



BUDGET UPDATE

FY 2018-2019

May 29, 2018

Bert Lumbreras, City Manager

Steve Parker, Assistant City Manager/CFO

Collette Jamison, Assistant City Manager

Heather Hurlbert, Finance Director

Melissa Neel, Assistant Finance Director

BUDGET POLICY | OVERVIEW

- Maintain current tax rate of 61.39 cents
- Explore homestead exemption and over 65 freeze
- Conservative sales tax estimate
- Electric no rate adjustment expected
- Water/Wastewater rate adjustment per rate model
- Drainage rates presented later FY18-effective 1/1/19
- Utility franchise fees at 8%
- General Fund fees increased by 2.12%



- Civil Service 4.5% increase
- Non-Civil Service goal of 4.5% increase
- Health Insurance 5% increase
- Base budgets flat-increases must be requested and recommended by City Manager
- Economic Development \$200K split between three major funds
- Museum funding increase \$25K to \$100K
- Social Service funding increase \$50K to \$500K



STRATEGIC INITIATIVES

KEY PRIORITIES

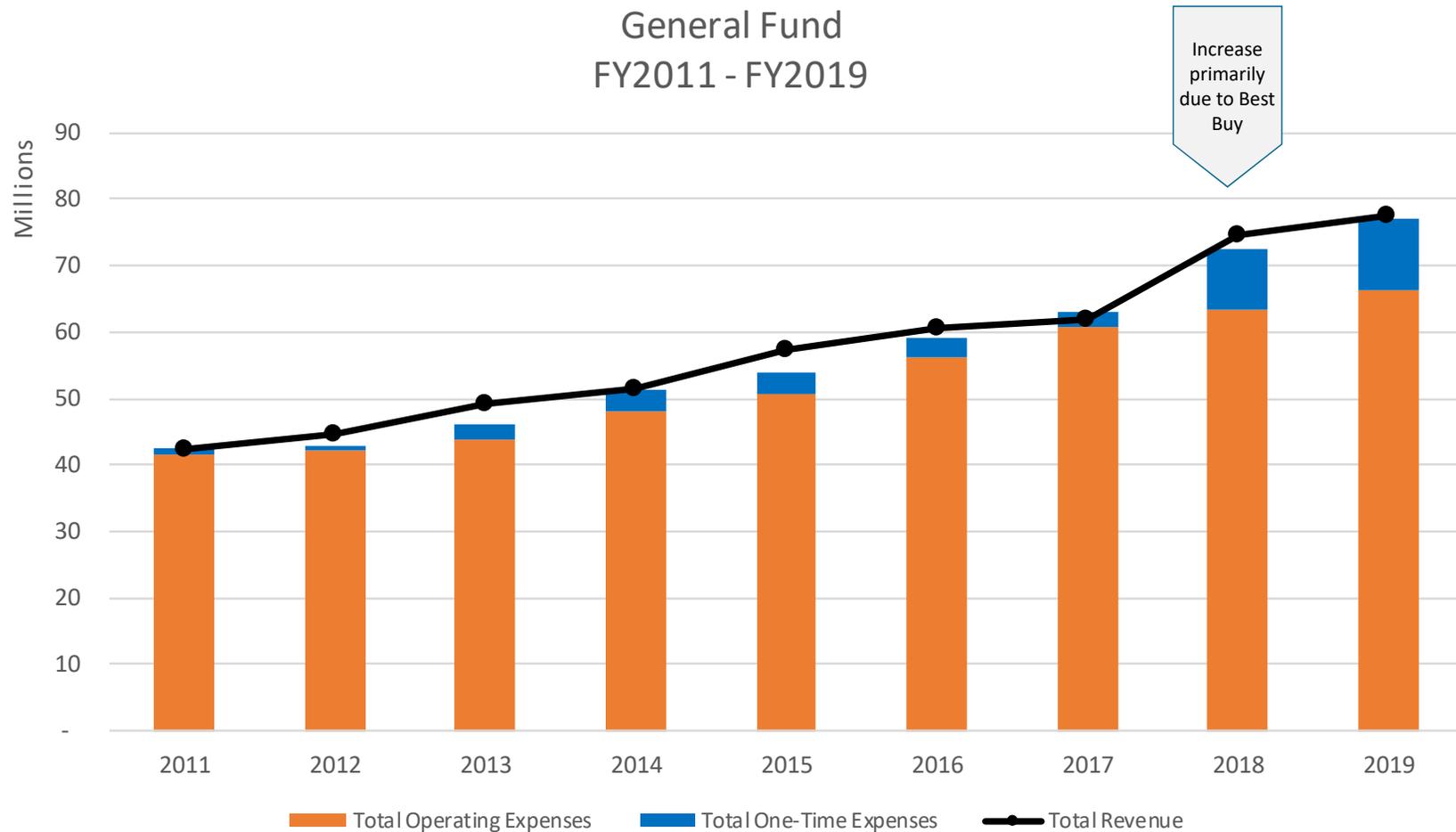
- Workforce Housing
- Public Transit
- Stormwater
- Community Partners
- City Facilities





