

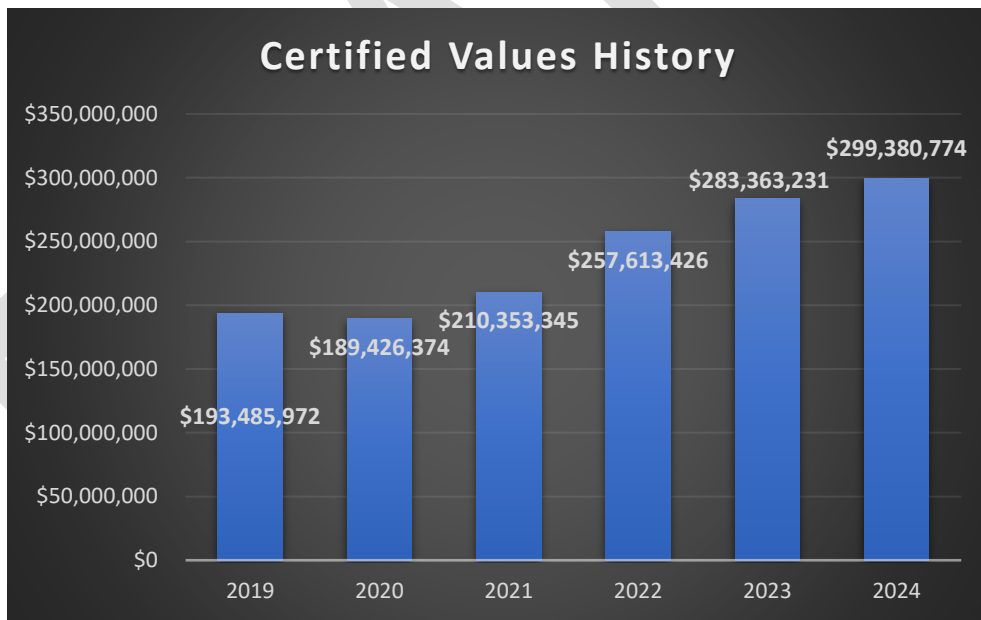


Honorable Mayor, City Commissioners, and Citizens of Breckenridge:

I am pleased to present the FY 2024-2025 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. This year’s Certified Value (\$299,380,774) increased over last year’s value by \$16,096,533. For the last few years, 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 recovering in the last few years; supply chain issues and inflation continue to be significant challenges.



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

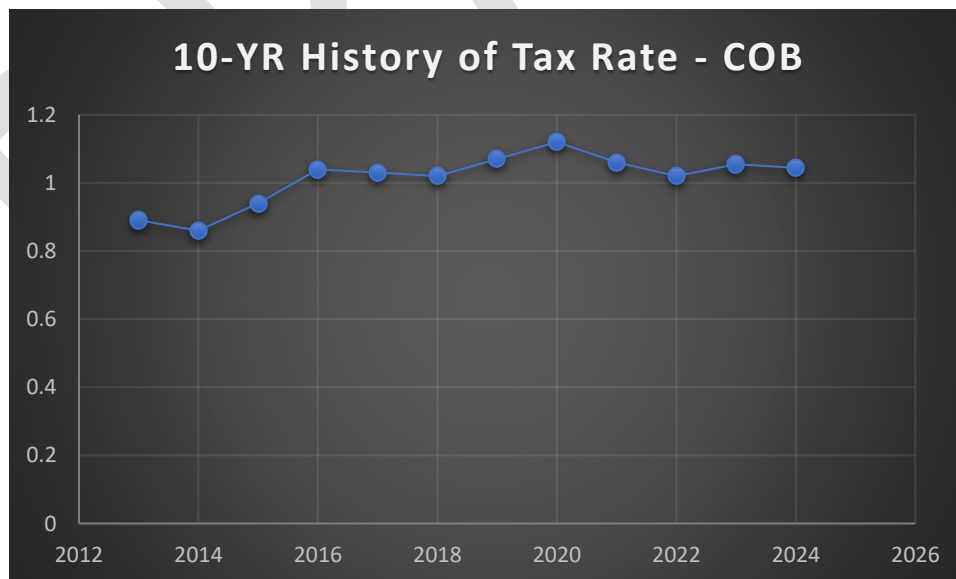


increase to no more than 3.5% above what was the effective rate and is now called the No New Revenue Rate and, in most cases (cities under 30,000 population are the exception), requiring an election to go above that limit which is now called the Voter Approval Rate. Cities under 30,000 population may use the DeMinimis 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 DeMinimis rate. This is a simplified explanation as calculating the tax rate is very 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 are under the DeMinimis rate calculation.

Property Tax

The proposed tax rate based on Certified Values is \$1.04471 per one hundred-valuation. Based on the Certified Values received by the Stephens County Appraisal District July 29, 2024, the VAR rate for FY 2024-2025 is \$1.08110 per one hundred-valuation (\$1.08110/100). 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 2024-2025 is \$1.00536/100. The proposed tax rate for FY 2024-2025 is \$1.04471/100, which is under both the DeMinimis rate of \$1.25059 and the VAR rate of \$1.08110. The proposed tax rate is \$0.01 less than last year's tax rate of \$1.05471/100. The M&O portion of the proposed \$1.04471/100 tax rate is \$0.76162, and the I&S Debt Rate is \$0.28309.

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





Based on an average actual home value for Breckenridge of \$105,010 the proposed \$1.04471 tax rate equals an increase of \$48.11 (total tax = \$1097.05) on a homeowner's property tax bill, compared with last's years actual home value for Breckenridge which was \$100,405 (total tax = \$1048.94) at last year's tax rate of \$1.05471.



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, meets the goals identified in the Strategic Plan and provides for excellent city services.

Introduction

This budget is presented after many hours of analysis, preparation and review by City staff and City Commissioners. 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 Strategic Plan adopted last year provides the framework that dictated priorities.

