

EMPLOYEE HEALTH INSURANCE DISCUSSION



CITY OF WACO

Discussion Items

- Current Employee Health Insurance Plan
- F22-23 Renewal Considerations

Current Plan Design

Benefit	In Network
Individual Deductible	\$1,500
Family Deductible	\$3,000
Individual Out-of-Pocket Max	\$4,500
Family Out-of-Pocket Max	\$9,000
Office Visit (PCP/Specialty)	\$0 (\$50 for non-Baylor PCP's)
Specialist Visit	\$75
Urgent Care	\$75
Preventive Care	100%
Emergency Room	\$250
Inpatient Admission	80%
Retail Rx – Generic/Preferred/Non-Preferred/Specialty	\$0 / \$30 / \$75 / 25%
Mail Order– Generic/Preferred/Non-Preferred	\$0 / \$60 / \$150

Current Employee Contributions

MONTHLY EMPLOYEE CONTRIBUTIONS		
	<u>Wellness</u>	<u>Non-Wellness</u>
Employee	\$35.00	\$110.00
Employee + Spouse	\$395.70	\$470.70
Employee + Children	\$235.00	\$310.00
Family	\$513.86	\$588.86

The City contributes \$7,697.00 annually for each employee.

Benchmarking

CITY	Waco	Dallas	Austin	San Antonio	Garland	Houston	Fort Worth
Plan Name	EPO	EPO	EPO	EPO	EPO	PPO	PPO
Plan Value	79.2%	78%	87%	81%	76%	78%	77.8%
Out of Network?	No	No	No	No	No	Yes	No
Deductible - Individual	\$1,500	\$1,500	\$500	\$1,500	\$2,250	\$850	\$1,500
Deductible - Family	\$3,000	\$3,000	\$1,500	\$3,000	\$4,500	\$1,700	\$3,000
Out-of-Pocket Maximum - Individual	\$4,500	\$6,350	\$4,000	\$3,500	\$7,350	\$8,550	\$6,000
Out-of-Pocket Maximum - Family	\$9,000	\$12,700	\$12,700	\$7,000	\$14,700	\$17,100	\$12,000
PCP Visit Co-pay	\$0*	\$25	\$25	20%	\$45	20%	\$0

*\$50 copay for non-Baylor PCP's
 EPO plans = PPO network only plan design
 2021 Plan Design Value

CITY OF WACO

Renewal Considerations

- Budget deficit if no changes are made: \$547,000
- Current City fund reserve balance of \$1.2M
- Possible sources of funds to mitigate deficit:
 - Implement new plan programs
 - Reduce current reserve
 - Increase employee contributions
 - Increase employer contribution

Baylor Scott & White (BSW) Update

- New BSW Agreement Structure
 - Removes unknown costs associated with performance metrics connected to shared savings
 - Removes additional fees generated by dependents
 - Continues no cost BSW primary care coverage

EMPLOYEE COMPENSATION DISCUSSION



CITY OF WACO

Discussion Items

- Current Employee Compensation Market
- Completed & Planned Compensation Initiatives
- FY22-23 Compensation Considerations

Compensation Market

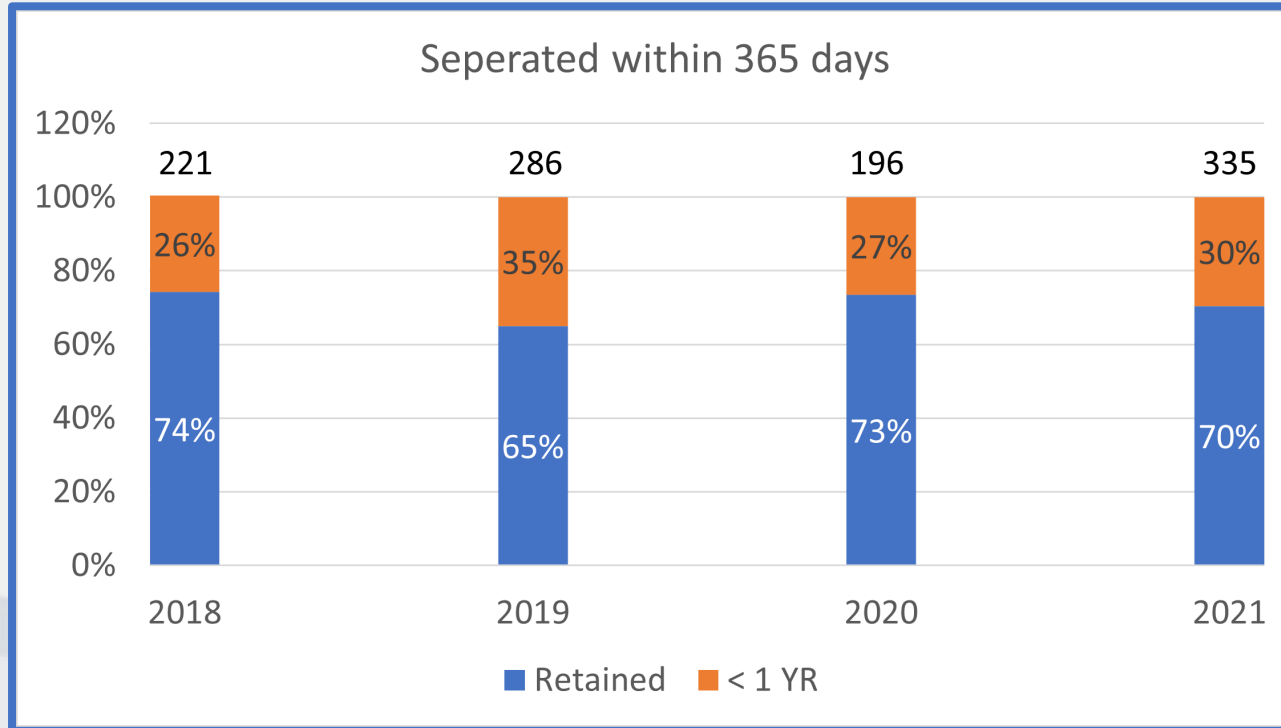
- WorldatWork, formerly the American Compensation Association, is reporting an estimated median of 5% salary adjustments for 2023
- An overall adjustment of at least 5% to the city's pay tables and salaries would be appropriate
- Unemployment and resignation rates
 - Texas unemployment rate down from 4.8 in Jan to 4.4 in Mar
 - Texas quit rate staying consistent at 3.0 for Feb

