

COUNCIL BUDGET WORKSHOP

Overview of the
Economic Development Fund
and Utility Funds

August 16, 2017

ECONOMIC DEVELOPMENT FUND P.99

➤ Fund Balance

- Maintain unassigned fund balance equal to 35% of operating expenditures, surplus considered for one-time expenditures.
- Operating expense (*less capital and grants*) = \$403,339
- Recommended reserve level = \$141,169
- Projected fund balance at 9/30/18 = \$173,585

➤ Sales tax

- Increase in sales tax in FY2015-2016 was 31.7%
- Projected increase in sales tax FY 2016-2017 is 13.3%
- Forecasted increase in sales tax FY 2017-2018 is 8.6%

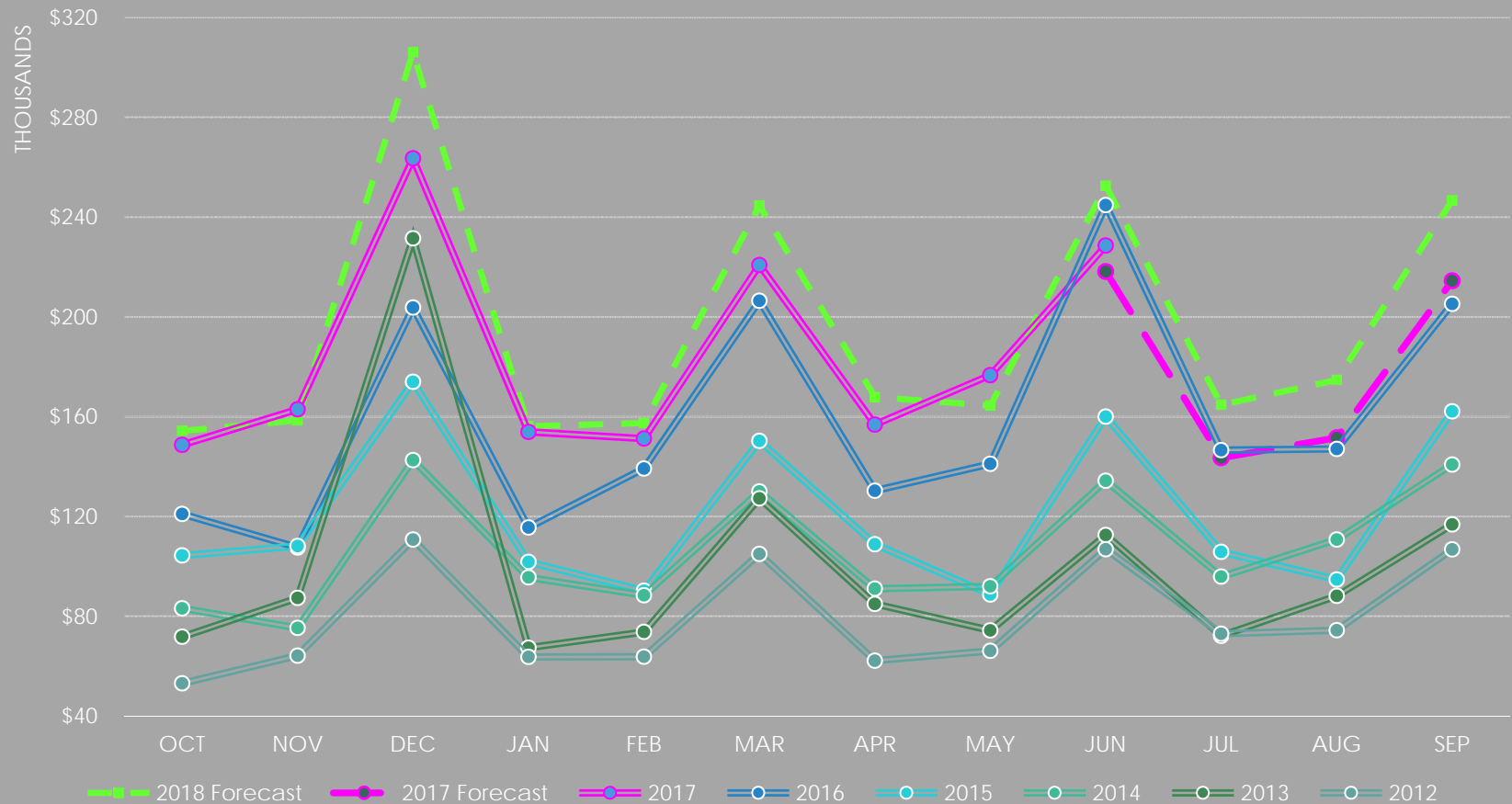
➤ EDC Activity Highlights

➤ Capital Outlay

- Wayfinding Signs and Old Town Sidewalk Improvements
- Old Town District Enhancements *FY 2017-2018* \$ 86,000

SALES TAX

MONTHLY SALES TAX HISTORY BY FISCAL YEAR YTD DATA, FORECASTS AND LAST FIVE YEARS



ECONOMIC DEVELOPMENT P. 103

| | FY 2016-2017 Current Budget | FY 2017-2018 Proposed Budget | \$ Difference | % Difference |
|------------------------------------|-----------------------------------|------------------------------------|------------------|---------------|
| Salaries and Benefits | \$188,913 | \$193,994 | \$ 5,081 | 2.7% |
| Services, Utilities and Training | 74,035 | 66,215 | (7,820) | (10.6%) |
| General Supplies and Repairs | 14,600 | 14,150 | (450) | (3.1%) |
| Other Expenses | 175,000 | 168,300 | (6,700) | (3.8%) |
| Transfers | 440 | 680 | 240 | 54.5% |
| Recurring Operating Expense | \$452,988 | \$443,339 | (\$9,649) | (2.1%) |
| Capital and Non-capital | 82,000 | 86,000 | 4,000 | 4.9% |
| Total Expense | \$534,988 | \$529,339 | (\$5,649) | (1.1%) |