The City of Breckenridge Vision Statement
"A thriving, family-centered community in the heart of Texas: Welcoming and fostering 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 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, drainage, 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, though the latest unofficial population is 6200 provided by Public Management, Inc. in the updated Comprehensive Development Plan. The result leaves the City 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 the latest building and energy efficiency standards.***

Another **major challenge** is not having accurate maps and records of the location(s) of our water/wastewater infrastructure. 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, retaining and training employees, though we are making progress in that area. Currently, we are pursuing available grants to help us in our efforts to identify our infrastructure (the Lead Service Line Replacement Project, which begins with an inventory will assist us in this endeavor).

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 was 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 is supported by the W/WW Fund, including the upcoming Texas Water Development Board debt issuance for 2024 (in red) for the Lead Service Line Replacement Project.

W/WW Fund Debt	DESCRIPTION	FY 2024-2025 Payment
2012	Water Plant & System Improvements	\$58,061
2013	Wastewater Plant & System Improvements	\$36.615



2014	Water Plant, Lake Daniels & System Improvements	\$136,910
2017A	Parks/Lindsey – Streets& Drainage	\$33,001
2017B	Parks/Lindsey – Water & Sewer	\$159,911
2022A (CWSRF)	Wastewater System Improvements	\$127,533
2022B (DWSRF)	Water Treatment Plant & System Improvements	\$95,181
2024 (CO)	Lead Service Line Replacement (inventory phase)	\$51,311
TOTAL		\$698,523

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 Park Improvements and PW Facilities. This is in alignment with the *Strategic Plan* Goals 1, 2, & 4.

The City closed on the bond sale for the CO 2023 Issuance on August 29, 2023, and the city net amount received for projects was \$8,641,984.74. The General Fund Debt payment for the 2023 CO for FY 2024-2025 is \$632,075.00. An *estimated* breakdown of project funding, dependent upon individual actual project costs is as follows:

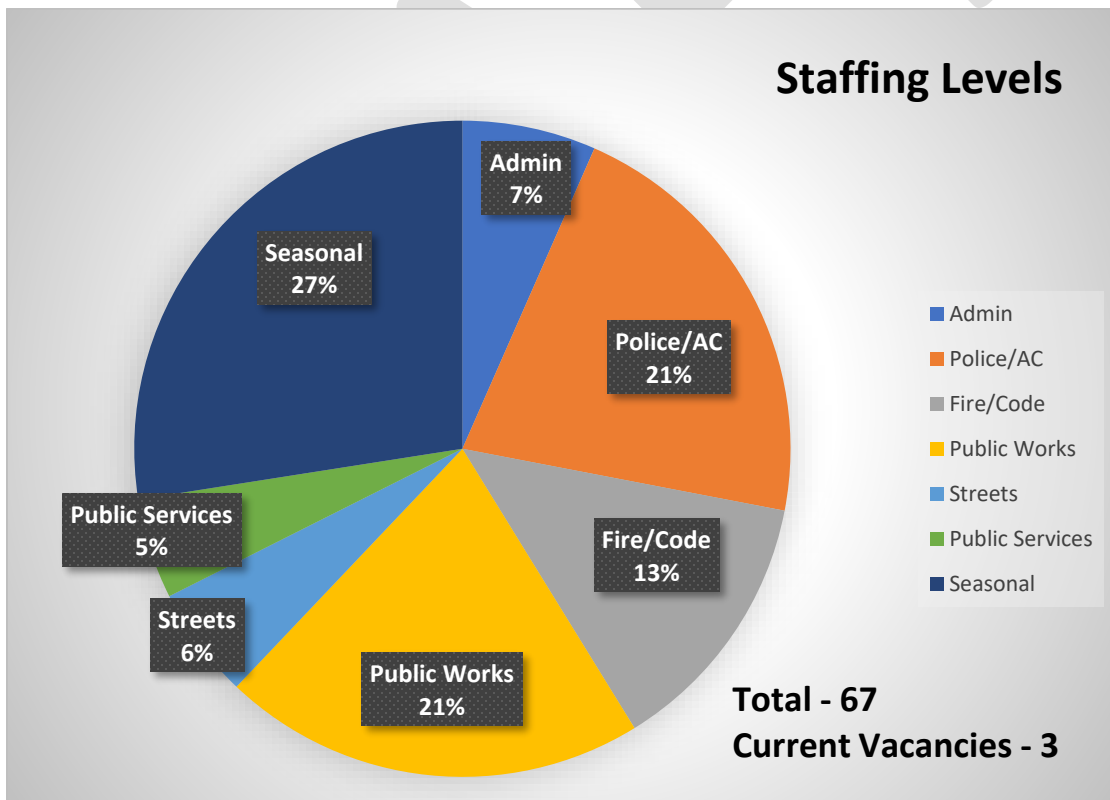
- ✓ Street Improvements – approximately \$7,441,684 million
 - See Street Plan
- ✓ Park Improvements – Original \$600,000/Updated \$842,473
 - Replace/Update Playground Equipment
 - Misc. Park Improvements including:
 - Foundation Park improvements
 - Booker T Lights/playground (exploring grants)
 - Exploring the refurbishing of the current baby pool with splash pad (exploring available grants)
- ✓ PW Facility Improvements – Original \$600,000/Updated \$272,181.24
 - New covered structure on topside to protect equipment & removal of old
 - New metal bldg inventory storage on existing slab



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 significant improvements in several areas including recent pay increases, equity adjustments, approved sign-on bonuses (2022-2023), funding of the certification pay policy, increased attention to employee relations, increased training opportunities and communication of employee benefits. As the chart below shows, we currently have 67 full-time positions (FTE) and 4 vacancies; for reference last year at this time, we had 15 vacancies. This demonstrates progress in retaining employees.

