



Budget Discussion

PRESENTED TO THE CITY COUNCIL ON AUGUST 15, 2022

Presentation Overview

- Review of City Manager's Proposed Budget
 - Tax Rate and assumptions for 5 Year Plan
- Comparison of Tax Rates for Tax Year 2022 (FY2022-2023)
 - Proposed tax rate – capture 3% growth of tax base
 - Tax rate to generate the same property tax revenue for General Fund (M&O) as in Tax Year 2021
 - Tax rate to generate the same property tax revenue for General Fund and Debt Service as in Tax Year 2021
- Additional Tax Rate Reduction Options

Proposed Budget Recap

City Manager's Proposed Budget - Recap

- FY 2022-23 Proposed Budget recommends a tax rate of \$0.6572 /\$100 of valuation.
 - 4th straight year that the tax rate has been reduced.
 - Reduction of \$0.0287 – almost 8 cents over the past 4 years.
- Budget was developed with a focus on cost containment and financial sustainability.
 - City is absorbing over 9% annual inflation.
 - No increases in utility fees are proposed.
 - Proposed tax rate is equivalent to a 2.8% increase for average homeowner (\$43 per year).
 - If utility fees are included, an average homeowner would pay approximately 1.5% more over the coming year.

Tax Rate History - Recap

| Fiscal Year | M&O (GF) Rate | Debt Service Rate | Total Rate |
|----------------------------|-----------------|-------------------|-----------------|
| FY 2022-23 Proposed | \$0.4649 | \$0.1923 | \$0.6572 |
| FY 2021-22 | \$0.04974 | \$0.1885 | \$0.6859 |
| FY 2020-21 | \$0.5187 | \$0.1924 | \$0.7111 |
| FY 2019-20 | \$0.5106 | \$0.2094 | \$0.7200 |
| FY 2018-19 | \$0.5228 | \$0.2122 | \$0.7350 |
| FY 2017-18 | \$0.5228 | \$0.2122 | \$0.7350 |
| FY 2016-17 | \$0.5228 | \$0.2122 | \$0.7350 |
| FY 2015-16 | \$0.5278 | \$0.2122 | \$0.7400 |
| FY 2014-15 | \$0.5278 | \$0.2122 | \$0.7400 |
| FY 2013-14 | \$0.5278 | \$0.1622 | \$0.6900 |

\$0.0778 cents decrease

Lowest tax rate since FY 2007-2008 total tax rate - \$0.6618 (15 years ago)

Summary of Assumptions - Recap

| | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 |
|---------------------------------|----------|----------|----------|----------|----------|
| Existing Appraised Value Growth | 3% | 3% | 3% | 3% | 3% |
| New Construction | \$147M | \$125M | \$127.5M | \$130M | \$132.6M |
| Sales Tax Growth | 12% | 3% | 3% | 3% | 3% |
| Compensation * | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |
| Tax Rate | \$0.6572 | \$0.6572 | \$0.6572 | \$0.6572 | \$0.6572 |
| Cash Funding – Capital Projects | \$2.5M | \$2.5M | \$1.0M | \$1.0M | \$1.0M |
| Future Bond Sales | \$9.6M | \$25.9M | \$19.5M | \$14.0M | \$17.5M |

*Plus eligible step increases for Police/Fire
FY 23 Compensation effective 10/1/2022

\$8 million cash funding capital projects estimated over
the next 5 years

Average Home Value - Recap

| Fiscal Year | Average Home Value | Tax Rate | Tax Levy | Homestead | Net Tax Bill |
|----------------|--------------------|------------|------------|-----------|--------------|
| FY 2022 | \$232,000 | \$0.6859 | \$1,591.29 | \$0.00 | \$1,591.29 |
| FY 2023 | \$253,812 | \$0.6572 | \$1,668.05 | (\$32.86) | \$1,635.19 |
| Net Difference | \$21,812 | (\$0.0287) | \$76.76 | (\$32.86) | \$43.90 |

- Monthly net tax bill increase of \$3.66 per month.