Turnover Rate

Fiscal Year	City of Waco Turnover	US Bureau of Labor Statistics Turnover	Number of Separations	Number of New Employees	FTE Summary
19-20	14.6%	22.4%	225	215	1635.34
20-21	18.7%	19.9%	287	300	1667.17
21-22*	8.8%	11.4%	137	156	1707.20

*Data from October through March

Separations within First Year



The City loses approximately 30% of new employees within the first year.

Employee Surveys

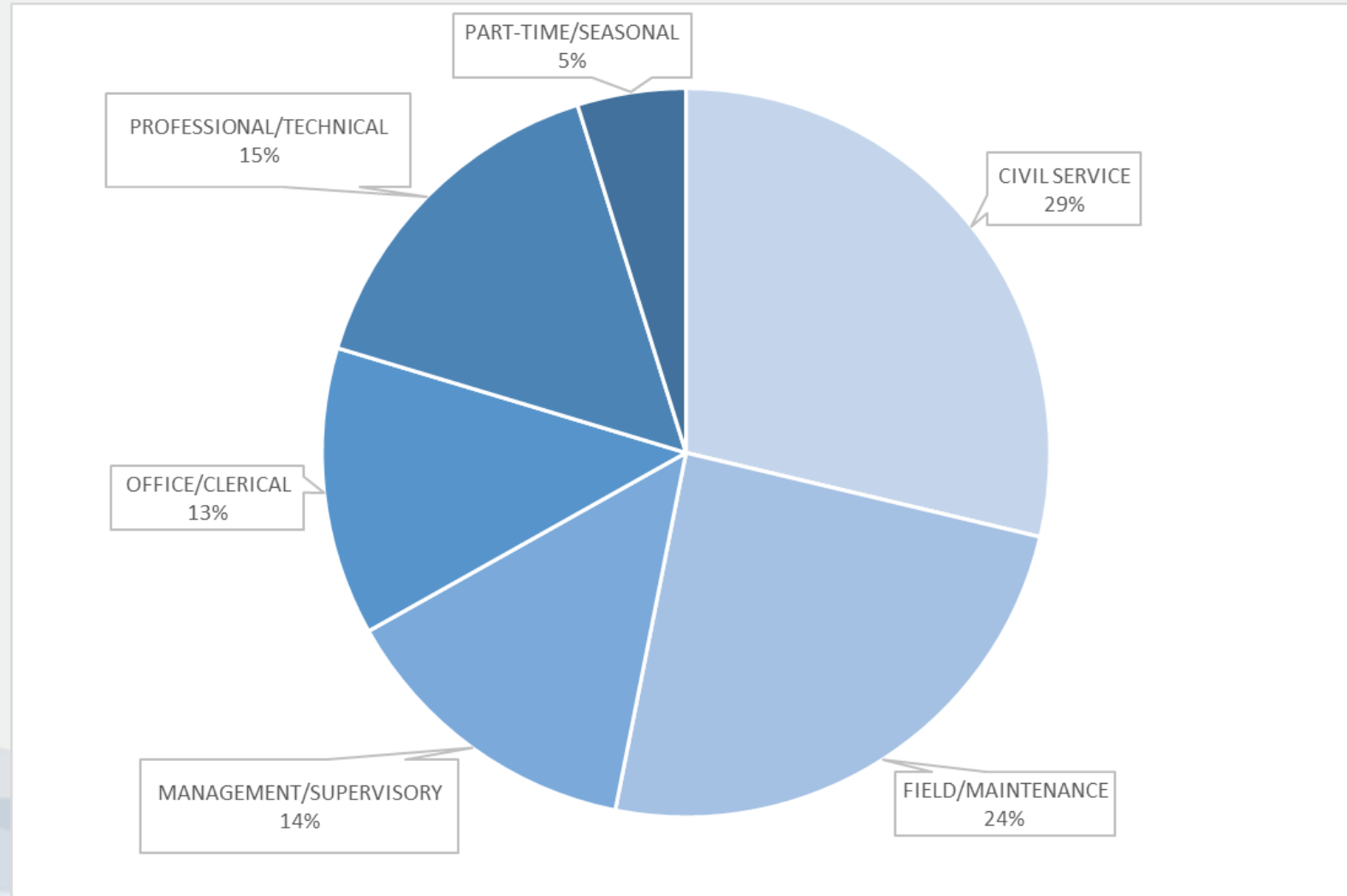
- Exit Interview Surveys
- New Employee Surveys

Historical Salary Increases

Year	Consumer Price Index	Waco GSI Budget	World at Work Salary Budget Survey
2016	2.40%	2.00%	3.1%
2017	3.20%	2.75%	3.0%
2018	2.20%	3.0%	3.0%
2019	1.80%	3.0%	3.2%
2020	0.30%	3.0%	3.2%
2021	7.50%	2.0% mid-year	3.4%
2022	9.00%	3.0%	5.0%

