

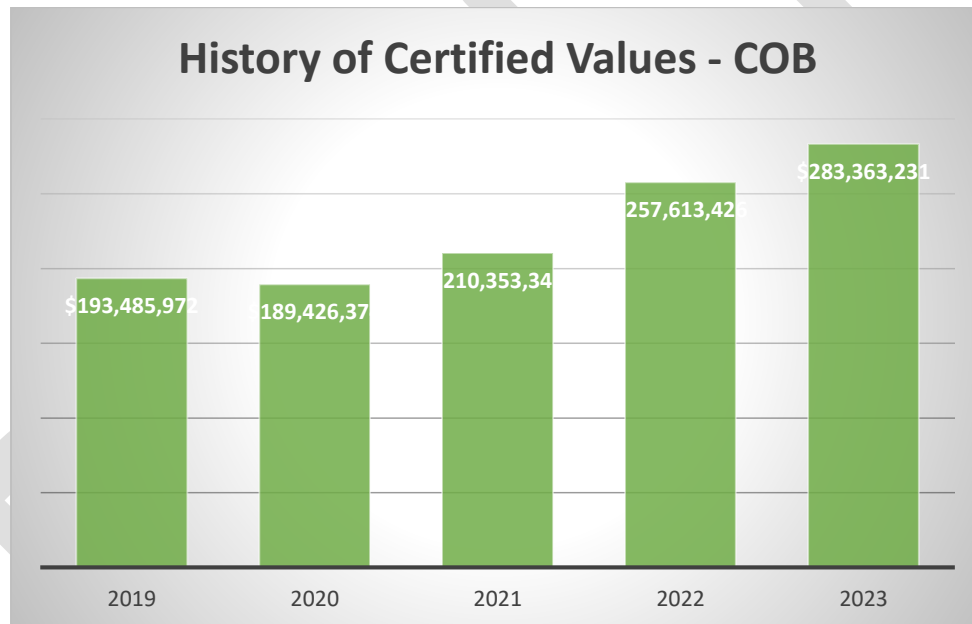


**Honorable Mayor, City Commissioners, and Citizens of Breckenridge:**

I am pleased to present the FY 2023-2024 proposed budget for the City of Breckenridge. This proposed draft budget, **based on certified tax values and calculations**, has been prepared in compliance with State Law and City Policies to meet the expressed vision of the Council.

**Property Values**

Below is a 5-year history of Certified Property Tax values. The Appraisal District has been making progress in updating property values as they have historically been very low in comparison to market values as well as making sure they are capturing new improvements. Like most cities across the nation property values stagnated between 2019 and 2021, reflecting the COVID pandemic impact and have been recovery in the last few years.



As a reminder, Senate Bill 2 (also known as the Texas Property Tax Reform and Transparency Act) passed in 2019 and went into effect in FY 2020-2021, essentially placing property tax revenue caps by limiting a tax rate increase to no more than 3.5% above what was the effective rate and is now called the No New Revenue Rate and, in most cases (cities under 30,000 population are the exception), requiring an election to go above that limit which is now called the Voter Approval Rate. Cities under 30,000 population may use the DeMinimus rate calculation and are not subject to an election if the rate is not more than 8% above the VAR rate and is below the DeMinimus rate. This is a simplified explanation as calculating the tax rate is extraordinarily complex. As

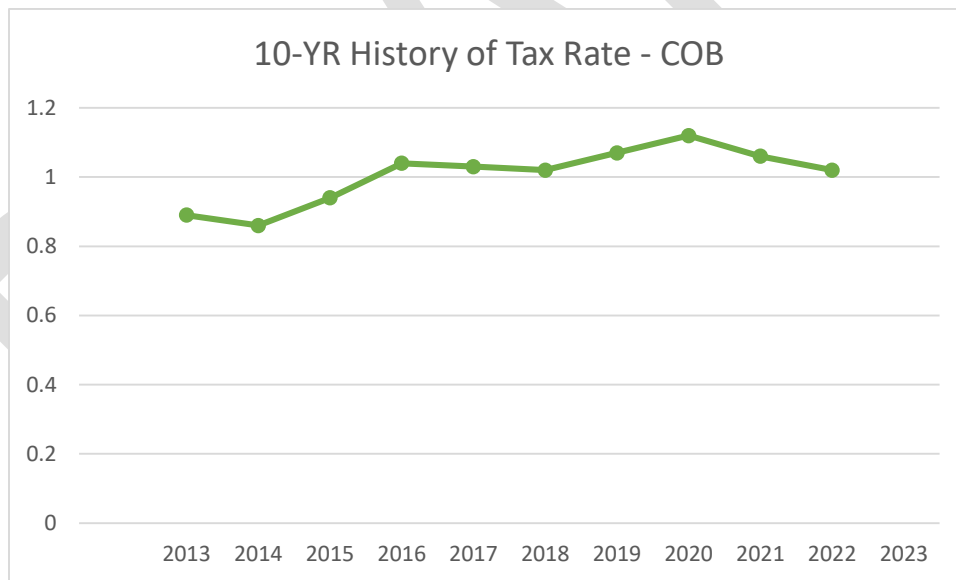


indicated above, the terminology also changed: The rollback tax rate was changed to the voter-approval tax rate meaning any tax rate set above the voter-approval rate (VAR) will require an election, though again, cities under 30,000 population are not subject to the automatic election requirement if they use the DeMinimus rate calculation that is not more than 8% over the VAR rate.

