
Interest	35,000	45,790	47,164	48,579	50,036
Non-Operating / Transfers	0	0	0	0	0
Total Revenues	**$1,305,191**	**$1,354,087**	**$1,394,710**	**$1,436,551**	**$1,479,648**
Series 2017 General Obligation	441,525	0	0	0	0
Future Bond Capacity	810,000	1,383,771	1,383,771	1,383,771	1,383,771
Fiscal Agent Fees	5,000	5,000	5,000	5,000	5,000
Total Expenditures	**$1,256,525**	**$1,388,771**	**$1,388,771**	**$1,388,771**	**$1,388,771**



MULT-YEAR FORECAST
General Fund

UPDATED

	FY 2027 PROPOSED	FY 2028 PROJECTED	FY 2029 PROJECTED	FY 2030 PROJECTED	FY 2031 PROJECTED
Total Revenues:	**10,470,021**	**$10,797,119**	**$11,136,362**	**$11,487,064**	**$11,849,616**
Police Services	3,450,703	3,554,224	3,660,851	3,770,676	3,883,797
Fire Services	2,317,494	2,387,019	2,458,629	2,532,388	2,608,360
Sanitation Services	672,045	692,206	712,973	734,362	756,393
Other Public Services	57,500	59,225	61,002	62,832	64,717
Contract Services	509,500	522,238	535,293	548,676	562,393
Development Services	347,000	355,675	364,567	373,681	383,023
Administrative Services	1,513,111	1,558,504	1,605,259	1,653,417	1,703,020
Municipal Court	58,750	60,513	62,328	64,198	66,124
Public Works & Maintenance	316,850	324,771	332,891	341,213	349,743
Capital Programs	1,094,509	0	0	0	0
New / Expanded Programs	0	1,282,744	1,342,569	1,405,621	1,472,048
Total Expenditures	**10,337,462**	**10,797,119**	**11,136,362**	**11,487,064**	**11,849,616**
Revenues Over Expenditures:	*132,559*	*0*	*0*	*0*	*0*
Fund Balance - Ending:	**4,996,783**	**$4,996,783**	**$4,996,783**	**$4,996,783**	**$4,996,783**



Proposed Budget

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Changes to Filed Document

QUESTIONS?