



Budget Policy FY 2021



Agenda



City Manager Introduction



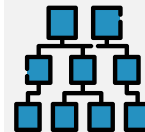
FY19 Year-End Review



Budget Process



Key Forecast Assumptions



Budget Policy Discussion



Decision Point Summary

FY 2019 Year End Summary

General Fund

	Budget	Actual	Variance	Notes
Beginning Fund Balance		\$16,100,000		
Total Revenue	\$80,873,000	\$80,765,000	\$-108,000	
Taxes	56,448,000	57,100,000	652,000	Sales Taxes more than budgeted
Utility Franchise Fees	10,000,000	9,200,000	-800,000	City Utility Franchise Fees less than budgeted
License and Permits	2,900,000	3,400,000	500,000	
Fines and Penalties	1,400,000	1,200,000	-200,000	
Recreational	700,000	660,000	-40,000	
Community Enhancement Fee	593,000	590,000	-3,000	
Animal Shelter	570,000	495,000	-75,000	
Other Revenue	1,700,000	1,890,000	190,000	
Transfer from Other Funds	6,300,000	6,200,000	-100,000	
Total Expenses	\$81,870,000	\$79,770,000	\$-2,100,000	
Personnel	50,400,000	50,100,000	-300,000	
Contracted Services	8,300,000	7,380,000	-920,000	Savings in Software License & Maint, Utilities and Contracted Svs offset by increased Facility Maintenance
Materials and Supplies	4,630,000	4,530,000	-100,000	
Other Expenses	4,780,000	3,730,000	-1,050,000	CEF expenses less than budgeted
Social Services	500,000	500,000	0	
Economic Incentives/TIRZ	8,710,000	9,050,000	340,000	
Capital Expense	2,740,000	2,740,000	0	
Operating Transfers	1,810,000	1,740,000	-70,000	
Ending Fund Balance		\$17,100,000		

FY 2019 Year End Summary

Electric Utility Fund

	Budget	Actual	Variance	Notes
Beginning Fund Balance		\$9,260,000		
Total Revenue	\$62,846,000	\$58,846,000	\$-4,000,000	
Current Services	59,340,000	55,190,000	-4,150,000	Revenue down due to milder weather patterns
Ferguson Revenue	406,000	426,000	20,000	
Other Revenue	850,000	770,000	-80,000	
Transfers from Other Funds	2,000,000	2,060,000	60,000	
Interest	250,000	400,000	150,000	
Total Expenses	\$64,540,000	\$59,610,000	\$-4,930,000	
Personnel	6,300,000	5,620,000	-680,000	
Cost of Power	37,780,000	35,610,000	-2,170,000	Cost down due to reduced electric usage
Contracted Services	4,020,000	2,380,000	-1,640,000	Savings in contracted and professional services and software license and maintenance
Materials and Supplies	1,680,000	630,000	-1,050,000	Savings in materials costs
Other Expenses	8,740,000	7,800,000	-940,000	Savings in franchise fee due to revenue variance
Debt Service	4,250,000	4,250,000	0	
Capital Expense	770,000	320,000	-450,000	
Transfer to Capital Reserves	1,000,000	3,000,000	2,000,000	Increased transfer to capital reserves due to operational savings
Rate Stabilization Reserve		\$760,000		
Ending Fund Balance		\$8,496,000		

FY 2019 Year End Summary

Water/Wastewater Utility Fund

	Budget	Actual	Variance	Notes
Beginning Fund Balance		\$9,260,000		
Total Revenue	\$42,530,000	\$40,220,000	\$-2,310,000	
Current Services	41,430,000	39,050,000	-2,380,000	Wastewater revenue below budget due to modeling error in budget
Other Revenue	850,000	770,000	-80,000	
Interest	250,000	400,000	150,000	
Total Expenses	\$44,021,000	\$40,397,000	\$-3,624,000	
Personnel	5,000,000	5,000,000	0	
Contracted Services	11,500,000	9,700,000	-1,800,000	Savings in several expense lines including software license & maintenance, plant operations expenses, and professional services
Materials and Supplies	1,440,000	1,440,000	0	
Other Expenses	10,160,000	9,430,000	-730,000	Savings in franchise fee due to revenue variance
Debt Service	13,360,000	13,360,000	0	
Capital Expense	761,000	467,000	-294,000	Equipment and vehicle purchase delayed
Transfer to Capital Reserves	1,800,000	1,000,000	-800,000	
Rate Stabilization Reserve		\$2,880,000		
Ending Fund Balance		\$9,083,000		

