City of Freeport
City Council Budget Workshop

This meeting will be live streamed via YouTube Live and may be accessed on the City of Freeport Facebook page: https://www.facebook.com/freeporttexas or by visiting https://www.youtube.com/@cityoffreeporttx8375/streams

Saturday, July 11, 2026, 9:00 AM | Council Chamber | 430 North Brazosport Blvd., Freeport, Texas 77541

In accordance with Section 551.043 of the Texas Government Code, this agenda has been posted at Freeport City Hall, and distributed to the appropriate news media within the required time frame. All meetings of the Freeport City Council are open to the public. Public participation and written comments are invited on all open session business items.

The Mayor and City Council request that cell phones be turned off or set to vibrate. Members of the audience are requested to step outside to conduct a phone conversation. The Council Chamber is wheelchair accessible and special parking is available outside the building. If special accommodation is required, please contact the City Secretary a minimum of 72 hours in advance at 979-233-3526.

1: Call to Order:

1A. Call to Order - Jerry Cain, Mayor

1B. Invocation - Councilman

1C. Pledges - Pledge of Allegiance to the United States; Pledge of Allegiance to the State of Texas.

1D. Matters Subsequent to Posting.

1E. Audience Participation – Anyone who has registered to speak prior to the meeting being called to order and desires to address the City Council will be heard at this time, or during the discussion of an item listed on the agenda. These forms are located by the City Secretary. After completing the form, give it to the City Secretary. She will give it to the Mayor. The Mayor will call on you when that item is presented, once a motion has been made by Council then public participation will not be allowed. You will have four (4) minutes to make your comments regardless of the number of agenda items to be addressed.

2: Workshop

2A. Discussion and review of the Proposed Fiscal Year 2026-2027 Budget.(Ashlee Hurst)

3: Adjournment

3A. Adjournment – Jerry Cain, Mayor

Items not necessarily discussed in the order they appear on the agenda. The Council at its discretion may take action on any or all of the items as listed. This notice is posted pursuant to the Texas Open Meeting Act. (Chapter 551, Government Code).

The City Council reserves the right to adjourn into executive session at any time during the course of this meeting to consult with the city attorney or discuss any of the matters listed above, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), but cannot vote or take action on any item unless it is set forth above in this agenda. 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices) and 551.087 (Economic Development).

CERTIFICATE I certify the foregoing notice was posted in the official glass case at the front door of City Hall, with 24 hours a day public access, 1201 North Avenue H., Freeport, Texas, 3 business days prior to meeting. In accordance with Open Meetings Act.

Clarisa Fernandez,
City Secretary, City of Freeport, Texas

CITY OF FREEPORT TEXAS

City Council Agenda Item #[2.A]

Title: Discussion and review of the Proposed Fiscal Year 2026-2027 Budget.

Date: July 11, 2026

From: Ashlee Hurst, Finance Director

Staff Recommendation: Staff recommends that the City Council review the updated budget information, discuss policy priorities, and provide any guidance regarding funding priorities and budget assumptions to assist in the development of the Proposed FY 2026–2027 Budget.

Item Summary: **BUDGET OVERVIEW:**
Preliminary budget projections indicate the following:

- General Fund revenues are projected to remain stable, supported primarily by property taxes, sales taxes, franchise fees, permits, and service charges.
- Personnel costs continue to represent the largest expenditure category and reflect anticipated salary adjustments, benefits, and workforce retention initiatives.
- Operational expenditures include inflationary impacts on contractual services, utilities, fuel, maintenance, and supplies.
- Capital improvement needs remain significant and will require prioritization based on available funding and long-term infrastructure goals.
- Enterprise Funds have been evaluated to ensure sufficient revenues to support operating expenses, debt obligations, and capital requirements.

NEXT STEPS:
Following Council direction received during the Budget Workshop, staff will finalize the changes prior to the Proposed Budget being filed on or before July 31, 2026, in accordance with state law and the City Charter.

Background Information: The annual budget serves as the City's financial plan and policy document, allocating resources necessary to provide essential services to residents while maintaining fiscal responsibility. Staff has prepared preliminary revenue and expenditure projections based on current economic conditions, historical trends, departmental requests, capital improvement needs, and anticipated operational requirements.