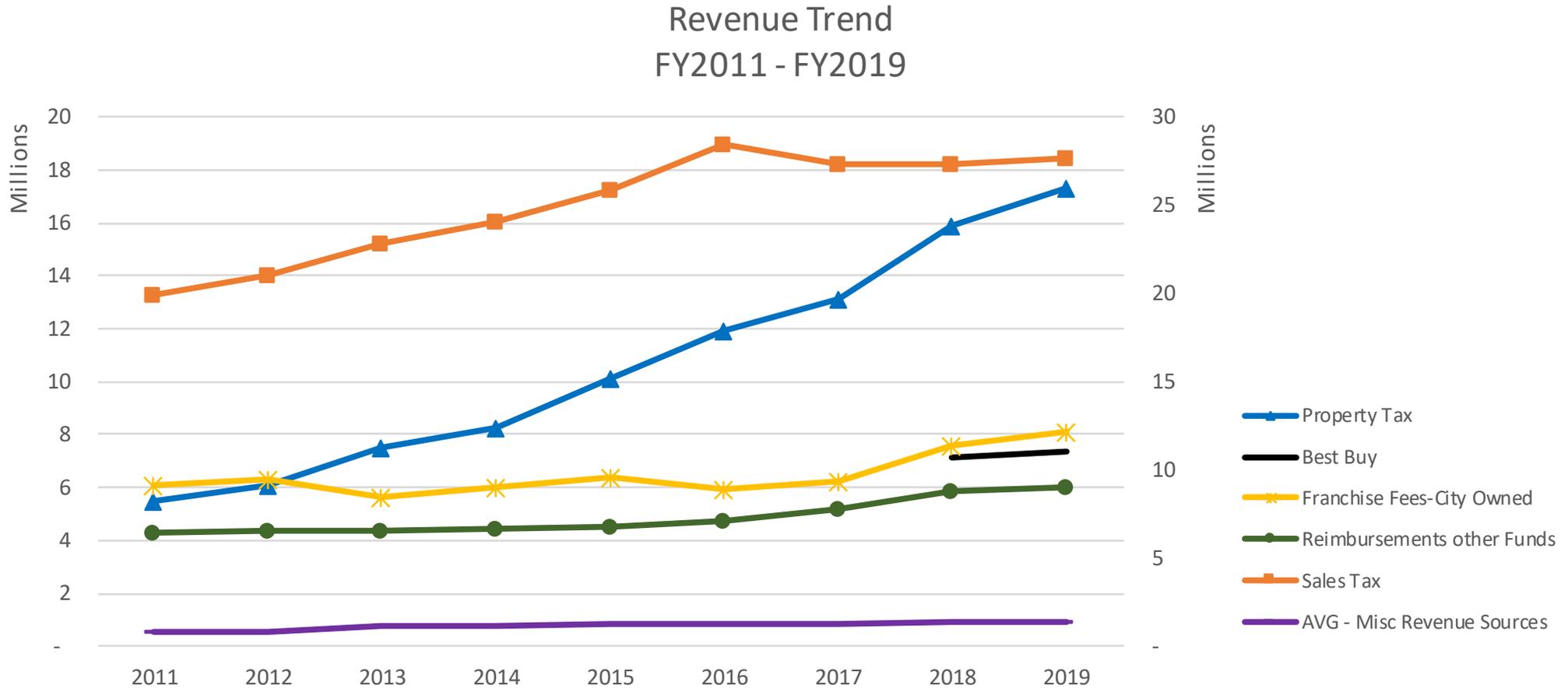
General Fund

FY 2018-2019



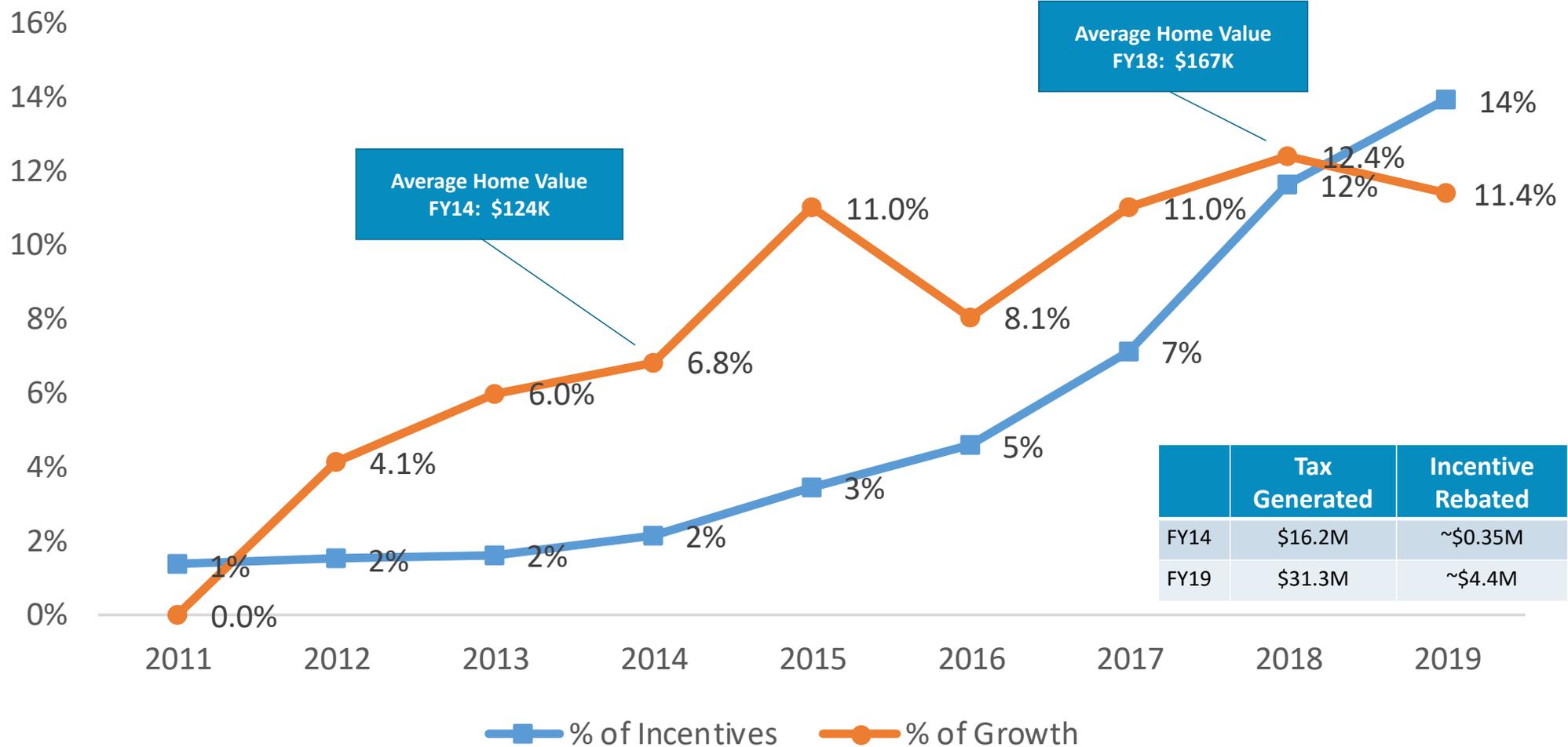
Increase primarily due to Best Buy

A greater proportion of one-time expenses, compared to prior years, creates challenges by limiting capacity to fund rising costs driven by community growth.



The nine-year revenue trend for Property Tax has shown a steady incline, Sales Tax growth has slowed and other revenue sources remain flat.

Historical Growth of Property Tax & Incentive Rebates



Since 2012 the growth in Property Tax Revenue exceeded the growth of the incentives rebated. In FY18 the growth percentages reverse resulting in less available funding capacity to cover growing base costs for the general fund.

GENERAL FUND

LOOP 110 TRZ

- Original City Contribution estimated at \$24M
- CAMPO funding could reduce City Contribution to \$9M
 - Annual contribution in 2019 estimated at \$1.2M
- The City and County are negotiating with TXDOT to reduce the annual contribution which could possibly eliminate the Loop 110 TRZ