FY 2019 Year End Summary

Drainage Utility Fund

	Budget	Actual	Variance	Notes
Beginning Fund Balance		\$910,000		
Total Revenue	\$5,838,000	\$5,780,500	\$-57,500	
Current Services	5,791,000	5,730,000	-61,000	
Other Revenue	42,000	41,000	-1,000	
Interest	5,000	9,500	4,500	
Total Expenses	\$5,552,000	\$5,132,000	\$-420,000	
Personnel	794,000	779,000	-15,000	
Contracted Services	900,000	692,000	-208,000	Less mowing expense than budgeted
Materials and Supplies	143,000	108,000	-35,000	
Other Expenses	328,000	324,000	-4,000	
Debt Service	3,126,000	3,121,000	-5,000	
Capital Expense	261,000	108,000	-153,000	Lease expense less than budgeted due to timing
Ending Fund Balance		\$1,558,500		

FY 2019 Year End Summary

Airport Fund

	Budget	Actual	Variance	Notes
Beginning Fund Balance		\$24,600		
Total Revenue	\$646,000	\$624,000	\$-22,000	
Operating Revenue	646,000	594,000	-52,000	Agricultural land lease reduction
General Fund Transfer	0	30,000	30,000	Transfer from General Fund to replace revenue shortage
Total Expenses	670,600	643,200	\$-27,400	
Rent Credits	\$47,400	\$65,000	17,600	
Airport Management	460,000	449,000	-11,000	
Contracted Services	64,000	49,800	-14,200	
Materials and Supplies	5,000	200	-4,800	
Other Expenses	2,200	200	-2,000	
Incentive Payments	92,000	79,000	-13,000	
Ending Fund Balance		\$5,400		

FY 2019 Year End Summary

Hotel/Motel Fund

	Budget	Actual	Variance	Notes
Beginning Fund Balance		\$208,000		
Total Revenue	\$3,745,500	\$4,226,200	\$480,700	
Hotel Motel Tax	3,600,000	3,965,000	365,000	
Late Charges & Penalties	1,000	39,900	38,900	
General Fund Transfer	143,500	143,500	0	
Interest	\$1,000	\$77,800	76,800	
Total Expenses	4,055,200	3,897,000	\$-158,200	
Personnel	754,200	763,700	9,500	
Contracted Services	468,000	489,000	21,000	
Materials and Supplies	632,000	599,900	-32,100	
Other Expenses	117,000	52,300	-64,700	
Tourism Programs	315,000	196,000	-119,000	Limited expenses in Eco Tourism, Sports Tourism, and Downtown Marketing matching program
Arts Funding	250,000	250,000	0	
Capital Expense	8,000	8,100	100	
Transfer to Debt Service	1,511,000	1,538,000	27,000	
Ending Fund Balance		\$537,200		

Budget Development



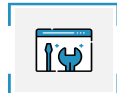
Set strategic initiatives for the coming year