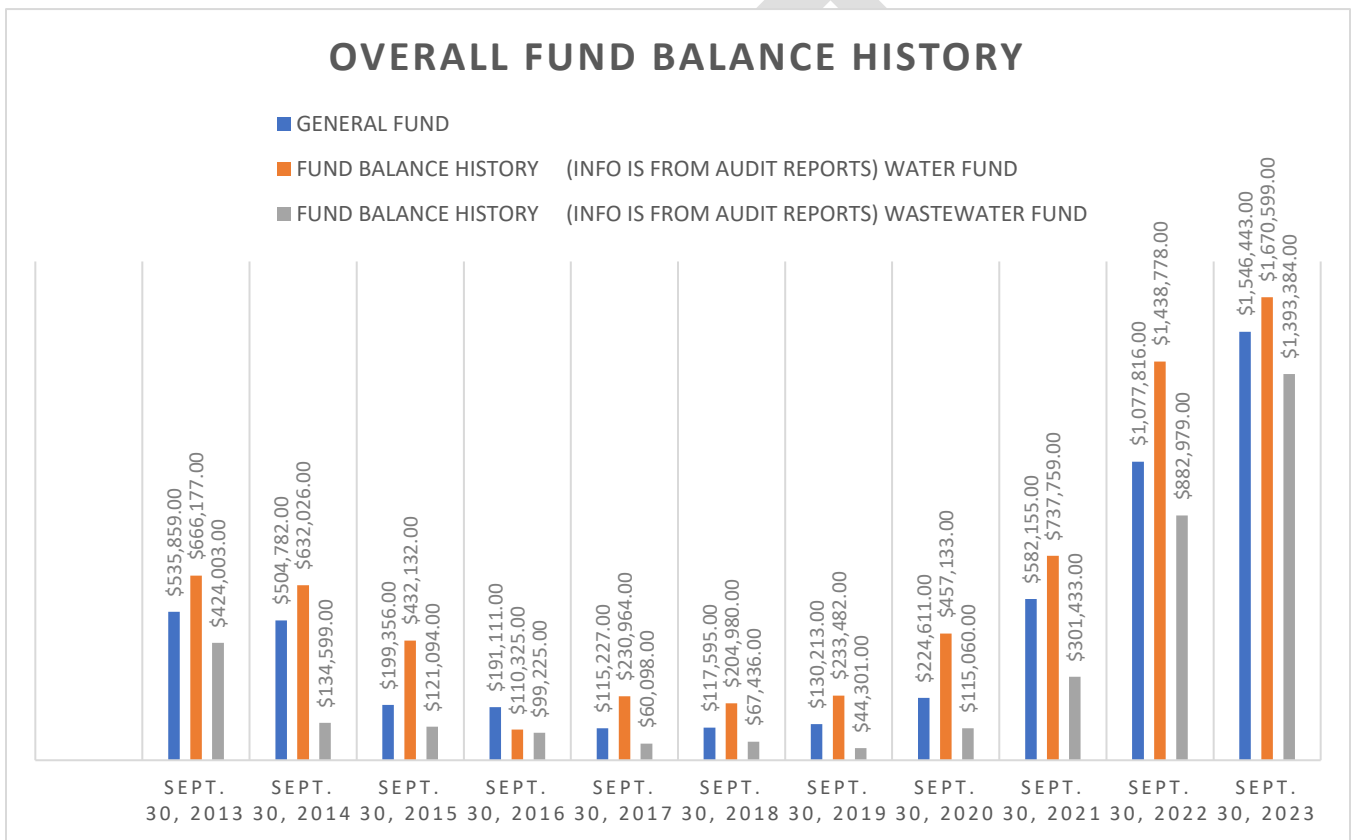
In alignment with Strategic Plan Goal 2, "Invest in Employees," this draft budget includes a 3% (COLA and Merit) increase for all employees, along with equity adjustments for various position and department heads, based on TML Salary Survey. We are continuing a phased in approach to funding the Certification Pay for employees, funding at 75%.





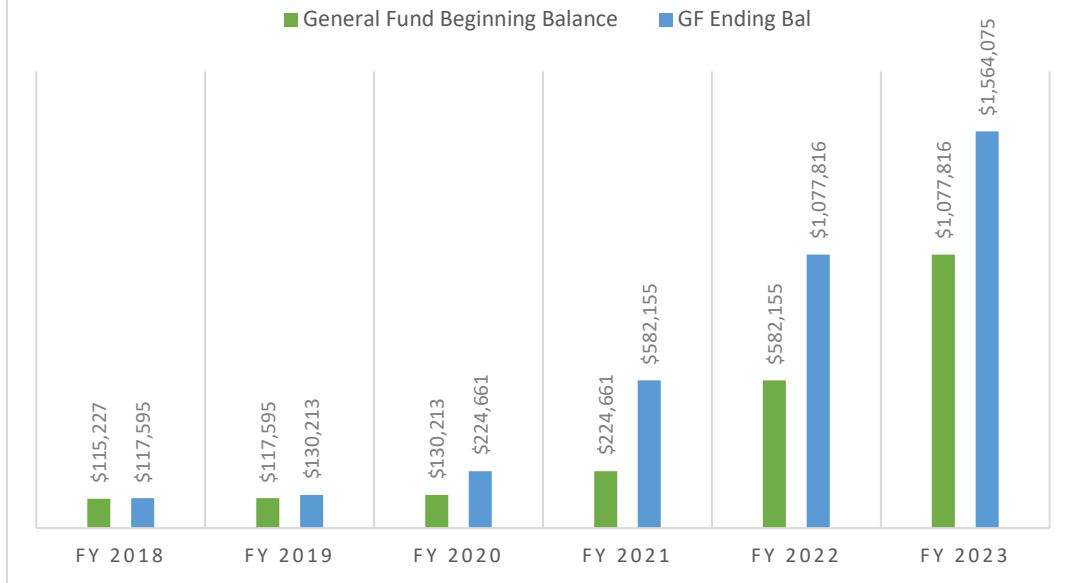
Fund Balance History Overall and by Fund

The following graphs show an overall fund balance history and 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, salary attrition, 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.

