

# **FY 2020-21 BUDGET WORKSHOP**

August 13, 2020



# Agenda

- **General Fund**
- **Hotel Occupancy Fund**
- **Electric Fund**
- **Water/Wastewater Fund**
- **Stormwater Fund**
- **Capital Improvement Projects**

# Seeking Council Direction

- **General Fund**
  - Property Tax Rate
  - Non-civil Service Merit/COLA Increase
  - Personnel additions
- **Enterprise Funds**
  - Water/Wastewater Rate Increase
  - Stormwater Rate Increase
  - Resource Recovery Increase
- **Capital Improvement Projects**
  - Year one of 10 year CIP

# General Fund FY20 Revenue Recap

- **FY20 Original Budget Revenue: \$86.3M**
- **Projection as of April: \$78.7M, \$6.4M shortfall (after rebates)**
  - Pandemic outbreak, disaster declaration by federal, state, and local authorities
  - Businesses are required to close
  - Unemployment hits record levels
- **Projection as of June: \$82.4M, \$2M shortfall (after rebates)**
  - Received March sales tax. Results exceed projections. Large increase in economic development rebates
  - Businesses reopen
- **Projection as of Aug: \$90.9M, \$1.3M shortfall (after rebates)**
  - Received April sales tax. Continue to exceed projections. Much larger economic development rebates due to increased sales tax

# General Fund FY20 Expenses & Going Forward

- **FY20 Expenditure Reductions**

- Personnel: \$1.8M
- Contract Services: \$610K
- Materials & Supplies: \$1.3M
- Capital Outlay: \$500K

- **Future Known Financial Constraints**

- It is the City's fiscal responsibility to ensure revenues can support recurring expenses as we approach known reductions in General Fund revenue in the coming years
- FY22: Comptroller ruling on internet sales tax collection to the point of destination (potential \$3M reduction after rebates)
- FY23: SB2 property tax cap at 3.5% (potential \$600K-\$1M reduction)

# FY21 Budget Policy Direction

|   |   |
|---|---|
| Maintain fund balance at 25%                              | <i>REDUCED TO 20% DUE TO PANDEMIC</i>                       |
| Tax rate not to exceed Voter Approval Rate                | <i>ADOPTED SPECIAL TAXING UNIT CALCULATION of 8% GROWTH</i> |
| Zero based budgets for all department operating expenses  | <i>COMPLETED</i>  |
| Social services, museums, city hosted events fully funded | <i>INCLUDED</i>   |
| Refinance TIRZ #2 Blanco Vista                            | <i>IN PROCESS</i>   |
| Parks & Rec fees effective Sept 1 <sup>st</sup>           | <i>POSTPONED TO JANUARY 1, 2021</i>                         |
| Development Services cost of service study FY20           | <i>POSTPONED TO FY21</i>                                    |
| Other fees increased by Consumer Price Index (CPI)        | <i>INCLUDED</i>   |

# FY21 Budget Policy Direction

|   |  |
|---|--|
| Municipal Judge at full-time                | <i>COMPLETED</i>   |
| Merit, COLA, & health insurance adjustments | <i>MERIT &amp; COLA PROPOSED INCREASE<br/>NO HEALTH INSURANCE INCREASE</i> |
| EMS expansion of service                    | <i>INCLUDED</i>  |
| Youth services director (Community Action)  | <i>INCLUDED</i>  |
| CUAB recommended rate adjustments           | <i>INCLUDED</i>  |

## General Fund Revenue Assumptions

- Property tax rate @ 5% revenue increase. @ tax rate of 0.5930. This is \$700K less than a tax rate @ 7% revenue increase over prior year base. Appraised values are certified estimates.
- TIRZ #2 Blanco Vista zero contribution (was \$1.8M, 67% O&M \$1.2M), payoff developer, FY22 debt service
- Solid Waste Hauler revenue increased to 7% of sales