 - This would free up capacity for future economic incentives
 - Would create greater financial capacity in the General Fund



GENERAL FUND

HOMESTEAD
EXEMPTION AND
OVER 65 FREEZE

- Current programs in place

	Exemption Amount	Exempt Property Value	Total Tax Reduction
Over 65	\$25,000	\$39,231,000	\$240,840
Disabled	\$25,000	\$3,890,400	\$24,000
100% Disabled Vet	100%	\$17,822,000	\$109,400

- Homestead Exemption

- 4123 taxpayers currently have exemption from another entity
 - Impact of 5K exemption- \$126,600 in reduced tax revenue
 - Impact of 10K exemption- \$253,200 in reduced tax revenue
 - Impact of 15K exemption- \$379,800 in reduced tax revenue

- Over 65 Freeze

- Estimated \$313M (6% of total assessed value) in property owned by citizens who currently have the over 65 exemption
- Taxable value would be frozen and tax would not be levied on any value increase over base year as long as the citizen over 65 owns the property.



GENERAL FUND

COST DRIVERS/
ALLOCATIONS**Cost Drivers:**

- Personnel
 - 4.5% increase for civil service- \$722,000
 - 4.5% FY2019 increase for non-civil service- \$558,000
 - Full year of FY2018 non-civil service increase-\$466,000
 - 5% increase for health insurance- \$222,000
- Software license and maintenance- \$75,000

Other Fund Allocations:

- Maintain Operating capacity for Library, Fire Station #8, and Fire Training Field
 - Budgeted at \$1,000,000 in FY19
 - Recommended allocation:
 - 25%-fund balance
 - 25%-to bond project reserve
 - 50%-fund operating expense related to projects or one-time expense needs



GENERAL FUND | PERSONNEL PRIORITIES

- Positions that support core services/needs and council priorities
- Positions supported by enterprise funds for a shared need
- Positions supported through funding sources or specific fees like the Community Enhancement Fee
- Positions that support bond project operations funded through the increased tax rate
- Positions that support the CDBG-DR projects



Consider funding expenses related to downtown through the Downtown TIRZ in FY2019

