



MEMORANDUM

TO: Mayor and City Council Members

FROM: Bryan Langley, City Manager

DATE: July 26, 2023

SUBJECT: City Manager's Budget Message for Fiscal Year 2023-2024

I am pleased to submit the City's proposed operating and capital budgets for Fiscal Year 2023-2024. The proposed budget for Fiscal Year 2023-2024 has been developed over the last several months with input and feedback from the City Council, City departments, and our community.

The proposed budget incorporates the City Council's priorities for various programs, City services, and capital improvement projects for the upcoming fiscal year. The proposed budget for Fiscal Year 2023-2024 has been developed based on a 5-year financial forecast for the City's major operating Funds. By doing so, the budget will provide a framework to manage the City in a financially sustainable way over the long term planning horizon.

This memorandum provides detailed information pertaining to the budget focus areas, proposed new positions, capital improvement projects (CIP), and other enhancements in City programs and services.

Major Highlights of the Proposed Budget

The overall recommended proposed budget for Fiscal Year 2023-2024 totals \$250.7 million for all City Funds. A comprehensive detailed All Fund Summary and line-item budget is included in the accompanying proposed budget document. The proposed budget for Fiscal Year 2023-2024 includes the following major elements.

1. Addition of thirty-three (33.0) new positions for a total proposed workforce of 390.0 full-time equivalent positions (details provided in Other Significant Budget Items below),
2. For budget development purposes, the property tax rate is assumed at \$0.5082 per \$100 of taxable assessed valuation in the interim. This assumption is subject to change after the 80-step complex tax rate calculations are completed and certified by the Hays County Tax Assessor-Collector based on certified assessed valuations prepared by the Chief Appraiser of the Hays County Central Appraisal

District. We will forward the new property tax rates as soon as we receive this information from the Hays County Tax Assessor-Collector.

3. No reduction in City services,
4. No change in water service rates,
5. No change in wastewater service rates,
6. No change in storm drainage fees,
7. A 2.52 percent increase in solid waste charges per contract terms with Texas Disposal System (TDS),
8. \$2.4 million in funding for new and replacement fleet and other equipment,
9. \$176.6 million funding for Capital Improvements Plan for Fiscal Year 2023-2024 including \$70.4 million from cash funding, and
10. Addition of eight (8) new fees, limited other changes in other fees and charges for miscellaneous City services, details are highlighted and presented in the Fee Schedule.

Budget Focus Areas

In addition to City Council initiated programs and services included, the proposed budget for Fiscal Year 2023-2024 was developed to focus on the following seven areas:

1. Increased Community Engagement
2. Economic Development & Small Business Retention
3. Enhanced Public Safety
4. Increased Street Maintenance & Rehabilitation
5. Strategic Planning
6. Organizational Excellence
7. Market-Based Employee Compensation & Benefits Program

City Council Initiated Program & Service Enhancements Included

Funding for the following City Council requested program and service enhancements have been provided for in the proposed budget for Fiscal Year 2023-2024:

1. Rainwater Collection Barrel Program	\$	25,000
2. Wastewater Treatment Plant Beautification	\$	75,000
3. Waterleaf Park Irrigation Improvements	\$	75,000
4. Mental Health & Behavioral Program	\$	100,000
5. Therapeutic Recreational Specialist Position	\$	76,204
6. Storm Drainage Inspector Position	\$	99,864

