



AGENDA MEMO

Business of the City Council City of Sweeny, Texas

Meeting Date	07.11.2023	Agenda Item	
Approved by City Manager	Yes	Presenter(s)	City Manager, Dept Heads
Reviewed by City Attorney	No	Department	All
Subject	Discussion and possible action on annual budget workshop and 5-Year Capital Improvement Projects proposed program for Fiscal Year 2023-2024.		
Attachments	1) Budget calendar (proposed) 2) Capital Improvements Project 5-Year Plan (proposed) 3) Proposed budget for Fiscal Year 2023-2024 for General Fund and Utility Fund		
Financial Information	Expenditure Required:	N/A	
	Amount Budgeted:	N/A	
	Account Number:		
	Additional Appropriation Required:		
	Additional Account Number:		

Executive Summary

Each year, the City Council and staff work together to develop a budget for the following fiscal year beginning October 01 and terminating September 30th.

A preliminary budget and 5-year Capital Improvement Projects (CIP) plan has been prepared for City Council to review and offer feedback concerning proposed expenditures for Fiscal Year 2023 -2024.

To date, no CIP or funding strategy has been adopted, however, the City cannot sustain without a CIP plan to replace aged infrastructure. The proposed CIP at this point in the budget and tax rate adoption process is only a roadmap and will need to be adjusted. CIP funds carry over year-after-year, unlike budgeted operating funds.

As City Council and staff work through the budget and tax rate adoption process, the following should be considered:

- Impact on property tax revenue with newly adopted local homestead exemption rate of 10%.
- Need to fund a Capital Improvements Project plan.
- The tax rate is comprised of 2 rates: the Maintenance & Operations portion that funds the general operations of the City (General Fund activities) and the Interest & Sinking portion, which funds repayment of obligated annual debt. The sum of the M&O and I&S rate is the city's tax rate.
- There are numerous requirements of cities to properly post public hearings on the proposed tax rate and approval of ordinances to adopt the annual budget and tax rate. A budget calendar has been prepared to disclose dates of required hearings and postings. This calendar will be adjusted as needed to reflect Council action on scheduling public hearing and meeting dates.
- Different tax rates include: No-new-revenue rate, which means the City brings in the same amount of ad valorem tax revenue as the previous year, the voter-approval rate, which is the highest amount that



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can be adopted without triggering an election (3.5%), and the de minimis rate, which is a rate that exceeds the voter-approval rate and requires an election.

- Certified appraisal rolls (estimate of values) will not be sent to the taxing units until July 25, 2023 at the earliest. Last year, the City received certified roll on August 8, 2022.
- The City is facing a deficit in the Enterprise Fund. The EF consists of natural gas service, water service, and wastewater service and is supposed to function as a business type entity and be able to sustain itself. Currently, we anticipate a fiscal year-end shortfall (by 9/30/2023) of possibly \$180,000. All utility service sales are down for the year. We believe this is largely due to customer observed undesirable coloration of the drinking water. Decreased water sales also adversely affects the revenue in sewer service. While staff is confident in the recovery of water and sewer sales in the following fiscal year, the sales of natural gas is the furthest behind in revenue for the end of the third quarter.

UTILITY SALES YEAR TO DATE AS OF JUNE 30, 2023

SERVICE	FY23 BUDGET	75% AMOUNT	YTD SALES	% FOR FY	% VARIANCE FROM Q3
WATER	704,000	528,000	463,550	66%	-12.21%
SEWER	602,500	451,875	405,369	67%	-10.29%
GAS	552,738	414,554	313,201	57%	-24.45%