# General Fund Revenue Assumptions

- Parks & Recreation Programs fee implementation Jan 1, 2021
- No fee increase to Development Services, cost of service study to kick off with cost recovery fees FY21
- All other fees increase 2.3% (CPI 2019)

# General Fund Personnel Assumptions

- FY21 Civil Service Meet & Confer agreements funded
- FY21 Personnel at 2.5% Merit/COLA increase as of OCTOBER 1st
- FY21 Health insurance no increase
- Vacancies funded at 75%

## **General Fund Personnel Additions**

- **Fire Dept – Station No.6, 3 captains, 1 firefighter \$317K (bond reserves)**
- **Reclass: Engineering – 2 reclass \$22K, IT – 3 reclass \$12K**
- **Community Enhancement – (Community Enhancement Fee) \$102K**
  - Horticultural Specialist
  - 2 x Community Enhancement Tech
- **Facilities – HVAC Service Tech, offset by \$60K reduction in O&M, \$75K**
- **Finance – Financial Analyst, offset by 50% of Grant accountant – grant funded, \$36K**

# General Fund Expenditure Assumptions

- EMS expansion and contract increase, total \$1.6M (\$533K increase)
- Social Services funded: \$840K (HSAB, CASA, Community Action, HCWC, Family Justice Center, museums)
- City sponsored events: \$100K (Veterans, Summer Fest, Sights n Sounds)
- Capital Lease/Finance \$1.7M (fleet, equipment finance)
- Capital Outlay \$390K

# Historical Tax Rate Summary

|                    | FY18      | FY19      | FY20      | FY21     |
|--------------------|-----------|-----------|-----------|----------|
| Tax Rate per \$100 | 61.39     | 61.39     | 61.39     | 59.30    |
| Total Appraisal    | \$ 4,577M | \$ 5,062M | \$ 5,644M | \$6,272M |
| Total Levy         | \$ 28.1M  | \$ 31.1M  | \$ 34.6M  | \$38.0M  |
| Debt Service %     | 41.6%     | 36.8%     | 33.7%     | 30.3%    |
| Operations %       | 58.4%     | 63.2%     | 66.3%     | 69.7%    |

# FY21 Proposed Tax Rate Bill Impact

## 7% Tax Rate Scenario

## 5% Tax Rate Scenario

*Proposed*

| Home Values | 2019 Tax Rate<br>61.39 | Tax Bill Tax Rate<br>60.59 | Annual Savings | Monthly Savings |
|-------------|------------------------|----------------------------|----------------|-----------------|
| \$100K      | \$614                  | \$606                      | \$8            | \$0.66          |
| \$200K      | 1,228                  | 1,212                      | 16             | 1.33            |
| \$300K      | 1,842                  | 1,818                      | 24             | 2.00            |

| Home Values | 2019 Tax Rate<br>61.39 | Tax Bill Tax Rate<br>59.30 | Annual Savings | Monthly Savings |
|-------------|------------------------|----------------------------|----------------|-----------------|
| \$100K      | \$614                  | \$593                      | \$21           | \$1.75          |
| \$200K      | 1,228                  | 1,186                      | 42             | 3.50            |
| \$300K      | 1,842                  | 1,779                      | 63             | 5.25            |

\* Lowering the property tax rate from 7% to 5% growth over No New Revenue Rate reduces General Fund revenue by \$700K.

## General Fund Summary - Revenue

| Revenue              | FY19           | FY20           | FY21           |
|----------------------|----------------|----------------|----------------|
| Property Tax         | \$19.5M        | \$23.0M        | \$25.5M        |
| Sales Tax            | \$37.1M        | \$42.3M        | \$39.0M        |
| Other Revenue        | \$24.1M        | \$25.4M        | \$26.5M        |
| <b>Total Revenue</b> | <b>\$80.8M</b> | <b>\$90.9M</b> | <b>\$91.1M</b> |

