

Kyle City Manager Presents Budget Framework to Council

The Kyle City Council got its first look at next year's proposed budget at this week's city council meeting when Kyle City Manager, Lanny Lambert, presented a framework of what the council should expect when budget meetings begin in August.

Most notable in the budget were noticeable increases in property taxes and utility rates needed to balance the budget and reverse the trends of past years when the city used fund balances, or savings accounts, to keep rates low.

"This is one of the toughest budgets I've seen in 32 years of being a city manager," said Lambert. "The city has used its savings accounts to keep rates low, especially the property tax rate and our utility rates, for the past several years. Now those funds are at critical levels and we cannot afford to draw them down further. This means that we have no choice but to set rates at a level where everything is fully funded or cut from the budget."

The budget framework as it was presented includes a property tax increase from the current level of 41.54 cents per \$100 of valuation to 49.24 cents, representing an 18.5% increase.

Property taxes are divided into two parts, one part is for the daily operations of the city (the M & O rate), the other is for payment of debts (the Interest and Sinking fund). The M & O rate increases from 21.61 cents to 23.61 cents. The Interest and Sinking fund rate increases from 19.93 cents to 25.63 cents. The Rollback rate, the rate at which voters could petition to have the rate reduced is 50.63 cents.

"Council members and city staff never like to raise rates and consider this action only as a last resort when all other options are exhausted," said Kyle Mayor Lucy Johnson. "We need to take the appropriate actions to be sure that our city is properly funded, while at the same time making sure that our citizens are still getting the best value for their dollars."

Despite the rate increases, the budget is extremely lean. There are no pay raises for city staff except for police who have guaranteed raises in their contract, no new equipment, and no new staff.

The proposed budget does keep the city's general fund reserve account at the level required by the city charter and reduces the transfer from the utility fund by \$100,000 in the first of a five year plan to bring the transfer into an appropriate range.

The utility funds services like water and wastewater, represents another challenge for city staff and council members as funds from this account have also been used to help balance the general fund. In recent years these transfers have grown to the point where they are not sustainable with the fund's revenue and must be reduced to maintain the integrity of the fund.

"I would like to make it clear that the council was not aware that there were payments being made from our fund balances," said Johnson. "Part of this process will be to put safe-guards in place to be sure it does not happen again."

"While a portion from the utility fund would typically go to cover general administrative cost in other supportive departments. The transfer is now exceeding what we can sustain," said Lambert. "In order to balance this fund and make it sustainable, we will need to implement a three to five year plan to increase rates to their appropriate level and reduce the transfer to the general fund."

The proposed budget calls for a water rate increase of 30% for the next fiscal year with additional increases of 20% for the following two fiscal years. The wastewater portion of the utility fund would see similar increases of 25% next

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year with increases of 20% and 10% the following two years.

The total transfer from the utility fund for next year is proposed to be \$1,650,000, a \$97,000 reduction from the current year's transfer.

"We have a lot of good news in Kyle about our growth and our future, especially when compared to how other cities are struggling," said Johnson. "Unfortunately, we are going to have to bite the bullet and make some very tough decisions as we go through this year's budget process and hopefully we will begin a road to recovery that will be healthy and sustainable for many years to come.

Much of the increases are needed to cover debt payments for projects that have improved the city's infrastructure needs during the rapid growth experienced during the last decade. These projects include improvements along Interstate 35, Kyle Parkway, Center Street, Kohler's Crossing, expanded water and wastewater systems, and enhanced technology and communications.

The city council will begin [budget deliberations](#) in August and will have a budget approved by the end of September. Budget documents will be posted on the City of Kyle web site as soon as they become available.

Supporting Documents



[Council Budget Presentation](#)



[Updated budget development calendar](#)



[Budget Notice for Property Tax Rate Increase](#)



[Budget Presentation, August 1, 2011](#)

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