Operating expenses are decreasing in the proposed budget related to a decrease in contractual costs and anticipated grant funding. Increases are related to personnel costs and capital funding, which includes \$86,000 for Old Town District Enhancements.

UTILITY FUNDS



UTILITY FUND WORKING CAPITAL

➤ Guidelines

- Maintain working capital equivalent of 35% of operating expenditures.
- Debt covenant – build up debt service reserve to \$723,223 (*through November 2017*)

➤ Operating expenses (*less nonrecurring*) = \$11,086,387

- 35% = \$3,880,236
- FYE 9/30/17 working capital ~ \$2,929,615 (*\$640k less than anticipated when preparing the FY 16-17 budget, due to less than anticipated water consumption in FY 15-16 and FY 16-17*)

UTILITY FUND REVENUES P. 79

| Revenue Category | FY 2016-2017 Current Budget | FY 2017-2018 Proposed Budget | \$ Difference | % Difference |
|-----------------------------------|-----------------------------------|------------------------------------|------------------|-----------------|
| Water services ① | \$4,267,000 | \$4,335,600 | \$68,600 | 1.6% |
| Wastewater services ② | 2,910,000 | 3,187,900 | 277,900 | 9.5% |
| Garbage & recycling services ③ | 2,639,000 | 2,829,000 | 190,000 | 7.2% |
| Other fees | 603,250 | 632,200 | 28,950 | 0.7% |
| Interest and miscellaneous ④ | 82,600 | 91,700 | 9,100 | 4.8% |
| Other sales | 6,000 | 6,000 | 0 | 0.0% |
| Intergovernmental and Transfers ⑤ | 75,000 | 0 | (75,000) | (100.0%) |
| Total Utility Revenues | \$10,582,850 | \$11,082,400 | \$499,550 | 4.7% |

- ① Related to changes in rate structure.
- ② Continued residential and commercial account growth, no rate increase is proposed.
- ③ Continued residential and commercial account growth, no rate increase is proposed.
- ④ Slight increase in investment rates.
- ⑤ Prior year transfers were for an allocable share of facility improvements from other funds.