## Property Tax

**The proposed tax rate based on Certified Values is \$1.05471 per one hundred-valuation, using the DeMinimis calculation.** Based on the Certified Values received by the Stephens County Appraisal District July 25, 2023, the VAR rate for FY 2023-2024 is \$.97818 per one hundred-valuation (\$.97818/100). Also changed was the term effective rate, which referred to the benchmark tax rate needed to raise the same amount of revenue in the previous year for operations and maintenance on new growth. The new term is the 'no-new-revenue tax rate' (NNR). The NNR tax rate (based on certified values) for FY 2023-2024 is \$0.91750/100. Again, the proposed tax rate for FY 2023-2024 is \$1.05471/100, which is under the DeMinimus rate of \$1.16224 and not more than 8% above the VAR rate and is \$0.03471 more than last year's tax rate of \$1.02000/100. The M&O portion of the proposed \$1.05471/100 tax rate is \$0.79961, and the I&S Debt Rate is \$0.25510.

**Here is the City of Breckenridge's tax-rate history:**



Based on an average home value of \$175,000 the proposed \$1.05471 tax rate equals an average increase of approximately \$61.00 on a homeowner's property tax bill.



The proposed tax rate allows the Commissioners to meet its stated priorities of investing in our infrastructure, investing in our current employees, better positioning us to retain and attract a professional workforce, addresses code compliance concerns and provides resources, all of which promote health and safety of citizens and employees alike and meets the Goals identified in the Strategic Plan, providing for excellent city services.

### Introduction

This budget is presented after many hours of study and review by City staff and City Council. Staff was asked to budget for what is necessary to maintain current service levels and to address departmental needs for the purpose of providing services for the health and safety of our residents. Additionally, the recently adopted Strategic Plan, developed over the past several months, provides the framework that dictated priorities.

#### The City of Breckenridge Vision Statement

*“The Community of Breckenridge aims to be an appealing, family-centered environment inviting growth, investment and tourism.”*

### City Commission Guidance and Priorities

The annual budget is developed with careful consideration of the funding needs and available revenues and forecast methods for matching future revenues and expenditures. The following adopted goals from the *Strategic Plan* guided the priorities you will see in the budget:

**Goal 1:** Invest in Infrastructure

**Goal 2:** Invest in Employees

**Goal 3:** Invest in Beautifying Breckenridge

**Goal 4:** Promote Economic Development, Tourism and Breckenridge as a Destination!

**Goal 5:** Promote Transparency and Communication

### Infrastructure



There are several challenges with our current infrastructure of facilities, streets, water, and wastewater. Breckenridge is a recognized Boomtown. The population exploded from 1500 in 1920 to almost 30,000 in 1921. This drove the development of the infrastructure to accommodate the population. Fast forward to 2024 and where population has hovered around 5500 leaving us with a dramatically reduced tax base but saddled with the aging infrastructure designed to meet the demands of a much larger population; ***in short more road miles, more linear ft of water/wastewater collection and distribution lines to maintain and older facilities that weren't designed to meet latest building and energy efficiency standards.***

Another ***major challenge*** is not having accurate maps and records of the location(s) of our water/wastewater lines. While we have been making some progress on discovering and adding to our existing maps, it is a slow and laborious process, exacerbated by the continual challenge of attracting and retaining employees.

### Debt

In the last Fiscal Year (2022-2023), Mayor/Commissioners took steps to adjust the debt more appropriately where the Water/Wastewater Fund supported debt associated with W/WW projects. This was also in line with the recommendations that came out as a result of the Water/Wastewater Rate Study conducted in FY 2020-2021. The second part of the plan is to use the debt capacity freed up in the General Fund to issue Certificates of Obligation (discussed in more detail below). The chart below itemizes that debt that will now be fully supported by the W/WW Funds.

W/WW Fund Debt	DESCRIPTION	FY 2023-2024 Payment	OUTSTANDING PRINCIPLE/DEBT *
			*after 9.15.2023 + extra \$1,469,000 pymt
2012	Water Plant & System Improvements	\$74,864	\$585,000/\$316,823
2013	Wastewater Plant & System Improvements	\$36,965	\$640,000/\$152,626
2014	Water Plant, Lake Daniels & System Improvements	\$138,893	\$2,020,000/\$1,081,414
2017A	Parks/Lindsey – Streets & Drainage	\$35,285	\$726,000/\$432,000
2017B	Parks/Lindsey – Water & Sewer	\$178,236	\$3,329,000/\$2,178,062
2022A (CWSRF)	Wastewater System Improvements	\$123,292	\$2,935,000/\$823,980
2022B (DWSRF)	Water Treatment Plant & System Improvements	\$95,662	\$2,325,000/\$587,120
<b>TOTAL</b>		<b>\$683,197</b>	

Another action Mayor/Commissioners authorized was to use lawfully available funds totaling \$1,469,000 to pay off a portion of our debt in FY 2022-2023 (*Resolution 22-29*):



- ✓ 2012 - \$725,000 (covering annual debt payments for the years 2034 – 2044)
- ✓ 2017B - \$675,000 (covering annual debt payments for the years 2054 – 2057)
- ✓ 2017A - \$69,000 (covering annual debt payments for the years 2056 – 2057)

### Certificates of Obligation 2023

As discussed, City Commissioner’s began preparing for this issuance during the FY 2022-2023 Budget process; determining to move current debt related to the Water/Wastewater Fund and utilize the freed up capacity on the General Fund to support additional debt for needed capital improvement projects; most notably streets but also including parks and facilities. This is in alignment with the *Strategic Plan* Goals 1, 2, & 4.