As part of the budget development process, the City Council Budget Workshop provides an opportunity to review key budget assumptions, discuss policy priorities, and provide direction to staff before preparation of the Proposed FY 2026–2027 Budget document.

Special Considerations: N/A

Financial Impact: N/A

Board or 3rd Party Recommendation: N/A

Supporting Documentation:

1. _Budget Workshop 7.11

FY2026-2027
Budget Presentation

City Council Workshop
Saturday, July 11, 2026

The City of FREEPORT

FY2026-2027 BUDGET ENGAGEMENT

- ☺ Changes to Budget
- ☺ Easy Graphics to See Increases/Decreases
- ☺ Tax Rate Discussion
- ☺ Questions and Ideas Welcomed

WORKSHOP AGENDA

- Budget Schedule
- Budget Changes Since Last Workshop
  - Budget Overview Recap
  - Personnel Overview Recap
  - Budget Initiatives Recap
  - Financial Changes
  - Budget Impact of Each Fund
- Tax Rate
  - Education of the Tax Rate
  - CPI vs. Tax Rate vs. Operating Expenditures Trend
  - Tax Rate Option Education
  - Taxing Entity Allocation Breakdown
  - Council Priorities as a Visual

FY2026-FY2027 BUDGET SCHEDULE

JUNE 13
Saturday Budget Workshop

JULY 11
Saturday Budget Workshop

JULY 24
Receive Certified Appraisal from BCAD

JULY 31
File Proposed Budget with City Secretary & Publish Online

AUGUST 17***
Set Proposed Tax Rate & Public Hearing Dates

AUGUST 18***
Post Notice of Public Hearings

SEPTEMBER 8***
Public Hearing; Council Adoption of the Tax Rate and Budget

SEPTEMBER 15***
Deadline for Tax Rate and Budget Adoption; Special Meeting (if needed)

BUDGET CHANGES

BUDGET OVERVIEW RECAP

FY2026 Preliminary Budget Highlights

→Restructured Budget

- →Solid Waste Moved to Water/Sewer Fund, Now Named 'Utility Fund'
- →Code Dept. Moved to Building Dept., New Name 'Community Development'
- →Golf Moved to an Enterprise Fund
- →EMS Moved to an Enterprise Fund
- →New Contingency Fund Created by Reassigning the Old IT Fund

→Infrastructure & Beautification Initiatives

→<u>Department Requests Are Already Included; Different Than Previous Years</u>

PERSONNEL OVERVIEW RECAP

DEPARTMENT	POSITION	# OF POSITIONS	TOTAL IMPACT
Parks	Maintenance Tech I	2	$64,563+Benefits
Rec	Aquatics Coordinator	1	$37,440+Benefits
Museum	Museum Director	(1)	($62,650+Benefits)
Streets	Maintenance Tech I	2 (+2)	$129,126+Benefits
Service Center	Mechanic Helper	1	$32,282+Benefits
Community Development	Plan Reviewer/Permit Coordinator	1	$56,160+Benefits
Community Development	Building Code Supervisor	1	Removed from Budget
TIRZ	Project Manager	1	(100% TIRZ Funded)
Community Development	Building Inspector	1	Removed from Budget
IT	IT Assistant	1	$60,000+Benefits
	NET CHANGES:	10	$316,921

7

BUDGET INITATIVES RECAP

Total Community

Investments of

$4,743,235

FY2026 Priority Based Budgeting Initiatives

→Beautification

- →EDC Increased Business Improvement Grants - $300,000
- →Beautification Board Request Line Item Created - $50,000
- →Main Street Beautification Initiative - $20,000
- →Main Street Façade Grant Program - $15,000
- →Main Street Initiative Project TBD - $10,000
- →TIRZ Parks Revitalization Project & Other Misc. Projects TBD - $200,000

→Infrastructure

- →City Hall Project Cost - $1,500,000
- →EDC Property Improvements - $30,000
- →EDC Infrastructure Project TBD - $500,000
- →Utilities Infrastructure Project TBD - $448,235
- →Drainage/Street Improvements Project TBD - $1,000,000
- →Waterline Upgrades TBD - $500,000
- →TIRZ Infrastructure Project TBD - $170,000

