AGENDA – WORKSHOP OF THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS, TO BE HELD ON MONDAY, JANUARY 27, 2014, AT 6:00 P.M., IN THE COUNCIL CHAMBERS, CITY HALL, 3519 LIBERTY DRIVE, PEARLAND, TEXAS.

I. CALL TO ORDER

II. PURPOSE OF THE WORKSHOP:

1. **COUNCIL INPUT AND DISCUSSION:** REGARDING THE CHARTER REVIEW COMMISSION RECOMMENDATIONS. *Mr. Lawrence Provins, Assistant City Attorney, II.*

2. **COUNCIL INPUT AND DISCUSSION:** REGARDING CITY COUNCIL BRIEFING - PEARLAND COMPREHENSIVE PLAN UPDATE*. Ms. Lata Krishanrao, Director of Community Development and Mr. Gary Mitchell, Consultant.*

3. **COUNCIL INPUT AND DISCUSSION:** REGARDING FISCAL YEAR 2013 FINANCIAL SNAPSHOT. *Ms. Claire Bogard, Finance Director.*

III. ADJOURNMENT

This site is accessible to disabled individuals. For special assistance, please call Young Lorfing at 281-652-1840 prior to the meeting so that appropriate arrangements can be made.

Workshop Item No. 1

1. **COUNCIL INPUT AND DISCUSSION:** REGARDING THE CHARTER REVIEW COMMISSION RECOMMENDATIONS. *Mr. Lawrence Provins, Assistant City Attorney, II.*

AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS

AGENDA OF: 1-27-14	**ITEM NO.:** Workshop Item 1
DATE SUBMITTED: 1-21-14	**DEPARTMENT OF ORIGIN: Legal**
PREPARED BY: Darrin Coker	**PRESENTOR: Darrin Coker**
REVIEWED BY: NA	**REVIEW DATE: NA**

SUBJECT: Charter Review Commission Recommendations

EXHIBITS: CRC Report on Recommendations

EXPENDITURE REQUIRED: **AMOUNT BUDGETED:**
AMOUNT AVAILABLE: **PROJECT NO.:**
ACCOUNT NO.:

ADDITIONAL APPROPRIATION REQUIRED:
ACCOUNT NO.:
PROJECT NO.:

To be completed by Department:
☐ **Finance** ☒ **Legal** ☐ **Ordinance** ☐ **Resolution**

EXECUTIVE SUMMARY

The Council recently conducted a workshop to discuss the proposed Charter amendments. At that workshop, the Council sought additional feedback from the former CRC members regarding a possible amendment to the Charter with respect to how council vacancies are filled if the vacant seat has less than 1 year remaining on its term. Staff will be seeking clear direction on this and the remaining amendments since the resolution calling the election will be considered by Council on February 10th. Below is a summary of the comments from the former CRC members followed by a summary of the other proposed amendments:

Summary of 2013 Charter Review Commission Comments on Filling Vacancies by Appointment

As discussed at the Workshop on January 13, 2014, prior to the passage of Proposition 7 (HJR 87) of the 2013 November state-wide election, under Article XI, Section 11 of the Texas Constitution, cities with three- or four-year terms had to fill all vacancies on City Council by election of the

majority vote within 120 days of the vacancy. As a result of the election, home-rule municipalities with council terms more than 2 years now have the authority to fill a vacancy on council by appointment instead of holding a special election, as long as the vacant unexpired term is for 12 months or less.

Vacancies can result from resignation, death, disability, recall, or failure of a council member to meet the requirements of the Charter. In some instances, a vacancy can occur if a member of the council announces for another elective office. In other situations, the vacancy occurs upon the election to that other office.

As directed by City Council, staff reached out to the 2013 Charter Review Commission to solicit their thoughts on this issue. Three out of five of the former commission members have responded and of the three that responded, they unanimously support filling a vacancy in such circumstances by appointment in lieu of a special election. They agreed unanimously that the appointment should be within 30 days of the vacancy and they agreed unanimously that the appointment should be by a supermajority vote.

As for who can be appointed, while they were unanimous in their opinion that if the vacancy was caused by a recall initiative, the person who was recalled should be banned from being appointed, their opinions on establishing any other limitations on the person being appointed were not unanimous.

Two former commission members that responded thought that the person who is appointed should not be eligible to run for office in that position the next term.

One of the former commission members that responded thought that the person appointed should come from a predefined pool of applicants, people who currently serve on a city board or commission, one thought that the person appointed should be anyone who is otherwise qualified to run for office, and the third thought that it should be anyone who is qualified to run for office as long as that person is not currently in a city government position.

All of the former commission members that responded thought that the procedures should be the same for filling a vacancy in the position of Mayor.

All of the former commission members that responded expressed a preference for the process to be as simple as possible in hopes to minimize disagreements.

Assuming the Council agrees that appointment in lieu of a special election should take place within 30 days; there are a couple of other factors that need to be considered:

1. Should the appointment be by a **supermajority** or **simple majority** of **those present and voting** (similar to ordinances and resolutions) or should it be based upon the **entire council** regardless of the number present and voting.

    - EXAMPLE: using the current council numbers and a simple majority of those present and voting; the council could fill the vacancy with a 2-1 vote if the quorum is the mayor and 3 councilmembers. A simple majority of the entire council would require 3 votes to fill a vacancy regardless of the number present and voting.

    - EXAMPLE: using the current council numbers and a super majority (75%) of the present and voting; the council could not fill the vacancy unless all four councilmembers were present and it would require at least 3 votes. A super majority of the entire council would require 4 votes to fill a vacancy.

2. Should the appointment rules apply to the Mayor? I know that the CRC members recommended that the same rules should apply to the Mayor, but there are a few comments and questions you may want to consider.

    - It is the job of the Mayor Pro Tem to serve when the Mayor is out.

    - Does the Council really want to appoint someone to the office of Mayor?

    - Would current councilmembers be eligible for appointment? If so, only 3 members could vote since the vacant position and the councilmember being considered could not vote. This could create quorum issues; especially if more than one councilmember is considered for appointment.

    - Due to the nature of the position; would it make more sense to allow a vacancy in this position to be filled by election as provided for in state law (within 120 days after a vacancy is created) and allow the Mayor Pro Tem to carry out the duties of Mayor until an election is held?

As indicated in previous communications, there are several non-substantive revisions and one substantive change in the CRC recommendations. The most significant revision proposes an increase from 5 to 7 councilmembers with the May 2015 election **(although Council could choose to have the transition occur in a different year)**. Position 6 would serve an initial 2 year term to allow for proper staggering of the terms, and Position 7 would serve a full 3 year term. All subsequent terms for each position would be for full 3 year terms. By adding additional council positions, the following items will be impacted:

- Currently a quorum of the city council is at least 2/3 of the council and the mayor (2/3 of 6), which requires 4 persons to do business. The 4 persons can either be 3 councilmembers and the mayor or it could be comprised of 4 councilmembers without the mayor. The proposed revision will require at least 2/3 of 8, which will require 6 persons to conduct business. The persons can either be 5 councilmembers and the mayor or at least 6 councilmembers without the mayor.
- Voting on most items presented to council requires a simple majority of those present. Under the proposed revision it will require 4 votes to approve items with 7 councilmembers present; 4 votes to approve items with 6 councilmembers present; and 3 votes to approve items with 5 councilmembers and the mayor present.
- Items such as approval of an ordinance as an emergency or overriding a denial of the P&Z that require a ¾ vote of the entire council will need 6 votes for approval.
- Items such as approval of the budget require a majority of the entire council. In this case, it will require 4 votes to approve the budget regardless of the number of persons present.

Members of the CRC may be present at the workshop in the event the Council has any questions.

2013 City of Pearland Charter Review Commission's
Proposed Charter Amendments

Proposed Charter Amendments

Section 3.01. - Number, selection and term.

The legislative and governing body of the city shall consist of mayor and seven ~~five~~ (7~~5~~) council members and shall be known as the "city council of the City of Pearland, Brazoria, Harris and Fort Bend Counties, Texas.

(a) The mayor shall be elected from the city at large. The councilmembers shall be elected from the city at large by positions and shall be known as positions 1, 2, 3, 4, 5, 6 and 7~~5~~.

(b) The mayor shall be the presiding officer of the city council and shall be recognized as the head of the city government for all ceremonial purposes and by the governor for purposes of military law. The mayor shall be allowed to vote only in case of a tie vote. The mayor shall not be included in any calculation of the number of votes needed for the city council to take any action authorized by this charter, except when the mayor is allowed to vote in the case of a tie vote.

(c) In the first election year after adoption of the charter, two (2) councilmembers shall be elected for positions 1 and 5. In the second election year after adoption of this charter, the mayor and one (1) councilmember for position 3 shall be elected. In the third election year after adoption of this charter two (2) councilmembers shall be elected for positions 2 and 4. In the first election year after adoption of the amendments to the charter creating positions 6 and 7, one councilmember shall be elected for an initial two (2) year term for position 6 (which shall be considered a full term of office) with three (3) year terms thereafter and one councilmember shall be elected for an initial three (3) year term for position 7 with three (3) year terms thereafter.

(d) The mayor and each councilmember shall hold office for a period of three (3) years and until his/her successor is elected and qualified. All elections shall be held in the manner provided for by this charter and the election laws of the State of Texas.

(e) Councilmembers shall be limited to two (2) full consecutive elected terms of office, and there shall be no limitation on the office of mayor.

Section 3.08. - Meeting of the city council.

The city council shall hold at least two (2) regular meetings in each month at a time to be fixed by said city council by ordinance or resolution fixing the dates of such regular meetings. As many additional special meetings may be held during the month as may be necessary for the transaction of all business of the city and its citizens. All meetings shall be public, except where authorized by law, and shall be held at the city hall, provided, however, the city council may designate another place for such meetings after publishing the due notice thereof in one (1) issue of the official newspaper of said city. The city secretary, upon written request of the mayor or

any two councilmembers, shall call special meetings of the city council, notice of such special meetings shall be given to each member of the city council at least seventy-two (72) hours before the start of the meeting, which said notice shall state the date for such meeting and the subject to be considered at such meeting~~, and no other subject shall be there considered except with unanimous consent of the city council~~. Said notice to the city council shall be sufficient if delivered to the councilmembers in person, or in the event of the inability to locate said councilmember within the City of Pearland, Texas, delivery of such notice to his or her home shall be sufficient.

Section 3.13. - Audit and examination of city books and accounts.

The city council shall cause an annual audit to be made of the books and accounts of each and every department of the city. At the close of each fiscal year, a complete audit shall be made by an independent certified public accountant, who shall be selected by the city council, and such audit shall include a recapitulation of all audits made during the course of the fiscal year, and all audit reports shall be filed with the city council, shall be available for public inspection, shall be made a part of the archives of the city~~, and the resume shall be published in the official city newspaper of the City of Pearland. Such accountant, so selected, shall not maintain or keep any of the city's accounts or records nor be an employee or official of the City of Pearland~~.

~~**Section 4.04. - Department of taxation.**~~

~~There shall be a requirement to establish and maintain an effective tax rate and to ensure that taxes are collected. The city manager, with the approval of the city council, shall determine the method for appropriately collecting taxes.~~

Section 4.05. - Department of finance.

There shall be established and maintained a department of finance to administer the financial affairs of the city. The city manager with the approval of the city council shall appoint a competent person as the director of finance~~ and such assistants as the city manager and city council shall deem advisable~~. The director of finance shall be the official city treasurer and shall perform the duties delegated to him/her by the city manager and those which may be imposed upon him/her by the laws of the State of Texas.

~~**Section 4.08. - Department of health and sanitation.**~~

~~There shall be established and maintained a department of health and sanitation to administer health and sanitation standards in the City of Pearland.~~

~~(a) *Appointment and qualifications:* The city manager, with the approval of the city council, shall appoint a city health authority who shall be a licensed physician qualified to practice medicine in the State of Texas. The city health authority shall be the director of the department of health and sanitation.~~

~~(b) *Administration:* The city health authority shall be responsible to the city manager for the general administration of the department of health and sanitation and the supervision of the employees thereof.~~

~~(c) *Duties of the health authority:* The city health authority shall advise the city manager on a program of public health; shall cooperate in the preparation of sanitary code; shall cooperate with nearby cities on problems of health and sanitation; shall cooperate with the commissioner's court of Brazoria, Harris and Fort Bend Counties, Texas and its (their) agencies, and with the state health department and other departments of the state government in matters pertaining to health and sanitation.~~

Section 4.09. - ~~Volunteer f~~Fire department.

There shall be established and maintained a fire department to provide fire suppression, rescue, fire prevention and public fire education services to the City. The city manager with the approval of the city council shall appoint a competent person as the fire chief. The fire chief shall perform the duties delegated to him/her by the city manager and those which may be imposed upon him/her by the laws of the State of Texas.

Section 4.10. - Department of public works.

There shall be established and maintained a department of public works in the City of Pearland. The city manager, with the approval of the city council, shall appoint a director of public works who shall be the administrator of this department. The department of public works shall perform such duties as maintenance of water and sewage facilities, maintenance of streets, ~~collection of garbage, inspections pursuant to the building code~~, and such other and further duties for the public at large as may be assigned by the city manager.

Section 4.12. - Department of parks, recreation and beautification.

There shall be established and maintained a department of parks and recreation. The city manager, with the approval of the city council, shall appoint a director of parks and recreation who shall be the administrator of this department. The city council shall appoint an advisory park, recreation and beautification board. The advisory park, recreation and beautification board shall study the recreation, park facilities and beautification programs of the city and shall confer with the director of parks and recreation ~~city manager~~ and advise him/her with respect to the development and use of the city's parks, the recreation programs and city beautification. The advisory park, recreation and beautification board shall recommend to the city council rules for the use of parks, public grounds and recreation facilities consistent with the ordinances of the city and the statutes of the State of Texas and appropriate programs for the beautification of the city.

Section 5.05. - Ballots.

The positions of the several members of the council shall be designated on the official ballot as member of the council, position number 1, 2, 3, 4, ~~or~~ 5, 6 or 7. Each candidate shall indicate the

position which he/she desires to fill. Incumbent councilmembers seeking reelection must file for the position for which they were originally elected. Candidates for all positions may reside in any portion of the city. The names of all candidates for office, except such as may have withdrawn, died or became ineligible, shall be printed on the official ballots without party designations in the order determined in a drawing of lots conducted by the city secretary. All official ballots shall be printed at least twenty (20) days prior to the date of any general election, and early voting shall be governed by the general election laws of the State of Texas.

Section 6.02. - Scope of recall.

Any elected city official~~, whether elected to office by the qualified voters of the city or appointed by the city council to fill a vacancy,~~ shall be subject to recall and removal from office by the qualified voters of the city on grounds of incompetency, misconduct or malfeasance in office.

Section 6.13. - Initiative.

Qualified voters of the City of Pearland may initiate legislation by submitting a petition addressed to the city council which requests the submission of a proposed ordinance or resolution to a vote of the qualified voters of the city. Said petition must be signed by qualified voters of the city in number of at least thirty (30) per cent of the number cast at the regular last municipal election of the city, or one hundred fifty (150) qualified voters, whichever is greater, and each copy of the petition shall have attached to it a copy of the proposed legislation. The petition shall be signed as provided in section 6.03 of this charter. The petition may consist of one (1) or more notarized copies as permitted in section 6.05 of this charter. Such petition shall be filed with the person performing the duties of city secretary. Within five (5) days after the filing of such petition, the person performing the duties of city secretary shall certify such petition or return same to petitioners. After certification, the person performing the duties of the city secretary shall present said petition and proposed ordinance or resolution to the city council at the next regular meeting. Upon presentation to the city council of the petition and draft of the proposed ordinance or resolution, it shall become the duty of the city council within ten (10) days after receipt thereof, to pass and adopt such ordinance or resolution without alteration as to meaning or effect in the opinion of the persons filing the petition, except changes made to comply with federal or state laws, or to call a special election, to be held within thirty (30) days thereafter, at which the qualified voters of the City of Pearland shall vote on the question of adopting or rejecting the proposed legislation with any City Council proposed changes made to comply with federal or state laws. However, if any other municipal election is to be held within sixty (60) days after the filing of the petition, the question may be voted on at such election. No ordinance shall be proposed by an initiative petition which is on the same subject as an ordinance so submitted and defeated at an election held within the proceeding twelve (12) months.

Section 6.20. - Ordinances passed by popular vote, repeal or amendment.

No ordinances or resolutions which may have been passed by the city council upon a petition or adopted by popular vote under the provisions of this article shall be repealed or amended except by the city council in response to a referendum petition or by submission as provided in section 6.15 of this charter or to comply with federal or state law.

Section 8.06. - Notice of public hearing on budget.

At the meeting of the city council at which the budget is submitted, tIn accordance with state law, the city council shall cause to be published in the official newspaper of the City of Pearland, a notice of the hearing setting forth the date, time and place thereof at least five (5) days before the date of such meetingthe public hearing on the submitted budget.

Section 8.08. - Proceedings on budget after public hearings.

If the council should insert new items in the budget after the conclusion at the public meeting mentioned in**Error! Hyperlink reference not valid.** section 8.07, then the same procedures of notification in the official newspaper and another public hearing shall be required before adoption of the budget.

Section 8.08 – Amendment Before Adoption

After the hearing, the City Council may adopt the budget with or without amendment. In amending the budget, it may add or increase programs or amounts, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income plus funds available from prior years.

Section 8.10. - Date of final adoption.

The budget shall be finally adopted no later than the last regularly scheduled council meeting of September to allow compliance with the state tax laws, and should the city council fail to so adopt a budget, the then existing budget, together with its tax levying ordinance and its appropriation ordinance, shall be deemed adopted for the ensuing fiscal year.

Section 8.11. - Effective date of budget; certification ; copies madepublic availabilityle.

Upon final adoption, the budget shall be in effect for the fiscal year. A copy of the budget, as finally adopted, shall be filed with the person performing the duties of city secretary and, the county clerk of Brazoria County, and the state comptroller of public accounts at Austin. The final budget shall be published on the City's website mimeographed or otherwise reproduced, and copies shall be made available for the use of all offices, departments, and agencies and for the use of interested persons and civic organizations. A reasonable cost based on state recommendation will be charged for copies of city budgets to all interested parties.

Section 8.14. - Contingent appropriation.

Provision shall be made in the annual budget and in the appropriation ordinance for a contingent appropriation in an amount not to exceed more than one (1)seven (7) per centum of the general fund expenditurestotal budget to be used in case of unforeseen items of expenditures. Such contingent appropriation shall be under the control of the city manager and distributed by him/her after approval by the city council. Expenditures from this appropriation shall be made

~~only in case of established emergencies, and a detailed account of such expenditures shall be recorded and reported at the next regular meeting and biannually in the official newspaper of the City of Pearland. All money remaining in the contingency fund shall be utilized so as to draw the maximum income for the city yet remain liquid to be used if needed. Any amount remaining at the end of the year shall be directly forwarded into next year's contingency fund to be applied toward that year's total seven (7) per cent contingency fund.~~

Section 8.18. - Disbursement of funds.

All checks, vouchers or warrants for the withdrawal of money from the city depository shall be signed by the city manager or the mayor, and countersigned by the city secretary, or the city treasurer~~, or one member of the city council~~.

Section 8.22. - Tax liens.

(a) Except for such restrictions imposed by law, the tax levied by the city is hereby declared to be a lien, charge, or encumbrance upon the property upon which the tax is due, which lien, charge or encumbrance the city is entitled to enforce and foreclose in any court having jurisdiction over the same, and the lien, charge or encumbrance on the property in favor of the city, for the amount of taxes due on such property is such as to give the state courts jurisdiction to enforce and foreclose said lien on the property on which the tax is due, not only as against any resident of this state or person whose residence is unknown, but also as against nonresidents. All taxes upon real estate shall especially be a lien and a charge upon the property which the taxes are due, which lien may be foreclosed in any court having jurisdiction. The city's tax lien shall exist from January first in each year until the taxes are paid, and limitations as to seizures and suits for collection of taxes shall be as prescribed by state law.

(b) Except for such exemptions and restrictions imposed by law, all persons, associations, corporations, firms and partnerships owning or holding personal property or real property in the City of Pearland on January first of each year shall be liable for city taxes levied thereon for each year. The tangible personal property of all persons, associations, corporations, firms or partnerships owning any taxes to the City of Pearland is hereby made liable for all said taxes, whether the same be due upon personal or real property or upon both.

(c) All seizure and foreclosure proceedings shall be commenced no later than three (3) ~~two (2)~~ years after taxes first become delinquent.

~~**Section 10.09. Continuation of budget.**~~

~~The budget adopted for the city for the fiscal year October 1, 1970, to September 30, 1971, shall be and become the budget for the same fiscal year under the charter.~~

~~**Section 10.11. - Interim municipal government.**~~

~~Upon adoption of this charter, the persons then filling elective offices will continue to fill those offices to which they were elected. Thereafter, the city council shall be elected as~~

~~provided in section 1 [3.01], article III [3], of this charter. To-wit: In 1971 elect councilmembers for position 1 and position 5 for a three-year term. The term of councilmember for position 3 shall be extended one (1) year to the 1972 election. In 1972 elect the mayor and councilmember for position 3 for a three-year term. The terms of councilmembers for position 2 and position 4 shall be extended to the 1973 election. In 1973 elect councilmembers for position 2 and position 4 for a three-year term, etc. Persons who, on the date this charter is adopted, are filling appointive positions with the City of Pearland which are retained under this charter, may continue to fill these provisions [positions] for the term for which they were appointed, unless removed by the city council or by other means provided for in this charter. Persons who, on the effective date of this charter, are filling elective offices, that by this charter are made appointive offices, shall continue to serve in those offices for the terms to which they were elected.~~

Section 10.15. Charter review commission.