The publication and posting of the Notice of Intention to issue Certificates of Obligation, action taken in June 2023, was the first step. The not-to-exceed amount noticed was \$9.1 million. In August, our financial advisors will use that number along with analysis of current market conditions to develop an actual amount to recommend to the Mayor/Commissioners. For instance, **if** the amount justified is \$7 million, staff would recommend the following breakdown *based on current estimated pricing*:

- ✓ Street Improvements – approximately \$5.9 million
  - See *Street Plan*
- ✓ Park Improvements – approximately \$600,000
  - Replace/Update Playground Equipment
  - Misc. Park Improvements
- ✓ PW Facility Improvements - \$500,000
  - New covered structure on topside to protect equipment & removal of old
  - New metal bldg inventory storage on existing slab
  - New metal roof on garage located on bottom shop side

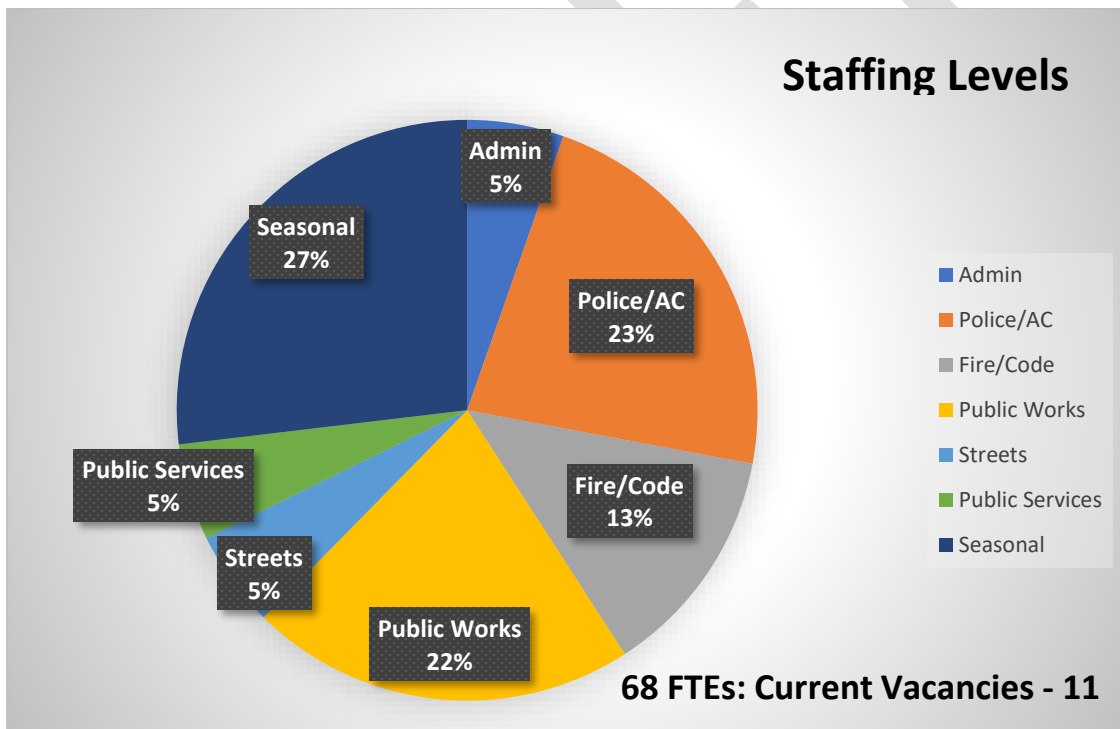
Cert of Obligation 2023	DESCRIPTION
<b>Streets: Underway</b> <small>*Primarily sales tax</small>	Various Intersections, plus W. Elliott, N. Rose, W. 7 <sup>th</sup>
<b>Streets: 2 – 5 yrs</b>	S. Harvey, Hullum, W. Elm, E. Gaddis, E. Elm, E. Dyer, N. Shelton, N. Butte, E. Wheeler, N. Oakwood, N. Flint, N. Payne, N. Harvey, S. Pecan, S. Stoker, W. 3 <sup>rd</sup> , S. Harding, W. 4 <sup>th</sup> , S. Harvey
<b>Streets: 5 – 10 yrs</b>	W. 2 <sup>nd</sup> , 1 <sup>st</sup> , N. McAmis, W. Williams
<b>Parks</b>	Replace playground equipment, install sand volleyball court, Foundation Park Improvements, Booker T. Park lights, dog park, pool filter install, tarp, generator, move electric transformer, mower
<b>PW Facilities</b>	Remove/Replace current equipment carport from bottom shop area to top shop area
<small>*draft list based on pricing and w/ww line replacement project</small>	

### Staffing Levels



As mentioned earlier, attracting, and retaining employees has been an ongoing challenge for several reasons including COVID affects on the labor market and poor pay. The City has made improvements in several areas including recent pay increases, equity adjustments, approved sign-on bonuses (program has ended), increased attention to employee relations, increased training opportunities and communication of employee benefits. As the chart below shows, we currently have 68 full-time positions (FTE), however, we also have 11 vacancies.

In alignment with Strategic Plan Goal 2, “Invest in Employees,” this draft budget includes a 4% COLA and Merit increase for all employees except for Police and Fire. We are proposing an equity adjustment for Police and Fire of \$1.50, which increases our starting pay for Police Officers from \$18.34 per hour to \$19.84 per hour and increases the starting pay for Firefighters from \$13.50 per hour to \$15.41 per hour. Additionally, while a policy for Certification Pay was approved a few years ago, funding was not provided. Included in this budget is a phased in approach for Certification Pay for Police and Fire in accordance with the Certification Pay policy. (See **Exhibit A** for a salary survey comparison sourced from Texas Municipal League).

