NOTICE OF MEETING

Agenda for Meeting
City of Galveston – Finance, Fiscal Affairs and Investment Advisory Committee
October 19, 2021 – 1:30 p.m. - 3:30 p.m.
Attend via Zoom Meeting
https://us02web.zoom.us/j/7959886304?pwd=SG9YZmdJN1FOREtaMGRlUzhiSndBdz09
Meeting ID: 795 988 6304
Passcode: 821463
(409) 797- 3567

1. Quorum Determination And Call To Order.
2. Consider For Action Approval Of The Minutes From The August 24, 2021 Meeting.

   Documents:

   2-082421 FINANCE AND FISCAL AFFAIRS SIGNED.PDF

3. Discuss And Consider For Action A Recommendation To Accept The Quarter Ending September 30, 2021 Investment Reports For The City Of Galveston And Galveston Industrial Development Corporation. (Hilltop Securities – 30 Minutes)

   Documents:

   3-GALVESTON IDC 09-30-21 QTRLY.PDF
   3-GALVESTON 09-30-21 QTRLY.PDF

4. Discuss And Consider For Action A Recommendation To Discontinue Using The Frost Repurchase Agreement Daily Sweep Investment Product. (Hilltop Securities – 15 Minutes)
5. Review Preliminary FY 2021 Year Ending Results Of Major Revenues Including FEMA Disaster Grant Reimbursements. (Michael Loftin – 45 Minutes)

   Documents:

   5-SEWER --REVISED -- REVENUE UTILITY BILLINGS BY MONTH - ML VERSION 08.31.2021.PDF
   5-WATER --REVISED -- REVENUE UTILITY BILLINGS BY MONTH - ML VERSION 08.31.2021.PDF
   5-HOT REVENUE THRU AUGUST STAYS 2021.PDF
   5-SALES AND PROPERTY TAX DISCUSSION 10.19.21.PDF

6. Rosenberg Library Property Tax Funding Issue. (Michael Loftin – 15 Minutes)

   Documents:

   6-STAFF REPORT ROSENBERG LIBRARY MOU.PDF
   6-LIBRARY SHARE OF TAX REVENUE.PDF
   6-ROSENBERG LIBRARY MOU.PDF

7. Committee Member Comments.
8. Public Comments (Limited To Three Minutes Each).

9. Discuss Tentative Date(S) For Next Committee Meeting.
10. Adjournment.

City of Galveston – Finance and Fiscal Affairs Committee

August 24, 2021 1:30 p.m. - 3:30 p.m.

Virtual Zoom meeting

Call Order / Roll Call:	Edward Walsh -Vice Chairman Gene Hornstein-Member Stephen Maxwell-Member Robert Nuzum-Member Jonathan Zendeh Del-Member
Guests:	Jim Niederle, Financial Advisor Greg Warner, Hilltop Securities Asset Management Schrub Kempner
Staff:	Dan Buckley-Deputy City Manager Mike Loftin-Asst. City Manager Finance Brandon Cook- Asst. City Manager Finance Tammy Jacobs-City Controller Debbi Pierce-Budget Manager Barry Willey-Assist City Attorney Melissa Gonzales-Executive Assistant Legal Carrie Sumrall-Assist City Auditor

1) Quorum determination and call to order.
   With a quorum present, the August 2021 meeting called to order at 1:31 p.m. by Chairmen Edward Walsh. Meeting attendees are listed above.
2) Approval of minutes from the March 23, 2021 meeting.
   Motion to approve the August meeting minutes was seconded and unanimously approved by the committee members present.
3) Hilltop Securities presented a review of the City's investment portfolio performance for the quarters ended March 31 & June 30, 2021.
   a. Greg Warner narrated an economic review and discussed the performance of the investment portfolio.
   b. A motion to accept the investment quarter reports was seconded and unanimously approved by the committee members present.
4) Discussion of the Port of Galveston's bond refinancing narrated by the City's Financial Advisor, Jim Niederle.
5) Mike Loftin narrated a discussion of the memorandum of understanding between the City and the Rosenberg Library regarding the increase in property tax values/rate. Gene Hornstein, Robert Nuzum and Schrub Kemper offered comments.
6) Mike Loftin narrated a review of the proposed FY22 Budget and CIP and received questions and comments from committee members.
7) Committee member comments – None.
8) Public comments – None.
9) Tentative date and time of next committee meeting-TBD.
10) The meeting was adjourned by Chairman Walsh 3:21 p.m.

Tammy Y Jacobs

HilltopSecurities
Asset Management

Investment Portfolio Summary

Galveston Industrial Development Corp

For the Quarter Ended

September 30, 2021

Prepared by
HilltopSecurities Asset Management

Report Name

MARKET RECAP - SEPTEMBER 2021:

Covid concerns continued to infect Q3 economic growth, although the month of September showed a steady decline in the spread. The 7-day average of new COVID-19 cases actually peaked at 161k on the first day of September before dropping -55% over the course of the month as another 10 million Americans received their first vaccine dose, bringing the total above 210 million, or 65% of the U.S. population. As the virus receded, market focus turned to the mid-month FOMC meeting for indications of when committee members would begin reeling-in some of the Fed's accommodative monetary policy. Chairman Powell told reporters in the post-meeting press conference that QE asset purchases were expected to wind down by mid-2022, and although an official start date has not been set, tapering will almost certainly begin later this year. The FOMC meeting also brought a fresh "dot plot" that was a bit more aggressive in terms of future interest rate increases. Of course, all of this is subject to change depending on labor market and inflation trends.

Non-farm payrolls, tainted by the latest virus wave, rose by just +235k in August, a sharp drop from the million plus pace of the previous two months, leaving payrolls 5.3 million below the pre-pandemic total. At first glance, it might appear those jobs are missing, but in reality, it's the workers that are absent. The July JOLTS survey showed a record 10.9 million available positions, an increase of 4.2 million since the year began. With federal unemployment benefits ending on September 6th for an estimated 11 million Americans, many experts expect open positions will be filled in the upcoming months. These jobseekers will be paying higher prices for food, clothing and transportation as inflationary pressures remained extremely elevated well beyond the "transitory period" Fed officials have widely telegraphed. On a year-over year-basis, headline CPI was up +5.3% in August, down from +5.4% the previous month, while core CPI climbed +4.0% on a year-over-year basis following a +4.3% annual increase in July. The simple fact that the indexes are moving lower may have given investors some comfort, but inflation remains stubbornly near thirty-year highs. Strong consumer demand paired with severely challenged global supply chains indicate higher prices could last well into next year.

The Fed typically cools inflation by ratcheting interest rates higher to slow economic growth, but as monetary stimulus is set to fade, fiscal policy could be on the verge of expanding at an unprecedented pace. A $1 trillion infrastructure bill that passed the Senate in August did not get a vote in the House as expected on the last day of September, while opposition to a proposed $3.5 trillion budget reconciliation bill is garnering hostility on both sides of the isle and an impasse on the debt ceiling adds to the turmoil. At this point, the Democrats will either raise the debt ceiling themselves and face the political consequences in the 2022 midterms or put the U.S. Treasury in the unthinkable position of defaulting on its debt obligations. Either way, politics are likely to drive the markets in October, adding a big dose of volatility and likely nudging a market yields higher.

For the Quarter Ended
September 30, 2021

This report is prepared for the **Galveston Industrial Development Corp** (the "Entity") in accordance with Chapter 2256 of the Texas Public Funds Investment Act ("PFIA"). Section 2256.023(a) of the PFIA states that: "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Entity's investment officers and includes the disclosures required in the PFIA. To the extent possible, market prices have been obtained from independent pricing sources.

The investment portfolio complied with the PFIA and the Entity's approved Investment Policy and Strategy throughout the period. All investment transactions made in the portfolio during this period were made on behalf of the Entity and were made in full compliance with the PFIA and the approved Investment Policy.

Officer Names and Titles:

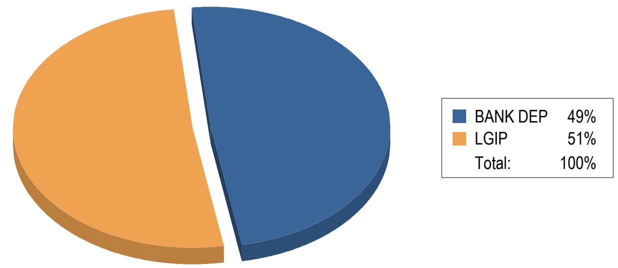
Name: Michael W. Loftin — Title: Asst. City Manager-Finance

Name: Tammy Y. Jacobs — Title: Executive Director & City Controller

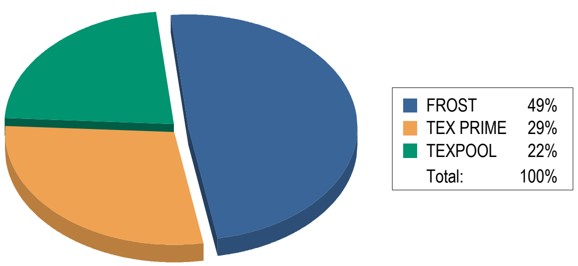
Account Summary

	Beginning Values as of 06/30/21	Ending Values as of 09/30/21
Par Value	13,895,718.01	15,320,492.81
Market Value	13,895,718.01	15,320,492.81
Book Value	13,895,718.01	15,320,492.81
Unrealized Gain /(Loss)	0.00	0.00
Market Value %	**100.00%**	**100.00%**
Weighted Avg. YTW	0.030%	0.029%
Weighted Avg. YTM	0.030%	0.029%

