

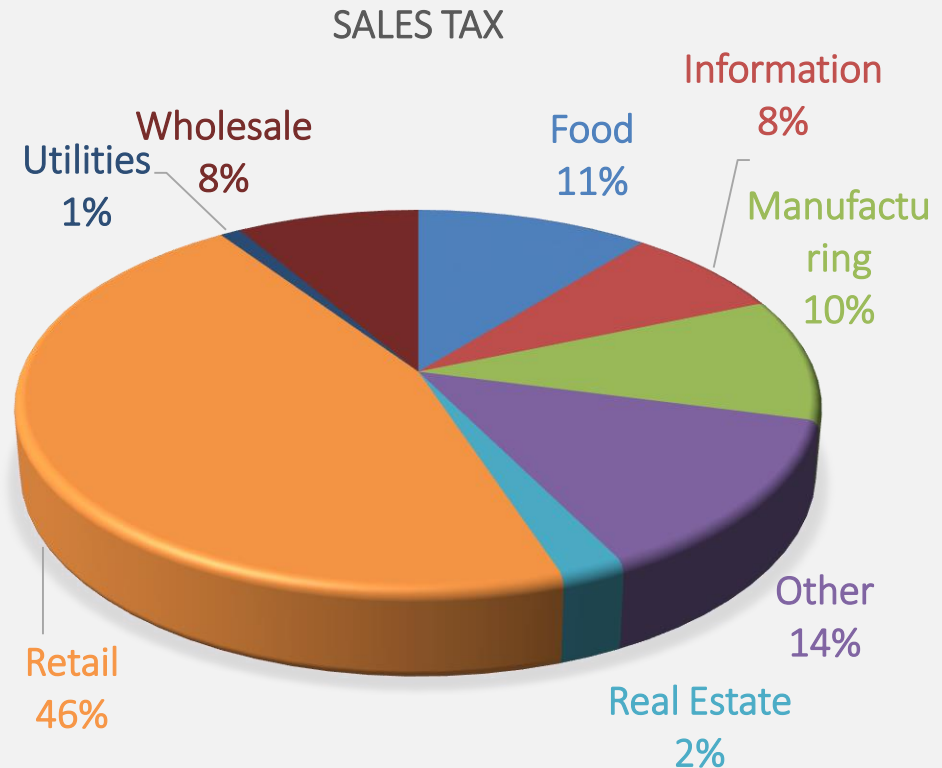
# FY2020 Budget Revenue Forecast, Debt Modeling, and Five Year Tax Supported CIP

# Agenda

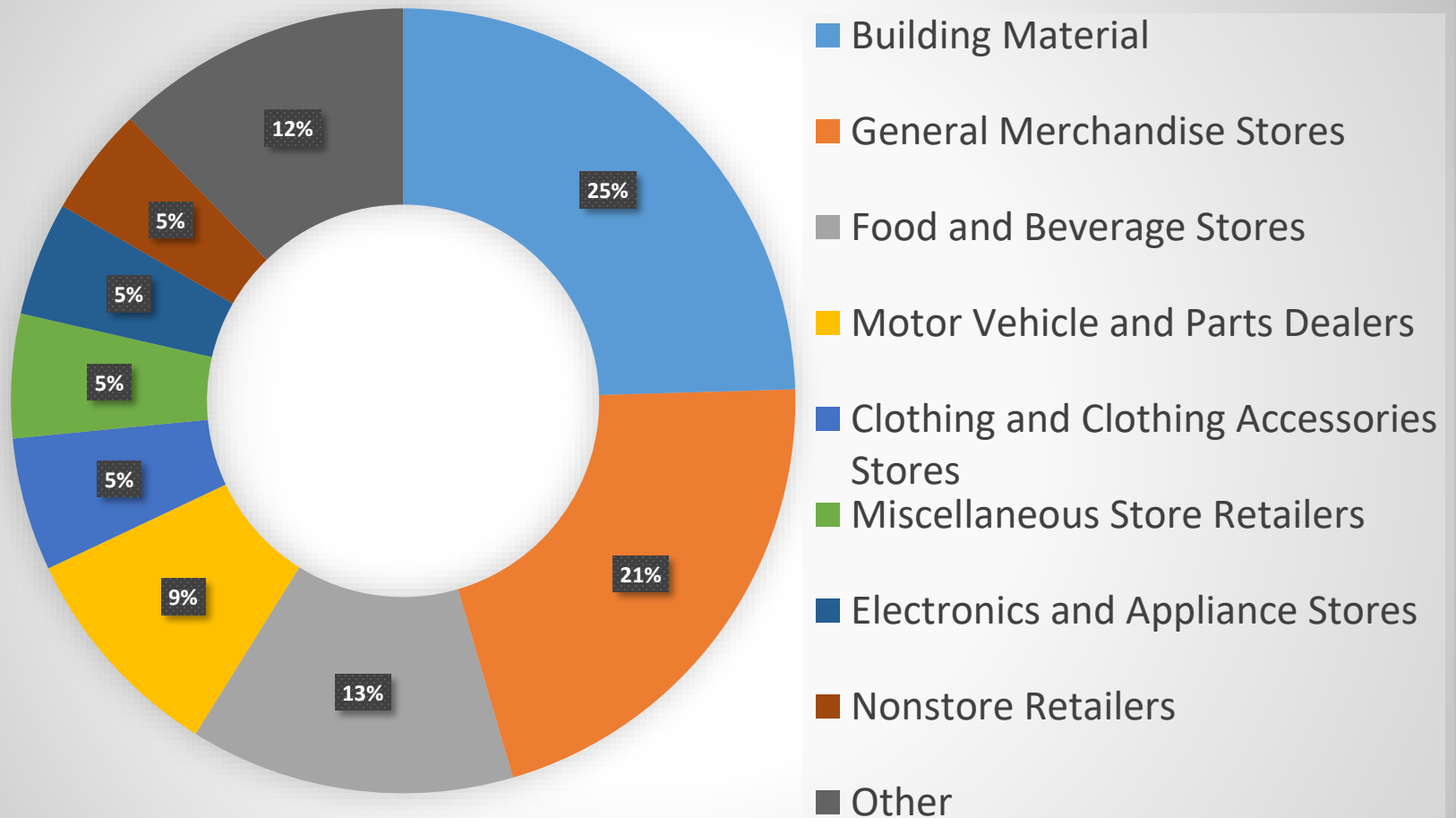
- General Fund Revenue Projections
- FY2020 Assessed Value Trends
- Debt Modeling/CIP Capacity