Year	Waco GSI Budget
FY 99-00	up to 8.8% for Non-Exempt employees up to 4.4% for for Exempt employees
FT 00-01	up to 8.0% for Exempt and Non-Exempt employees up to 6.0% for Management Team
FY 01-02	up to 6.0%
FY 02-03	2.5%
FY 03-04	2.00%
FY 04-05	3.00%
FY 05-06	3.00%
FY 06-07	5.0%
FY 07-08	3.5%
FY 08-09	5.0%
FY 09-10	2.0%
FY 10-11	no GSI
FY 11-12	2.5%
FY 12-13	3.0%
FY 13-14	2.0%
FY 14-15	2.0%
FY 15-16	2.0%
FY 16-17	2.75%
FY 17-18	3.0%
FY 18-19	3.0%
FY 19-20	3.0%
FY 20-21	2.0% mid-year
FY 21-22	3.0%

Workforce Categories



CITY OF WACO

\$15/hour efforts completed

- Minimum salary for City positions raised to \$15/hour effective 9-26-21
- Salary range placements for jobs impacted were reviewed to identify any compression between job levels stemming from \$15/hour initiative.
 - Meetings held with departments in January 2022
 - 200 non-exempt job titles & 17 exempt job titles identified for pay range change
 - Approximately 769 employees in these positions with approximately 98 employees pay adjusted to minimum of new pay range

Other Efforts & On-going work

- 10/1/21 3% general salary increase
- Departments provided areas of concerns and requests for compensation review
- Reviews completed and/or in-progress:
 - Dispatch, Legal, Utilities, Animal Shelter, Zoo
 - Employee pay adjustments
- Reviews requested
 - Various requests from eleven departments ranging from job title salary review to the creation of career ladders

Compensation Comparisons

- Cities to be used for salary comparisons include:
 - Arlington
 - Austin
 - College Station
 - Dallas
 - Denton
 - Fort Worth
 - Lubbock
 - Round Rock
- Positions listed below will be compared to private sector:
 - Engineer
 - IT Jobs
 - Equipment Operator/CDL Operator

Hiring/Retention Incentive

- Surveyed Other Cities
- Incentive for hard to fill positions
- Incentive determined by mid-point of wage for role
- Incentive paid in three installments

Mid-Point Wage	Hiring Incentive
\$0 - \$39,999	\$ 5,000
\$40,000 - \$59,999	\$ 6,000
\$60,000 - \$79,999	\$ 7,500
\$80,000 - \$99,999	\$ 10,000
Over \$100,000	\$ 12,500

Education Assistance Program

- Surveyed Other Cities
- Limited to Available Funding
- Tuition Reimbursement + Related Expenses
- Minimum Grade/Service Commitment Requirement

Other Initiatives Under Consideration

- Employee Referral Program
- Employee Housing Assistance Program
- Employee Earned Time Sellback Program

TMRS Cost of Living Adjustment (COLA)

- Ordinance adopted in December for following January
- Repeating vs. Ad Hoc
- Can elect 30%, 50% or 70% of CPI
- Prior COLAs
 - Adopted 70% repeating COLA from 2005 to 2011
 - Adopted 50% Ad Hoc COLA in 2013 and 2014

TMRS Cost of Living Adjustment (COLA)

- City Current Contribution Rate – 14.34%
- Examples
 - Adopting 70% Ad Hoc COLA increases rate to 17.01%
 - Cost approximately \$2.5M more (\$1.3M general fund)
 - Adopting 50% repeating COLA increases rate to 21.85%
 - Cost approximately \$7.7M more (\$4.8M general fund)
 - 1% rate increase costs approximately \$1.1M (\$734,179 general fund)

Health Insurance & Compensation Strategy Priorities

1. Address compression as a result of \$15.00/hr minimum salary increase
2. Address salary and general inflation via across-the-board salary increase
 - 1% employee salary increase costs \$832,875 across all funds and \$424,726 to general fund (this does not include civil service employees)
3. Minimize employee health insurance increase
 - \$547,000 projected additional funding needed
4. Initiate a comprehensive recruitment/retention strategy
 - Hiring/Retention Incentives
 - Educational Incentives
5. Address retiree COLA in this unprecedented time of high inflation

2022 Budget & Planning Retreat

May 18, 2022

Waco: A Municipal Corporation

City Council and City Manager, as Directors and CEO, lead a very large corporation:

- Complicated collection of 26 distinct business units from A(irport) to Z(oo) and everything in between
- Serving more than 140,000 residents, 5,412 businesses
- Brand management on a global scale
- Assets with a replacement value of more than \$11 billion
- Annual revenues & expenses of \$363.9M and \$278.9M, respectively
- Employing more than 1,700 (7th largest employer regionally)
- Owners of more than
 - 10.4 *square miles* of land including 1,750 acres of park land, open greenspace, and cemetery & 3.3 square miles of surface water of the Brazos River, and Bosque River
 - 90 facilities (treatment plants with values as high as $\frac{3}{4}$ of a *billion*)

INTERESTING FACTS ABOUT THE CITY

- ▶ What other company board can you serve on that:
 - ▶ Owns and cares for more than 1,000 animals from almost every continent on the planet; including several species that could go extinct in the wild this century
 - ▶ Processes enough drinking water daily to keep Niagara Falls flowing for one minute, or more impressively, to fill about 100 Olympic sized swimming pools.
 - ▶ Focused on diversity, equity, and inclusion efforts with 9 of its last 12 leadership filled with minorities and/or women
 - ▶ Manages more revenue flow than many companies on the Russell 2000 index
 - ▶ Serves residents from all walks of life; including every age from pregnant moms (health) to toddlers (Parks) to seniors (senior centers)