Formulate policy statement to guide city manager during budget preparation



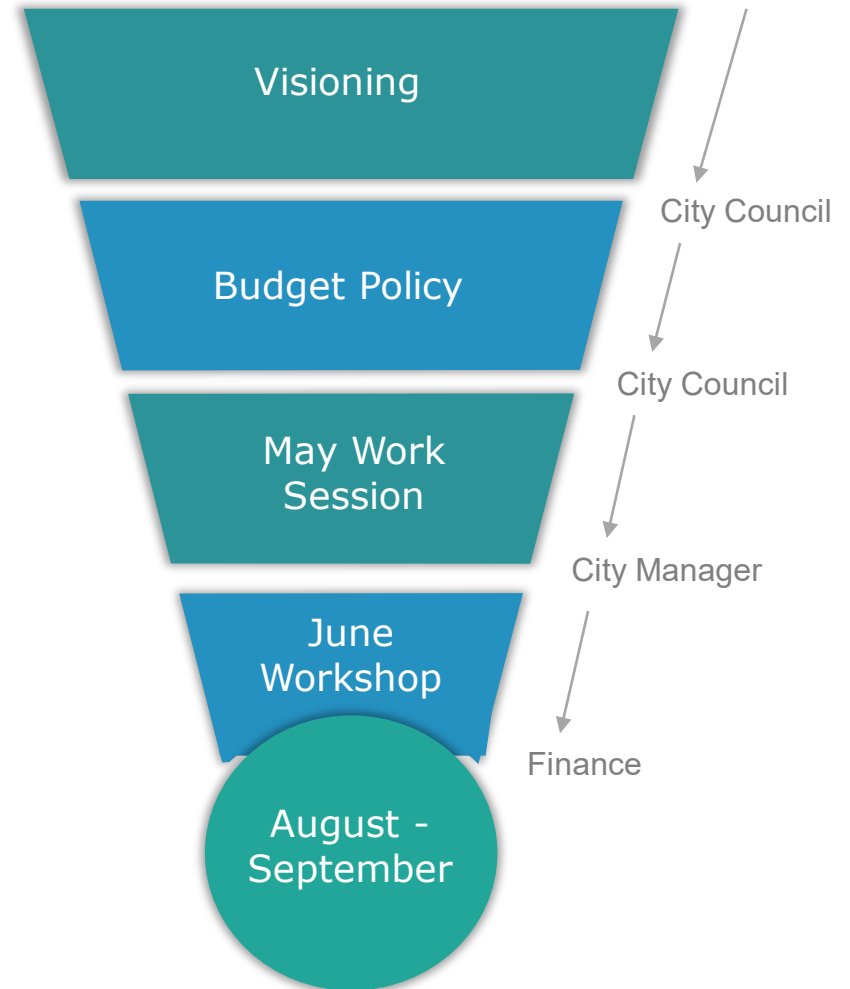
Deliver budget capacity and trends



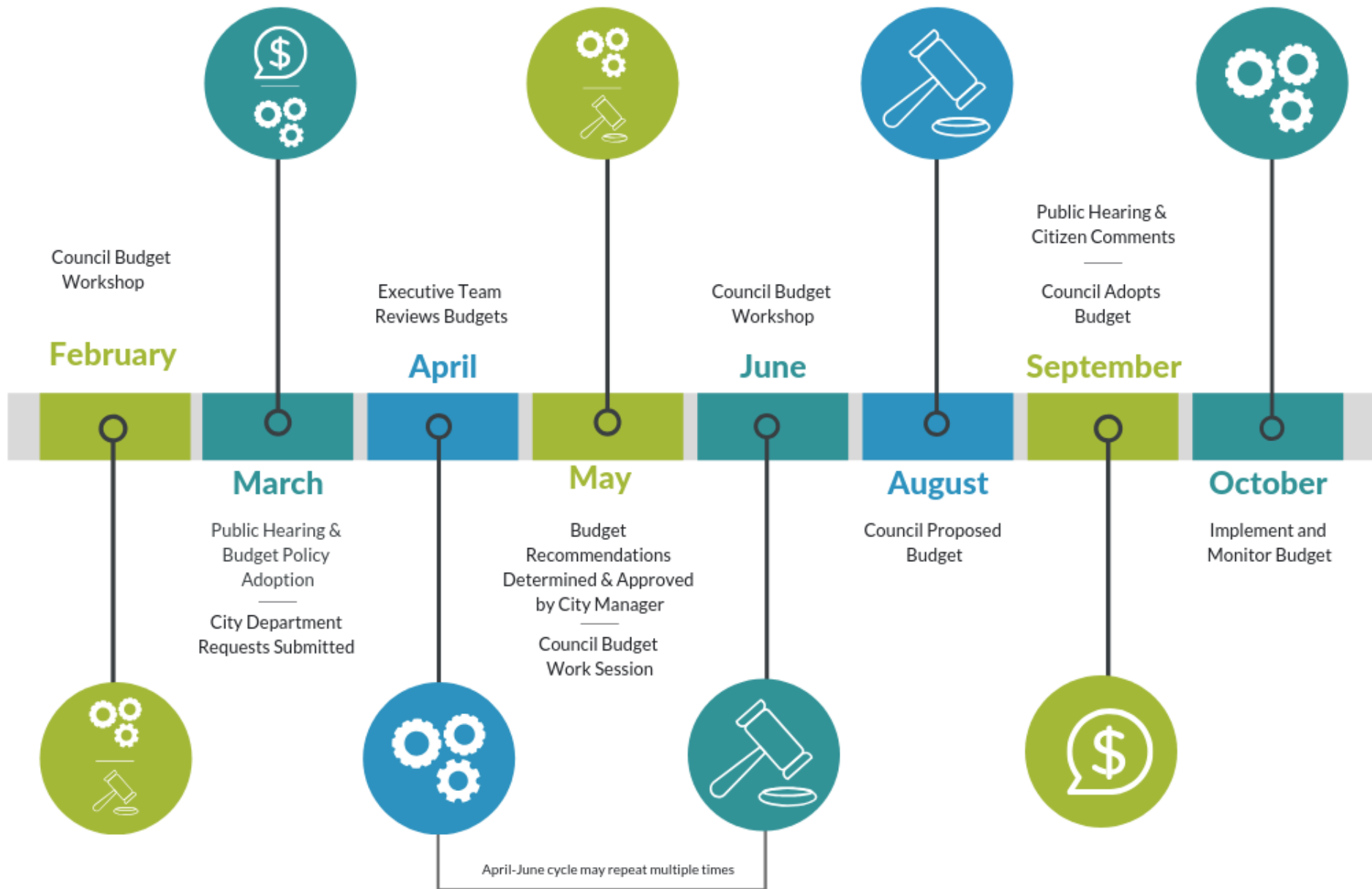
Deliver budgeted programs, revenues, and expenditure philosophy