# Sales Tax Projection

- Sales Tax
  - Largest revenue in the General Fund at 22% of the budget.
  - Primarily driven by the retail, food, information, and manufacturing sectors. These sectors make up about 75% of total sales tax revenue.

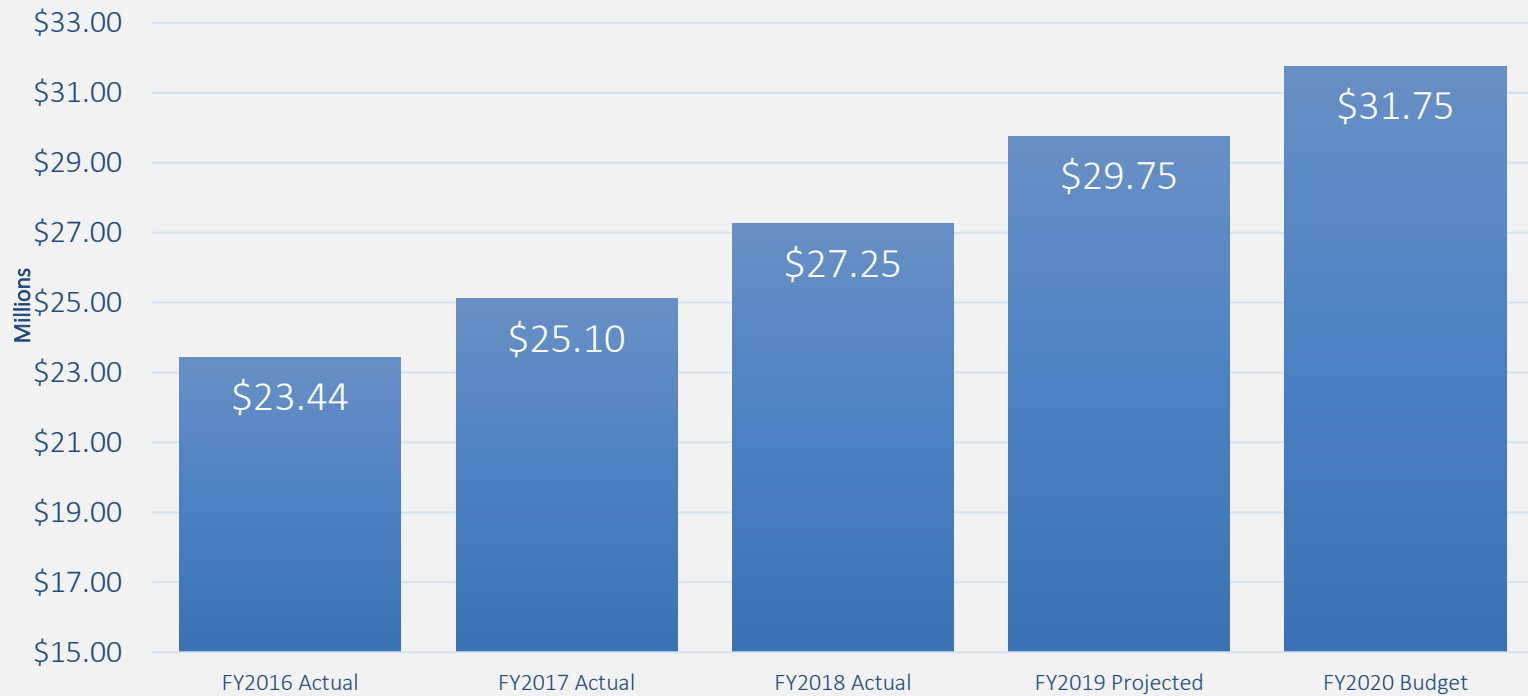


# Retail Sector Breakdown



# Sales Tax Projection

Total Sales Tax Growth (City Wide)

