

City of Waco

Budget-in-Brief

For the year beginning October 1, 2017



**2017-18
Annual Operating and
Capital Budgets**

Elected Officials and Management Staff

Elected Officials

Kyle Deaver
Mayor

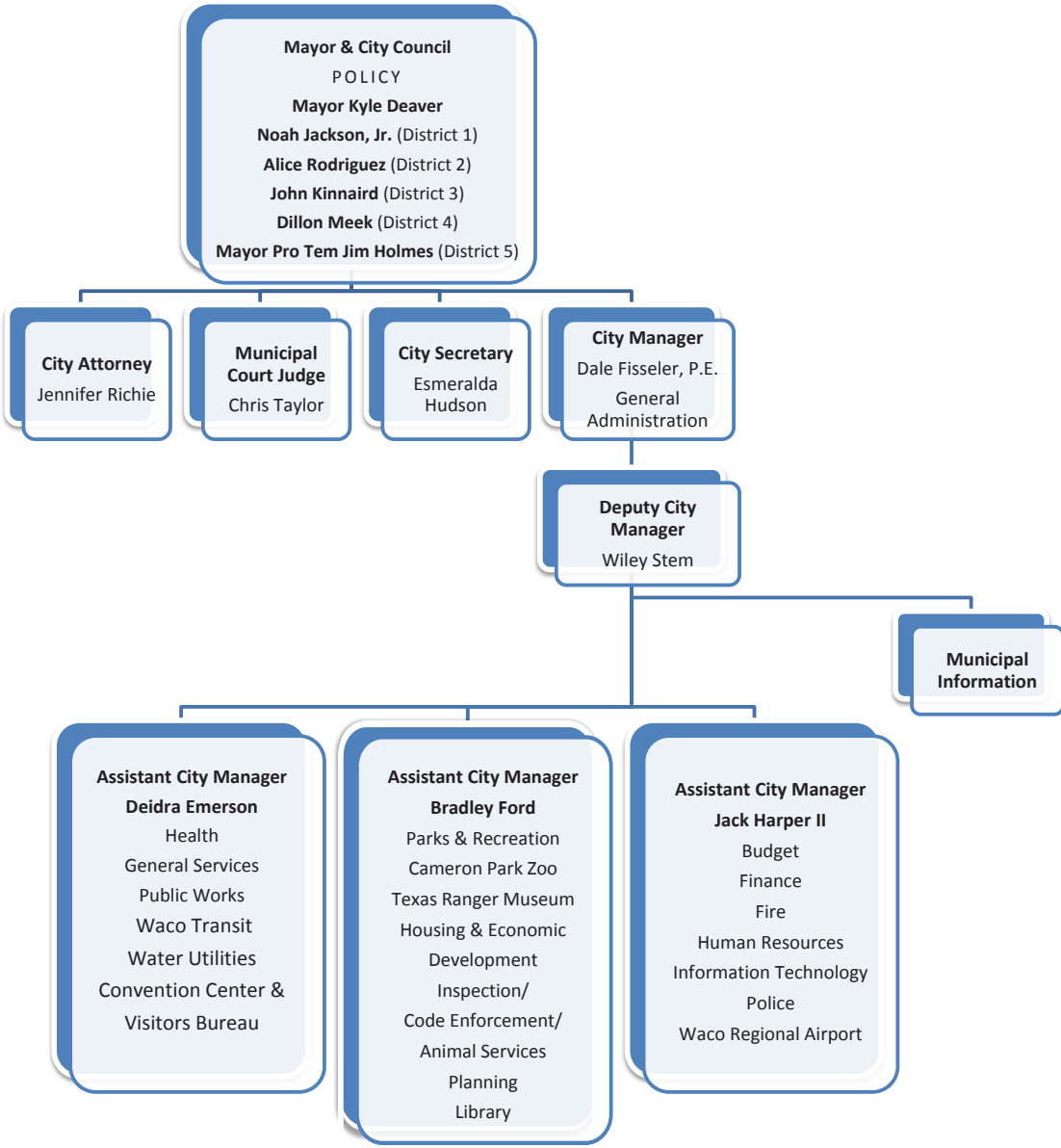
Council Member Noah Jackson, Jr.
Council Member Alice Rodriguez
Council Member John Kinnaird
Council Member Dillon Meek
Mayor Pro Tem Jim Holmes

