State of Texas

County of Brazoria

City of Freeport
BE IT REMEMBERED, that the City Council of Freeport, Texas met on Saturday, July 11, 2026 at 9:00 AM at the Freeport Council Chamber located at 430 North Brazosport Blvd., Freeport Texas for the purpose of considering the following agenda items:

City Council:	Mayor Jerry Cain Councilman Larry McDonald Councilman Jarvis Davis Councilwoman Nicolasa Mireles Councilman Winston Rossow
Staff:	Danielle M Kelly, DPA, City Manager Jennifer Howell, Police Chief Clarisa Fernandez, City Secretary Ashlee Hurst, Finance Director Toby Cohen, IT Director Christopher Motley, Fire Chief Lily Celedon, Staff Accountant John Perez, Interim Public Works Director Nick Meeks, Utility Manager
Visitors:	David McGinty Sam Reyna Pamela Dancy

Call to Order:

Call to Order - Jerry Cain, Mayor

Mayor Cain called the City Council Budget Workshop to order at 9:00A.M. on July 11, 2026, declaring that a quorum was present.

Invocation - Councilman

Councilman Rossow led the Invocation.

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

Councilman Rossow led the Pledge of Allegiance to the United States and the Pledge of Allegiance to the State of Texas.

Matters Subsequent to Posting.

City Manager Dr. Danielle Kelly stated that there were no matters subsequent to posting.

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.

Sam Reyna resides at 2002 North Avenue G. Mr. Reyna expressed concern that personnel costs encompassing salary adjustments, benefits, and workforce retention initiatives represented the city's largest expenditure category, and stated that the city could not afford further pay raises. He stated if they want to leave, let them go, do not pay more money to keep them. Mr. Reyna urged the Council to redirect available resources toward capital improvements, citing the poor condition of the city's alleys, streets, ditches, and lighting as persistent and unresolved problems. He attributed these deficiencies in part to inadequate staffing and equipment in the street department, stating there were too many chiefs and not enough Indians. Mr. Reyna recommended the city use bond financing to acquire heavy equipment including excavators, backhoes, motor graders, compactors, and asphalt pavers and to hire certified heavy equipment personnel. He concluded by calling on the city to clean up our filthy city, contending that improved infrastructure was essential to attracting investors, developers, and new residents.

Melanie Oldham resides at 531 West Brazos Street. Ms. Oldham stated she is an 18-year resident with experience reviewing city budgets, and offered a contrasting perspective on personnel. She acknowledged that in past years the city had sometimes employed directors and staff who lacked the qualifications to justify their compensation, but expressed optimism that the city was now attracting more experienced and credentialed individuals. Ms. Oldham echoed Mr. Reyna's concerns about the street department and added that she believed the code enforcement and building department needed additional staffing at minimum two employees to support fair and effective enforcement, which she described as essential to attracting development. She urged the Council to consider developing a comprehensive infrastructure master plan, recalling that an engineering firm had produced such a plan roughly twenty years prior that mapped out pipe locations and prioritized needs across the city's wards. She noted that without such a plan, the city had historically been limited to patching rather than replacing aging infrastructure, including clay pipes behind residential alleys. On a more positive note, Ms. Oldham observed that the city had recently acquired a grant writer and secured grants that had not been available for years, and expressed hope that the ongoing negotiation of the Dow/BASF Industrial District Agreement would generate meaningful additional revenue. She urged the Council to use those anticipated revenues wisely, expressing confidence in the expertise of City Manager Dr. Danielle Kelly and Finance Director Ashlee Hurst.

Workshop

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

Finance Director Ashlee Hurst presented the attached presentation titled "Exhibit A".

Finance Director Ashlee Hurst opened by welcoming Mayor Cain, Council, and community members, and outlined the purpose and format of the session. She explained that unlike the prior month's workshop which had proceeded line by line through every budgeted dollar today's session would focus specifically on changes made since the last workshop, the tax rate discussion, and ensuring that Council had a clear and complete understanding of the budget's direction before the final adoption deadline in September. Ms. Hurst noted that the same color-coded, easy-to-understand graphics from the prior presentation would be used again to aid comprehension. Ms. Hurst presented the budget adoption timeline, noting that the highlighted date represented the current workshop. She emphasized that multiple upcoming milestones would give Council and the public continued opportunities to review information, ask questions, and provide feedback before final adoption. She stressed that the process would be gaining momentum quickly and that staff was committed to having the budget prepared as early as possible to avoid complications. Ms. Hurst then highlighted significant structural changes proposed in the budget, noting that all the changes she would describe were contingent upon Council approval. She summarized these reorganizations as being driven by a desire to improve transparency, accountability, and financial reporting across the city's fund structure. The proposed changes included:

- Solid Waste moved into the Water and Sewer Fund, which would be renamed the Utility Fund.
- Code Enforcement moved from the Police Department budget into the Building Department budget, with the combined department being renamed Community Development.
- The Golf Course Department transitioned to an Enterprise Fund, reflecting its nature as a business-type activity supported by user fees.
- The EMS Department similarly transitioned to an Enterprise Fund.
- The old IT Fund was reassigned and renamed as a General Fund Contingency.

Ms. Hurst explained that infrastructure and beautification initiatives were the driving force behind available resource allocation in this budget cycle, and that department requests which had previously been submitted to Council in a wish list format had this year been incorporated directly into the budget, making the process more inclusive and reflective of genuine operational needs.

Ms. Hurst presented a detailed summary of new full-time positions requested across departments, noting that the budget included a total of ten new positions. The requests were broken down as follows:

- Parks: Two Maintenance Tech I positions.
- Recreation Center: One Aquatics Coordinator position.
- Museum: One position eliminated following an operational needs review.
- Streets: Two Maintenance Tech I positions, with an additional two requested by Council at the last workshop, for a total of four in the streets department.
- Service Center: One Mechanic Helper position.
- Community Development: Originally four positions were requested. A Plan Reviewer/Permit Coordinator position funded through the General Fund was retained. A Building Code Supervisor position was requested but ultimately removed following Council feedback at the prior workshop. A Project Manager position, to be funded 100 percent by TIRZ, was included. A Building Inspector position focused on the tourist district and commercial businesses originally proposed to be funded 50 percent by TIRZ and 50 percent by EDC was also removed following Council feedback.
- IT: One IT Assistant position.

Councilman McDonald discussed the proposed Community Development Department positions, including the removal of the Building Code Supervisor position and the addition of other staffing positions. He expressed concerns regarding staffing qualifications, the City's code enforcement operations, and a constituent complaint involving a code enforcement matter. He emphasized the importance of having qualified personnel with construction-related experience and questioned the need for additional staffing.

Councilman Davis and Councilman Rossow responded by discussing the importance of following established procedures, meeting with staff to address concerns, and recognizing the responsibilities of department leadership.

City Manager Dr. Danielle Kelly explained that the proposed position would be responsible for reviewing permit applications, coordinating plan reviews, and managing the City's increasing permit activity. She reported that permit volume had increased significantly over the previous year, resulting in a greater workload for the department.

Mayor Cain concluded the discussion by emphasizing the importance of communication, encouraging council members to work collaboratively with staff when addressing concerns, and recommending that the City Manager Dr. Danielle Kelly verify that employees serving in positions requiring state certifications possess the appropriate credentials.

Finance Director Ashlee Hurst highlighted the priority-based approach used to build the budget. She explained that staff had been guided by the results of a recent community priorities survey, with residents identifying beautification and infrastructure as their top concerns. As a result, staff had updated the budget to add an additional $370,000 in targeted investments. The total proposed community investments for the fiscal year amounted to $4,743,235, composed of:

- $595,000 in beautification initiatives.
- $4,148,235 in infrastructure initiatives.

Mayor Cain asked Finance Director Ashlee Hurst whether she could speak to how this investment level compared to prior budget years. Ms. Hurst acknowledged she did not have the precise historical figure at hand but stated that the increase was substantial characterizing it as likely several millions of dollars more than last year and confirming that these types of infrastructure and beautification projects had not appeared in the prior budget cycle at all. Mayor Cain noted that to his knowledge, this was the first budget he had seen in which the city was being proactive rather than reactive in these areas, and he expressed appreciation for that shift.

Finance Director Ashlee Hurst then summarized the specific changes made to the proposed budget since the June 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

Ms. Hurst presented the overall fund-by-fund impact of the proposed budget. She explained that the city's capital funds were intentionally structured so that planned expenditures would exceed revenues in the short term, while funds carrying recurring expenses were anticipated to produce surpluses. The grand total reflected that the city was anticipating an increase in available resources overall, while still committing to the $4,743,235 in community investments.

