



CITY OF WACO TEXAS



BUDGET IN BRIEF 2020 - 2021

A MESSAGE FROM THE CITY MANAGER

Dear Waco Residents,

I am pleased to present this “Budget in Brief” which is a summary of the formal adopted budget for the 2021 fiscal year which began on October 1, 2020 (the City’s ‘business’ or fiscal year runs from October 1st to September 30th each year).

The COVID-19 pandemic has made the last 10 months difficult and challenging for all Wacoans. Throughout the pandemic, the City Council and staff have focused on being good stewards of our citizen’s tax dollars, continuing to provide the quality services our citizens expect, and a brighter future awaiting the end of the pandemic.

During 2020, the City Council adopted strategic goals for the City of Waco to help guide the City into the future. The 2021 fiscal year’s adopted budget is built upon those strategic goals illustrated below.



Build a High Performing
City Government



Create a Culture
of Equity



Enhance
Quality of Life



Facilitate Economic
Development



Improve
Infrastructure



Provide a Safe
and Vibrant City



Support Sustainability
& Resiliency

These goals illuminate paths forward toward realization of the City Council’s vision for Waco:

*Our home: where everyone belongs and thrives
while moving forward together.*

Upon my becoming City Manager in mid-July of 2020, the City Council and I worked together to include in the Fiscal Year 2021 budget several specific program enhancements to propel the City forward toward realization of many of the City's strategic goals.

Enhancements include:

Providing a Safe & Vibrant City

- \$1.5 million to create a Community Policing initiative in the Police department
- \$600,000 for the replacement of 7 pieces of Fire Department apparatus

BUDGET FACT: The City collects less in property taxes (\$66.3 million) than the combined costs to run the Police (\$43.6 million) & Fire (\$27.9 million) departments.

Facilitating Economic Development

- \$250,000 increase in the City's contribution to the Waco-McLennan County Economic Development Corporation
- \$300,000 to leverage other funds in providing small business development loans

Building a Culture of Equity

- \$125,000 and a new position to support and facilitate equity initiatives
- Approximately \$400,000 from assignment reserves to facilitate greater utilization of minority and women-owned businesses in Waco and to begin development of a STEAM program in Waco.



Enhance Quality of Life

- \$225,000 for a Neighborhood Vitality Initiative to breathe new life into our neighborhoods and to improve communication and cooperation with Neighborhood Associations throughout Waco
- \$350,000 to update our Master Plan for the city's Park, Recreation and Trail amenities
- \$1.05 million for Park improvements including acquisition of parkland in the China Spring area

High Performing City Government

- \$1.5 million in compensation for City employees. Utilization of these funds is dependent upon our identification of equivalent cost savings and stability of our sales tax revenues.
- \$178,000 to expand our technological capabilities to provide data and information to our citizens via website dashboards and other reports that promote transparency.
- \$127,000 to fund a management development program to grow new leaders to replace management level personnel as they retire and transition out of City employment.

Improve Infrastructure

- Plans to fund over \$110 million in capital improvements in the City's water, sewer, streets and parks system.

These initiatives represent our first efforts to make the City Council's vision and strategic goals for Waco a reality. While I am excited to implement these new initiatives on the City Council's behalf, I share their

excitement that these initiatives are being funded with no increase to the City's property tax rate. The City's property tax rate of \$.776232 cents remains unchanged since 2014.

Certain fees for service will be increasing. Beginning in January, new water and sewer rates will take effect. The new rate structure aligns with the Council's goal of creating a culture of equity. With this new rate structure, thousands of customers with below average consumption will see their bills decrease. These fee adjustments are necessary to improve the City's water and wastewater system to ensure its functionality and safety for years to come. Over in the Zoo Fund, customers will see a 50-cent admission increase across all customer classes. This fee increase is expected to raise over \$100,000 of new revenue in the fund. Smaller fee adjustments in Parks, Traffic, and the Airport are also included in the FY21 Budget. A comprehensive list of these changes is provided in the Fee Schedule, an appendix of the budget.



Based on the priorities addressed, identified, and discussed above, the FY21 adopted budget totals \$500.4 million. Of the total, \$366.4 million is for operations and \$134 million is for capital projects and debt service. The FY21 adopted budget has been developed in keeping with the Council's priorities for Waco.