Management Staff

City Manager	Dale A. Fisseler, P.E.	Health Director.....	Sherry Williams
City Attorney.....	Jennifer Richie	Housing Director.....	Melett Harrison
City Secretary.....	Esmeralda Hudson	Human Resources Director	Missie Pustejovsky
Municipal Court Judge.....	Chris Taylor	Information Technology Director.....	James Brown
Deputy City Manager.....	Wiley Stem, III	Library Director	Essy Day
Assistant City Manager.....	Jack Harper, II	Municipal Information Director.....	Larry Holze
Assistant City Manager.....	Deidra Emerson	Parks and Recreation Director	John Williams
Assistant City Manager.....	Bradley Ford	Planning Director	Clint Peters
Airport Director	Joel Martinez	Police Chief.....	Ryan Holt
Budget Manager.....	Laura Chiota	Public Works Director.....	Charles Dowdell
Building Official	Randall Childers	Ranger Hall of Fame Director.....	Byron Johnson
Convention & Visitors' Director.....	Vacant	Transit Manager	John Hendrickson
Finance Director.....	Janice Andrews	Utilities Director.....	Lisa Tyer
Fire Chief	Bobby Tatum	Cameron Park Zoo Director	Jim Fleshman

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October 1, 2017

To The Citizens of Waco:

It is my privilege as your City Manager to present a Budget-in-Brief of our recently adopted fiscal year 2017-18 Budget. Our budget is the product of a great deal of reflection, coordination, and discussion. The budget is the major annual planning effort because it funds the many excellent services that we provide.

The City of Waco is committed to the efficient delivery of quality products and services to its citizens. This commitment is the foundation behind policy decisions and priorities that ensure constructive and well-formulated strategic plans for the growth of our City. This budget continues to focus on citizens' interests expressed through goals established by the Council.

Our objectives in preparing this budget were:

- Meet the Council's stated Goals
- Adequate funding to ensure quality customer service to our citizens at all levels of our organization
- Promote a safe and positive environment to improve the culture and quality of life for our citizens
- Maintain fund balances by the end of FY 2017-18 that meet our stated financial policies

Though we are faced with a number of challenges, the staff is committed to help make the City of Waco a wonderful place to live.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dale A. Fisseler'.

Dale A. Fisseler, P.E.
City Manager

City of Waco Values and Goals

Values

Equal Access to All Services and Benefits

Customer/Regulation Friendly in all Actions and Interactions by the City of Waco

Think and Act Systemically to Build a Healthy Community

Goals

Strategic Intent I

High Quality Economical City Services and Facilities

Strategic Intent II

Aggressively Competitive Economic and Community Development

Strategic Intent III

Safe, Environmentally Sound, Pedestrian Friendly Community

Strategic Intent IV

Improved Housing Options, Opportunities, and Conditions

Strategic Intent V

Enviably Culture and Quality of Life

Strategic Intent VI

Effective Policy and Administration

Strategic Intent VII

Market Waco Internally and Externally

2017-18 Budget Highlights

The adopted 2017-18 operating budget is \$248,122,938, an increase of 3.3% compared to the 2016-17 adopted operating budget of \$240,050,285. Major funding items include:

- A 3.0% salary increase for all regular full and part time employees
- \$2,000,000 for the Economic Incentive Fund
- \$23,282,476 for Fire Services
- \$38,011,435 for Police Services
- \$43,945,324 for Water Services
- \$29,408,248 for Wastewater Services
- \$18,399,229 for Solid Waste Services
- \$14,261,898 for Employee Health Insurance Services

The City of Waco is committed to the efficient delivery of quality services to its citizens. This commitment is the foundation behind policy decisions and priorities that ensures constructive and well-formulated plans for the growth of our City. We are committed to a balanced budget that provides the desired services our citizens expect while at the same time continuing our economic development efforts throughout the city. The state of the economy is always a driving force that dictates most of the challenges we face each year when starting the budget process. We have a healthy increase for FY 2017-18 of \$370 million in new construction assessments for next year, which is a large part of the projected 7.39% growth in the property tax base. We continue to budget sales tax revenues at a conservative 4.0% increase over the current budget.

