MINUTES OF THE CITY COUNCIL BUDGET WORKSHOP MEETING

A BUDGET WORKSHOP MEETING OF THE CITY COUNCIL OF THE CITY OF DEER PARK, TEXAS HELD AT CITY HALL, 710 EAST SAN AUGUSTINE STREET, DEER PARK, TEXAS ON JUNE 22, 2026 BEGINNING AT 5:00 P.M.

MEMBERS PRESENT:

JERRY MOUTON	MAYOR
SHERRY GARRISON	COUNCILWOMAN
TJ HAIGHT	COUNCILMAN
TOMMY GINN	COUNCILMAN
JUSTIN LEAGUE	COUNCILMAN
ERIC RIPLEY	COUNCILMAN
GEORGETTE FORD	COUNCILWOMAN

OTHER CITY OFFICIALS PRESENT:

JAMES STOKES	CITY MANAGER
SARA COSTLOW	ASSISTANT CITY MANAGER
JIM FOX	CITY ATTORNEY
ANGELA SMITH	CITY SECRETARY

CALL TO ORDER - Mayor Mouton called the workshop to order at 5:00 p.m.

COMMENTS FROM AUDIENCE - No comments were received from the public.

BUDGET WORKSHOP

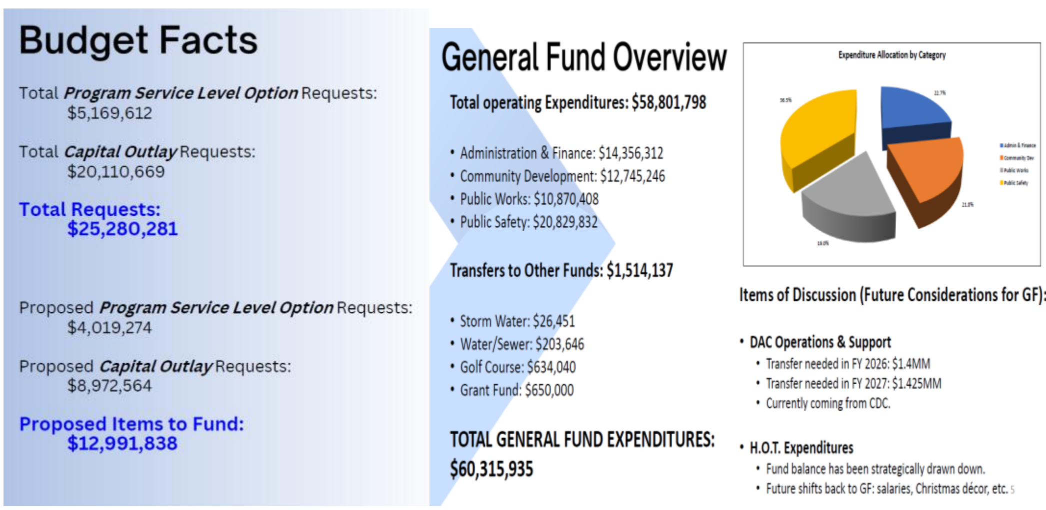
1. DISCUSSION OF THE PROPOSED BUDGET FOR THE CITY OF DEER PARK FOR FY 2026-2027 THAT INCLUDES ALL FUNDS, ALL REVENUES, ALL EXPENDITURES AND ALL DISTRICTS. - (Exhibit A)

City Manager Jay Stokes opened the budget discussion by providing an overview of the Fiscal Year 2026-2027 budget development process, which included collaborative meetings with department directors, Finance staff, and departmental personnel. Mr. Stokes also provided historical context on the City's financial position, highlighting the City's longstanding conservative budgeting practices, the establishment and continued maintenance of a 25 percent reserve fund policy, and the importance of long-term financial planning in supporting the City's fiscal stability.

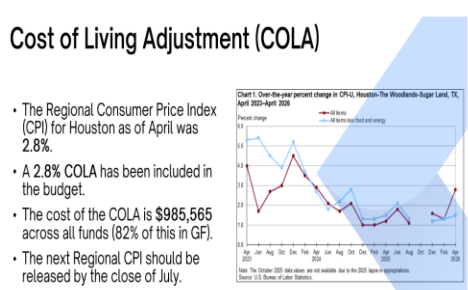
Assistant City Manager Sara Costlow presented an overview of the proposed Fiscal Year 2026-2027 Budget Workbook, which had been provided to the Mayor and City Council prior to the meeting. Ms. Costlow reported that departments submitted approximately $25.3 million in Program Service Level Option (PSLO) and Capital Outlay requests. Following the City Manager's review with each department, the proposed funding recommendations were reduced to approximately $13.0 million.

Assistant City Manager Sara Costlow reviewed the proposed Fiscal Year 2026-2027 General Fund expenditures, including operating expenditures, transfers to other funds, and departmental funding allocations is $58,801,798.