The city council shall appoint at its first regular meeting in January of every sixth~~fourth~~ year, beginning with 2019~~05~~, or more frequently if the city council deems necessary, a charter review commission of five (5) citizens of the City of Pearland:

~~**Section 10.16. - Submission of charter to voters.**~~

~~The charter commission, in preparing this charter, finds and decides that it is impracticable to segregate each subject so as to permit a vote of "yes" or "no" on the same, for the reason that the charter is so constructed that in order to enable it to work and function, it is necessary that it should be adopted in its entirety. For these reasons, the charter commission directs that said charter be voted upon as a whole and that it shall be submitted to the qualified voters of the City of Pearland at an election to be held for that purpose on the 6th day of February, 1971. Not less than thirty (30) days prior to such election, the city council shall cause the city secretary to mail a copy of this charter to each qualified voter of the City of Pearland as it appears from the latest city tax collector's roll. Within five (5) days after such election, the city council shall canvass the votes and, if the charter is adopted by a majority of the qualified voters in said election, the city council shall enter upon the records of the city an official order declaring the charter adopted and this charter shall take effect immediately, and the city secretary shall file an official copy of the charter with the records of the city. The city secretary shall furnish the mayor a copy of said charter, which copy of the charter so adopted, authenticated and certified by his/her signature and the seal of the city, shall be forwarded by the mayor to the secretary of state of the State of Texas and shall show the approval of such charter by majority vote of the qualified voters at such election.~~

~~**Section 10.17. - Meaning of word "city."**~~

~~When used in this charter, unless otherwise apparent from the context, the word "city" means "City of Pearland."~~

If the Charter Review Commission's proposed changes to the Charter are made regarding the increase in the size of City Council, the following table illustrates the first two election cycles for the newly added positions:

Position	1st Election	2nd Election
Mayor	2014	2017
1	2013	2016
2	2015	2018
3	2014	2017
4	2015	2018
5	2013	2016
6	2015 (Initial 2-Yr Term)	2017
7	2015 (Initial 3-Yr Term)	2018

Workshop Item No. 2

2. **COUNCIL INPUT AND DISCUSSION:** REGARDING CITY COUNCIL BRIEFING - PEARLAND COMPREHENSIVE PLAN UPDATE. *Ms. Lata Krishanrao, Director of Community Development and Mr. Gary Mitchell, Consultant.*

AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS

AGENDA OF:	January 27, 2014	**ITEM NO.:**	Workshop Item No. 2
DATE SUBMITTED:	January	**DEPT. OF ORIGIN:**	Community Development
PREPARED BY:	Lata Krishnarao	**PRESENTOR:**	Lata Krishanrao, Gary Mitchell
REVIEWED BY:	Mike Hodge	**REVIEW DATE:**	January 21, 2014

SUBJECT: City Council Briefing - Pearland Comprehensive Plan Update

EXHIBITS: Outline of the City Council Briefing

	Grant	**Developer/Other**	**Cash**
Bonds To Be Sold	**Bonds- Sold**	**L/P – Sold**	**L/P – To Be Sold**

FUNDING:

EXPENDITURE REQUIRED: **AMOUNT BUDGETED:**
AMOUNT AVAILABLE: **PROJECT NO.:**
ACCOUNT NOS.:

ADDITIONAL APPROPRIATION REQUIRED:
ACCOUNT NO.:
PROJECT NO.:

To be completed by Department:
Finance **Legal** **Ordinance** **Resolution**

EXECUTIVE SUMMARY

BACKGROUND

Kendig Keast Collaborative, was selected to prepare the Comprehensive Plan Update for the City of Pearland. The consultants started the process in July 2013. As of date, the process has included Listening Sessions, Big Picture Outreach Workshop and 3 meetings of the Comprehensive Plan Advisory Committee.

The proposed schedule included a City Council briefing during the process. At this workshop, the Consultant, Gary Mitchell, will provide an update of the steps that have been undertaken, a status update of the project, summary of findings, and discuss the activities anticipated in the future

RECOMMENDED ACTION

Conduct the workshop.

City Council Briefing
Pearland Comprehensive Plan Update

Timeline

- July 2013 through July 2014 (7 months into 14-month project)

Early Leadership/Community Outreach Activities

- Initial joint workshop with Council and Planning & Zoning Commission (Aug)
- Series of small-group "listening sessions" (Sep)
- "Big Picture" Outreach Workshop 1 (Oct)
- "Virtual Town Hall" site live since Outreach Workshop in October (http://pearland.mindmixer.com):
  - 1,550 site visits as of mid-January
  - 80% of participants are age 35 or older
  - Ideas and Comments generated on 11 topics to date, with greatest response (55 ideas) to:

    "For Pearland to be a 'complete' city, what are the missing pieces?"

Comprehensive Plan Advisory Committee

- Three of five meetings with committee completed so far:
  - Demographic and economic trends
  - Growth outlook and implications (infrastructure, public safety services and facilities)
  - Consideration of key community issues and potential priorities, with a definite focus on:
    - Economic development
    - Ongoing capital investments to support continued growth plus redevelopment
    - Annexation outlook
    - Financial implications for City of growth and land use decisions
    - Traffic congestion relief
    - Needed housing options and neigborhood quality and integrity
    - Recreational/cultural amenities and associated tourism potential
    - Community image and aesthetics
  - Discussion still to come on Mobility, Land Use, and Parks & Amenities

Activities Ahead

- 2 more Advisory Committee meetings (Feb-Mar)
- Overall Draft Comprehensive Plan (May)
- Joint workshop of Council / Planning & Zoning Commission / Advisory Committee (May)
- Hearings and consideration (Jun-Jul)

Workshop Item No. 3

3. **COUNCIL INPUT AND DISCUSSION:** REGARDING FISCAL YEAR 2013 FINANCIAL SNAPSHOT. *Ms. Claire Bogard, Finance Director.*

AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS

AGENDA OF:	January 27, 2014	**ITEM NO.:**	Workshop Item No. 3
DATE SUBMITTED:	January 2, 2014	**DEPT. OF ORIGIN:**	Finance
PREPARED BY:	Claire Bogard	**PRESENTOR:**	Claire Bogard
REVIEWED BY:	Mike Hodge	**REVIEW DATE:** Jan 16, 2014	

SUBJECT: Workshop – Fiscal Year 2013 Financial Snapshot

EXHIBITS: PowerPoint Presentation
Articles

FUNDING:

☐ **Grant** ☐ **Developer/Other** ☐ **Cash**
☐ **Bonds To Be Sold** ☐ **Bonds- Sold** ☐ **L/P – Sold** ☐ **L/P – To Be Sold**

EXPENDITURE REQUIRED: N/A **AMOUNT BUDGETED: N/A**
AMOUNT AVAILABLE: **PROJECT NO.:**
ACCOUNT NO.:

ADDITIONAL APPROPRIATION REQUIRED:
ACCOUNT NO.:
PROJECT NO.:

To be completed by Department:
Finance **Legal** **Ordinance** **Resolution**

EXECUTIVE SUMMARY

BACKGROUND

One of the outcomes from the City Council retreat from 2009 to present was for Council and Citizens to receive regular updates on the City's Finances – State of the Finances Snapshot. This update is done quarterly and includes the review of financial activity for the General Fund, Water & Sewer Fund, PEDC, and Hotel/Motel Fund. The update also includes key economic indicators, update on grant activities, and major capital projects.

POLICY/GOAL CONSIDERATION

Continue to communicate through regular "State of the Finances Snapshot" Workshops. The PowerPoint presentation is also put on the City's web-site, in order to share the information with the citizens.

Also, pursuant to Council's goal of receiving data from external sources to understand the impact of trends on the revenue base, attached are some articles regarding the Houston area economy and forecast.

RECOMMENDED ACTION

Receive workshop on 4th Quarter, Fiscal Year 2013 (October 2012 - September 2013) Financial Snapshot.

RESPONSIVE | RESULTS-ORIENTED | TRUST-BUILDERS | ACCOUNTABLE

CITY OF PEARLAND

State of Finances Snapshot FY2012-2013

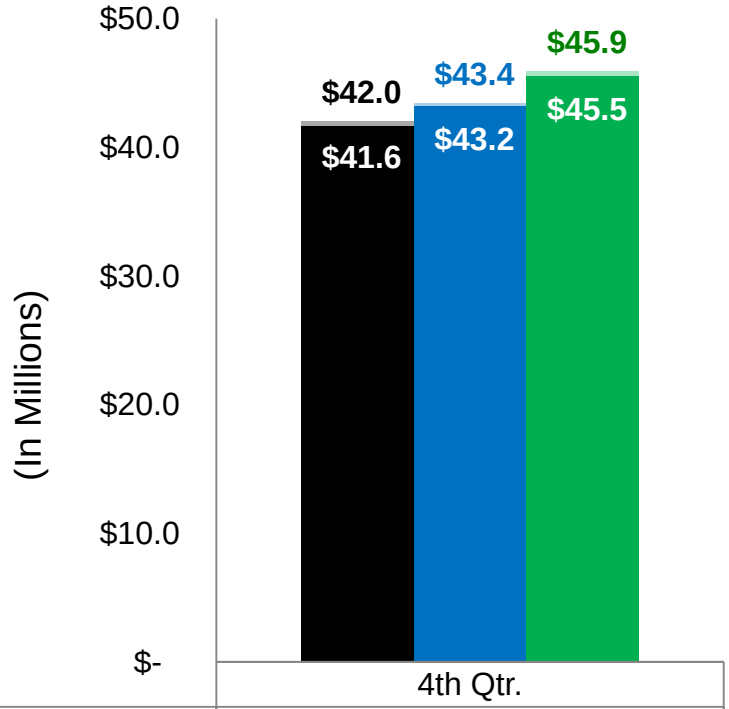
For the year ending September 30, 2013
(Unaudited)

MAJOR SUMMARIES

- PROPERTY TAX COLLECTION
- DEBT SERVICE FUND
- GENERAL FUND
- WATER & SEWER FUND
- HOTEL OCCUPANCY TAX FUND
- PEDC FUND
- OTHER FUNDS

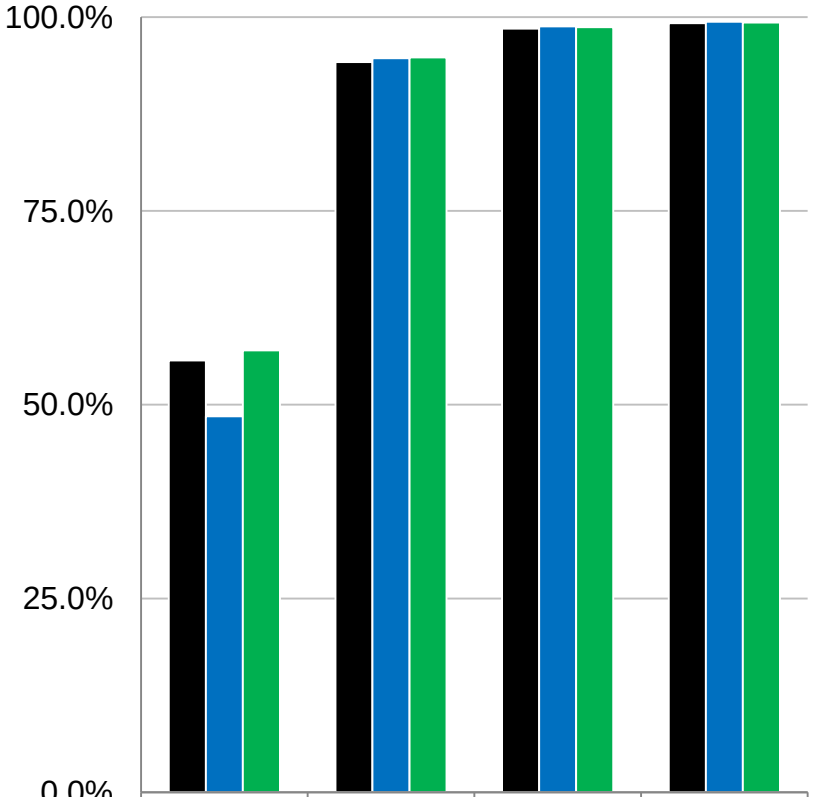
PROPERTY TAX COLLECTIONS (YEAR-TO-DATE)

$ COLLECTED - CUMULATIVE



	4th Qtr.
FY11 Levy	$42.0
FY12 Levy	$43.4
FY13 Levy	$45.9
FY11 Collections	$41.6
FY12 Collections	$43.2
FY13 Collections	$45.5

% COLLECTED - CUMULATIVE



	1 QTR	2 QTR	3 QTR	4 QTR
FY11	55.7%	94.2%	98.5%	99.2%
FY12	48.5%	94.7%	98.8%	99.4%
FY13	57.0%	94.8%	98.7%	99.3%

*Percent collected based on 100.0% of Levy. Total Taxes Receivable = $961,690 of which $347,793 is 2012 taxes.

DEBT SERVICE FUND – FUND BALANCE

	FY 2013 Budget	FY 2013 Actual-To-Date	$ Variance
Revenue	$27,981,832	$28,326,489	$344,657
Expenditure	$28,683,312	$28,676,147	$7,165
Revenue Over/(Under)	($701,480)	($349,658)	$351,822
Beginning Fund Balance	$4,992,480	$4,992,480	
Ending Fund Balance	$4,291,000	$4,642,822	$351,822
Policy 10%	$2,868,331	$2,867,615	
Over Policy	$1,422,669	$1,775,207	$352,538

Revenues – Over budget. Collection rate of 99.3% vs 99.0% projected and higher delinquent collections and penalties than anticipated.

Expenditures – Includes $23.7 million in bond payments and $4.1 million in tax rebates to in-city MUD's.

GENERAL FUND REVENUE SUMMARY

REVENUES	FY 2013 BUDGET	FY 2013 ACTUAL-TO-DATE	FY 2013 % OF BUDGET	FY 2012 ACTUAL-T0-DATE
Property Taxes	$11,034,162	$11,178,950	101.3%	10,861,342
Sales and Use Taxes	16,172,355	16,061,823	99.3%	14,814,935
Franchise Fees	5,855,695	5,710,073	97.5%	5,962,165
Licenses & Permits	2,726,978	2,988,859	109.6%	2,320,101
Fines & Forfeitures	3,390,068	3,333,675	98.3%	3,164,068
Charges for Service	12,428,649	12,567,692	101.1%	11,796,238
Miscellaneous	602,751	684,469	113.6%	567,125
Sub-Total	**$52,210,658**	**$52,525,541**	**100.6%**	**$49,485,974**
Transfers in	3,743,503	3,648,816	97.5%	3,694,188
Other Financing Sources	3,216,813	1,179,413	36.7%	
TOTAL REVENUES	**$59,170,974**	**$57,353,770**	**96.9%**	**$53,180,162**

Including revenue carryover of $1.853M, total revenues are 100% of budget. Excluding Transfers In and Other Financing Sources, revenues are 100.6% of budget. Property Taxes – Current and delinquent property tax collections – 101.2% vs. 101.3% last year. Budget based on a 99.0% collection rate. Collections exceed budget. Sales Tax Collection (Actual) – YTD collection totals $15,742,793 This is 98.3%, or $264,836, short of the amended budget; $1,068,015, or 7.3%, higher than last year actual through September. The amended budget assumed a 9.1% increase over last year for the last half of the year; however, growth was actually 4.2%, and excluding the September negative audit adjustment, growth was at 5%. Licenses & Permits total $2.99M and are 109.6% of budget. This is an increase of $669K from 9/30/2012 due to new rates effective 10/1/2012. Building Permits reflects a 1.1% increase in residential permits compared to last year – 941 SF permits issued through 9/30/2013 vs. 931 last year, however permitted value is higher by $20.2M or 10.8%. Commercial permits issued are 107 vs. 85 last year, however permitted value down $36M. Fines & Forfeitures – Greater than last year by $170K and are 98.3% of budget. Number of charges decreased by 9% or 2,748 however warrants cleared increased by 2.5% or 248, and charges dismissed declined by 588. Charges for Services – Greater than last year by $771K and are 101.1% of budget. Increase over last year by $474K in TIRZ administration fees due to valuation and tax rate increase, $251K for back billing for MUD 21 and other engineering inspections and $100K in Parks & Rec. revenues mainly due to an increase in membership revenues. Ambulance Service Fees down by $104K due to transition of billing service provider and reductions in Medicare/Medicaid. Miscellaneous – At 113.6% of budget. A $115K increase over September 2012 due to funds received from BC MUD 4 at time of annexation. Other Financing Sources – Lease/Purchase for FY2013 outstanding - $1.853M.

GENERAL FUND EXPENDITURE SUMMARY

EXPENDITURES	FY 2013 BUDGET	FY 2013 ACTUAL-TO-DATE	FY 2013 % OF BUDGET	FY 2012 ACTUAL-T0-DATE
General Government	$6,926,365	$6,611,172	95.4%	$6,070,401
Public Safety	31,856,493	28,724,535	90.2%	25,140,015
Community Services	3,555,628	3,231,281	90.9%	2,978,839
Public Works	8,832,754	7,656,234	86.7%	7,334,501
Parks & Recreation	7,811,503	7,124,094	91.2%	6,746,379
Sub-Total	**$58,982,743**	**$53,347,316**	**90.4%**	**$48,270,135**
Transfers Out	1,974,555	1,974,555	100.0%	1,476,287
TOTAL EXPENDITURES	**$60,957,298**	**$55,321,871**	**90.8%**	**$49,746,422**

- Expenditures of $55.3M are 90.8% of budget and are $5,575,449 higher than the same time last year. Carryovers totaling $2,849,652 bring expenditures up to $58.2M or 95.4% of budget. Total expenditures for September 2012 were 93.8% of budget.
- General Government – 95.4% of budget. Over last year by $541K due to IT Master Plan, IT switches, computer replacements, and opening of Westside Library.
- Public Safety – 90.2% of budget and over last year by $3.6M mainly due to down payment on the Public Safety radio upgrade, purchase of fire truck, ambulance, merit and step increases, and fire truck repairs. $1.7M requested carryover for Fire trucks, Houston radio migration and other purchases in progress.
- Community Services – 90.9% of budget; $108K carryover requested including Comprehensive Plan.
- Public Works – 86.7% of budget. Higher than last year by $322K mainly due to purchase of materials for drainage and sidewalk replacement. $675K carryover requested for engineering, school zone flasher system, street paving, sidewalk replacement and irrigation contract in progress.
- Parks & Recreation – 91.2% of budget and is $378K higher than last year due to landscaping contracts for new medians and increase cost of A/C maintenance. $215K carryover requested for ongoing parks development and FS #4 roof replacement.

GENERAL FUND – FUND BALANCE

	FY 2013 Budget	FY 2013 To Date	$ Variance
Revenues	$59,170,974	$57,353,770	($1,817,204)
Expenditures	$60,957,298	$55,321,871	$5,635,427
Year End Entries		($980,740)	($980,740)
Revenue Over/(Under)	($1,786,324)	$1,051,159	$2,837,483
Beginning Fund Balance	$17,571,942	$17,571,942	
Ending Fund Balance	$15,785,618	$18,623,101	$2,837,483
Over Policy*	$7,066,311	$9,903,794	$2,837,483
Carryover Request			
Revenues		$1,872,939	
Expenditures		$2,849,652	
Net Ending Fund Balance	$15,785,618	$17,646,388	$1,860,770

Fund Balance over policy can only be used for non-recurring type purchases such as capital, carryover request, etc.

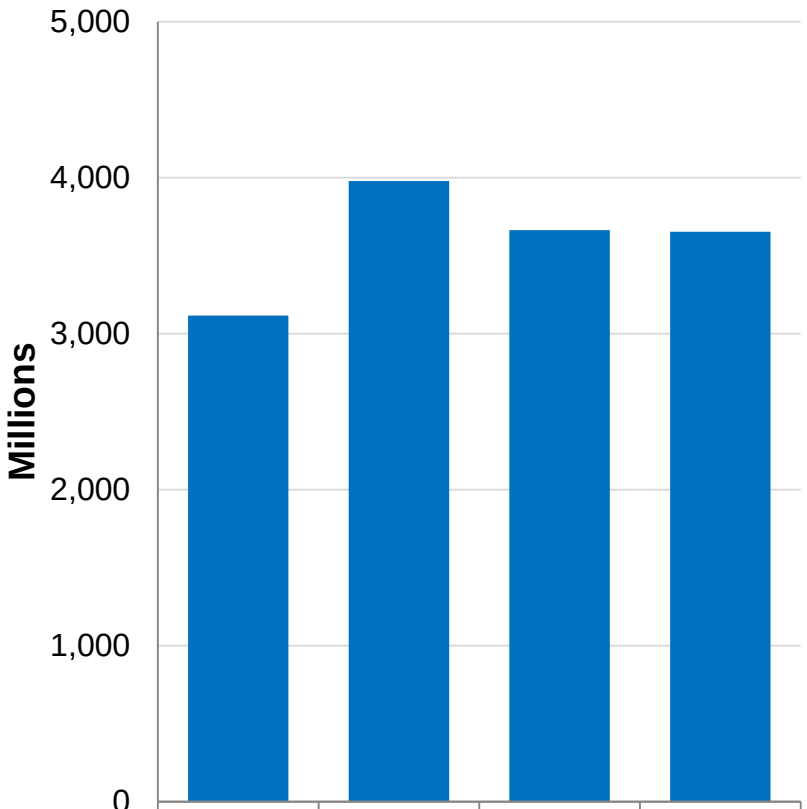
WATER SEWER FUND REVENUE SUMMARY

REVENUES	FY 2013 BUDGET	FY 2013 ACTUAL-TO-DATE	FY 2013 % OF BUDGET	FY 2012 ACTUAL-T0-DATE
Sale of Water	$15,301,433	$15,516,338	101.4%	$14,856,677
Sewer Revenues	11,822,711	11,963,047	101.2%	11,013,046
Other Service Charges	1,378,281	1,459,037	105.9%	1,412,784
Interest Income	39,800	37,228	93.5%	32,492
Other Misc. Income	513,387	590,566	115.0%	351,956
Transfers In	2,499,500	2,509,500	100.4%	2,606,773
Bond / Lease Proceeds				2,895,807
TOTAL	**$31,555,112**	**$32,075,716**	**101.6%**	**$33,169,535**

- Total revenues are $32.1M or 101.6% of budget. Water/Sewer charges of $27.5M make up 85.7% of revenues.
- Water and sewer revenues $1.6 million greater than last year.
  - Higher commercial and multi-unit consumption
  - Higher residential wastewater cap.
- Other service charges include late fees, connection fees, water & sewer tap fees.
- Other misc. income – $239K over last year due to BC MUD 4 balances at time of annexation.

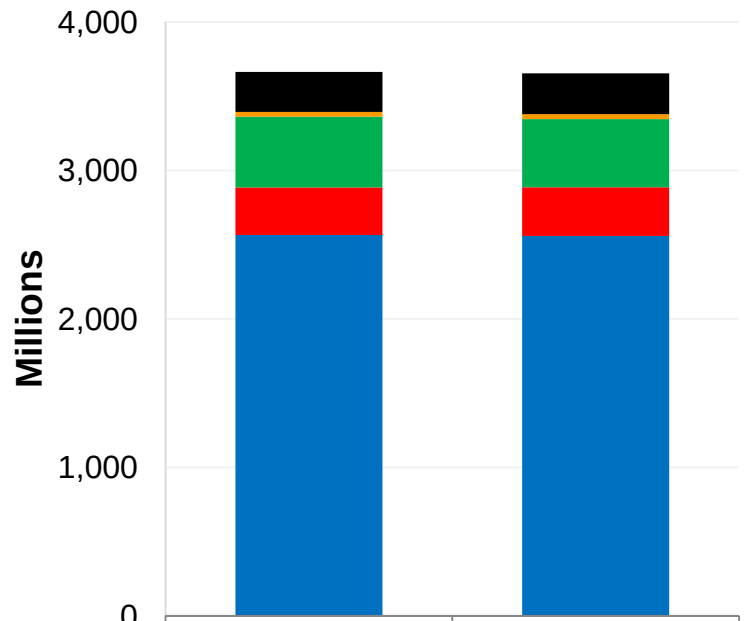
WATER CONSUMPTION

YTD Consumption Use by Fiscal Year (In Millions of Gallons)



	FY10	FY11	FY12	FY13
YTD	3116	3979	3664	3654

YTD Consumption Use FY2012 vs. FY2013 (In Millions of Gallons)

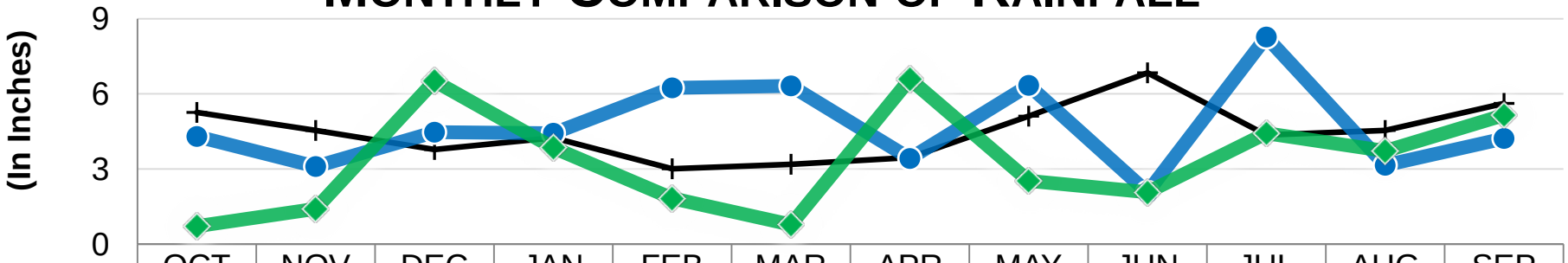


	FY2012	FY2013
Other*	269	275
Builder	33	33
Sprinkler	476	459
Commercial	320	328
Residential	2566	2559

* Multi-unit residential is included in Other.