## General Fund Summary: Expense

| Operating Expense              | FY19           | FY20           | FY21           |
|--------------------------------|----------------|----------------|----------------|
| Personnel                      | \$50.2M        | \$52.7M        | \$56.6M        |
| Contract Services              | \$7.2M         | \$7.3M         | \$7.8M         |
| Materials & Supplies           | \$4.5M         | \$3.5M         | \$4.9M         |
| Other                          | \$5.8M         | \$5.9M         | \$6.3M         |
| <b>Total Operating Exp</b>     | <b>\$67.9M</b> | <b>\$69.6M</b> | <b>\$75.7M</b> |
| Non-Recurring Exp              | FY19           | FY20           | FY21           |
| Eco Dev / TIRZ                 | \$8.9M         | \$16.4M        | \$15.6M        |
| Contract Services              | \$7.2M         | \$7.3M         | \$7.8M         |
| Capital Outlay & Other         | \$2.8M         | \$2.7M         | \$3.0M         |
| <b>Total Non-Recurring Exp</b> | <b>\$11.8M</b> | <b>\$19.2M</b> | <b>\$18.7M</b> |

# General Fund Summary: Fund Balance

| Summary            | FY19    | FY20    | FY21    |
|--------------------|---------|---------|---------|
| Revenue            | \$80.8M | \$90.9M | \$91.1M |
| Total Expenditures | \$79.7M | \$88.8M | \$94.4M |
| Fund Balance       | \$17.2M | \$19.3M | \$16.0M |
| Fund Balance %     | 25.9%   | 28.2%   | 21.4%   |

## **Hotel Occupancy Fund**

- Hotel/Motel revenue assumed 25% of FY19 actuals based on occupancy levels during pandemic
- Reduced one headcount to part-time
- Shared one full-time head count with General Fund to fill part-time vacancy

# Hotel Occupancy Fund Summary

| Summary              | FY19   | FY20   | FY21   |
|----------------------|--------|--------|--------|
| Revenue              | \$4.2M | \$2.6M | \$3.0M |
| Total Expenditures   | 3.5M   | 3.0M   | 3.3M   |
| Fund Balance         | 640K   | 530K   | 494K   |
| Fund Balance %       | 31.8%  | 26.0%  | 22.5%  |
| Use of Cash Reserves |        | 200K   | 200K   |

# ENTERPRISE FUNDS



## **Electric Fund**

- **CUAB recommended no rate increase for FY21**
- **Personnel Additions: \$352,000**
  - Complex Meter Technician
  - Senior Electrical Engineer
  - Electrical Engineering Technician
  - Utility Financial Analyst
- **Operating Expense Additions: \$133,000**
  - Contract services, vehicles lease, professional development
- **Capital Outlay Additions: \$296,000**
  - Bucket Truck, transformer & substation test equipment

# Electric Fund Summary

|                                     | FY19    | FY20    | FY21    |
|-------------------------------------|---------|---------|---------|
| Revenue                             | \$58.8M | \$62.3M | \$63.1M |
| Expenses                            | 59.5M   | 62.5M   | 63.6M   |
| Ending Fund Balance                 | 10.9M   | 10.0M   | 9.5M    |
| Debt Coverage                       | 1.28    | 1.18    | 1.20    |
| Ending Balance in Days of Operation | 55      | 64      | 61      |

# Water/Wastewater Fund

- **CUAB recommended rate increases in FY21:**
  - Water 5%
  - Wastewater 3%
- **Personnel Additions: \$180,000**
  - Water Collection – Crew Leader
  - Conservation – Irrigation Inspector
- **Operating Expense Additions: \$90,000**
  - Contract services, vehicles lease
- **Capital Outlay Additions: \$470,000**
  - SCADA system, tilt camera, maintenance Skid, jet/vacuum truck, hydro excavator