7. Public Transportation Program (Uber 3.14)	\$ 300,000
8. Citywide Beautification	\$ 1,000,000
9. TNVR Program	\$ 22,250
10. Hays County Women's Shelter	\$ 15,000
11. Arts in Public Places Program	\$ 65,000
12. Downtown Redevelopment Program	\$ 10,500,000
13. Demolition of Old Police Building	\$ 1,391,720
14. Property Acquisitions	\$ 2,000,000
15. Property Acquisition - Future Park	\$ 4,000,000
16. Park Improvements	\$ 1,915,000
17. Park Parking Lot Improvements	\$ 2,000,000
18. BMX Bike Park	\$ 1,000,000
19. Festive Lighting Parks	\$ 200,000
20. Community Gardens at Post Oak	\$ 210,000
21. Heroes Memorial Park Restrooms	\$ 200,000
22. Dog Park at Waterleaf Park	\$ 75,000
23. Storm Drainage Inspector Position	\$ 106,364
24. Eastside Infrastructure Improvement Plan	\$ TBD
25. E. coli & Nutrient Reduction Study	\$ 250,000
26. Dacy Lane Illumination Project	\$ 1,000,000
27. Goforth Road Reconstruction	\$ 1,128,300
28. Heidenreich Lane Reconstruction	\$ 1,178,800
29. Other Street Improvements	\$ 1,000,000
30. Three Retail Roads in TIRZ #2	\$ 8,000,000
31. Three Roundabouts in TIRZ #2	\$ 4,500,000
32. Temporary Parking Lot in TIRZ #2	\$ 1,000,000
33. Outdoor Nature Center	\$ 400,000 (in 2025)
34. Seton Park Development	\$ 150,000 (in 2025)
35. Community Gardens at Seton Park	\$ 210,000 (in 2025)
36. Kohlers Crossing Illumination	\$ 250,000 (in 2026)
37. Community Center Project (Multi-Purpose)	\$ 250,000 (in 2026)
38. TOTAL:	<u>\$ 44,593,638</u>

Increased Community Engagement

Over the past year, the City has conducted surveys, online forums, and various outreach efforts including Townhall meetings and an open house to obtain community input and feedback on a range of programs, services, capital improvement projects from library, public safety, parks, roadways, transportation, to recreation and dining options.

In addition to conducting a visioning workshop, the City Council has held two budget worksessions in open meetings to obtain public input and feedback on the City's proposed budget for Fiscal 2023-2024.

The surveys and various forms of public input and feedback received throughout the year have formed the basis of my recommendations in the City's proposed budget for Fiscal Year 2023-2024. The proposed budget provides increased funding for community engagement initiatives including:

1. Quarterly information mailers to all residents - \$75,000
2. Council Chamber equipment upgrades - \$30,510

Economic Development & Small Business Retention

The proposed budget for Fiscal Year 2023-2024 provides funding for the City Council's initiatives pertaining to economic development and small business retention program:

1. Strategic plan for Economic Development - \$150,000
2. 1st Year On Us Grant Program - \$25,000
3. Downtown Façade Grant - \$75,000
4. Small Business Retention - \$150,000 (\$50,000 Kyle Cash, \$100,000 for permit fee waivers)

Enhanced Public Safety

Funding is provided in the proposed budget for Fiscal 2023-2024 for enhanced public safety initiatives to include:

1. Six (6) new positions and increased support costs added in the Police Department (complete listing is provided below under Other Significant Budget Items)
2. Meet & Confer agreement year 3 step increases - \$245,422
3. Police staffing study & implementation of study-based recommendations:
 - a. Staffing study - \$100,000
 - b. Implementation - \$250,000

Increased Street Maintenance & Rehabilitation

The proposed budget for Fiscal Year 2023-2024 provides funding for the City Council's high priority road improvement projects:

1. Goforth Road reconstruction (from Casetta Ranch roundabout to Bebee Road) - \$1,128,300

2. Heidenreich Lane reconstruction (from FM 150 to Hays County bridge) - \$1,178,800
3. 2022 Road Bond Program - \$278,800,000 (over 5-years)
4. Kohlers Crossing Rehabilitation - \$1,000,000
5. Dacy Lane Illumination Project - \$1,000,000
6. Other internal City roadways and streets - \$2,000,000 per year
7. Continuation of a Citywide Curb Painting Maintenance Program