Deliver proposed budget of all general budget items by fund type



Once City Council formulates a budget policy the City Manager works with staff to develop the budget document



Conducted by City Staff

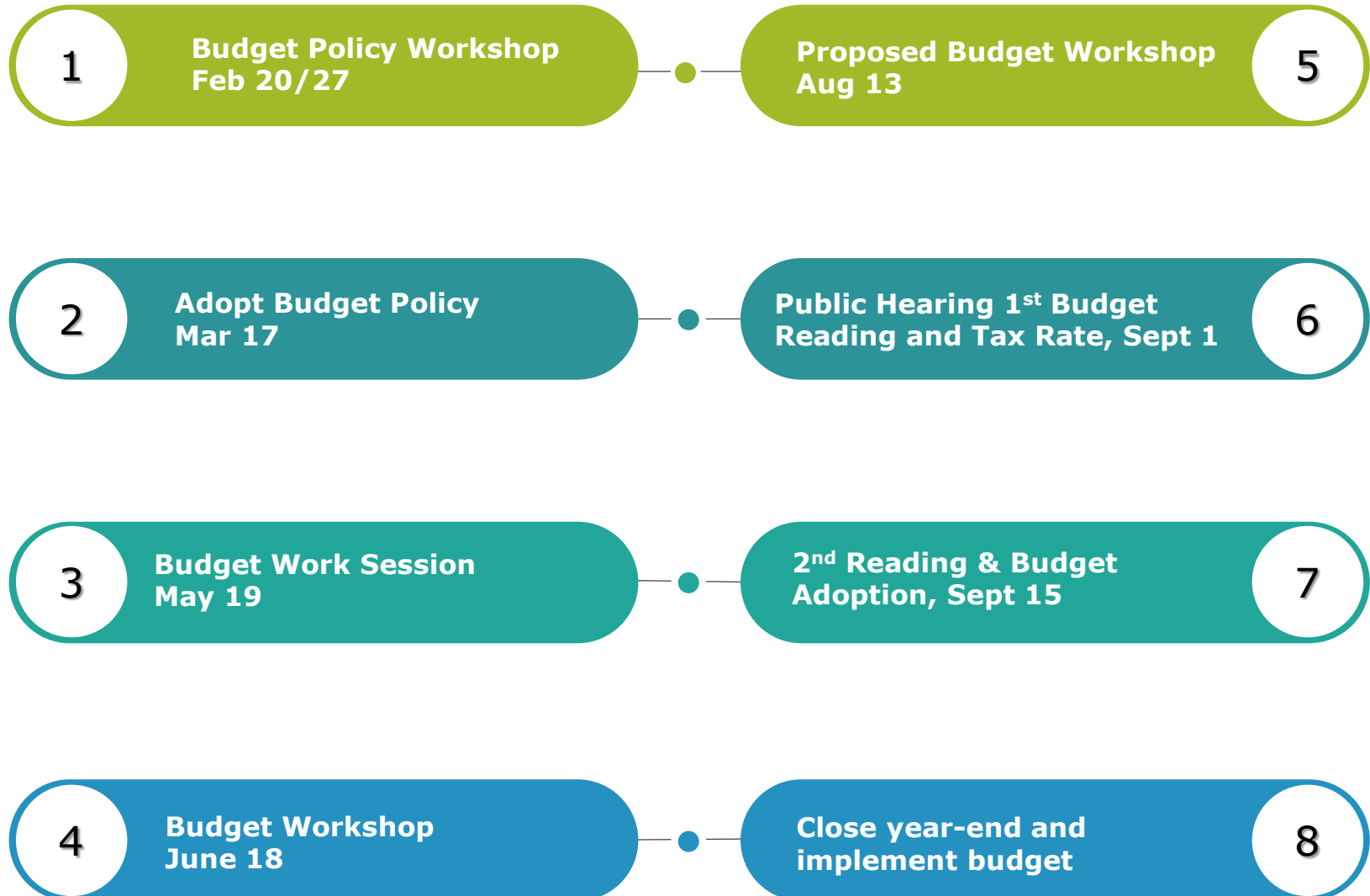


Conducted by City Council



Includes Public Hearing

Budget Timeline



Economic Indicators



Unemployment
December 2019



Wages
year-over-year



Hourly Rate
Private Sector



Home Prices
year-over-year



CPI
December 2018
Consumer price index

Federal	3.5%	↑ 0.5%	\$27.38	↑ 3.7%	↑ 2.2%
State	3.4%	↑ 3.8%	\$27.55	↑ 3.5%	↑ 2.1%
Regional	2.5%	↑ 2.2%	\$30.13	↑ 3.7%	
Hays	2.6%	↑ 4.4%	\$20.00	↑ 4.6%	

Home prices continue to outpace the rise in income across Hays County

2020-21 Strategic Initiatives

Multi Modal Transportation

- A. City reviews the benefits and challenges of creating an integrated, seamless transit partnership between the City and Texas State University.
- B. City continues other multi-modal initiatives.



Downtown Vitality

- A. Support diversified business activity.
- B. Take measures to improve downtown quality of place.
- C. Accessibility to and within the downtown.



Workforce Development

- A. Leverage and partner with the community.
- B. Facilitate opportunities for Training and Programming.



Workforce Housing

- A. Update, consolidate, and communicate housing policies and action plans.
- B. Develop dedicated housing and revenue sources.