- General Fund-downtown cleaning and maintenance
 - \$30K sidewalks
 - \$20K landscaping
 - \$65K maintenance position and supplies
- Drainage-downtown sweeping



Decision Point-Explore moving downtown related expenses to the Downtown TIRZ



Other Major Funds

FY 2018-2019

UTILITIES | REVENUE

- Electric
 - No rate adjustment recommended by CUAB
- Water
 - 5% rate adjustment recommended by CUAB
- Wastewater
 - 2% rate adjustment recommended by CUAB
- Drainage
 - Rate study underway-further discussions prior to end of year
 - Rate adjustment expected to be effective January 1, 2019

The recommended adjustment will increase the average residential W/WW bill \$3.16 per month



UTILITIES

EXPENSE COST
DRIVERS

- Personnel
 - 4.5% increase for non-civil service- \$206,000
 - Full year of FY2018 non-civil service increase-\$187,000
 - 5% increase for health insurance- \$57,000
 - Additional crews due to system growth
- Other
 - Software license and maintenance- \$148,000
 - Capital equipment needs
- Water
 - Debt service for future water supply through ARWA
- Drainage
 - Debt service for drainage projects
 - Expense for increased sweeping and costs associated with MS4



HOTEL/MOTEL TAX | FORECAST

- Revenue for first 6 months of FY18 is trending below FY17 revenue
 - Average room rates have decreased due to increased room inventory
 - Hope to see increased rates as occupancy increases over summer months
- Discussing contingency for reducing expenses if revenues continue downward trends
- With current trends may need to reduce expenses for FY19





Budget Timeline

FY 2018-2019

TIMELINE | BUDGET TIMELINE

- **January**-Visioning Advance
- **February**-Budget Policy Workshop
- **March 6**-Public Hearing and adoption of Budget Policy
- **March/April**-Departments work on budget
- **April 3**-Debt Work Session
- **April/May**-Departments meet with executive team to discuss budget requests
- **May**-City Manager budget review and formation
- **May 1**-Outside agency budget requests due
- **May 29**-Budget Update Workshop
- **June 13 & 14**-Budget Workshops
- **August 2**-Workshop on Proposed Budget
- **August 21**-Public hearing on the tax rate
- **September**-Public hearing on tax rate, budget, utility rates
- **September 18**-Budget and tax rate adoption





Best Buy Revenue

FY 2017-2018

BEST BUY REVENUE

CURRENT
REVENUE

Best Buy Revenue	
Total Revenue Collected to Date	\$1,431,000
Less The Village Main funding	- <u>\$432,000</u>
Net Revenue Available	\$999,000
Anticipated Revenue for Remainder of FY18	+ <u>\$560,000</u>
Total Estimated Available at year end FY18	\$1,559,000



Short Term Recommendations for Facilities

- Potential for expanding parking
 - 22 parking spots were freed up by locating heavy equipment to 40 acres
 - Studied 3 parking options- Recommend Option B
 - ✓ Option B-22 spots in front of Public Services- \$125,000

- Potential need for short term facilities or leased spaced
 - Update Projected Staffing Study that PGAL completed in 2015
 - 2 Portable Buildings 1,340 Square Feet \$180,000 for 2 year lease plus \$25,000 in one-time costs
 - Continue to explore options for leased space

BEST BUY REVENUE

RECOMMENDED
ONE-TIME USES

	Sales Tax Revenue
Net Revenue to Date	\$999,000
Temporary Office Space <small>Two year rental and set up costs</small>	\$205,000
Additional parking spaces	\$135,000
Security review	\$25,000
Facility security <small>Includes potential projects in Fire Station 5, Airport, Library, Activity Center</small>	\$100,000
Homebuyer incentive program	\$60,000
Subtotal: One-time Uses	- <u>\$525,000</u>
Remaining to build fund balance	\$474,000

Continuing to evaluate needs for facilities and will bring more information forward at a future discussion



**Decision point-
Move forward with a budget amendment for the recommended uses?**