Ms. Hurst spoke about the city-to-city tax rate comparisons, explaining that each municipality draws on a different mix of revenue sources including sales tax, franchise fees, utility revenues, tourism dollars, and industrial payments and that property tax is only one piece of the overall funding equation. She stated: "Two cities could provide the same level of services but have very different tax rates because one generates substantially more revenue from non-property tax sources." She presented a comparison showing that

Freeport offered residents among the highest return on investment per property tax dollar while maintaining one of the lowest tax burdens in the region, and noted that this burden could be further reduced through revenue diversification new businesses, property development, and improvements to existing properties.

Mayor Cain asked Ms. Hurst to clarify what tax rate assumptions were currently embedded in the proposed budget. Ms. Hurst explained that staff had taken the preliminary assessed value estimate showing an 8 percent increase, applied a 6 percent figure to account for ongoing protests, and then held the rate steady at the prior year's No New Revenue rate as a conservative planning estimate. Mayor Cain acknowledged this approach, noting that since he had been on Council the city had never increased the tax rate and had in fact reduced it in several years. He expressed concern about the long-term sustainability of that trend in the face of rising expenses. Ms. Hurst reinforced this concern, characterizing the prior fiscal year's budget as very tight, explaining that every time an unexpected need arose, staff had to come before Council not just for project approval but to identify funding sources, because there was nothing extra in the budget. She stated that the current budget was intentionally designed to build in more flexibility to address deferred maintenance and momentum on long-awaited projects.

Adjournment

Adjournment – Jerry Cain, Mayor

A motion was made by Councilman McDonald to adjourn, seconded by Councilwoman Mireles with all present and voting "Aye" 4-0. Councilman Davis was not present for this motion. Mayor Cain adjourned the meeting at 10:21A.M.

Jerry Cain, Mayor

Clarisa Fernandez City Secretary

"EXHIBIT A"

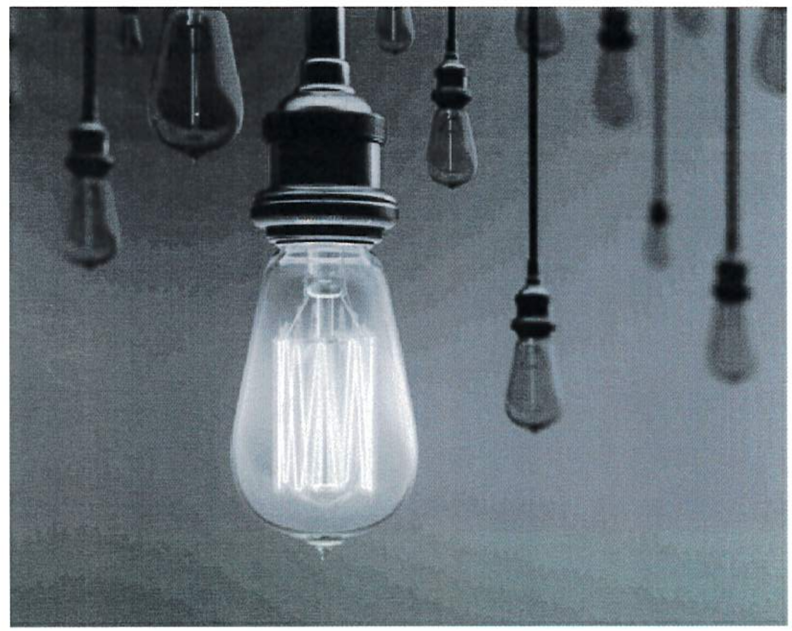
FY2026-2027 Budget Presentation

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 Developmen
- →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