- C. Implement land use and zoning regulations that support diverse, mixed income communities in all areas of the City.



Sustainability

- A. Develop a baseline of sustainability performance measures.
- B. Promote sustainability practices throughout the community.
- C. Determine strategies to incorporate sustainability into City construction and operations.
- D. Develop economic development and procurement policies to encourage sustainability for businesses that work with the City.



General Fund Revenue



24%

Property Tax

First year of SB2 Property
Tax Cap @ 3.5%



46%

Sales Tax

Comptroller Sales Tax
ruling: change in definition
of place of business
determining collection point



30%

All Other

Other fees forecasted
using historical growth
trends

Property Tax Rate



	FY17	FY18	FY19	FY20
Tax Rate per \$100	53.02	61.39	61.39	61.39
Total Appraisal	\$ 4,070M	\$ 4,577M	\$ 5,062M	\$ 5,644M
Total Levy	\$ 21.6M	\$ 28.1M	\$ 31.1M	\$ 34.6M
Debt Service %	38.2%	41.6%	36.8%	33.7%
Operations %	61.8%	58.4%	63.2%	66.3%

- SB2 new terminology: *Voter-approval tax rate* (rollback rate) and *no new revenue tax rate* (effective rate)
- Assumption in base budget: Tax rate would be equal to or less than the *voter approval tax rate* of 61.39
- Exceeding the *voter-approval tax rate* automatically triggers an election

Sales Tax Revenue



51%

Base

7% average growth over last 12 months. Potential loss of \$1.8M pending Comptroller interpretation of ruling (low risk of occurrence)