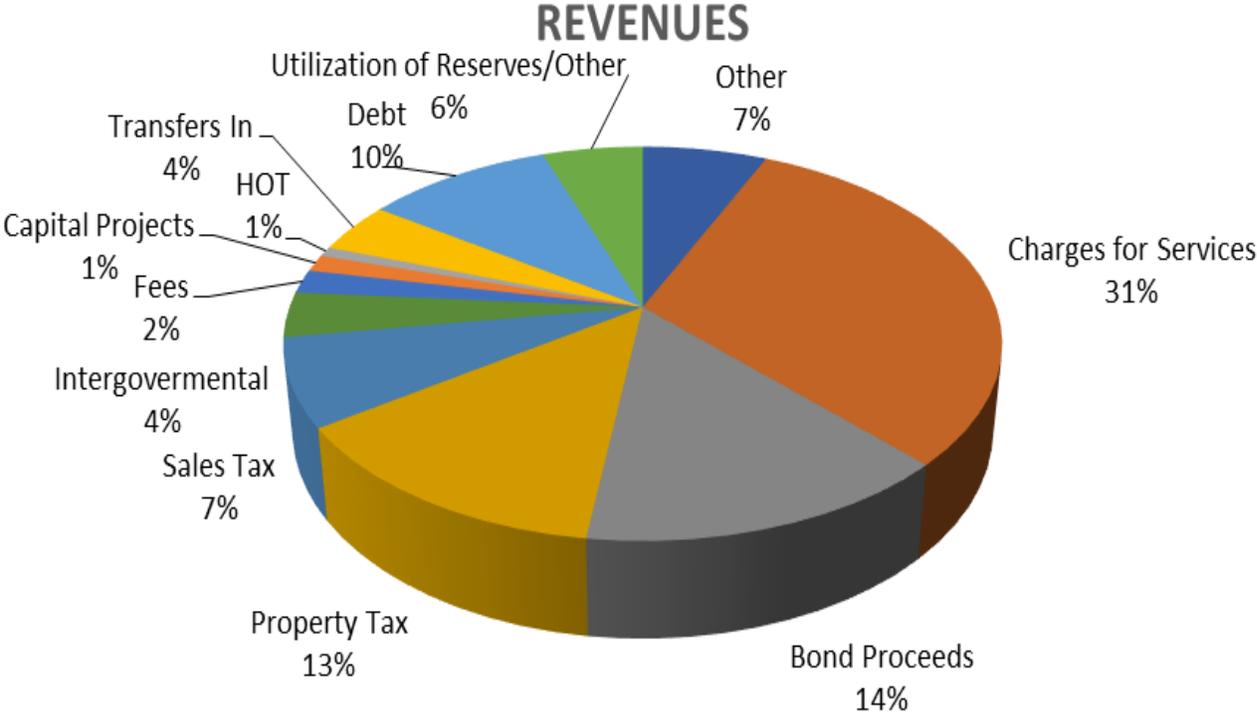
I encourage you to read through this "Budget in Brief" to learn about the key elements of our FY21 Budget. Should you wish to view the entire budget, you may find it on our website. If you'd like additional information, please reach out to our Office of Management and Budget. On behalf of the more than 1,500 employees at the City of Waco, "Thank you!" for the opportunity to serve the great citizens of Waco.

