DISCUSSION ON FY 2022-23 BUDGET PROPOSAL

Input was provided by all the Department Heads. No adjustments have been made to the payroll portion of the budget (pending input from the Council on COLA and/or merit increases) other than rearrangements due to no longer having a supervisory position, the pay for which was divided between three departments. The monthly insurance benefit has been bumped from $700 to $800. Employeeshad expressed hopes that the City would increase the insurance benefit when last year's premium increases were being announced The $700 benefit was first budgeted in 2015-16, seven years ago. Premiums have been steadily increasing since then. In 2014-15, $805 was budgeted. Prior to that the number had fluctuated around $750/month. The City provides policies with high deductibles, but offers an HSA plan. Those employees who don't insure dependents have some left over each month to deposit into their HSA plan, helping to offset the high deductibles.

The major capital improvement components include: $1,280,100 for the TWDB WWTP work (with 80% TWDB funding and 20% City funding); $588,000 for East Sewer Trunk Line from Longhorn Drive to the WWTP and SCADA equipment for a lift station; $700,000 to replace the ground storage tank at Well #3; $100,000 to complete our emergency generator projects; $500,000 carry-over on the Spanish Oaks/Hereford Water Main Project (with a majority paid for by previously acquired ARPA funds); $150,000 carryover for the Valley View project; $150,000 for a cooperative County/City chip seal project like what was done a few years ago, and $798,200 for 3rd, Webster, and Clay Street projects from the CIP. It is possible that the City could get some CDBG grant funding for this last project, but that funding wouldn't be available until the following year, at the earliest. Since Wolf City is the only area where the City is able to qualify for CDBG projects, it might be wise to delay that project until grant funds are available. As we work through the budget process, Public Works Director Holder and I will be providing you with additional information on the proposed capital improvement projects.

The budget anticipates a reduced property tax rate, but an increase of 3.5% in revenue on the existing properties due to increased valuations and a $28,500 increase due to the new properties added to the tax roll. Trash revenue is based on the new contract with a 10% city markup. Water and wastewater revenue is projected based on the current rates remaining in effect. $101,000 in contract labor has been included for the new admin position funded by the Council last year, then delayed due to the Comp Plan. If the Council wishes to move forward with this position, that money can be spread out over all the employee payroll codes.

Both the General Fund and Utility Fund Budgets, as presented, will require a drawdown of the City's reserves - $570,000 for the General Fund and about $1.9 million for the Utility Fund. There are more than enough reserves to cover these drawdowns. If the capital improvement and grant projects are eliminated, there would be a drawdown of about $200,000 in the Utility Fund, but there would be a surplus of about $1.1 million in the General Fund. In most cities, the General

Fund is subsidized by profits from the Utility Fund. As you can see, that isn't the case in Glen Rose. Due to strong sales tax revenues, the City hasn't made it a priority to raise more revenue from its utility operations. The concern is that sales tax revenue can be very fickle. In 2008, the City received $1,513,320 in sales tax revenue; in 2009, $1,210,062; and, in 2010, $840,141. I suspect the 44% ($670,000) drop from 2008 to 2010 came as quite a shock to whomever was managing the City's finances at the time.