FINANCIAL CHANGES

Financial Changes Since Last Workshop

→Sales Tax Revenue **Decreased** by $130,000 for General Fund

→Sales Tax Revenue **Decreased** by $67,477 for EDC

→EDC **Expense Decreases** to Account for Decreased Revenue

→Property Tax Revenue **Increased** by $409,000

→Salary **Increases** of 3% *(Higher for Employees on Civil Service Matrix Implementation)*

→Golf Course Pump Station Motor Replacement **Added** for $34,200

→Franchise Fee Revenue for Garbage **Decreased** by $40,000

→State Narcotics Fund Expenses **Increased** by $23,000 per PD Request

→TIRZ Fund Expenses **Increased** by $370,000 for Projects TBD

BUDGET IMPACT BY FUND

Slide 1 of 2

Type / Fund	Beginning Balance	Proposed Revenue	Proposed Expenditures	Ending Balance	Change
Operating Funds					
General Fund	$13,521,720	$19,751,135	$19,649,697	$13,623,158	$101,438
Enterprise Funds					
EMS Fund	-	1,437,652	1,437,652	-	-
Golf Fund	-	1,621,540	1,596,256	25,284	25,284
Utility Fund	1,668,424	11,981,600	10,226,608	3,423,416	1,754,992
Capital Funds					
Street & Drainage Fund	2,798,754	100,000	500,000	2,398,754	(400,000)
Facilities & Grounds Fund	2,200,357	75,000	76,000	2,199,357	(1,000)
Vehicle & Equipment Fund	425,558	1,426,679	1,426,679	425,558	-
Port Settlement Projects Fund	1,355,221	1,835,000	1,575,000	1,615,221	260,000
2020 CO Bond Fund	1,087,407	30,000	500,000	617,407	(470,000)
2021 CO Bond Fund	1,066,575	30,000	500,000	596,575	(470,000)
AMI Water Meter Project Fund	335,993	-	286,000	49,993	(286,000)
Special Revenue Funds					
City Grants Fund	-	-	-	-	-
Beach Maintenance Fund	-	42,500	42,500	-	-
Hotel Occupancy Tax Fund	491,129	105,000	103,671	492,458	1,329
Court Technology Fund	23,183	900	600	23,483	300