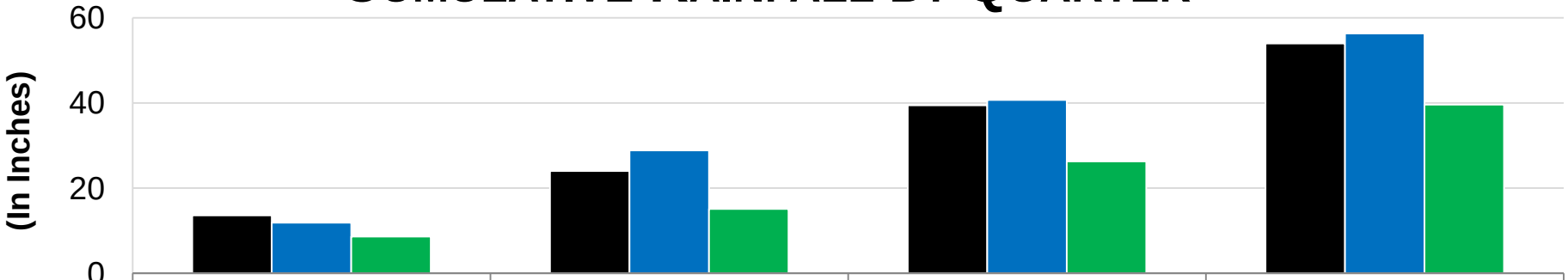
RAINFALL COMPARISON

Monthly Comparison of Rainfall



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Normal*	5.26	4.54	3.78	4.25	3.01	3.19	3.46	5.11	6.84	4.36	4.54	5.62
FY2012	4.30	3.10	4.47	4.43	6.24	6.32	3.42	6.34	2.07	8.27	3.15	4.22
FY2013	0.72	1.41	6.51	3.85	1.83	0.78	6.59	2.53	2.07	4.43	3.72	5.15

Cumulative Rainfall by Quarter



	1 QTR	2 QTR	3 QTR	4 QTR
Normal*	13.6	24.0	39.4	54.0
FY2012	11.9	28.9	40.7	56.3
FY2013	8.6	15.1	26.3	39.6

**Normal Precipitation is recorded at Houston Hobby AP Weather Station. www.idcide.com/weather/tx/pearland.htm.*
Normal is averages by month over 30 years as of January 2013.

WATER SEWER FUND EXPENSE SUMMARY

EXPENSES	FY 2013 BUDGET	FY 2013 ACTUAL-TO-DATE	FY 2013 % OF BUDGET	FY 2012 ACTUAL-TO-DATE
Lift Stations	$933,344	$889,495	95.3%	$777,851
Wastewater Treatment	3,979,597	3,775,200	94.9%	3,166,255
Water Production	8,159,268	6,315,530	77.4%	6,446,046
Distribution & Collection	2,254,845	2,127,617	94.4%	1,849,211
Construction	1,159,810	1,030,791	88.9%	848,435
GIS	260,845	239,232	91.7%	240,634
W&S Revenue Collections	3,028,773	2,692,831	88.9%	2,131,405
Sub-Total	**$19,776,482**	**$17,070,695**	**86.3%**	**$15,459,837**
Other Requirements	10,434,819	10,417,128	99.8%	12,522,077
Transfers	3,154,505	3,154,505	100.0%	6,807,213
TOTAL	**$33,365,806**	**$30,642,328**	91.8%	**$34,789,125**

- Actuals Incurred - Personnel Costs: $5,042,612 (13.6%), Operations: $17,212,614 (72.7%), are 86.3% of budget. Including Other Requirements and Transfers, expenses are 91.8% of budget.
- Carryover – $787K requested for FY2013 carryover.
- Lift Stations – 95.3% of budget and $112K over last year. Purchase of vehicles in FY13 and vacant positions in FY12.
- Water Production – 77.4% of $1.8M lower than budget. $579K requested carryover. Savings in City of Houston surface water purchases.
- Wastewater Treatment - 94.9% of budget, $609K greater than last year. In FY13 purchase of UV lamps and repairs for WWTP plants, and sludge removal related to FNW & Barry Rose WWTP. $95K requested carryover.
- Distribution and Collection – 94.4% of budget $278K greater than last year due to vacant position in FY12; purchase of vehicles and jetting unit in FY13; lower parts & repairs expense in FY12.
- Construction - W&S Construction is at 88.9% of budget.
- W&S Revenue Collections – 88.9% of budget with $336K in savings mainly due to Meter Replacement Program. $108,596 carryover requested to cover remaining invoices for meters and meter replacement and registers.
- Transfers – Lower than last year by $3.7M due to more pay-as-you-go for CIP last year.

WATER SEWER FUND – ENDING BALANCE

	FY 2013 Budget	FY 2013 To Date	$ Variance
Revenues	$31,555,112	$32,075,716	$520,604
Expenses	$33,365,806	$30,642,328	$2,723,478
Revenue Over/(Under)	($1,810,694)	$1,433,388	$3,244,082
Beginning Cash Equiv.	$11,994,247	$11,994,247	
DS Reserve	$1,568,545	$1,579,105	($10,560)
Ending Cash Equiv.	$8,615,008	$11,848,530	$3,233,522
Carryover Request			
Revenue		$1,178	
Expenses		$786,738	
Net Ending Cash Equiv.	$8,615,008	$11,062,970	$2,447,962

HOTEL TAX FUND – FUND BALANCE

	FY 2013 Budget	FY 2013 To Date	$ Variance
Revenue	$1,136,017	$1,153,637	$17,620
Expenditure	$831,359	$706,313	$125,046
Revenue Over/(Under)	$304,658	$447,324	$142,666
Fund Balance - Beginning	$1,823,828	$1,823,828	
Fund Balance - Ending	$2,128,486	$2,271,152	$142,666
Carryover Request			
Revenues		$77,000	
Expenditures		$58,199	
Ending Fund Balance	$2,128,486	$2,289,953	$161,467

P.E.D.C. FUND REVENUE SUMMARY

REVENUES	FY 2013 BUDGET	FY 2013 ACTUAL-TO-DATE	FY 2013 % OF BUDGET	FY 2012 ACTUAL-T0-DATE
Sales Tax	$8,068,589	$7,871,397	97.6%	$7,337,389
Interest Income	36,937	40,811	110.5%	34,159
Miscellaneous	438,445	438,326	100.0%	458,353
TOTAL REVENUE	**$8,543,971**	**$8,350,533**	**97.7%**	**$7,829,901**

Sales Tax Collection (Actual) – Sales tax through September totals $7,871,397, 97.6%, or ($197,192) less than budget, and $534,007, or 7.3%, higher than sales tax received through September 2012.

- Miscellaneous:
  - PEDC received $414K for rent for the CSI facility, per agreement.
  - Interest income at $40,811
  - Reserve for Debt Pay-off
    - Setting aside 20% of sales tax so that by 2015 can call and pay-off Series 2010 bonds.
    - Reserve at year-end - $3,041,757

P.E.D.C. FUND EXPENDITURE SUMMARY

EXPENDITURES	FY 2013 BUDGET	FY 2013 ACTUAL-TO-DATE	FY 2013 % OF BUDGET	FY 2012 ACTUAL-T0-DATE
Operating	$1,360,991	$1,151,710	84.6%	$1,022,573
Capital Outlay	5,000		0.0%	
Transfers	214,333	214,333	100.0%	165,638
Bond Payments	2,045,585	2,045,585	100.0%	2,044,742
Capital Transfers Out	2,625,920	2,249,646	85.7%	
Business Incentives	1,677,600	784,450	46.8%	375,441
TOTAL EXPENDITURES	**$7,929,429**	**$6,445,724**	**70.4%**	**$3,608,394**

- Operating – Includes personnel costs, as well as expenditures associated with marketing and promotional programs.
- Transfers – Includes $151,438 to the City for support services and $62,895 to U of H fund.
- Bond Payment – Payment of interest on bonds totaling $586,581, was made in February and $1,468,132 bond principal and interest was paid in August.
- Capital Transfers – A total of $2,249,646 has been transferred for the Business Center Drive capital project, expected to total $2.6 million, which is a savings of $522,573 from the original project budget, to be reimbursed via future street assessments. $376K to carryover to FY 2014.
- Business Incentives – Business incentives total $784,450, $893,150 less than anticipated. Includes the first payment of $15,000 to GroupCare Hospice, made in July, a grant of $150,000 to Brask/Neela, Inc., $100,000 to Hatch Mott MacDonald, $340,000 to Ref Chem paid in August . Includes Sales Tax incentives of $146,399 to AmReit.

P.E.D.C. INCENTIVES

Current Incentives	Amount	Prior	FY 2013	Balance
Altus Harbor	$87.5K	$65K	$0	$22.5K
Brask/Neela, Inc.	$150K	$0	$150K	$0
Cardiovascular Systems, Inc.	$5.1M	$4.1M	$0	$1M
KS Management	$2.6M	$0	$0	$2.6M
Merit Medical Systems, Inc.	$888K	$0	$0	$888K
Ref-Chem	$340K	$0	$340K	$0
SCR HH GP	$300K	$180K	$0	$120K
Shadow Creek Ranch/AmReit*	$667K	$336K	$146.4K	$184.6K
Hatch Mott	$100K	$0	$100K	$0
Group Care Hospice	$87.5K	$0	$15K	$72.5K
Zapp Precision Wire	$60.0K	$0	$0	$60.0K
Dover	$630K	$0	$0	$630K

*Excludes OTS incentives

PEDC FUND – FUND BALANCE

	FY 2013 Budget	FY 2013 To Date	$ Variance
Revenue	$8,543,971	$8,350,533	($193,438)
Expenditure	$3,620,909	$3,411,628	$209,281
Revenue Over/(Under)	$4,923,062	$4,938,905	$15,843
Other Financing Sources	($4,308,520)	($3,034,096)	$1,274,424
Net Change in Fund Balance	$614,542	$1,904,809	$1,290,267
Beginning Fund Bal.	$13,461,695	$13,461,695	
DS Reserves	($665,254)	($665,254)	
Reserve for Pay-off	($3,081,196)	($3,041,757)	$39,439
Ending Fund Bal.	$10,329,787	$11,659,492	$1,329,705
Carryover			
Business Center Drive		$376,274	
Net Ending Fund Balance	$10,329,787	$11,283,218	$953,431

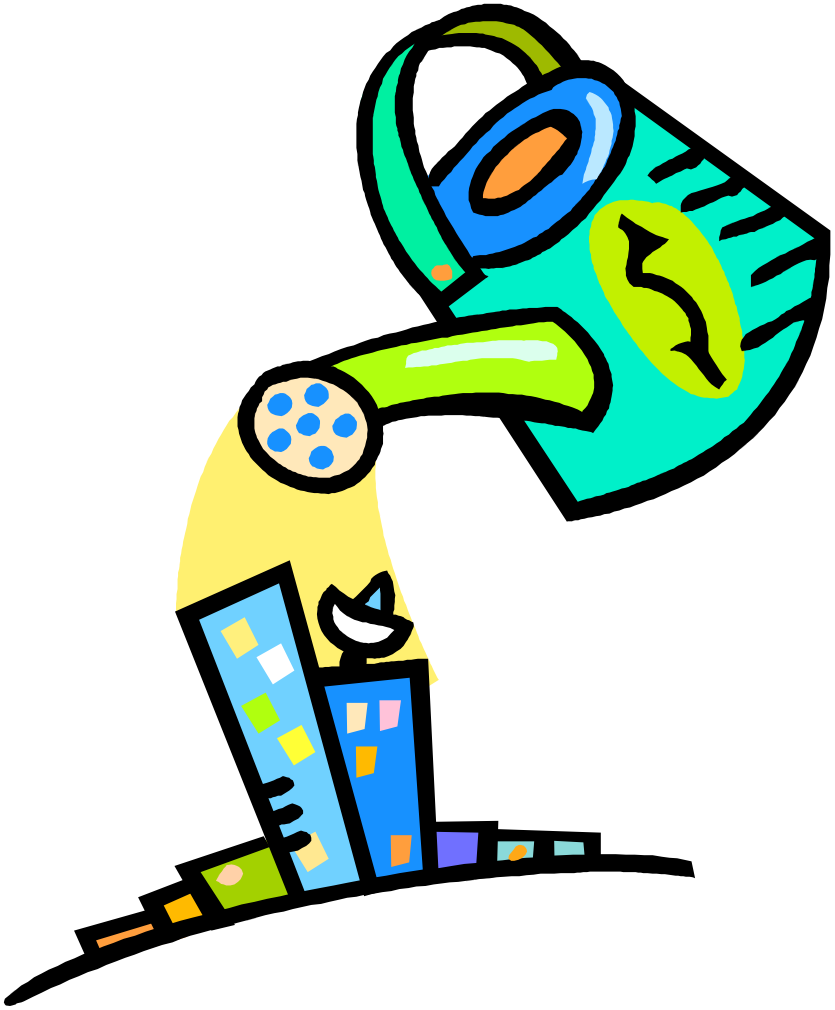
SUMMARY OF OTHER FUNDS AND YEAR-END FUND BALANCE

	FY 2013 Budget	FY 2013 Fund Balance	$ Variance
Property/Liability Insurance Fund	$57,145	$146,152	$89,007
Medical Self Insurance Fund	$519,981	$476,093	($43,888)
Court Security Fund	$130,426	$129,608	($818)
City-Wide Donation Fund	$78,433	$91,337	$12,904*
Court Technology Fund	$5,115	$283,435	$278,320*
Court Juvenile Fund	$62,878	$60,499	($2,379)
Traffic Improvement Fund	$665,974	$639,896	($26,078)
Park Donation Fund	$110,671	$115,758	$5,087
P & R Development Fund	$538,763	$795,920	$257,157*
Sidewalk Fund	$210,658	$225,800	$15,142
Police State Seizure	$131,043	$192,213	$61,170*
Federal Police Fund	$47,877	$49,286	$1,409
PEG Fund	$256,763	$260,514	$3,751*
U of H Fund	$0	($1)	($1)

*Carryovers into FY2014.

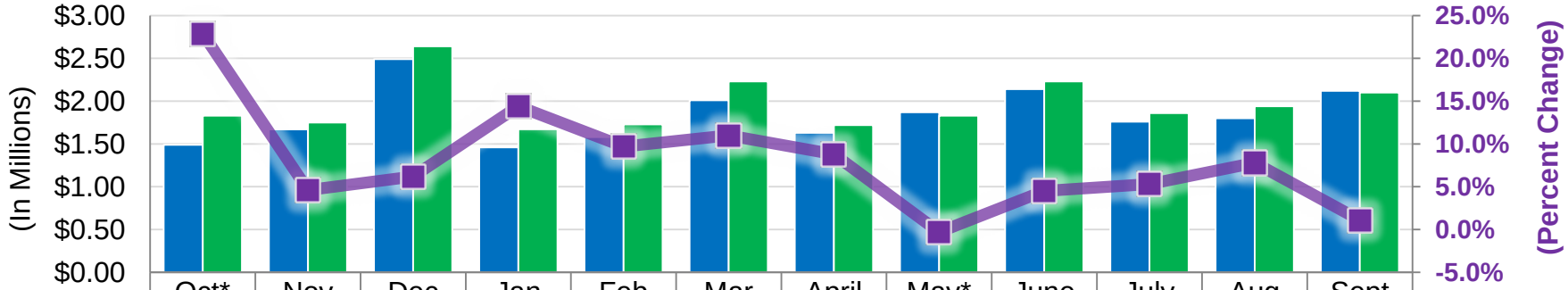
ECONOMIC INDICATORS

- SALES TAX COLLECTION
  - MONTH-TO-MONTH
  - QUARTER-TO-DATE
- BUILDING PERMITS
  - SINGLE FAMILY
  - COMMERCIAL
  - PERMIT REVENUE
- HOT TAXES
  - BY QUARTER
  - BY YEAR
- UNEMPLOYMENT RATE
- FORECLOSURE FILINGS



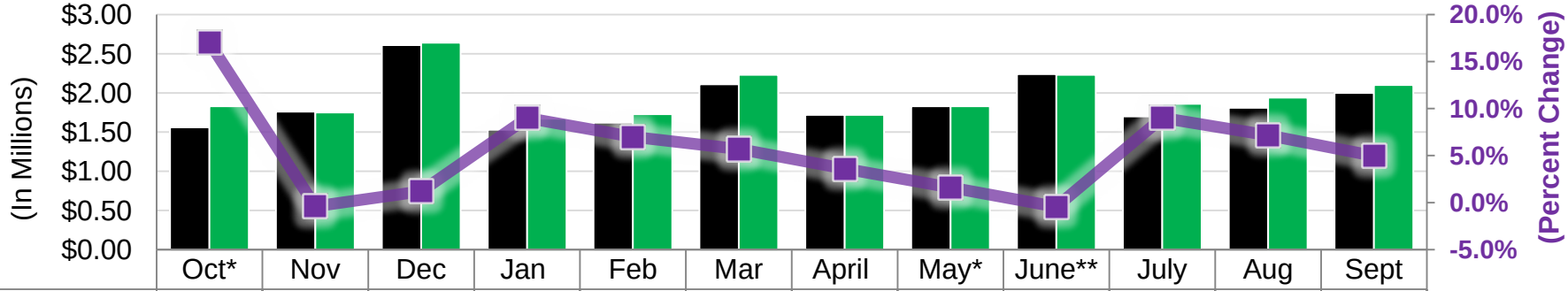
SALES TAX

SALES TAX ACTUAL-TO-ACTUAL AND PERCENT CHANGE



	Oct*	Nov	Dec	Jan	Feb	Mar	April	May*	June	July	Aug	Sept
FY12 Actual	$1.49	$1.67	$2.49	$1.46	$1.58	$2.01	$1.63	$1.87	$2.14	$1.76	$1.80	$2.12 *
FY13 Actual	$1.83	$1.75	$2.64	$1.67	$1.73	$2.23	$1.72	$1.83	$2.23	$1.86	$1.94	$2.10
% Change	22.9%	4.6%	6.2%	14.4%	9.7%	11.0%	8.8%	-0.3%	4.5%	5.3%	7.8%	1.1%

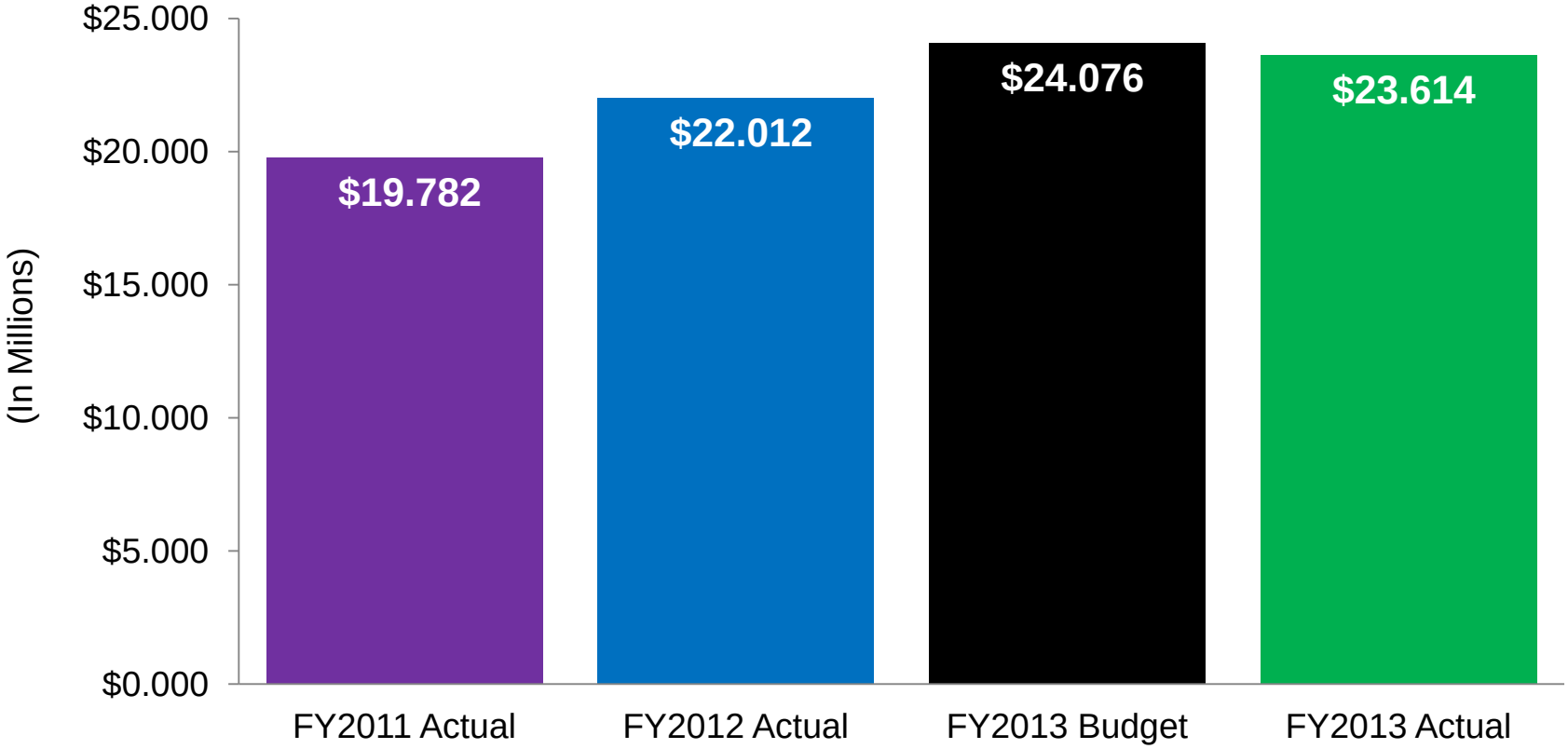
SALES TAX ORIGINAL BUDGET-TO-ACTUAL AND PERCENT CHANGE



	Oct*	Nov	Dec	Jan	Feb	Mar	April	May*	June**	July	Aug	Sept
FY13 Budget	$1.56	$1.76	$2.61	$1.53	$1.62	$2.11	$1.72	$1.83	$2.24	$1.70	$1.81	$2.00
FY13 Actual	$1.83	$1.75	$2.64	$1.67	$1.73	$2.23	$1.72	$1.83	$2.23	$1.86	$1.94	$2.10
% Change	17.0%	-0.4%	1.2%	9.0%	7.0%	5.7%	3.6%	1.6%	-0.4%	9.0%	7.2%	5.0%