Strategic Planning & Organizational Excellence

A significant focus of the proposed budget for Fiscal Year 2023-2024 is on providing long-term financial sustainability for the organization. Accordingly, the proposed budget emphasizes on and highlights the following financial strategies:

1. No rate increase is proposed for the City's:
 - a. Water Utility System
 - b. Wastewater Utility System
 - c. Storm Drainage Utility System
2. Maintains strong fund balances and reserves based on a 5-year financial forecast to ensure budgetary decisions and choices made for Fiscal Year 2023-2024 are also financially viable in the future fiscal years.
3. The 5-year Capital Improvements Plan (CIP) for Fiscal Years 2023-2024 through 2027-2028 totals \$682.6 million of which \$176.6 million is planned for next fiscal year (2023-2024).
4. The \$176.6 million Capital Improvements Plan for Fiscal Year 2023-2024 includes \$70.4 million in cash funding from the following funding sources to provide financial flexibility while avoiding future long-term debt:
 - a. General Fund: \$15.1 million
 - b. Park Development Fund: \$ 5.5 million
 - c. Water Utility: \$21.4 million
 - d. Wastewater Utility: \$15.0 million
 - e. Storm Drainage Utility: \$ 0.5 million
 - f. ARPA Grant: \$12.0 million
 - g. ALM Fee/Hot Fund: \$ 1.0 million
5. Funding is provided for the revision of the City's development code - \$500,000

Market-Based Employee Compensation & Benefits Program

The proposed budget for Fiscal Year 2023-2024 includes funding for the following market-based employee compensation and benefits program:

1. Compensation Study:	\$ 75,000
2. Deferred Compensation Plan Review (457b):	\$ 25,000
3. Market-Based Compensation Adjustments:	\$ 400,000
4. 6% Average Merit Pay:	\$1,064,299
5. Longevity Pay:	\$ 300,317
6. Medical Insurance:	\$3,638,138

We are currently working with the City's health insurance provider to reduce the employees' monthly premium cost for covering their dependents and family members under the medical plans offered by the City.

Presently, the City of Kyle does not contribute towards employees' dependents and or family members medical plans. As a result, the monthly premium rates are unaffordable and cost prohibitive for our employees to enroll their dependents and or family members in the City's medical plan. This creates an uncompetitive benefits program for our employees when compared to our benchmark cities.

Based on our research, a majority of the cities contribute anywhere from 65% to 79% for dependents and family medical plan costs. Our goal is to bring down the employees' contribution rate or cost of premium for dependent and family coverage plans to be in line and competitive with the ten benchmark cities. By doing so, this will provide our employees with affordable healthcare for their families.

The proposed budget for Fiscal Year 2023-2024 includes \$601,585 to provide 65% of the average monthly premium costs for covering our employees' dependents and family members under medical plan options currently offered by the City of Kyle.

Below is a comparison of the current and proposed insurance coverage rates for employees:

	Current Monthly Rates	Estimated* Monthly Rates	\$ Decrease	% Decrease
1 <u>Medical Plan Coverage</u> Employee	\$ -	\$ -	\$ -	0.0%
2 Employee + Spouse	\$ 729.51	\$255.33	\$474.18	65.0%
3 Employee + Children	\$ 518.86	\$181.60	\$337.26	65.0%
4 Employee + Family	\$1,144.90	\$400.72	\$744.18	65.0%

* Rates Subject to Change Based on Final Pricing by City's Insurance Provider.

