

Kristen Mueller

From: Kim Turner CtMgr
Sent: Wednesday, June 29, 2022 12:32 PM
To: Council4
Subject: FW: CC Budget Session Information

Councilmember Vaughan,

Kristin forwarded your questions regarding the budget. **I have provided my responses below.**

Kim M. Turner
Universal City
210-659-0333 ext 705

Get [Outlook for iOS](#)

From: Council4 <Council4@uctx.gov>
Sent: Tuesday, June 28, 2022 8:07 PM
To: Kristen Mueller <kmueller@uctx.gov>
Subject: RE: CC Budget Session Information

Hi Kristin,

I know Kim is out and I don't want to bug her. I have a few questions/requests I was hoping to get prior to the workshop. I thought maybe you may be able to get some answers without having to bug her.

1. I assume there is more data to be coming and this is just a summary to start. Is that correct? **The colored pages are the summary, the white pages following it is the details.**
2. Can you print the adopted budget report from Incode for me? See Sinton's as an example ([City-of-Sinton-Annual-Budget-2021-2022-Fiscal-Year \(sintontexas.org\)](http://City-of-Sinton-Annual-Budget-2021-2022-Fiscal-Year(sintontexas.org))). I don't expect you to do any data entry if it has not already been done, but it would be an easy way to get another year of data for analysis and also see YTD actuals. **The budget does not get implemented into Incode until after Council approves it. This is on or about 10/01/2022. When each respective department put their budget together, they did their numbers based on YTD actuals and extrapolated out for the remainder of the year. As we met with each department head through the months long process, updated YTD actual were looked at again and adjustments made accordingly.**
3. Kim's summary mentions a step increase program. Can you tell me how that works? Is there a schedule you follow that you can share? **The step increase was built into the City's pay plan that was adopted in 2004. It provides that each position gets a 2.5% increase for the first 15 years they work for the City. The step increase happens on the anniversary date of their employment.**
4. Is the step program the same as the longevity mentioned in the budget or is that separate? If it is separate, can you provide me with a description of how longevity works? **Longevity is not the same as the step increases. Longevity pay is \$4 per month for each month a staff member has been with the City. It is paid out in December on a separate check with taxes being withheld. While it is not a bonus, many staff members refer to it as their bonus check as they typically use it to pay for Christmas for their families. Currently, an employee has to be with the City for one entire year before longevity pay kicks in.**
5. I do not see any of the ARPA grant budgeted (except for a \$140k transfer into the general fund). Shouldn't it be included if you want to spend it? Local government code section 102.003(b)(4) requires "all funds from all sources during the ensuing year" be included in the budget. Article VI section 6.04 of the City Charter also states

“The budget shall provide a complete financial plan of all city funds and activities for the ensuing fiscal year.”
The ARPA budget was already presented to City Council as a separate budget and is tracked separately from the GF. I believe I already provided you with that budget when you requested after the election. The next tranche of ARPA comes out in August and staff will be providing an update to the ARPA projects/budget at that time.

6. The budget does not include the fund balances of each fund. Local government code 102.003(b)(2) requires “cash on hand to the credit of each fund” be presented in the budget. We have looked back over past budgets and this has never been done in Universal City. The audit report will tell us the cash on hand at the end of the year. It is too late for us to make this change now, but we will consider this as a possible change in future budgets.
7. On the capital improvements program budget, do you know what the “other income east aviation bond reimb” for \$2,149,158 is? These are the funds that TXDOT will reimburse the City. We pay upfront, they reimburse. This has been a multi-year project and with its near completion we anticipate TXDOT reimbursing the City in full in the next budget cycle.
8. Stormwater has an admin transfer out of \$50,000. Where does that go? I didn’t see it in the general fund or utility fund. The stormwater employee is partially covered in the GF and the stormwater budget. For simplicity, the full salary/expenses comes out of the GF and the GF is reimbursed by the stormwater fund.