All departments are responsible for monitoring operations and managing every expenditure as budgeted. The goal is always to make decisions that enhance productivity and efficiency and that provide immediate and long-term benefits. For FY 2017-18 adopted budget salary package includes a 3.00% pay adjustment for all employees. Civil service employees will also receive a job class step increase, if eligible. Salary is only one aspect of compensation. Employee benefits include health insurance, longevity pay, disability coverage, life insurance and a 2-to-1 match for the Texas Municipal Retirement System (TMRS). The full TMRS contribution rate required for 2018 increased slightly from the 2017 rate; however, we are proposing to contribute more than the full retirement rate to assist in reducing the unfunded liability more quickly with the potential to save the City millions of dollars over the next 12 to 15 years. Cost-of-living adjustments for retirees are considered on an ad hoc basis. Our funded ratio increased slightly and is currently 86.0% while the unfunded liability also slightly increased to \$65.8 million.

Once again, another major challenge was funding health insurance. Claims for this year are coming in slightly higher than projected and were negatively impacting the financial condition of the Health Insurance Fund. Also, analysis of future costs predicts a 5% increase in medical claims and a 12.1% increase in prescription claims. To fund the projected shortfall, the City is making changes to the employee and dependent premiums. These steps, along with new and continued wellness program initiatives, should stabilize the costs of this important employee benefit.

2017-18 Budget Highlights

One of the major challenges was determining the balance between funding the City's infrastructure needs and its operations. Each year, each of these needs continue to grow as the City's infrastructure ages and services expand. As demand on core services increases, shifting funding from those services to make debt service payments on infrastructure projects is a challenge. The difficult decision was made to maintain the City's debt financing level steady. The Capital Improvements Program (CIP) was developed with the City Council's priorities of maintaining and improving the City's infrastructure at the forefront. As such, the CIP includes \$8.9 million for various street projects. With continued emphasis on infrastructure, the CIP also includes \$21.0 million for wastewater improvements and water improvements of \$21.1 million. With studies and analyses showing that the City's infrastructure needs are great, these significant funding amounts are attributable to the City Council's guidance. Other items included in the CIP to provide for the future needs of our citizens are building renovations, general park improvements and airport improvements. The adopted FY 2017-18 CIP (Capital Improvements Program) is \$63,981,580 and is detail on page 17.

Most revenues have remained relatively flat for a number of years. This trend is changing, and we are experiencing gradual growth in a number of areas. We are optimistic about the trend continuing and have reflected that in the adopted revenues. User fees were reviewed and subsequently revised, added or deleted for the Cameron Park Zoo, Health, Inspection Services, Library Services, Parks and Recreation, Planning Services, Police, Solid Waste, Texas Ranger Hall of Fame and Museum, Water, and Wastewater. Utility service rates will increase to address infrastructure needs. Solid Waste service rates will also increase from the current year.

This year, we budgeted base rate increases to residential, commercial and industrial water and wastewater customers. One of the significant factors contributing to changes in water and wastewater base service rates are the results of a master plan. The master plan identified the water system's infrastructure needs and a timeline to complete the essential improvements in order to provide for the future needs of our citizens, one of the Council's priorities.

The rate increases for residential, commercial, and industrial water and wastewater customers after almost a decade with few rate changes. Water base rate increases begin at \$1.24 per month along with volumetric rate increases for all tiers. The rates for residential water users will change as follows: up to 15,000 gallons, from \$2.84 per 1,000 gallons to \$2.89 per 1,000 gallons; 15,001 to 25,000 gallons, from \$3.33 per 1,000 gallons to \$3.39 per 1,000 gallons; and over 25,000 gallons, from \$4.27 per 1,000 gallons to \$4.35 per 1,000 gallons. The wastewater residential base rate will increase \$0.77 per month with the volumetric rate increasing \$0.17 per 1,000 gallons.

Solid Waste residential, commercial and roll-off rates will remain the same for FY 2016-17. However, fee changes are included for the landfill. Landfill gate fees will increase from \$30.08 per ton to \$31.58 per ton.

2017-18 Budget Highlights

General Fund

The General Fund revenue budget and utilization of fund balance of \$131,884,788 is based on an increase in resources of 5.2% over last year's adopted budget, due mainly to the increase in ad valorem taxes and sales taxes. No tax rate adjustment is included for FY 2017-18. Most of the additional revenues provide for salary and benefit adjustments and increased funding of operational activities.

Revenues

Growth in net property tax assessments – New construction and increased valuations contributed to the adopted 7.4% growth in the property tax base. New construction assessments are proposed at a healthy increase of \$370 million for FY 2017-18, but is somewhat offset by a \$109 million increase in exemptions.