REVENUE PROJECTIONS

- Water Revenues – rate structure changes result in increase to water revenue
 - Residential
 - No growth in our water CCN area.
 - Commercial
 - Expected continued growth/development.
- Wastewater Revenues
 - Continued growth in customer base.
 - Although costs of services have increased, the wastewater rate structure fully covers the cost of service.
- Solid Waste Revenues
 - Continued growth in customer base.

RATE STRUCTURE CHANGES

➤ Residential

| | Current | Proposed |
|--|---------|----------|
| Discounted base rate < 1,200 gallons | \$12.50 | \$12.50 |
| Base rate | \$25.00 | \$25.00 |
| Gallons included in base at no additional cost | 3,000 | 1,200 |
| 1,200 - 3,000 | 0.00 | 5.50 |
| 3,000 - 7,000 | 5.20 | 5.50 |
| 7,000 - 12,000 | 6.50 | 7.00 |
| 12,000 - 15,000 | 7.80 | 7.00 |
| 15,000 - 20,000 | 9.10 | 8.50 |
| 20,000 - 30,000 | 10.50 | 8.50 |
| 30,000 - 50,000 | 17.75 | 10.00 |
| 50,000 + | 26.00 | 12.50 |

RATE STRUCTURE CHANGES

➤ Commercial

| | Current | Proposed |
|--|---------|---------------------|
| Base Rate | \$30.00 | Based on meter size |
| Gallons included in base at no additional cost | 3,000 | 1,000 |
| 1,000 - 3,000 | 0.00 | 5.50 |
| 3,000 - 7,000 | 5.90 | 5.50 |
| 7,000 - 12,000 | 5.90 | 7.00 |
| 12,000 - 15,000 | 7.09 | 7.00 |
| 15,000 - 20,000 | 10.63 | 8.50 |
| 20,000 - 30,000 | 10.63 | 8.50 |
| 30,000 - 50,000 | 17.75 | 10.00 |
| 50,000 + | 26.00 | 12.50 |

UTILITIES ADMINISTRATION P. 81

| | FY 2016-2017 Current Budget | FY 2017-2018 Proposed Budget | \$ Difference | % Difference |
|----------------------------------|-----------------------------------|------------------------------------|------------------|-----------------|
| Salaries and Benefits | \$170,529 | \$173,453 | \$2,924 | 1.7% |
| Services, Utilities and Training | 126,750 | 125,050 | (1,700) | (1.3%) |
| General Supplies and Repairs | 54,750 | 47,600 | (7,150) | (13.1%) |
| Other Expenses | 4,666,209 | 5,203,058 | 536,849 | 11.5% |
| Water Contracts | 2,978,000 | 3,208,800 | 230,800 | 7.8% |
| Transfers for IT replacement | 1,020 | 920 | (100) | (9.8%) |
| Total Expense | \$7,997,258 | \$8,758,881 | \$761,623 | 9.5% |

Water supply contracts have increased by bond payments on Wells Ranch II, as well as passed-through increases from GBRA and CRWA for treatment costs and administrative costs. These are contractual fixed costs that are allocated based on our share of the total acre feet available. The number of residential water customers remains relatively unchanged as residential construction occurs outside of our water CCN. Increases in CCMA of 6.9% for wastewater treatment are fully covered by the current rate structure. No increase is expected for solid waste collection other than anticipated customer growth.

UTILITIES OPERATIONS – WATER P. 83

| | FY 2016-2017 Current Budget | FY 2017-2018 Proposed Budget | \$ Difference | % Difference |
|------------------------------------|-----------------------------------|------------------------------------|-------------------|-----------------|
| Salaries and Benefits | \$543,809 | \$498,728 | (\$45,081) | (8.3%) |
| Services, Utilities and Training | 65,100 | 77,550 | 12,450 | 19.1% |
| General Supplies and Repairs | 86,810 | 102,800 | 15,990 | 18.4% |
| Transfers | 43,280 | 46,368 | 3,088 | 7.1% |
| Recurring Operating Expense | \$738,999 | \$725,446 | (\$13,553) | (1.8%) |
| Capital and Non-Capital | 245,230 | 233,250 | (11,980) | (4.9%) |
| Debt Service | 0 | 0 | 0 | 0.0% |
| Total Expense | \$984,229 | \$958,696 | (\$25,533) | (2.6%) |

Recurring operating expense decreased by 1.8% due to the shift of one staff person from water operations to wastewater operations. The decrease in salaries is offset by increases in other categories for utilities related to the new infrastructure constructed in the current year and expected to be in service in FY 17-18 and maintenance costs related to older equipment and systems. Capital costs are related to transponder replacement which have reached the end of their battery lives.