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DATE	ACTIVITY	RESPONSIBLE PARTY
4/30/2023	DEPT HEADS BUDGET REQUESTS TO CITY MANAGER	DEPT HEADS, CITY MANAGER
5/31/2023	DEPT HEADS MEET WITH CM ON BUDGET REQUESTS	DEPT HEADS, CITY MANAGER
5/31/2023	DEPT HEAD DEADLINE FOR DEPT BUDGET TO CM	DEPT HEADS
6/10/2023	COUNCIL AND STAFF STRATEGIC PLANNING SESSION	CITY MANAGER, CITY COUNCIL, DEPT. HEADS
JUNE - JULY	CITY MANAGER PREPARES DRAFT CIP PLAN	CITY MANAGER, DEPT HEADS
JUNE - JULY	CITY MANAGER PREPARES FY24 BUDGET	CITY MANAGER
6/30/2023	DEADLINE TO SEND LOCAL HOMESTEAD EXEMPTION TO COUNTY	CITY MANAGER OR DESIGNEE
7/11/2023	PRELIMINARY BUDGET & CIP PROPOSED TO CITY COUNCIL	CITY MANAGER, DEPT HEADS
7/18/2023	REGULAR CITY COUNCIL MEETING (FY24 MAY BE DISCUSSED)	CITY COUNCIL, CITY MANAGER
7/25/2023	CERTIFICATION OF APPRAISAL ROLL	CHIEF APPRAISER
7/30/2023	DEADLINE TO SUBMIT PROPOSED BUDGET TO CITY COUNCIL	CITY MANAGER
AUG 7 (OR AS SOON AS PRACTICABLE)	CALCULATION OF NNR AND VOTER APPROVAL TAX RATES	BRAZORIA COUNTY TAX OFFICE
AUG 7 (OR AS SOON AS PRACTICABLE)	PUBLICATION OF NNR AND VOTER-APPROVAL TAX RATES ON CITY WEBSITE	BRAZORIA COUNTY TAX OFFICE & CITY SEC.
8/14/2023	LAST DAY TO FILE PROPOSED BUDGET WITH OFFICE OF THE CITY SECRETARY	CITY MANAGER, FINANCE DIRECTOR
8/15/2023	REGULAR CITY COUNCIL MEETING - FY24 AND TAX RATE DISCUSSION, SET PUBLIC HEARINGS ON: 1) TAX RATE (IF REQUIRED), 2) BUDGET, AND 3)CIP	CITY MANAGER, CITY COUNCIL, FINANCE DIRECTOR
TBD	SPECIAL MEETING: PUBLIC HEARINGS ON TAX RATE (IF REQUIRED), BUDGET, AND CIP	CITY COUNCIL, CITY MANAGER
TBD (TAX RATE MUST BE ADOPTED WITHIN 7 DAYS OF PUBLIC HEARING)	DATE FOR PUBLIC HEARING. MUST BE ADVERTISED IN OFFICIAL PUBLICATION 72 HOURS IN ADVANCE.	CITY COUNCIL, CITY MANAGER, CITY SEC.
LIKELY 9/11/2023	MEETING TO ADOPT TAX RATE	CITY COUNCIL
8/21/2023	DEADLINE TO CALL FOR AN ELECTION (IF PROPOSED TAX RATE EXCEEDS VOTER APPROVED RATE)	CITY COUNCIL
8/28/2023	DEADLINE TO ADOPT A TAX RATE OVER VOTER-APPROVER RATE	CITY COUNCIL
9/19/2023	REGULAR CITY COUNCIL MEETING. APPROVAL OF BUDGET AND TAX RATE ORDINANCE	CITY COUNCIL
9/29/20323	LAST DAY CITIES CAN ADOPT A TAX RATE	CITY COUNCIL, CITY MANAGER
10/1/2023	FY24 BUDGET BECOMES EFFECTIVE	

Recommended Action

- Staff recommends City Council establish a date to conduct a public hearing for the FY24 budget and for the tax rate at the next regular City Council meeting on July 18, 2023. The recommended date for a public hearing is August 15, 2023 at the regular City Council meeting.
- Staff recommends City Council fund Year 1 of a 5-year CIP Plan in the FY24 budget with a transfer of 90% of the City's investment interest earnings in FY23 to the Infrastructure Donations TexPool account (ending balance 6/30/2023: \$58,472.86) and transfer the account balance to TexPool Prime (ave daily net yield as of 6/30/2023: 5.3%). By Fiscal Year 24 beginning, staff estimates the balance will be \$211,356.