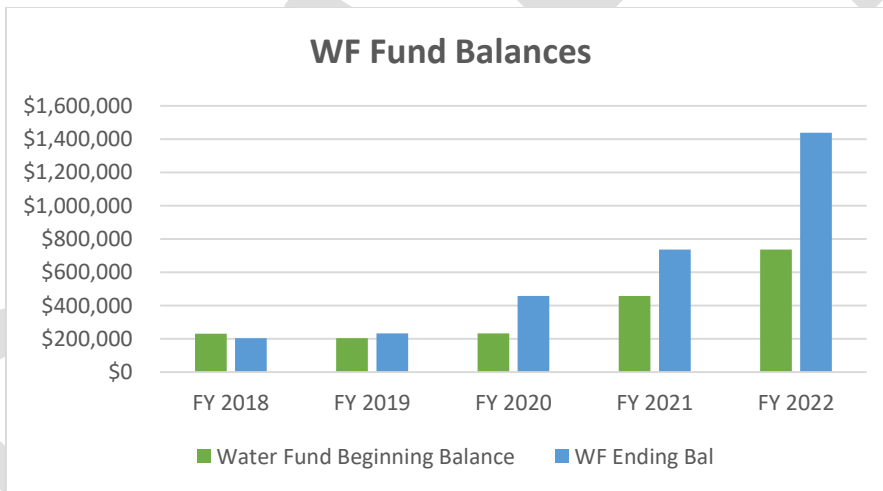
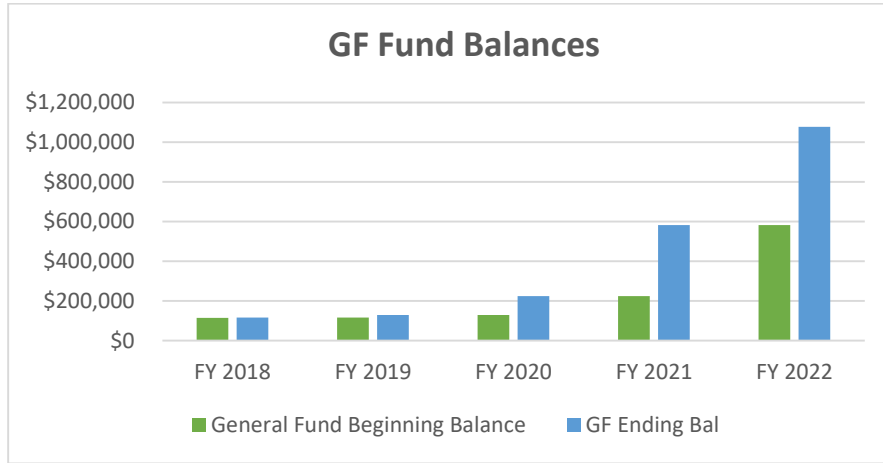


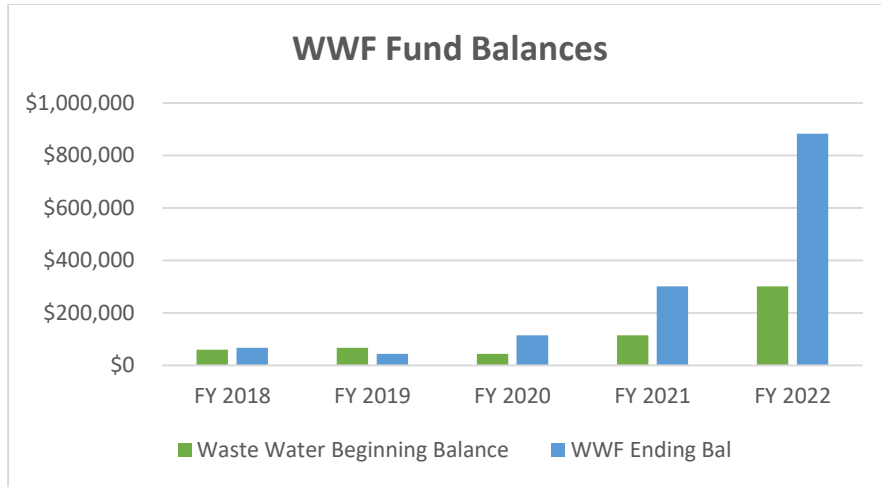
### Fund Balance History by Fund

The following graphs show a 5-year history of beginning and ending fund balances. The takeaways for the increased financial stability include the economic recovery, slight uptick in economic development, conservative spending and the increased water/wastewater rates. Please keep in mind that the Water/Wastewater Rate



Study included spending assumptions such as market pay for W/WW employees, equipment purchases and system improvements; some of which are represented by the TWDB 2022A/B projects (**Exhibit B**)