General Fund Overview – Recap

| | FY 21-22 Budget | FY 21-22 Estimate | FY 22-23 Projected | FY 23-24 Projected | FY 24-25 Projected | FY 25-26 Projected | FY 26-27 Projected | FY 27-28 Projected | FY 28-29 Projected | FY 29-30 Projected | FY 30-31 Projected | FY 31-32 Projected |
|--------------------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Beginning Fund Balance | \$ 15,690,783 | \$ 18,339,917 | \$ 22,135,793 | \$ 20,022,646 | \$ 19,221,626 | \$ 18,231,223 | \$ 16,985,961 | \$ 16,208,837 | \$ 15,464,231 | \$ 15,582,537 | \$ 16,649,242 | \$ 18,640,922 |
| Property Tax | \$ 22,568,177 | \$ 22,855,000 | \$ 24,673,009 | \$ 25,899,469 | \$ 27,187,037 | \$ 28,538,761 | \$ 29,957,842 | \$ 31,595,408 | \$ 33,322,736 | \$ 35,144,755 | \$ 37,066,663 | \$ 39,093,945 |
| Property Tax- Chisholm Summit | \$ - | \$ - | \$ - | \$ - | \$ 500,000 | \$ 1,030,000 | \$ 1,575,900 | \$ 2,138,177 | \$ 2,717,322 | \$ 3,313,842 | \$ 3,928,257 | \$ 4,561,105 |
| Homestead exemption | \$ - | \$ - | \$ - | \$ (175,000) | \$ (350,000) | \$ (525,000) | \$ (700,000) | \$ (700,000) | \$ (700,000) | \$ (700,000) | \$ (700,000) | \$ (700,000) |
| Sales Tax | \$ 12,414,500 | \$ 13,995,907 | \$ 14,415,784 | \$ 14,848,257 | \$ 15,293,705 | \$ 15,752,516 | \$ 16,225,092 | \$ 16,711,844 | \$ 17,213,200 | \$ 17,729,596 | \$ 18,261,484 | \$ 18,809,328 |
| Other Revenue | \$ 12,622,265 | \$ 17,024,758 | \$ 14,126,072 | \$ 15,863,614 | \$ 16,568,374 | \$ 17,289,438 | \$ 18,046,513 | \$ 18,820,263 | \$ 19,632,855 | \$ 20,486,503 | \$ 21,269,229 | \$ 22,105,508 |
| Total Revenue | \$ 47,604,942 | \$ 53,875,665 | \$ 53,214,864 | \$ 56,436,341 | \$ 59,199,116 | \$ 62,085,715 | \$ 65,105,347 | \$ 68,565,692 | \$ 72,186,114 | \$ 75,974,696 | \$ 79,825,633 | \$ 83,869,886 |
| Base Expenses | \$ 50,037,653 | \$ 50,079,789 | \$ 52,177,833 | \$ 52,342,967 | \$ 55,428,279 | \$ 57,683,195 | \$ 59,612,457 | \$ 61,573,240 | \$ 63,604,652 | \$ 65,709,304 | \$ 67,889,906 | \$ 70,149,271 |
| ARPA funds | \$ - | \$ - | \$ (2,000,000) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Future Supplemental | \$ - | \$ - | \$ - | \$ 500,000 | \$ 1,000,000 | \$ 1,500,000 | \$ 2,000,000 | \$ 2,000,000 | \$ 2,500,000 | \$ 3,000,000 | \$ 3,500,000 | \$ 4,000,000 |
| Cash Funding Projects | \$ - | \$ - | \$ 2,500,000 | \$ 2,500,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Supplementals | \$ - | \$ - | \$ 2,650,178 | \$ 1,894,393 | \$ 2,761,239 | \$ 3,147,782 | \$ 3,270,014 | \$ 3,397,058 | \$ 3,529,106 | \$ 3,666,355 | \$ 3,809,010 | \$ 3,957,285 |
| Fire Station 4 - Operation and Equip | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,340,000 | \$ 2,434,050 | \$ 2,532,332 | \$ 2,635,037 | \$ 2,742,364 |
| Total Expenditures | \$ 50,037,653 | \$ 50,079,789 | \$ 55,328,011 | \$ 57,237,361 | \$ 60,189,518 | \$ 63,330,977 | \$ 65,882,471 | \$ 69,310,298 | \$ 72,067,808 | \$ 74,907,991 | \$ 77,833,953 | \$ 80,848,920 |
| Change in Fund Balance | \$ (2,432,711) | \$ 3,795,876 | \$ (2,113,147) | \$ (801,020) | \$ (990,403) | \$ (1,245,262) | \$ (777,124) | \$ (744,606) | \$ 118,306 | \$ 1,066,705 | \$ 1,991,680 | \$ 3,020,966 |
| Ending Fund Balance | \$ 13,258,072 | \$ 22,135,793 | \$ 20,022,646 | \$ 19,221,626 | \$ 18,231,223 | \$ 16,985,961 | \$ 16,208,837 | \$ 15,464,231 | \$ 15,582,537 | \$ 16,649,242 | \$ 18,640,922 | \$ 21,661,889 |
| FB % of Expenditure | 26.50% | 44.20% | 36.19% | 33.58% | 30.29% | 26.82% | 24.60% | 22.31% | 21.62% | 22.23% | 23.95% | 26.79% |