→**Department Requests Are Already Included; Different Than Previous Years**

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

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

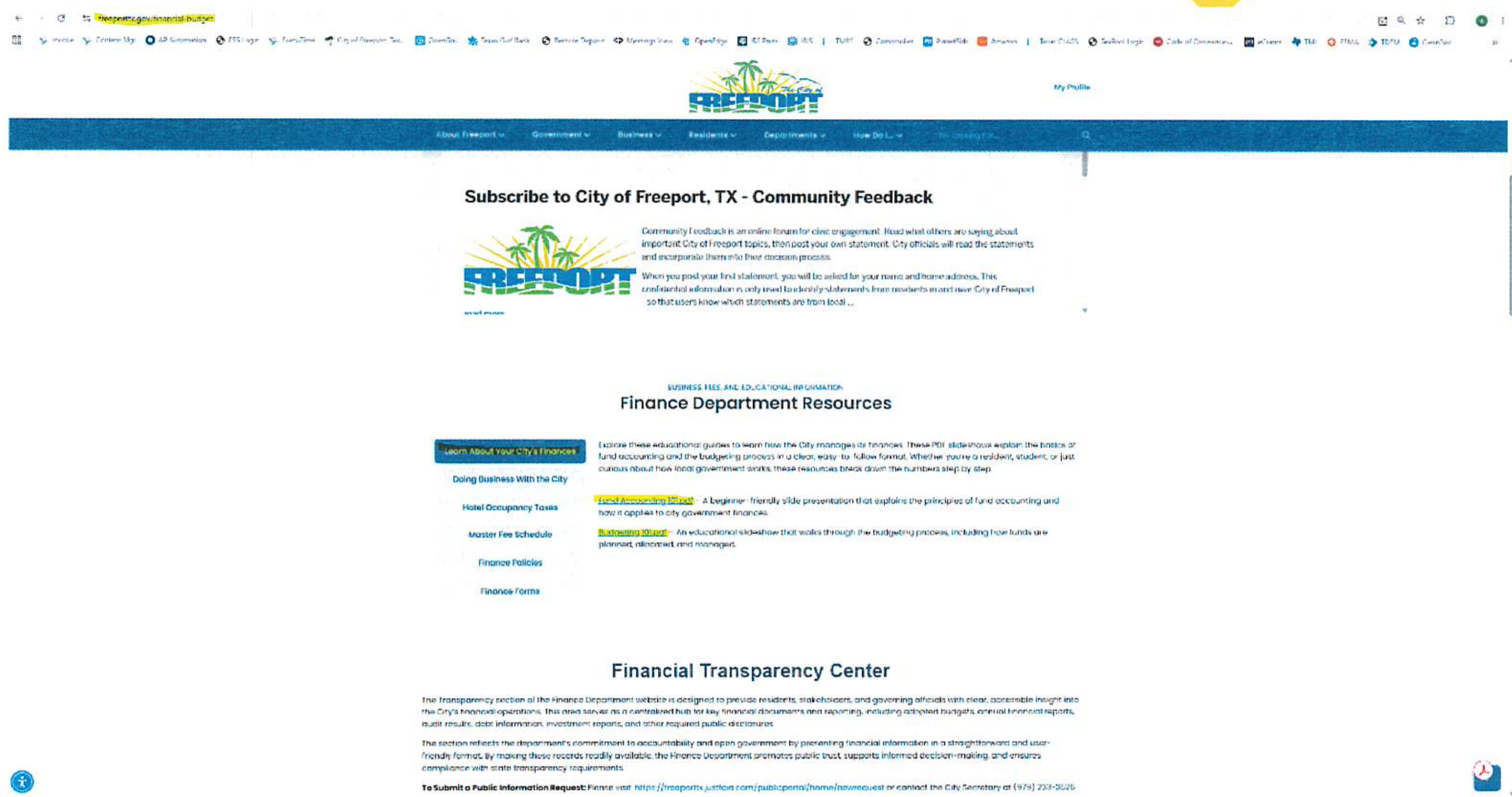
TAX RATE COMPARISON

Per Capita Comparison							
	Property Tax Rate	General Fund Expenditures	Other Revenues	Population	General Fund Total Cost of Services	Property Tax Burden per Resident	Return on Investment per Dollar of Tax Paid
City of Lake Jackson	0.378911	28,516,900	22,090,875	27,803	1,025.68	231.13	443.8%
Village of Jones Creek	0.520000	1,548,894	1,048,925	1,955	792.27	255.74	309.8%
City of Freeport	0.514210	21,806,960	18,553,657	10,508	2,075.27	309.60	670.3%
City of Pearland	0.630000	132,664,175	83,725,253	134,900	983.43	362.78	271.1%
City of Brazoria	0.651499	3,678,565	2,541,440	2,866	1,283.52	396.76	323.5%
City of Angleton	0.515200	18,936,785	10,437,016	21,295	889.26	399.14	222.8%
City of Clute	0.465000	15,682,903	10,778,303	10,821	1,449.30	453.25	319.8%
City of Alvin	0.685000	24,442,236	10,269,273	28,780	849.28	492.46	172.5%
Village of Surfside	0.292900	2,266,363	725,166	677	3,347.66	2,276.51	147.1%