BUDGET IMPACT BY FUND

Slide 2 of 2

Overall Projected

Increase of

$45,626

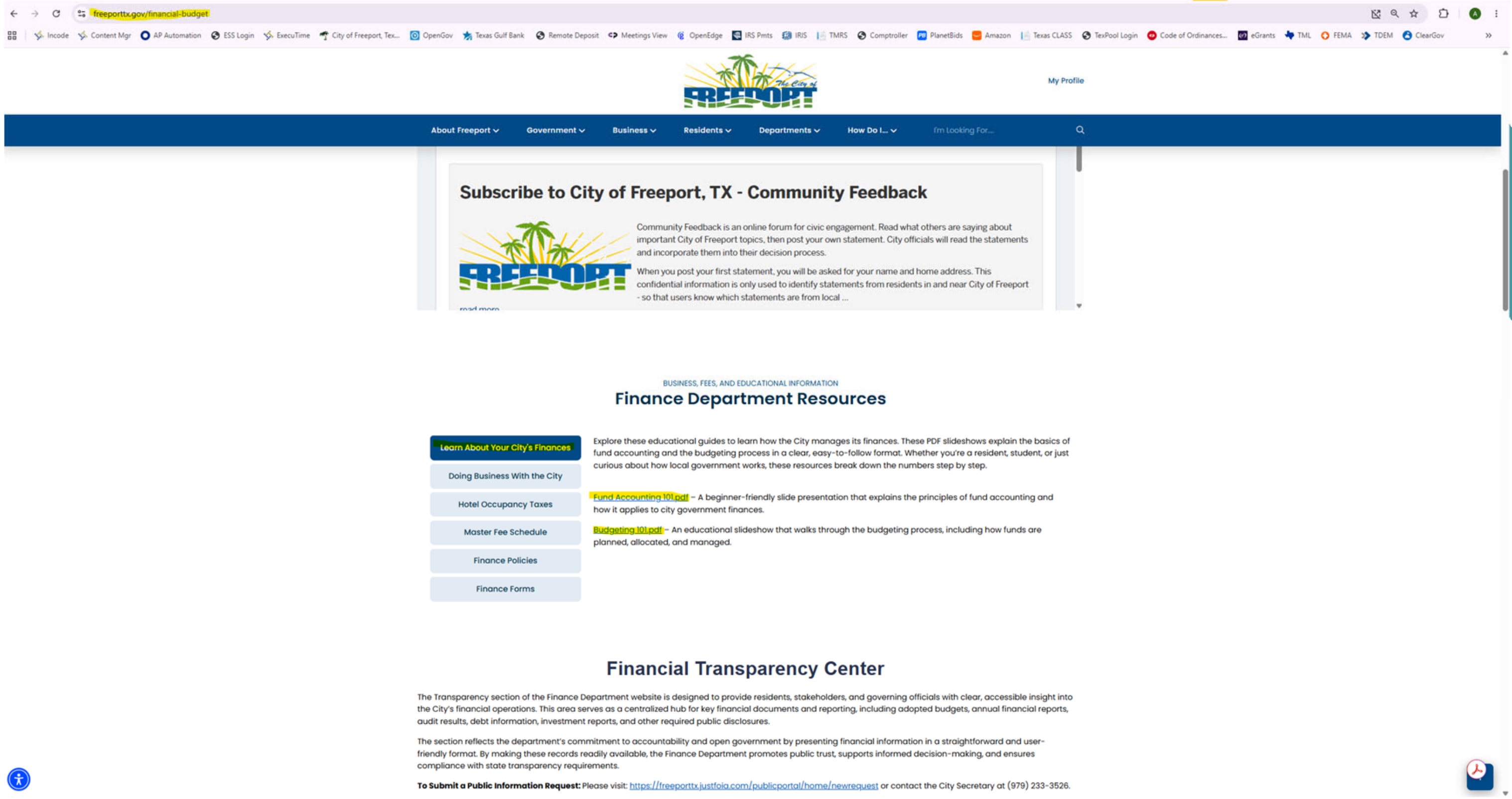
Type / Fund	Beginning Balance	Proposed Revenue	Proposed Expenditures	Ending Balance	Change
Court Security Fund	113,069	2,000	100,337	14,732	(98,337)
Consolidated Court Security & Technology Fund	8,718	17,000	17,000	8,718	-
State Narcotics/Chapter 59 Fund	227,591	21,500	50,000	199,091	(28,500)
TIF No. 1/TIRZ Fund	1,285,608	370,000	490,137	1,165,471	(120,137)
Freeport 19 LLC Development Fund	16,419	15,350	15,000	16,769	350
Other Funds					
G.F. Contingency Fund	227,743	9,000	-	236,743	9,000
Civil Service Commission Fund	-	46,500	46,500	-	-
City-EDC Projects Fund	54,788	20,865	19,365	56,288	1,500
City Events Fund	-	204,050	204,050	-	-
Debt Service Fund	415,353	1,156,871	1,141,464	430,760	15,407
Hurricane Beryl Fund	231,551	-	-	231,551	-
Marina Operations Fund	1,197	-	-	1,197	-
EDC Funds					
EDC Operating Fund	2,099,365	1,403,054	1,403,054	2,099,365	-
EDC Projects Fund	1,225,427	650,000	900,000	975,427	(250,000)
EDC Marketing Fund	205,706	80,936	80,936	205,706	-
EDC Debt Service Fund	18,484	-	-	18,484	-
GRAND TOTAL	$31,105,340	$42,434,132	$42,388,506	$31,150,966	$45,626

TAX RATE EDUCATION

WHY A TAX RATE TO BEGIN WITH?