Other Significant Items Included in the Recommended Proposed Budget

- **Mental Health & Behavioral Assistance Program:** The proposed budget for Fiscal Year 2023-2024 includes \$100,000 for a soon-to-be defined Mental Health & Behavioral Assistance program. Staff is working on developing specific recommendations for City Council's consideration and approval including options for entering into a partnership with an agency in this region that specializes in providing mental health services.
- **Emergency Citywide Voice-Based Siren System:** \$122,878 is included in the recommended proposed budget for Fiscal Year 2023-2024 for the installation of two Emergency Citywide Voice-Based Siren Systems.
- **Public Transportation Program (Uber 3.14):** \$300,000 is included in the proposed budget, this is an increase of \$70,000 for the Public Transportation Program (Uber 3.14).
- **Rainwater Collection Barrel Program:** The recommended proposed budget for Fiscal Year 2023-2024 includes \$25,000 for a Rainwater Collection Barrel Program. Staff will develop and bring forward program guidelines for City Council's consideration and approval prior to implementation.
- **Wastewater Treatment Plant Beautification:** \$75,000 is included in the recommended proposed budget. Staff will develop and bring forward landscaping improvement plans for the City Council's consideration and approval prior to implementation.
- **Increased Efficiency for Building Inspections:** \$1,900,000 in funding is provided in the proposed budget for Fiscal Year 2023-2024 for the 3rd Party Inspection Services Program. This is an increase of \$600,000 from the current approved budget. We believe that the City's inspection services will realize process and speed-oriented efficiencies by increasing the utilization of 3rd party inspectors.
- **Elimination of Three (3) Vacant Positions:** The recommended proposed budget eliminates the currently vacant one (1) Assistant City Manager position (\$240,900), one (1) vacant Management Analyst position (\$106,900), and one (1) vacant Facilities Division Manager position (\$112,500) resulting in approximately \$460,300 in annual recurring savings in the General Fund.

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- **New Positions:** The proposed budget for Fiscal Year 2023-2024 provides \$3.02 million in funding for the addition of the following thirty-three (33) new full-time positions and associated support costs:

Department	Position Title	Total All Funds	Total FTE All Funds
1 Building	Director of Development Services	\$ 199,745	1.00
2 City Manager	Staff Attorney	\$ 290,951	1.00
3 City Manager	Grants Administrator	\$ 119,483	1.00
4 City Secretary	Administrative Assistant	\$ 67,517	1.00
5 Communications	Audio & Film Specialist	\$ 63,155	1.00
6 Engineering	Engineer-in-Training	\$ 93,381	1.00
7 Engineering	Storm Drainage Inspector	\$ 99,864	1.00
8 Beautification	Beautification Technicians	\$ 199,750	3.00
9 Facilities	Building Maintenance Technician	\$ 107,629	2.00
10 Financial Services	City Controller	\$ 179,162	1.00
11 Financial Services	Purchasing Manager	\$ 125,565	1.00
12 Financial Services	Purchasing Technician	\$ 98,202	1.00
13 Library	Outreach Children's Librarian	\$ 74,841	1.00
14 Parks	Assistant Director of Parks & Rec	\$ 143,805	1.00
15 Parks	Certified Therapeutic Recreation Specialist	\$ 75,704	1.00
16 Parks	Recreation Programmer - Athletics	\$ 75,704	1.00
17 Parks	Pool Maintenance Technician	\$ 65,464	1.00
18 Parks	Parks Maintenance Technicians	\$ 189,094	3.00
19 Parks	Maintenance Crew Leader	\$ 70,232	1.00
20 Police	Narcotics Investigator	\$ 88,992	1.00
21 Police	Administrative Asst-HR Specialist	\$ 74,386	1.00
22 Police	Recruiting/Background Investigator	\$ 88,992	1.00
23 Police	Mental Health Officer	\$ 88,992	1.00
24 Police	Equipment Mgr (Quarter Master)	\$ 79,698	1.00
25 Police	Facility/Fleet Coordinator	\$ 79,698	1.00
26 Public Works	Instrumentation Technician	\$ 85,430	1.00
27 Public Works	Water Production Operator	\$ 92,727	1.00
28 Public Works	Wastewater Plant Operator	\$ 92,727	1.00
29	Total New Positions:	\$ 3,110,890	33.00
30			
31	Eliminate Vacant Assistant City Manager	\$ (240,900)	-1.00
32	Eliminate Vacant Management Analyst	\$ (106,900)	-1.00
33	Eliminate Vacant Facility Manager	\$ (112,500)	-1.00
34	Total Position Eliminations:	\$ (460,300)	(3.00)
35			
36	NET TOTAL:	\$ 2,650,590	30.00