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

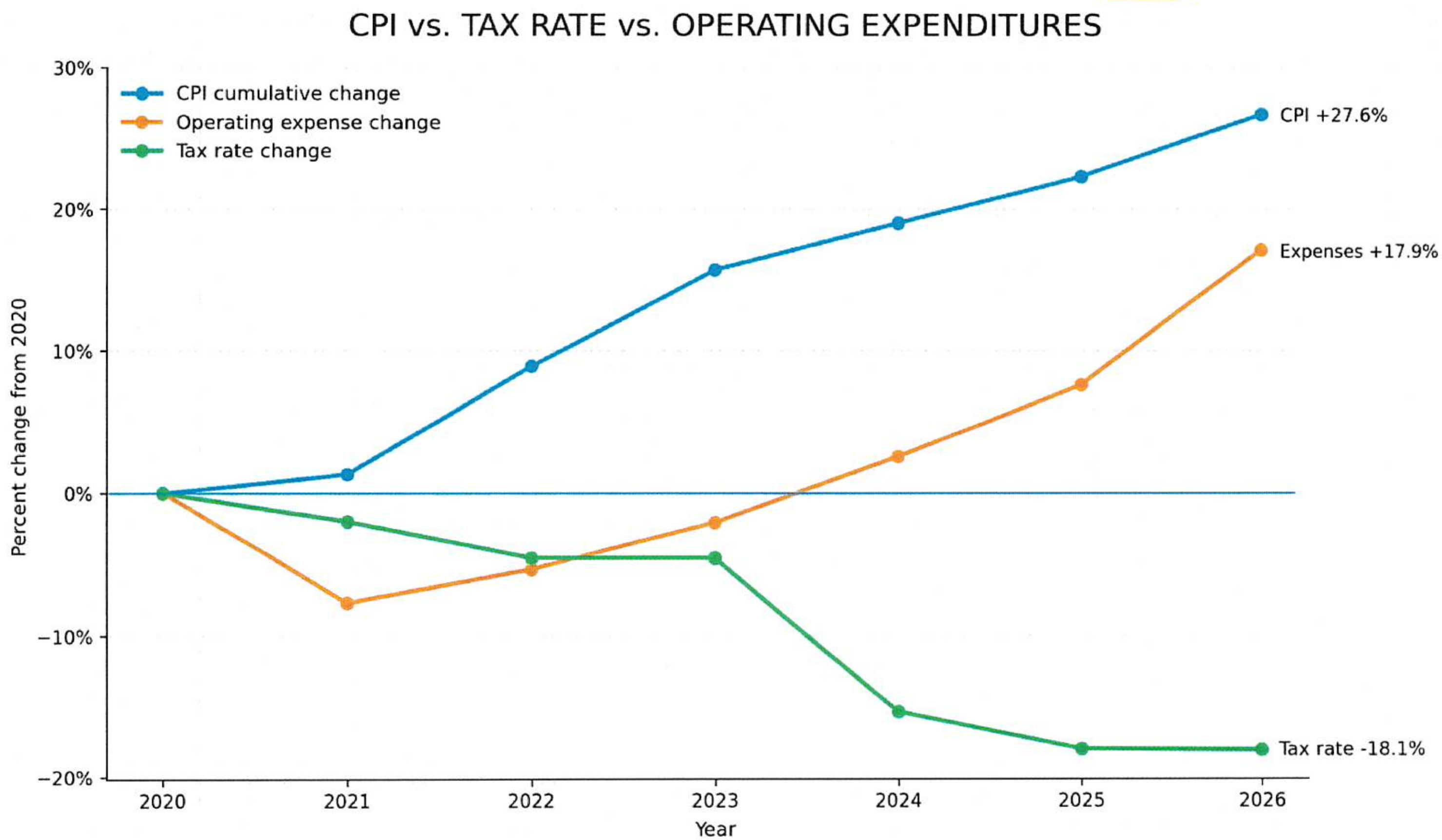
A taxing unit must publish special notices and hold one public hearing before adopting a tax rate that exceeds the lower of the voter approval rate or the no-new-revenue tax rate