- General Fund is funded by a variety of resources (sales tax, charges for services, franchise fees, industrial payments in lieu of taxes, property tax revenue)
- After all costs are resources are identified and analyzed, City Management must identify any potential budget deficits
- Texas Law states a budget must be balanced for adoption
- If an operating deficit exists, the property tax revenue may need to increase to ensure adequate funding exists for adoption

RESOURCES AVAILABLE



TRUTH IN TAXATION

Four Guiding Principles

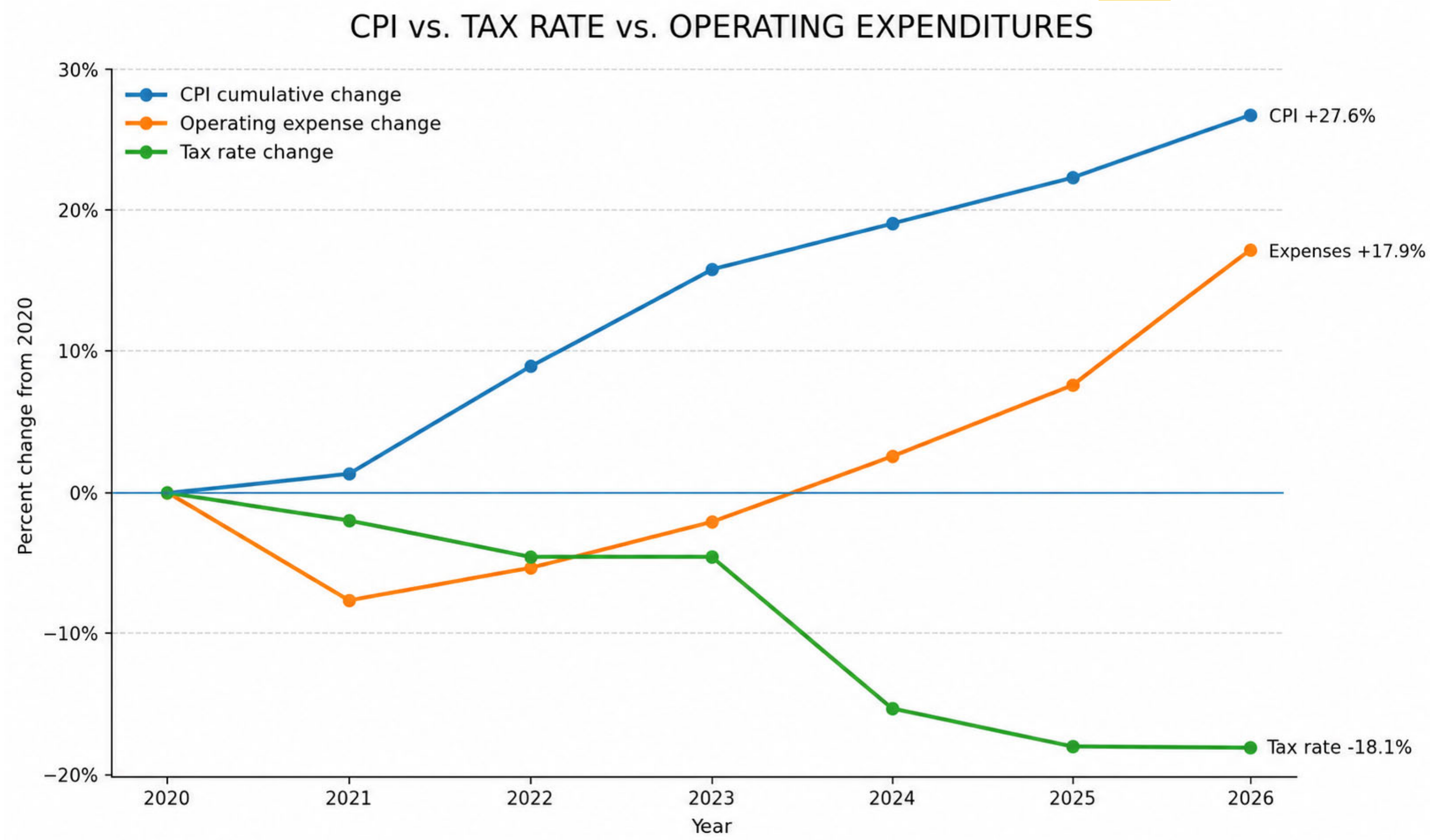
- Property owners have the right to know about increases in their properties' appraised value and to be notified of the estimated taxes that could result from the new value
- A taxing unit must publish its no-new-revenue tax rate and its voter approval rate before adopting an actual tax rate
- A taxing unit must publish special notices and hold one public hearing before adopting a tax rate that exceeds the lower of the voter approval rate or the no-new-revenue tax rate
- If a city adopts a tax rate exceeding the voter approval rate (3.5% M&O growth plus unused increment rate), a city must hold an automatic election in November