Our Foundation: *Strong Fiscal Management/Policy*

- Policy
 - Fund Balances
 - Purchasing
 - Investment
 - Audit
 - Budget & Audit Committee
- Management
 - Analytics and reporting
 - Public involvement
 - Transparency
 - Rate planning
- Results
 - AA+ rated by both major rating agencies (just under highest rating)
 - Exceeding all major fund balance requirements
 - General Fund under expense budget each of last 5 fiscal years
 - General Fund over revenue budget each of last 5 fiscal years
 - Budget Award by GFOA each of last 29 years
 - Largest annual CIP in our history (\$143.8m) in FY 21/22
 - Cost recovery improvements in Zoo Fund, Golf Course, and TRHOF

Today's Outline

- Where we've been
 - Celebrate!
- Where we are
 - Economically
 - Financially
 - Infrastructure
 - Enterprise Fees
- How we're challenged
 - "Word Cloud"
 - CIP
 - Legislatively
 - Tax Rate Management
 - Tax Relief
- Where we're going
 - Staff's "Points to Ponder"
 - Council Priorities
- Calendar Overview



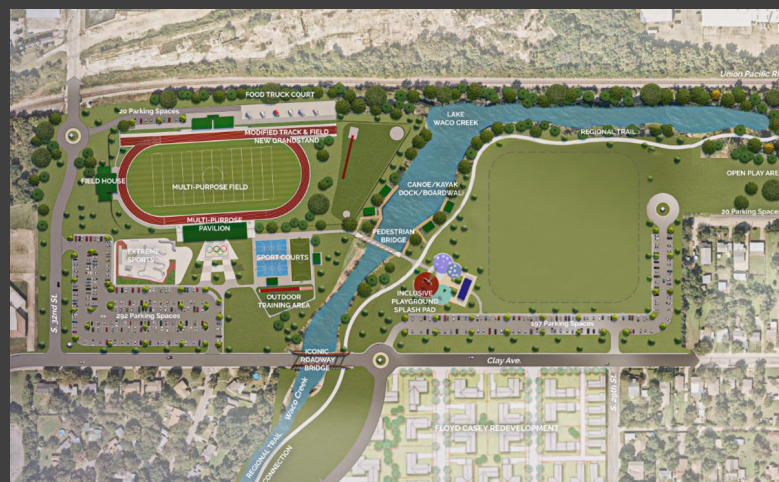
Where we've been...



Celebrating Council Priorities Realized

Connected the budget to the council priorities in prior budgets and accomplished a lot.

- Continuing to improve streets across the city.
- Fire Station 6 and Admin
- Rehabilitation of Waco's historic suspension bridge
- Design money for Regional Park at Floyd Casey
- Continued facilitating economic development and growing opportunities



Where we are...
Economically

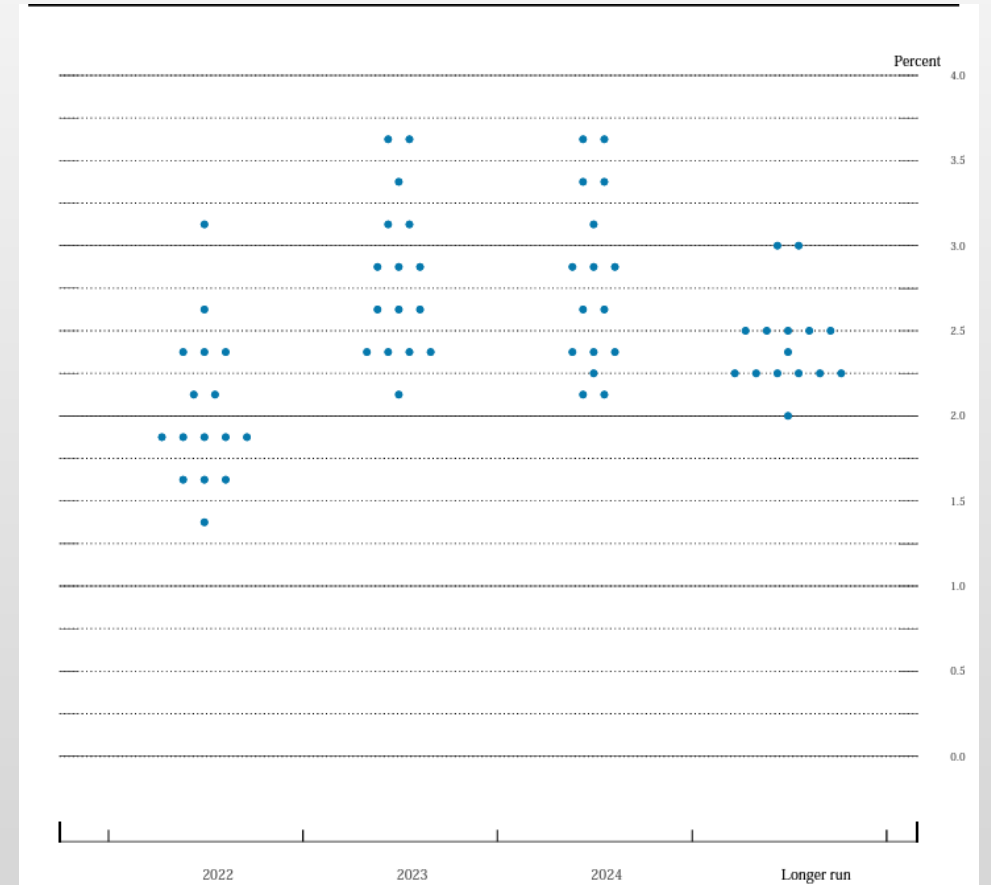
Economic Perspective: Nationally

- CPI up 8.3% year over year
 - Shelter +5.1%; Energy + 30.3%
- UN Food Price Index +12.6% March from February
- Producers Price Index Up 11.0%



