

To: City Council

From: Kim M. Turner, City Manager

Re: Proposed Draft FY 2023 Budget Work Session

Date: 06 July 2022

This proposed draft City Budget is a planning document that details how the City will pay for a certain level of services over the next year. Prior to any required public hearings or mandated adoption of the budget, City Council conducts a work session to review the proposed draft budget and make recommendations to City staff.

The budget work session will cover anticipated revenues, debt service, capital improvements, general fund expenditures, and the revenue/expenses for the three enterprise funds (utilities, golf course, and stormwater). In addition to the City's budget, Council will hear a presentation from its consultant on 2023 water, wastewater, and stormwater rates. This is a lot of information to take in, but your professional staff has been working diligently to make the process as simple and understandable as possible. With that said, it is our hope that we provided Council with sufficient time to review the materials as it will make the work session more productive and efficient. Since many of you work, a light meal will be provided around the 7:30 PM timeframe. Water and iced tea will be made available, but feel free to bring your own beverage as well.

Here are some important items that Councilmembers should consider as you review the materials.

1. An **Overview** of each fund is provided by **color-coded** pages; **supporting documentation** for each fund is on **white paper**. **Color codes** are as follows:

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|--|
| General Fund Revenue/Expenses--Yellow |
| Debt Service--Pink |
| Capital Improvement Program--Blue |
| Utility Fund Revenue/Expenses--Cream |
| Stormwater Revenue/Expenses--Purple |
| Golf Course Revenue/Expenses--Green |

2. General Fund Revenues/Expenditures

The General Fund is the fund most people refer to when they talk about the City Budget. The General Fund pays for community services such as police services, fire and EMS services, community development, street maintenance and landscaping, animal control, weed and junk abatement, park maintenance, recreation, vehicle maintenance, and other general services. Other services that are primarily or partially funded through the General Fund include personnel, finance, city management, City Council, facilities maintenance, and the library.

As staff began to prepare the City Budget for the upcoming fiscal year, certain initial assumptions had to be made regarding revenue and expenditure projections. These assumptions were made before any operating or personnel changes were considered and incorporate anticipated changes (increases or decreases) in revenue or expenditures.

The City's two largest sources of revenue are property tax and sales tax. Therefore, correctly and conservatively projecting these two revenue sources is critical. Property tax revenues are always unknown until such time that the City receives the final property tax roll from the Chief Appraiser's office in late July. However, both ad valorem taxes and sales tax receipts for FY 2022 were much higher than anticipated. Additionally, property valuations went up an average of 33% across Bexar County accompanied by a higher valuation corresponding to growth within the City. Sales tax revenue is projected to go up as well based on prior year receipts. These factors were used to "guestimate" the overall tax revenue.

General Fund Expenditures are expected to be marginally higher due to increases in training, insurance, electrical expenses, fuel prices, technology costs and other general commodity price increases in materials and other items used by municipal governments.

With regard to staffing, like most governments and private entities, the focus is on trying to attract new talent to fill vacant positions, enticing long-term employees to stay in the work force, and training existing staff to take on new roles. As everyone is aware, the labor market is small and the competition for staffing is fierce. Later in the budget process, staff will bring forth some policy changes to the Personnel Policies and Procedures Manual that will be used to attract, retain, and train City personnel. Any changes to employee programs or policies are accounted for in the draft budget. Further, employee compensation as presented in the draft 2023 budget also includes a 5% cost of living adjustment (COLA). While the COLA is less than the estimated 8% rate of inflation, the annual step increase should keep most employees on a level playing field with inflation. Staffing for the EDC and the Utility Departments are included in the General Fund but are reimbursed by those two entities.

Staffing additions are planned for in the fire, police, and library services departments. Specifically, a mental health officer is planned for both the fire and police departments. In addition to the regular professional training in their respective fields, mental health officers have undertaken training in mental health to assist on calls for services that need emotional, psychological, and social well-

being assessments and can provide mental health training and guidance to their fellow staff members. Mental health officer staffing is an approved expenditure under the ARPA regulations and the general fund will be reimbursed for these two positions. Additionally, population growth and area road construction have contributed to increased traffic in all sectors of the City. A traffic officer position is included in the budget for the police department. The position is only responsible for traffic-related incidents. While they are sworn officers of the police department, instead of dealing with crime, traffic officers are focused specifically on roads and the people on those roads. For the library, one position for a part-time employee has been added to the current staffing level of 2 FTE and 3 FTE. The pandemic has changed the way the library operates, and the additional staffing will ensure continued services and programming for all age groups.

Moving forward, if the budget allows, an additional parks maintenance staffer will be added as well. Again, the pandemic and the upgrading of all the parks through grants and other funding sources has significantly increased park usage, thus maintenance of park apparatus and facilities on a daily basis has also increased. The position would ensure that the parks are clean and well maintained for public use.

Vehicle purchases have been difficult due to shortages, but the vehicle replacement program calls for the replacement of two police vehicles, one development services vehicle, and the warrant officer vehicle. General Services will replace the 2004 backhoe and Parks & Recreation will replace its crew cab. Technology hardware and software are also identified for upgrading to keep up with cybersecurity demands and overall efficiency of operations. Planning and Development include additional funding for engineering expenses and a new comprehensive plan.

3. Debt Service

The \$3.1 million debt issuance for street bonds was completed in FY 22 along with defeasance of several outstanding bonds. The new debt service rate reflects all those changes. It is anticipated that City Council will consider a November ballot to seek voter approval for continuance of street repair and reconstruction monies for the next 10-15 years of street work. Debt service payment will continue as

planned unless the City's financial advisor relates cost savings that could be incurred through refinancing existing debt.

