



General Fund, General Debt Service, and 5-year Capital Improvement Plan Update

Presented to City Council on July 24, 2023

Discussion Points

- General Fund
 - Overview
 - Scenarios for tax levy assumptions
- General Debt Service Fund
 - Debt summary
 - Additional Capacity
- Council Consideration

General Fund Overview

- Maintain Fund Balance of 20% to Expenditures through out the forecast
- Cash Funding of Projects
 - City Hall Renovations updated from \$2,500,000 to \$1,400,000
- Public Safety Market Adjustment in November 2022 – \$1,085,000
 - Not included in the FY2022-2023 Adopted Budget
- Hill College Reimbursement - \$1,000,000
 - October 5, 2020 City Council Meeting, City Council approved a 380 agreement to reimburse Hill College for construction cost the renovation up to \$1,000,000.
 - January 19, 2021, Council approve budget appropriation for reimbursement of \$1,000,000- FY2020-2021
 - December 10, 2022, paid reimbursement of \$1,000,000 to Hill College- FY2022-2023
 - Reimbursement not included in the FY2022-2023 adopted budget

General Fund Overview

- Compensation

Compensation Plan	Type	Projected Cost
Public Safety Pay Step Plan	Annual Step Placement – 3%	\$ 479,397
City Compensation (Non Pay Step) - All	Annual Merit 3.5% Average	\$ 934,311
City Compensation (Non Pay Step) – FT / PT	Market Adjustments – Targeted General Fund	\$ 224,279

Total Proposed Compensation for FY2024 - \$1,637,987

General Fund Overview

- SAFER Grant 9 FTEs – \$1,087,876
 - Three year grant FY2024-2026
 - General Fund – Beginning FY2027
 - Addition of firefighters will reduce OT by \$305,000
 - Incorporated in the five year projections
- Fire Station 4 - FY2028
 - 12 Fire Fighters - \$1,497,611 (3 of 9 Safer will be for FS4 for a total of 15 firefighters)
 - Operating Cost - \$250,000
- ARPA Funding – Expires 12/30/2024 – 1st quarter of FY2025
 - 16 FTEs (13 Fire Fighters, 3 Public Safety Communications)
 - General Fund starting in FY 2025 – 1,365,610
 - General Fund starting in FY 2026 - \$1,901,692

Tax Levy

- Tax Levy Options

- **Tax Base Growth**

- 2022- Taxable value of home – \$250,000

- 2023- Taxable value growth %

- Tax Levy at current tax rate - \$.6572/\$100 value

- 1% - \$2,500 – monthly tax levy increase - \$1.37 - \$16.44 annual

- 2% - \$5,000 – monthly tax levy increase - \$2.74 - \$32.88 annual

- 3% - \$7,500 – monthly tax levy increase - \$4.11 - \$49.32 annual

- 3.5% \$8,750 – monthly tax levy increase - \$4.79 - \$57.48 annual

} \$0.68 monthly increase
\$8.16 annual increase

- **New Construction** – Taxable values added in Tax Year 2023

Scenario A - Assumption

- Tax Levy Increase
 - FY 2024 – 6%
 - 3% - tax base growth
 - 3% - new construction
 - FY 2025-2028
 - 3% - tax base growth
 - 2% - new construction