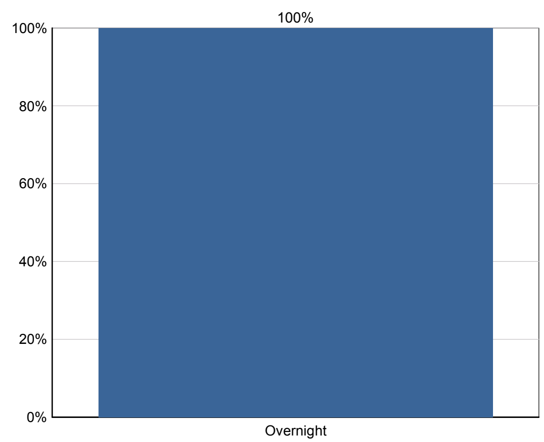
Allocation by Security Type



Allocation by Issuer

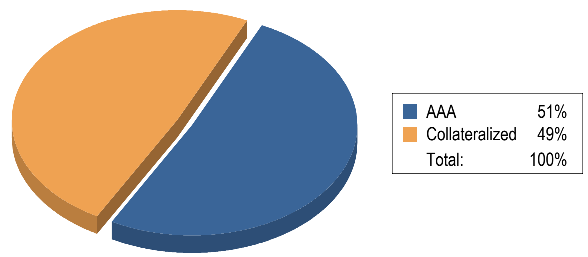


Maturity Distribution %



Weighted Average Days to Maturity: 1

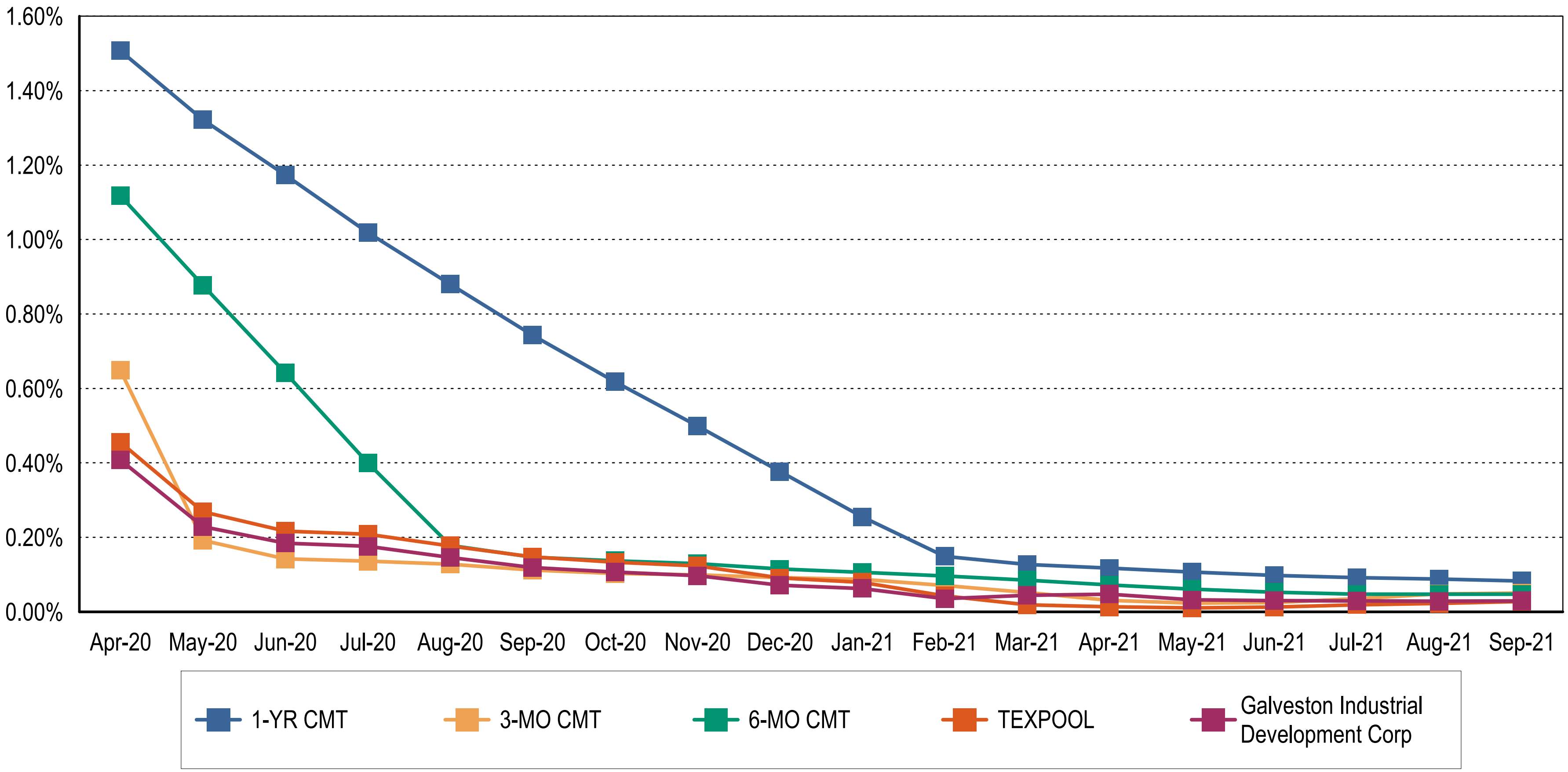
Credit Quality



Galveston Industrial Development Corp

Benchmark Comparison

As of 09/30/2021



Note 1: CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities. The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year and 2-year CMT's are the daily averages for the previous 12-months.

Note 2: Benchmark data for TexPool is the monthly average yield.

Hilltop Securities Asset Management

Galveston Industrial Development Corp

Detail of Security Holdings

As of 09/30/2021

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
Galveston Industrial Development Corp																	
FROSTGIDC		BANK DEP	Frost Bk					7,477,858.56	100.000	7,477,858.56	7,477,858.56	100.000	7,477,858.56	1		0.010	0.010
TEXPOOL		LGIP	TexPool					3,427,885.79	100.000	3,427,885.79	3,427,885.79	100.000	3,427,885.79	1		0.028	0.028
TEXPRIME		LGIP	TexPool Prime					4,414,748.46	100.000	4,414,748.46	4,414,748.46	100.000	4,414,748.46	1		0.063	0.063
Total for Galveston Industrial Development Corp								**15,320,492.81**	**100.000**	**15,320,492.81**	**15,320,492.81**	**100.000**	**15,320,492.81**	**1**		**0.029**	**0.029**
Total for Galveston Industrial Development Corp								**15,320,492.81**	**100.000**	**15,320,492.81**	**15,320,492.81**	**100.000**	**15,320,492.81**	**1**		**0.029**	**0.029**

Galveston Industrial Development Corp
Change in Value
From 06/30/2021 to 09/30/2021

CUSIP	Security Type	Security Description	06/30/21 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	09/30/21 Book Value	06/30/21 Market Value	09/30/21 Market Value	Change in Mkt Value
Galveston Industrial Development Corp											
FROSTGIDC	BANK DEP	Frost Bk	6,053,987.19	1,423,871.37	0.00	0.00	0.00	7,477,858.56	6,053,987.19	7,477,858.56	1,423,871.37
TEXPOOL	LGIP	TexPool	3,427,687.75	198.04	0.00	0.00	0.00	3,427,885.79	3,427,687.75	3,427,885.79	198.04
TEXPRIME	LGIP	TexPool Prime	4,414,043.07	705.39	0.00	0.00	0.00	4,414,748.46	4,414,043.07	4,414,748.46	705.39
Total for Galveston Industrial Development Corp			**13,895,718.01**	**1,424,774.80**	**0.00**	**0.00**	**0.00**	**15,320,492.81**	**13,895,718.01**	**15,320,492.81**	**1,424,774.80**
Total for Galveston Industrial Development Corp			**13,895,718.01**	**1,424,774.80**	**0.00**	**0.00**	**0.00**	**15,320,492.81**	**13,895,718.01**	**15,320,492.81**	**1,424,774.80**

Galveston Industrial Development Corp

Earned Income

From 06/30/2021 to 09/30/2021

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
Galveston Industrial Development Corp									
FROSTGIDC	BANK DEP	Frost Bk	0.00	148.75	148.75	0.00	0.00	0.00	148.75
TEXPOOL	LGIP	TexPool	0.00	198.04	198.04	0.00	0.00	0.00	198.04
TEXPRIME	LGIP	TexPool Prime	0.00	705.39	705.39	0.00	0.00	0.00	705.39
Total for Galveston Industrial Development Corp			**0.00**	**1,052.18**	**1,052.18**	**0.00**	**0.00**	**0.00**	**1,052.18**
Total for Galveston Industrial Development Corp			**0.00**	**1,052.18**	**1,052.18**	**0.00**	**0.00**	**0.00**	**1,052.18**

Investment Portfolio Summary

City of Galveston

For the Quarter Ended

September 30, 2021

Prepared by
HilltopSecurities Asset Management

Table of Contents / Market Recap

Report Name

MARKET RECAP - SEPTEMBER 2021:

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City of Galveston
Investment Officers' Certification

For the Quarter Ended
September 30, 2021

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Officer Names and Titles:

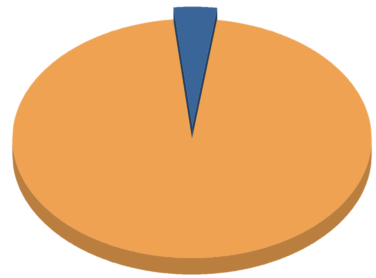
Name: Michael W. Loftin	Title: Asst. City Manager-Finance
Name: Tammy Y. Jacobs	Title: Executive Director & City Controller

City of Galveston
Executive Summary
As of 09/30/21

Account Summary

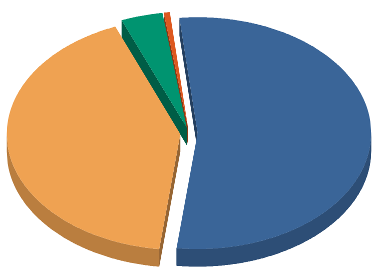
	Beginning Values as of 06/30/21	Ending Values as of 09/30/21
Par Value	139,246,532.50	132,119,943.59
Market Value	139,246,532.50	132,119,943.59
Book Value	139,246,532.50	132,119,943.59
Unrealized Gain /(Loss)	0.00	0.00
Market Value %	**100.00%**	**100.00%**
Weighted Avg. YTW	0.037%	0.033%
Weighted Avg. YTM	0.037%	0.033%