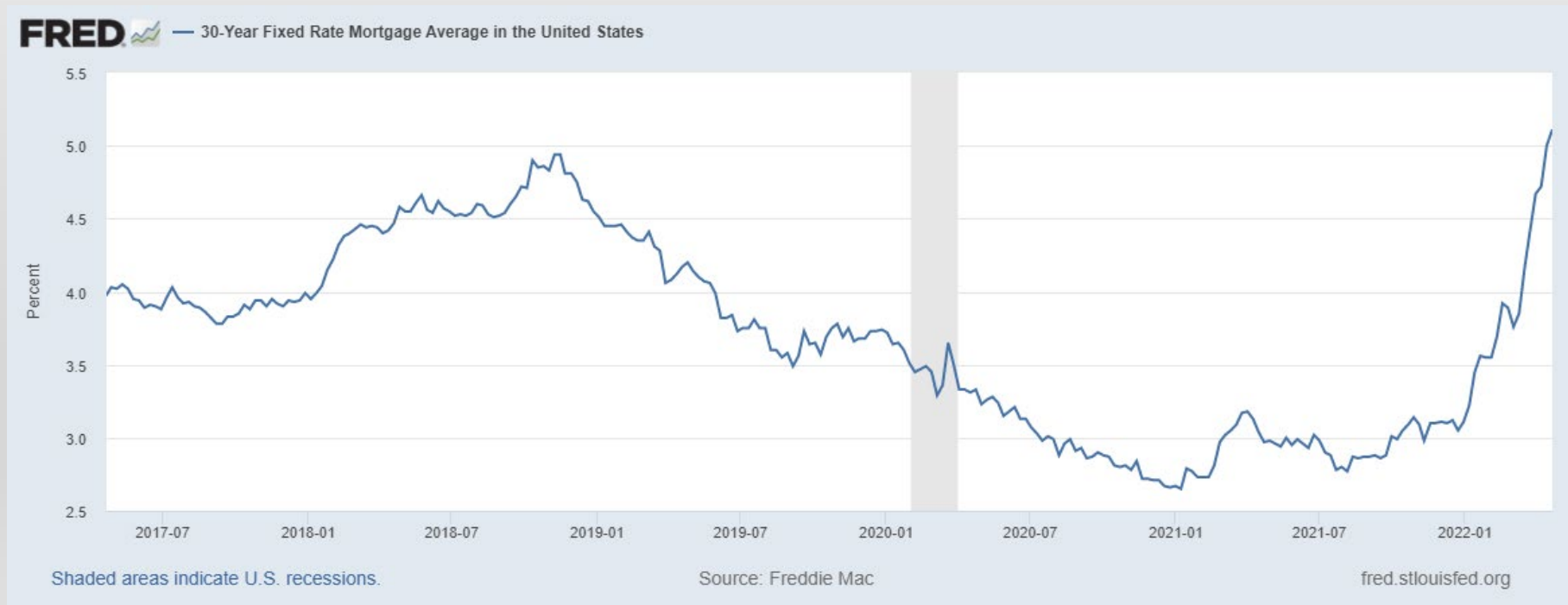
Economic Perspective: Nationally

- Unemployment Rate 3.6%
- Nonfarm payroll employment down 1.0% compared to February 2020
- Average hourly earnings up 5.6% the past year
- Personal Income up .5% in February
- Real (inflation factored) personal consumption expenditures decreased .4% in February
- Bank of America Institute saw debit and credit card spending increase 11% year over year in March
- Fed funds rate increased by .25% in March and .50% in May
 - Rate at which banks lend to one another
 - Commonly referred to in basis points which equates to one hundredth of one percent
 - Changes effect interest rate paid on savings accounts, rate at which City can borrow funds, and interest rate paid by borrowers for items such as credit cards and mortgages
 - Increases in rates should improve investment returns for the City



Economic Perspective: Nationally

- Mortgage rate increased from 2.97% on April 22, 2021, to 5.11% on April 21, 2022
- For average Homestead Valued at \$211,133 with standard down payment equates to an increase of \$209 from \$709 per month to \$918 per month
 - \$209 less that can be spent on discretionary items which typically are taxed
 - Only impacts those purchasing a home, refinancing, or those with an adjustable-rate mortgage