**October FY13 Actual has payments made in advance totaling $103K. May FY12 has a one-time payment of $140,000. September FY13 includes ($99K) audit adjustment, would have been 3.6% growth over last year.*

SALES TAX
YTD COLLECTIONS



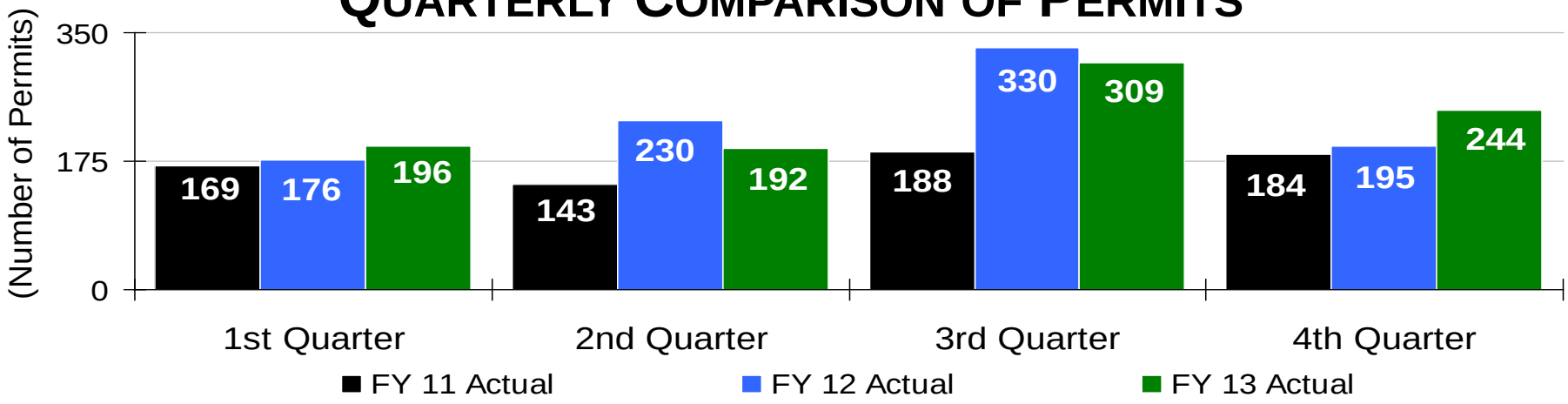
SALES TAX COMPARISONS

CITY (tax rate)	NET PAYMENT FOR SEPT.*	PRIOR YEAR FOR SEPT.*	% CHANGE	2013 PAYMENT TO DATE** (JAN – SEPT)	2012 PAYMENT TO DATE** (JAN – SEPT)	% CHANGE
BAYTOWN (1.25)	1,182,813.70	1,300,560.24	-9.05%	13,321,907.93	12,654,815.58	5.27%
COLLEGE STATION (1.5)	2,140,392.58	1,931,468.25	10.81%	20,238,761.51	18,811,884.20	7.58%
FRISCO (2.0)	5,441,948.42	4,841,923.42	12.39%	54,008,808.65	45,580,975.64	18.48%
LEAGUE CITY (1.75)	1,246,570.36	1,289,850.94	-3.35%	13,517,498.81	13,290,430.20	1.70%
MCKINNEY (2.0)	3,738,613.09	4,143,411.07	-9.76%	35,766,247.19	32,533,997.95	9.93%
PASADENA (1.5)	2,352,457.73	2,464,930.73	-4.56%	25,699,111.78	23,931,082.09	7.38%
PEARLAND (1.5)	2,097,502.68	2,119,777.85	-1.05%	21,784,670.74	20,523,314.18	6.14%
PLANO (1.0)	6,569,474.59	6,461,911.98	1.66%	64,377,106.38	63,390,056.95	1.55%
ROUND ROCK (2.0)	5,613,646.64	5,031,140.73	11.57%	61,977,542.21	58,126,420.45	6.62%
SUGAR LAND (2.0)	4,314,633.59	3,738,690.00	15.40%	41,213,285.87	39,904,826.73	3.27%
THE WOODLANDS (1.0)* **	3,925,179.93	3,616,545.84	8.53%	32,361,262.53	28,417,598.23	13.88%

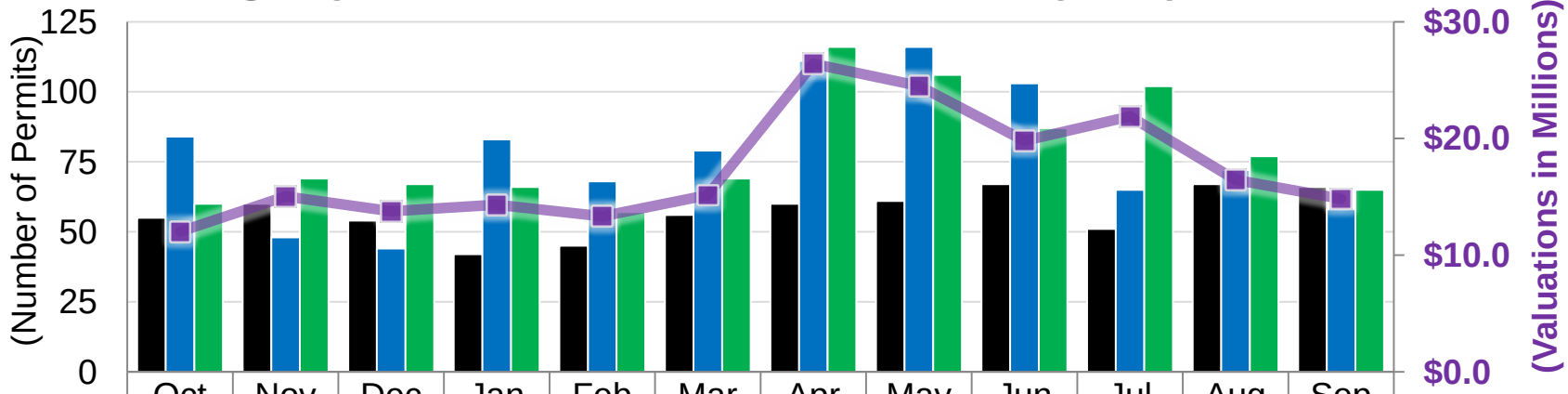
* Sept. received in November
** Source: Texas Comptroller of Public Accounts reported by calendar year (Jan. – Sept.)
*** The Woodlands is a combination of several special purpose districts.

SINGLE FAMILY PERMITS

QUARTERLY COMPARISON OF PERMITS



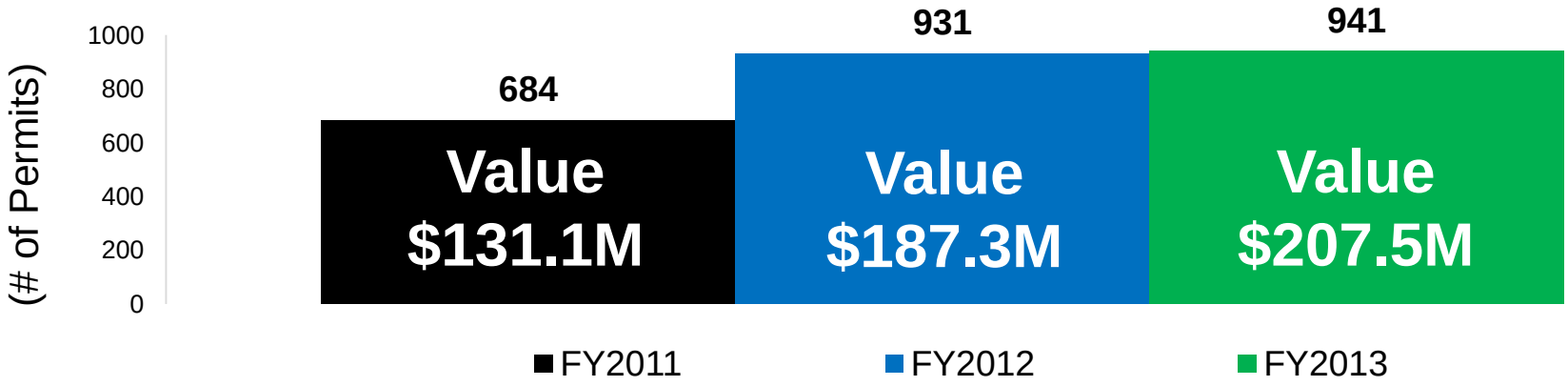
SINGLE FAMILY PERMIT AND VALUATION



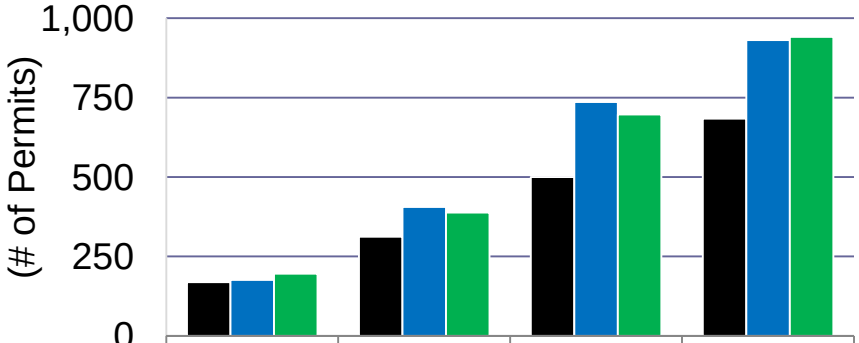
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
FY11 Permits	55	60	54	42	45	56	60	61	67	51	67	66
FY12 Permits	84	48	44	83	68	79	111	116	103	65	72	58
FY13 Permits	60	69	67	66	57	69	116	106	87	102	77	65
FY13 $ Val.	$12.0	$15.0	$13.8	$14.3	$13.3	$15.2	$26.4	$24.5	$19.8	$21.9	$16.5	$14.8

SINGLE FAMILY PERMITS

COMPARISON THRU 4TH QUARTER

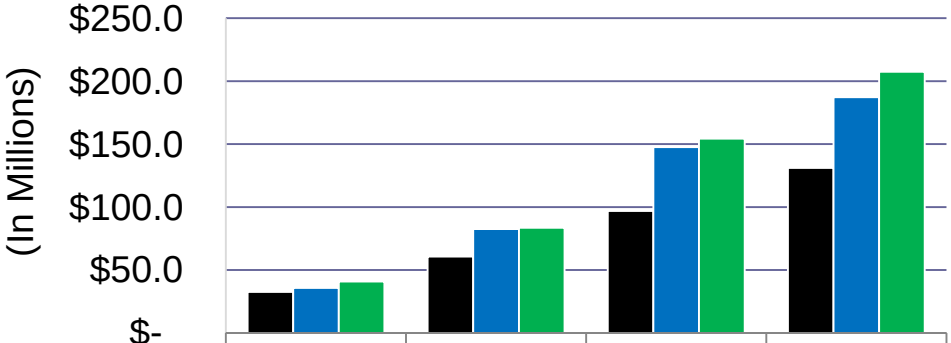


CUMULATIVE PERMITS BY QUARTER



	1 QTR	2 QTR	3 QTR	4 QTR
FY2011	169	312	500	684
FY2012	176	406	736	931
FY2013	196	388	697	941

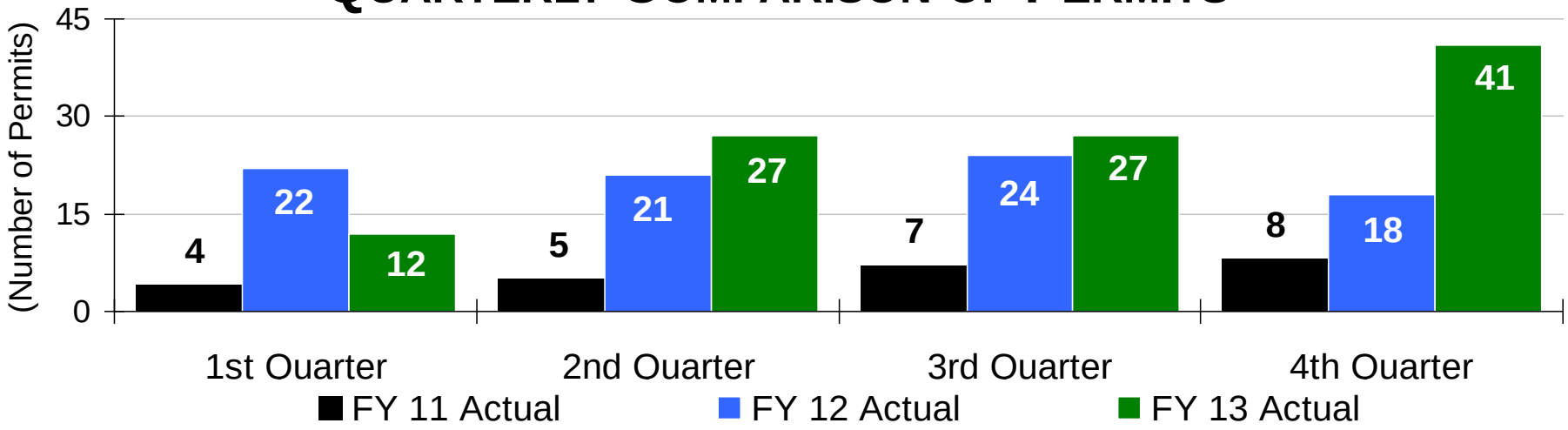
CUMULATIVE VALUE BY QUARTER



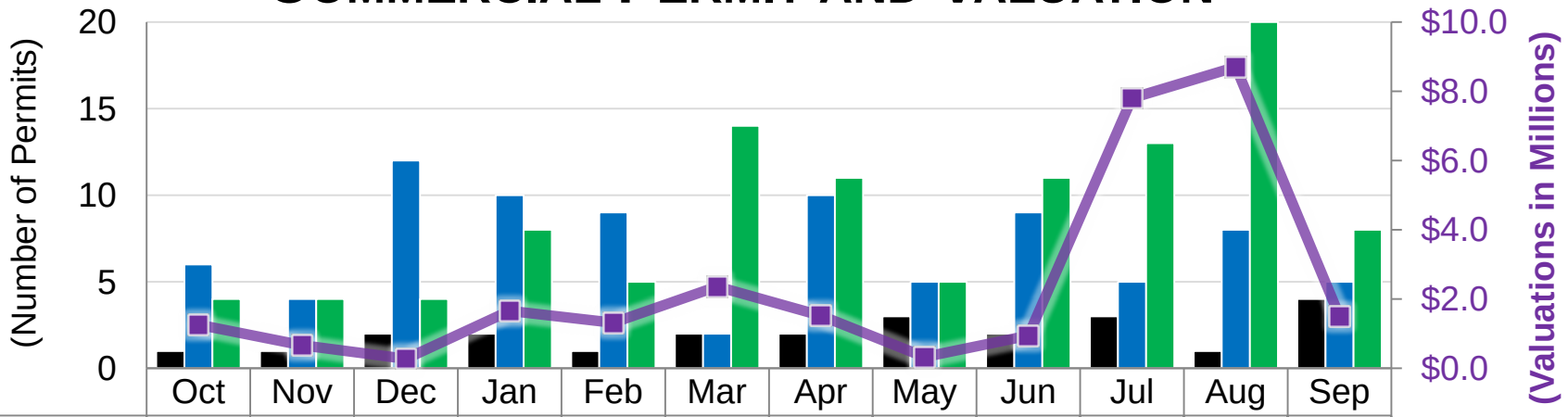
	1 QTR	2 QTR	3 QTR	4 QTR
FY2011	$32.6	$60.7	$96.9	$131.1
FY2012	$35.8	$82.5	$147.6	$187.3
FY2013	$40.8	$83.6	$154.3	$207.5

COMMERCIAL PERMITS

QUARTERLY COMPARISON OF PERMITS



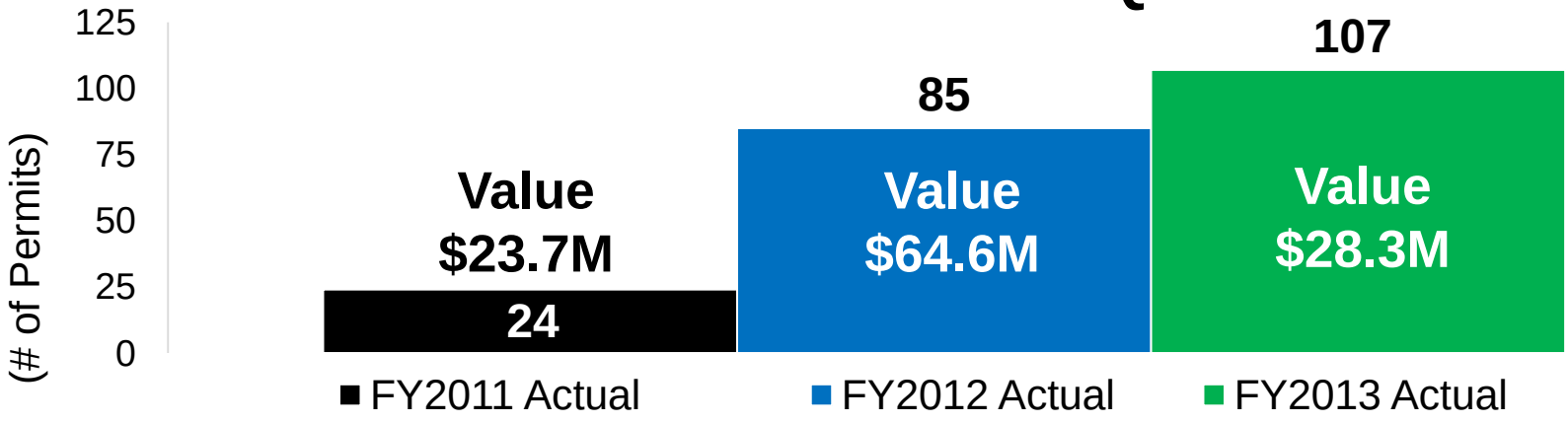
COMMERCIAL PERMIT AND VALUATION



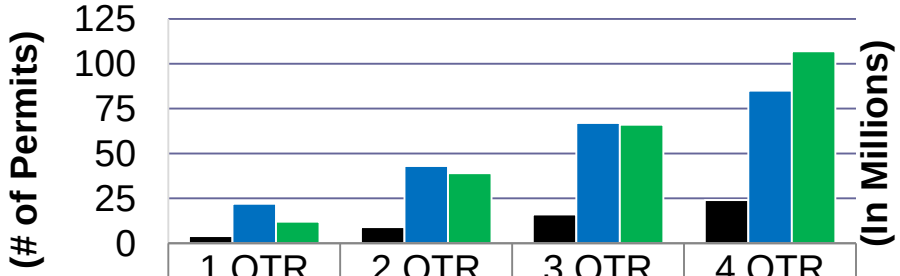
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
FY11 Permits	1	1	2	2	1	2	2	3	2	3	1	4
FY12 Permits	6	4	12	10	9	2	10	5	9	5	8	5
FY13 Permits	4	4	4	8	5	14	11	5	11	13	20	8
FY13 $ Val.	$1.3	$0.7	$0.3	$1.7	$1.3	$2.4	$1.5	$0.3	$0.9	$7.8	$8.7	$1.5

COMMERCIAL PERMITS

COMPARISON THRU 4TH QUARTER*

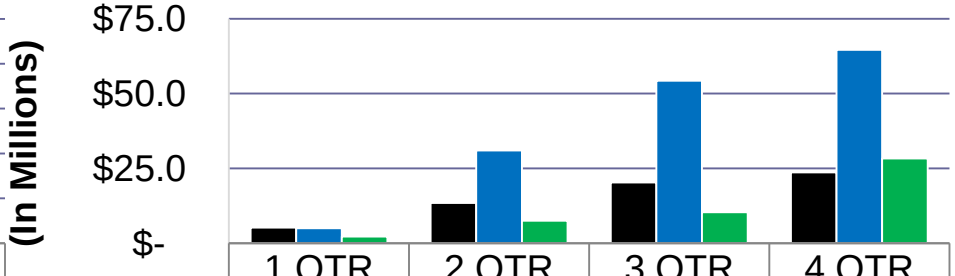


CUMULATIVE PERMITS BY QUARTER



	1 QTR	2 QTR	3 QTR	4 QTR
FY2011	4	9	16	24
FY2012	22	43	67	85
FY2013	12	39	66	107

CUMULATIVE VALUE BY QUARTER



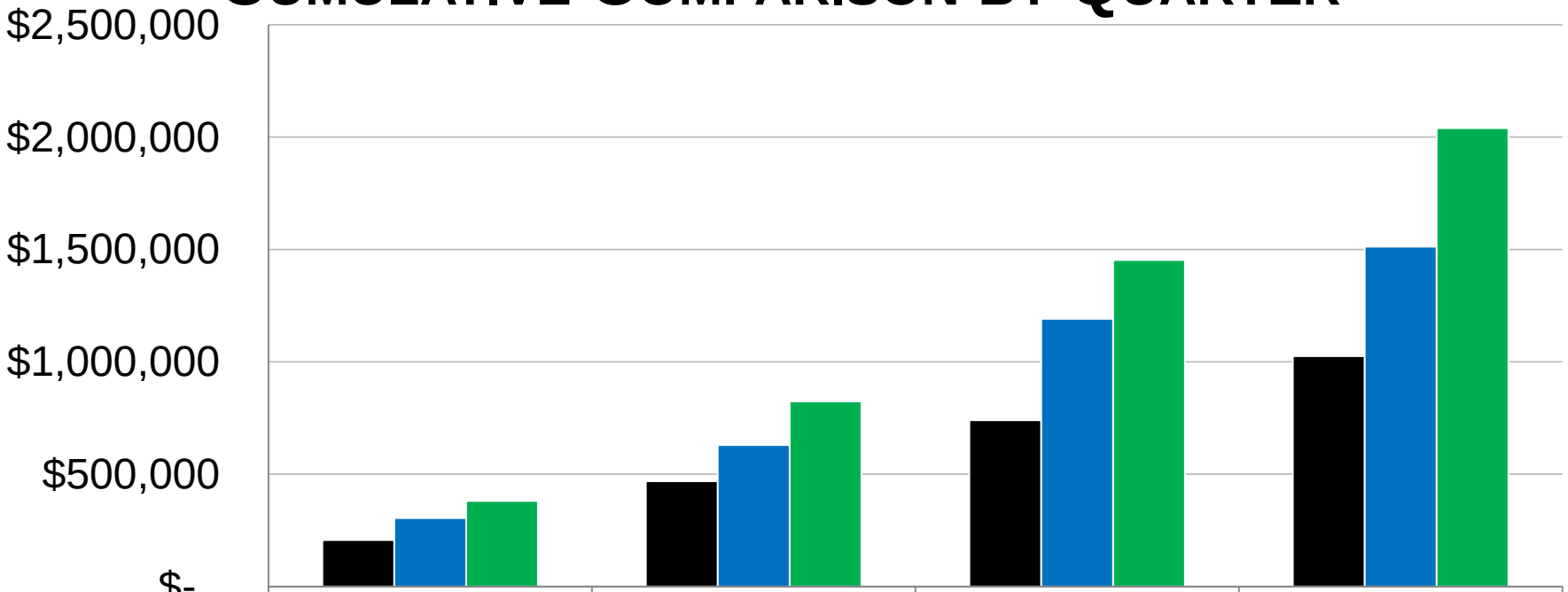
	1 QTR	2 QTR	3 QTR	4 QTR
FY2011	$5.2	$13.5	$20.3	$23.7
FY2012	$5.0	$31.0	$54.3	$64.6
FY2013	$2.2	$7.5	$10.3	$28.3

*2012 includes Merit Medical, Sam's Club, Kelsey Seybold.