Few suggestions before you push this out to the masses:

1. The general fund budget shows \$10.8 million in property tax revenue which appears to be a large increase in revenue. People will lose their minds. In reality, you are not showing an increase in total property tax revenue. Instead, I would change the revenue to \$9,256,431 and get rid of the transfer out to debt service expenditure. This would allow the public to see that you are not planning to increase property taxes over the 2022 budget and gets you to the same place. The property tax revenue increase is the actual amount calculated using Appraiser provided numbers. So, in reality, we are showing an increase in property tax revenue due to higher property valuations and new properties on the tax roll. If you look at the past years, you will see the UC has had on average approximately \$1 million in property tax revenue in past years. It is assumed that residents know the difference between property tax valuations and a property tax rate. Staff is not proposing to increase the tax rate, we are projected based on a lower tax rate. I understand the shuffle that you are suggesting, but my fear is that if we change the way it looks from past years we will be accused of trying to hide the additional revenue. Regardless of the approach used, the notion of subterfuge, misappropriation, and misunderstanding will exist.
2. Similarly, the general fund shows \$3.5 million in sales tax revenue AND a transfer out to the golf course of \$657,121. Based on the 2021 calendar year, the City brought in a total of \$6 million in sales tax. \$3 million for general, \$1.5 million in venue and \$1.5 million in EDC. So, these statements should show (in my opinion) total sales tax of \$4.5 million across the general and golf course funds. Right now it shows \$3.5 million. Even if you think \$3.5 million is the right number, you should show the city 1% in general. The 0.5% venue should go somewhere else (presumably golf course). The way the budget shows right now is that the total to come in is \$3.5 million and of that \$657k is going to golf course. The math is not right on the split. Either way, I think it would be better to show only the general fund sales tax revenue in general fund (perhaps \$3 million to be conservative) and remove the transfer out to golf. Then budget the venue tax revenue elsewhere (presumably golf). Staff is aware of how sales tax revenue is split. Jessica and I will explain the split during the work session and why we moved the venue tax to the golf course for the bond payment and where the remaining funds are going. Looking back over previous years, the EDC sales tax proceeds were not listed in GF revenue and transferred out to the EDC. We followed that same process with the intent of trying to keep the budget looking as close to the same as previous years as possible for residents.
3. The general fund has a contingency expenditure of \$228 thousand. I would prefer this be taken out as I think this is what your fund balance is for. Otherwise, it is like giving the city a blank check of \$228k to buy whatever the City wants. This is probably more of a council discussion, but I wanted to throw it out there. This is not a blank check! It the amount that City Council would have to payout if they determined to buy out my contract. I believe it is required to be provided for in each year’s budget. In the past, it was just noted that it would come

from GF reserves. In the interest of transparency, we moved it to the GF last year. If Council decides it wants to provide for this under the reserves again, then staff is happy to reverse the process.

4. I would not recommend budgeting for depreciation on the golf course. Instead, I would budget for principal expense (lease payments and debt principal payments) as you already have. If you budget for depreciation, you are kinda double counting those expenditures (once through the principal repayment and then again through depreciation (the writing off of the asset purchase price)). If you buy equipment with cash, you would budget for those purchases (like you do all other funds for consistency). **Depreciation is budgeted for equipment that currently is paid off but still within their normal life cycle per the depreciation schedules, so depreciation would remain as an expense in the budget as equipment that is paid off will not have a lease payment schedule.**
5. I think there are also some consistency issues with the budget. The 2022 budget column does not match the 2022 budget on the website. The primary difference I see is on the golf course debt. That was budgeted in debt service in 2022 with matching venue tax sales tax. In the 2023 budget, you moved the debt service to the golf course, but did not move the related sales tax revenue. So, the golf course is showing a big loss for 2021 and 2022. Instead, I would fill in the sales tax into the 2021 and 2022 columns of the golf course revenue to show how that paid for the debt. The debt service fund is showing the flip side of this...large surpluses for 2021 and 2022 because it has the sales tax revenue without the golf course debt expenditures. Hope that makes sense. **The golf course debt will appear differently this year as it is being presented within the GC debt service, versus the GF debt service schedule. Before this change for FY23 budget process, the GC debt was shown within the GF debt service schedule which would result in viewing things differently now. Previous years did in fact have the GC debt expenditures listed in debt service.**

Thanks!
Phil

From: Kristen Mueller <kmueller@uctx.gov>
Sent: Tuesday, June 28, 2022 5:31 PM
Cc: Kim Turner CtMgr <citymanager@uctx.gov>
Subject: CC Budget Session Information

Honorable Mayor and Councilmembers,

Attached is the supporting documentation for the Wednesday, July 6th Special Meeting - Budget Workshop.

Please note that the colored pages are the combined overview of the respective fund and the white pages that follows the colored pages are the details of for that respective fund.

The agenda will go out on Friday.

Respectfully,

Kristin Mueller

Get [Outlook for iOS](#)