15

BRIEF REVIEW OF THE PROCESS

- Appraisal District provides the property values to the City
- Governing body drafts the budgets
- Tax Assessor calculates the rates and provides to the City by August 8th
- Governing body proposes the tax rate and sets the public hearing date
- Tax Assessor publishes the notice for the hearing on the tax rate for the City
- Governing body holds the public hearing
- Governing body adopts the tax rate
- Tax Assessor mails the tax bills with the adopted rate

WHAT WE FACE TODAY



Total **Operating Cost** **Increase**: 17.9% | Total **CPI** **Increase**: 27.6% | Total **Tax Rate** **Decrease**: (18.1%)

17

TAX RATE PURPOSE

Interest and Sinking (I&S)

- Funds the annual principal and interest payment on debt and is calculated first

Maintenance and Operations (M&O)

- Funds the ongoing General Fund operations and is calculated second

Tax Rate = M&O Rate + I&S Rate

- Only the M&O rate can be adjusted, the I&S rate must be adopted

Calculation Formula

- Tax Rate X Taxable Value / $100 = Your City Tax Levy ($ paid to the City)

PROPERTY TAX RATE OPTIONS

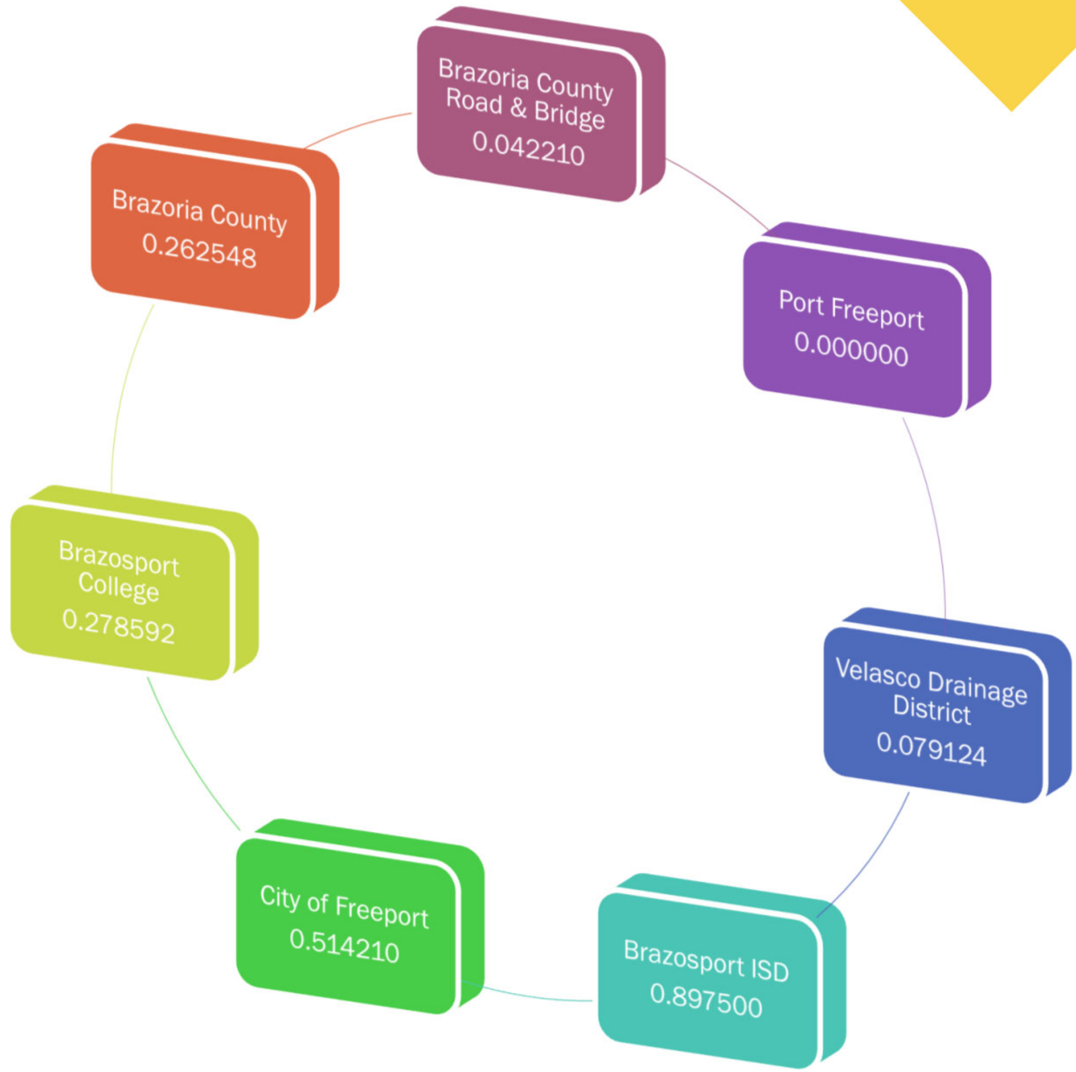
TAX RATE OPTION	WHAT IT MEANS	BUDGET IMPACT	THINK OF IT LIKE
No-New-Revenue (NNR)	Generates approximately the same amount of property tax revenue from existing properties as last year. Revenue growth comes primarily from new construction.	Lowest revenue available.	We maintain today's level of services if costs stayed the same but funds no new initiatives.
Voter-Approval Rate (VAR)	Highest rate Council may adopt without requiring a voter election. Allows revenue growth for increased operating costs.	Supports inflationary cost increases, personnel, operations, and public safety while avoiding an election.	We keep up with inflation, normal City operations, and can fund new initiatives without delays.
De Minimis Rate	Highest rate allowed by law without a voter election for qualifying cities. Provides additional taxing capacity above the VAR to generate an additional $500,000 in revenue.	Maximum operating revenue available without an election. May be used for major service needs or financial stability.	We address additional community priorities, generally used for a temporary situation for adoption.