# Water/Wastewater Fund Summary

|                               | FY19          | FY20          | FY21          |
|-------------------------------|---------------|---------------|---------------|
| Revenue                       | \$40.8M       | \$46.0M       | \$50.7M       |
| Expenses                      | 40.5M         | 45.3M         | 50.8M         |
| Ending Fund Balance           | 13.2M         | 11.1M         | 10.9M         |
| Weather Stabilization Reserve | 2.8M          | 2.9M          | 3.7M          |
| Debt Coverage                 | 1.28          | 1.3           | 1.6           |
| Potential Rate Adjustment     | 5% W<br>3% WW | 5% W<br>3% WW | 5% W<br>3% WW |

## Stormwater Fund

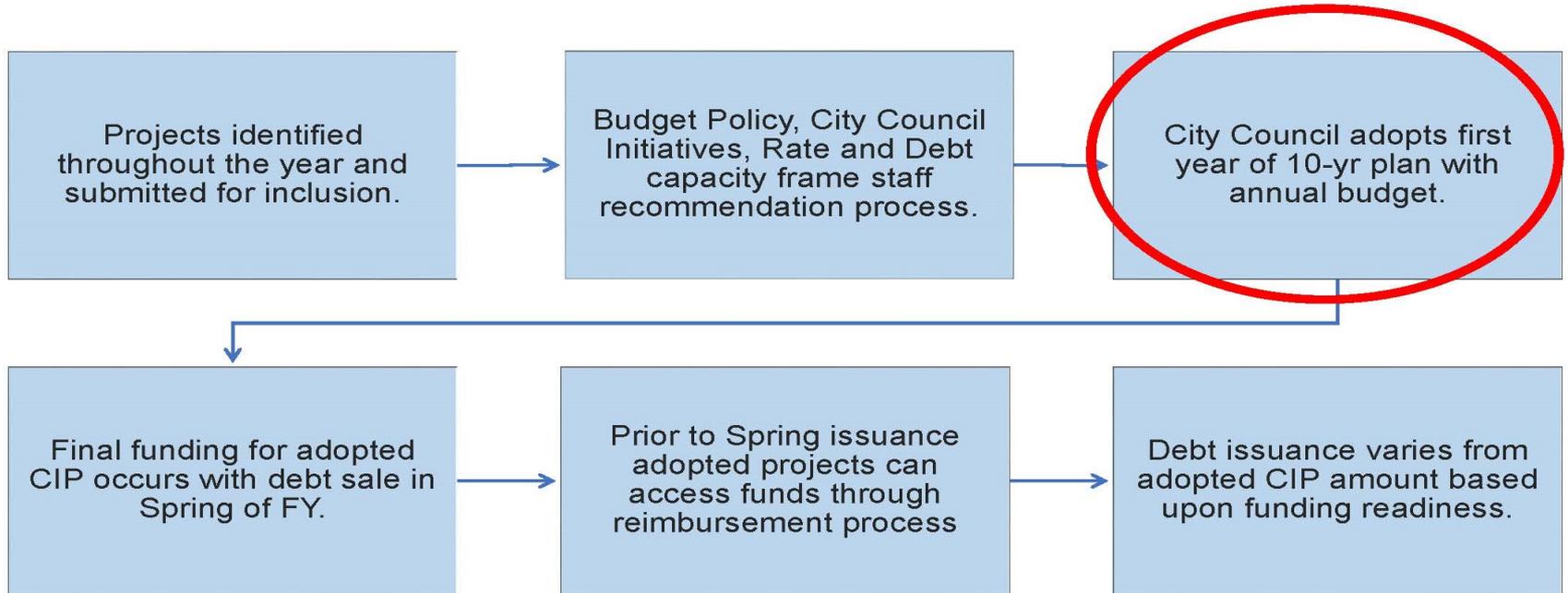
- **Recommended rate increase in FY21: 6.5%**
- **Indirect Cost Allocation revised, total impact \$1.1M increase**
- **Capital Outlay Additions: \$81,000**
  - Street sweeper, dump truck, track hoe