- **Formation of a Purchasing & Contract Compliance Work Unit:** A centralized work unit is being recommended with two (2) new full-time positions at an annual cost of \$223,800 to enhance the City's oversight of the purchasing function and related contract compliance. This work unit will be responsible for ensuring compliance with the City's Purchasing Policy and state statutes governing procurement. The centralized purchasing oversight function will safeguard City's interests in attaining best value when procuring goods and services, monitor annual procurement contracts, and manage and track purchase orders issued by the City.
- **New Equipment Additions:** \$2.37 million in funding has been provided in the recommended proposed budget for the purchase of specialized capital equipment including citywide voice-based emergency siren system and various other heavy machinery. A detailed listing by equipment type and City department are highlighted and presented in the New Equipment Listing in the accompanying budget document.

➤ Emergency Management	\$ 122,878
➤ Planning	\$ 7,000
➤ Parks	\$ 332,000
➤ Police	\$ 42,000
➤ Street Maintenance	\$ 330,000
➤ Street Construction	\$ 895,000
➤ Facilities Maintenance	\$ 247,500
➤ Water Operations	\$ 50,000
➤ Wastewater Operations	\$ 10,000
➤ Wastewater Treatment Plant	\$ 70,000
➤ Storm Drainage	\$ 260,000

- **Water and Wastewater Cost of Service & Rate Design Study:** The proposed budget for Fiscal Year 2023-2024 includes \$180,000 for a Cost of Service & Rate Design Study for the City's Water and Wastewater Utility systems. The purpose of a cost of service and rate design study is determining the true cost of service for each customer class and to assist in setting rates to recover the cost responsibility of the respective customer classes in a fair and equitable manner.

In Closing

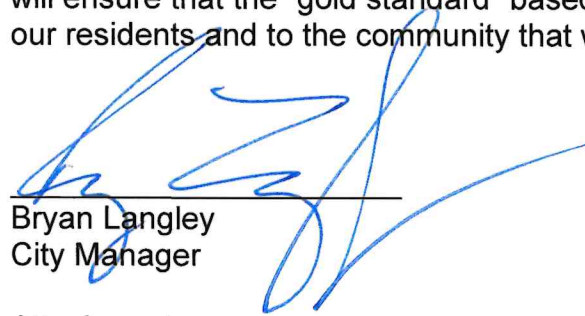
The input and prioritization we received from the City Council has been invaluable in the development of the proposed budget for Fiscal Year 2023-2024. On behalf of all our City employees, I want to express our appreciation for the City Council's support and dedication for meeting the needs and expectations of the residents of the City of Kyle.

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I also appreciate the input, analysis, and assistance from the Assistant City Managers and Department Directors and their staff in the development of the City Manager's recommended proposed budget for Fiscal Year 2023-2024. Specifically, I want to recognize and appreciate the dedication and long workdays put in by the City's Budget & Accounting team in the preparation, development, compilation, and analysis of the proposed budget.

We have ensured adequate financial, personnel, and support resources are provided in the recommended proposed budget for Fiscal Year 2023-2024. With continued investment in our organization, in our City employees, and in our infrastructure systems, I am confident that the accompanying proposed budget for the upcoming fiscal year will position our City to be successful in the future.

With the City Council's continued support and the dedication of our City employees, we will ensure that the "gold standard" based quality services continue to be delivered to our residents and to the community that we proudly serve.



Bryan Langley
City Manager

Attachments

cc: Jerry Hendrix, Assistant City Manager
Amber Schmeits, Assistant City Manager
All City Department Directors
Andy Alejandro, Accounting Manager
Connie Campa, Accounting Manager