Sales Taxes – The volatility of retail sales makes it challenging to project this revenue with any certainty. In a normal year, sales tax revenues are expected to be at least slightly higher than the previous year and be a fundamental source for balancing the budget. We are expecting to end the current year significantly over budget. The trend for sales tax receipts has been steady for the last six years, which we believe is due to good employment numbers and new development in our City over the past few years. This revenue is extremely volatile and is affected by so many factors over which we have no control. Our preference is to be conservative in this area of the budget and consider using any excess receipts for one-time purchases in the following fiscal year. In keeping with that philosophy and expectations of the current trend continuing, we are proposing sales tax to increase 4% over last year's adopted budget.

Other factors came into play to get the budget balanced. The focus on infrastructure improvements led to the decision of bonding \$12.0 million for General Government projects. This determination shows the Council's commitment to providing for our City's future. Property, auto and general liability insurance remained the same as the current year, which is another area that sometimes requires considerable increases. The management of vacancies and overtime and spending in general continues to play a key role in funding our needs for next year.

Expenditures

The budget maintains an unassigned reserve in the General Fund of at least 18% of current year revenues. The purpose of the reserve is to protect the City's creditworthiness and financial position from unforeseeable emergencies.

Some of the highlights of the General Fund expenditures for FY 2017-18 are:

- Salary and benefit adjustments, including increased TMRS contribution – \$4.7 million
- New programs and services – \$2.7 million
- Reduction in large capital expenditures – \$885 thousand

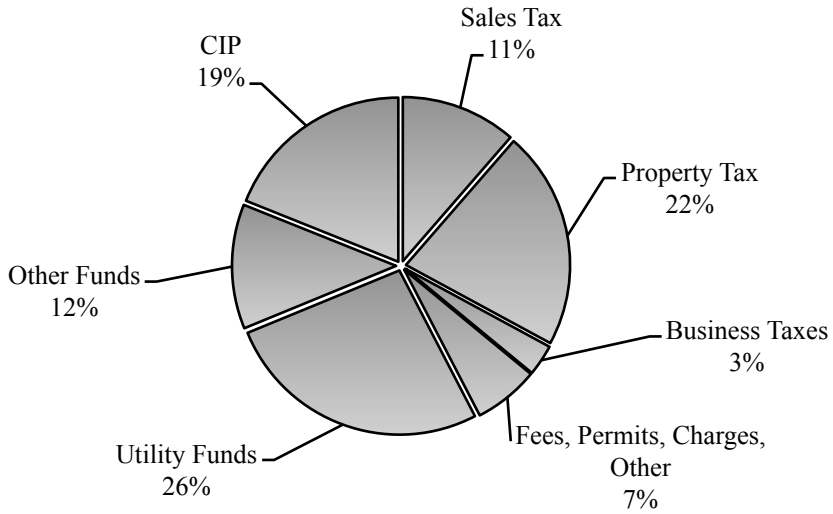
**Revenue Summary
2017-18**

	Adopted	Percent Total
Sales Tax	35,552,310	11.39%
Property Tax	67,119,488	21.51%
Business Taxes	9,577,751	3.07%
Permits, Fines & Charges	4,729,062	1.52%
Utility Funds	82,426,876	26.41%
Other Funds	38,290,681	12.27%
Interest Earnings	358,510	0.11%
Miscellaneous	3,936,596	1.26%
Intergovernmental	6,674,464	2.13%
Transfer from Surplus	4,336,939	1.39%
Total Operating Revenues	253,002,677	81.06%
Capital Improvements Program	59,101,841	18.94%
Total Revenues	\$312,104,518	100.00%