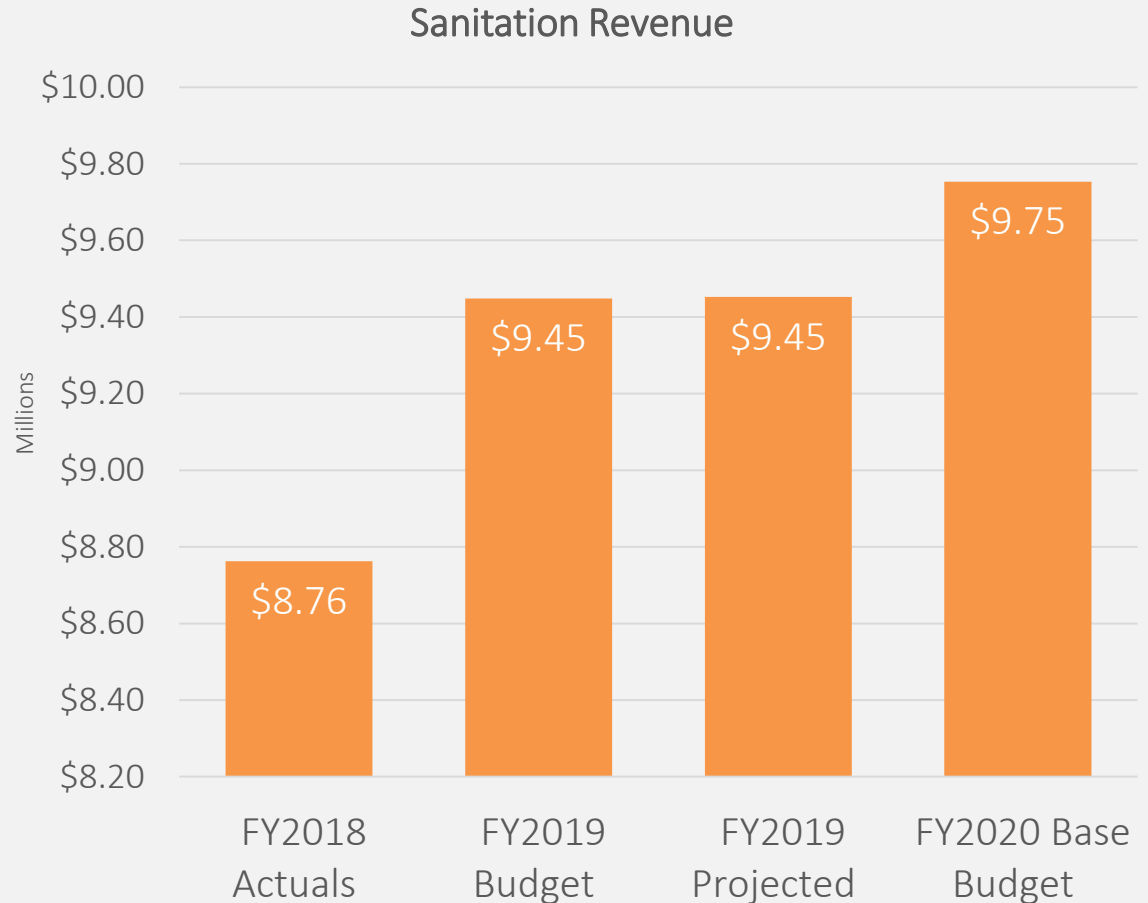


# Sales Tax Projection

- Sales Tax
  - FY2019 Budget: \$28,312,400
  - FY2019 Projection: \$29,750,000 (5% increase)
  - FY2020 Budget: \$31,750,000 (6.7% increase)
    - Continued strong growth in the core sectors
    - New development like Holt Cat, Wolf Crossing, and Academy Sports + Outdoors.