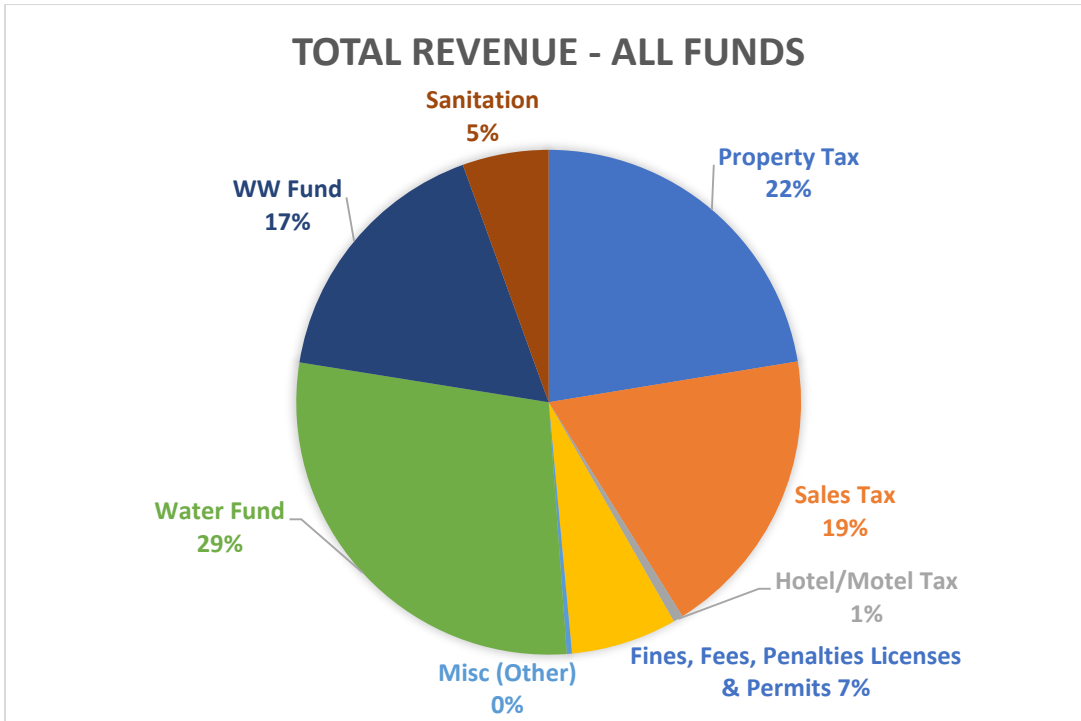




## Revenues

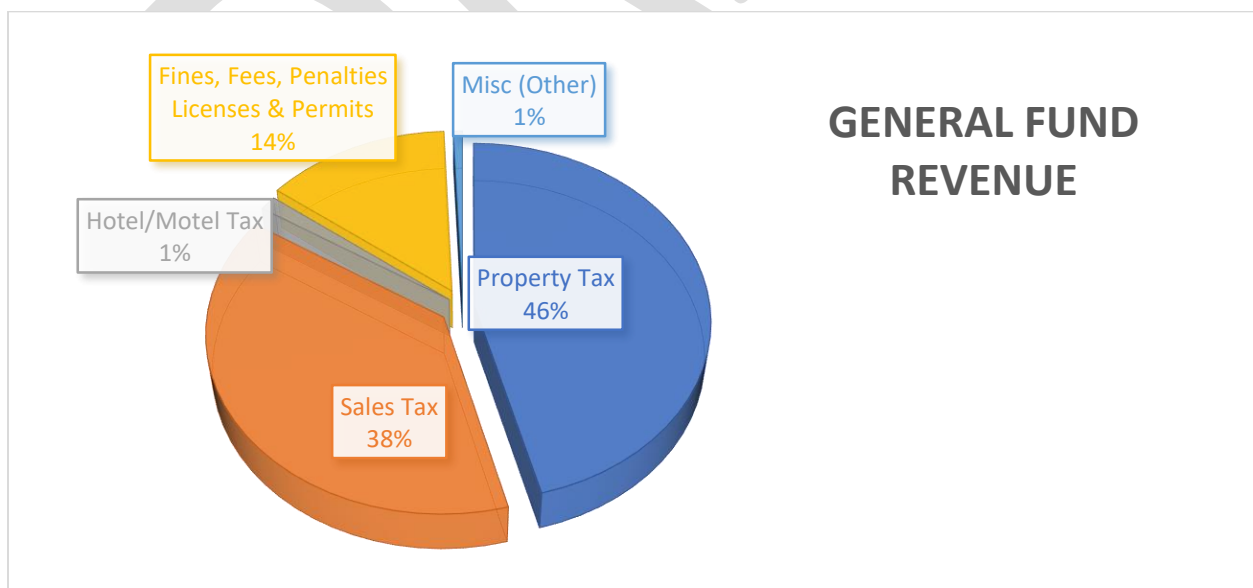
Projected General Fund revenues reflect a small increase primarily due to preliminary increased values. Other sources of revenue are projected to slightly decrease from the prior year. Additionally, sales tax forecasted revenue for 2023/24 is down in an effort to be more conservative with our projections. Current sales tax collections are down from projected numbers. In alignment with schedule for W/WW rate increases approved following the Water/Wastewater Rate Study, our W/WW revenues are projected to increase. The following graph shows the breakdown of total revenue in all funds by source. For instance, sales tax revenue represents 19% of our budgeted revenues and 22% of the budgeted revenue is from property taxes. The Water/Wastewater fund is an enterprise fund where the revenue generated should pay for the cost of the service. In years past, the expenses outpaced the revenue, which indicated that the revenue wasn't covering the cost of doing business. This was addressed in the scheduled rate increases a few years ago. FY 2023-2024 represents the third scheduled increase.