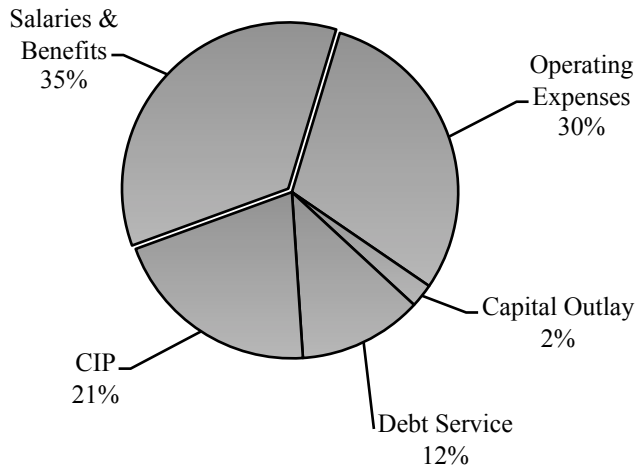
**Expenditure Summary
2017-18**

	Adopted	Percent Total
Salaries & Benefits	109,891,588	35.22%
Services & Supplies	63,876,333	20.47%
Other Expenses	20,696,521	6.64%
Contracts with Others/Contributions	4,720,400	1.51%
Transfers & Billings	4,021,001	1.29%
Capital Outlay	7,216,642	2.31%
Debt Service	37,700,453	12.08%
Total Operating Budget	248,122,938	79.50%
Capital Improvements Program	63,981,580	20.50%
Total Expenditures	\$312,104,518	100.00%

Revenue Summary



Expenditure Summary



General Fund

The General Fund is the largest of all City funds and the fund that attracts the most public attention and interest, because of its two major revenue sources – sales tax and property (ad valorem) tax. The following chart illustrates the value citizens get from the \$131+ million General Fund for their property tax dollars.

Cost of City Services
(\$0.776232/100 Valuation)

Based on an average home value of \$149,008 with a homestead exemption of \$19,971 a household pays \$1001.62 in city taxes for the year, or \$83.47 per month, to support these city services:

- 24 hour Police Protection
- 24 hour Fire Protection
- Maintenance of 600 miles of paved and unpaved public streets
- Traffic signals and street lighting
- Four library facilities and services which circulates books, video & audio tapes
- 1,600 acres of developed Parks
- Park facilities including softball fields
- Recreational facilities & activities including jogging tracks and skate parks
- Animal Care and Animal Shelter services
- Building Inspections & permitting services
- Code Enforcement Services
- Emergency & Disaster Management
- Municipal Court
- Economic Development
- Partial subsidies for:
 - Public Health Services
 - Cameron Park Zoo

In comparison, the cost of:

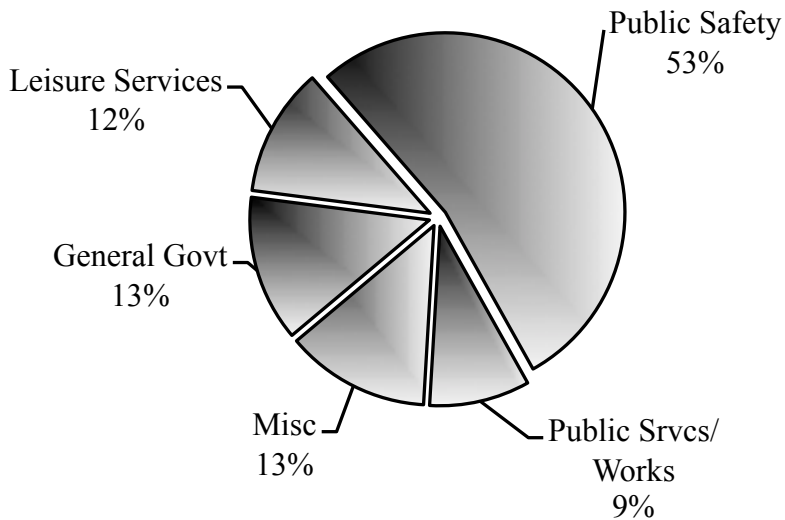
- Preferred Cable TV is \$64.99 plus tax per month.
- The average cost for electricity is \$112 / 1,174 kWh per month for average 1,750 sq. ft. home.
- The average cost for natural gas is \$146 / 1,306 kWh per month for the year ending August 2017.
- One night at the movies for a family of four with soft drinks and popcorn is \$40 - \$50.

Information provided by McLennan County Central Appraisal District, inmyarea.com/tv/cable, chooseenergy.com/texas/waco/, ctenergyrateings.com/natural-gas-rates/texas/waco, and AMC Galaxy 16.