# Stormwater Fund Summary

|                      | FY19   | FY20   | FY21   |
|----------------------|--------|--------|--------|
| Revenue              | \$5.7M | \$6.0M | \$7.2M |
| Expenses             | 5.1M   | 6.6M   | 7.3M   |
| Ending Fund Balance  | 1.6M   | 1.5M   | 1.9M   |
| Fund Balance %       | 32.8%  | 23.9%  | 26.6%  |
| Use of Cash Reserves |        | 500K   | 500K   |

# CAPITAL IMPROVEMENT PROJECTS

# Capital Improvement Plan Process



## FY 21 Recommended CIP Totals

| FY21 CIP             | Original CIP | Revised CIP  | Difference   |
|----------------------|--------------|--------------|--------------|
| General Fund:        | \$6,239,000  | \$4,485,000  | -\$1,754,000 |
| Water Fund:          | \$44,526,575 | \$44,681,575 | \$155,000    |
| Wastewater Fund:     | \$9,534,000  | \$10,874,000 | \$1,340,000  |
| Stormwater<br>Fund*: | \$9,560,000  | \$9,720,000  | \$160,000    |
| Electric Fund:       | \$10,065,421 | \$10,460,421 | \$395,000    |

\* Reflects Council direction from June 30<sup>th</sup> workshop on stormwater rate

# 2021 Strategic Initiative Funding

- **Downtown Vitalization**

- Downtown Pedestrian Safety & Comfort Improvements (TIRZ)
- Downtown Alley Reconstruction (TIRZ)
- Downtown Property Acquisition (TIRZ)

- **Multi-Model Transportation**

- Sessom/Academy Intersection Improvements
- IH-35 Improvements (SH123 & San Marcos River)
- Downtown Pedestrian Safety & Comfort Improvements (TIRZ)

# 2021 Strategic Initiative Funding Continued

- **City Facilities**

- City Facilities HVAC Replacement
- City Facility Parking Lots
- City Facility Roof Replacements
- City Facility Major Maintenance/Repair
- HHW New Facility (Solid Waste)
- Police Department Renovations
- Airport Ramp Grant (match)

- **Stormwater (Former Initiative)**

- Hills of Hays
- IH-35 Improvements (Sunset DS Imp)
- Sessom/Academy Intersection Imps.

# FY 21 General Fund & Other Projects

- **Bond Projects - \$4.5M**

- Fire Station #6 – High Point/Trace

- **Tax Increment Reinvestment Zone Funded - \$2.3M**

- Downtown Alley Reconstruction Phase 1
- Downtown Pedestrian Safety & Comfort Improvements

- **Resource Recovery - \$500K:**

- Household Hazardous Facility

- **General - \$4.5M**

- Disaster Recovery
- IH-35 Improvements
- Network Infrastructure
- Sessom Academy Imp.
- Airport RAMP
- Fire Engine Replacement
- City Facilities
- River Parks Plan
- Police Department Renovations
- Public Safety Video Technology

# Moving Forward

- **Analyze CIP Funds**
  - Savings to defer future debt needs
- **Refine Future CIP Years**
  - Align with multi-year strategies for General Fund limitation and Stormwater rate direction.
- **Pursue Alternative Funding**
  - Grants and partnerships to leverage City funds.
  - Potential future bond election

# Council Direction Needed

- **General Fund**
  - Property Tax Rate
  - Non-civil Service Merit/COLA Increase
  - Personnel additions
- **Enterprise Funds**
  - Water/Wastewater Rate Increase
  - Stormwater Rate Increase
  - Resource Recovery Increase
- **Capital Improvement Projects**
  - Year one of 10 year CIP

# Budget Timeline

- **Sept 1<sup>st</sup>**
  - Vote to set proposed tax rate
  - 1<sup>st</sup> public hearing on proposed budget, CIP, and utility rates
- **Sept 15<sup>th</sup>**
  - Public hearing on tax rate
  - 2<sup>nd</sup> public hearing on proposed budget, CIP, and utility rates
  - Vote to adopt budget, ratify tax roll, set tax rate