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

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 8^{th}
- 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%)

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

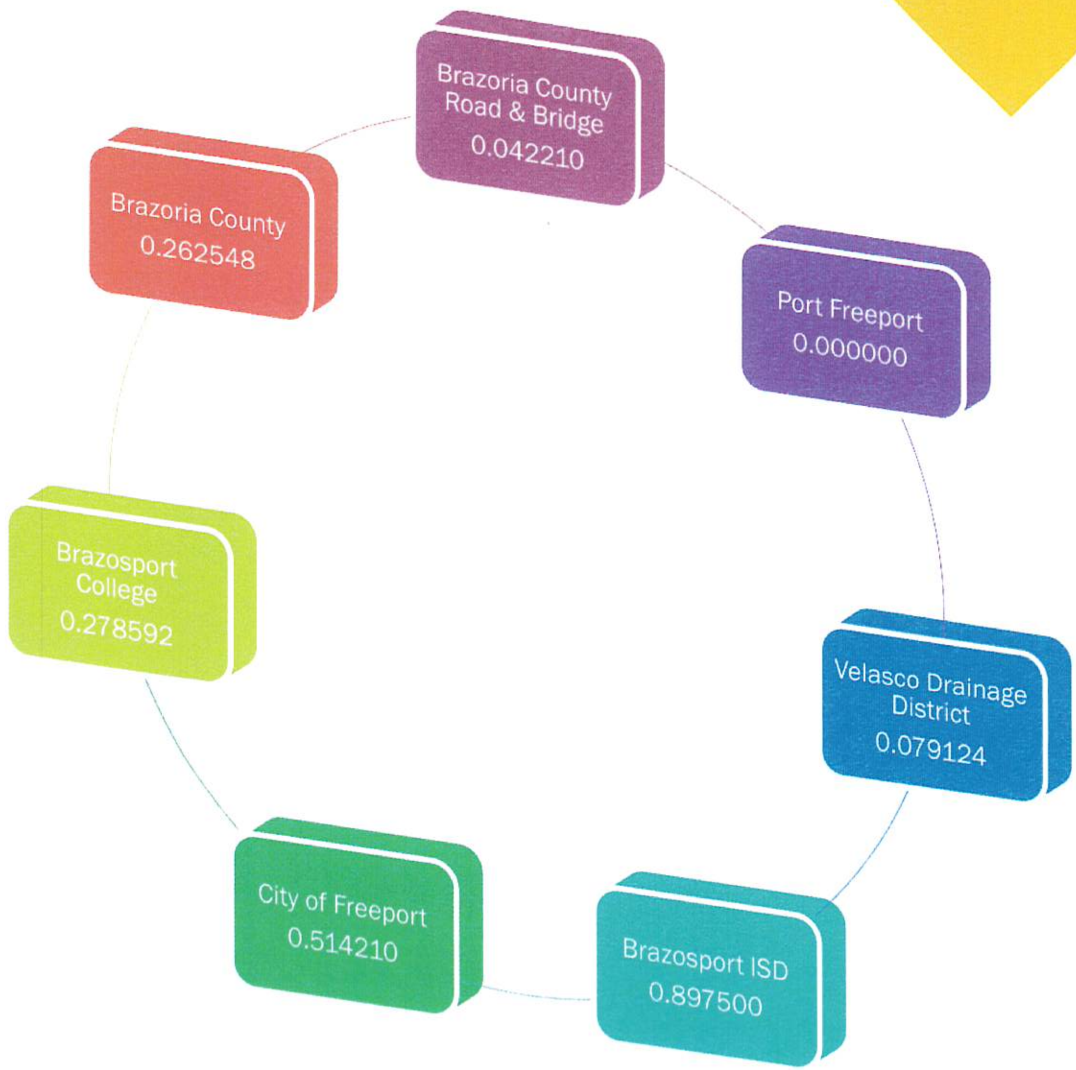
TAX RATE OPTION	WHAT IT MEANS	BUDGET IMPACT	THINK OF IT LIKE
No-New-Revenue (NNR)	Generates approximately the same amount of property tax revenue from existing properties as last year. Revenue growth comes primarily from new construction.	Lowest revenue available.	We maintain today's level of services 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



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
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ahurst@freeporttx.gov