General Fund by Function

General Govt	17,330,952
Leisure Services	15,264,561
Public Safety	70,270,600
Public Srvc/ Works	11,930,554
Misc	17,091,121

Total \$131,887,788



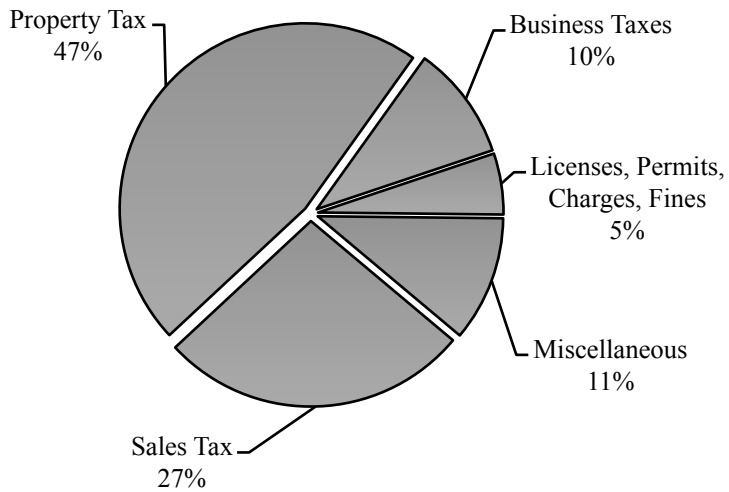
**General Fund Revenue Summary
2017-18**

	Adopted	Percent Total
Sales Tax	35,552,310	26.97%
Property Tax	61,742,566	46.81%
Business Taxes	13,146,758	9.97%
Licenses & Permits	1,446,925	1.10%
Intergovernmental	1,880,359	1.43%
Charges for Services	1,805,094	1.37%
Fines	1,890,975	1.43%
Interest Earnings	150,000	0.11%
Miscellaneous	11,268,158	8.54%
Other Financing Sources	136,300	0.10%
Utilization of Fund Balance/Net Position	2,868,343	2.17%
Total General Fund Revenues	\$131,887,788	100.00%

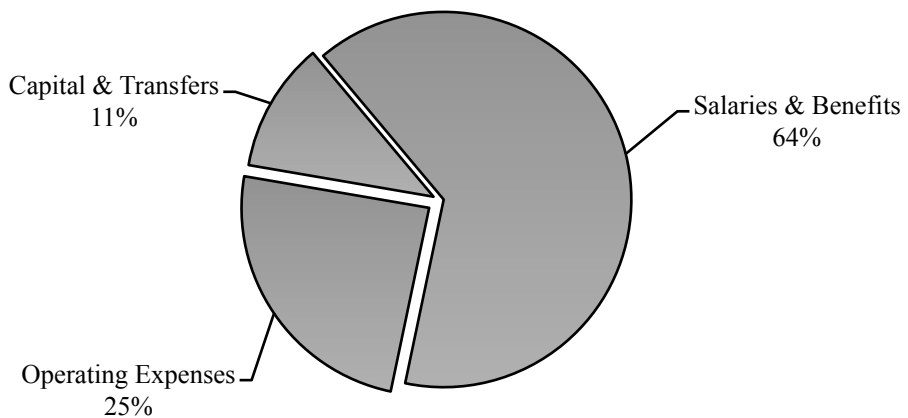
**General Fund Expenditure Summary
2017-18**

	Adopted	Percent Total
Salaries & Benefits	84,939,957	64.40%
Services & Supplies	27,770,978	21.06%
Other Expenses	1,247,232	0.95%
Contracts with Others/Contributions	3,171,268	2.40%
Transfers & Billings	13,575,698	10.29%
Capital Outlay	1,182,655	0.90%
Total General Fund Expenditures	\$131,887,788	100.00%

General Fund Revenues



General Fund Expenditures



**Funds Summary
2017-18**

General Fund	131,887,788
 Special Revenue Funds	
Health Fund	4,969,581
Police Forfeiture Funds	70,000
Abandoned Motor Vehicles	175,000
Public Improvement District #1	1,235,856
 Street Reconstruction Fund	
	-
 Enterprise Funds	
Solid Waste Fund	18,399,229
Ranger Hall of Fame Fund	1,453,318
Waco Regional Airport Fund	1,461,541
Convention Center & Visitors' Fund	5,314,538
Cameron Park Zoo Fund	4,588,044
Cottonwood Creek Golf Course	2,165,491
Waco Transit Fund	8,589,772
Rural Tranit	1,184,124
 Utility Funds	
Water Fund	43,945,324
Wastewater Fund	29,408,248
WMARRS Fund	9,203,779
 Internal Service Funds	
Risk Management Fund	4,227,596
Engineering Fund	3,239,977
Fleet Services Fund	2,077,564
Health Insurance Fund	14,261,898
 Capital Improvement Fund	
	63,981,580
Less Interfund Transfers	(39,735,730)
 Total Fund Summary	 \$312,104,518