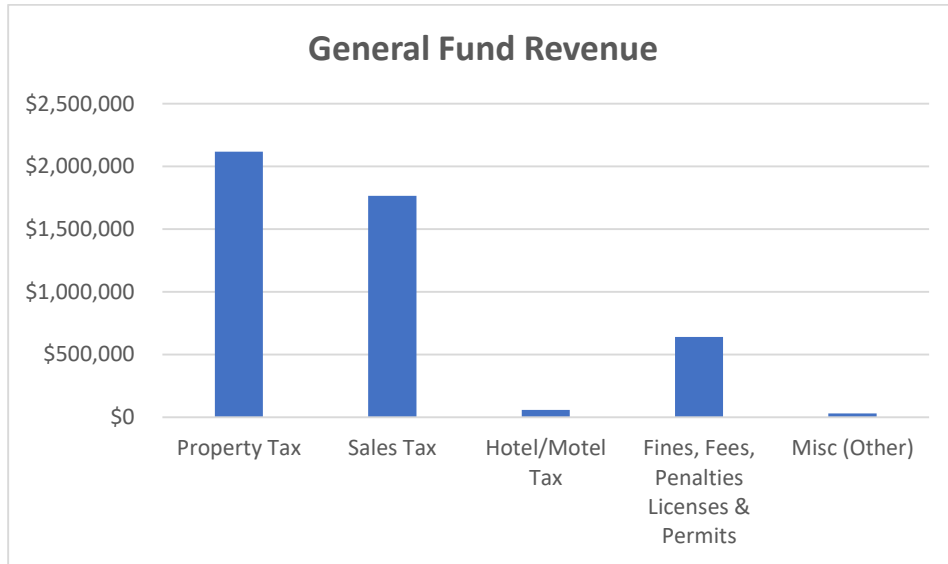




### General Fund Revenue and Expenditures

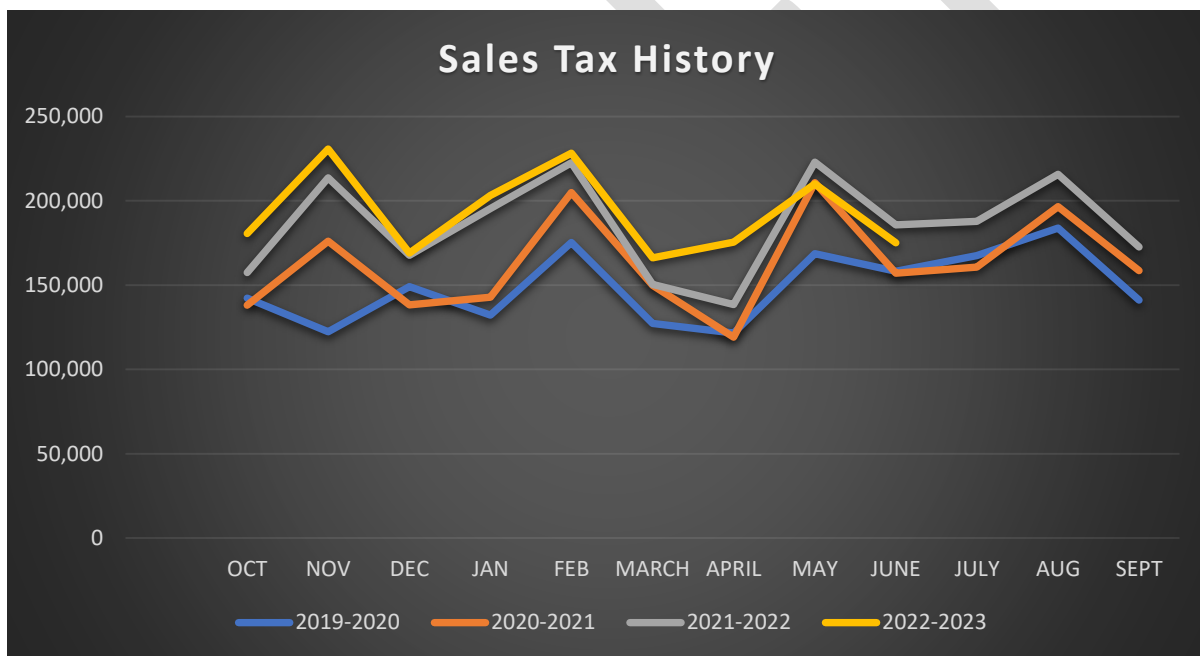
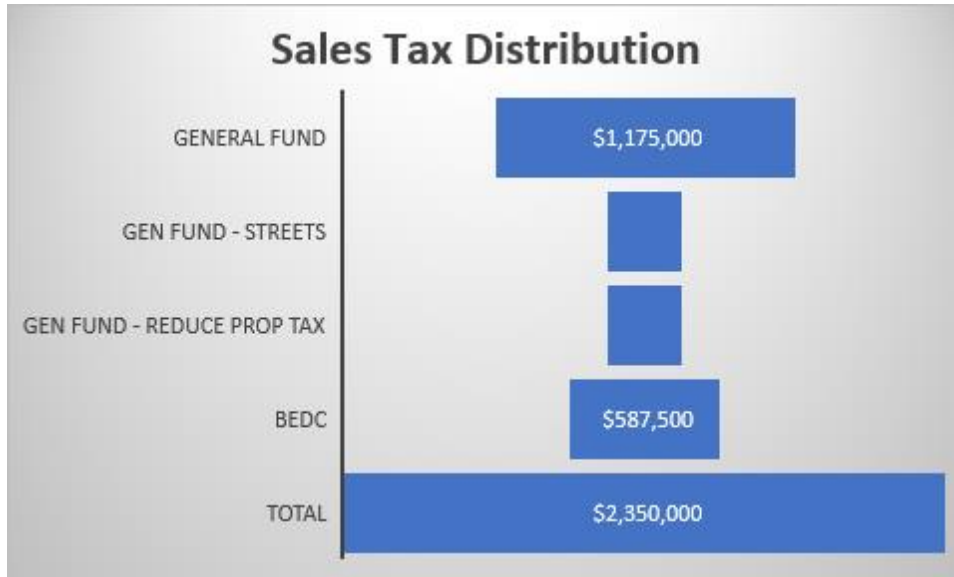
The following charts show only the General Fund Revenue and General Fund Expenditures.