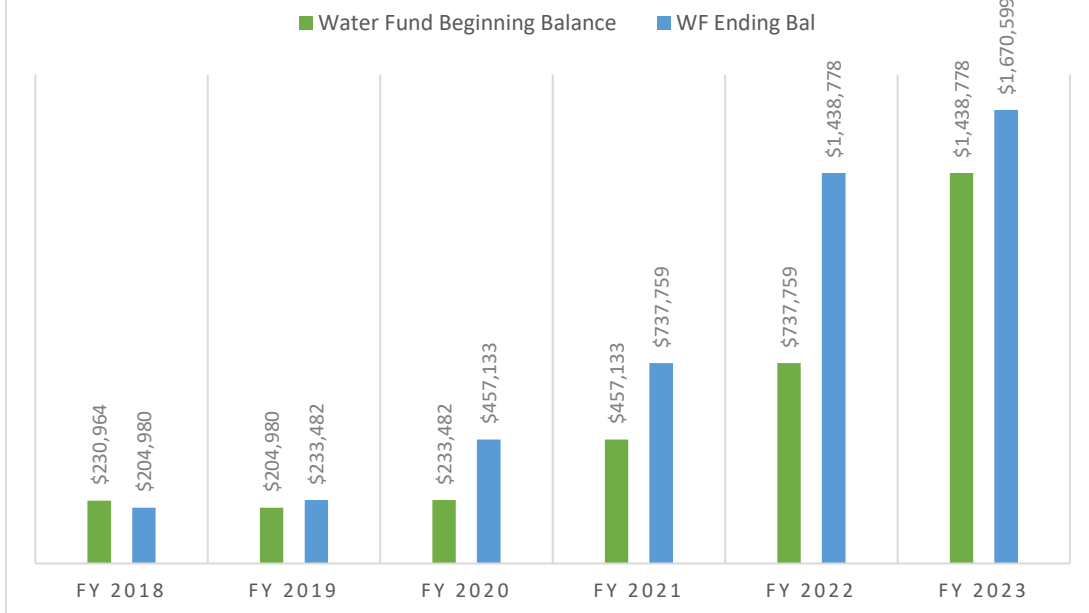


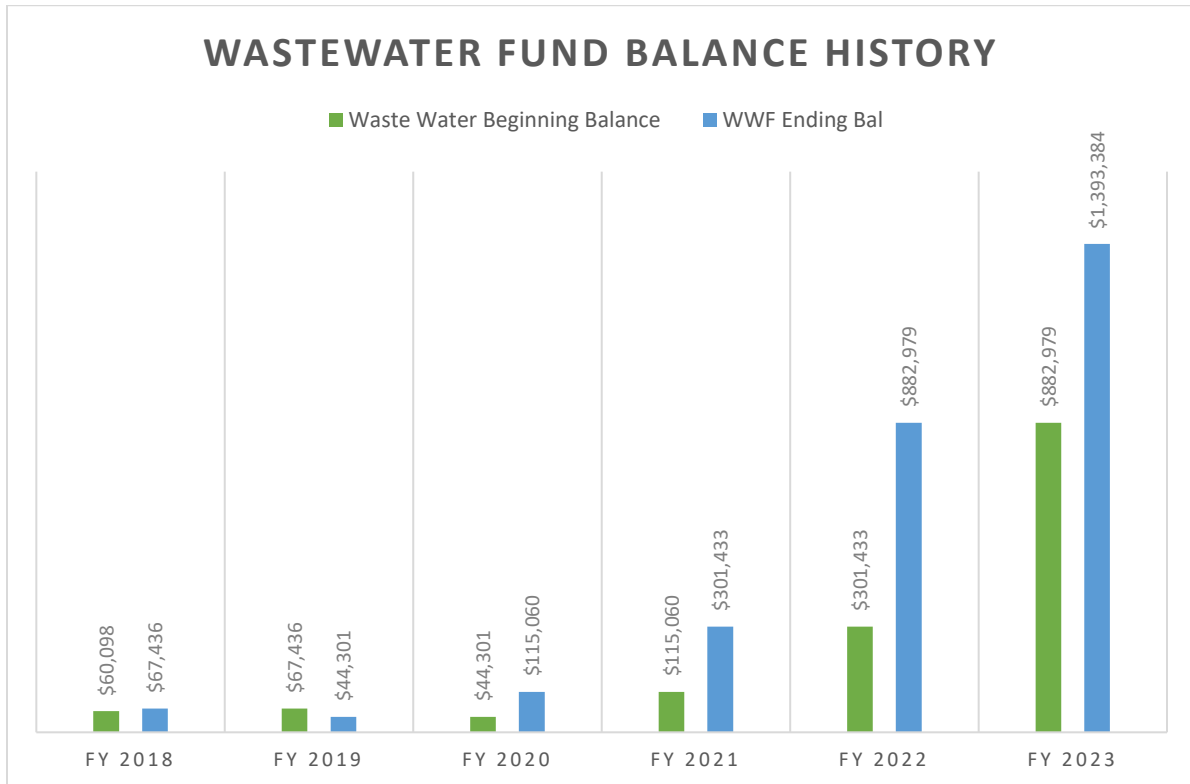


GENERAL FUND BALANCE HISTORY



WATER FUND BALANCE HISTORY



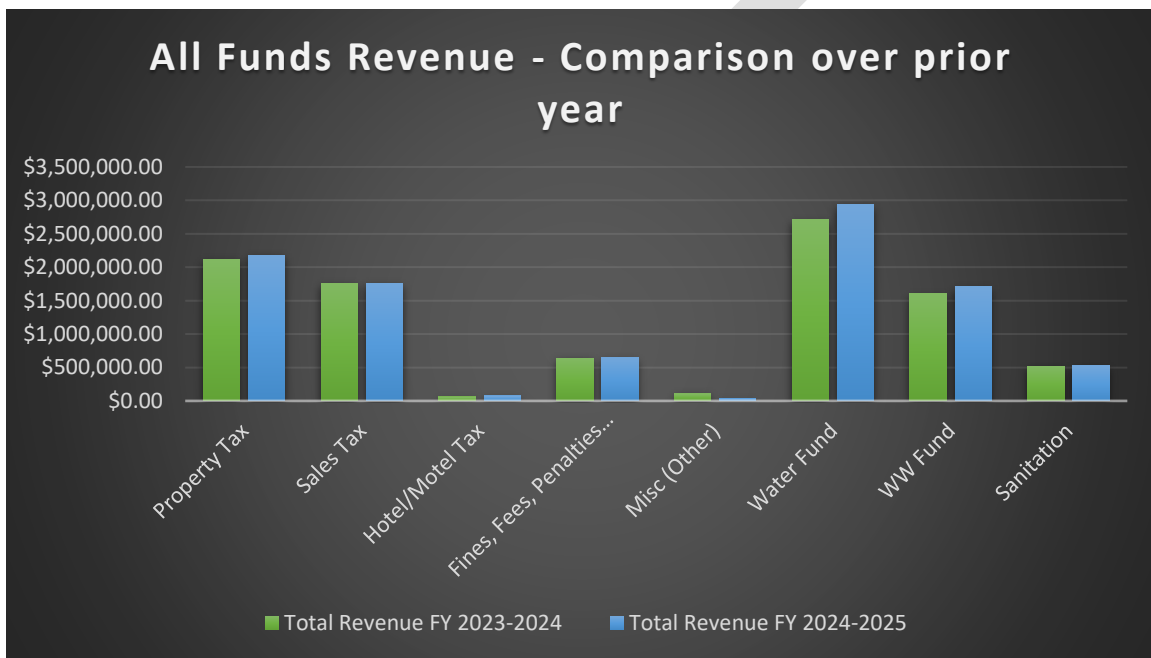


Revenues

Projected General Fund revenues reflect a small increase primarily due to increased values. Other sources of revenue are projected to remain relatively flat with some slight increase over the prior year. Additionally, sales tax forecasted revenue for 2023/24 remains flat. Essentially, we saw some recovery after COVID and then a leveling out. In alignment with the schedule for W/WW rate increases approved following the Water/Wastewater Rate Study, our W/WW revenues are projected to increase slightly. This will be the last year of approved rate increases. While not included in this budget, we will want to consider onboarding NewGen again to update the W/WW Rate analysis going forward to be prepared for the next five years and anticipated infrastructure projects needed.

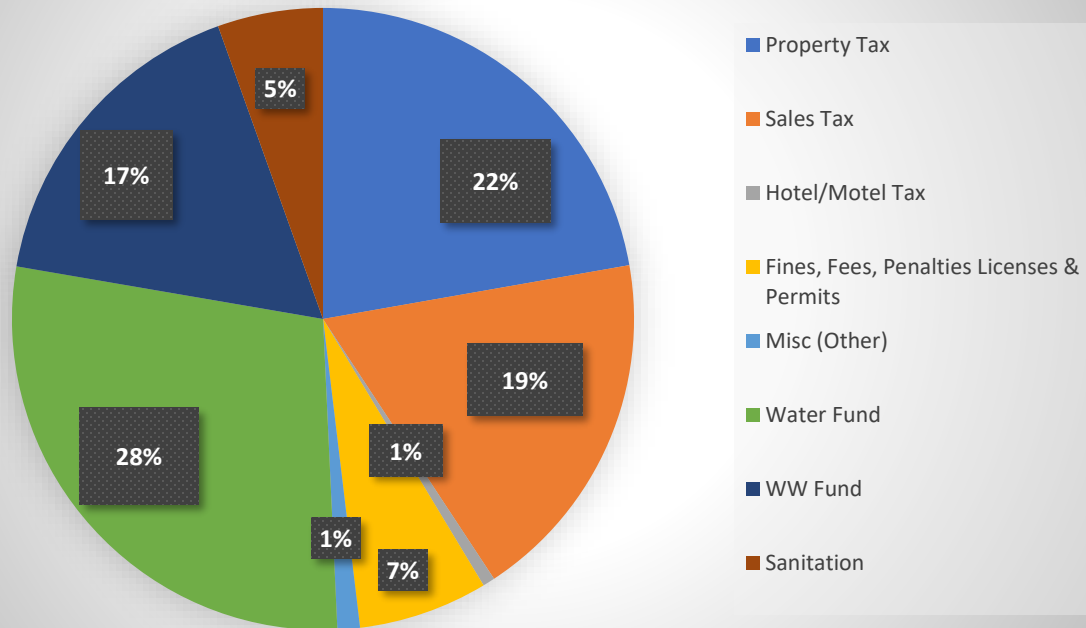


The following graphs show a comparison over prior year (all fund revenue) and the breakdown of total revenue in all funds by source. For instance, sales tax revenue represents 19% of our budgeted revenues and 22% of the budgeted revenue is from property taxes. The Water/Wastewater fund is an enterprise fund where the revenue generated from user fees 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 2024-2025 represents the fourth and final scheduled increase from that rate study.