Valuation and number exclude exempt properties, multi-family dwellings, apartment garages and apartment houses. In FY2012, Permit value of the Villa's at SCR only include maintenance and office/clubhouse facilities. FY2013 does not include buildouts of 6,000 sq. ft. for Westside Library expansion, Old PD Building renovation, addition to Mary Macek Elementary and a T-Mobile tower.

TOTAL BUILDING PERMIT AND BUILDING PLAN FEE REVENUE

CUMULATIVE COMPARISON BY QUARTER



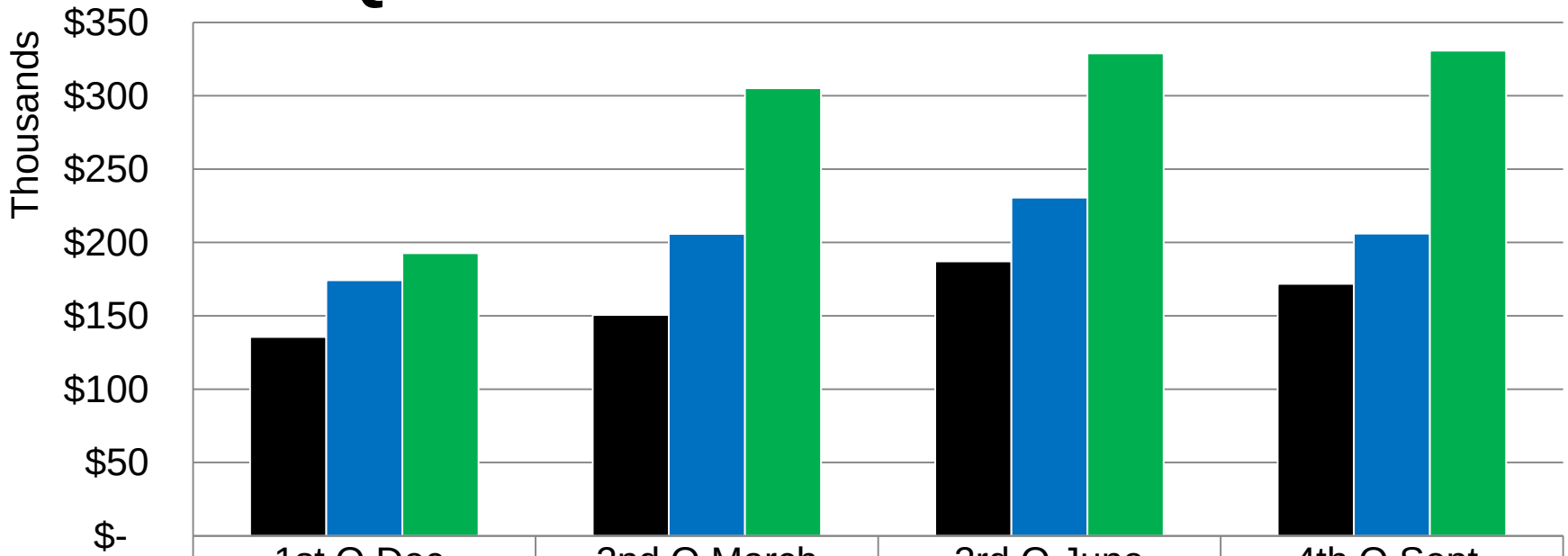
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
FY11 Actual	$206,958	$468,722	$740,230	$1,024,905
FY12 Actual	$304,639	$629,835	$1,191,197	$1,512,210
FY13 Actual*	$381,118	$823,768	$1,453,162	$2,040,141

*New fees effective 10/01/2013.

HOTEL OCCUPANCY TAX

THREE-YEAR COMPARISON BY QUARTER

QUARTERLY OCCUPANCY TAX*

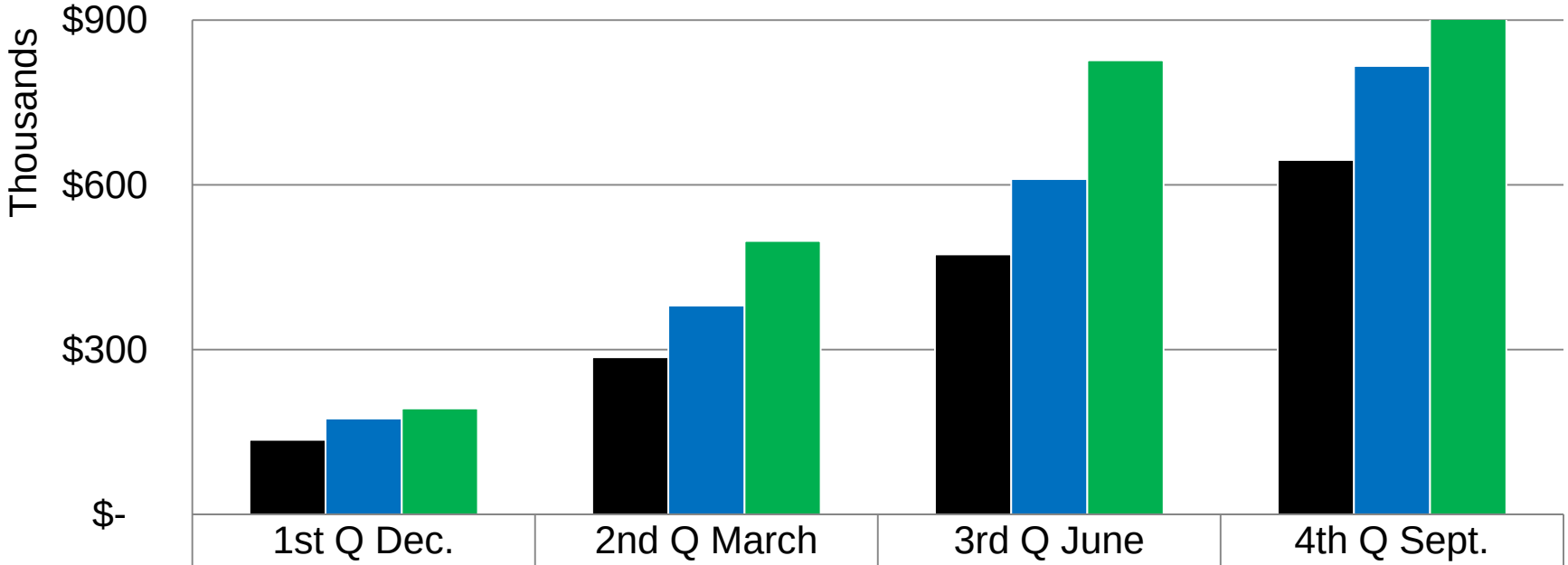


	1st Q Dec.	2nd Q March	3rd Q June	4th Q Sept.
FY11 Actual	$135,570	$150,586	$187,048	$171,815
FY12 Actual	$174,281	$205,822	$230,540	$205,989
FY13 Actual	$192,734	$305,120	$328,858	$330,738

*Reflects amount received for each quarter. includes Spring Hill and Sleep Inn Suites, in MUD4 beginning FY2013 second quarter.

HOTEL OCCUPANCY TAX

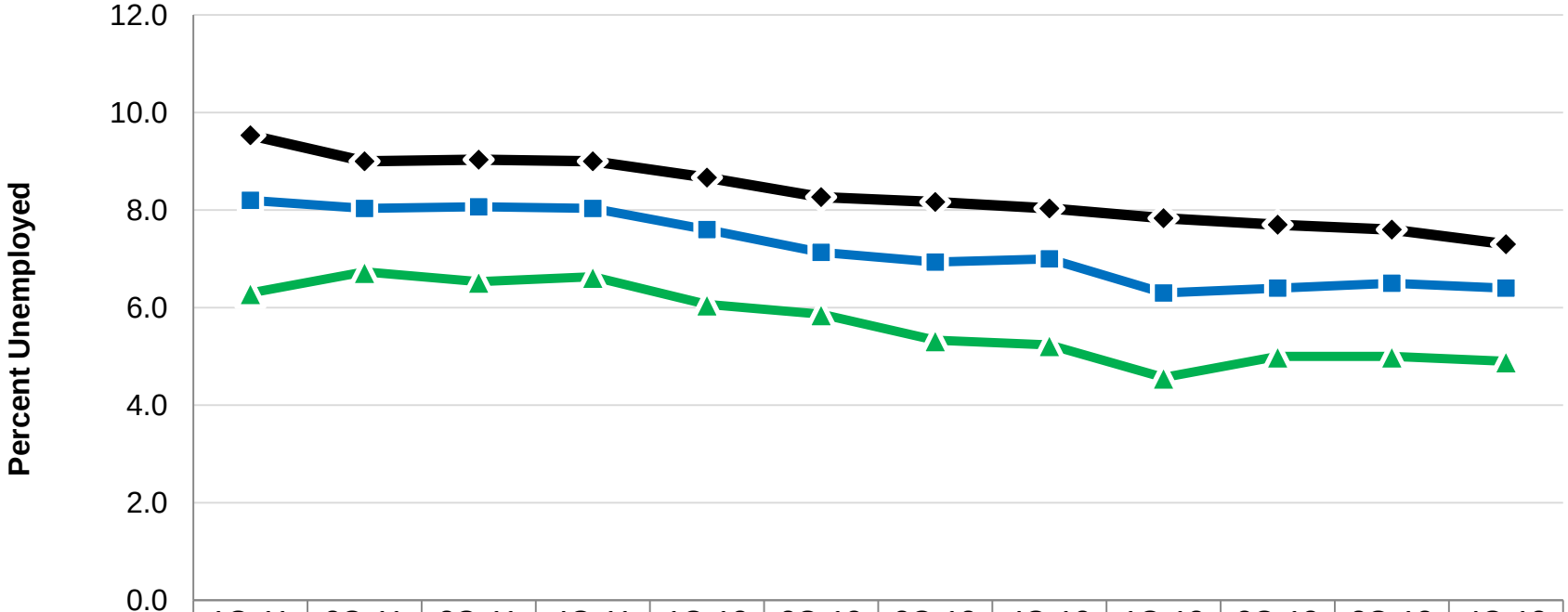
CUMULATIVE COMPARISON BY QUARTER*



	1st Q Dec.	2nd Q March	3rd Q June	4th Q Sept.
FY11 Actual	$135,570	$286,156	$473,204	$645,266
FY12 Actual	$174,281	$380,103	$610,643	$816,632
FY13 Actual	$192,734	$497,854	$826,712	$1,157,450

*Reflects cumulative total thru 4th Quarter.

UNEMPLOYMENT RATE



	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12	1Q-13	2Q-13	3Q-13	4Q-13
National	9.5	9.0	9.0	9.0	8.7	8.3	8.2	8.0	7.8	7.7	7.6	7.3
State	8.2	8.0	8.1	8.0	7.6	7.1	6.9	7.0	6.3	6.4	6.5	6.4
Pearland	6.3	6.7	6.5	6.6	6.1	5.9	5.3	5.2	4.6	5.0	5.0	4.9

Source: Labor Market & Career Information, Texas Workforce Commission and Federal Bureau of Labor Statistics.

GRANT UPDATE

- **CDBG**
  - Westchester Circle Sidewalks/Drainage in progress.
  - Funding application submitted to HUD for Program Year 2013 (FY14) - $333,253.

- **General Land Office (former Texas Department of Rural Affairs) CDBG Disaster Funds – Lift Stations $348,000**
  - Installation of 20 generator switches on Lift Stations per CDBG Disaster Recovery funds from GLO at 86% completion as of 9/23/13.

- **Texas Office of Attorney General – Other Victim Assistance Grant**
  - A total of $41,849 approved and awarded to the City of Pearland Police Department for PD's Crime Victim Specialist for FY 2014

- **Criminal Justice Division – Office of the Governor (via HGAC)**
  - A total of $64,687 approved and awarded to the City of Pearland Police Department for PD's Crime Victim Liaison for FY 2014

GRANT UPDATE

- **Safe Routes to School - TxDOT**
  - The final Safe Routes to School (SRTS) Plan has been distributed to the members of the stakeholder team for final review.
  - COP, PISD, and AISD governing bodies to adopt the plan.
  - Take advantage of any funding opportunities that may arise.

- **Bulletproof Vest Partnership – Bureau of Justice Assistance**
  - City awarded $10,704.46 in 50% matching funds to purchase 37 bulletproof vests for police.
  - A total of $17,664.46 in 50% matching funds is available from current and prior year awards for vest purchases.

- **Grants Summary**

	Number	Amount
FY13 Grants Applied For	9	$ 834,600
Grants Awarded	8	$ 721,268
Active Grants	14	$ 2,751,467

INVESTMENTS
4TH QUARTER

BOOK VALUE	
Portfolio at June 30, 2013	$86,244,583
Portfolio at Sept. 30, 2013	$81,026,764
PORTFOLIO	
Cash	69%
CD	13%
FFCB/FHLB/FHLMC/FNMA	18%
MATURITY (Number of Days)	
Weighted Average Maturity	179
Longest Maturity	1,012
YIELD TO MATURITY AT COST (Quarter Average)	
City's Yield to Maturity	0.23%
1 Year T-Bill Benchmark Yield	0.12%
Agency Note Benchmark Yield	0.10%

SUMMARY OF MAJOR CAPITAL PROJECTS

- Through 9/30/13

PROJECT	FUNDED BUDGET	ACTUAL-TO-DATE	ENCUMB-RANCE	REMAINING	ANTICIPATED SAVINGS
Intelligent Traffic Systems	$3,781,666	$1,915,964	$1,759,703	$105,997	$900,000*
McHard Rd. WL	$2,581,112	$967,384	$320,303	$1,287,688	$0
Longwood WWTP	$3,239,883	$3,126,946	$75,802	$37,135	$300,000*
Barry Rose WWTP	$3,753,760	$3,680,905	$19,533	$53,322	$0
Far NW WWTP	$1,058,055	$912,405	$66,511	$79,140	$200,000*
Hatfield Sewer	$6,889,000	$992,424	$5,896,010	$566	$0
Old Alvin Waterline	$3,406,718	$3,000,332	$403,667	$2,719	$0

* From Original Budget.

SUMMARY OF MAJOR CAPITAL PROJECTS

- Through 9/30/13

PROJECT	FUNDED BUDGET	ACTUAL-TO-DATE	ENCUMB-RANCE	REMAINING	ANTICIPATED SAVINGS
Max Road Sports Complex	$3,919,881	$1,580,888	$154,018	$1,721,141	PEDC Additional Funding of $700,000
Hickory Slough Drainage	$3,814,984	$3,291,091	$475,004	$51,685	$0
Fire Station #3	$294,868	$149,459	$141,046	$4,363	$0
Pearland Parkway Ext.	$3,695,192	$1,498,372	$26,769	$2,170,051	$0
Business Center Drive	$4,455,415	$4,046,075	$222,741	$186,600	$700,000*
SCR Park	$2,310,400	$478,304	$171,594	$1,660,502	$0

* From original budget.

OTHER NOTEWORTHY HIGHLIGHTS FOURTH QUARTER

- Budget, Five-Year CIP and Tax Rate adopted.
- Purchased and installed Alcatel Lucent Phone system for City Hall/Service Center Campus.
- Awarded Bid for Debris Monitoring Services.
- Awarded Bid for Official Newspaper of Record.
- Approved CDBG Plan Year 2013 Annual Action Plan.
- Sale of Certificates of Obligation, Series 2013 in the amount of $2.7M.
- Sale of General Obligation Bonds, Series 2013 in the amount of $9.3M.
- Awarded Bid for Custodial Services at City Facilities.
- Awarded Bid for Purchase & Installation of Distributed Antenna System – PSB
- Approved Guidelines for Vendor/Applicant Attendance at City Council Meetings.
- Adoption of Investment Policy
- Executed a five-year agreement with Automated Merchant Services to provide credit card payment processing services.
- Renewed Inter-Local agreement with Pearland Independent School District for School Resource Officer Program.
- Purchased Municipal Court Management Software System.
- Presented Results of Pilot Cart Recycling Service.
- Approved Amendments to Fee Ordinance.

Questions?

Fiscal Year 2012-2013
Ending September 30, 2013

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REAL ESTATE PREDICTIONS

How long will Houston boom last? Top 5 real estate predictions for 2014

BY RALPH BIVINS 12.30.13 | 10:58 am

galves
JANUARY 12-

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Houston's real estate market is one of the hottest in the world. Nothing this good lasts forever and some say job growth won't be as strong next year. But the boom is not over yet.

With a few exceptions, both residential and commercial real estate will continue to sizzle in 2014 and produce as much pop as it did in 2013.

Here are the top five predictions for Houston real estate in 2014:

1. Home sales will soar; prices will reach a historic climax

The inventory of homes-for-sale is at a record-low as 2013 comes to a close. The pent-up demand is huge. Thousands of buyers, frustrated with losing in bidding wars and today's small selection of options, jump into the market and buy houses as spring uncoils.

Lawrence Yun predicts 30-year fixed-rate mortgages will be at 5.4 percent by the end of 2014, up from the current rate of about 4.5 percent.

Hordes of relocation buyers swarm into Houston as Exxon Mobil, Geico, Chevron and other corporations shuffle employees in 2014. Look for the median home price in Houston to rise 8 percent in 2014.

Complications: Mortgage interest rates rise. Lawrence Yun, chief economist of the National Association of Realtors, predicts 30-year fixed-rate mortgages will be at 5.4 percent by the end of 2014, up from the current rate of about 4.5 percent. It won't make things any easier for the first-time home buyer.

2. Apartment developers continue to binge-build in 2014 before a sobering sets in around next Thanksgiving

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New multifamily projects pop up on the skyline faster than mushrooms in a damp cow pasture. Downtown residential excites in 2014 with the Marvy Finger building next to Minute Maid stadium and Hines going high-rise at Market Square. Developers erect apartments in far-out suburbia in addition to the phenomenal boom in the Inner Loop. Rents have gone up 6 percent over the last year or so and even more increases lie ahead in 2014, according to Delta Associates. Apartments attract renters who don't like the higher priced mortgages facing homebuyers. Young professionals abhor the suburbs and don't buy into the American Dream of homebuying like prior generations, providing more fuel for multifamily.

Complications: Even with Houston's amazing job growth, sometime in the fourth quarter of next year, the voice of moderation will whisper across the marketplace: "Do we really need to break ground on another apartment?"

3. Shopping center market finally takes off, turns on the after-burners

Retail-oriented real estate (shopping centers, etc.) has been the ugly orphan in Houston's recent real estate surge. Apartments, the office market and residential boomed, while retail was a modest performer. The maxim is true: "Retail follows rooftops." And Houston has added a lot of rooftops, from new apartment towers in the Inner Loop to single-family homes in the suburbs, so retail is blossoming. Lots of retailers coming in: from grocers to fast food outlets. Fresh Market, Sprouts, HEB, Whole Foods, Aldi, all adding new locations. Landlords have moaned as rents have been declining in many shopping centers. But the turnaround is happening and rents will increase in 2014. The threat of online sales may not be as bad as feared as Christmas delivery issues dented the invincibility that cloaked online retail.

> The maxim is true: "Retail follows rooftops."

Complications: Houston can't be a great city without downtown retail. Macy's was demolished. Houston Pavilions sputtered. Mayor Annise Parker appointed blue-ribbon retail task force for downtown, but so far not much has happened to the streetscape. Midway Cos. and Magic Johnson's Canyon-Johnson are redeveloping the Pavilions as GreenStreet, a providing a slim ray of hope.

4. Hoteliers get happy. Drought is over. More hotel construction slated.

Houstonians won't be able to ignore the hotel construction boom breaking out in 2014. Citywide hotel occupancy is approaching 70 percent, up sharply from the 55 percent in the pits of 2009. Most noteworthy of the new hotel projects will be the 1,000-room Marriott Marquis, adjacent to Discovery Green and the George R. Brown Convention Center. When that 30-story hotel is completed in 2016, Houston will be able to attract larger conventions – that is a given, nothing theoretical about it. Local hotelier Nick Massad is doing his part to build the convention draw by constructing a Hampton Inn and a Homewood Suites on Crawford Street. A JW Marriott will open on Main Street. Across the street from the Galleria, a 350-room Hyatt Regency is under construction.

The national economy continues to improve and that bodes well for hotel operators. The PKF hotel consulting firm forecasts that national hotel profits will be up 13 percent in 2014.

Complications: None. Houston hoteliers have a long way to run before they overbuild this market.

5. Home building roars in Houston, the best single-family market in the nation

Houston home builders continue to bounce back from the dead lull during the recession. After a good 2013, expect to see more than a 10 percent increase in construction starts in 2014. New builders enter the Houston market, eager to get a piece of the action. Labor shortage and lack of available lots will moderate the pace, which could soar even higher without these restraints.

> After a good 2013, expect to see more than a 10 percent increase in construction starts in 2014.

Developers and builders will be in hot pursuit of land and new Grand Parkway expansions open up prairie for development. The market for residential land is white hot. The hard years of 2009 to 2011 weeded out the weak operators, so the remaining home-builder corps is seasoned and sharp. An under-publicized fact: Houston is the strongest home building market in the nation with more single-family building permits than any other city, according to John Burns Real Estate Consulting. Houston will remain the leader in 2014.

Complications: Mortgage rate hikes will put a damper on sales, particularly in the low -end of the market. Builders will compensate by cutting size or amenities to keep starter homes affordable. Financing remains difficult to obtain for smaller developers and builders.

Ralph Bivins, former president of the National Association of Real Estate Editors, is founding editor of RealtyNewsReport.

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LATES
NEW
01.09.14 12:13 pm Phuket adven rides, Thai hc bucket list les
01.02.14 11:48 am New Year's ni houses destrc fireworks mis
01.02.14 09:43 am Houston's mc new restaura bakery to BB too!
01.02.14 06:00 am Bill Clinton a send Barbara wishes
01.09.14 05:30 am Mayor Annis her third tern what she'd dc Astrodome

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MLS Report for November 2013

HOUSTON'S HOUSING INVENTORY REACHES AN HISTORIC LOW IN NOVEMBER

Despite another month of positive sales and pricing, there are signs of tapered demand

HOUSTON — (December 17, 2013) — Houston home sales recorded a 30th straight month in positive territory in November, with buyers plunging inventory levels to an all-time low. The supply of homes fell to 2.9 months of inventory compared to 4.1 months in November 2012. Throughout 2013, inventory has dwindled from a 3.6-month supply in January to a 3.1-month supply in October, as more homes were being snapped up than were listed for sale.

Nonetheless, there are signs that the buying frenzy may be tapering. According to the latest monthly report prepared by the Houston Association of REALTORS®, home sales climbed 3.3 percent year-over-year – the smallest one-month sales increase since June 2011. November single-family home sales totaled 5,108. That is the lowest one-month sales volume since February of this year.