General Fund Financial Forecast- Scenario A

	FY 22-23 Budget	FY 22-23 Revised Budget	FY 22-23 Estimate	FY 23-24 Projected	FY 24-25 Projected	FY 25-26 Projected	FY 26-27 Projected	FY 27-28 Projected
Beginning Fund Balance	\$ 22,135,781	\$ 22,135,781	\$ 21,936,298	\$ 18,099,927	\$ 17,962,461	\$ 17,081,109	\$ 16,028,060	\$ 14,389,314
Property Tax	\$ 24,609,241	\$ 24,609,241	\$ 24,775,000	\$ 26,251,000	\$ 27,556,340	\$ 28,926,731	\$ 30,365,418	\$ 31,875,810
Property Tax- Chisholm Summit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ 1,030,000	\$ 1,575,900
Homestead exemption	\$ -	\$ -	\$ -	\$ (175,000)	\$ (350,000)	\$ (525,000)	\$ (700,000)	\$ (700,000)
Sales Tax	\$ 14,415,784	\$ 14,415,784	\$ 14,946,030	\$ 15,394,411	\$ 15,856,243	\$ 16,331,930	\$ 16,821,888	\$ 17,326,545
Other Revenue	\$ 14,126,072	\$ 14,126,072	\$ 13,880,121	\$ 16,812,550	\$ 17,001,285	\$ 17,650,262	\$ 18,444,500	\$ 19,281,549
Total Revenue	\$ 53,151,097	\$ 53,151,097	\$ 53,601,151	\$ 58,282,961	\$ 60,063,868	\$ 62,883,923	\$ 65,961,806	\$ 69,359,804
Base Expenses	\$ 55,328,010	\$ 56,287,986	\$ 57,437,522	\$ 55,346,987	\$ 57,638,024	\$ 59,842,206	\$ 61,163,578	\$ 63,188,106
Proposed Supplemental	\$ -	\$ -	\$ -	\$ 1,673,439	\$ 1,370,002	\$ 1,415,506	\$ 1,462,935	\$ 1,512,373
Future Supplemental					\$ 500,000	\$ 1,000,000	\$ 1,500,000	\$ 2,000,000
Cash Funding Projects	\$ -	\$ -	\$ -	\$ 1,400,000	\$ 1,437,194	\$ 1,679,259	\$ 2,383,547	\$ -
Safer Grant 9 Fire Fighters	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,090,493	\$ 1,139,565
Fire Station 4 - Operation and Equip	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,747,611
Total Expenditures	\$ 55,328,010	\$ 56,287,986	\$ 57,437,522	\$ 58,420,426	\$ 60,945,221	\$ 63,936,971	\$ 67,600,553	\$ 69,587,655
Change in Fund Balance	\$ (2,176,913)	\$ (3,136,889)	\$ (3,836,371)	\$ (137,465)	\$ (881,353)	\$ (1,053,048)	\$ (1,638,747)	\$ (227,851)
Ending Fund Balance	\$ 19,958,868	\$ 18,998,892	\$ 18,099,927	\$ 17,962,461	\$ 17,081,109	\$ 16,028,060	\$ 14,389,314	\$ 14,161,463
FB % of Expenditure	36.07%	33.75%	31.51%	30.75%	28.03%	25.07%	21.29%	20.35%

Scenario B - Assumption

- Tax Levy Increase
 - FY 2024 – 6.5%
 - 3.5% - tax base growth
 - 3% - new construction
 - FY 2025-2028
 - 3% - tax base growth
 - 2% - new construction

General Fund Financial Forecast- Scenario B

	FY 22-23 Budget	FY 22-23 Revised Budget	FY 22-23 Estimate	FY 23-24 Projected	FY 24-25 Projected	FY 25-26 Projected	FY 26-27 Projected	FY 27-28 Projected
Beginning Fund Balance	\$ 22,135,781	\$ 22,135,781	\$ 21,936,298	\$ 18,026,427	\$ 17,761,086	\$ 17,031,365	\$ 16,136,359	\$ 14,662,388
Property Tax	\$ 24,609,241	\$ 24,609,241	\$ 24,775,000	\$ 26,373,125	\$ 27,684,571	\$ 29,061,374	\$ 30,506,793	\$ 32,024,254
Property Tax- Chisholm Summit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ 1,030,000	\$ 1,575,900
Homestead exemption	\$ -	\$ -	\$ -	\$ (175,000)	\$ (350,000)	\$ (525,000)	\$ (700,000)	\$ (700,000)
Sales Tax	\$ 14,415,784	\$ 14,415,784	\$ 14,946,030	\$ 15,394,411	\$ 15,856,243	\$ 16,331,930	\$ 16,821,888	\$ 17,326,545
Other Revenue	\$ 14,126,072	\$ 14,126,072	\$ 13,869,524	\$ 16,812,550	\$ 17,001,285	\$ 17,650,262	\$ 18,444,500	\$ 19,281,549
Total Revenue	\$ 53,151,097	\$ 53,151,097	\$ 53,590,554	\$ 58,405,086	\$ 60,192,099	\$ 63,018,565	\$ 66,103,181	\$ 69,508,248
Base Expenses	\$ 55,328,010	\$ 56,287,986	\$ 57,511,022	\$ 55,121,987	\$ 57,638,024	\$ 59,842,206	\$ 61,163,578	\$ 63,188,106
Proposed Supplemental	\$ -	\$ -	\$ -	\$ 1,923,439	\$ 1,346,602	\$ 1,392,106	\$ 1,439,535	\$ 1,488,973
Future Supplemental	\$ -	\$ -	\$ -		\$ 500,000	\$ 1,000,000	\$ 1,500,000	\$ 2,000,000
Cash Funding Projects	\$ -	\$ -	\$ -	\$ 1,400,000	\$ 1,437,194	\$ 1,679,259	\$ 2,383,547	\$ -
Safer Grant 9 Fire Fighters	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,090,493	\$ 1,139,565
Fire Station 4 - Operation and Equip	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,747,611
Total Expenditures	\$ 55,328,010	\$ 56,287,986	\$ 57,511,022	\$ 58,445,426	\$ 60,921,821	\$ 63,913,571	\$ 67,577,153	\$ 69,564,255
Change in Fund Balance	\$ (2,176,913)	\$ (3,136,889)	\$ (3,920,468)	\$ (40,340)	\$ (729,721)	\$ (895,006)	\$ (1,473,972)	\$ (56,007)
Ending Fund Balance	\$ 19,958,868	\$ 18,998,892	\$ 18,015,830	\$ 17,986,086	\$ 17,031,365	\$ 16,136,359	\$ 14,662,388	\$ 14,606,380
FB % of Expenditure	36.07%	33.75%	31.33%	30.77%	27.96%	25.25%	21.70%	21.00%

