City of Kyle, Texas

City Manager’s Presentation of Fiscal Year 2011-12 Proposed Budget

August 1, 2011
Presentation Outline
Proposed FY 2011-12 Budget

- Guiding Principles & Objectives for Budget Development
- All City Funds Budget Summary
- Overview & Budget Highlights – All City Funds
- General Fund Summary & Highlights
  - Sources & Uses of Funds
  - Property Tax
  - Sales Tax
  - General Fund Transfer
  - Significant Changes
- Water & Wastewater Utility Fund Summary & Highlights
  - Sources & Uses of Funds
  - Significant Changes Affecting Rates
- Other City Funds
- Capital Improvements Program (CIP)
- Overview of City’s Debt Position
- Funding For RM 150 Realignment Project
- Next Steps
Guiding Principles & Objectives For Development of Proposed FY 2011-12 Budget

1. Provisions for Delivery of All Basic Municipal Services
2. Priority for Public Safety & Quality of Life Initiatives/Services
3. Full Disclosure, Complete Transparency, & Public Involvement
4. City Council’s Budget Policy Directives
5. Minimize Financial Impact on the Community
6. Improve Financial Integrity of Operating Funds & Fund Balances
7. Compliance With General Fund Balance Requirements
8. Use of Reasonable & Documented Revenue Estimates
9. Complete Accounting of Operating & Capital Expenditures
10. Optimize Deferral of Operating & Capital Expenditures
11. Improve Performance & Financial Accountability
12. Prevent Employee Layoffs
All City Funds Budget Summary: Total $37.0 Million
Proposed FY 2011-12 Budget

- General Fund, $12,340,305, 34%
- Utility Fund, $11,236,800, 30%
- Debt Service, $5,674,130, 15%
- Bond/ICP, $6,834,962, 18%
- Other, $226,268, 1%
- Grants, $686,062, 2%
Overview & Budget Highlights – All City Funds
Proposed FY 2011-12 Budget

1. Provisions for the Delivery of All Basic Municipal Services
2. Increased Funding for Public Safety (Police, EMS & Fire)
3. Funding for Pay Increases for Police Officers
4. No Pay Increases for Regular City Employees
5. Continued Operations and Maintenance of All City Facilities
6. Funding for Library Services Delivered From New Facility
7. Reduction in Utility Transfer to General Fund
8. Reduction in TMRS Contribution Rate From 8.68% to 8.10%
9. Implementation of a 90-Day Hiring Deferral Procedure for Vacancies
10. No New Positions For Departments Except For A City Engineer Position
11. No Layoffs of City Employees
Proposed FY 2011-12 Budget

Budget Summary & Highlights

GENERAL FUND
General Fund
Sources of Funds: Total $12.42 Million
Proposed FY 2011-12 Budget

- Solid Waste, $1,907,450, 15%
- Dev Fees, $526,978, 4%
- Court Fines, $435,000, 4%
- Franchise Fee, $803,800, 6%
- Rec Fees, $326,342, 3%
- Other, $235,590, 2%
- Property Tax, $3,243,800, 26%
- Utility Transfer, $1,635,000, 13%
- Sales Tax, $3,306,400, 27%
Property Tax
Proposed FY 2011-12 Budget

• 2.71% Net Increase in 2011 Certified Property Valuation
• 2011 Certified Property Valuation = $1,362,207,735 (Excluding TIRZ)
• Proposed 2011 Property Tax Rate:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>– Maintenance &amp; Operations</td>
<td>$0.216073</td>
<td>$0.2361</td>
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<tr>
<td>– Interest &amp; Sinking Fund</td>
<td>$0.199326</td>
<td>$0.2484</td>
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<tr>
<td>– Total Tax Rate Per $100/AV:</td>
<td>$0.415399</td>
<td>$0.4845</td>
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</tbody>
</table>

• Proposed 2011 Tax Rate Increase: $0.0691 Per $100 AV
• Impact on Average Home in Kyle: $87.22 or $7.26 Per Month

Average Homestead Value: $127,330
Property Tax Rate History
From FY 1998 – FY 2011

City of Kyle Property Tax Rate History
Fiscal Years 1988 - 2011
Comparison of Property Tax Rates

Comparison of 2010 Property Tax Rates
Per $100 Assessed Valuation

- Buda
- Cedar Park
- Georgetown
- Kyle
- Leander
- Lockhart
- New Braunfels
- Pflugerville
- San Marcos
- Schertz
- Seguin
- Universal City

Graph showing the comparison of property tax rates per $100 assessed valuation for various cities.
Sales Tax
Proposed FY 2011-12 Budget

- 6.00% Growth Rate Assumed Based on Actual Collections in 2011
- Sales Tax Revenue Projected for FY 2012 = $3,306,400
- $318,000 or 10.64% Increase From Approved FY 2011 Budget

3-Year Sales Tax Collection Trend

![Graph showing 3-year sales tax collection trend](image-url)
$2,318,710 Total Projected for All Other Revenue for FY 2012