# Sanitation Projection

- Sanitation Revenue represents 13% of total revenues.
- Projected to finish FY2019 at budget.
- FY2020 is budget at \$9.75 million, an increase of 3% over FY2019 projections.



# Return on Investment (ROI)

- ROI Revenue represents 11% of total general fund revenues.
- ROI is comprised of a transfer from the Electric, Water, and Stormwater funds.
- ROI is projected to end FY2019 at \$7.27 million, or 6.4% less than budget.
  - Staff is proposing transferring only \$3.825 M from the Electric Fund instead of the full budgeted amount of \$4.325 M.
- FY2020 Budget:
  - Accounts for natural growth in Water and Stormwater (3% increase)
  - Continues to lower ROI transfer in Electric for FY2020

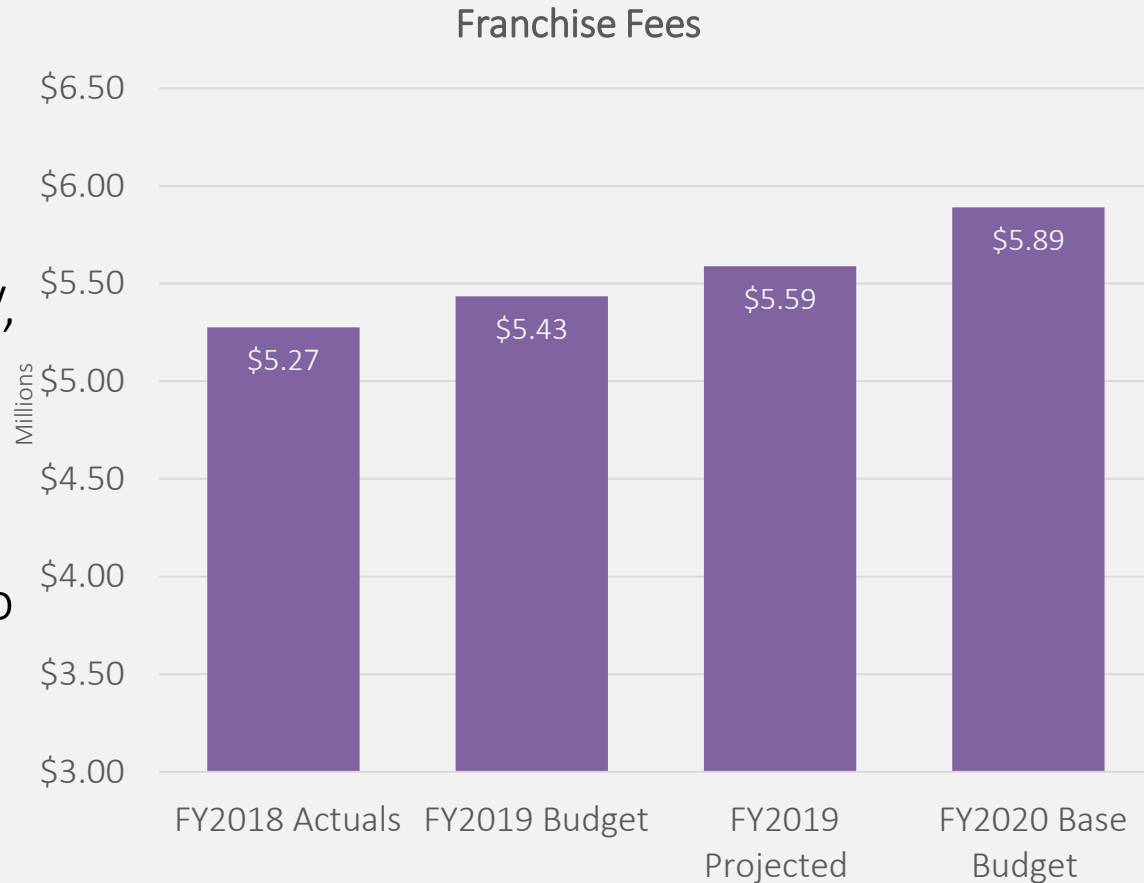


# Fire/EMS Revenue Projection

- This revenue group represents 10% of the general fund.
- It is comprised of ESD 8 Contract (\$3.5 M), EMS transport revenue (\$2.6 M), and SAFER & TASPP grants (\$826,000)
- FY2019 is projected to end less than 1% below budget due to slightly less grant revenue being received.
- FY2020 is budgeted at a 4% increase over FY2019 projections due to an increase in the ESD 8 contract and growth in the EMS system.