Ms. Costlow noted that the Golf Course Fund included significant budget requests. She stated that Kempler Sports collaborated with Parks Director Kenny Walsh and Assistant Parks Director Jacob Zuniga to review the requests and develop a more conservative budget proposal. Ms. Costlow also discussed the Grant Fund and noted that the City has submitted grant applications for future capital improvement projects. If awarded, the grants would provide 50 percent funding, with the City providing the required 50 percent match. She also reviewed future General Fund considerations, including ongoing funding for the Dow Activity Center (DAC), which is currently supported by the Deer Park Community Development Corporation (DPCDC), with the long-term goal of increased program revenue offsetting operating costs. Additionally, Ms. Costlow reported that Hotel Occupancy Tax (H.O.T.) revenues have recovered to pre-pandemic levels and discussed the strategic use of the fund balance, including the future transition of certain expenditures, such as Tourism Department salaries, to the General Fund.



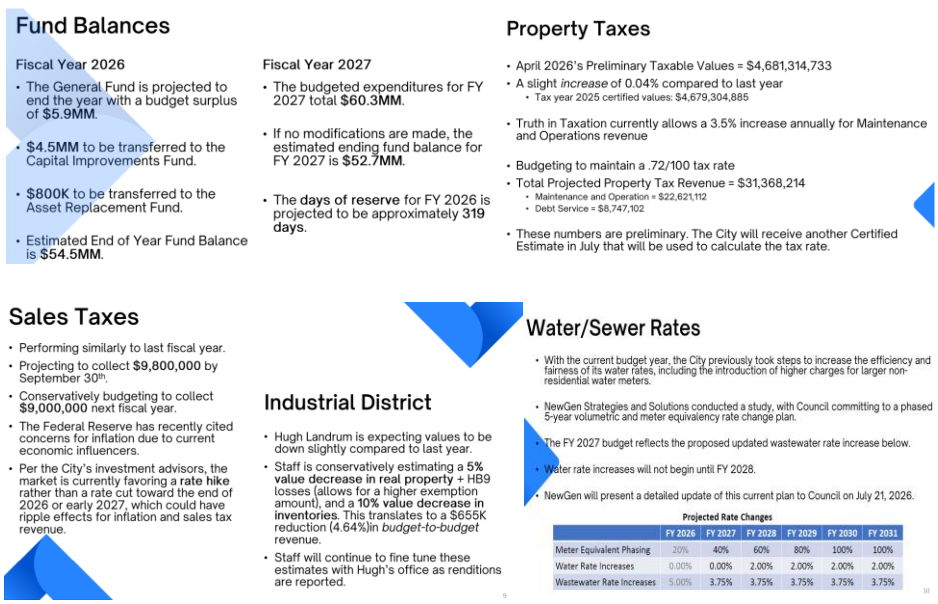
Ms. Costlow reported on the proposed Fiscal Year 2026-2027 Cost of Living Adjustment (COLA). She stated that the proposed COLA was developed using the Consumer Price Index (CPI) for the Houston–Sugar Land area and that a 2.8 percent adjustment has been included in the proposed budget. Ms. Costlow noted that the June CPI data will be released in July, at which time the proposed COLA will be reviewed and adjusted if necessary.



Finance Department:

Finance Director Nicole Ganey presented an overview of the proposed Fiscal Year 2026-2027 budget, including the General Fund, property tax and sales tax revenue projections, Industrial District revenues, water and wastewater rates, fund balances, and the proposed Five-Year Capital Improvements Plan. Ms. Ganey reviewed the City's conservative revenue assumptions, projected fund balances, and long-term financial outlook while highlighting proposed capital investments and infrastructure improvements. She noted that the proposed budget maintains a fiscally conservative approach, prioritizes strategic investments, and balances the City's operational, capital, and infrastructure needs while preserving the City's long-term financial stability.

City Manager Jay Stokes provided an update on the City's Industrial District Agreements. Mr. Stokes reported that the current agreements will expire this year and that new agreements are being executed with participating industries. He noted that the proposed budget reflects conservative revenue estimates during the transition period; however, the revised agreement terms are expected to increase revenues in future years and strengthen the City's long-term financial outlook.



Engineering:

Director of Planning & Development/City Engineer Dilcia Jimenez presented an overview of several proposed multi-year capital improvement projects included in the Fiscal Year 2026-2027 budget. The presentation highlighted a $375,000 annual sidewalk improvement program, with future funding to be consolidated within the Capital Improvements Fund under the Streets program. Ms. Jimenez also reviewed a proposed $250,000 annual drainage improvement program to evaluate and rehabilitate deteriorating concrete-lined drainage ditches, funded through the Storm Water Fund balance. Additionally, she presented the proposed $150,000 Library plumbing rehabilitation project to replace aging plumbing infrastructure dating to the 1960s. The project is anticipated to be awarded before the end of Fiscal Year 2026 and funded through the Capital Improvements Fund.