Scenario C - Assumption

- Tax Levy Increase
 - FY 2024 – 6.5%
 - 3.5% - tax base growth
 - 3% - new construction
 - FY 2025-2028
 - 3.5% - tax base growth
 - 2% - new construction

General Fund Financial Forecast- Scenario C

	FY 22-23 Budget	FY 22-23 Revised Budget	FY 22-23 Estimate	FY 23-24 Projected	FY 24-25 Projected	FY 25-26 Projected	FY 26-27 Projected	FY 27-28 Projected
Beginning Fund Balance	\$ 22,135,781	\$ 22,135,781	\$ 21,936,298	\$ 18,099,927	\$ 17,618,634	\$ 16,769,906	\$ 15,889,458	\$ 14,577,885
Property Tax	24,609,241	24,609,241	\$ 24,775,000	\$ 26,373,125	\$ 27,814,634	\$ 29,335,156	\$ 30,939,029	\$ 32,630,827
Property Tax- Chisholm Summit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ 1,030,000	\$ 1,575,900
Homestead exemption	\$ -	\$ -	\$ -	\$ (175,000)	\$ (350,000)	\$ (525,000)	\$ (700,000)	\$ (700,000)
Sales Tax	\$ 14,415,784	\$ 14,415,784	\$ 14,946,030	\$ 15,394,411	\$ 15,856,243	\$ 16,331,930	\$ 16,821,888	\$ 17,326,545
Other Revenue	\$ 14,126,072	\$ 14,126,072	\$ 13,869,524	\$ 16,812,550	\$ 17,001,285	\$ 17,650,262	\$ 18,444,500	\$ 19,281,549
Total Revenue	\$ 53,151,097	\$ 53,151,097	\$ 53,590,554	\$ 58,405,086	\$ 60,322,162	\$ 63,292,348	\$ 66,535,417	\$ 70,114,821
Base Expenses	\$ 55,328,010	\$ 56,287,986	\$ 57,437,522	\$ 55,346,987	\$ 57,638,024	\$ 59,842,206	\$ 61,163,578	\$ 63,188,106
Proposed Supplementals	\$ -	\$ -	\$ -	\$ 2,139,391	\$ 1,595,672	\$ 1,651,331	\$ 1,709,372	\$ 1,769,900
Future Supplementals	\$ -	\$ -			\$ 500,000	\$ 1,000,000	\$ 1,500,000	\$ 2,000,000
Cash Funding Projects	\$ -	\$ -	\$ -	\$ 1,400,000	\$ 1,437,194	\$ 1,679,259	\$ 2,383,547	\$ -
Safer Grant 9 Fire Fighters	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,090,493	\$ 1,139,565
Fire Station 4 - Operation and Equip	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,747,611
Total Expenditures	\$ 55,328,010	\$ 56,287,986	\$ 57,437,522	\$ 58,886,378	\$ 61,170,890	\$ 64,172,796	\$ 67,846,990	\$ 69,845,182
Change in Fund Balance	\$ (2,176,913)	\$ (3,136,889)	\$ (3,846,968)	\$ (481,292)	\$ (848,728)	\$ (880,448)	\$ (1,311,573)	\$ 269,639
Ending Fund Balance	\$ 19,958,868	\$ 18,998,892	\$ 18,089,330	\$ 17,618,634	\$ 16,769,906	\$ 15,889,458	\$ 14,577,885	\$ 14,847,524
FB % of Expenditure	36.07%	33.75%	31.49%	29.92%	27.41%	24.76%	21.49%	21.26%