$146,433 or 6.74% Increase Compared to Approved FY 2011 Budget

Two New Fees Proposed:
  – $2.50 Per Transaction Electronic Payment Processing Fee
  – $2.00 Per Month Solid Waste Administrative Fee

15% Increase in Various Fees & Charges (Details in Fee Schedule)

Breakdown of Other Revenue:
- Franchise Fees $803,800 10.25% Increase
- Court Fines $435,000 15.18% Increase
- Library Revenue $ 47,250 36.60% Decrease
- Development Fees $526,978 9.24% Increase
- Recreation Fees $326,342 0.86% Increase
- Interest & Misc. $177,500 1.79% Increase
General Fund Transfer
Proposed FY 2011-12 Budget

• $1,635,000 Transfer From the Utility Fund for FY 2012
• $97,351 or 6% Reduction in General Transfer Compared to Approved FY 2011 Budget
• 5 to 7 Year Transition Plan to Set General Fund Transfer at 10% of Gross Utility Revenue
• Current Approved Budget Includes $1,732,351 or 20.33% of Gross Utility Revenue for General Fund Transfer
• Proposed General Fund Transfer Amount of $1,635,000 is 18.03% of Gross Utility Revenue
General Fund
Uses of Funds: Total $12.34 Million
Proposed FY 2011-12 Budget

- Public Safety, $4,284,158, 35%
- Community Dev, $1,307,825, 11%
- Administration, $1,380,030, 11%
- Library, $379,783, 3%
- Financial Svcs, $784,857, 6%
- Solid Waste, $1,623,000, 13%
- Street Maint, $635,589, 5%
- Parks & Rec, $1,945,062, 16%
General Fund - Significant Changes
Proposed FY 2011-12 Budget

• $43,000 For Police Officers’ Pay Increase
• $456,500 For Existing 380 Agreements
• $273,886 For EMS - $113,886 Increase
• $29,400 For Kyle Fire Department
• $102,486 For A City Engineer Position
• $33,583 For Increase in Medical Insurance
• $3,577 For Increase in Dental Insurance
• $18,500 Savings in Debt Service From 2011 GO Refunding
• $97,351 or 6% Reduction in General Fund Transfer
General Fund Reserves
Proposed FY 2011-12 Budget

- City Charter Requires 25% of Annual Operating Budget
  - $3,085,076 Based on Proposed Budget
- Debt Management Policy Requires Equivalent of 90 Days of General Fund Expenditures
  - $3,042,815 Based on Proposed Budget
- Proposed Budget Improves Fund Balance for the General Fund
- Compliance With City Charter and Debt Management Policy Requirements
- Projected Ending Fund Balance for FY 2012 = $3,284,957 or 26.62%
Proposed FY 2011-12 Budget

Budget Summary & Highlights
WATER & WASTEWATER UTILITY FUND
Water & Wastewater Utility Fund
Sources of Funds: Total $9.07 Million
Proposed FY 2011-12 Budget

- Wastewater Service, $3,333,200, 37%
- Water Service, $5,652,100, 62%
- Interest/Other, $84,000, 1%
Water & Wastewater Utility Fund
Uses of Funds: Total $11.24 Million
Proposed FY 2011-12 Budget

- **Gen Fund Trf**, $1,635,000 (15%)
- **Debt Service**, $923,793 (8%)
- **Administration**, $937,979 (8%)
- **Wastewater Opns**, $2,349,181 (21%)
- **Utility Billing**, $436,684 (4%)
- **Water Opns**, $1,319,282 (12%)
- **Water Supply**, $3,634,882 (32%)
Water & Wastewater Utility Fund
Budget Summary & Highlights
Proposed FY 2011-12 Budget

- Current Water & Wastewater Rates Are Inadequate to Cover All Required Utility Expenditures
- Funding Gap Analysis Results: Water 67.73% Wastewater 51.45%
- 3-Year Rate Plan Proposed For Water & Wastewater Rates
- 30% Water System-Wide Rate Increase in FY 2012 (Year 1 of 3)
- 25% Wastewater System-Wide Rate Increase in FY 2012 (Year 1 of 3)
- $2,167,500 Funding Gap Even After 1st Year Rate Increase
- Rate Increase Applied to Monthly Charge & Volumetric Rates For All Customers Classes
- Rate Change Will Be Effective October 1, 2011
- Funding Not Included For Next Capacity Expansion at the City’s Wastewater Treatment Plant
Comparison of Average Monthly Residential Bill
Water and Wastewater Service - 2011
$746,533 or 60% Increase For GBRA’s Fixed Costs
  – Treatment/Pipeline Capacity Increasing From 2.64 MGD to 4.94 MGD
$504,000 Increase For Annual Payments to AquaTexas For Wastewater Plant Expansion (Moved to Operating Fund From Impact Fee Fund)
$45,484 or 7.62% Increase For City’s Share of HCPUA Costs
Funding Gap Analysis Results: Water 67.73% Wastewater 51.45%
3-Year Rate Increase Plan Proposed For Water & Wastewater Rates

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<thead>
<tr>
<th></th>
<th>Water</th>
<th>Wastewater</th>
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<tr>
<td>FY 2011-12</td>
<td>30%</td>
<td>25%</td>
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<tr>
<td>FY 2012-13</td>
<td>20%</td>
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<tr>
<td>FY 2013-14</td>
<td>20%</td>
<td>10%</td>
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3-Year Rate Plan Only Covers Funding Gap Thru FY 2012 And Not Beyond
Budget Summary & Highlights

OTHER CITY FUNDS
Other City Funds: Total $13.42 Million
Proposed FY 2011-12 Budget

Proposed Budget Includes Estimated Expenditures Totaling $13.42 Million For All Other City Funds. Expenditure Details Provided in Fund Summary in the Budget Document.