24%

Outlets

4% average growth over last 12 months. Positive growth since Sept 2017

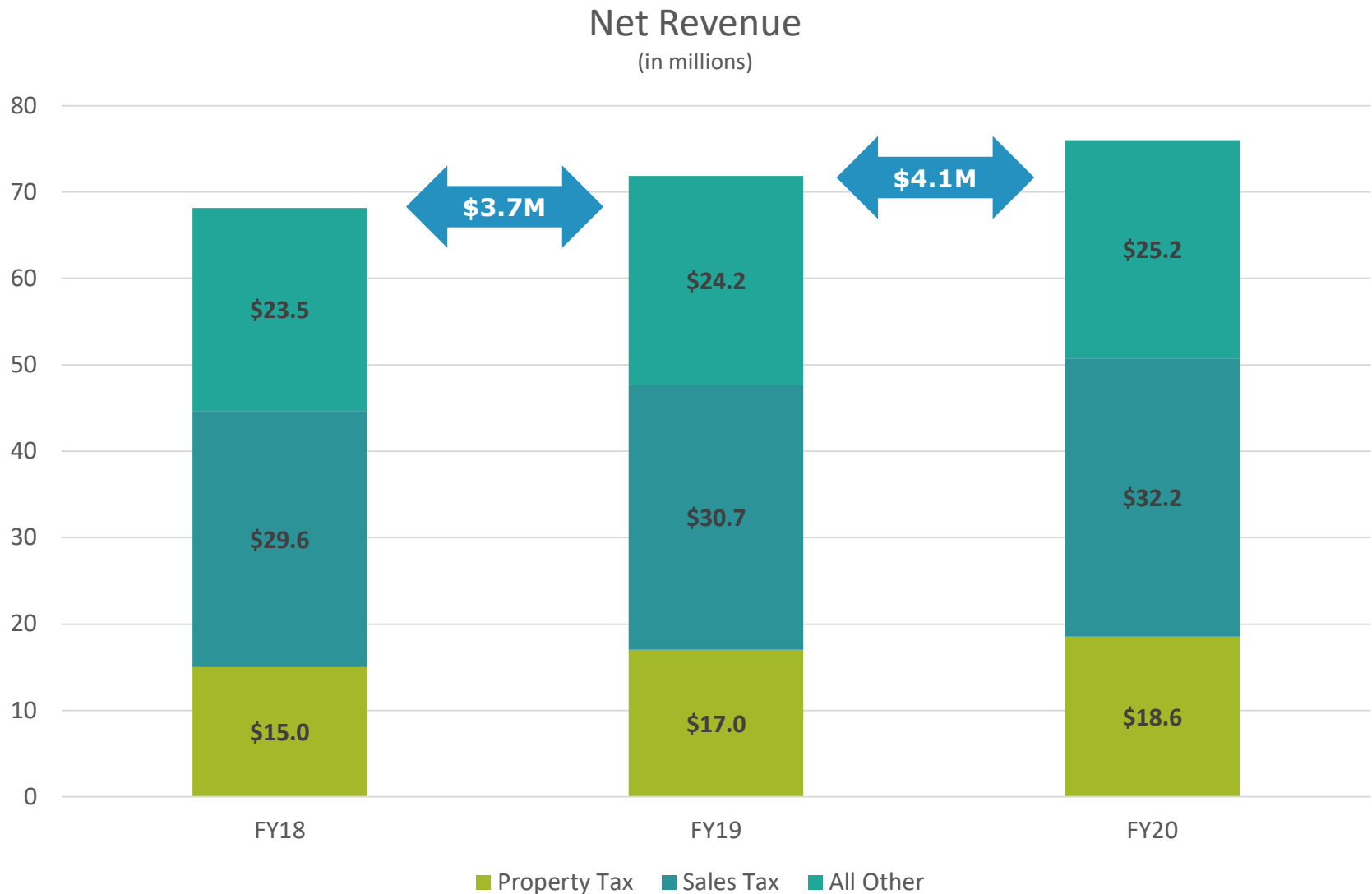


25%

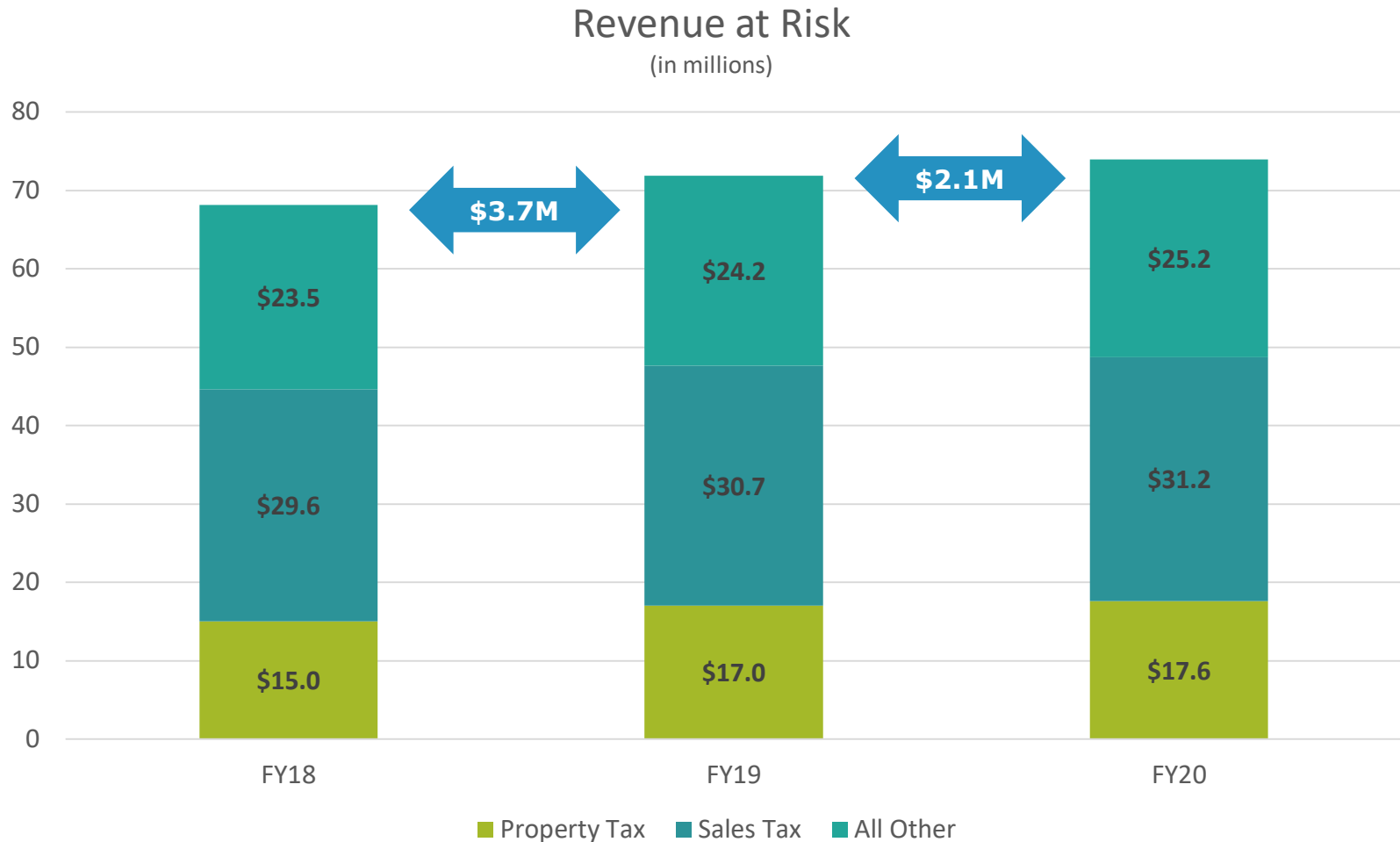
Best Buy CC

FY20 budgeted revenue of \$8M, retained collections \$2M. Potential FY23 revenue loss pending Comptroller ruling (very high risk of occurrence)

General Fund Revenue Trend



General Fund Revenue



- Impact on FY20 Property Tax if SB2 was implemented this year would have been approximately \$1M
- Incremental replacement of Best Buy Call Center \$1M (BBCC grandfathered in, FY23 impact will be \$2M+)

General Fund Committed Funding

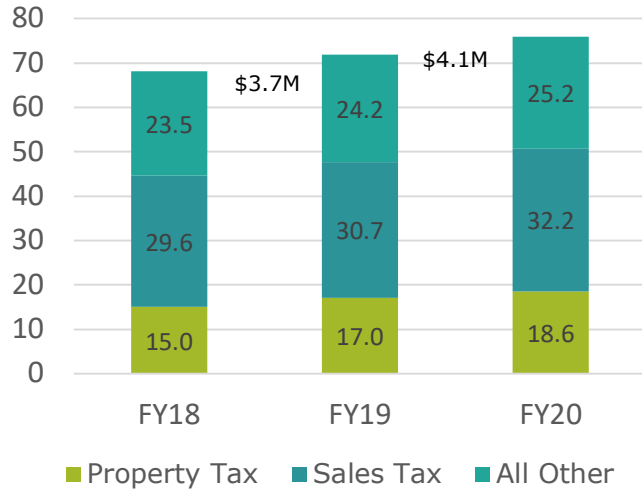


Description	Amount	% Increase
Operating:		
Facility Services/Utilities	\$45,000	3%