Allocation by Security Type



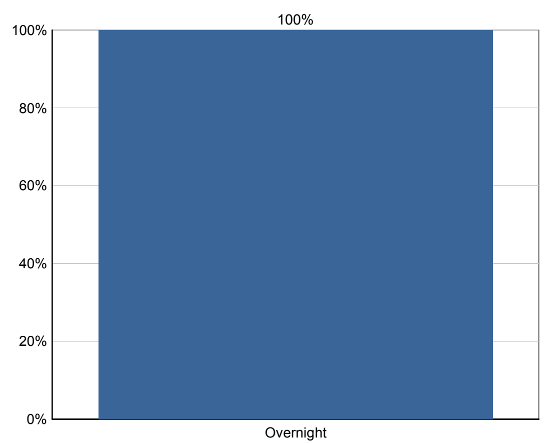
BANK DEP	4%
LGIP	96%
Total:	100%

Allocation by Issuer



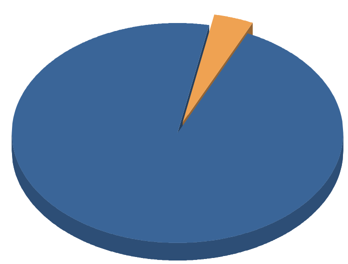
LOGIC	54%
TEXPOOL	42%
FROST	4%
TXDLY	1%
Total:	100%

Maturity Distribution %



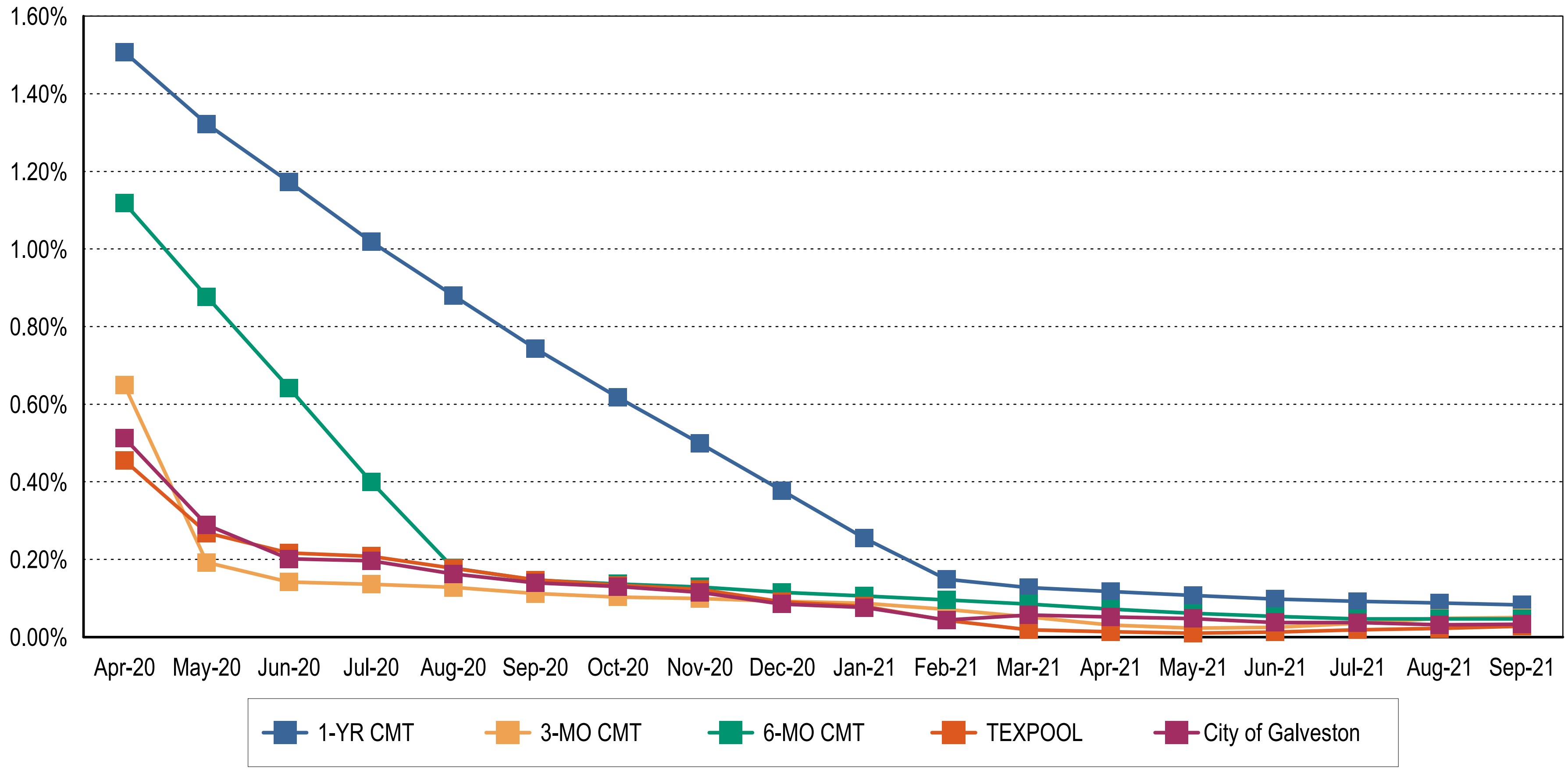
Weighted Average Days to Maturity: 1

Credit Quality



AAA	96%
Collateralized	4%
Total:	100%

City of Galveston
Benchmark Comparison
As of 09/30/2021



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Note 2: Benchmark data for TexPool is the monthly average yield.

City of Galveston
Detail of Security Holdings
As of 09/30/2021

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
Operating Fund																	
FROSTGLVS		BANK DEP	Frost Bk Sweep - Repo					5,238,000.00	100.000	5,238,000.00	5,238,000.00	100.000	5,238,000.00	1		0.050	0.050
LOGIC		LGIP	LOGIC					70,894,744.36	100.000	70,894,744.36	70,894,744.36	100.000	70,894,744.36	1		0.036	0.036
TEXPOOL		LGIP	TexPool					55,234,649.66	100.000	55,234,649.66	55,234,649.66	100.000	55,234,649.66	1		0.028	0.028
TXDAILY		LGIP	TexasDAILY					752,549.57	100.000	752,549.57	752,549.57	100.000	752,549.57	1		0.020	0.020
Total for Operating Fund								**132,119,943.59**	**100.000**	**132,119,943.59**	**132,119,943.59**	**100.000**	**132,119,943.59**	**1**		**0.033**	**0.033**
Total for City of Galveston								**132,119,943.59**	**100.000**	**132,119,943.59**	**132,119,943.59**	**100.000**	**132,119,943.59**	**1**		**0.033**	**0.033**

City of Galveston
Change in Value
From 06/30/2021 to 09/30/2021

CUSIP	Security Type	Security Description	06/30/21 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	09/30/21 Book Value	06/30/21 Market Value	09/30/21 Market Value	Change in Mkt Value
Operating Fund											
FROSTGLVS	BANK DEP	Frost Bk Sweep - Repo	3,473,000.00	3,612,000.00	(1,847,000.00)	0.00	0.00	5,238,000.00	3,473,000.00	5,238,000.00	1,765,000.00
LOGIC	LGIP	LOGIC	70,887,159.82	7,584.54	0.00	0.00	0.00	70,894,744.36	70,887,159.82	70,894,744.36	7,584.54
TEXPOOL	LGIP	TexPool	63,731,257.88	0.00	(8,496,608.22)	0.00	0.00	55,234,649.66	63,731,257.88	55,234,649.66	(8,496,608.22)
TXDAILY	LGIP	TexasDAILY	1,155,114.80	40.70	(402,605.93)	0.00	0.00	752,549.57	1,155,114.80	752,549.57	(402,565.23)
Total for Operating Fund			**139,246,532.50**	**3,619,625.24**	**(10,746,214.15)**	**0.00**	**0.00**	**132,119,943.59**	**139,246,532.50**	**132,119,943.59**	**(7,126,588.91)**
Total for City of Galveston			**139,246,532.50**	**3,619,625.24**	**(10,746,214.15)**	**0.00**	**0.00**	**132,119,943.59**	**139,246,532.50**	**132,119,943.59**	**(7,126,588.91)**

City of Galveston
Earned Income
From 06/30/2021 to 09/30/2021

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
Operating Fund									
FROSTGLVS	BANK DEP	Frost Bk Sweep - Repo	0.00	606.36	606.36	0.00	0.00	0.00	606.36
LOGIC	LGIP	LOGIC	0.00	7,584.54	7,584.54	0.00	0.00	0.00	7,584.54
TEXPOOL	LGIP	TexPool	0.00	3,391.78	3,391.78	0.00	0.00	0.00	3,391.78
TXDAILY	LGIP	TexasDAILY	0.00	52.37	52.37	0.00	0.00	0.00	52.37
Total for Operating Fund			**0.00**	**11,635.05**	**11,635.05**	**0.00**	**0.00**	**0.00**	**11,635.05**
Total for City of Galveston			**0.00**	**11,635.05**	**11,635.05**	**0.00**	**0.00**	**0.00**	**11,635.05**