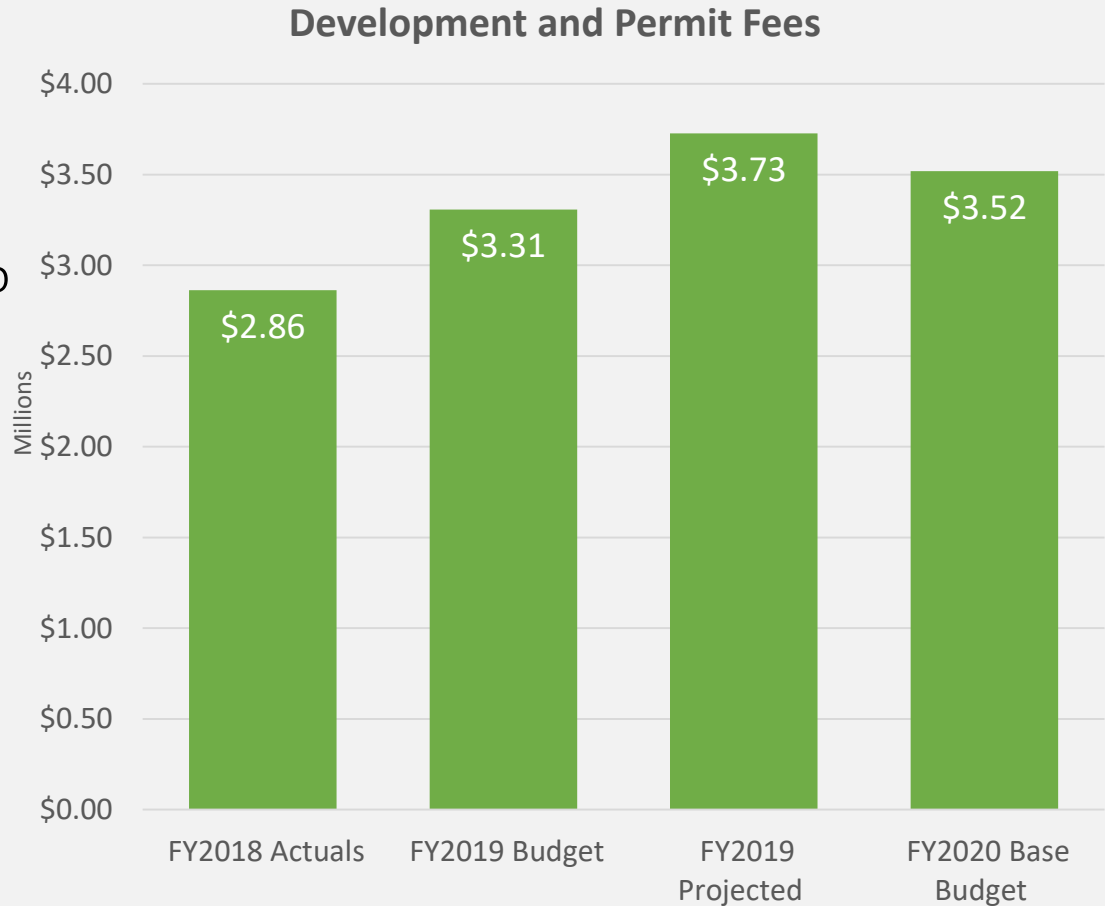
# Franchise Fees Projections

- Franchise Fees represent 8% of the general fund revenues.
- The City collects franchise fees on electric, water, cable TV, gas, telephone (land lines), stormwater, and irrigation.
- Franchise fees in FY2019 are projected to end 3% higher than budget. The FY2020 Budget totals \$5.89 M, or an increase of 5% from FY2019 projections.



# Development Revenue Projections

- Development revenue represents 5% of the general fund revenues.
- Dev. Revenues in FY2019 are projected to end 13% higher than budget due to a one time payment of Master Development fees from MUDs in FY2019 of about \$400,000.
- The FY2020 Budget totals \$3.52 M and continues growth in permits and planning fees.
- After normalizing for the one-time payment, development fees overall are budgeted to increase by 5% relative to FY2019



# Parks and Rec Projections

- Parks and Rec revenues represent 4% of the general fund revenues.
- FY2019 is projected to end at \$2.7 M, a variance to budget of \$251,000. The variance is primarily due to Garey Park revenue which is projected to come in \$175,000 less than budget (1<sup>st</sup> year of operations)
- The FY2020 Budget totals \$2.83 million.

# Property Tax Revenue

- Property tax revenues represents 20% of the general fund revenues.
- FY2019 is projected to end at budget.