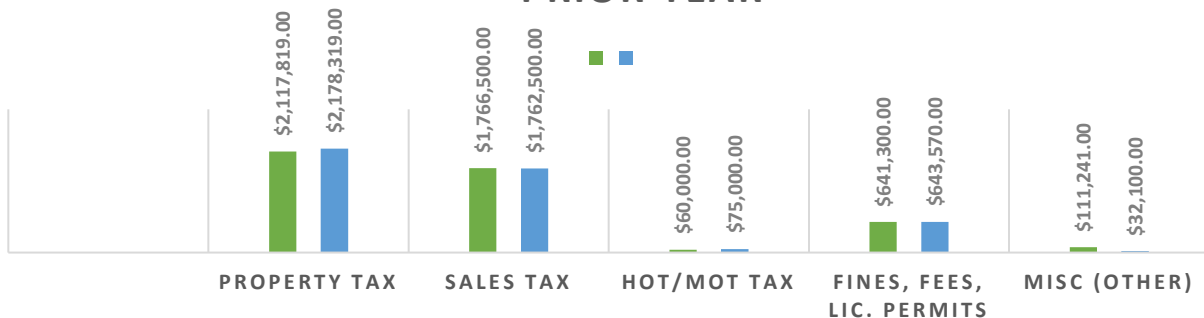
Total Revenue - ALL FUNDS: FY 2023-2024



General Fund Revenue and Expenditures

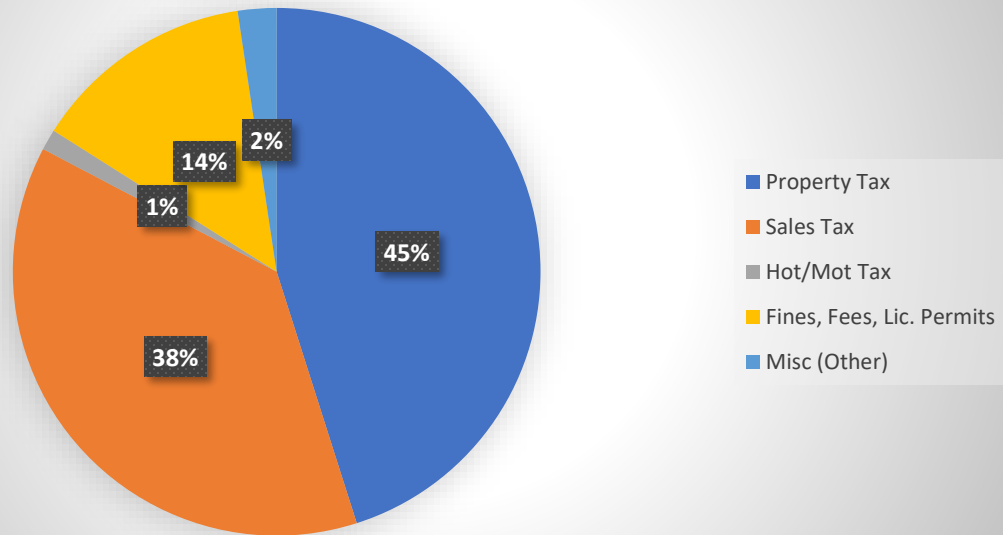
The following charts show the General Fund Revenue comparison over prior year, sources, and General Fund Expenditures by function.