SEWER BILLED BY MONTH
FY 2015-2021

PERIOD	Consumption Month	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY21 Over/(Under) FY20	Monthly Budget FY 2021
1	October	1,177,037	1,255,861	1,163,205	1,251,166	1,269,338	1,266,908	1,272,006	0.4%	1,305,940
2	November	923,386	1,020,359	1,159,339	1,189,764	1,233,452	1,147,249	1,195,763	4.2%	1,260,384
3	December	883,472	1,156,091	1,206,249	1,086,712	1,058,534	1,107,323	1,145,725	4.6%	1,078,160
4	January	1,013,899	1,117,668	1,102,726	1,161,656	1,053,540	1,129,113	1,158,620	7.2%	1,078,160
5	February	780,149	992,412	1,011,493	1,031,977	1,075,580	1,109,584	1,042,438	3.2%	1,108,531
6	March	812,036	1,130,585	1,205,061	1,136,495	1,108,460	1,151,658	1,170,636	3.9%	1,138,901
7	April	941,364	1,138,186	1,093,401	1,220,685	1,142,842	1,105,008	1,206,566	-3.3%	1,169,272
8	May	884,914	1,147,865	1,194,918	1,248,638	1,207,573	1,242,306	1,305,775	2.9%	1,230,013
9	June	1,130,599	1,209,374	1,374,260	1,500,147	1,357,042	1,447,644	1,368,329	6.7%	1,397,052
10	July	1,256,796	1,362,298	1,279,550	1,481,918	1,454,716	1,414,313	1,431,605	-2.8%	1,488,164
11	August	1,235,798	1,369,124	1,496,221	1,520,080	1,432,234	1,392,471	1,453,425	-2.8%	1,472,979
12	September	1,066,429	1,245,600	1,267,306	1,270,028	1,427,995	1,417,165		-0.8%	1,457,794
	FY TOTALS	**12,105,879**	**14,145,423**	**14,553,730**	**15,099,266**	**14,821,307**	**14,930,743**	**13,750,887**	0.7%	**15,185,350**
PERIOD	**YTD TOTALS**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY21 Over/(Under) FY20**	**YTD Budget FY 2021**
1	October	1,177,037	1,255,861	1,163,205	1,251,166	1,269,338	1,266,908	1,272,006	0.4%	1,305,940
2	November	2,100,423	2,276,220	2,322,544	2,440,930	2,502,790	2,414,157	2,467,769	2.2%	2,566,324
3	December	2,983,895	3,432,311	3,528,793	3,527,642	3,561,325	3,521,481	3,613,494	2.6%	3,644,484
4	January	3,997,794	4,549,979	4,631,519	4,689,298	4,614,865	4,650,594	4,772,114	2.6%	4,722,644
5	February	4,777,944	5,542,391	5,643,012	5,721,275	5,690,445	5,760,178	5,814,552	0.9%	5,831,174
6	March	5,589,980	6,672,976	6,848,073	6,857,770	6,798,905	6,911,836	6,985,188	1.1%	6,970,076
7	April	6,531,344	7,811,162	7,941,475	8,078,455	7,941,747	8,016,844	8,191,754	2.2%	8,139,348
8	May	7,416,258	8,959,027	9,136,393	9,327,093	9,149,320	9,259,150	9,497,529	2.6%	9,369,361
9	June	8,546,857	10,168,401	10,510,653	10,827,240	10,506,363	10,706,794	10,865,858	1.5%	10,766,413
10	July	9,803,652	11,530,699	11,790,203	12,309,158	11,961,078	12,121,107	12,297,462	1.5%	12,254,577
11	August	11,039,450	12,899,823	13,286,424	13,829,239	13,393,312	13,513,578	**13,750,887**	1.8%	**13,727,556**
12	September	12,105,879	14,145,423	14,553,730	15,099,266	14,821,307	14,930,743	13,750,887	-7.9%	**15,185,350**

WATER BILLED BY MONTH CONSUMED
FY 2015-2021

PERIOD	Consumption Month	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY21 Over/(Under) FY20	Monthly Budget FY 2021
1	October	1,531,876	1,980,495	1,798,033	1,822,567	1,736,241	1,991,366	2,013,923	1.1%	1,840,200
2	November	1,201,595	1,472,169	1,735,283	1,671,082	1,664,169	1,657,825	1,881,610	13.5%	1,772,800
3	December	1,130,961	1,661,710	1,713,271	1,402,614	1,327,839	1,584,778	1,649,955	4.1%	1,391,400
4	January	1,290,354	1,572,610	1,448,479	1,470,569	1,281,167	1,566,263	1,576,750	0.7%	1,368,900
5	February	971,541	1,293,101	1,288,374	1,206,586	1,390,858	1,533,680	1,359,931	-11.3%	1,481,100
6	March	1,090,198	1,464,200	1,577,075	1,384,404	1,476,295	1,584,655	1,570,104	-0.9%	1,548,500
7	April	1,182,676	1,601,530	1,519,366	1,661,344	1,612,466	1,651,458	1,717,990	4.0%	1,727,900
8	May	1,134,449	1,556,558	1,819,959	1,912,776	1,727,472	1,871,688	1,887,489	0.8%	1,817,800
9	June	1,461,962	1,643,370	2,008,489	2,477,920	2,031,123	2,161,847	2,054,545	-5.0%	2,154,300
10	July	1,763,127	2,334,289	1,821,316	2,340,423	2,204,460	2,179,945	2,079,022	-4.6%	2,333,900
11	August	1,732,325	2,245,392	2,179,099	2,458,505	2,359,064	2,169,939	2,191,444	1.0%	2,513,400
12	September	1,471,078	1,860,832	1,788,294	1,826,993	2,355,926	2,325,458		-100.0%	2,491,000
	FY TOTALS	**15,962,142**	**20,686,256**	**20,697,037**	**21,635,782**	**21,167,080**	**22,278,902**	**19,982,763**	-10.3%	**22,441,190**
PERIOD	**YTD Totals**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY21 Over/(Under) FY20**	**YTD Budget FY 2021**
1	October	1,531,876	1,980,495	1,798,033	1,822,567	1,736,241	1,991,366	2,013,923	1.1%	1,840,200
2	November	2,733,471	3,452,664	3,533,316	3,493,649	3,400,410	3,649,191	3,895,534	7.3%	3,613,000
3	December	3,864,432	5,114,374	5,246,587	4,896,263	4,728,249	5,233,970	5,545,488	10.7%	5,004,400
4	January	5,154,786	6,686,983	6,695,065	6,366,832	6,009,416	6,800,232	7,122,238	13.2%	6,373,300
5	February	6,126,327	7,980,085	7,983,440	7,573,418	7,400,274	8,333,913	8,482,169	12.6%	7,854,400
6	March	7,216,524	9,444,285	9,560,515	8,957,822	8,876,569	9,918,568	10,052,273	11.7%	9,402,900
7	April	8,399,201	11,045,815	11,079,880	10,619,166	10,489,035	11,570,026	11,770,263	10.3%	11,130,800
8	May	9,533,650	12,602,373	12,899,839	12,531,941	12,216,508	13,441,714	13,657,752	10.0%	12,948,600
9	June	10,995,612	14,245,743	14,908,328	15,009,861	14,247,630	15,603,561	15,712,297	9.5%	15,102,900
10	July	12,758,739	16,580,032	16,729,644	17,350,283	16,452,090	17,783,505	17,791,319	8.1%	17,436,800
11	August	14,491,064	18,825,424	18,908,743	19,808,788	18,811,154	19,953,445	**19,982,763**	6.1%	**19,950,200**
12	September	15,962,142	20,686,256	20,697,037	21,635,782	21,167,080	22,278,902	19,982,763	5.3%	22,441,200

CITY OF GALVESTON - LOCAL HOTEL OCCUPANCY TAX
GROSS COLLECTIONS BY PARK BOARD

Month of Occupancy	FY2017	FY2018	FY2019	FY2020	FY2021	Month Over/ (Under) Same Month 2019
October	$1,015,895.74	$1,107,179.49	$1,027,935.51	$1,107,915.03	$976,041.86	-5.0%
November	$816,077.11	$1,058,984.58	$955,802.18	$1,033,923.87	$662,380.38	-30.7%
December	$902,418.26	$987,874.60	$936,819.57	$1,030,901.98	$945,974.06	1.0%
January	$726,111.74	$742,164.89	$760,945.59	$768,229.16	$578,258.05	-24.0%
February	$928,371.67	$846,191.38	$794,281.23	$896,603.98	$433,004.11	-45.5%
March	$1,527,514.96	$1,781,668.66	$1,700,724.97	$972,543.41	$2,014,701.57	18.5%
April	$1,279,130.86	$1,320,636.41	$1,269,496.25	$108,560.93	$1,616,155.43	27.3%
May	$1,384,806.34	$1,567,006.88	$1,497,510.52	$1,322,864.57	$1,986,677.20	32.7%
June	$2,369,703.73	$2,812,512.76	$2,881,101.50	$2,705,763.65	$4,351,732.99	51.0%
July	$2,639,528.58	$2,910,435.05	$2,775,212.44	$1,974,847.64	$3,988,153.68	43.7%
August	$1,563,148.58	$1,976,794.44	$1,910,778.67	$1,889,795.01	$2,761,471.25	44.5%
September	$1,513,221.44	$1,569,116.27	$1,681,762.70	$2,274,273.29		
Totals	**$16,665,929.01**	**$18,680,565.41**	**$18,192,371.13**	**$16,086,222.52**	**$20,314,550.58**	
	8.9%	**12.1%**	**-2.6%**	**-11.6%**	**26.3%**	
Amt per Penny	**$1,851,769.89**	**$2,075,618.38**	**$2,021,374.57**	**$1,787,358.06**	**$2,257,172.29**	
YTD Totals	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**YTD Over/(Under) FY19**
October	$1,015,895.74	$1,107,179.49	$1,027,935.51	$1,107,915.03	$976,041.86	-5.0%
November	$1,831,972.85	$2,166,164.07	$1,983,737.69	$2,141,838.90	$1,638,422.24	-17.4%
December	$2,734,391.11	$3,154,038.67	$2,920,557.26	$3,172,740.88	$2,584,396.30	-11.5%
January	$3,460,502.85	$3,896,203.56	$3,681,502.85	$3,940,970.04	$3,162,654.35	-14.1%
February	$4,388,874.52	$4,742,394.94	$4,475,784.08	$4,837,574.02	$3,595,658.46	-19.7%
March	$5,916,389.48	$6,524,063.60	$6,176,509.05	$5,810,117.43	$5,610,360.03	-9.2%
April	$7,195,520.34	$7,844,700.01	$7,446,005.30	$5,918,678.36	$7,226,515.46	-2.9%
May	$8,580,326.68	$9,411,706.89	$8,943,515.82	$7,241,542.93	$9,213,192.66	3.0%
June	$10,950,030.41	$12,224,219.65	$11,824,617.32	$9,947,306.58	$13,564,925.65	14.7%
July	$13,589,558.99	$15,134,654.70	$14,599,829.76	$11,922,154.22	$17,553,079.33	20.2%
August	$15,152,707.57	$17,111,449.14	$16,510,608.43	$13,811,949.23	$20,314,550.58	23.0%
September	$16,665,929.01	$18,680,565.41	$18,192,371.13	$16,086,222.52		
State HOT Yr	$16,551,800.27	$18,624,670.58	$18,079,724.70	$15,493,711.93	$22,588,823.87	