Respectfully,

BRADLEY FORD
CITY MANAGER

MAJOR REVENUE OVERVIEW: CITY WIDE

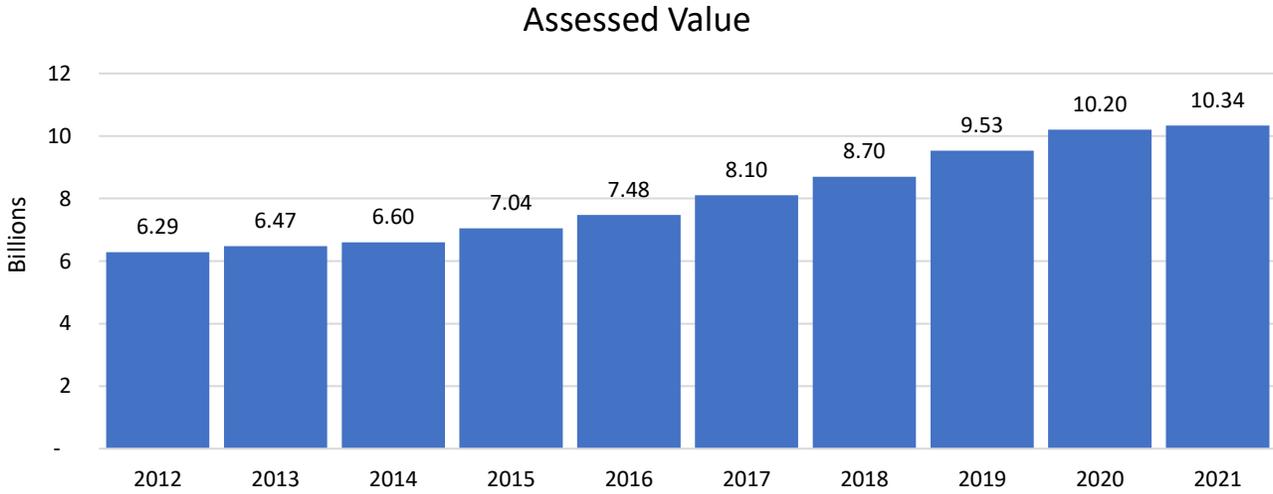
The City of Waco’s revenue stream for FY21 is illustrated in the graph below.



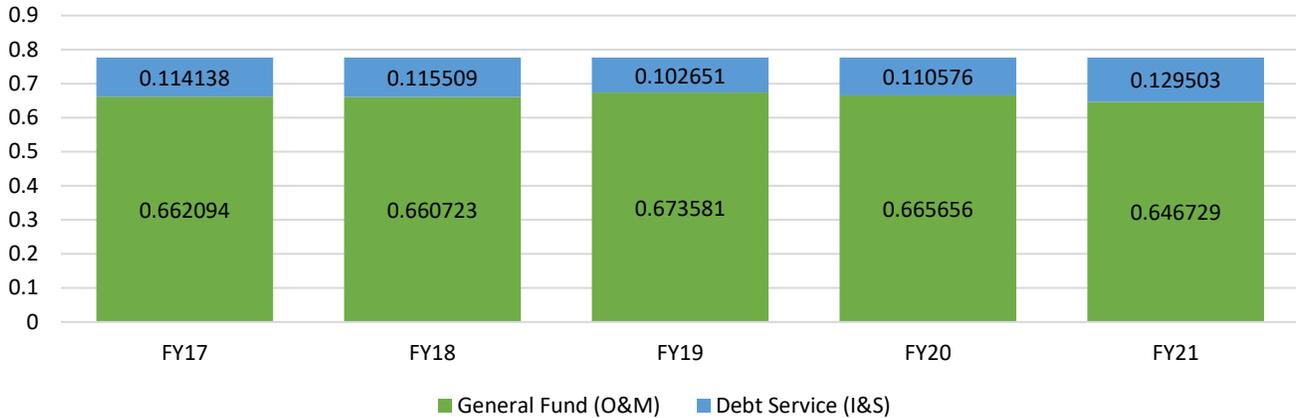
PROPERTY TAXES

Property taxes include the current year’s levy, prior year levies/penalties, and interest collected on payment of delinquent taxes. The proposed tax rate of \$0.776232 per hundred dollars of valuation includes \$0.129503 for debt service.

The Property Tax Rates are the same rate as last year’s rate and has remained the same over the past 7 years. Annexations and increased property values have contributed to the steady increase in property taxes over the past five years.



Property Tax Rates



Property taxes fund both operations in the general fund as well as debt service payments for large capital projects like road construction, parks, and fire stations. The assessed value in the City slowed in FY21 from the trend seen over the past five years due to the impact of COVID 19.