GENERAL FUND REVENUE - COMPARISON OVER PRIOR YEAR

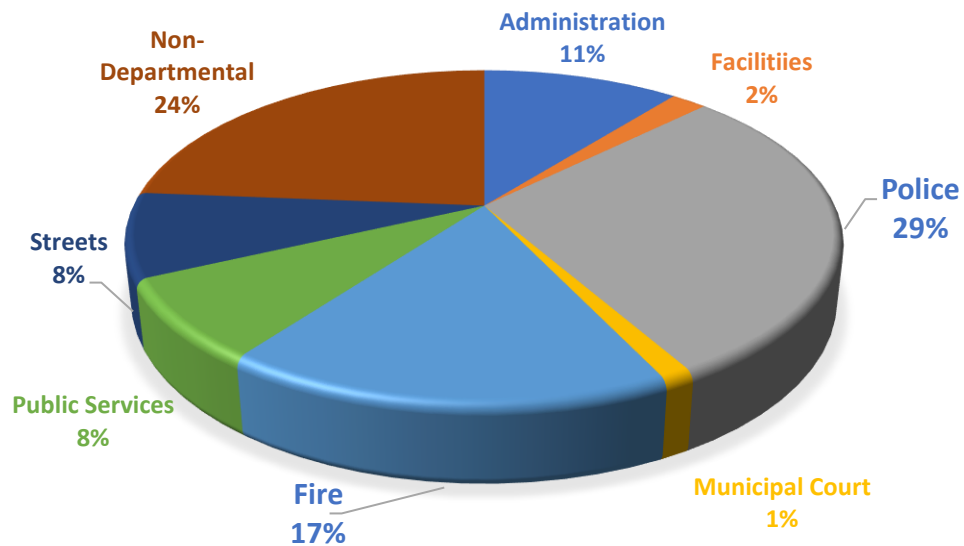




General Fund Revenue FY 2024-2025



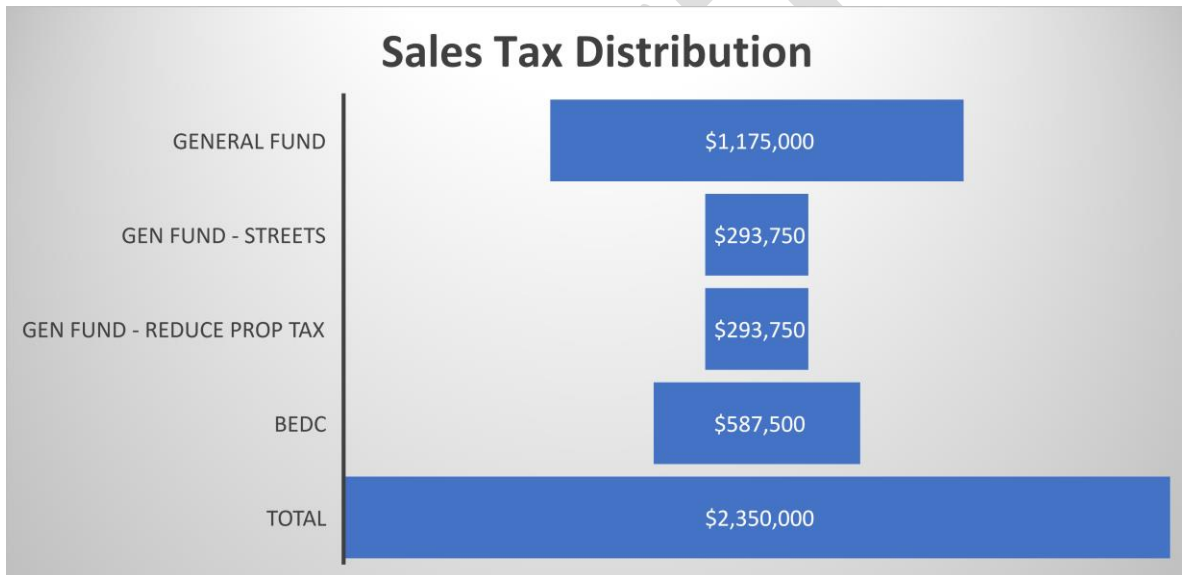
GENERAL FUND EXPENDITURES BY FUNCTION

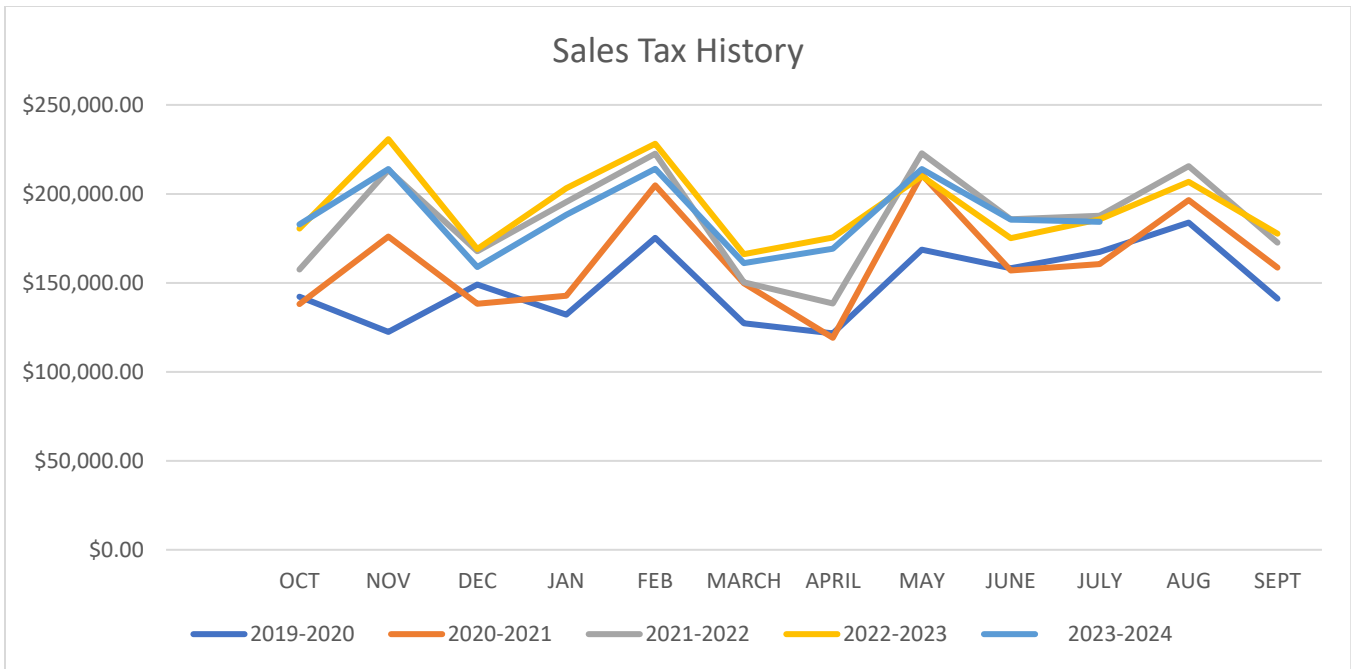




Sales Tax

Sales tax has been flat. As mentioned, overall, we continue to trend up from pre-COVID and COVID times though in the past year and a half it has remained relatively flat. 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 for economic development. In addition, the City has dedicated 1/4-cent (\$293,750) to reduce property tax for our residents as well as dedicating 1/4-cent (\$293,750) to street improvements. The chart below shows the forecasted collection and proposed distribution for FY 2023-2024.





General Fund

The General Fund accounts for all revenue and expenditures for traditional government services including Administration, Police, Fire, Municipal Court, Building & Development, and Parks & Recreation. General Fund revenue is projected to increase by \$574,039.00 from \$4,757,700 in FY 2023-2024 to \$5,331,739 for FY 2024-2025.