Human Resources and Risk Management:

Director of Human Resources and Risk Management Sandra Wilson presented an overview of the City's comprehensive salary and benefits survey currently being conducted by Public Sector

Personnel Consultants (PSPC). Ms. Wilson reported that, based on the comprehensive compensation adjustments implemented following the 2023 salary survey, few significant changes are anticipated. She noted that the primary area identified for potential adjustments is Public Works, specifically supervisory and assistant supervisory positions. The estimated fiscal impact is approximately $50,000 each to the General Fund and the Water Sewer Fund. Ms. Wilson further reported that the salary survey is expected to be completed in time for the July 14, 2026, budget presentation to City Council.

Ms. Wilson also provided an update on employee health insurance. She reported that Next Level Prime will continue as a supplemental health benefit following the successful completion of its two-year pilot program. She noted that the program has helped reduce utilization of the Texas Health Benefits Pool by providing employees with convenient access to care, reducing emergency room visits, and supporting employee physical and mental wellness. The estimated Fiscal Year 2026-2027 cost for the program is approximately $220,000.

Ms. Wilson reviewed current health insurance trends, noting that the City is projecting an approximate 10 percent premium increase assuming no plan changes, compared to an average 11.5 percent increase for members of the Texas Health Benefits Pool. She further reported that proposed changes for Fiscal Year 2026-2027 include transitioning the Classic PPO plan to a copay model, increasing deductibles and out-of-pocket maximums for both the Classic PPO and High Deductible Health Savings Account (HSA) plans, and budgeting a 5 percent increase in healthcare costs, which is expected to be reduced based on the proposed plan modifications.

<u>Information Technology:</u>
Information Technology Director James Lewis presented an overview of the proposed Fiscal Year 2026-2027 Wastewater Treatment Plant communications tower project. The project includes construction of the City's final communications tower to improve communications reliability and support critical wastewater treatment operations. The estimated project cost is $150,000 and is proposed to be funded through the General Fund.

<u>Parks and Recreation:</u>
Parks and Recreation Director Kenny Walsh presented an overview of the proposed Fiscal Year 2026-2027 Parks and Recreation capital improvement projects. Mr. Walsh highlighted proposed improvements to park and recreational facilities, including renovation of the Adult Softball Complex restroom facility, redevelopment of Minchen Field No. 5 into a multi-use event space, replacement of aging playground and outdoor fitness equipment at Park Meadows and Dow Park, and installation of new shade structures and seating at the Pool House. He noted that the projects are intended to enhance accessibility, improve public amenities, expand recreational opportunities, and address aging infrastructure. The proposed projects are estimated at approximately $1.65 million and are funded through the Deer Park Community Development Corporation (DPCDC), the Capital Improvements Fund, and available bond proceeds.

<u>Police Department:</u>
Police Chief Greg Grigg presented an overview of the proposed Fiscal Year 2026–2027 Additional FLOCK Camera project. Police Chief Grigg reported that the approximately $29,200 project would expand the City's FLOCK camera network by adding eight cameras to enhance coverage of vehicles entering and exiting the City and support criminal investigations. The project is proposed to be funded through the General Fund.

Public Works:

Public Works Director David Van Riper presented an overview of the proposed Fiscal Year 2026-2027 Public Works capital improvement projects. Mr. Van Riper highlighted proposed projects to enhance public safety, transportation infrastructure, water and wastewater systems, fleet replacement, and community beautification. The proposed projects include expansion of the City's FLOCK camera network; reconstruction of the Coy Well; traffic signal and camera system upgrades; sludge removal and clarifier rehabilitation at the Surface Water Treatment Plant; a streets improvement program; replacement of a sanitation garbage truck; installation of programmable lighting on a City water tower; and continuation of the Decorative Street Signs Program. Mr. Van Riper noted that the projects are intended to improve infrastructure reliability, regulatory compliance, operational efficiency, and public safety. The projects are proposed to be funded through the General Fund, Water and Sewer Fund, Capital Improvements Fund, Asset Replacement Fund, and available bond proceeds.

Following discussion, the City Council directed staff to increase funding for the Decorative Street Signs Program and include funding for one illuminated water tower in the proposed Capital Improvements Plan. City Manager Jay Stokes stated that staff would revise the proposed budget to reflect the Council's direction and present the updated Capital Improvements Plan for Council review at a future meeting.

Assistant City Manager Sara Costlow thanked the Mayor, Council, and City staff for their time, participation, and collaboration throughout the budget development process. Ms. Costlow noted that preparation of the annual budget begins in early April and requires a significant citywide effort over several months to develop a balanced budget.

ADJOURN - Mayor Mouton adjourned the workshop meeting at 6:21 p.m.

ATTEST:	APPROVED:
Angela Smith, TRMC, CMC City Secretary	Jerry Mouton, Jr. Mayor