An ever-shrinking supply of homes put more upward pressure on pricing, as it has each month throughout the year. The median price of a single-family home—the figure at which half the homes sold for more and half for less—rose 8.7 percent to $181,000. The average price increased 8.4 percent year-over-year to $245,707. Both figures represent the highest prices for a November in Houston.

For the past several months, all but the under-$80,000 segment of the single-family market have experienced sales growth. November, however, saw declining sales in both the sub-$80,000 market and the $80,000-$150,000 market, and a slowing rate of closings in the $150,000-$500,000 range. The luxury market performed at rates consistent with earlier months of the year.

"It does not come as a surprise that the Houston housing market is showing signs of slowing down," said HAR Chairman Danny Frank with Coldwell Banker, United REALTORS®. "There simply isn't a plentiful supply of available homes out there. We are also in the midst of the holidays when, traditionally, home sales ease as consumers focus on their families and gift-giving. In addition, there has been an uptick in mortgage interest rates, which may have convinced prospective buyers to postpone home purchases until the new year."

Foreclosure property sales reported in the HAR Multiple Listing Service (MLS) fell 49.0 percent compared to November 2012. Foreclosures currently make up 7.7 percent of all property sales, down from 19.6 percent at the start of the year. The median price of foreclosures rose 8.6 percent to $88,000.

November sales of all property types in totaled 6,180, a 5.6 percent increase over the same month last year. Total dollar volume for properties sold rose 13.1 percent to $1.5 billion versus $1.3 billion a year earlier.

November Monthly Market Comparison
Houston's real estate market saw gains in all measurements in November when comparing sales to November 2012. Total property sales, total dollar volume and average and median pricing all rose on a year-over-year basis.

Month-end pending sales totaled 3,273, a 0.2 percent gain over last year and another possible indication of slower sales when the December numbers are tallied. Active listings, or the number of available properties, at the end of November dropped 17.0 percent to 30,341.

Houston's inventory of available homes declined from 3.1 months in October to 2.9 months in November, down from 4.1 months of inventory one year ago. The inventory of single-family homes across the U.S. currently stands at 5.0 months, according to the latest report from the National Association of REALTORS®.

CATEGORIES	NOVEMBER 2012	NOVEMBER 2013	CHANGE
Total property sales	5,853	6,180	5.6%
Total dollar volume	$1,293,602,179	$1,463,409,519	13.1%
Total active listings	36,539	30,341	-17.0%
Total pending sales	3,267	3,273	0.2%
Single-family home sales	4,943	5,108	3.3%
Single-family average sales price	$226,699	$245,707	8.4%

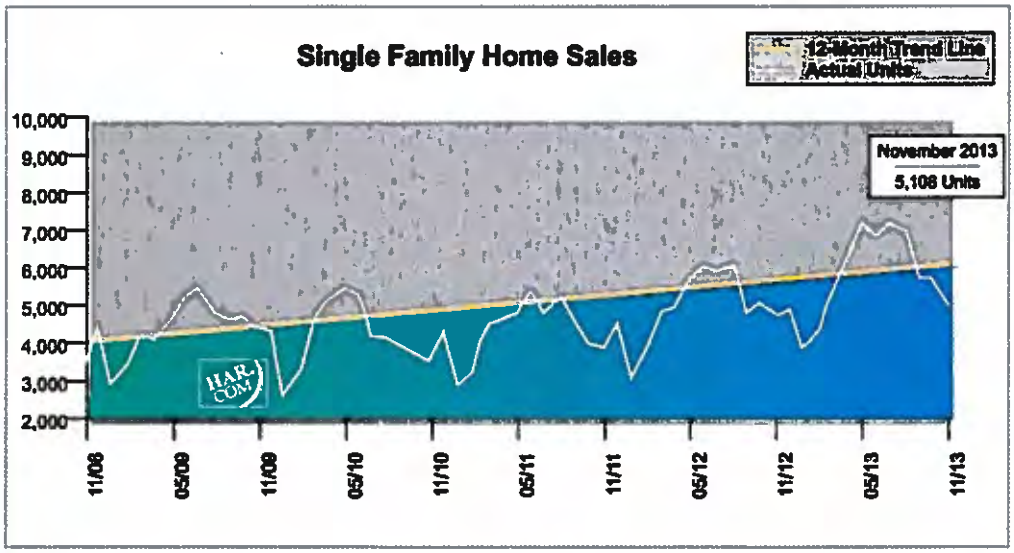
Single-family median sales price	$166,500	$181,000	8.7%
Months inventory*	4.1	2.9	-29.7%

** Months inventory estimates the number of months it will take to deplete current active inventory based on the prior 12 months sales activity. This figure is representative of the single-family homes market.*

Single-Family Homes Update

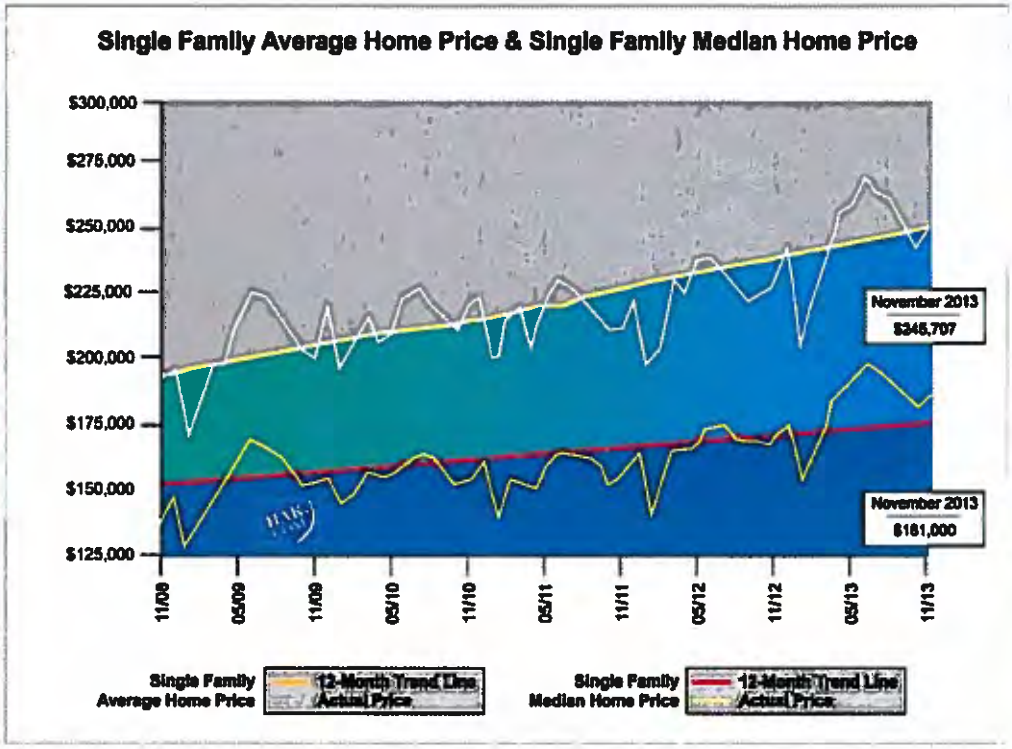
November sales of single-family homes in Houston totaled 5,108, up 3.3 percent from November 2012. That marks the 30th consecutive monthly increase. It also represents the smallest one-month sales increase since June 2011 and the lowest one-month sales volume since February 2013.

Home prices reached the highest levels ever recorded in Houston for a November. The single-family median price rose 8.7 percent from last year to $181,000 and the average price climbed 8.4 percent year-over-year to $245,707.



Broken out by housing segment, November sales performed as follows:

- $1 - $79,999: decreased 31.7 percent
- $80,000 - $149,999: decreased 5.5 percent
- $150,000 - $249,999: increased 10.7 percent
- $250,000 - $499,999: increased 17.5 percent
- $500,000 - $1 million and above: increased 22.6 percent



HAR also breaks out the sales performance of existing single-family homes throughout the Houston market. In November 2013, existing home sales totaled 4,287, a 5.6 percent increase from the same month last year. The average sales price rose 6.1 percent year-over-year to $226,267 while the median sales price rose 10.5 percent to $169,000.

Townhouse/Condominium Update

November sales of townhouses and condominiums rose 14.8 percent from one year earlier. A total of 503 units sold last month compared to 438 properties in November 2012. The average price rose 8.3 percent to $203,648 while the median price was up 6.2 percent to $143,350. Inventory dipped to a 2.8 months supply versus a 4.7 months supply in November 2012.

Lease Property Update

Houston's lease property market showed mixed results in November. Rentals of single-family homes rose 7.7 percent compared to November 2012 while year-over-year townhouse/condominium rentals were flat. Average rents are down from their summertime record highs, although they are up year-over-year. The average rent for a single-family home rose 4.8 percent to $1,591 while the average rent for a townhouse/condominium increased 5.1 percent to $1,466

Houston Real Estate Milestones in November

- Single-family home sales increased 3.3 percent year-over-year, accounting for the market's 30th straight monthly increase;
- Total property sales rose 5.6 percent compared to one year earlier;
- Total dollar volume climbed 13.1 percent, increasing from $1.3 billion to $1.5 billion on a year-over-year basis;
- At $181,000, the single-family home median price reached the highest level for a November in Houston;
- At $245,707, the single-family home average price also reached a November high;
- 2.9 months inventory of single-family homes is down from 3.1 months in October 2013 and from 4.1 months in November 2012 while comparing to the national average of 5.0 months;
- Sales of townhouses/condominiums rose 14.8 percent year-over-year;
- Rentals of single-family homes rose 7.7 percent while rentals of townhouse/condominium units were unchanged.

The computerized Multiple Listing Service of the Houston Association of REALTORS® includes residential properties and new homes listed by REALTORS® throughout Harris, Fort Bend and Montgomery counties, as well as parts of Brazoria, Galveston, Waller and Wharton counties. Residential home sales statistics as well as listing information for more than 50,000 properties may be found on the Internet at http://www.har.com.

The information published and disseminated to the HAR Multiple Listing Services is communicated verbatim, without change by Multiple Listing Services, as filed by MLS participants.

The MLS does not verify the information provided and disclaims any responsibility for its accuracy. All data is preliminary and subject to change. Monthly sales figures reported since November 1998 includes a statistical estimation to account for late entries. Twelve-month totals may vary from actual end-of-year figures. (Single-family detached homes were broken out separately in monthly figures beginning February 1988.) Founded in 1918, the Houston Association of REALTORS®

(HAR) is a member organization of real estate professionals engaged in every aspect of the industry, including residential and commercial sales and leasing, appraisal, property management and counseling. It is the largest individual dues-paying membership trade association in Houston as well as the second largest local association/board of REALTORS® in the United States.

Houston Economic Indicators

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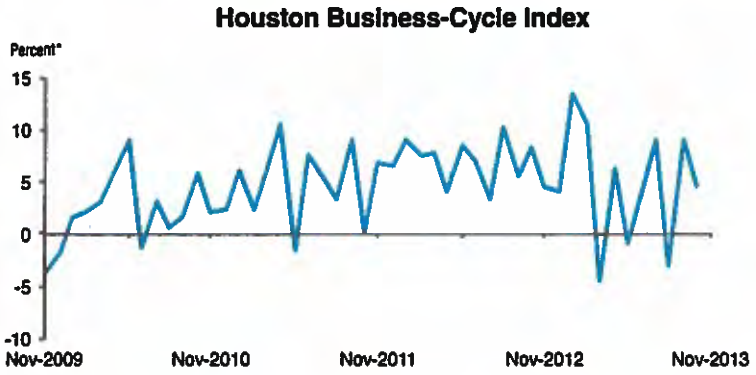
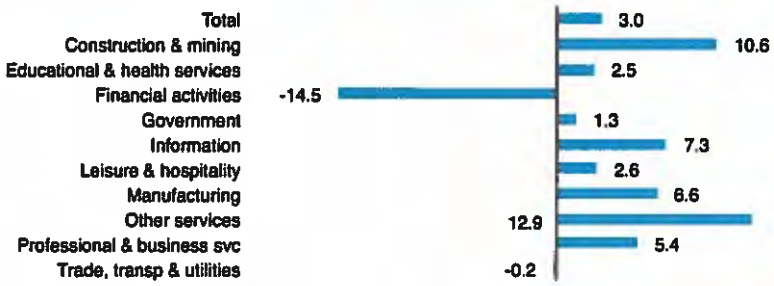
Economic Activity



* Annualized monthly growth rate.

▶ The Houston Business-Cycle Index has been volatile the past few months, but recent data suggest acceleration in economic activity from earlier in the year. The index grew at a strong annualized pace of 9 percent in September before slowing in October to 4.5 percent. With an active construction market and a healthy energy industry, Houston-area fundamentals remain robust heading into the end of the year.

Employment

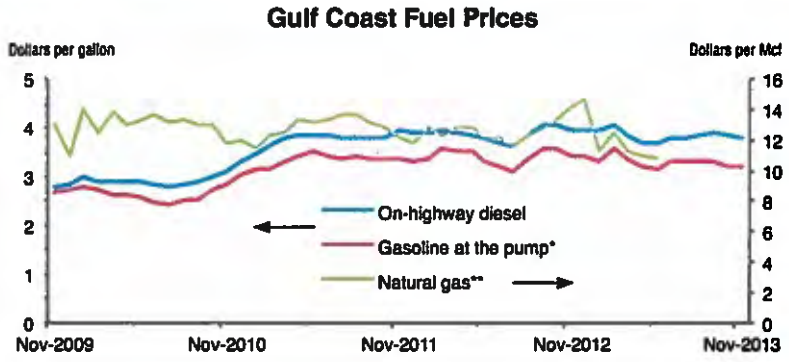


NOTE. Data show monthly percent growth, annualized and seasonally adjusted.

▶ Houston payroll employment grew at an annualized pace of 3 percent in October and 2.2 percent over the three months ending in October. Other services (which includes businesses as varied as auto repair shops and pet hotels), and construction and mining were the fastest-growing industries in October. Financial activities dropped sharply. Manufacturing employment, which had virtually ground to a halt over the summer, grew at an annualized pace of 7.6 percent in September and 6.6 percent in October, the fastest rates of the year.

▶ The Houston unemployment rate held at 6.1 percent in October after rising two-tenths of a percent from August to September. The U.S. unemployment rate was up slightly at 7.3 percent in October. The Conference Board's Help Wanted OnLine index for Houston indicated the number of new job advertisements rose 10.7 percent in November after falling 10.8 percent in October.

Energy Prices



*Regular unleaded price.
**Texas average residential price.
NOTE: Data are seasonally adjusted.

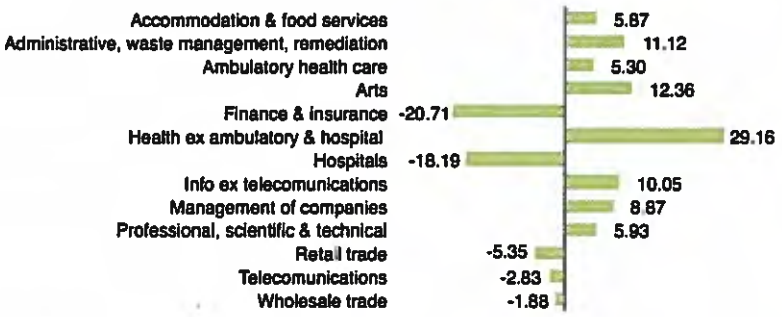
▶ Seasonally adjusted, prices for Gulf Coast on-highway diesel fell 1.2 percent and gasoline at the pump fell 0.9 percent from October to November. The most recent data for residential natural gas indicate that prices fell over the first half of 2013, from 14.61 cents per Mcf in December 2012 to 10.86 cents in May.

▶ In November, energy spot prices were down across the board, with the exception of propane. West Texas Intermediate (WTI) crude fell 6.7 percent to $93.87 per barrel, and Henry Hub natural gas was off 1 percent to $3.62 per MMBtu. Ethane and butane prices fell, while propane increased.

▶ The gap between WTI and other oil prices widened sharply during November when WTI prices fell. The average difference between WTI and Brent crude rose from $4.80 in August to $8.60 in October and reached $14.09 in November. Brent fell 1.1 percent in November to $107.96.

Services

Services Employment Growth



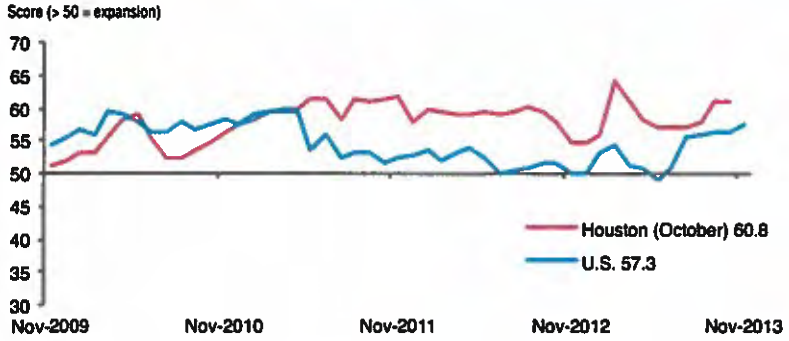
NOTE: Data show monthly percent growth for October, annualized and seasonally adjusted.

▶ Overall employment in Houston's services industries increased 2.4 percent on a year-over-year basis in the three months ending in October. The fastest-growing sectors were health care (excluding ambulatory and hospitals) and arts, followed by administrative, waste management, remediation and related employment. The finance and insurance sector showed the largest decline among the services industries and was the driving force behind declines in the financial activities supersector. Hospital employment declined sharply, but growth in other areas of health care and social assistance—the largest services sector—more than offset those losses.

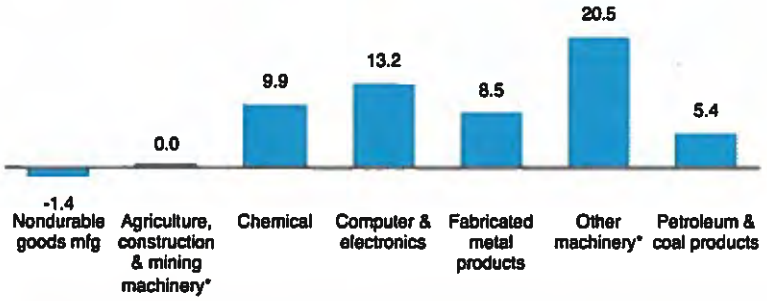
▶ Among the broad occupational categories within the Help Wanted OnLine Index for Houston, sales and office, management, business, and financial and professional and related jobs were the strongest contributors to a rise in total job advertisements in November after postings turned sharply negative in October. All service sector occupational categories saw increases in November.

Manufacturing

Purchasing Managers Index



Selected Manufacturing Employment Growth



* Subsector of machinery.

NOTE: Data show monthly percent growth for October, annualized and seasonally adjusted.

▶ Area manufacturing employment growth surged in lockstep with the Houston purchasing managers index in September and October. This and other indicators suggest that manufacturing activity is growing more strongly in Houston than the nation, which has also improved over the last five months. The chemical manufacturing activity index from the American Chemistry Council indicates that U.S. chemical production continued to grow year over year (1.8 percent) and quarter over quarter (0.6 percent) in the third quarter, though August and September month-to-month growth numbers were both negative.

▶ From September to October, nondurable manufacturing jobs declined. Within durable-goods manufacturing, jobs in computer and electronic products and chemical manufacturing grew the fastest. Job growth in chemical manufacturing posted its strongest month since December 2012. Subtracting agriculture, construction and mining machinery (a subsector of machinery) from total machinery jobs creates an "other machinery" subsector that accounts for more employment in Houston than petroleum and coal manufacturing (the area's smallest manufacturing sector). Other machinery jobs grew 20.5 percent in October and have expanded 15.5 percent over the past 12 months.

SOURCES: Business-cycle index: Federal Reserve Bank of Dallas; employment: Bureau of Labor Statistics and Federal Reserve Bank of Dallas; energy prices: U.S. Energy Information Agency; services: Bureau of Labor Statistics; manufacturing: Institute for Supply Management, American Chemistry Council and Bureau of Labor Statistics and Federal Reserve Bank of Dallas.

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2014 Houston Employment Forecast

A PUBLICATION OF THE
GREATER HOUSTON PARTNERSHIP

GHP

GREATER HOUSTON PARTNERSHIP

DECEMBER 3, 2013

THE FORECAST IN A NUTSHELL

The Greater Houston Partnership forecasts the Houston metro area will create 69,800 jobs in '14. Employment will grow in all sectors, with professional and business services, education and health services, trade, transportation and utilities and construction turning in the strongest performances. Energy and manufacturing will grow but at slower paces. The year should end with 2.9 million payroll jobs, a net increase of more than 500,000 jobs since January '05. Only two other metros—New York and Dallas-Fort Worth—will be able to make a similar claim.

Several factors will drive job growth in '14—the ramp-up in construction at area chemical plants, the backlog of projects at local engineering firms, growing consumer confidence, and sustained population and income growth. A pick-up in U.S. economic growth would further stimulate Houston's economy.

The Partnership's forecast is based on several assumptions:

- U.S. gross domestic product (GDP), the broadest measure of the nation's economic activity, grows 2.5 percent or better in '14.
- The price of West Texas Intermediate (WTI), the benchmark for U.S. light sweet crude, remains above $70 per barrel.
- Mortgage interest rates rise only slightly.
- The U.S. stock market does not undergo a major correction.
- The value of the U.S. dollar remains stable against other major currencies.
- Houston's major trading partners maintain purchases of the region's goods and services at current levels.
- Congress raises the U.S. debt ceiling and funds the federal government without damaging business or consumer confidence.
- Any tax laws or environmental or business regulations that emanate from Washington, D.C. have a minimal impact on the industries that drive Houston's economy.

THE CURRENT SITUATION

For the 12 months ending October '13, the metro area created 79,600 jobs, a 2.9 percent annual growth rate. This is a slower pace than earlier in the year. Growth peaked at a 4.5 percent annual rate, or 119,300 jobs, during the 12 months ending February '13. That was the fastest pace since June '07, when the region added jobs at a 4.6 percent annual rate.

The frenetic pace of job growth that Houston experienced over the past few years couldn't be sustained indefinitely. Some easing of the employment throttle was inevitable. That easing began mid-year and should continue into the early part of '14 as the region moves toward a more normal and sustainable pace of job growth. Since '93, excluding the recession years, Houston has averaged 61,900 net new jobs per year. The Partnership's forecast of 69,800 jobs in '14 suggests employment growth will be above the long-term trend.

HOW WE GOT HERE

Houston has enjoyed almost four years of phenomenal growth. Since January '10, the region has added 337,300 jobs, or more than two for every one lost in the recession. In that time, the region has built 100,000 single-family homes, exported $434.6 billion in manufactured goods and commodities, sold 1.1 mil-

METRO HOUSTON NONFARM PAYROLL EMPLOYMENT	
Previous Peak (Dec '08)	2,628,300
Employment Trough (Jan '10)	2,475,200
Current Employment (Oct '13)	2,812,500
Jobs Lost in Recession	153,100
Job Gains Since Jan '10	337,300

Source: Texas Workforce Commission

[1] For purposes of this forecast, the Houston metro area consists of Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller Counties.

lion new cars and trucks, handled 188.1 million airport passengers, and welcomed an estimated 400,000 new residents to the region. (Note: This figure includes those who arrived via U-Haul and those who arrived via the maternity ward.)