Facility Maintenance	500,000	100%
Vehicle Repairs	150,000	45%
Parks Maintenance	100,000	75%
SW License & Maint	30,000	2%
Contracted Veterinarian	5,000	5%
Street Maintenance	85,000	4%
Library Books	4,500	3%
EMS Services	100,000	10%
Bond Project Operating Reserve	500,000	100%
Transit Local Match	400,000	62%
Personnel:		
Civil Service	1,000,000	4%
Non-civil Service	1,100,000	4%
Total Recurring Expenses:	\$4.0M	

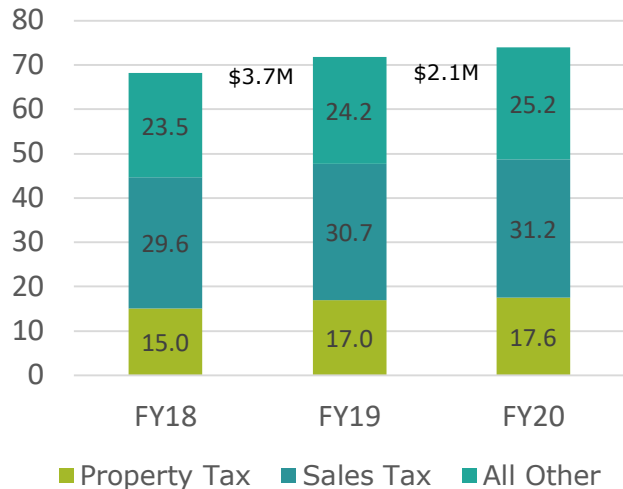
- Preliminary forecasted base budget could require ~ \$4M increase of General Fund capacity
- Does not include any new or additional funding towards Animal Services Live Outcomes initiative
- Budget requests last year for new personnel & operating expenses >\$8M with ~\$800K approved for funding (not including base increase)