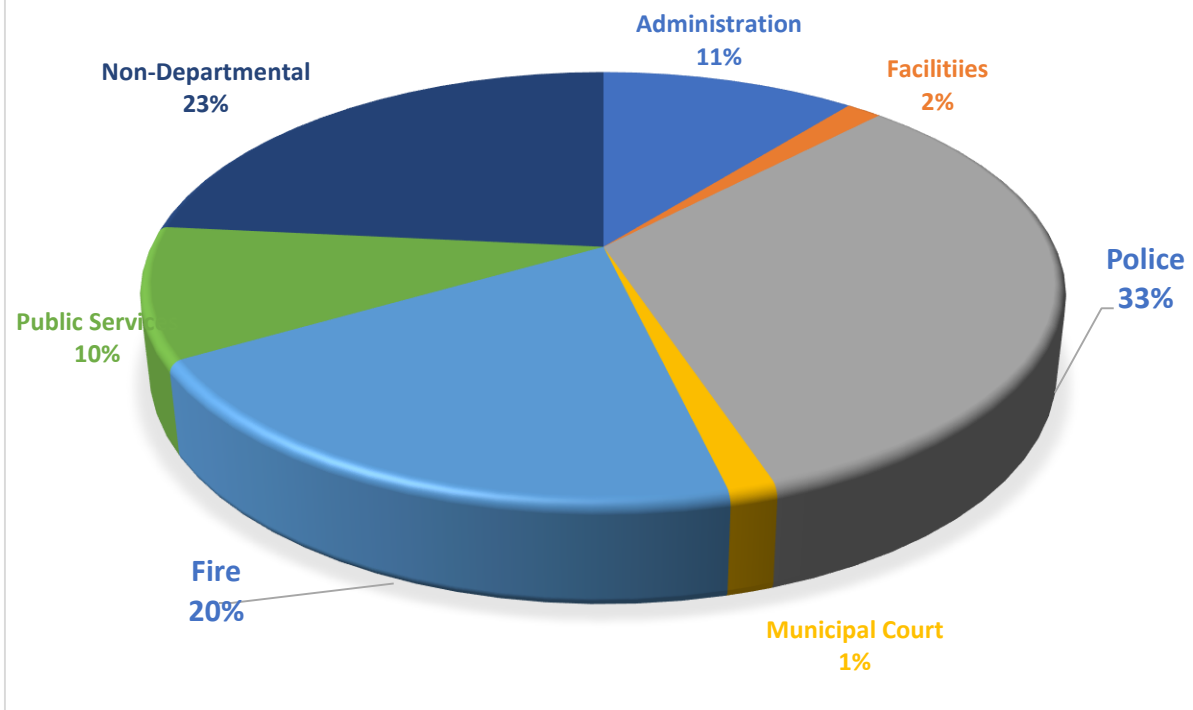
## Sales Tax

Sales tax has been trending upward. As mentioned, overall, we continue to trend up from pre-COVID and COVID times though it is still fluctuating. Our goal is to be conservative in our projections and be pleasantly surprised rather than having to look for areas to cut if projections aren't realized. The State of Texas allows the local governments to collect up to two cents of the sales tax and keep it local. The City currently collects the two cents. However, we also have a 4B Economic Development Corporation that receives 1/2 -cent of the two-cents. In addition, the City has dedicated ¼-cent (\$293,750) to reduce property tax for our residents as well as dedicating ¼-cent (\$293,750) to street improvements. The chart below shows the forecasted collection and proposed distribution for FY 2023/2024.





## GENERAL FUND EXPENDITURES BY FUNCTION



### General Fund

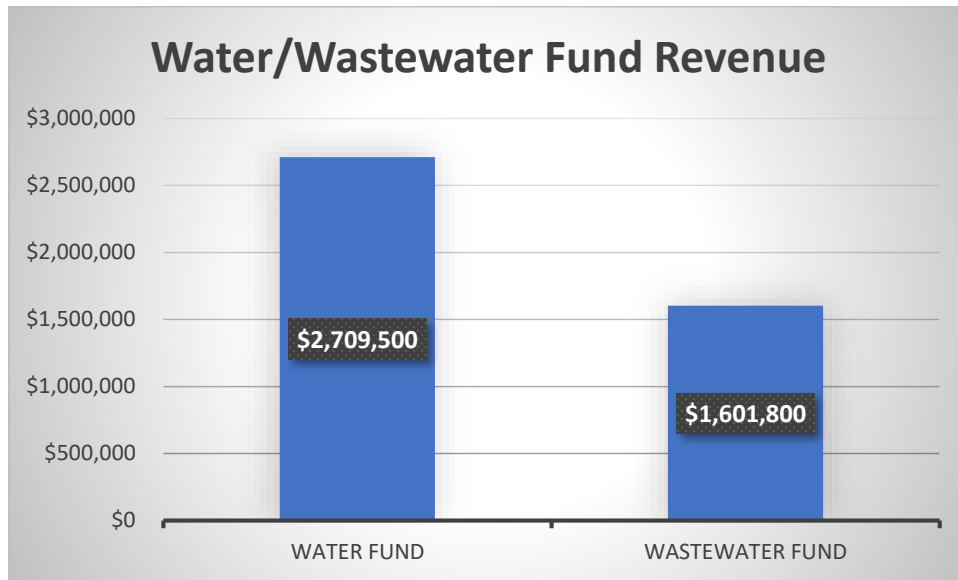
The General Fund accounts for all expenditures for traditional government services including Administration, Police, Fire, Municipal Court, Building & Development, and Parks & Recreation. General Fund revenue is projected to increase by \$160,269.00 from \$4,757,700 in FY 2022/2023 to \$4,917,969 for FY 2023/2024.

General Fund expenditures are projected to increase by \$131,665.00 from \$4,719,612 in FY 2022/2023 to \$4,851,277.00 in FY 2023/2024. While various line items have been cut where we can, primarily in fuel and vehicle maintenance due to projected savings with the Fleet Maintenance Program onboarded mid-year 2023, the capital cost of additional vehicles, as we are schedule to replace 23 out of 30 vehicles, is \$226,000.00. There is still a long lag in obtaining vehicles due to the continuing supply-chain delays.

The other major increase is our continuing efforts to bring our employee pay closer to market average. The impact for all increases including COLA, merit, equity and certification pay (and fringe benefits) is approximately \$313,426.00. Other capital purchases include partnering with Stephens County to purchase Jaws of Life for the Fire Department; our share is \$19,000.00, as well as a new mower for Cemetery at \$12,197.00. Additionally, we have continued to budget for Gunsolus Creek maintenance and TCEQ required maintenance out at Lake Daniels at a cost of \$51,500.00.