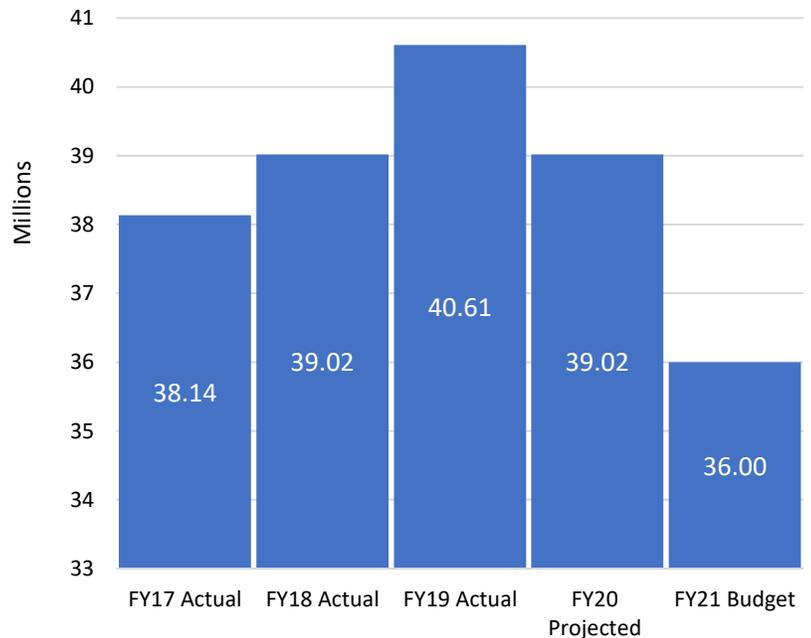
SALES TAX

The City receives one and one-half percent sales tax on all retail sales, leases and rentals of most goods. Sales tax is budgeted at \$36 million, which is significantly less than what the City has received in the past few years. The low budget number is in reaction to the unknown continuing impact of COVID 19.

The City of Waco uses detailed, confidential, Waco-specific sales tax information from the State, as well as permitting data, and aggregate sales tax information from all Texas cities to produce a sector based, multiple regression predictive model. The model is reviewed, analyzed, and updated monthly.

The City of Waco has seen an increase in the amount of sales tax revenues collected over the last five fiscal years.

Sales Tax



HOT TAX

The tourism industry suffered a dramatic halt in activity following the outbreak of the virus. The Convention Center and Hotels were closed for several weeks and conferences were cancelled. The pandemic negatively impacted our smaller retailers and restaurants across the board. In response, the City of Waco and McLennan County partnered to provide more than 175 grants to small businesses impacted by COVID-19.

For the FY21 Budget, the City is budgeting Hotel Occupancy Tax (HOT) revenues significantly (13%) below historical trends.

GENERAL FUND OVERVIEW

The General Fund is the primary operating fund for the City. This fund is used to account for resources traditionally associated with city government including public safety, parks, streets, library, and city administration.

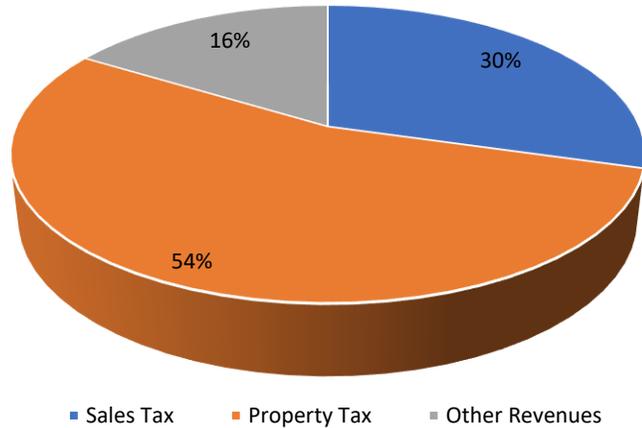
REVENUES

The FY21 budgeted revenues total \$145.7 M. The largest revenue stream in the general fund is the tax segment, which is comprised of property tax and sales tax. Combined property and sales tax revenue is budgeted at \$102.3 M.

The City budgeted a conservative \$36 M for sales tax revenues. This figure is below the historical trend of sales tax and is in response to the unknown and continuing impact of COVID 19.

The remaining revenues are made up from different programs and fees. These categories include fees for the City's many recreation programs, building permits, and other services. A more detailed look at the General Fund Revenue is available in the FY2021 Budget Book on the City's website