During the recent boom, *Forbes Magazine* ranked Houston as the "Coolest Place to Live in America." *Site Selection Magazine* recognized Houston as the "Top Metro for Relocations and Expansions" two years in a row. And *The New York Times* labeled Houston as one of the top destinations to visit in '13. Houston's performance has been so memorable that it deserves its own star on the Hollywood Walk of Fame.

Houston owes much of its prosperity (and notoriety) to the robust oil and gas industry.

- More than one in five jobs created since January '10 has been in energy[2], yet the sector accounts for only one in 10 of all jobs in the region. (Source: Texas Workforce Commission)
- Since '10, annual wages and salaries paid to Houston-area workers have increased $22.8 billion. The energy sector accounts for one-fifth of all wages paid but has contributed nearly one-third of the total increase. (Source: Quarterly Census of Employment and Wages)
- From '11 to '12, Houston's real GDP grew $24.1 billion. Energy and manufacturing accounted for two-fifths of the growth. (Source: Partnership calculations based on U.S. Bureau of Economic Analysis data)
- Of the 1,100 relocation, expansion and start-up announcements the Partnership has tracked since January '10, more than 300 have involved energy, energy services, oil field equipment manufacturing, or engineering firms. (Source: Partnership New Business Announcements database)

Energy has driven much of the region's growth, and that may pose a challenge for Houston in '14. Several indicators suggest energy has begun to cool.

- At their respective peaks, employment in exploration, oil field services, and oil field equipment manufacturing grew at double-digit rates. Those sectors now grow at single-digit rates.

ANNUALIZED EMPLOYMENT GROWTH RATES – METRO HOUSTON

	Peak %		Current %	
Oil and Gas Extraction	12.3	May '12	6.6	Oct '13
Oilfield Services	21.5	Dec '11	4.1	Oct '13
Fabricated Metal Products	13.9	Mar '12	3.3	Oct '13
Oilfield Equipment Manufacturing	16.6	Jun '12	3.1	Oct '13
Total Employment	4.5	Feb '13	2.9	Oct '13

Source: GHP calculations based on Texas Workforce Commission data

- The North American rig count, traditionally a barometer of exploration activity, peaked at 2,026 in November '11 and has trended downward since. The rig count now stands near 1,750. While technological advances have increased drilling efficiency, making the rig count a less reliable indicator of production, that decline still suggests reduced demand for drilling equipment.
- Profits from the North American operations of the big three oil field service firms—Halliburton, Schlumberger, and Baker Hughes, firms with a large presence in Houston—slipped 16.3 percent in the first nine months of '13 from the same period in '12.

Energy's strength offsets the weak national recovery. Houston's GDP grew 3.7 percent in '11 compared to 1.8 percent for the U.S., and 5.3 percent in '12 compared

[2]Defined here as oil and gas extraction, oil field services, the manufacture of fabricated metal products and oil field equipment, and architectural and engineering services.

to 2.8 percent for the nation. As energy enters a mature phase of the business cycle, U.S. economic growth needs to accelerate. As the saying goes, a rising tide lifts all boats. In this case, a growing U.S. economy would help all metros, including Houston.

How fast does the U.S. economy need to grow? A rule of thumb holds that U.S. GDP growth of 3.0 percent or more stimulates Houston's economy. However, U.S. GDP growth has exceeded 3.0 percent in only two of the past 12 quarters. Most forecasts call for the U.S. economy to grow at or near 3.0 percent in '14, barely enough to help Houston.

Growth in local exports has also offset weakness in the U.S. economy. Shipments via the Houston-Galveston Customs District grew from $75.2 billion in '09 to $127.1 billion in '12, an increase of $51.8 billion, or 69.0 percent, since '09. Admittedly, this sharp rise includes goods simply passing through the region, but a recent Brookings Institution study suggests at least one-half of all shipments originate here. Brookings also estimated that 14.0 percent of Houston's GDP and 307,020 of Houston's jobs were tied to global trade in '10. Given export growth since then, both shares are undoubtedly much larger today.

GROWTH RATES U.S. REAL GDP - 2014

Forecaster	%
The Conference Board	2.3
International Monetary Fund	3.0
National Association for Business Economics	3.0
Organization for Economic Cooperation and Development	2.9
Survey of Professional Forecasters	2.6

ABOUT THE FORECAST

The primary value of any forecast lies not in the accuracy of the numbers, but in understanding the trends and discontinuities driving the data. Armed with this knowledge, readers should be able to make better-informed decisions in the coming months.

This year's forecast calls for a slowdown in job growth, but that expectation shouldn't cause grave concern. Houston couldn't maintain the pace of the previous three years indefinitely. Like a runner who finds his or her stride, Houston will find its stride in '14. The year will bring a more sustainable pace of growth—one that still has Houston outperforming the nation. Here, in greater detail, are insights into the direction Houston's economy will take in '14.

ENERGY

The energy industry has enjoyed exceptional success in recent years, expanding U.S. oil production from an average 5.5 million barrels per day (bbl/d) in '10 to 7.5 million bbl/d in October of this year. The industry has increased U.S. wet natural gas reserves by 93.7 trillion cubic feet (TCF), or 36.7 percent, since '08. The current proven U.S. reserve of 348.8 TCF feet is the highest on record.

Closer to home, Texas production grew from an average 1.0 million bbl/d in '10 to 1.8 million bbl/d in August '13. Much of the increase came from the Eagle Ford Shale, a formation in South Texas that runs from the US-Mexico border near Laredo to northwest of Houston. The industry is on pace to drill 4,100 wells in the Eagle Ford this year, up from 26 wells in '08. The marriage of horizontal drilling and hydraulic fracturing has boosted Eagle Ford production from 352 barrels per day in '08 to 636,643 barrels per day in August of '13.

The question remains, though: how long will the boom last? The answer depends on the price of oil. To drill a well in the Eagle Ford costs $7 million to $10 million. The price of oil needs to remain above $70 a barrel for the Eagle Ford to remain viable. In its November '13 Short-Term Energy Outlook, EIA projected WTI will

average $95 per barrel though '14. In its most recent *Annual Outlook*, EIA forecasts domestic crude prices to increase 2.3 percent annually, net of inflation, over the next 10 years. Bottom line: oil prices should remain high enough to support the current level of drilling well into the future.

The outlook for gas prices is less sanguine. EIA expects that in '14 natural gas will average $3.84 per MMBtu on the Henry Hub spot market. Natural gas must trade above $5 for gas-directed drilling to be viable. As a result, exploration for natural gas has fallen, taking the rig count with it. Baker Hughes reports that in mid-November, 370 rigs were drilling for natural gas in North America, down from the peak of 936 rigs in mid-October '11. Though growth in oil-directed drilling has helped close the gap, the overall rig count remains 231 below its peak.

With the new trend toward pad drilling, the rig count will remain below its previous peak for some time. Pad drilling involves sinking multiple wells from a single site. Once a well is drilled, a hydraulic walking or skidding system moves the rig a few yards over to the next well location. From a typical pad, an operator might drill four to six wells. A Hart Energy survey found that 50 percent of all wells in the Eagle Ford and 60 percent in the Bakken are drilled from pads. With pad drilling, fewer rigs and crews are needed. Many firms now find themselves with excess capacity and personnel.

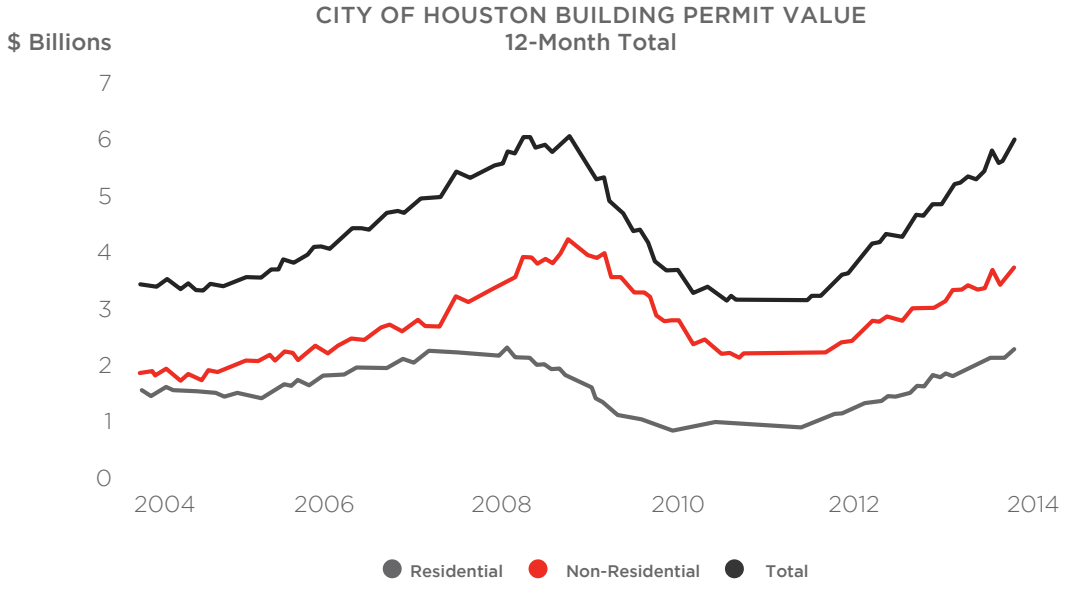
Another drilling boom is set to take off, this one in the Permian Basin. Exploration firms are using technology developed in the Eagle Ford to tap tight formations in the Permian. Though the Permian is in far west Texas, it holds promise for Houston-based exploration and service firms as well.

The outlook is bright for exploration but a bit cloudy for service firms. On the whole, the industry will grow. The Partnership's forecast calls for energy to add 5,600 jobs in '14.

CONSTRUCTION

Houston is in the midst of a construction boom.

- The City of Houston issued building permits totaling $5.9 billion in the 12 months ending October '13, a 28.9 percent increase over the $4.6 billion issued during the 12 months ending October '12. Residential permits increased 40.2 percent; nonresidential permits, 17.9 percent.



Source: City of Houston

- McGraw Hill Construction reports that $10.7 billion in construction contracts were awarded in the 10-county Houston metro area during the 12 months ending October '13, a 0.5 percent increase from the $10.6 billion awarded during the 12 months ending October '12, and a 25.2 percent increase over the $6.9 billion awarded during the same period in '11. Because McGraw Hill initial estimates are most often revised upward, the modest increase in the most recent data is likely to turn into a large increase when revisions come in.
- The Houston office of CBRE reports that 10.2 million square feet of office space, 9.8 million square feet of industrial space, and 1.5 million square feet of retail space were under construction at the end of Q3/13. Those figures are substantially higher than the 3.9 million of office, 3.9 million of industrial and 0.9 million of retail just a year earlier.
- Tudor, Pickering, Holt & Company has identified more than $40 billion in chemical plant expansions and startups announced or underway along the Texas and Louisiana Gulf Coast.
- The U.S. Census Bureau reports that 24,407 permits for single-family homes and 8,363 for multi-family homes were issued during the first eight months of this year. That compares with 19,634 single-family and 9,597 multi-family homes during the same period last year.
- The Houston Association of Realtors® reports that inventory of homes in its Multiple Listing Service database is at its lowest point in records going back to January '96.

Even with the boom, construction employment remains 21,600 jobs below its pre-recession peak. Several factors explain this seeming anomaly:

- As strong as the current housing market is, developers are building half as many homes as they did during the subprime-fueled boom.
- The housing market faces a shortage of lots to build new homes. Land development ground to a halt during the recession, and once the recession ended, builders quickly burned through their inventories.
- Anecdotal evidence suggests that many workers once classified as employees are now classified as independent contractors to avoid immigration and benefits issues.
- Houston has a shortage of skilled construction workers. High schools eliminated shop classes, the construction associations focused on concerns other than training, and builders relied too heavily on the undocumented workforce to pour concrete and frame homes. No one anticipated the current boom, and now there's a labor shortage.

Limited availability of skilled workers may constrain construction jobs growth in '14. The Partnership's forecast calls for this sector to add 6,100 jobs.

MANUFACTURING

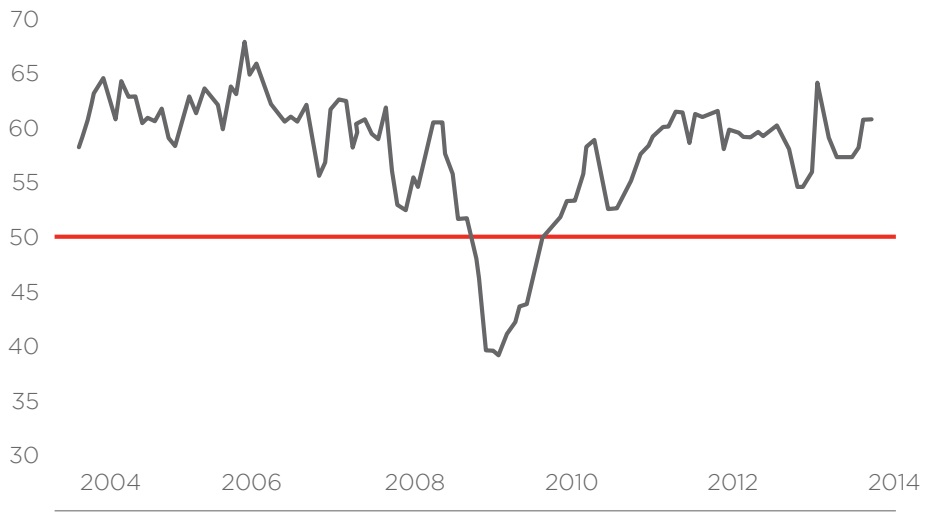
Houston is one of only two major metros (the other being Seattle) that can boast it has more manufacturing jobs now than prior to the recession. Local manufacturing owes its resurgence to the energy industry. The two sectors directly tied to the industry—fabricated metals products and machinery manufacturing—have added 33,100 jobs, or one in every ten the region has gained since January '10.

Oil field equipment is considered a durable good, something expected to last three or more years. About one-third of Houston's manufacturing jobs involve the production of nondurables, items easily consumed or with a shorter life span. In Houston, nondurables are dominated by chemicals, refined products and food processing. Nondurables continue to struggle, having recouped less than half the jobs lost in the recession.

The manufacturing outlook offers mixed signals.

- At its June '12 peak, manufacturing employment had accelerated to a 7.6 percent annual growth rate. As of October '13, the annual rate had dropped to 2.5 percent.
- The Houston Purchasing Managers Index (PMI), a short-term leading indicator for regional production, registered 60.8 in October. Readings above 50 indicate likely growth in production over the coming three to four months. Readings above 60 offer a strongly positive outlook.

HOUSTON PURCHASING MANAGERS INDEX
Above 50 Signals Growth



Source: Institute for Supply Management - Houston

- The manufacturing work week in Houston (47.2 hours, October '13) is shorter than at its peak (51.1 hours, April '11) but longer than its average for the year (46.2 hours, January-October '13).
- Exports of industrial, electrical and scientific equipment, vehicles, iron and steel through the Houston-Galveston Customs District are down 4.9 percent from last year's level.

Growth in manufacturing employment in '14 will depend on the demand for oil field equipment, construction in the petrochemical industry, and purchases from abroad. Employment growth in nondurables won't pick up until the chemical plants under construction come on line. The Partnership's forecast calls for manufacturing employment to add 4,200 jobs in '14.

WHOLESALE TRADE

Wholesalers provide merchandise to other businesses for resale (e.g., retailers), to industrial concerns for their own use (e.g., drilling companies), and to manufacturers who incorporate the intermediate goods (e.g., chemical, plastics, paint) into their final products. A handful of sectors—industrial machinery, commercial equipment, electronics, grocery, metals, chemicals and refined products—account for two-thirds of wholesale employment. Growth in wholesale employment will depend on manufacturing output, overseas demand, exploration activity and consumer demand. Manufacturing output will grow in '14, but at a slower pace. Export growth will pick up as overseas economies recover. Drilling activity should increase slightly in '14. Consumer demand, driven by a growing population and rising incomes, should expand. A slowly improving U.S. economy will also help.

Employment in wholesale trade will grow. The Partnership's forecast calls wholesale trade to add 4,200 jobs in '14.

RETAIL TRADE

A healthy retail sector depends on population, employment and income growth plus a strong dose of consumer confidence. If Houston were a poker hand, it would hold four aces.

- Over the past decade, metro Houston has added an average of 120,000 residents per year. The consensus among forecasters is that Houston's population will grow by at least another 800,000 by the end of the decade.

ESTIMATED METRO HOUSTON POPULATION GAINS			
	2013	2020	Difference
Woods and Poole Economics	6,312,872	7,371,670	1,058,798
The Perryman Group	6,344,000	7,228,700	884,700
Texas State Data Center	6,635,281	7,437,124	801,843

Source: Various Forecasts

- Houston has created more than 500,000 jobs over the past decade. If Houston simply reverts to a long-term average employment growth of 2.2 percent per year, the region will add 400,000 jobs by the end of the decade.
- The Perryman Group projects the region's personal income to grow at a 3.8 percent annual rate through 2040. Growth at this pace would add $91.4 billion in purchasing power, net of inflation, by the end of the decade.
- The 32nd annual Kinder Institute Houston Area Survey found that 78.4 percent of Houstonians believe they will be the same or better off financially three to four years from now.

Houston's retail growth will be tempered somewhat by national trends.

- The Internet continues to cut into sales of brick-and-mortar retailers. Many continue to right-size their stores and payrolls as a result.
- Looming increases in health care premiums for both individual and company-sponsored plans will reduce disposable incomes and thus local purchasing power. The wealth effect will somewhat offset reductions in purchasing power. Consumers tend to spend more when they perceive they are richer. The recent escalation in home values and positive media coverage about the region have made Houstonians feel better about their financial situations. The recent run-up in the stock market has complemented the appreciation in housing values.
- Local builders will add another 28,000 single-family homes in '14. Home sales translate into the purchases of carpet, drapes, furniture and appliances.

Retail sales should remain strong for the foreseeable future. The Partnership's forecast calls for the retail sector to add 5,700 jobs in '14.

TRANSPORTATION, WAREHOUSING AND UTILITIES

Four ports, two major airports, two mainline railroads, a dense pipeline network and a well-developed highway system serve the Houston region. Employment in every transportation sector except air is growing. The lingering effects of the Continental-United merger continue to weigh on the subsector. Significant growth won't occur until '15, when international air service is initiated from Hobby Airport.

Trucking has added 6,300 jobs since the bottom of the recession. Two factors drive the growth—the need to move goods to and from the region's ports and the need to move oil field equipment in and out of Houston. In spite of strong population growth, utilities employment remains flat. New technologies such as smart meters have eliminated the need to walk neighborhoods reading and recording electricity and natural gas consumption. Growth in transportation will depend on the economy's overall growth.

The Partnership's forecast calls for transportation, warehousing and utilities in the aggregate to add 2,400 jobs in '14.

INFORMATION

Information includes newspapers, magazines, book publishers, radio, television, cable, sound recording, movies, software, data processing, the Internet and tele-

communications. The sector has recouped 1,500 of the 3,200 jobs lost in the recession. The Internet has transformed how consumers receive their news. More radio stations rely on national feeds rather than local broadcasts. And advances in technology reduce the need for telecommunications workers. Reflecting a long-term downward trend in information employment that reflects these structural changes, the Partnership's forecast calls for information to add only 200 jobs in '14.

FINANCIAL ACTIVITIES

The Great Recession ended June '09 and the finance industry has yet to return to its pre-recession employment level. Nationwide, finance has recovered 34.4 percent of the 480,000 jobs lost in the recession. Houston has fared slightly better, recouping 50.9 percent of the 5,500 jobs it lost. Houston's robust economy has not insulated the industry from the trends affecting the industry. Those trends:

Regulatory uncertainty: The Davis Polk Regulatory Tracker reports that federal agencies have missed 170 of 280 deadlines for issuing rules mandated under the Dodd–Frank Act. Another 118 deadlines are looming.

Lack of confidence: Ten years ago, 53 percent of Americans expressed "a great deal/lot of confidence" in U.S. banking, according to a long-running Gallup poll. Consumer confidence in the banking industry fell to 22 percent in '09 and recovered to only 26 percent by June '13. The spate of settlements that the U.S. Department of Justice negotiated with GMAC, Bank of America, Citi, JPMorgan Chase, Wells Fargo and others over various improprieties has done little to restore confidence. A recent study by consulting firm PwC found half of all banking CEOs see lack of trust as a barrier to growth.

Consumer deleveraging: Consumer debt remains 11 percent below its peak of $12.68 trillion in Q3/08, according to the Federal Reserve Bank of New York. Household debt service payments as a percent of disposable personal income fell from 13.46 percent in Q3/07 to 9.89 percent in Q3/13.

Weak loan demand: Adjusted for inflation, the value of all commercial and industrial loans held at U.S. banks remains $133.4 billion below its pre-recession peak as of October '13, reports the Board of Governors for the Federal Reserve Bank System. With GDP growing less than 3 percent per year and a substantial amount of underutilized industrial capacity, there's little incentive to borrow.

Pressure to cut costs: With many services now available online and via mobile devices, the industry needs fewer employees and fewer branches. New Dodd-Frank regulations limit the fees banks can charge so many are shifting their focus from retail and small business services to wealth management and middle-market lending. The recent wave of mortgage refinancing is ending. Freddie Mac expects refinancing to comprise 40 percent of loan originations in '14, down 70 percent in '12. The industry also needs fewer loan officers.

By other measures, Houston's banking sector is strong. Deposits have nearly doubled since '08. Several banks—BB&T, BBVA Compass, Community Trust Bank, EverBank, Mercantil Commercebank, MidSouth Bank, Post Oak Bank, Salamanaca Group, Seacoast Commerce, Wells Fargo—have recently established or expanded operations in Houston. And in its October Beige Book, the Federal Reserve Bank said it's "cautiously optimistic" about the outlook for financial services in the region.

DEPOSITS AT METRO HOUSTON BANKS
As of June 30 Each Year

Year	Deposits - $ Millions
'08	109,261.0
'09	118,202.9
'10	137,112.8
'11	153,975.6
'12	179,099.1
'13	208,032.5

Source: Federal Deposit Insurance Corporation

The sector should experience moderate growth in '14 as new banks enter the market

and existing banks establish branches in the new suburbs. The Partnership's forecast calls for the financial services sector to add 1,000 jobs in '14.