FY 2021 Sales Tax and Property Tax Report Finance and Fiscal Affairs Committee October 19, 2021

Mike Loftin

Assistant City Manager – Finance"

Sales Tax Revenue

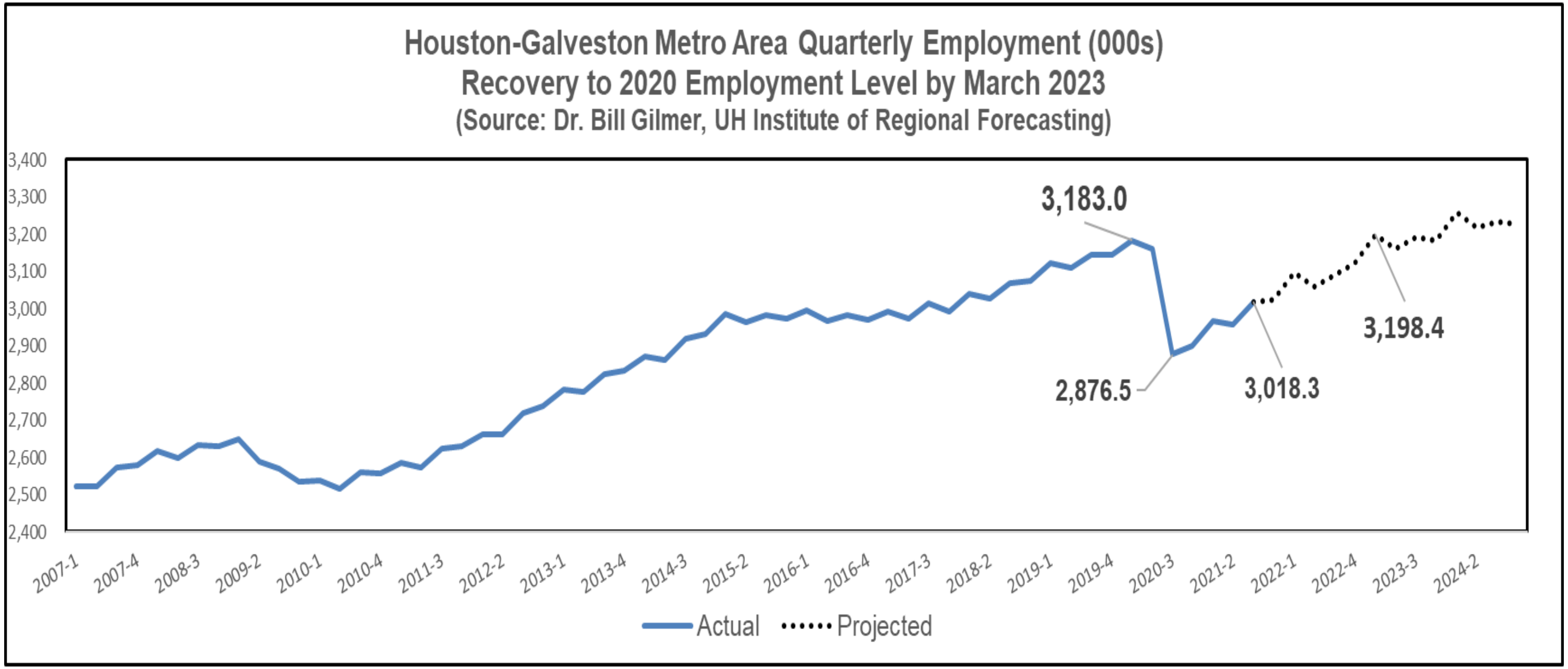
FY 2021 Sales Tax

MONTH TAX COLLECTED BY RETAILER	2018 (Full 2% Receipts)	2019 (Full 2% Receipts)	2020 (Full 2% Receipts)	2021 (Full 2% Receipts)	Pct Over Same Mo FY19	General Fund Share (75% of Total Receipts
October	1,583,869.29	1,618,015.12	1,634,553.31	1,732,065.87	7.05%	1,299,049.40
November	1,508,187.73	1,549,058.16	1,531,731.60	1,637,150.25	5.69%	1,227,862.69
December	1,898,024.07	1,904,785.84	2,144,281.50	1,989,862.73	4.47%	1,492,397.05
January	1,338,215.41	1,483,226.85	1,597,010.15	1,501,095.68	1.20%	1,125,821.76
February	1,355,370.24	1,494,810.37	1,507,781.44	1,346,457.38	-9.92%	1,009,843.04
March	2,016,199.59	2,039,770.58	1,808,268.53	2,534,437.12	24.25%	1,900,827.84
April	1,628,106.23	1,871,434.34	1,393,457.90	2,074,311.05	10.84%	1,555,733.29
May	1,790,834.04	1,777,842.73	1,887,222.74	2,024,717.32	13.89%	1,518,537.99
June	2,335,983.24	2,373,395.72	2,434,783.43	2,771,117.12	16.76%	2,078,337.84
July	2,147,580.24	2,272,459.96	1,894,070.23	2,662,668.50	17.17%	*1,997,001.38*
August	1,851,919.35	2,029,978.03	1,817,909.07	2,163,117.95	6.56%	1,622,338.46
September	1,850,497.99	2,097,694.19	2,038,643.14	***2,148,346.88***	2.41%	***1,611,260.16***
	21,304,787.42	22,512,471.89	21,689,713.04	24,585,347.85		**18,439,010.90**

FY21 GF Budget	**16,300,000**
FY21 Est. in Budget	**17,250,000**
FY21 Est. 10.15.21	**18,439,000**

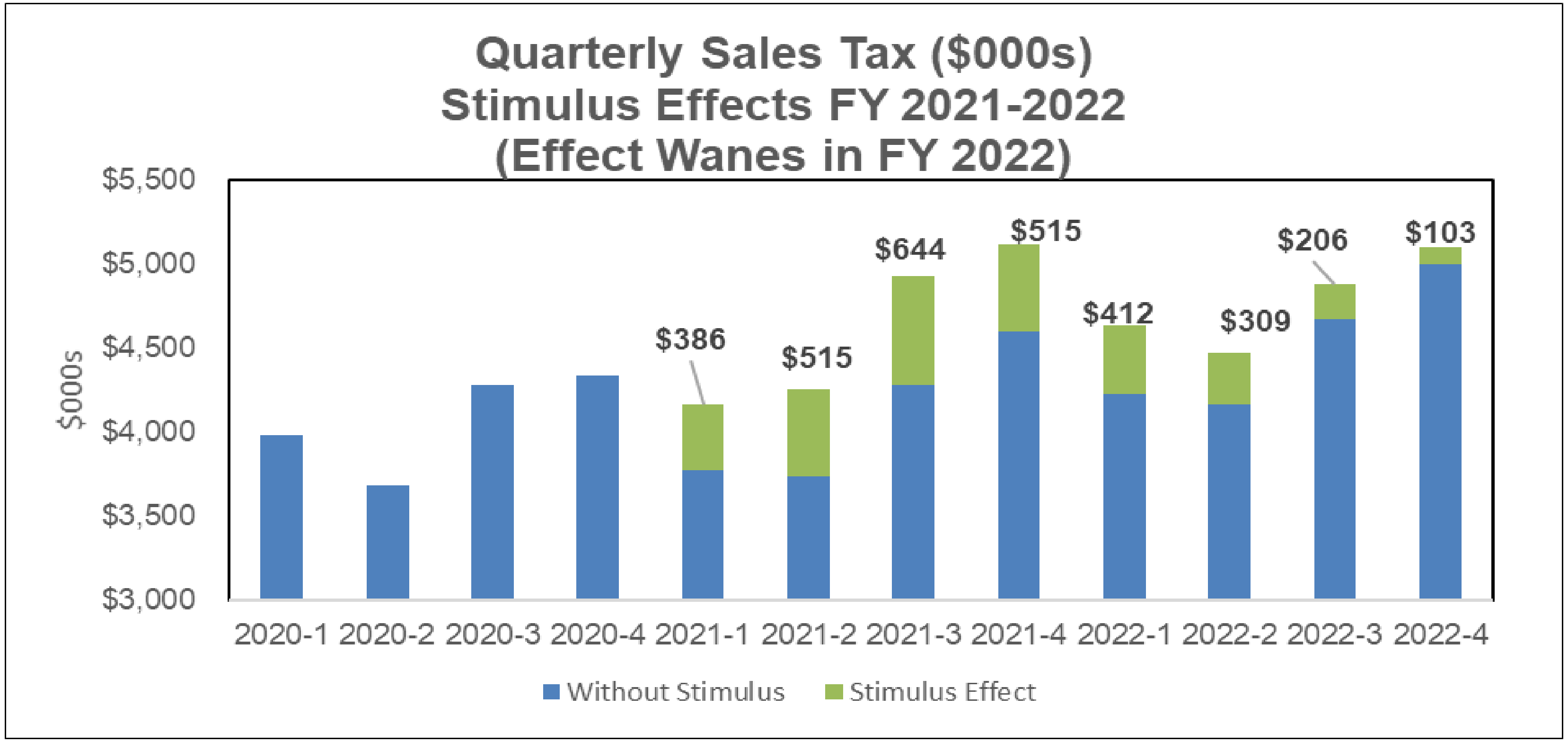
September results (estimated here) to be provided to City in early November.

Sales Tax Depends on Regional Employment Which Hasn't Fully Recovered



The region lost over 300,000 jobs in March and April of 2020: About half have been Recovered with recovery of the remainder projected by Spring of 2023.

Strong Sales Tax Revenue is Attributable to Government Stimulus (as of September 9)



Comment on 9/9/21:
With $2M of stimulus "Effect in FY21, total will be around $18M;
notice how the "without Stimulus" blue bars look like the employment line graph on the previous page.
FY21 Est. is $17.25M
And FY22 Proposed is $18.2M; model projects $18.4M in FY21 and $19.1M in FY22."

"Without Stimulus" is actuals through FY 2021-3 and modeled estimates thereafter. See pdf pages 55-58 in FY 2022 Proposed Budget.