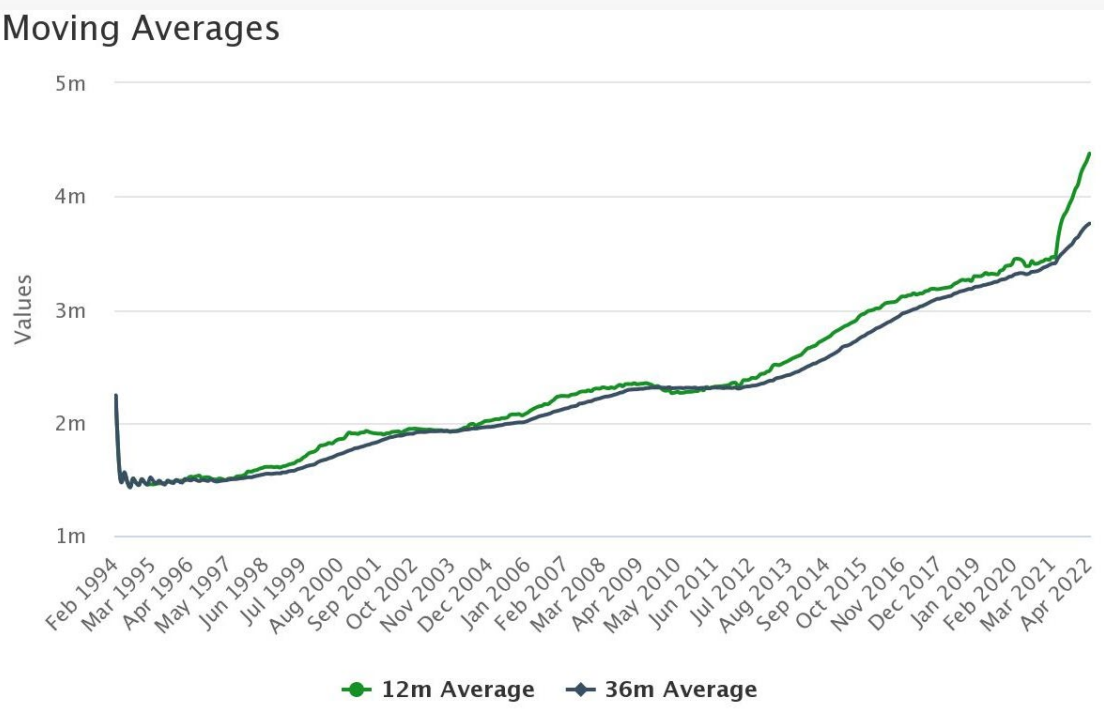
Economic Perspective: Locally

- Economic Index at historic high
 - 17 Business Retention & Expansion visits in Q2
- Sales tax at historic high
- \$575.7m in new taxable value added to tax rolls over last 3 years.
 - \$367.1m preliminarily in 2022
- Increased Housing Costs

