

Fiscal Forecast

City Council – Initial Presentation of FY 2023 Proposed Budget

July 18, 2022

General Fund Assumptions and Outcomes

Revenue

- Property tax revenue:
 - Same overall tax rate (\$0.4473)
 - M&O tax rate (\$0.3015)
 - M&O rate up by 1.9% due to corresponding decrease in debt rate
- Taxable value: \$5.1 billion; 3.5% annual increase in subsequent years
- 98% collection rate
- Overhead transfer from Enterprise fund 3.5% increase FY 2024 – FY 2027
- Sales tax revenues 1% increase FY 2024 – FY 2027
- Residential permits 5% increase FY 2024 – FY 2027
- All other revenues 0-2% increase FY 2024 – FY 2027

Expenditures

- Total salary & benefits increases by 5% annually
- \$150,000 annual vacancy savings
- All other expenditures – 3% increase FY 2024 – FY 2027
- Transfer out \$4.7 million ARPA funds in FY 2023 (to CIP)
- VRF & CIP transfers in FY 2024 – FY 2027 per CIP

Policy Outcomes

- Structurally balanced budget in FY 2023
- Slight structural imbalance in FY 2024 – FY 2027
- Meets 60-day reserve thru FY 2025
- Falls short of reserve in FY 2026 – FY 2027
- Funds 1.5% COLA, 3.5% STEP, and 10% health insurance increase in all years
- Additional revenues or reduced expenditures would be required to maintain structural balance and the 60-day reserve

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
Structural Balance Factor	1.07	1.01	0.99	0.98	0.98	0.99
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
Over/(Under) 60-day Fund Balance Requirement	\$8.10	\$3.31	\$2.01	\$0.33	(\$1.17)	(\$2.49)

M&O Tax Rate (per \$100 assessed)	\$ 0.2959	\$ 0.3015	\$ 0.2992	\$ 0.3013	\$ 0.3062	\$ 0.3172
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Enterprise Fund Assumptions and Outcomes

Revenue

- Water: 5% increase annually
- Wastewater: 5% increase annually
- Solid Waste: 5% increase annually

Expenditures

- Total salary & benefits increases by 5% annually
- \$50,000 annual vacancy savings
- Surface water from Houston – 4% annual increases
- Overhead transfer to General Fund – 3.5% annual increases
- All other expenditures – 0.5% increase annually
- VRF & CIP transfers in FY 2024 – FY 2027 per CIP

Policy Outcomes

- Structurally balanced budget all years (FY 2023 – FY 2027)
- Meets 60-day reserve for all years
- Funds 1.5% COLA, 3.5% STEP, and 10% health insurance increase in all years

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
Structural Balance Factor	1.3	1.3	1.3	1.4	1.4	1.4
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
Over/(Under) 60-Day Reserve	\$0.42	\$0.26	\$0.43	\$0.43	\$0.48	\$0.96
Rate Increase (water/sewer/solid waste)		5.00%	5.00%	5.00%	5.00%	5.00%

Debt Service Fund

Assumptions and Outcomes

Revenue

- Property tax revenue:
 - Same overall tax rate (\$0.4473)
 - Debt tax rate (\$0.1458)
 - Debt rate down by 2.8% with corresponding increase in M&O rate
 - Taxable value: \$5.1 billion
 - 98% collection rate
- Transfer in from the Enterprise Fund is based on its share of the debt service according to the underlying projects

Expenditures

- Assumes \$6 million of new debt is issued in FY 2023
- Any additional debt issuances would increase the overall tax rate
- Assumes no future refunding activity – refundings could reduce future debt payments

Policy Outcomes

- Minimal change in fund balance
- Enterprise Fund pays its portion of bond payments
- Provides funding for all bond payments

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