

## FACTORS AFFECTING FY 19/20 BUDGET

### REVENUE:

Property Tax: We are proposing no change to the property tax rate. The current rate is \$.7869 per \$100 valuation. The effective and rollback tax rates are not yet available so we cannot determine if this will have to be advertised as a tax increase.

Sales Tax: Through ten months of the current fiscal year, sales tax revenue is up 2.9% compared to the prior year, but is short of budget projections by 0.1%. For next year, we are projecting a 3% increase over anticipated revenue for the current year. The budget is being set at \$5,707,300 for FY 19/20, an increase of \$127,300 over FY 18/19.

Water Revenue: Consumption Rate:

There are no changes proposed to the water consumption rate. To project consumption revenue for next fiscal year, we used a four-year average. The proposed budget is 3.1% lower than the 2018/2019 budget, or down \$187,766.

Base Rate:

We are proposing an increase of \$3.00 per month to the water base rate for a residential  $\frac{3}{4}$ " meter with proportionate increases for larger meters. Based on our annual survey of twelve comparable cities, this would move us from #9 to #8 in the cost of water to an average residential account (#1 being the highest). This will increase total revenue by \$322,210. An average residential household's monthly base would go from \$25.23 to \$28.23. The reason for the increase is water consumption revenue year-to-date, is down \$644,864 compared to last year or 13.1%. We have not met water consumption revenue projections due to heavy rainfall. Increasing the base rate will insulate the budget from underperformance due to fluctuation in consumption.

Sewer Revenue: We are proposing a 3% increase in sewer rates. This would cause the minimum monthly rate to go from \$26.88 to \$27.68, an increase of 80¢ per month or \$9.60 per year. This will not move us in the ranking of twelve comparable cities, where we would continue to be ranked #9. Total sewer revenue would increase by \$115,794. The reason for the increase is due to lower water consumption. Sewer revenue year-to-date, is down \$293,889 compared to last year or 8.4%. The sewer rates are based upon water consumption over the months of November, December and January.

Sanitation Revenue: We are proposing an increase of 3% to the sanitation rate. This would cause the monthly residential rate to go from \$21.74 to \$22.39, an increase of 65¢ per month or \$7.80 per year. We do not have a survey of comparable cities for sanitation services, because the level of service

differs and many cities have independent contractors. We met with a private contractor recently, and the company said there was no way they could provide twice a week pick-up and free brush and bulky item pick-up at comparable rates. Total sanitation revenue would increase by \$96,000. The reason for the increase is to cover the cost of service delivery. We are proposing the purchase of a new brush truck with grapple.

**Landfill Gate Rate:** We are proposing an increase of \$2.00 per ton. The gate rate would go from \$42 per ton to \$44. Based on a survey of rates charged by other landfills, this still leaves us in the middle of the rate structures used at other landfills.

**IMPACT:**

**Average Residential:** Based upon the proposed rate increases, the impact to the average residential customer will be \$4.45 per month on their utility bill or \$53.40 annually.

## **EXPENSES:**

- Pay Raises:** A 2% pay raise for non-civil service employees is being proposed. This will add approximately \$204,290 to the budget. We are formulating a performance-based criteria for the raises, instead of across-the-board.
- Meet & Confer:** Civil service (Fire and Police) pay is proposed as a minimum 2% increase, plus additional raises for a total of \$124,170.
- Fleet Replacement:** Phase 2 of the Enterprise fleet replacement program will replace 17 vehicles in the current year, including 4 Tahoe police vehicles and 13 in the white fleet. The budget will increase by \$74,062 for current year lease payments, savings on fuel and maintenance and trade-in value for vehicles being replaced. The budget will also increase by \$66,232 for Phase 1, since we have twelve payments in the second year and will not have trade-in values and other savings to offset the cost.
- Automated Meter Reading (AMR):** We have included software and additional meters to implement the first phase of AMR this year. The increase to the budget is \$80,000. We plan on utilizing budget funds over five years to complete the project in lieu of debt issuance.
- Fire:** Overall costs increased by \$115,178, most of which was in capital costs, including replacement of out-of-date safety equipment.
- Landfill:** Overall costs increased by \$154,125. This was due to including a guaranteed buyback of \$175,000 in the budget for a D8 Dozer that is paying off this year. This amount is offset on the revenue side for the payment from the vendor.
- Potential Tax Note:** This budget included cuts of \$1,171,300 for facility improvements that are needed and were requested by department heads. We will be proposing a tax note in the upcoming year to fund some or all of these costs. These include items that we have been discussing such as resurfacing the Camp Bowie Aquatic Center pool, remodeling at Fire Station 2, replacement of the HVAC system at the Coliseum and replacing concrete piers at the Adams Street Community Center. If Council is willing to consider a tax note to fund these improvements, then the proposed budget can go forward. If not, we will have to make modifications because some of these items cannot wait.
- Budget Adjustments:** The budget process began with Department Head requests, which resulted in a beginning deficit of \$4,846,794 after initial revenue projections. After meetings with Department Heads, expenditure requests were cut by \$3,995,756. Revenue projections due to rate increases and other adjustments increased revenue by \$857,211. This resulted in a balanced budget.