Homestead: Average Market Value



City Sales Taxes: 1994-2022

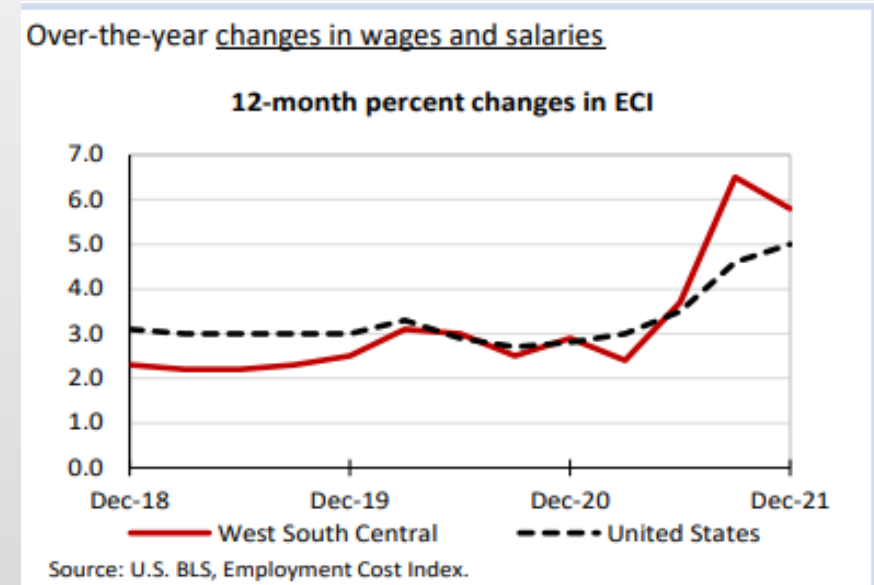


New Taxable Real Property Valuations



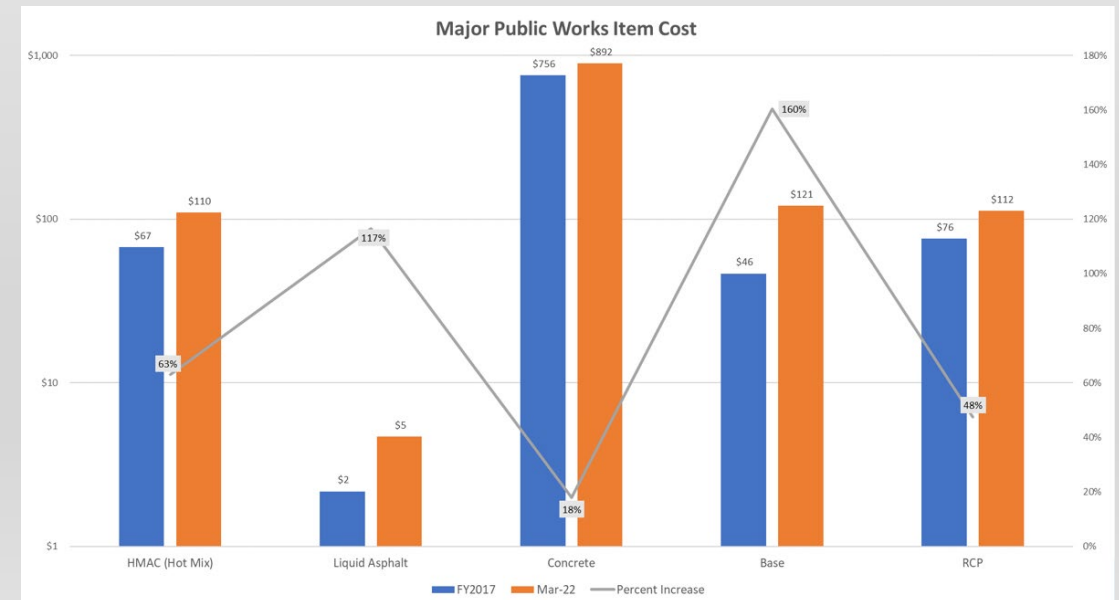
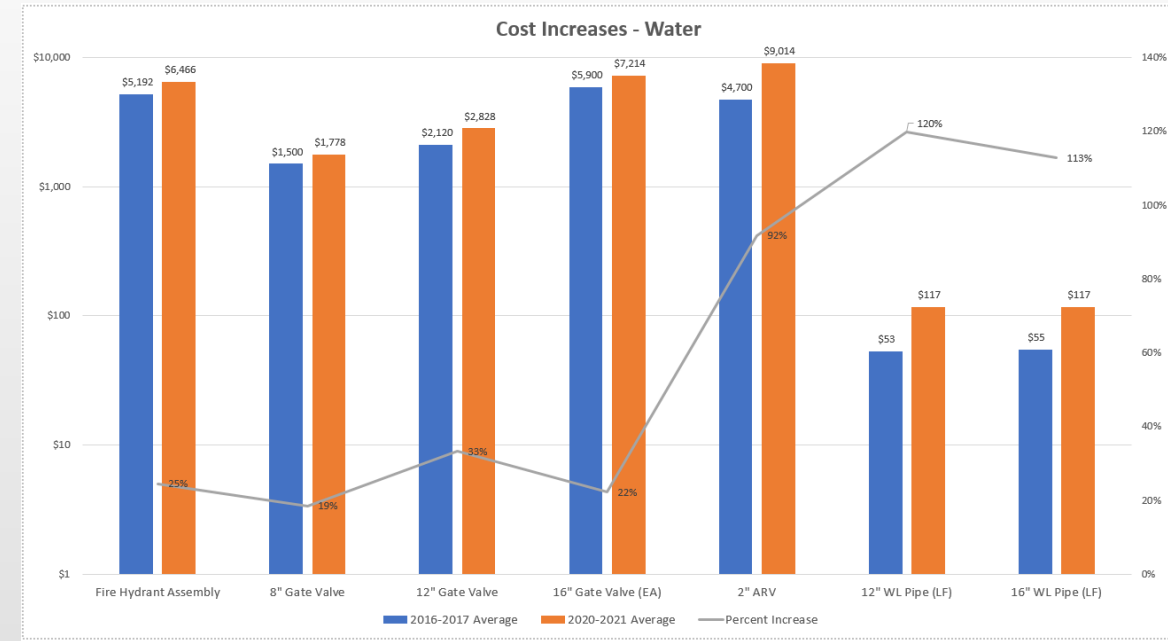
Economic Perspective: Locally

- Unemployment Rate 4.1% as of February - An increase from December when it was 3.5%
- Non-farm Employment increased 6.8%
- Average weekly wages as of 3rd quarter 2021 - \$992 compared to \$901 3rd quarter 2019
 - 10.1% increase
 - Current national average \$1,251