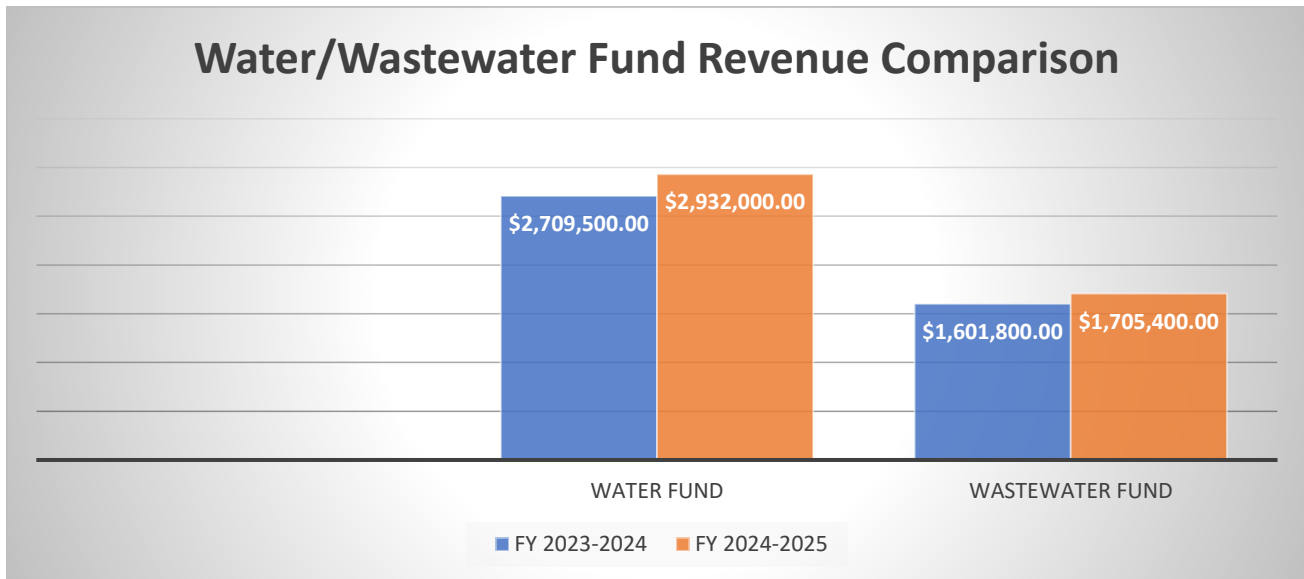
General Fund expenditures are projected to increase by \$441,085.00 from \$4,871,376.00 in FY 2023-2024 to \$5,312,461.00 in FY 2024-2025. While various line items have been cut where we can, primarily in fuel and vehicle maintenance due to projected savings with the Fleet Maintenance Program onboarded mid-year 2023, the capital cost of additional vehicles, as we are scheduled to replace the remaining vehicles this year, is \$331,000.00. However, there is still a lag time 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 \$262,695.58. We also have funded one new Code Enforcement Officer (\$70K includes benefits) and increased the part-time Kennel Tech to a full-time Animal Control Officer (an additional \$33,797 for a total of \$49,516 includes benefits), bringing us to a total of three full-time positions in Animal Control. Other capital funding