- Police Forfeiture Fund
- Police Special Revenue Fund
- Court Special Revenue Fund
- Hotel Occupancy Fund
- Transportation Fund
- Economic Development Fund
- Library Building Fund
- Debt Service Fund
- TIRZ Debt Service Fund
- Park Development Fund
- 2007 Contractual Obligation Fund
- 2008 Contractual Obligation Fund
- 2009 Tax Notes Fund
- 2010 Contractual Obligation Fund
- Grant Fund
- Other Post Employee Benefit Fund (OPEB)
Capital Improvements Program (CIP)  
Proposed FY 2011-12 Budget  
Total: $846,075

Following Capital Projects Are Included in the Proposed FY 2011-12 Budget:

- $494,000 For Lake Kyle Development
  - $350,000 Funded by Hays County Grant (PARD)
  - $144,000 Funded by TPWD Grant (PARD)

- $37,582 For City Square Park
  - Funded by Hays County Grant (PARD)

- $60,000 For Retrofit of Upper Plum Creek (Spring Branch Channel)
  - $47,276 Funded by TCEQ Grant (Public Works)
  - $12,724 Funded by Water Utility

- $18,169 For Mulch Tube Fencing (Steeplechase Park by Creek)
  - Funded by TCEQ Grant (Public Works)

- $236,324 For Train Depot Renovations
  - $25,000 Funded by PEC Grant (Communications)
  - $211,234 Funded by 2009 Tax Notes
Capital Outlay (Non CIP): Total $35,000
Proposed FY 2011-12 Budget

Following Capital Outlay Items Are Included in the Proposed FY 2011-12 Budget - Funding Provided From the Park Development Fund Balance:

• $4,000 For (1) Flat Bottom Boat
  – Funded by Using Park Development Fund Balance (PARD)

• $17,000 For (1) 72” ZTR Mower
  – Funded by Using Park Development Fund Balance (PARD)

• $14,000 For (1) All Purpose Utility Vehicle (Gator)
  – Funded by Using Park Development Fund Balance (PARD)
Overview of City’s Debt Position and Payments Due:

- $70.84 Million Total Debt Outstanding (Principal Only) on October 1, 2011
- $5,069,260 Due in FY 2012 For Principal & Interest Payments
- $473,417 or 10.3% Increase From Current Year
- $425,000 Offset Applied For Debt Service As Authorized by City Council
  
  **Note:** This is Year 2 of the 4-Year Debt Management Plan
- $1.0 Million Increase in Debt Service Payments in FY 2014
- Plans for Refunding $12.5 Million SIB II Loan (TIRZ) Plus Accrued Interest in Late 2013 to Stabilize Debt Service Increase - Refunding Subject to Financial Market Conditions At the Time
Debt Service Requirements
Proposed FY 2011-12 Budget
Funding for RM 150 Realignment Project
Proposed FY 2011-12 Budget

• As Reviewed With City Council, Reprogramming of Bond Funds Included in the Proposed FY 2011-12 Budget to Fund City’s Share of Estimated Costs for the RM 150 Realignment Project - $4,938,594.
  – $3,000,000 Available and Budgeted in the 2008 Contractual Obligation Fund
  – $603,057 From Balance in RM 150 Lot Fee Accounts (Waterleaf Falls, Woodland Park, Post Oak, and Four Seasons)
  – $656,471 From 2008 Contractual Obligation Fund by Reclassifying IT Costs to 2009 Tax Notes Fund
  – $679,066 From Interest Earnings in the 2007 Contractual Obligations Fund
## Next Steps – Budget Process

**Proposed FY 2011-12 Budget**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>August 1</td>
<td>Proposed Budget Presented to City Council</td>
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<tr>
<td>August 1</td>
<td>Resolution For Consideration of Tax Rate Increase</td>
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<tr>
<td>August 3 - 24</td>
<td>Council Budget Work Sessions &amp; Public Hearings</td>
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<td>August 17</td>
<td>Required Public Hearing on Property Tax Rate</td>
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<td>August 24</td>
<td>Required Public Hearing on Property Tax Rate</td>
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<td>September 6</td>
<td>1st Reading For Budget Adoption</td>
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<td>September 13</td>
<td>2nd Reading For Budget Adoption</td>
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Proposed FY 2011-12 Budget

Detailed Budget Information Available

- Complete Copies of the Proposed Budget Available For Review
  - City Hall
  - Public Library

- PDF Version of the Proposed Budget Available on the City’s Website
  - www.cityofkyle.com