4. Capital Improvement Program

The Capital Improvement Program (CIP) is a planning document of current and future capital projects. Typical projects include street reconstruction and overlays, water, sewer and storm water improvements, construction and/or renovation of city facilities, park developments and improvements, land acquisition, and city beautification projects.

Carryover Projects from FY 21-22

- Comprehensive Plan \$150,000
- Street repairs
- ETJ crossing over Cibolo Creek

New Projects FY 22-23

- Fire Department Roof
- Animal Control HVAC
- Remodel of the telecommunications facilities (dispatch)
- Veteran's Park play equipment
- Shade structures and landscaping at various parks
- Installation of cameras and security systems for park facilities

5. Review of Enterprise Funds

Enterprise funds are used to account for self-supporting activities that provide services on a user-charge basis. These are the types of services that are sometimes offered by private companies or districts. The City operates the following four enterprise funds: water, sewer, storm water and golf course

Water, Sewer, and Stormwater

A rate study is conducted annually to determine the funding need to maintain, repair, and expand the City's water, sewer and stormwater systems

(collectively called “utilities”), and provide for debt service, reserves, and funds to cash flow improvements to the utilities operations. It is the goal of the City to annually purchase additional water rights, rehab existing infrastructure and plan for capital expenditures.

It is projected that water rates will increase by 15% for the demand charge and 6% for volume rates; Sewer rates will increase by 10% for the demand charge and 6% for volume charge. Water and sewer increases are directly correlated to commodity costs, the ability to cash flow some rehabilitation projects, and to provide for current and projected debt service payments for larger capital improvement projects. Stormwater rates will increase by approximately 20% in FY 22-23 or Council can decide to reach a cumulative 20% increase over a three-year period.

Several capital improvement projects are identified for utilities that will require new debt to be issued. Namely, replacement and rehabilitation of wells and ground tanks, land acquisition for expansion/replacement of existing water sites, and some sewer line work. Stormwater revenues will be utilized for the Persia Storm Drain Project. One staffing addition is planned for the Sewer Department.

The City’s rate study consultant will be in attendance to present the rate study and to answer questions.

Golf Course

The golf course staff has worked to reduce expenditures and increase revenues for its operations in an ever-changing retail environment. Cost of goods have increased significantly with costs and inventory having to be reassessed on a monthly basis to ensure adequate pricing structures. Rounds of golf and the number of events is anticipated to remain at peak capacity even as supplies and commodities become less available and affordable. This is the off year for purchasing and financing golf carts. However, financing and

purchase of various grounds-keeping equipment is proposed in the 2023 budget. Staff has currently engaged an engineer to obtain a plan and cost estimate to repair and mitigate the significant erosion that is occurring on holes 8 and 9.

6. Presentations

Continuing with the process initiated last year, each department head will give an overview of their budget highlights and will be prepared to answer questions Council may have on their respective proposed budget.

Closing Summary

This proposed draft budget provides the direction and tools necessary to maintain a consistently high level of City services and continue the internal transformation to take advantage of our strengths and improve on our weaknesses. The City must continually strive to provide essential services to its citizens while under financial constraints.

I would like to thank all City staff members for their work on this year's budget and the City Council for their continued commitment, direction and support in meeting the needs of the City.

2018-2022 Comprehensive Plan

C=Completed

I-In Progress

N= Not Yet Started

| Area of Concentration | Initiative | Status | Notes |
|-----------------------|---|----------|--|
| Economic Development | EDC identify, purchase and develop land in Aviation District | C | Parcels Identified; purchases underway |
| Economic Development | Installation of City-owned Electronic Message Board | C | EDC Project; sign on Kitty Hawk |
| Economic Development | Architect on retainer for storefront improvement application process | C | EDC Storefront provides funding that reimburses architect fees for selected projects |
| Economic Development | Research and create focal points within the business districts | C | Aviation District Revitalization Plan |
| Economic Development | Provide advertising opportunities on Pat Booker for businesses that are on the side streets | N | Needs to occur with Aviation Dist. Development |
| Economic Development | Develop a masterplan for the revitalization of Aviation District | C | Development Services |
| Development Services | Implement online payment system for permits | C | SmartGov Software |
| Development Services | Implement a redevelopment in-fill plan for residential areas | C | Aviation District Revitalization Plan |
| City Support | Obtain software for online payments | C | Court, Utility, Devel Services, Golf, etc |
| City Support | Redesign and expand municipal building parking lot | C | Public Works |
| Public Safety | Three more firefighters | I | FY21;1, FY23-1 |
| Public Safety | Three more Police positions | I | FY23-2 |
| Cultural | Repair damage/erosion at Golf Course | I | Stormwater Project: Holes 6 & 7 Complete. Holes 8 & 9 in engineering design. |
| Cultural | Install Way Finding Signs | N | Incorporate into the Aviation District Revitalization Plan |
| Cultural | Golf Course Media Campaign | C | Noisy Trumpet Contract |

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|----------------|---|----------|---|
| Cultural | Add a pavillion at Golf Course | N | Rough cost/benefit analysis indicates not feasible at this time |
| Infrastructure | Parkland redevelopment in all areas of the City | I | Parks Budget/Grant Awarded- Red Horse, Meadowland, Northview complete |
| Infrastructure | Annual contract for landscape and mowing at City facilities | C | Public Works/Admin |
| Infrastructure | Increase annual street maintenance budget | C | Public Works Budget from \$250K to \$400K |
| Infrastructure | Repair/replace older water and sewer lines | I | Public Works-Sewer Televising ongoing; Wtr Lines with Street Projects |