Property Taxes

FY21 Taxable Value (Freeze Adjusted)

DESCRIPTION	FY19 ACTUAL	FY20 ACTUAL	FY21 BUDGET	FY21 PRELIM ACTUAL	FY22 BUDGET
NET PROPERTY TAX LEVY					
Total Taxable Value ($millions)	$6,334.9	$6,677.7	$7,324.0	$7,252.7	$8,728.6
Less TIRZ	($310.2)	($314.3)	($106.2)	($110.5)	($134.1)
MUD 30 Using Debt Svc Amts vs 60% of Value	($64.7)	($64.6)	($75.8)	($68.4)	($64.6)
Net Taxable Value	$5,960.0	$6,298.8	$7,142.0	$7,073.8	$8,529.9
Times Tax Rate per $100 of Taxable Value	$0.561000	$0.579885	$0.560000	$0.560000	$0.498500
Total Tax Levy ($Thousands Revenue)	**$35,538.8**	**$38,723.0**	**$41,014.4**	**$40,615.1**	**$43,512.1**
Less: Freeze Acct Total Value Revenue Equivalent (Over 65 and Disabled)	($3,732.9)	($4,236.9)	($4,569.5)	($4,528.8)	($4,476.0)
Plus: Freeze Acct collectible Revenue (Over 65 & Disabled)	$2,575.8	$2,788.6	$3,154.3	$3,114.9	$2,965.7
Less: Taxes Lost to Tax Freeze	**($1,157.1)**	**($1,448.3)**	**($1,415.2)**	**($1,413.9)**	**($1,510.3)**
Net Current Year Tax Levy ($000's Revenue)	**$34,381.7**	**$37,274.7**	**$39,599.2**	**$39,201.2**	**$42,001.8**
Effective Taxable Value ($millions)	**$6,128.6**	**$6,427.9**	**$7,071.3**	**$7,000.2**	**$8,425.6**
Effective Freeze Accounts Taxable Value ($millions)	**$1,092.4**	**$1,108.5**	**$1,262.7**	**$1,250.0**	**$1,387.4**
Less TIRZ Incremental Values ($millions)	**($310.2)**	**($314.3)**	**($106.2)**	**($110.5)**	**($131.0)**
Effective Taxable Value Retained by City ($millions	**$5,818.4**	**$6,113.6**	**$6,965.1**	**$6,889.7**	**$8,294.6**

Net FY21 Property Tax Levy
Distributed to General, Debt and Library Funds

DESCRIPTION	FY19 ACTUAL	FY20 ACTUAL	FY21 BUDGET	FY21 PRELIM ACTUAL	FY22 BUDGET
Net Current Year Levy ($000's)	$34,381.7	$37,274.7	$39,599.2	$39,201.2	$42,001.8
Less TIRZ Increment	**($1,740.2)**	**($1,671.0)**	**($594.7)**	**($618.8)**	**($653.0)**
Net Current Year Levy Retained by the City	$32,641.5	$35,603.7	$39,004.5	$38,582.4	$41,348.8
General Fund Share (including MUD 30) of NCL	$26,677.4	$29,310.4	$31,865.3	$31,520.4	$32,846.8
Debt Service Share of NCL	$3,054.7	$3,223.4	$3,656.7	$3,617.1	$4,354.7
Library Fund Share of NCL	$2,909.2	$3,069.9	$3,482.5	$3,444.9	$4,147.3
Net Current Year Levy Retained by the City	**$32,641.3**	**$35,603.7**	**$39,004.5**	**$38,582.4**	**$41,348.8**

FY21 Preliminary Actual

Estimated/Actual Collections	FY19 ACTUAL	FY20 ACTUAL	FY21 BUDGET	FY21 PRELIM ACTUAL	FY22 BUDGET
General Fund Current Collection Total	$27,812.9	$30,382.4	$31,681.0	$31,577.4	$32,829.8
General Fund Delinquent Taxes	$402.2	$459.8	$390.0	$540.8	$500.0
General Fund Penalty & Interest	$335.7	$413.1	$330.0	$532.3	$450.0
Less TIRZ Increment	($1,717.0)	($1,746.2)	($594.7)	($597.9)	($640.0)
MUD 30 Using Debt Svc Amts vs 60% of Value	($350.1)	($406.9)	($424.7)	($410.8)	($405.8)
General Fund Total	**$26,483.7**	**$29,102.2**	**$31,381.6**	**$31,641.8**	**$32,734.0**
Debt Service Net Current Levy Total	$2,987.6	$3,152.3	$3,568.9	$3,563.4	$4,267.6
Debt Service Delinquent Taxes	$51.1	$52.6	$40.0	$59.2	$50.0
Debt Service Fund Total	**$3,038.7**	**$3,204.9**	**$3,608.9**	**$3,622.6**	**$4,317.6**
Library Net Current Levy Total	$2,843.9	$2,997.9	$3,398.9	$3,394.7	$4,064.4
Library Delinquent Taxes	$43.1	$48.4	$40.0	$55.4	$50.0
Library Fund Total	**$2,887.0**	**$3,046.3**	**$3,438.9**	**$3,450.1**	**$4,114.4**
BUDGET TOTAL COLLECTIONS	**$32,409.4**	**$35,353.4**	**$38,429.4**	**$38,714.5**	**$41,166.0**
Estimated Current Collection Rate (of Gross Current Year Taxes)	**97.9%**	**98.0%**	**97.6%**	**98.3%**	***98.0%***
Estimated Total Collection Rate (of gross taxes	**100.3%**	**100.6%**	**99.6%**	**101.3%**	**100.5%**
Percent Change in Grand Total Collections	**1.7%**	**9.1%**	**7.5%**	**8.3%**	**6.3%**
Tax Rate					
General Fund Operations and Maintenance	$0.458500	$0.477385	$0.457500	$0.457500	$0.396000
Debt Service Fund Interest and Sinking	$0.052500	$0.052500	$0.052500	$0.052500	$0.052500
Library Fund	$0.050000	$0.050000	$0.050000	$0.050000	$0.050000
Total Rate	**$0.561000**	**$0.579885**	**$0.560000**	**$0.560000**	**$0.498500**

Property Tax Revenue (page 49 online)

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%

Based on the requirement to maintain the Library's five cent tax rate allocation, and the requirement to reduce the overall tax rate, **the General Fund share of total property tax revenue is increasing 3.36% while the Library share is going up 19.46%. The entire 6.15 cent tax rate cut is coming off of the General Fund's share of the tax rate and reducing it from 45.75 cents to 39.6 cents while the Library rate stays at 5 cents.**

The proposal to the Rosenberg Library, if accepted, would result in a payment by the Library of $453,000. ***The Library would then net $3,660,700, a $216,600 increase (6.29%) over FY 2021.*** The Library has made a counterproposal that limits the use of these funds to Library purposes.

City of Galveston

FINANCE DEPARTMENT
PO Box 779| Galveston, TX 77553-0779
mloftin@galvestontx.gov |409-797-3562

July 22, 2021

To: City Manager Brian Maxwell
Honorable Mayor and City Council

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

RE: Consider a proposed amendment to the Memorandum of Understanding between the Rosenberg Library and the City of Galveston to provide for payments by the Library to the City that address an inequitable distribution of property tax revenue caused by the combined effect of City Charter requirements and State property tax laws approved in 2019.

Prior Council Action

In 2018, the City and the Library approved the Memorandum of Understanding formalizing the process of administering the City Charter provision that provides for the Rosenberg Library to receive a specific portion of the City's annual property tax revenue. By the time this is before City Council on July 22, the Library Board will likely not have met and approved it. But it is being presented for Council approval because of initial favorable responses from Library representatives.

Background

1. The City is severely limited in its property tax administration by the State property tax that effectively limits the City to an annual increase in revenue of 3.5% over the prior year, not including new construction. If the City's total taxable value excluding new construction as certified by the Galveston County Chief Appraiser increases by more than 3.5%, the City has two choices: reduce its property tax rate to offset the taxable value increase and/or request the voters to approve a higher property tax rate before beginning tax collections for the Budget year already underway.

2. The City chooses to adhere to the 3.5% limit on its revenue increase which is handled through the setting of its tax rate. By State law, the City's rate is comprised of two parts:

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A. A debt service rate that is levied to retire principal and interest on previously sold general obligation bonds;
B. A maintenance and operations rate intended to cover all operating needs normally funded as a part of a jurisdiction's General Fund.

3. The City's debt service repayment schedule is generally flat so the debt service rate is held constant over time to meet bond covenant requirements. Therefore, the maintenance and operations portion of the rate must be reduced in order to comply with the 3.5% revenue increase limit. And the M&O rate is also the portion of the rate that must include the Library's property tax portion.

4. This year, the Galveston County Appraisal District has raised the City taxpayers' values by an initial rate of 35% overall. The after-protest taxable value is certain to increase by well over 3.5%. The current estimate is around 15%, but it could easily be 20% when values are certified to the City. Because of the City Charter language, none of the rate reduction can be taken out of the Library's share of the M&O rate.

5. The City Charter includes the following language under Article VIII Taxation, Section 2 Powers of Taxation:

   "(2) Effective January 1, 1979, for the conduct, maintenance, improvement and extension of Rosenberg Library, a tax rate which will yield that amount which would be derived by the levy of a Five Cent ($0.05) tax, or at the discretion of the City Council, an additional amount up to a maximum total of an Eight Cent ($0.08) tax, per $100.00 of assessed valuation based upon a one hundred (100) per cent assessment ratio."

6. For the last number of years, the City has based its payment under the charter language above on the minimum property tax rate of $0.05. This will mean in the upcoming FY2022 Budget, that the Library will receive an increase in its share of City property tax revenue that is equal to the taxable value increase received from the CAD. Whatever the taxable value is, 15 or 20% more, the Library is mandated to receive its five-cent rate's worth of the revenue produced.