## Water - Wastewater Fund Revenue and Expenditures



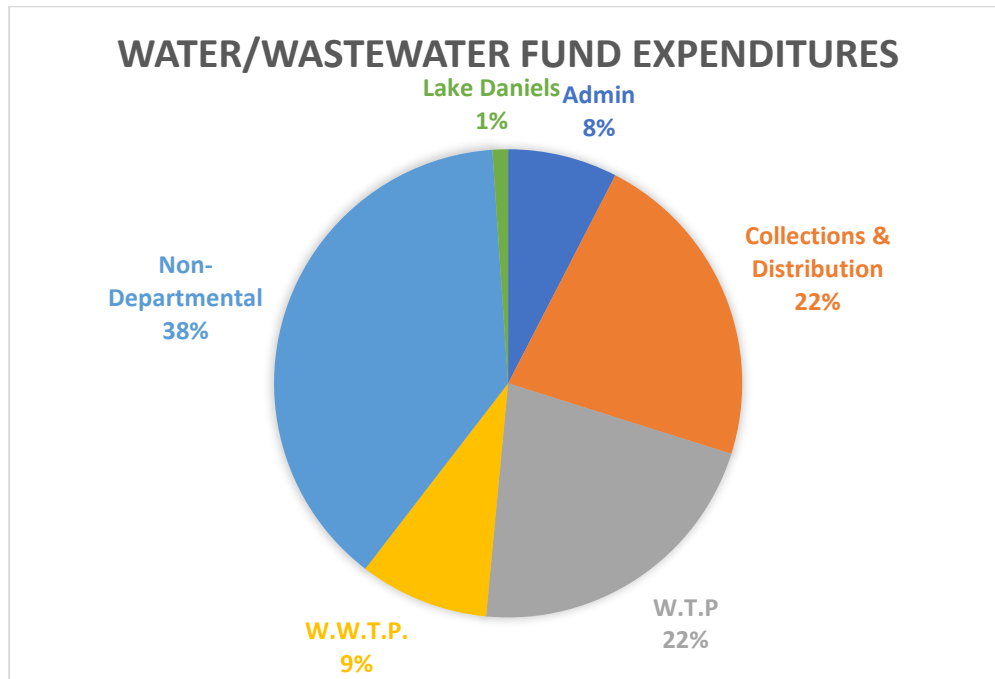
The Water- Wastewater Fund is an Enterprise Fund, charging fees for services to accommodate the operations, maintenance, and necessary expansion (i.e., debt service). As a business-type fund, the revenues charged should cover the fund's expenses. The growth in the Fund reflects the scheduled rate increases approved by Mayor/Commissioners following the Water/Wastewater Rate Study. The first two years represented the largest increase. This year is the third year of scheduled rate increases but it is substantially less than the two previous years and is reflected in the revenues. In fact, this year, primarily due to Stephens Regional Water District not buying as much water as previously anticipated, our revenues are down slightly in the Water Fund by \$49,500.00 from \$2,759,000.00 in FY 2022/2023 to \$2,709,500.00 in FY 2023/2024. Expenses are up by \$167,526.00 from \$2,438,349 in 2022/2023 to \$2,605,574.00 in FY 2023/2024, primarily due to salary increases.

Our revenues in our Wastewater Fund are up by \$207,000.00 from \$1,394,800 in FY 2022/2023 to \$1,601,800.00 in FY 2023/2024. Our expenses are down by \$73,315.00 from \$1,364,770 in FY 2022/2023 to \$1,291,455.00 in FY 2023/2024.

Two primary differences to note include a slight re-structuring of the budget to align with function and increase efficiency in the administration more closely. Our Water/Wastewater Collections and Distribution straddles the two funds; Water Distribution (102/74) and Wastewater Collections (103/76). We combined those two funds/departments: Adding Wastewater (103/76) to Water (102/74); which looks like expenses in Water increased and expenses in Wastewater decreased but in actuality is due to the re-structuring. The other change involves the Water Treatment Plant operations, which are currently staffed 24/7. Included in this budget is a reduction in one FTE; reducing from 5 FTEs to 4 FTEs to decrease the 24/7 coverage to eliminate the Midnight to 8 am shift. We will transfer one FTE to fill a vacancy in Streets or Parks and use the savings to purchase additional SCADA function/capability to provide emergency notifications. While this year the net change is negligible, in the following years will realize a cost savings from the reduction of the FTE in that department.



The other three main drivers are the salary increases and vehicle replacement via the Fleet Maintenance Program and assuming the debt associated with W/WW system improvements. As has been discussed in the past three or four budgets, the condition of our equipment is critical. We have included the lease purchase of two backhoes at a cost of \$30,000 for 5 years; this includes reimbursement for our backhoe trade-ins.



## Conclusion

This completes the highlights of the FY 2023-2024 Budget. In summary, the Strategic Plan outcomes guided staff in prioritizing the needs across all departments. The City of Breckenridge continues to see an overall steady uptick in economic recovery and development. The recent liquor election is anticipated to continue the upward trend and the synergy occurring in Breckenridge helps to promote a unified vision for economic development and leveraging partnerships. This budget meets identified goals of investing in our infrastructure and employees, promoting economic development, beautifying Breckenridge and continuing to contribute to making Breckenridge the place to Be!

On behalf of the city staff, we would like to thank the Mayor, Commissioners, Community Leaders and Partners and the residents for their support; it is invaluable. I would like to especially thank all Department Heads, especially Finance Director, Diane Latham, and city staff who have put in long hours on their budgets, looking for areas to cut to accommodate other expressed priorities as well as their service day in and day out to meet the expectations of the Commissioners and give dedicated time and energy in serving the citizens of Breckenridge with excellence and with servant hearts. This budget represents a true team effort.