# Property Tax Process


- Assessed Value is certified on July 25<sup>th</sup> by Williamson County Central Appraisal District (WCAD).
- After the certification date, City Staff meets with the Tax Assessor Collector's Office and verifies the Truth in Taxation form.
  - This form calculates the effective rate and the rollback rate.
  - State requirement and must be published in the local paper.

# Truth in Taxation

- The *effective rate* is the rate the City would need to charge in order to produce the same amount of property tax revenues as last year while using the new valuations of the current year. Typically, property values appreciate from year to year. In most years, the increased value of a property means a lower tax rate could produce the same amount of revenue. For example, a home valued at \$100,000 with a tax rate of 42 cents would produce \$420 in property tax revenue. If in the following year, the home is now valued at \$105,000, the effective rate would be 40 cents to produce the same \$420 worth of revenue. The effective rate enables the public to evaluate the relationship between taxes for the prior year and for the current year.
- The *rollback rate* is the maximum tax rate the City can set before the taxpayers can petition for an election to reduce the tax rate. After adjustments for debt calculations, the rollback rate is equal to the effective rate times 8%, or in this example 43.2 cents.

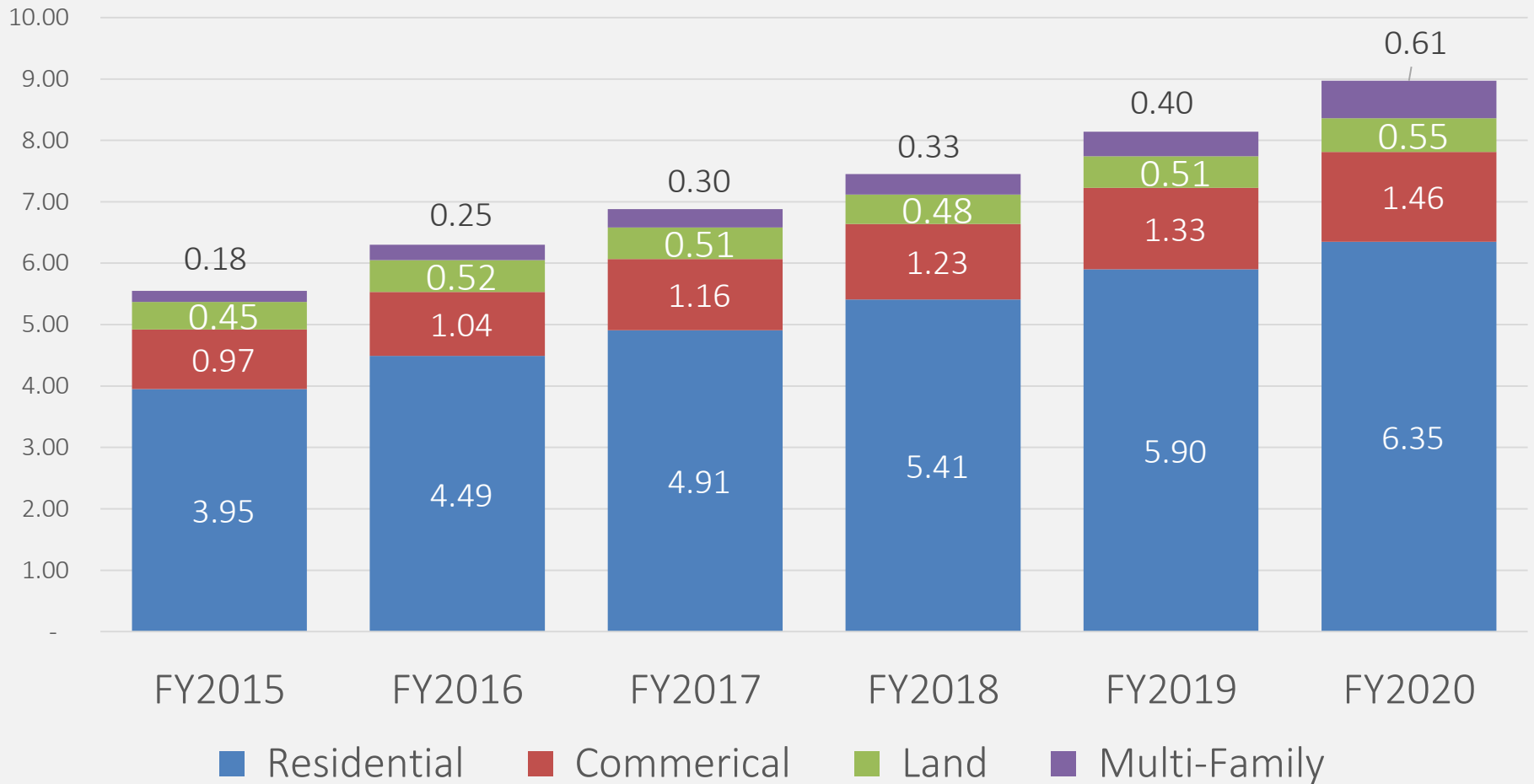
# Truth in Taxation (TNT)