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General Fund Rate Drops with Increases in Taxable Value

Fund	FY 2020 Actual	FY 2021 Actual	FY 2022 3.5% Increase in TV	FY 2022 10% Increase in TV	FY 2022 15% Increase in TV	FY 2022 20% Increase in TV
General Fund	$0.47739	$0.45750	$0.45750	$0.42750	$0.40750	$0.38950
Debt	$0.05250	$0.05250	$0.05250	$0.05250	$0.05250	$0.05250
Library	$0.05000	$0.05000	$0.05000	$0.05000	$0.05000	$0.05000
Total *	$0.57989	$0.56000	$0.56000	$0.53000	$0.51000	$0.49200

General Fund Revenue ($Thousands) Drops with Increases in Total Revenue

Fund	FY 2020 Actual	FY 2021 Projected	FY 2022 3.5% Increase in TV	FY 2022 10% Increase in TV	FY 2022 15% Increase in TV	FY 2022 20% Increase in TV
General Fund	$29,102	$31,473	$32,554	$32,131	$31,825	$31,550
Debt	$3,205	$3,587	$3,722	$3,933	$4,088	$4,242
Library	$3,046	$3,418	$3,547	$3,748	$3,898	$4,042
Total *	$35,353	$38,477	$39,823	$39,812	$39,809	$39,834

Note: Totals do not match because of complexity of tax calculation (freeze, P&I, et al).

Increase/(Decrease) from Prior Year ($Thousands)

Fund	FY 2020 Actual	FY 2021 Projected	FY 2022 3.5% Increase in TV	FY 2022 10% Increase in TV	FY 2022 15% Increase in TV	FY 2022 20% Increase in TV
General Fund	$2,618	$2,371	$1,082	$659	$353	$78
Debt	$166	$382	$135	$346	$501	$655
Library	$159	$372	$129	$330	$480	$624
Total *	$2,944	$3,124	$1,346	$1,335	$1,332	$1,357

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General Fund Percent Share Drops with Growth in Tax Roll

Fund	FY 2020 Actual	FY 2021 Projected	FY 2022 3.5% Increase in TV	FY 2022 10% Increase in TV	FY 2022 15% Increase in TV	FY 2022 20% Increase in TV
General Fund	9.9%	8.1%	3.4%	2.1%	1.1%	0.2%
Debt	5.5%	11.9%	3.8%	9.7%	14.0%	18.3%
Library	5.5%	12.2%	3.8%	9.7%	14.0%	18.3%
Total	9.1%	8.8%	3.5%	3.5%	3.5%	3.5%

7. Note the following:
   A. In FY 2020, the General Fund share increased by a larger percentage than the Library (9.9% versus 5.5%). This occurred because the City increased the M&O tax rate and this raised the General Fund portion of that rate only.
   B. In FY 2021, the 3.5% limit on growth in revenue from properties on the tax roll in the prior year took effect. As a result, the M&O portion of the tax rate was reduced $0.01988 and this reduced the General Fund's rate only.
   C. In FY 2022, as the potential taxable value increase gets larger, the General Fund revenue share of total revenue gets smaller. If the taxable roll goes up by 20%, which is highly possible, the General Fund share of the total will go up $78,000 or only 0.2%. This would lead to significant cuts in the General Fund budget in order to maintain public safety budgets intact.
   D. Differences in the percent increase for Debt and the Library from year to year are rounding differences.

Issues

1. Clearly, changing the City Charter language to something more equitable is needed; however, this will require some time and will be too late for this year's Budget problem caused by the unusually high taxable value increases. And the Charter provision will have to be complied with until it is changed.
2. A simple interim solution is to implement an agreement between the City and the Rosenberg Library whereby each shares equally in the overall percentage increase in property tax revenue.
   A. The inside cover page of the Proposed Budget is required to have the following language by the State of Texas Budget Law, Section 102.007 of the Local Government

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Code. The statement shown was in the FY 2021 Adopted Budget document because the final certified roll was not available until after the Proposed Budget was released.

"This budget will raise more revenue from property taxes than last year's budget by an amount of $3,156,000, which is a 8.95 percent increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year."

This calculation was based on the following numbers found in the chart on page 37 of the Adopted Budget.

PROPERTY TAX REVENUE GROWTH
FY 2021 ADOPTED BUDGET ESTIMATE

By Fund	FY 2020 Estimate	FY 2021 Adopted	Amount of Increase	Percent Increase
General Fund Operations	$29,031,300	$31,381,600	$2,350,300	8.10%
Debt Service Fund	$3,196,200	$3,608,900	$412,700	12.91%
Rosenberg Library	$3,045,900	$3,438,900	$393,000	12.90%
Total	**$35,273,400**	**$38,429,400**	**$3,156,000**	8.95%

B. If the City and the Library shared equally in the overall increase in taxable value, the resulting payment by the Library to the City would have been $120,392, netting the Library a revenue gain of $272,608 over FY 2020.

PROPERTY TAX REVENUE GROWTH
CALCULATION OF LIBRARY PAYMENT FOR FY 2021

By Fund	FY 2020 Estimate	FY 2021 Adopted	FY 2021 Equitable Shares	Percent Increase	Amount of Increase
General Fund Operations	$29,031,300	$31,381,600	$31,629,601	8.95%	$2,598,301
Debt Service Fund	$3,196,200	$3,608,900	$3,482,260	8.95%	$286,060
Rosenberg Library	$3,045,900	$3,438,900	$3,318,508	8.95%	$272,608
Total	**$35,273,400**	**$38,429,400**	**$38,430,369**	8.95%	**$3,156,969**

C. In FY 2022, if the roll increases by 16.5%, including new construction at 1.5%, the two-step process would look like this:

(1) Calculate the Proposed Budget based on the City Charter mandated $0.05 cent tax levy for the Library. The Budget disclosure language required by State law would indicate that the overall increase in the property tax revenue would be $1,333,000 or 3.46% growth. The Budget would reflect the allocations shown below, and the City

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would make its property tax payments to the Library as it always has under the Charter.

PROPERTY TAX REVENUE GROWTH
PROSPECTIVE FY 2022 BUDGET ESTIMATE

By Fund	FY 2021 Estimate	FY 2022 Proposed	Amount of Increase	Percent Increase Over FY 2021
General Fund Operations	$31,473,000	$31,825,000	$352,000	1.12%
Debt Service Fund	$3,587,000	$4,088,000	$501,000	13.97%
Rosenberg Library	$3,418,000	$3,898,000	$480,000	14.04%
Total	**$38,478,000**	**$39,811,000**	**$1,333,000**	3.46%

(2) Calculate the equitable share of the overall property tax revenue increase of 3.46% not including new construction. The result is a net increase for the Library of $118,263 over FY 2021 (see below) instead of the $480,000 increase in the Charter mandated budget calculation (see above). The PILOT payment to the City would be $361,737 ($480,000 less $118,263). Should new construction equal 1.5%, the overall increase in the property tax for the City and the Library would be five percent. In this case, the Library revenue amount would be $3,589,000, constituting an increase over FY 2021 of $171,000.

PROPERTY TAX REVENUE GROWTH
CALCULATION OF LIBRARY PAYMENT FOR FY 2022

By Fund	FY 2021 Estimate	FY 2022 Proposed	FY 2022 Equitable Shares	Percent Increase	Amount of Increase over FY 2021
General Fund Operations	$31,473,000	$31,825,000	$32,561,966	3.46%	$1,088,966
Debt Service Fund	$3,587,000	$4,088,000	$3,711,110	3.46%	$124,110
Rosenberg Library	$3,418,000	$3,898,000	$3,536,263	3.46%	$118,263
Total	**$38,478,000**	**$39,811,000**	**$39,809,339**	3.46%	**$1,331,339**

(3) In the above example, the City's overall share of the increase in property tax revenue would grow 3.46% for the total of the Debt Service Fund and the General Fund. For policy reasons, the City may decide to leave its debt service rate where it is which would

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reduce the General Fund rate somewhat. The options in this regard will not be known until the property tax roll is delivered and the Proposed Budget is sent to City Council in August.

(4) Also, the Library's total shown in the above box does not include new construction. This could raise the Library's full payment by as much as $35,000 to $75,000 depending on how much new construction is a part of the final certified tax roll.

Recommendation: Implementation in FY 2022

1. Approve an amendment to the existing Memorandum of Understanding between the Library and the City that recognizes the proposed payment as a form of revenue sharing or payment in lieu of taxes (PILOT). Secure approval of the Council and Library Board prior to the submission of the budget to Council.
2. The City would make payments to the Library as it always has using the five-cent tax levy amount budgeted (estimated in the table above at $3,898,000 not including new construction).
3. In turn, the Library would make payments in the table above to the City totaling $361,737 in equal monthly installments of $30,145. Again, this is not including new construction.
4. At the end of the fiscal year, actual property tax amounts collected would be audited and "trued up" using the same distribution rules used to formulate the budget. The first step would entail using the percent actual property tax increase for the year just closed over the actual amount for the prior year.

Recommendation: Adopt the Memorandum of Understanding as proposed.

Library Property Tax Revenue

- Issue: How to share property tax revenue with the Rosenberg Library equitably
- City Charter guarantees five cents tax rate equivalent of revenue: Began in 1946, revised several times

- In 1946, the total tax rate was $2.00 (now $0.4985)
- In 1946, the Library had to justify its budget and expenditures to City Council; in 1960 this provision was dropped but the guarantee remained
- In 1980, the effective tax rate setting process was put into law: Library's nickel comes out of the M&O portion of the rate which is governed by State law and is limited to 3.5% growth annually plus new construction.