- Cash Funding Projects - \$8 million

Additional Capital Projects - Recap

| Additional Projects | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | TOTAL |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Fire Station 1 Improvements | \$ 300,000 | \$ 1,700,000 | \$ - | \$ - | \$ - | \$ 2,000,000 |
| City Hall Renovations | \$ 1,500,000 | \$ - | \$ - | \$ - | \$ - | \$ 1,500,000 |
| Alsbury Phase 1 Widening - Candler to Hulen | \$ 323,545 | \$ 3,500,000 | \$ - | \$ - | \$ - | \$ 3,823,545 |
| Alsbury Design and ROW Acquisition (additional to GO Bond project) | \$ - | \$ 1,833,091 | \$ - | \$ - | \$ - | \$ 1,833,091 |
| Hulen 4-Lane Expansion (additional to GO Bond project) | \$ - | \$ - | \$ - | \$ 3,630,029 | \$ - | \$ 3,630,029 |
| Renfro Street & Johnson Avenue Pedestrian Improvement | \$ 192,497 | \$ - | \$ - | \$ - | \$ - | \$ 192,497 |
| Village Creek Parkway Expansion (Tarrant County Bond 50% Match) | \$ - | \$ - | \$ - | \$ - | \$ 3,501,839 | \$ 3,501,839 |
| Wicker Hill Rd & Greenridge Dr Road Reconstruction | | \$ - | \$ 949,045 | \$ 4,040,465 | | \$ 4,989,510 |
| Hidden Vistas Extention to CR714 | | | | | \$ 1,575,349 | \$ 1,575,349 |
| Additional Pavement Rehab | | | \$ 808,198 | | | \$ 808,198 |
| TOTAL | \$ 2,316,042 | \$ 7,033,091 | \$ 1,757,243 | \$ 7,670,494 | \$ 5,077,188 | \$ 23,854,058 |
| Sources | | | | | | |
| Impact Fees | \$ 241,871 | \$ - | \$ 949,045 | \$ - | \$ 2,064,645 | \$ 3,255,561 |
| TIF 2 cash funding | \$ 192,497 | \$ - | \$ - | \$ - | \$ - | \$ 192,497 |
| GF Cash funding | \$ 1,500,000 | \$ 1,833,091 | \$ 808,198 | \$ 846,168 | \$ 3,012,543 | \$ 8,000,000 |
| TIF 3 (dissolved) debt capacity | \$ 81,674 | \$ 3,500,000 | \$ - | \$ 6,824,326 | \$ - | \$ 10,406,000 |
| Excess debt capacity | \$ 300,000 | \$ 1,700,000 | \$ - | \$ - | \$ - | \$ 2,000,000 |
| TOTAL | \$ 2,316,042 | \$ 7,033,091 | \$ 1,757,243 | \$ 7,670,494 | \$ 5,077,188 | \$ 23,854,058 |

Legal Requirements

- State of Texas has specific requirements for adopting tax rates and the budget.
- For the budget, a simple majority of Council (4 votes) is required to pass the budget.
- However, for the tax rate, the State requires that at least 60% of the Council approve a tax rate that exceeds the No New Revenue Rate.
 - This equates to 5 votes that are needed to pass a tax rate that exceeds the NNR rate.
- As such, the Council needs to discuss what tax rate is desired so that the appropriate tax rate ordinances can be prepared.

Tax Rate Options

City Council Direction

- On August 4th, the City Council requested options to reduce the tax rate further.
- Council discussed the possibility of adopting the No New Revenue Rate (NNR) of \$0.6218.
- Directed staff to pursue options that would reduce the rate to either 1) M&O NNR, or 2) rate that would cause no increase to average residential taxpayer (including homestead).
- Direction was to identify options related to capital projects.
 - Option 1 - Reduce cash funded projects.
 - Option 2 - Reduce combination of cash and debt funded projects.
 - Option 3 - Reduce debt funded capital projects.