General Fund Revenues

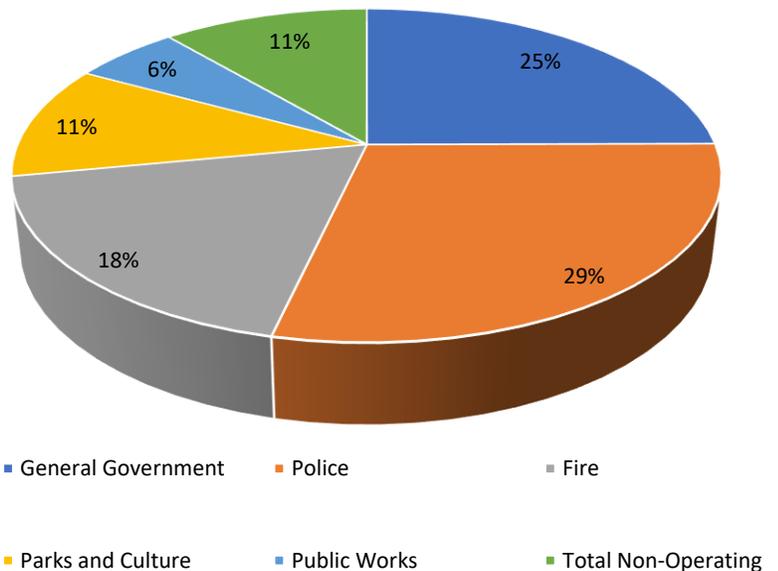


General Fund Expenses

EXPENSES

The FY21 budgeted expenses total \$153.7 M. The largest expense category in the general fund is salaries and wages.

The Police Department represents 29% of total expenses, while the Fire Department represents 18%. General Government is comprised of City Administration, Human Resource, Information Technology, Finance, and Facilities Maintenance.



CAPITAL IMPROVEMENT PROJECTS

MOVING WACO FORWARD

The City of Waco will invest \$112 M in capital improvements in the FY21 Budget. The strong commitment to improving the core infrastructure of the City is done via a combination of cash reserves, previously issued bonds, and new bonds anticipated to be sold in the Spring of 2021.

The City takes a holistic approach when planning and budgeting large capital

improvements. Staff across multiple departments, City Management, Council, as well the City’s outside Bond Attorney and outside Financial Advisor are all actively engaged in the process. The City of Waco is planning to issue \$80 M of bonds to fund most of the projects.

The Capital Improvement Plan is divided into two main fund types - “Enterprise” and “Governmental”.

Fund	Cash/Other	Debt	FY2021 Total
Enterprise			
Wastewater	21,148,630	2,700,000	23,848,630
Airport	7,595,000	-	7,595,000
Water	1,500,000	22,000,000	23,500,000
WMARSS		19,100,000	19,100,000
Solid Waste		6,150,000	6,150,000
Enterprise Total	30,243,630	49,950,000	80,193,630
Governmental			
Public Works	2,482,119	29,153,400	31,635,519
Parks	150,000	900,000	1,050,000
Governmental Total	2,632,119	30,053,400	32,685,519
Grand Total	32,875,749	80,003,400	112,879,149

ENTERPRISE CIP

The Enterprise Funds consist of the Airport, Solid Waste, and the three funds of the Water Utility (Water, Wastewater, WMARSS).

