

# Fiscal Forecast

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City Council – Initial Presentation of FY 2023 Proposed Budget

July 18, 2022

# General Fund Assumptions and Outcomes

Revenue	Expenditures	Policy Outcomes
<ul style="list-style-type: none"><li>Property tax revenue:<ul style="list-style-type: none"><li>Same overall tax rate (\$0.4473)</li><li>M&amp;O tax rate (\$0.3015)</li><li>M&amp;O rate up by 1.9% due to corresponding decrease in debt rate</li><li>Taxable value: \$5.1 billion; 3.5% annual increase in subsequent years</li><li>98% collection rate</li></ul></li><li>Overhead transfer from Enterprise fund 3.5% increase FY 2024 – FY 2027</li><li>Sales tax revenues 1% increase FY 2024 – FY 2027</li><li>Residential permits 5% increase FY 2024 – FY 2027</li><li>All other revenues 0-2% increase FY 2024 – FY 2027</li></ul>	<ul style="list-style-type: none"><li>Total salary &amp; benefits increases by 5% annually</li><li>\$150,000 annual vacancy savings</li><li>All other expenditures – 3% increase FY 2024 – FY 2027</li><li>Transfer out \$4.7 million ARPA funds in FY 2023 (to CIP)</li><li>VERF &amp; CIP transfers in FY 2024 – FY 2027 per CIP</li></ul>	<ul style="list-style-type: none"><li>Structurally balanced budget in FY 2023</li><li>Slight structural imbalance in FY 2024 – FY 2027</li><li>Meets 60-day reserve thru FY 2025</li><li>Falls short of reserve in FY 2026 – FY 2027</li><li>Funds 1.5% COLA, 3.5% STEP, and 10% health insurance increase in all years</li><li>Additional revenues or reduced expenditures would be required to maintain structural balance and the 60-day reserve</li></ul>

# General Fund Fiscal Forecast

Forecast Category (figures shown in millions, except tax rate)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Beginning Fund Balance	\$6.04	\$11.72	\$7.26	\$6.13	\$4.64	\$3.33
Recurring Revenue	\$23.30	\$23.93	\$24.61	\$25.43	\$26.44	\$27.85
Recurring Expenditures	\$21.73	\$23.70	\$24.76	\$25.87	\$27.03	\$28.25
<b>Structural Balance Factor</b>	<b>1.07</b>	<b>1.01</b>	<b>0.99</b>	<b>0.98</b>	<b>0.98</b>	<b>0.99</b>
Non-recurring Revenues	\$4.90	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Non-recurring Expenditures and Transfers	\$0.79	\$4.70	\$0.98	\$1.06	\$0.72	\$0.72
Ending Fund Balance	\$11.72	\$7.26	\$6.13	\$4.64	\$3.33	\$2.22
60-day Fund Balance Requirement	\$3.62	\$3.95	\$4.13	\$4.31	\$4.51	\$4.71
<b>Over/(Under) 60-day Fund Balance Requirement</b>	<b>\$8.10</b>	<b>\$3.31</b>	<b>\$2.01</b>	<b>\$0.33</b>	<b>(\$1.17)</b>	<b>(\$2.49)</b>
<b>M&amp;O Tax Rate (per \$100 assessed)</b>	<b>\$ 0.2959</b>	<b>\$ 0.3015</b>	<b>\$ 0.2992</b>	<b>\$ 0.3013</b>	<b>\$ 0.3062</b>	<b>\$ 0.3172</b>

# Enterprise Fund Assumptions and Outcomes

Revenue	Expenditures	Policy Outcomes
<ul style="list-style-type: none"><li>• Water: 5% increase annually</li><li>• Wastewater: 5% increase annually</li><li>• Solid Waste: 5% increase annually</li></ul>	<ul style="list-style-type: none"><li>• Total salary &amp; benefits increases by 5% annually</li><li>• \$50,000 annual vacancy savings</li><li>• Surface water from Houston – 4% annual increases</li><li>• Overhead transfer to General Fund – 3.5% annual increases</li><li>• All other expenditures – 0.5% increase annually</li><li>• VERF &amp; CIP transfers in FY 2024 – FY 2027 per CIP</li></ul>	<ul style="list-style-type: none"><li>• Structurally balanced budget all years (FY 2023 – FY 2027)</li><li>• Meets 60-day reserve for all years</li><li>• Funds 1.5% COLA, 3.5% STEP, and 10% health insurance increase in all years</li></ul>