Property Tax Rate – Average Home Value

| Fiscal Year | Average Home Value | Tax Rate | Tax Levy | Homestead | Net Tax Bill | Annual Diff | Monthly |
|-------------------|--------------------|----------|----------|-----------|--------------|-------------|---------------|
| FY 2022 | \$232,000 | \$0.6859 | \$1,591 | \$0.00 | \$1,591.29 | | |
| Proposed | \$253,812 | \$0.6572 | \$1,668 | (\$32.86) | \$1,635.19 | \$43.90 | \$3.66 |
| M&O rate impact | \$253,812 | \$0.6472 | \$1,643 | (\$32.86) | \$1,610.07 | \$18.78 | \$1.56 |
| Total rate impact | \$253,812 | \$0.6399 | \$1,624 | (\$32.86) | \$1,591.29 | \$0.00 | \$0.00 |

- One cent on the tax rate - \$443,000
- M&O rate impact (\$0.4649 to \$0.4549) - \$443,000 FY 23
\$2,445,000 less revenue projected over 5 year period; \$5,612,000 over 10 years
- Total rate impact (\$0.6572 to \$0.6399) - \$766,303 FY 23
\$4,230,000 less revenue projected over 5 year period; \$9,708,000 over 10 years

Financial Overview – Reduce \$0.01 in M&O

| | FY 21-22 Budget | FY 21-22 Estimate | FY 22-23 Projected | FY 23-24 Projected | FY 24-25 Projected | FY 25-26 Projected | FY 26-27 Projected | FY 27-28 Projected | FY 28-29 Projected | FY 29-30 Projected | FY 30-31 Projected | FY 31-32 Projected |
|--------------------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Beginning Fund Balance | \$ 15,690,783 | \$ 18,339,917 | \$ 22,135,793 | \$ 19,507,060 | \$ 19,664,675 | \$ 19,105,840 | \$ 18,263,723 | \$ 17,859,901 | \$ 16,454,129 | \$ 15,874,905 | \$ 16,205,716 | \$ 17,421,028 |
| Property Tax | \$ 22,568,177 | \$ 22,855,000 | \$ 24,157,423 | \$ 25,358,104 | \$ 26,618,604 | \$ 27,941,906 | \$ 29,331,145 | \$ 30,934,242 | \$ 32,625,206 | \$ 34,408,861 | \$ 36,290,295 | \$ 38,274,876 |
| Property Tax- Chisholm Summit | \$ - | \$ - | \$ - | \$ - | \$ 500,000 | \$ 1,030,000 | \$ 1,575,900 | \$ 2,138,177 | \$ 2,717,322 | \$ 3,313,842 | \$ 3,928,257 | \$ 4,561,105 |
| Homestead exemption | \$ - | \$ - | \$ - | \$ (175,000) | \$ (350,000) | \$ (525,000) | \$ (700,000) | \$ (700,000) | \$ (700,000) | \$ (700,000) | \$ (700,000) | \$ (700,000) |
| Sales Tax | \$ 12,414,500 | \$ 13,995,907 | \$ 14,415,784 | \$ 14,848,257 | \$ 15,293,705 | \$ 15,752,516 | \$ 16,225,092 | \$ 16,711,844 | \$ 17,213,200 | \$ 17,729,596 | \$ 18,261,484 | \$ 18,809,328 |
| Other Revenue | \$ 12,622,265 | \$ 17,024,758 | \$ 14,126,072 | \$ 15,863,614 | \$ 16,568,374 | \$ 17,289,438 | \$ 18,046,513 | \$ 18,820,263 | \$ 19,632,855 | \$ 20,486,503 | \$ 21,269,229 | \$ 22,105,508 |
| Total Revenue | \$ 47,604,942 | \$ 53,875,665 | \$ 52,699,279 | \$ 55,894,976 | \$ 58,630,683 | \$ 61,488,860 | \$ 64,478,649 | \$ 67,904,526 | \$ 71,488,584 | \$ 75,238,802 | \$ 79,049,265 | \$ 83,050,818 |
| Base Expenses | \$ 50,037,653 | \$ 50,079,789 | \$ 52,177,833 | \$ 52,342,967 | \$ 55,428,279 | \$ 57,683,195 | \$ 59,612,457 | \$ 61,573,240 | \$ 63,604,652 | \$ 65,709,304 | \$ 67,889,906 | \$ 70,149,271 |
| ARPA funds | \$ - | \$ - | \$ (2,000,000) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Future Supplemental | \$ - | \$ - | \$ - | \$ 500,000 | \$ 1,000,000 | \$ 1,500,000 | \$ 2,000,000 | \$ 2,000,000 | \$ 2,500,000 | \$ 3,000,000 | \$ 3,500,000 | \$ 4,000,000 |
| Cash Funding Projects | \$ - | \$ - | \$ 2,500,000 | \$ 1,000,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Supplementals | \$ - | \$ - | \$ 2,650,178 | \$ 1,894,393 | \$ 2,761,239 | \$ 3,147,782 | \$ 3,270,014 | \$ 3,397,058 | \$ 3,529,106 | \$ 3,666,355 | \$ 3,809,010 | \$ 3,957,285 |
| Fire Station 4 - Operation and Equip | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,340,000 | \$ 2,434,050 | \$ 2,532,332 | \$ 2,635,037 | \$ 2,742,364 |
| Total Expenditures | \$ 50,037,653 | \$ 50,079,789 | \$ 55,328,011 | \$ 55,737,361 | \$ 59,189,518 | \$ 62,330,977 | \$ 64,882,471 | \$ 69,310,298 | \$ 72,067,808 | \$ 74,907,991 | \$ 77,833,953 | \$ 80,848,920 |
| Change in Fund Balance | \$ (2,432,711) | \$ 3,795,876 | \$ (2,628,732) | \$ 157,615 | \$ (558,836) | \$ (842,117) | \$ (403,822) | \$ (1,405,772) | \$ (579,224) | \$ 330,811 | \$ 1,215,312 | \$ 2,201,898 |
| Ending Fund Balance | \$ 13,258,072 | \$ 22,135,793 | \$ 19,507,060 | \$ 19,664,675 | \$ 19,105,840 | \$ 18,263,723 | \$ 17,859,901 | \$ 16,454,129 | \$ 15,874,905 | \$ 16,205,716 | \$ 17,421,028 | \$ 19,622,926 |
| FB % of Expenditure | 26.50% | 44.20% | 35.26% | 35.28% | 32.28% | 29.30% | 27.53% | 23.74% | 22.03% | 21.63% | 22.38% | 24.27% |