UTILITIES OPERATIONS – WASTEWATER P. 85

| | FY 2016-2017 Current Budget | FY 2017-2018 Proposed Budget | \$ Difference | % Difference |
|------------------------------------|-----------------------------------|------------------------------------|------------------|-----------------|
| Salaries and Benefits | \$193,971 | \$275,394 | \$81,423 | 42.0% |
| Services, Utilities and Training | 20,250 | 27,755 | 7,505 | 37.1% |
| General Supplies and Repairs | 46,450 | 54,100 | 7,650 | 16.5% |
| Transfers | 28,440 | 30,912 | 2,472 | 8.7% |
| Recurring Operating Expense | \$289,111 | \$388,161 | \$99,050 | 34.3% |
| Capital and Non-Capital | 51,400 | 5,750 | (45,650) | (88.8%) |
| Debt Service | 62,266 | 45,649 | (16,617) | (26.7%) |
| Total Expense | \$402,777 | \$439,560 | \$36,783 | 9.1% |

Recurring operating expense increased by 34.3% due to the shift of one staff person from water operations to wastewater operations. Other increases include contract services and maintenance costs related to older equipment and systems. Reduction in debt service costs is due to a smaller final payment on a lease financing agreement for the sewer combo truck.

NON-DEPARTMENTAL P. 87

| | FY 2016-2017 Current Budget | FY 2017-2018 Proposed Budget | \$ Difference | % Difference |
|------------------------------------|-----------------------------------|------------------------------------|------------------|-----------------|
| Services, Utilities and Training | \$600 | \$500 | (\$100) | (16.7%) |
| Recurring Operating Expense | \$600 | \$500 | (\$100) | (16.7%) |
| Capital and Non-Capital | 100,000 | 0 | (100,000) | (100.0%) |
| Debt Service | 925,968 | 928,752 | 2,784 | (0.3%) |
| Total Expense | \$1,026,568 | \$929,252 | \$97,316 | (9.5%) |

Non-departmental costs in the utility fund are largely related to revenue bond payments and are fixed.

DRAINAGE UTILITY DISTRICT P. 89

- The Drainage Utility District was created in 2011 to establish funding for maintenance of the City's drainage ways.



DRAINAGE OPERATIONS P. 95

| | FY 2016-2017 Current Budget | FY 2017-2018 Proposed Budget | \$ Difference | % Difference |
|------------------------------------|-----------------------------------|------------------------------------|------------------|-----------------|
| Salaries and Benefits | \$295,862 | \$389,884 | \$94,022 | 31.8% |
| Services, Utilities and Training | 49,900 | 50,200 | 300 | 0.6% |
| General Supplies and Repairs | 66,410 | 77,300 | 10,890 | 16.4% |
| Other Expenses | 102,336 | 13,112 | (89,224) | (87.2%) |
| Transfers | 55,220 | 31,860 | (23,360) | (42.3%) |
| Recurring Operating Expense | \$569,728 | \$562,356 | (\$7,372) | (1.3%) |
| Capital and Non-Capital | 35,630 | 44,151 | 8,521 | 23.9% |
| Debt Service | 40,709 | 29,844 | (10,865) | (26.7%) |
| Total Expense | \$646,067 | \$636,351 | (\$9,716) | (1.5%) |

Recurring operating expense decreased by 1.3% overall. Increased personnel costs related to the addition of 2 staff members is offset by a decrease in other expenses which included an anticipated payment to SSLGC for the Town Creek Drainage project which is ultimately not necessary. Capital costs include a tractor and a new crew truck for the additional staff. Reduction in debt service costs is due to a smaller final payment on a lease financing agreement for the street sweeper.