# Enterprise Fund Fiscal Forecast

Forecast Category (figures shown in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Beginning Working Capital Balance	\$1.71	\$1.76	\$1.65	\$1.85	\$1.90	\$2.00
Recurring Revenue	\$10.50	\$10.97	\$11.54	\$12.10	\$12.69	\$13.30
Recurring Expense	\$8.07	\$8.30	\$8.56	\$8.83	\$9.11	\$9.41
<b>Structural Balance Factor</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>
Transfer to Debt Service	\$2.13	\$2.12	\$2.11	\$2.11	\$2.11	\$2.01
Transfer to Vehicle and Equipment Replacement Fund	\$0.05	\$0.00	\$0.36	\$0.36	\$0.36	\$0.36
Transfer to Capital Improvement Fund	\$0.20	\$0.66	\$0.30	\$0.75	\$1.00	\$1.00
Ending Working Capital Balance	\$1.76	\$1.65	\$1.85	\$1.90	\$2.00	\$2.53
60-Day Reserve Requirement	\$1.34	\$1.38	\$1.43	\$1.47	\$1.52	\$1.57
<b>Over/(Under) 60-Day Reserve</b>	<b>\$0.42</b>	<b>\$0.26</b>	<b>\$0.43</b>	<b>\$0.43</b>	<b>\$0.48</b>	<b>\$0.96</b>
<b>Rate Increase (water/sewer/solid waste)</b>		5.00%	5.00%	5.00%	5.00%	5.00%

# Debt Service Fund Assumptions and Outcomes

Revenue	Expenditures	Policy Outcomes
<ul style="list-style-type: none"><li>• Property tax revenue:<ul style="list-style-type: none"><li>• Same overall tax rate (\$0.4473)</li><li>• Debt tax rate (\$0.1458)</li><li>• Debt rate down by 2.8% with corresponding increase in M&amp;O rate</li><li>• Taxable value: \$5.1 billion</li><li>• 98% collection rate</li></ul></li><li>• Transfer in from the Enterprise Fund is based on its share of the debt service according to the underlying projects</li></ul>	<ul style="list-style-type: none"><li>• Assumes \$6 million of new debt is issued in FY 2023</li><li>• Any additional debt issuances would increase the overall tax rate</li><li>• Assumes no future refunding activity – refundings could reduce future debt payments</li></ul>	<ul style="list-style-type: none"><li>• Minimal change in fund balance</li><li>• Enterprise Fund pays its portion of bond payments</li><li>• Provides funding for all bond payments</li></ul>

# Debt Service Fund Fiscal Forecast

Forecast Category (Figures shown in millions, except tax rate)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Beginning Fund Balance	\$0.66	\$0.67	\$0.67	\$0.67	\$0.67	\$0.67
Recurring Revenue	\$9.61	\$9.60	\$9.87	\$10.03	\$10.03	\$9.67
Recurring Expense	\$9.61	\$9.60	\$9.87	\$10.03	\$10.03	\$9.67
Net Refunding Activity	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ending Fund Balance	\$0.67	\$0.67	\$0.67	\$0.67	\$0.67	\$0.67
Debt Tax Rate (per \$100 assessed)	\$0.1514	\$0.1458	\$0.1481	\$0.1460	\$0.1411	\$0.1301
Increase/(Decrease) in Debt Tax Rate	(\$0.0044)	(\$0.0056)	\$0.0023	(\$0.0021)	(\$0.0049)	(\$0.0110)
Debt Outstanding	\$104.95	\$104.70	\$98.21	\$91.30	\$84.09	\$76.95