General Fund Capacity

Net Revenue
(in millions)



Revenue at Risk
(in millions)



Description	Amount	% Increase
Operating:		
Facility Services/Utilities	\$45,000	3%
Facility Maintenance	500,000	100%
Vehicle Repairs	150,000	45%
Parks Maintenance	100,000	75%
SW License & Maint	30,000	2%
Contracted Veterinarian	5,000	5%
Street Maintenance	85,000	4%
Library Books	4,500	3%
EMS Services	100,000	10%
Bond Project Op Reserve	500,000	100%
Transit Local Match	400,000	62%
Personnel:		
Civil Service	1,000,000	4%
Non-civil Service	1,100,000	4%
Total Recurring Expenses:	\$4.0M	

General Fund Committed Funding



Description	Amount	Totals
Social Services:		\$1,015,000
Human Services Advisory Board	\$500,000	
HCWC	150,000	
CASA	45,000	
Family Justice Center	45,000	
Youth Initiatives:		
Personnel	\$100,000	
Community Action ½ FTE	25,000	
Youth Funding	50,000	
Museums	100,000	
Other:		\$230,000
Sights n Sounds	80,000	
Veterans Day	5,000	
Summer Fest	15,000	
Special Events	30,000	
Homebuyers Incentives	100,000	
Total Recurring Expenses:		\$1,245,000

General Fund Capacity Options



- Reducing required fund balance from 25 to 20% could reduce revenue requirements of \$1.2-\$1.5M

- Identify potential cost savings through revised budget process
- Explore potential reductions in service levels

- Explore new revenue sources in General Fund to recover cost of services provided

- CIP
- Refinance TIRZ #2 (Blanco Vista)
- TRZ #1 (Loop 110)

General Fund Operating Process



Zero based budget



Federal/State mandate



Operational necessity



Core Services

General Fund Revenue Diversification



Implementation of fees to achieve cost recovery



Introduction of new fees



Alternative Funding Sources: paid parking, expense to be paid out of TIRZ, Redwood/Lantana projects to fund Workforce Development in future years



Restructure economic development incentive policy

TIRZ #2 Refinance



Blanco Vista TIRZ created in 2005 for the construction of a bridge over the railroad tracks at Yarrington Road



Total amount owed developer was \$9.6M



Interest equal to Prime rate plus $\frac{1}{2}\%$ (currently 4.75%) paid on outstanding principal since completion in 2008



Slower than expected growth in the early years lead to payments being applied to a total of \$5.67M in interest



FY2020 payment of an estimated \$1.5M will pay down approximately \$945K of principal

TIRZ #2 Refinance



Recommendation



Negotiate a payoff with developer



Issue debt at a lower interest rate to pay off amount owed to developer



Use proceeds from TIRZ increment to pay debt service-no effect on General Fund capacity



Dissolve or repurpose TIRZ



Future growth will create capacity in General Fund and full capacity will move to General Fund when debt is paid

General Fund Additional Considerations



EMS expansion of service



Municipal Court Judge to full time



Sustainability



Youth Services Funding



Historic Preservation

Enterprise Fund Revenue

Model rates over a multi-year period to determine required adjustments



Operations & Maintenance



Capital Needs & Existing debt obligations



Current and future infrastructure needs



Increase rates in small increments over time to meet future needs

Other Forecasting Assumptions



Hotel occupancy rates show favorable growth - average daily room rates began to increase mid 2019



Stormwater rate study - Proposed structure and rates to be implemented Oct. 1




Transit cost per hour

Decision Point Summary





**Tax rate not to exceed
*voter-approval tax rate***

Merit Increase




Fund Balance

Revenue Diversification
See slide 26



Social Services & Other
See slide 23

TIRZ Refinancing
See slide 28



Youth Services

Additional Considerations
See slide 29



Thank You



Bert Lumbreras

City Manager



Stephanie Reyes

Assistant City Manager



Heather Hurlbert

Director of Finance/CFO



Melissa Neel

Assistant Director of Finance