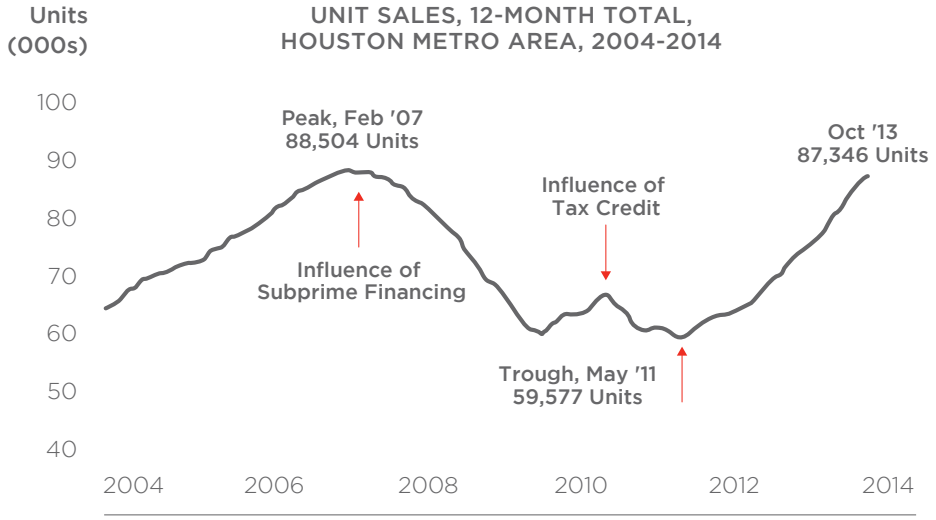
REAL ESTATE

Real estate is doing quite nicely, thank you. In the 12 quarters ending Q3/13, Houston absorbed 10.5 million square feet of office space, 12.9 million square feet of industrial space and 3.8 million square feet of retail space. That's equivalent to seven Williams Towers, 11 George R. Brown Convention Centers, and two Memorial City Malls. Since January '10, residential brokers have sold more than 274,000 homes, or one home every 7.2 minutes.

Energy drives demand for office and industrial space. The industry needs to evaluate leases, manage drilling programs, build equipment, plan pipelines, and design chemical plants—and they need space in which to do this. Anadarko Petroleum, Bechtel, BHP Billiton, BP, Exxon Mobil, Chevron, ConocoPhillips, Noble Energy, Phillips 66, Schlumberger, Shell Oil, Technip and URS broke ground or signed long-term leases for large blocks of space in the past 2 years.

But the commercial market may be cooling. Announcements of large leases and office tower construction in the media today are the culmination of negotiations begun two or more years ago. And the deals are getting smaller. According to CBRE, the five largest lease deals in Q1/13 took a combined 671,000 square feet of office space. In Q3/13, the five largest deals took a combined 311,000 square feet. Kiley Advisors has identified more than 50 office construction projects announced or on the drawing boards. With activity slowing, only a fraction of those will break ground.

Residential and retail remains strong, however. For residential, it's a matter of too few homes and too many buyers. The Houston Association of Realtors® counted a 3.1-month supply of homes in its Multiple Listing Service in October, meaning it will take that long to sell all the homes in inventory at current rate of sales. A six-month supply is considered normal. Retail sales and the demand for retail space will grow as population, employment and incomes grow.



Source: Houston Association of REALTORS*

As with banking, technology will temper growth in real estate. Internet resources now allow tenants and buyers to pre-screen properties before meeting with brokers and in some cases bypass brokers altogether. But the demand for broker services will grow with the economy. The Partnership's forecast calls for the sector to add 900 jobs in '14.

PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES

Professional, scientific, and technical services account for more than one in seven jobs in the region. The category includes law offices, accounting and bookkeeping

services, architectural and engineering firms, geophysical surveying, testing labs, computer systems design, management consulting, advertising, public relations, and other miscellaneous services.

The ongoing energy boom has fed employment growth in engineering services as firms design new pipelines, pumping stations and chemical plants to transport and process the newly discovered crude. The local building boom is providing work for local architects. Employment at legal and accounting firms has remained flat as clients pressure the firms to hold down billings. The outlook for computer systems and management consulting looks bright as firms seek ways to improve operations through new technologies and business practices. The Partnership's forecast calls for the sector to add 5,900 jobs in '14.

ADMINISTRATIVE SUPPORT, WASTE MANAGEMENT AND REMEDIATION SERVICES

This sector includes firms that provide clerical, human resource, cleaning, security, bill collection, trash hauling and employment services. Employment services (i.e., temporary and contract workers) account for one in every 10 jobs added in the recovery. The sector also serves as a bellwether for the economy.

Businesses often rely on contract workers during a recovery to handle the initial uptick in demand. Once the firm realizes it has enough business to sustain a larger workforce, contract and temporary employees are often offered full-time or permanent status. Conversely, when a recession sets in, contract workers are the first to be laid off.

In November '07, almost a year before the recession struck Houston, the Texas Workforce Commission (TWC) reported initial declines in employment services. In April '10, before it was apparent the recovery was underway, TWC reported gains in this sector. Since the beginning of '13, annualized employment gains have averaged 8.4 percent, less than the double-digit rates experienced early in the recovery, but still respectable.

The Partnership's forecast calls for administrative support to add 8,800 jobs in '14.

EDUCATIONAL SERVICES

This sector includes private education—vocational training, technical schools, private universities and testing services. School districts and community colleges are classified as local government. The University of Houston, Texas Southern and several schools in the Texas Medical Center are part of state government.

School enrollments rise for several reasons—a growing school-age population, workers seeking to upgrade their skills, and parents seeking alternatives to public education. Growing enrollments require more instructors, administrators and tutors. The Partnership forecasts educational services to add 1,000 jobs in '14.

HEALTH CARE AND SOCIAL ASSISTANCE

Three population groups help drive health care employment—babies, old people, and newbies. Approximately 90,000 babies are born each year, each requiring dozens of visits to the doctor for checkups and vaccinations. Another 18,000 residents reach the age of 65 each year, their visits to the doctor increasing as joints grow sore, cholesterol counts rise and vision worsens. Another 60,000 people move here each year, each needing to find a doctor, dentist and ophthalmologist. As these populations grow, the overall demand for health care grows.

The Patient Protection and Affordable Health Care Act has been slow to impact employment in Houston. The first mandates under the act—that insurance companies cover pre-existing conditions and children may remain on their parents' polices until age 26—took effect in September '10. A dozen more provisions have been implemented since then. Houston has added 27,300 health care jobs over the period.

As noted in last year's forecast, the impact of the Affordable Health Care Act on health care employment remains an unknown. The Act requires insurance companies to cover all applicants and offer the same rates regardless of pre-existing conditions or gender. Individuals not covered by an employer-sponsored health plan, Medicaid, Medicare or other public insurance program must purchase an approved private insurance policy or pay a penalty. Medicaid eligibility has been expanded. The act also changes Medicare from a fee-for-service system to a bundled payment system. Hospitals and physician groups will receive a lump sum for treating a specific episode of care, such as gall bladder surgery, rather than being paid for each procedure or visit.

The Affordable Care Act will change how we pay for—but not the need for—health care. Houston's doctor and nurse corps will grow as the population—young, old and in between—grows. The Partnership forecasts this sector to add 7,900 jobs in '14.

ARTS, ENTERTAINMENT AND RECREATION

Two-thirds of this sector's employment, approximately 19,000 jobs, is at golf courses, bowling alleys, marinas, health and fitness centers and gyms. Job growth here depends on population growth and ambitious New Year's resolutions. Approximately one-third of sector employment is in the performing and visual arts. Job growth here depends on corporate support and discretionary income.

According to the most recent BLS Consumer Expenditure Survey, the typical Houston household spent $2,892, or 5.0 percent of its household income, on entertainment in '12. The U.S. average is $2,589, or 5.1 percent. BLS classifies books, hobbies, movies, the arts and sports as entertainment. The amount spent locally on theatre tickets and museums is not available, but national data suggest one-fourth of a family's entertainment expenditures go toward arts admissions. That share has remained fairly constant over time.

The Partnership's employment forecast assumes the region's population grows, the audience base expands, Houstonians frequent the arts at the same rate, and corporations maintain their financial support. The Partnership forecasts the sector to add 400 jobs in '14.

IMPACT OF THE ARTS

The Houston Arts Alliance and Americans for the Arts recently released a study that concluded the nonprofit arts community contributed $977.7 million to the local economy in '11. The study analyzed the expenditures of 171 Houston-area nonprofit arts and culture organizations and estimated the event-related spending habits of 16.2 million arts and culture patrons. Houston-area nonprofit arts and culture organizations spent $414.6 million on employee salaries, vendor services, supplies and various assets and items within the community. Event-associated spending immediately before and after the performances (i.e., restaurants, shops, bars, parking lots)—pumped an additional $563.1 million into the local economy.

ACCOMMODATION AND FOOD SERVICES

The region gained prominence as a travel and food destination in '13.

- The *New York Times* ranked Houston seventh on its list of 46 Places to Go in '13. The article noted Houston's cultural and culinary institutions, including the Museum District and new restaurants such as Oxheart, Underbelly and Uchi. Houston was the only U.S. destination to rank in the top 10.

- *Travel + Leisure* ranked Houston seventh on its list of Best U.S. Cities for Affordable Getaways.
- *GrubHub* ranked Houston 10th on its list of Most Food-Diverse Cities in the U.S, citing the 69 ethnic cuisines available here.

The Greater Houston Convention & Visitors Bureau reports Houston in '13 hosted 319 meetings and conventions with 676,000 attendees booking 481,000 room nights. The bureau expects Houston to host a comparable number of meetings and delegates and book as many if not more room nights in '14.

Combine the convention business with business and leisure travel and '14 should be a good year for Houston. PKF Consulting expects average daily room rates to increase 6.7 percent to $107.50 per night and citywide occupancy rates to nudge up from 68.0 percent to 68.5 percent. Any time occupancy nudges above 65 percent, it's a signal the market could support additional hotels. A handful will open in '14 and nearly a dozen more in the following two years.

According to the *BLS Consumer Expenditure Survey*, the typical Houston family spends $3,333 a year eating out. The U.S. average is $2,649. These expenditures support the 220,000 jobs in Houston's 8,500 restaurants, cafes, fast food franchises, cafeterias, food trucks, caterers and bars. Historically, the region adds approximately 275 new bars and restaurants each year—a few less in lean times a few more in fat times—and 4,000 to 10,000 jobs to staff those eating and drinking places. The Partnership expects the pattern to continue, and the region to add 6,600 jobs in accommodation and food services in '14.

HOUSTON'S RESTAURANT INVENTORY	
Full-service restaurants	3,863
Fast food and take-out	2,501
Coffee, donut, pretzel, bagel shops	893
Bars	623
Food service contractors	247
Caterers	174
Cafeterias, grills, buffets	159
Mobile food services	39

Source: Quarterly Census of Employment and Wages

OTHER SERVICES

This sector includes automotive, electronics and household appliance repair, commercial equipment repair, barber shops and beauty salons, dry cleaners and funeral parlors, churches, nonprofits and professional and social organizations. Job growth in this sector depends on population and income growth. As the economy improves, Houstonians are more inclined to replace rather than repair broken items, but everyone still needs a haircut, a trip to the beauty parlor, and to have their suits cleaned and pressed. GHP's forecast calls for this sector to add 2,000 jobs in '14.

GOVERNMENT

Three factors drive employment growth in the public sector—population growth, revenue growth, and public attitudes toward government. As noted earlier, the region's population continues to grow, and that growth translates into the need for more police, firefighters, teachers and librarians.

Public revenues have also recovered. The Texas Comptroller of Public Accounts reports that sales tax collections in the region's 115 cities are up $66.9 million in the first 10 months of '13, compared to the same period the previous year.

Property values have skyrocketed as well. The taxable value of all property in the 10-county region rose $27.5 billion, or 5.89 percent, from '10 to '12. Various exemptions (homestead, veterans, disability, over 65) will reduce potential revenues, but the increase is significant.

VALUE OF TAXABLE PROPERTY IN THE HOUSTON METRO AREA				
	Value - $ Millions		Change from '10	
County	2010	2012	$ Millions	%
Austin	4,277.2	4,482.0	204.8	4.8
Brazoria	12,460.2	13,652.8	1,192.6	9.6
Chambers	6,793.0	8,885.5	2,092.5	30.8
Fort Bend	49,963.9	52,651.4	2,687.5	5.4
Galveston	24,320.8	25,893.3	1,572.6	6.5
Harris	323,701.8	339,983.8	16,282.0	5.0
Liberty	5,133.2	5,584.4	451.2	8.8
Montgomery	36,976.9	39,795.4	2,818.5	7.6
San Jacinto	2,158.5	2,214.0	55.5	2.6
Waller	4,591.2	4,721.2	130.0	2.8
10-County Total	470,376.7	497,863.8	27,487.1	5.8

Source: Texas Comptroller of Public Accounts

Attitudes toward government are harder to quantify. The 32nd Kinder Houston Area Survey found that 44.2 percent of respondents believe government is trying to do too many things that should be left to individuals and businesses while 48.5 percent believe government isn't doing enough. This narrow margin suggests an inkling leaning toward, but not a mandate for, increasing government services.

Public education poses a special challenge. The Texas Education Agency reports that enrollment in Houston's 60-plus districts grew by more than 35,000 students between the '09-'10 and the '11-'12 school years, yet the number of school employees fell by nearly 4,000. And only half of all students graduating from area schools are deemed ready for college. Clearly, Houston would benefit from having more teachers in the classrooms.

Federal employment depends on appropriations from Washington. Given the federal budget constraints, it's unlikely federal employment will grow in Houston.

The Partnership anticipates federal employment will remain flat, state and local employment will creep up, and school district employment will approach pre-recession levels. The Partnership's forecast calls for the government sector to add 3,400 jobs in '14.

A FINAL NOTE

Houstonians who have grown accustomed to recent rapid growth may find it hard to accept normal growth. If all Houston has to look forward to is normal, then five years from now the region will have 625,000 more residents, 325,000 additional jobs, 125,000 new single-family homes, more than 60,000 fresh apartment units, and it will have seen $1 billion in foreign trade and 250 million air passengers pass through the region. From a forecaster's perspective, normal looks pretty good.

This forecast was prepared by Patrick Jankowski with assistance from Edith Chambers, Leonie Karkoviata, Roel Martinez, Deanna Morrow, Deborah Mostert, Adam Perdue and Jenny Philip,

HOUSTON MSA NONFARM PAYROLL EMPLOYMENT FORECAST (000S)

Note: Columns may not add up due to rounding and omission of residual categories	Employment as of		Net Change		% Change	
	Dec '13	Dec '14	Dec '13	Dec '14	Dec '13	Dec '14
Total Nonfarm	*2,833.2*	*2,903.0*	*78.0*	*69.8*	*2.8*	*2.5*
Total Private	*2,455.8*	*2,522.2*	*74.8*	*66.4*	*3.1*	*2.7*
Goods Producing	*548.6*	*563.9*	*13.4*	*15.3*	*2.5*	*2.8*
Service Providing	*2,284.6*	*2,339.1*	*64.6*	*54.5*	*2.9*	*2.4*
Mining and Logging	110.6	116.2	6.0	5.6	5.7	5.1
Oil and Gas Extraction	59.4	62.6	3.2	3.2	5.7	5.4
Support Activities for Mining	49.8	51.5	2.7	1.7	5.7	3.4
Construction	185.4	191.5	3.9	6.1	2.1	3.3
Manufacturing	253.6	257.8	4.5	4.2	1.8	1.7
Durable Goods	172.5	176.2	3.3	3.7	2.0	2.1
Non-Durable Goods	80.1	80.6	0.2	0.5	0.3	0.6
Trade, Transportation, and Utilities	593.9	606.2	25.6	12.3	4.5	2.1
Wholesale Trade	152.9	157.1	7.3	4.2	5.0	2.7
Retail Trade	303.7	309.4	12.9	5.7	4.4	1.9
Transportation, Warehousing, and Utilities	137.1	139.5	5.2	2.4	3.9	1.8
Information	32.8	33.0	0.9	0.2	2.8	0.6
Financial Activities	142.4	144.3	2.4	1.9	1.7	1.3
Finance and Insurance	90.9	91.9	1.2	1.0	1.3	1.1
Real Estate	51.5	52.4	1.2	0.9	2.4	1.7
Professional and Business Services	428.7	444.1	20.8	15.4	5.1	3.6
Professional, Scientific, and Technical Services	203.3	209.2	7.2	5.9	3.7	2.9
Legal Services	24.3	24.5	0.1	0.2	0.4	0.8
Accounting, Tax Preparation, Bookkeeping	20.5	20.7	0.2	0.2	1.0	1.0
Architectural, Engineering, and Related Services	72.6	76.5	5.5	3.9	8.2	5.4
Computer Systems Design and Related Services	27.9	29.0	0.9	1.1	3.3	3.9
Management of Companies and Enterprises	24.5	25.2	1.3	0.7	5.6	2.9
Administrative Support and Waste Management	201.1	209.9	12.5	8.8	6.6	4.4
Administrative and Support Services	192.2	200.9	13.1	8.7	7.3	4.5
Employment Services	80.4	87.4	5.2	7.0	6.9	8.7
Educational and Health Services	347.8	356.7	11.5	8.9	3.4	2.6
Educational Services	48.3	49.3	1.5	1.0	3.2	2.1
Health Care and Social Assistance	299.5	307.4	10.0	7.9	3.5	2.6
Leisure and Hospitality	268.7	275.7	4.0	7.0	1.5	2.6
Arts, Entertainment, and Recreation	27.2	27.6	0.4	0.4	1.5	1.5
Accommodation and Food Services	242.7	249.3	4.8	6.6	2.0	2.7
Other Services	98.7	100.7	2.0	2.0	2.1	2.0
Government	377.1	380.5	2.9	3.4	0.8	0.9
Federal Government	27.6	27.7	0.1	0.1	0.4	0.4
State Government	71.8	71.9	0.1	0.1	0.1	0.1
Local Government	277.9	281.1	2.9	3.2	1.1	1.2

Source: GHP Research Department based on Texas Workforce Commission data

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Economic development remains strong in Alvin, Pearland

By Flori Meeks
The Chronicle
December 30, 2013

The last year was a strong one for area economic development, and community leaders in Alvin, Friendswood and Pearland say they expect that trend to continue well into 2014.

Alvin/Manvel

"We have a lot going on," said Johanna McWilliams, president of the Alvin-Manvel Area Chamber of Commerce. "We serve two distinctly different communities and both are growing."

More than 90 residential construction permits were submitted in Alvin in 2013, McWilliams said.

New businesses include an Olive Garden that opened July 1 on North Bypass 35 at Texas 6.

A Snap Fitness center opened last summer at 202 E. House St.

In addition, an Alvin movie theater that sat vacant for years has been renovated and re-opened by new owners. Wellborne Cinema Four held a soft opening on Christmas at 324 E. House St.

Big Kountry Shooting, an indoor gun range and archery facility, opened in October at 1204 FM 1462.

Alvin also has been working on community renovations and quality-of-life improvements to contribute to further growth.

The downtown district has new sidewalks around the chamber of commerce office and City Hall area. A dog park opened in the summer, and the city opened Alvin Texas Skate Park Plaza about a year ago.

"That's always busy," McWilliams said. "Now other communities are following with skate parks."

Industrial development in Alvin includes Airgas' carbon dioxide processing facility, which recently hired 17 employees. Alvin's CenterPoint Energy service facility, which is replacing two existing operations, is creating 10 new jobs, McWilliams said.

Construction is under way on a 20,000-square-foot industrial park being developed by Southwest Refractory of Texas on North Gordon, near the Kendall Lakes subdivision.

Frank's International is building a 17,000-square-foot office building and 37,000-square-foot manufacturing facility, and Team Industrial Services is building a 47,850-square-foot facility.

Also coming to Alvin is the 10-bed University General Hospital project. Construction is expected to begin in January on the east side of Texas 35, north of FM 528.

"It will be built in several phases and expanded as needed," McWilliams said.

In Manvel, city leaders have been placing infrastructure - sewer and water lines - to accommodate development. The area already is seeing residential growth, McWilliams said.

"They're in the same position Pearland was in 20 years ago, when their population exploded," she said. "Manvel has done its homework."

Pearland

Pearland still is in a growth mode today, said Matt Buchanan, president of the Pearland Economic Development Corp.

The city gained 903 new single-family homes in 2013, through November, and took in $23.7 million in retail sales taxes, up from $22.4 million in 2012. In 2003, retail sales taxes totaled $8.9 million in Pearland.

"Obviously, we had a very good year with the Dover Energy, HCA and Memorial Hermann projects," he said.

Construction on Dover Energy's consolidated manufacturing and operations facility got under way last June on 14 acres at the northeast corner of Spectrum Boulevard and Hooper Road.

The 150,000-square-foot facility is expected to have space for approximately 200 employees. It is scheduled to be completed this February.

HCA Gulf Coast Division broke ground in September on a $71 million Pearland Medical Center. The 144,000-square-foot, 30-bed hospital is expected to open next fall.

Memorial Hermann Health System's plans for Pearland include a Convenient Care Center, medical office building and 64-bed hospital, opening in 2015.

"The medical development is going to bring new jobs to Pearland, and it will cut down on some of the congestion on (Texas) 288," said Carol Artz-Bucek, president and CEO of the Pearland Chamber of Commerce.

Pearland saw the completion in 2013 of an 118,000-square-foot research and development/manufacturing facility for Merit Medical, which specializes in disposable medical devices. The 12-acre site at 14646 Kirby Drive is just north of Shadow Creek Ranch and has room for approximately 220 employees.

In October, Kelsey-Seybold Clinic opened its 170,000-square-foot administrative headquarters in Pearland and moved 800 employees to the building. The four-story building at Kirby Drive and Shadow Creek Parkway has room for 1,200 employees.

"That's a major project for us," Buchanan said.

In 2014, Stream Realty Partners is expected to begin construction on a retail development for the east side of Pearland, at the northwest corner of FM 518 and Pearland Parkway.

The development will have sites for an anchor, junior anchor, retail space and pad sites.

"It will add to the retail that's already there," Buchanan said, adding that there is a Lowe's home improvement store across the street.

The Center at Pearland Parkway will be north of the H-E-B store under construction at the northwest corner of Pearland Parkway and Broadway. The 100,000-square-foot grocery is expected to open this spring.

Development in the Shadow Creek Ranch area has been energizing Pearland

as a whole, Artz-Bucek said. A steady stream of shops and eateries have been coming to area shopping centers, including Pearland Town Center and Shadow Creek Ranch Town Center.

"They're going gangbusters," she said. "It's creating an economic boom for our city."

Artz-Bucek credits the strength of the area schools and quality of life in Pearland for the city's continuing growth and development.

Education options include Pearland campuses for Alvin Community College and University of Houston-Clear Lake.

UH-Clear Lake introduced a bachelor of applied sciences and information technology program in the fall, and is adding a bachelor's degree program in nursing this fall in cooperation with San Jacinto College.

"We're excited about the new nursing program," said Glen Houston, the university's associate vice president for information resources. "We think it will be a big hit."

The UH-Clear Lake campus opened in fall 2010 with 500 students and has about 800 today.

Friendswood

Nearby in Friendswood, the city is recovering from the impact of the economic downturn, said Karen Capps, the city of Friendswood's economic development coordinator.

"Things are really picking up again," she said. "The economy did put a damper on things, not only on consumer confidence, but also on businesses' decisions to expand."

Carol Marcantel, president of the Friendswood Chamber of Commerce, said she has noticed signs of growth, too.

"We've seen a lot of activity, especially in home building, which brings in more commercial development," Marcantel said.

Working in Friendswood's favor, Capps said, is an affluent and well-educated population. In a 21-square-mile area with a population of approximately 38,000, the average household income is about $120,000.

A citizen survey conducted about six months ago showed respondents would like to see more restaurants, retail, hotels, recreational facilities and small independent businesses.

"Eighty-eight percent said it was important to attract businesses to our community to diversify our tax base," Capps said.

The city is on that path.

Masa Japanese Fusion Restaurant is building a 5,200-square-foot location in Friendswood. It already has sites in Dickinson and Clear Lake.