**Capital Improvements Program
Planned Expenditure Summary by Function
2017-18**

Airport	740,000
Facilities	1,000,000
Fire Services	3,475,000
Parks & Recreation	800,000
Total General Government	6,015,000
Street Improvements	10,000,739
Stormwater Improvements	-
Sidewalk Program	-
Solid Waste Improvements	-
Wastewater Improvements	26,865,841
Water Improvements	21,100,000
Total C I P	\$63,981,580

**Personnel Summary
By Department (Full Time Equivalents)**

	2016-17	2017-18		2016-17	2017-18
General Fund			Special Revenue Funds (cont)		
City Managers Office	12.00	12.00	HIV/AIDS	2.00	2.25
Animal Shelter	18.50	18.50	Street Reconstruct Fund	20.00	-
City Secretary	8.00	7.00			
Finance	20.18	20.18	Enterprise Funds		
Purchasing	7.00	8.00	Solid Waste Services	91.39	91.39
Information Technology	25.00	29.00	Ranger Hall of Fame Fund	15.14	15.14
Legal Services	10.00	10.00	Airport Fund	13.40	13.40
Municipal Court	15.00	15.00	Convention Fund	34.96	34.96
Planning Services	8.00	8.00	Cameron Park Zoo Fund	50.82	48.98
Human Resources	11.00	13.00	Cottonwood Creek Golf	13.00	13.00
Inspection Services	21.96	24.02			
Streets & Drainage	26.00	46.00	Utilities		
Traffic Services	22.01	22.01	Water Office	23.00	21.00
Emergency Management	6.00	6.00	Water Distribution	33.75	34.25
Fire	209.00	209.00	Water Treatment	39.56	37.56
Police	341.26	351.26	Water General & Administration	-	3.16
Library	47.99	47.99	Utilities Laboratory	11.00	11.00
Municipal Information	9.00	9.00	Meter Shop	16.00	16.33
Housing Services	6.40	6.50	Wastewater Collection	41.75	39.25
Facilities	31.75	31.75	Wastewater General & Administration	-	3.16
Parks and Recreation	141.91	142.81	Environmental Services	4.00	3.00
	-	-	WMARRS	29.08	28.75
Total General Fund	997.96	1,037.02	WMARSS General & Administration	-	0.68
Special Revenue Funds			Internal Service Funds		
Health Administration	8.50	9.50	Risk Management	4.00	4.00
Environmental Health	1.75	1.75	Engineering	25.90	25.90
OSSF	4.25	4.25	Fleet Services	29.00	29.00
Public Health Nursing	12.00	11.50	Health Insurance	1.00	1.00
S T D Services	5.25	5.25	Grant Funds	66.39	66.48
			Total All Funds	1,594.85	1,612.91

Where to Go For Additional Information

This document, produced by the City of Waco Budget Office, is designed to provide summary information from the City's 2017-2018 adopted budget. More detailed information on the contents of this book can be found in the 2017-2018 Budget. The Budget, as well as additional information about the City of Waco, can be found on the City's Web Site, <http://www.waco-texas.com>.

To Find Information on These Topics

Look in the Budget Document or on the City's Web Site

Financial Policies	Financial Management Policy Statements
Taxes, Revenues & Expenditures	City Manager's Letter Budget Message Tax Structure Budget Summaries
Program Changes Including New Programs, Additional Funding	City Manager's Letter Budget Message Individual Department Summaries
Staffing and Organizational Structure and Changes	Organizational Chart Budget Message Personnel Summary Individual Department Summaries
Departmental Plans	Budget Message Individual Department Summaries
Debt Schedule	Debt Service Section
Capital Projects	Capital Improvements Program Section
Glossary of Terms	Appendix A
	Appendix B - Fee Schedule

If you have any other questions about city services
Call Waco Central
(254) 299-CITY (2489)

Or contact the Budget Office at (254) 750-5694
City of Waco
Budget Office
Post Office Box 2570
Waco, TX 76702-2570
<http://waco-texas.com>