General Debt Service

Total Outstanding Bond Debt

Focus will be on the tax supported Capital Projects

Supporting debt	Outstanding Principal 9/30/2022	Percent
Tax Supported Debt*	\$56,357,368	39%
Water & Sewer	\$55,495,000	39%
4A	\$10,374,490	7%
4B	\$12,845,000	9%
TIF	\$7,890,000	5%
Golf	\$1,093,142	1%
Total Outstanding Debt**	\$144,025,000	100%

* Property Tax from debt rate

**All bond debt must be used to fund and support capital projects

Five Year Debt Issue Summary

	Prior Issues	New debt issues			Principal	
	9/30/2023	2023	2024-2028	Total	Paydowns	FY28 Outstanding Debt Total
Tax Supported	\$56,357,368	\$9,668,630	\$90,880,093	\$156,906,091	(\$38,192,927)	\$118,713,164
Water & Waste Water	\$55,495,000	\$9,033,840	\$82,491,243	\$147,020,083	(\$34,635,436)	\$112,384,647
4A	\$10,374,490	\$15,000,000	\$49,500,000	\$74,874,490	(\$15,442,064)	\$59,432,426
4B	\$12,845,000	\$7,670,116	\$21,200,774	\$41,715,890	(\$10,759,917)	\$30,955,973
TIF2	\$7,890,000	\$451,391	\$5,698,609	\$14,040,000	(\$2,786,206)	\$11,253,794
Golf	\$1,063,142	\$0	\$0	\$1,063,142	(\$1,063,142)	\$0
Outstanding Principal	\$144,025,000	\$41,823,977	\$249,770,719	\$435,619,696	(\$102,879,692)	\$332,740,004

CIP and Debt Capacity Recap

- Additional Debt Capacity FY2024 – FY2028 projected at \$8,900,000
 - Reduce the debt rate
 - Additional projects
 - Preserve debt capacity
 - Combination of these options
 - Debt Capacity
 - FY2024 - \$1,900,000
 - FY2025-FY2027 - \$1,500,000 annually
 - FY2028 - \$2,500,000
- Staff recommends maintaining debt capacity
 - Preserves capacity for additional inflationary costs of existing capital plan
 - Preserves capacity for future unforeseen capital needs

Additional Capital Projects

- CAD Back-up at Former Emergency Operations Center
- Neighborhood Street Rebuild
- Sidewalk Program
- Drainage/Bridge Improvements
- Hulen Bridge Design
- Land Bank for future Fire Station 5

Council Direction

- To finalize the recommended budget, staff needs direction on the following:
 - What is the projected tax levy increase for FY24 and remaining years of 5 year forecasts
 - 3% increase across the next five years
 - 3.5% in FY24, and 3% increase across the remaining four years
 - 3.5% increase across the next five years
 - How does Council want to utilize the \$8.9 million in excess debt capacity
 - Preserve capacity
 - Reduce the tax rate
 - Identify additional capital projects
 - Staff recommends preserving capacity

Next Steps

- August 7, 2023 – Presentation on tax rate
- August 9, 2023 - City Manager will submit a copy of the FY2023-2024 proposed budget to City Secretary's Office and City Council
- August 15, 2023 – Special Session meeting – City Manager FY2023-2024 budget presentation
- September 5, 2023 –
 - Public Hearing on budget and tax rate
 - First reading of Budget, Tax Rate and Other Related Ordinances
- September 11, 2023 – Final reading of Budget, Tax Rate and Other Related ordinances

QUESTIONS/COMMENTS