Considerations

- Library is valuable asset to entire community but:

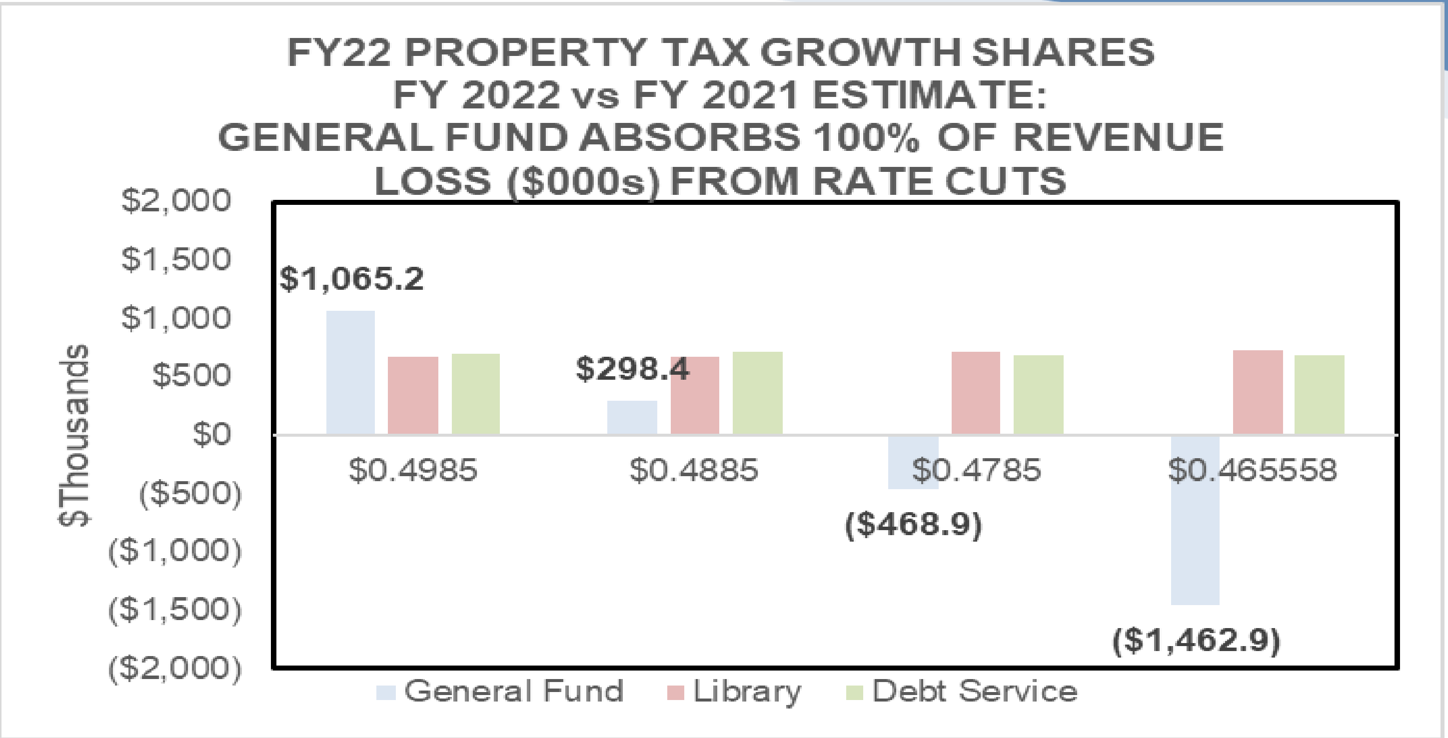
1. Operates as a private concern not governed by open meetings or open records laws
2. Receives a growing percentage of the property tax roll (now approximately 10%)
3. Is unaffected by the strict limits on property tax revenue growth, requiring other City departments to absorb the entire impact of the tax rate and revenue cutting environment:
4. Other valuable resources (Parks and recreation, transit, planning, code enforcement) have no guarantee

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%

Based on the requirement to maintain the Library's five cent tax rate allocation, and the requirement to reduce the overall tax rate, **the General Fund share of total property tax revenue increasing 3.36% while the Library share is going up 19.46%. The entire 6.15 cent tax rate cut is coming off of the General Fund's share of the tax rate and reducing it from 45.75 cents to 39.6 cents while the Library rate stays at 5 cents.**

The proposal to the Rosenberg Library, if accepted, would result in <u>a payment by the Library of $453,000</u>. ***The Library would then net $3,660,700, a $216,600 increase (6.29%) over FY 2021.*** The Library has made a counterproposal that limits the use of these funds to Library purposes.



The only fiscally sound way to offset these ongoing revenue losses is to cut ongoing expenses.

Fund	Rate Set at $0.4985 as Proposed	Rate set at $.4885- one cent less	Rate Set at $0.4785 - two cents less	Rate Set at No New Revenue - $0.465558
General Fund	**$1,065.2**	**$298.4**	**($468.9)**	**($1,462.9)**
Library	$670.3	$676.2	$712.9	$721.9
Debt Service	$700.2	$706.5	$682.4	$690.9
Totals	**$2,435.7**	**$1,681.1**	**$926.4**	**($50.1)**

MEMORANDUM OF UNDERSTANDING BETWEEN THE
CITY OF GALVESTON TEXAS AND THE
ROSENBERG LIBRARY ASSOCIATION RELATED TO THE PAYMENT OF
AD VALOREM TAXES TO THE ROSENBERG LIBRARY IN ACCORDANCE WITH
THE CHARTER OF THE CITY OF GALVESTON

This agreement is entered into by and between the City of Galveston (City) and the Rosenberg Library Association (Library), a 501(c)(3) not for profit corporation. The City and Library are hereinafter referred to as the “Parties”.

The Parties agree that City Charter Art. VIII §2 provides that the City shall pass “for the conduct, maintenance, improvement and extension of Rosenberg Library, a tax rate which will yield that amount which would be derived by the levy of a Five Cent ($0.05) tax or at the discretion of the City Council, an additional amount up to an eight cent ($0.08) tax per $100 of assessed valuation based upon a one hundred (100) percent assessment ratio.”

In 2018 the parties entered into Memorandum of Understanding to formalize the process of delivery of funds, referred to as “City Support” to the Library by the City. A copy of that Memorandum is attached as Exhibit A and is incorporated herein as if fully set forth. All terms and conditions set forth in the 2018 Memorandum are continued in force by this agreement.

The parties agree to the following refinements of the 2018 Memorandum as set forth herein:

1) The City shall continue to meet its obligations to provide City Support for the Library as set forth in City Charter Art. VIII §2.
2) The Library will accept the funds provided by the City under the Charter as continued City support.
3) The Library elects for the term of this agreement to make payments to the City in the amount set forth herein for the purposes outlined in Section IV below.

The parties agree that the payments between the parties shall be determined as follows:

I. Fiscal years: Both the City and Library utilize fiscal years beginning on October 1 and ending the following September 30.

II. Setting of payment to Library: As set forth in the 2018 Memorandum as attached, the City will make payment to the Library in a total amount equal to the certified value supplied by the Galveston Central Appraisal District multiplied by five cents ($0.05) for each one hundred dollars ($100) of assessed value. The payments shall be made monthly by the fifth business day of the month for each fiscal year in which this agreement is in place, beginning with FY 2022 that begins October 1, 2021.

III. Payments to the City from Library: The Library has determined that it is amenable to make an annual payment to the City. It is the intent of this agreement that the City and the Library will receive the same overall percent increase in total property tax revenue as presented and prepared under State law. For this purpose, the sum to be paid to the City by the Library will be the amount which when netted against the property tax payment made by the City under Section II ensures that the City and the Library have the same percent increase over the prior year. This calculation is to be made as follows:

A. The State of Texas Local Government Code Section 102.007 requires that the top page of the City Budget include the following language:
"This budget will raise more revenue from property taxes than last year's budget by an amount of $________ which is a ____ percent increase from last year's budget."

B. This language is required to be the broadest measure of property taxes including principal, penalties and interest paid on a current or delinquent basis during the City's fiscal year. It includes property tax revenue allocated within the City Budget by the City Council to the City's General Fund, the City's Debt Service Fund, and the Library.

C. These allocations are based on the State defined and regulated property tax rate passed by Council for debt and for maintenance and operations, with the latter portion of the rate including the Library's $0.05 tax rate. The percent increase is calculated as the total amount budgeted for the upcoming budget year less the total amount estimated for the current year in the aforementioned budget (variable C) divided by the amount estimated for the current year in total.

D. The Library's payment to the City is calculated as follows:

A = Percent increase in the City's total budgeted property tax revenue for the upcoming fiscal year over the estimated total for the current fiscal year as shown on the cover page of the City Budget and required by State law.

B = Proposed Budget for the property tax payment by the City to the Library in the upcoming fiscal year as required by the City Charter at the $0.05 rate.

C = Estimated property tax payment by the City as presented in the Budget for the upcoming fiscal year being made in the current fiscal year to the Library under the City Charter.

D = Equitable share of the upcoming fiscal year's property tax revenue for the Library.

E = Library payment to the City.

Applying the variables above the formula is a two-step process
Step 1 – (1 plus A) times C equals D
Step 2 – B less D equals E

E. The Library's payments shall be made in monthly installments using the budgeted amounts by the tenth business day of each month for each fiscal year in which this agreement is in place.

IV. The Library was formed and organized to carry out the provisions of the twenty-first clause of the will of Henry Rosenberg. That clause contemplates the endowment of a free public library for the people of Galveston together with free lectures and other matters "as may be most conducive to the improvement, instruction and elevation of the citizens of Galveston." In keeping with this purpose and mission, the City hereby agrees, as a condition to receiving the payments from the Library contemplated in this agreement, to use the funds from the payments provided by the Library to the City only for the public educational benefit of the citizens of Galveston through programs, projects and events promoting, encouraging or focusing on matters such as literacy, digital infrastructure, public broadband internet access, workforce development or other similar matters that are related to public library services.

V. Actual property taxes collected will vary from the Budget; the parties agree this is a common occurrence which must be contemplated. Therefore as soon as practicable after the close of the fiscal year but not later than December 15, the City will calculate the final amount owed to the library under the City Charter requirement, as well as the amount payable by the Library to the City using the actual increase in total property taxes over the prior fiscal year and calculating the Library's final amount due to the City using the same steps above. As it does now, the City will issue the Library a statement showing these calculations and will adjust its payment to the Library in satisfaction of the Charter requirement. If the City shows any funds are due for the Library's payments to the City, the Library will remit that payment within thirty days.

VI. The parties will follow this methodology for the fiscal year beginning October 1, 2021. Parties agree to have at least one in-person meeting to discuss the efficacy of the terms of this agreement and any additional proposed changes to Library funding prior to any City action to initiate a formal review of the Library funding language in the City Charter.

VII. This agreement will automatically terminate on September 30, 2022, unless the parties expressly agree in writing to extend the term of this agreement.

VIII. The City will not issue any press release or other disclosure regarding the contents of this agreement (other than as expressly required by Texas Public Information Act), without the prior written consent and approval of the Library.