	Existing Assessed Value		Decrease Rollback Rate	
	Sales Tax		Decrease Rollback Rate	
	Debt Service Payments		Increase Rollback Rate	
	Frozen I&S Payments		Increase Rollback Rate	
	TIRZ \$		Increase Rollback Rate	
	New Assessed Value		Increase Rollback Rate	

 = controlled by City Council action



# Market Value by Segment (in billions)



Market Value in Billions					
Fiscal Year	Residential	Commercial	Land	Multi-Family	
FY2015	3.95	0.97	0.45	0.18	
FY2016	4.49	1.04	0.52	0.25	
FY2017	4.91	1.16	0.51	0.30	
FY2018	5.41	1.23	0.48	0.33	
FY2019	5.90	1.33	0.51	0.40	
FY2020	6.35	1.46	0.55	0.61	

# Property Tax Process

- Beginning in late April, WCAD starts posting the Assessed Values for the City. (Open to the public)
- Typically, protest are at their highest in late May

Row Labels	Not under Protest	Under Protest	% Under protest
<b>2019</b>			
5-1	5,384,548,265	897,364,298	14.28%
5-17	5,018,146,512	1,271,575,171	20.22%
<b>5-28</b>	<b>4,025,653,079</b>	<b>2,236,196,741</b>	<b>35.71%</b>
6-5	4,230,872,031	1,993,208,783	32.02%
6-11	4,423,169,441	1,789,756,433	28.81%
6-21	4,666,242,853	1,512,959,835	24.48%
6-25	5,008,619,588	1,164,716,262	18.87%