- Reduce cash funding capital projects from \$8,000,000 to \$3,500,000
- \$2,445,000 less in tax revenue over 5 years
- \$5,612,000 less in tax revenue over 10 years

Tax Reduction Options

- Option 1 (cash only)
 - Reduces the M&O rate from the proposed rate of \$0.4649 to \$0.4549
 - Reduces cash funded projects by \$4,500,000 over the five year plan
- Option 2 (cash and debt)
 - Reduces the M&O rate from the proposed rate of \$0.4649 to \$0.4599
 - Reduce the debt rate from the proposed rate of \$0.1923 to \$0.1873
 - Reduces cash funded projects by \$1,500,000 and debt funded projects by \$2,883,000 over the five year plan.
- Option 3 (debt only)
 - Reduces the debt rate from the proposed rate of \$0.1923 to \$0.1823
 - Reduces debt funded projects by \$5,763,000 over the five year plan

Tax Reduction Options

- Staff eliminated and reallocated funding for the various capital projects based on the remaining capacities associated with each reduction option.
- Reprioritization was based upon:
 - Feedback from City Council at the August 4th budget meeting.
 - Maximization of the remaining funding sources.
- The following projects were removed in the various reduction options:
 - Wicker Hill and Greenridge Reconstruction (Option 1, 2, and 3)
 - Hidden Vistas Extension to CR714 (Option 1, 2, and 3)
 - Additional Pavement Rehabilitation (Option 3 only)

Option Summary

- Option 1** Reduce Proposed Tax Rate from \$0.6572 to \$0.6472; **M&O rate \$0.4549 and Debt Rate \$0.1923**; reduce cash funded capital projects from \$8 million to \$3.5 million
- Option 2** Reduce Proposed Tax Rate from \$0.6572 to \$0.6472; **Combination of Cash and Debt fund projects, M&O Rate \$0.4599 and Debt Rate \$0.1873**; reduce cash funded capital projects from \$8 million to \$6.5 million; reduce debt funded projects by \$2.9 million
- Option 3** Reduce Proposed Tax Rate from \$0.6572 to \$0.6472; **M&O rate \$0.4649 and Debt Rate \$0.1823**; maintain \$8 million in cash funded capital projects; reduce debt funded projects by \$5.8 million
- Option 4** City Manager's Proposed Budget; tax rate of \$0.6572
- Option 5** Other?