includes payments on our two new backhoes and our new Vac Truck. 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



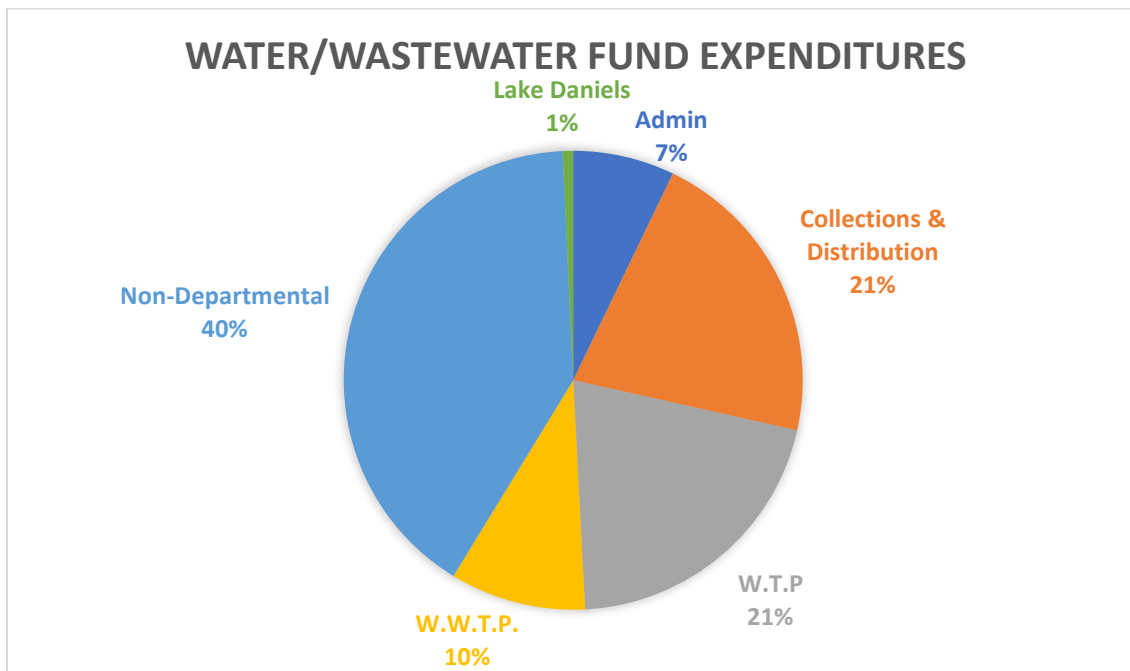
The Water- Wastewater Fund is an Enterprise Fund, charging fees for services to accommodate the operations, maintenance, and necessary expansion (i.e., debt service). As a business-type fund, the revenues charged should cover the fund’s expenses. The growth in the Fund reflects the scheduled rate increases approved by Mayor/Commissioners following the Water/Wastewater Rate Study. The first two years represented the largest increase. The third year was less and this fourth and final year of scheduled rate increases is substantially less than the three previous years and is reflected in the revenues. Stephens Regional Water District continues to increase the amount of water they are purchasing (wholesale) and though we are still projecting under what they have purchased in the past. Revenue projection increase is due to both slight rate increases and Stephens RWD increased purchase projections, up \$222,500.00 from \$2,709,500.00 to \$2,932,000.00. Expenses are up by \$189,840.00 from \$2,676,824.00 in 2023-2024 to \$2,865,414.00 in FY 2024-2025, primarily due to salary increases, vehicle replacement and to increasing costs (i.e., the cost of chemicals).

Our revenues in our Wastewater Fund are up by \$103,600.00 from \$1,601,800.00 in FY 2023-2024 to \$1,705,400.00 in FY 2024-2025. Our expenses are up by \$234,213 from \$1,306,455.00 in FY 2023-2024 to \$1,540,668.00 in FY 2024-2025.

The 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. Last year we purchased two backhoes (\$30,000/5 yrs),



VAC Truck (emergency expense - \$71,133/5 yrs) and a dump truck (\$125K/CO Funds). We are still waiting on both the VAC Truck (Sept) and the dump truck (Aug).



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 slight uptick in economic recovery and development. The synergy occurring in Breckenridge between other entities including Stephens County, Chamber, BISD, Appraisal District, Hospital District, BEDC and the Breckenridge Downtown Development Committee 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 as we Boldly lead Breckenridge!

On behalf of the city staff, I 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 streamline 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 our Breck Core values; Bold, Responsible, Excellent, Compassionate, and Knowledgeable. This budget represents a true team effort.