# What's Changed Since Last Year?

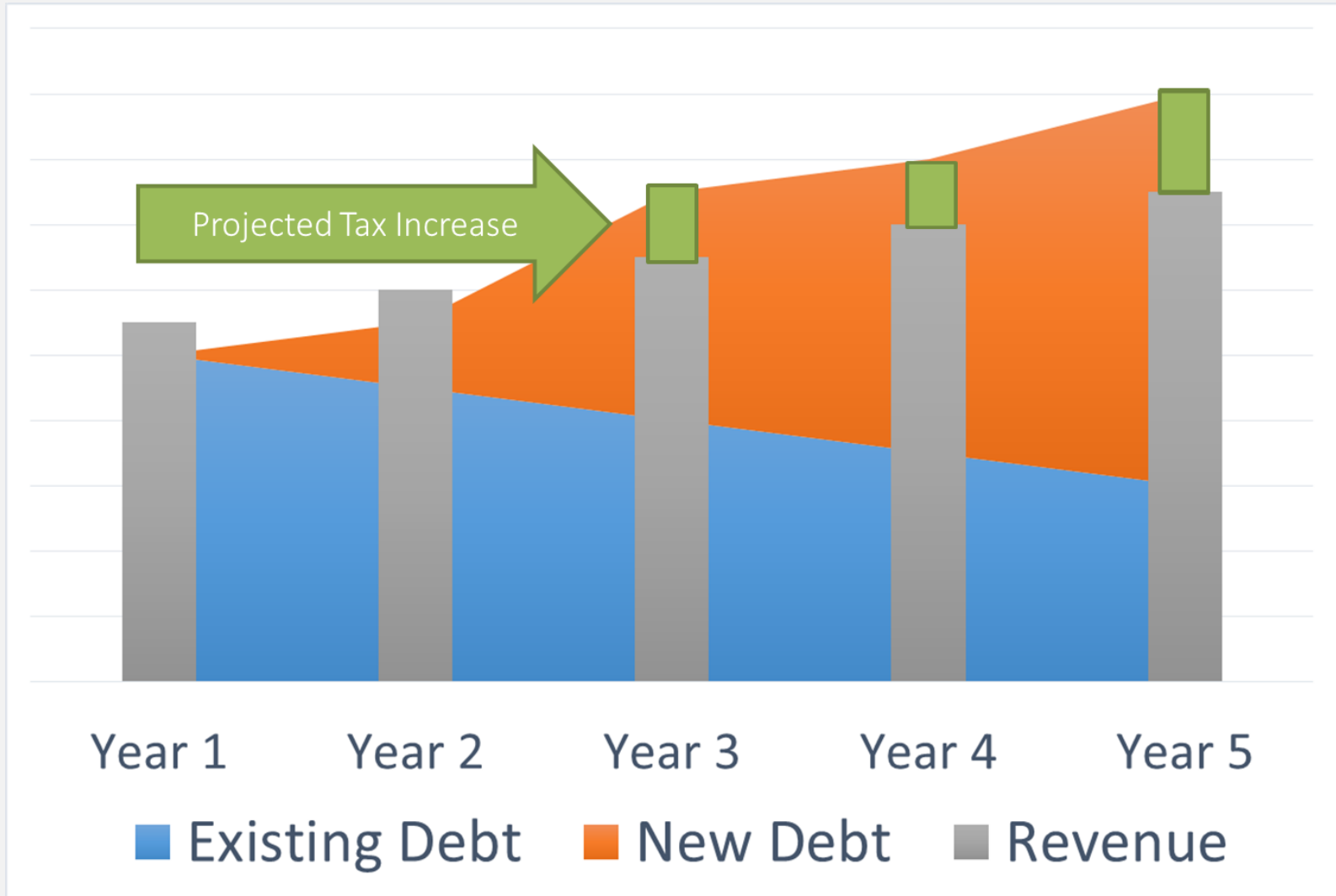
\*\*\*Not Certified Values\*\*\*

Segment	FY2019	FY2020	% Var.
Taxable Value	5,434,192,282	5,652,225,161	4.01%
Tax Ceiling Value	2,602,161,482	2,783,483,757	6.97%
New Value	251,898,659	375,002,284	48.87%
TIRZ Value	234,588,009	356,041,024	51.77%

# Tax Impact Debt Model

- Developed in FY2016, the Five Year Debt Model is a tool to better understand the impacts of issuing debt.
- Allows for scenario testing and the adjustment of multiple variables including assessed value, sales tax, tax rate distribution, and debt service requirements.

# How the Model Works



# Assumptions

- Small changes can have big impacts.
  - Example:
    - \$17,000,000 in revenue.
    - 1% variance is \$170,000.
    - \$1 Million of Debt Capacity = \$67,000 of debt service
    - $\$170,000 / \$67,000 = 2.53$  million of debt capacity.
- Assumptions
  - \$275 M – \$200 M of new growth and 4 - 3% growth in AV. Combined growth is 5 to 6 % growth year over year.
  - 3.5% growth in tax ceiling revenue
  - Distribution of O&M and I&S tax ceiling remains constant.

# What's Changed Since Last Year?

- Last Year:
  - A fiscally constrained CIP which would not have a tax rate impact needed to be sized at \$75 million over five years or about \$15 million a year.
- Current Year:
  - A fiscally constrained CIP with no tax rate impact would be \$85 million over five years or about \$17 million a year.



Project Name	Category	Funding	FY2020
Leander Road (Norwood to South West Bypass)	Streets	2015 GO	3,200,000
Southwestern Blvd.	Streets	2015 GO	2,650,000
Public Safety Vehicles - Fire	Fleet	CO	2,200,000
Intersection Improvements	Streets	2015 GO	1,400,000
Regional Trail Development	Parks	CO	1,275,000
2015 Road Bond Priority 1 - Sidewalks	Streets	2015 GO	1,000,000
Austin Avenue Bridges	Streets	CO	1,000,000
Body Cam	Public Safety - Police	CO	814,038
Northwest Blvd Bridge - ROW	Streets	2015 GO	750,000
Public Safety Vehicles - Police	Fleet	CO	740,200
San Gabriel Park	Parks	CO	600,000
Westinghouse & Scenic Lake Traffic Signal	Streets	2015 GO	600,000
Cardiac Monitors	Public Safety - Fire De	CO	290,000
GMC Remodel	Facilities	CO	250,000
Neighborhood Park Development	Parks	CO	250,000
Public Safety Vehicles - Police New	Fleet	CO	246,000
SCBA Replacement	Public Safety - Fire De	CO	225,000
Parks Master Plan	Parks	CO	200,000
ADA Transition Plan	Parks	CO	150,000
Radio Replacement	Other	CO	129,000
Tennis Center Pool Demolition	Parks	CO	70,000
			<b>18,039,238</b>

**Tax Supported Five Year CIP**

Row Labels	Sum of FY2020	Sum of FY2021	Sum of FY2022	Sum of FY2023	Sum of FY2024
Public Safety - Fire Department	515,000	515,000	300,000	-	-
Public Safety - Police Department	814,038				
Streets	10,600,000	9,700,000	12,000,000	12,400,000	2,000,000
<b>Grand Total</b>	<b>18,039,238</b>	<b>17,723,278</b>	<b>18,514,000</b>	<b>16,491,500</b>	<b>8,474,400</b>

# Next Steps

- Estimate on the effective and the rollback rate at the Budget Workshop.
- Certified tax roll on July 25<sup>th</sup>.

# Questions?