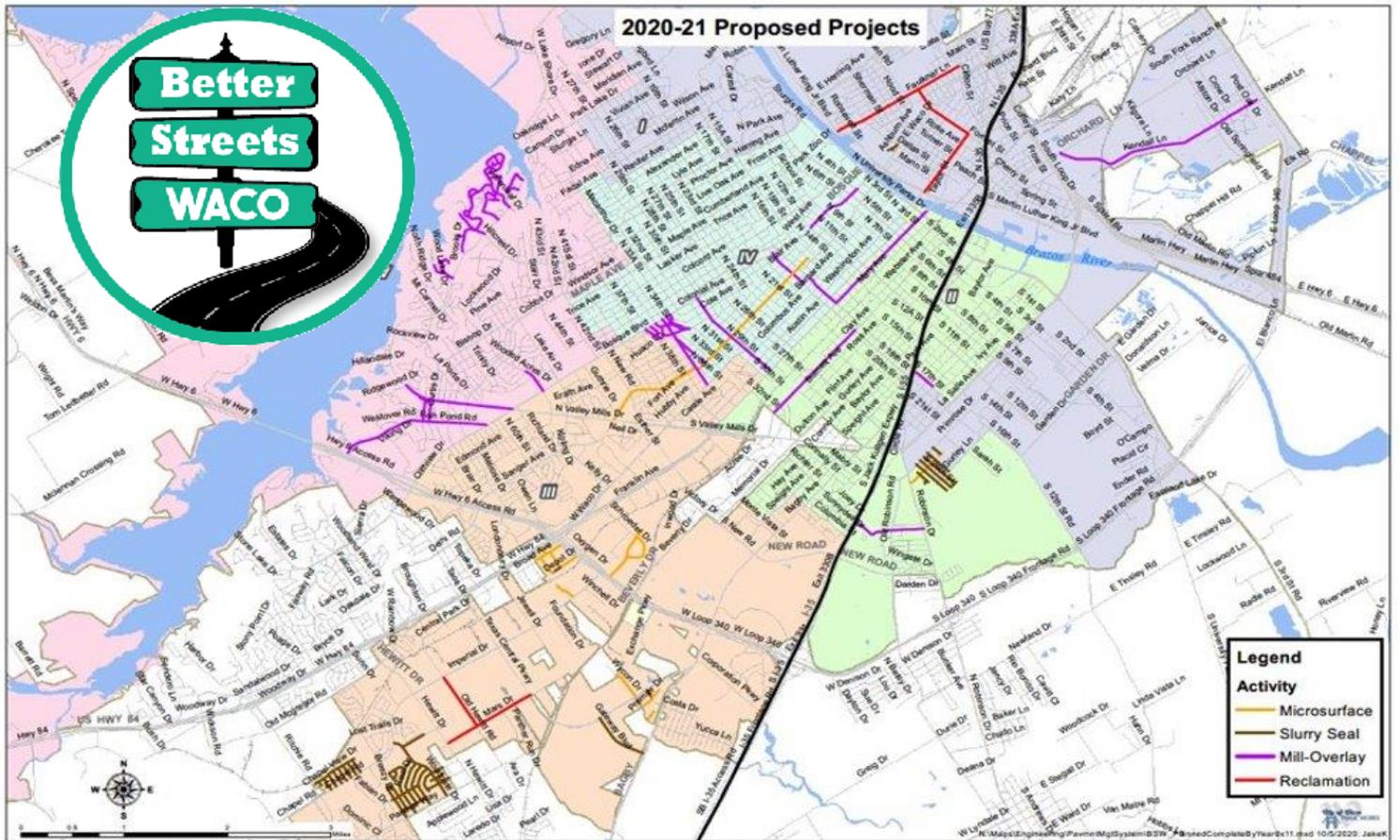
These enterprise funds are owned by the City but are designed to operate like a business. The main funding source for these funds is charges for service like your utility bill or fuel sales at the Airport. All proposed Capital Improvement can be funded within the rates structures previously discussed with Council.

GOVERNMENTAL CIP

The Governmental CIP totals \$32.6 M and is funded with \$30 M of new bonds and \$2.6 M of cash reserves.

The primary focus of the Governmental CIP is to improve the road network. The City is achieving this goal with the Better Streets Waco Program, a multi-faceted approach which seeks to boost the overall rating of the network. The Better Street Waco program will treat over 10.6 million square feet of streets this year.

The map below shows the proposed streets and which repair methods are being used.



In addition to road network repair, the FY21 Governmental CIP features over a million dollars in parks improvements. The China Spring Park and the Cotton Palace Park Projects are only the first stage of these projects. The funding in FY21 will pay for the design. In the FY22 Budget, the City will budget more funds for construction of these projects.

WACO SNAPSHOT: COMMUNITY HIGHLIGHTS

Area

- Waco: 105 square miles
- McLennan County: 1,041.8 square miles

Population

- City of Waco: 136,436 (Census estimate)
- Waco MSA: 268,696 (Census estimate)
- Median Age 34.7

Employment

- MSA Labor Force: 125,477
- Unemployment Rate: 6.4% (as of September 2020)

Education

- 20 public school districts in McLennan County
- Baylor University
- McLennan Community College
- University Center
- Texas State Technical College Waco

Arts & Entertainment

- 3,694 Hotel & Motel Rooms
- 369 Restaurants
- 14 museums
- 4 movie theaters
- 4 Bed & Breakfasts

Recreation

About: Waco is within 200 miles of 3 national parks and more than 50 state parks and historic sites. There are more than 60 parks within the community, including Cameron Park, offering scenic hiking, and biking trails, rock climbing and the Cameron Park Zoo.

- 3 Country Clubs
- 5 Recreation Centers
- 77 Tennis Courts
- Athletic Complex
- 7 Golf Courses
- Softball & Little League fields
- Water Park
- Barefoot Ski Resort