ELECTION REQUIREMENTS

IF ADOPTED TAX RATE IS:	ELECTION REQUIREMENTS (IF ANY)
BELOW voter-approval tax rate	No election required
ABOVE voter-approval tax rate	Election Required**
ABOVE voter-approval tax rate but **BELOW** de minimis tax rate	Voters may petition for an election*
ABOVE voter-approval tax rate and **ABOVE** the de minimis tax rate	Election Required**

- * See Tax Code Sec. 26.075 for details on when voters may petition for an election.
- ** Must adopt rate by August 21st if potential election, to meet legal deadlines

PROPERTY TAX RATE BREAKDOWN



21

PROPERTY TAX RATE BREAKDOWN

TAXING ENTITY	TAX RATE	% OF TOTAL TAX BILL	ESTIMATED ANNUAL TAX ON $135,900 MEDIAN HOME
Port Freeport	0.000000	0.00%	$0
Brazoria County Road & Bridge	0.042210	2.04%	$57.36
Velasco Drainage District	0.079124	3.81%	$107.52
Brazoria County	0.262548	12.66%	$356.60
Brazosport College	0.278592	13.43%	$378.41
City of Freeport	0.514210	24.79%	$698.61
Brazosport ISD	0.897500	43.27%	$1,219.70
TOTAL	2.074184	100.00%	$2,818.20

COUNCIL PRIORITIES AS A VISUAL

Priority	NNR	VAR	De Minimis
Minimize taxes	⭐⭐⭐	⭐⭐	⭐
Maintain services	⭐	⭐⭐⭐	⭐⭐⭐
Invest in future needs	⭐	⭐⭐	⭐⭐⭐

Thank you!

Ashlee Hurst, CGFO

Finance Director, City of Freeport

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