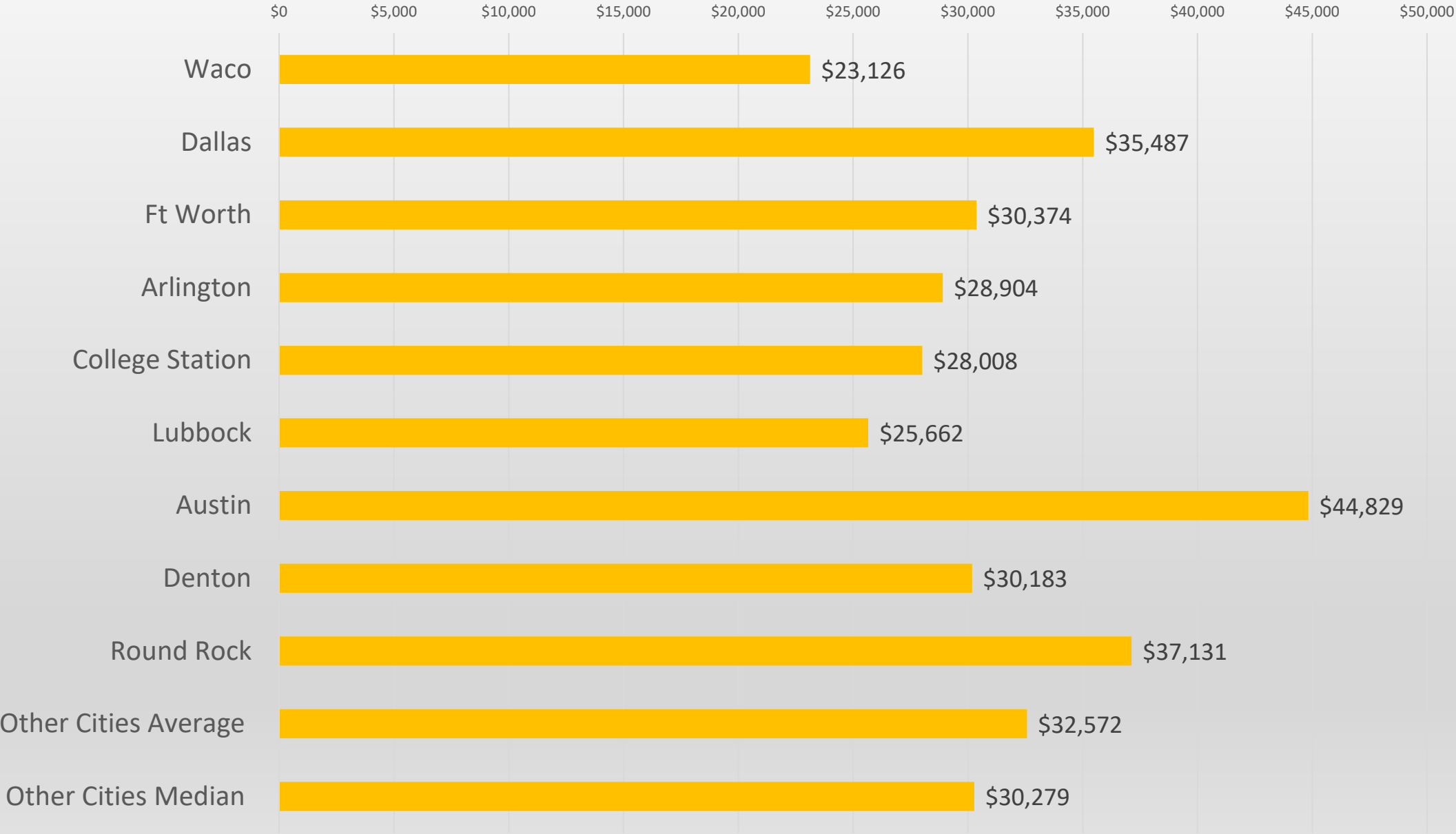


Economic Perspective: Locally

- Inflation effects on CIP
 - Materials up 40-190% over last 5 years
 - Highway Cost Indices: +15% in last year
 - HMAC +32.8% in last year
 - Interest rates
 - 2.67% Last Debt Sale
 - 3.50% Today's Muni Average
- Effects on Operations
 - 70% Change Gas rack rate today vs. one year ago
 - 71.8% change Diesel rack rate today vs. one year ago
 - 37.9% change Chlorine today vs. one year ago
 - 35% change Asphalt today vs. one year ago



Economic Perspective: 2020 Per Capita Income Comparison



QUIZ TIME

- ▶ What is the median total compensation for City employees?
Price is Right rules, closest without going over.

Where we are...
Financially

City Fund Types

Governmental Funds

- General Fund
- Capital Projects Funds
 - Special Projects Reserve
 - Rolling Stock Fund
- Special Revenue Funds
 - Waco-McLennan County Public Health District
- Debt Service Funds
- Permanent Funds

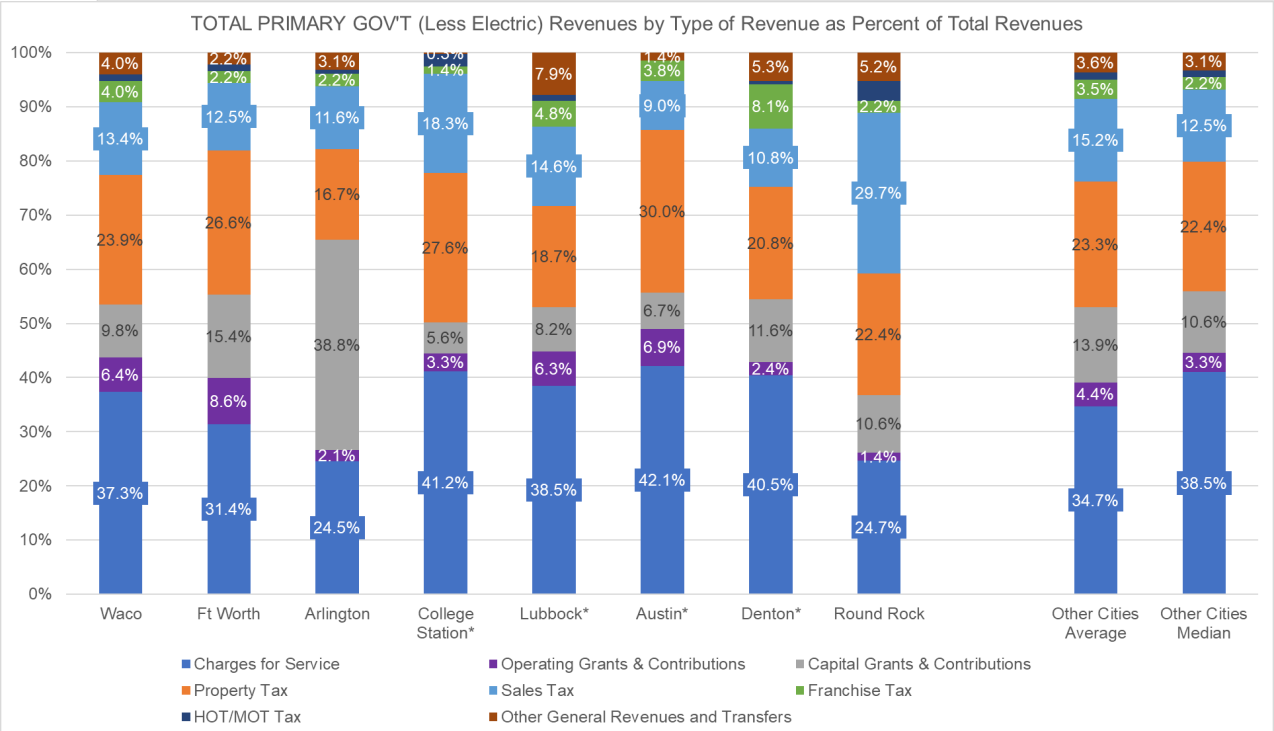
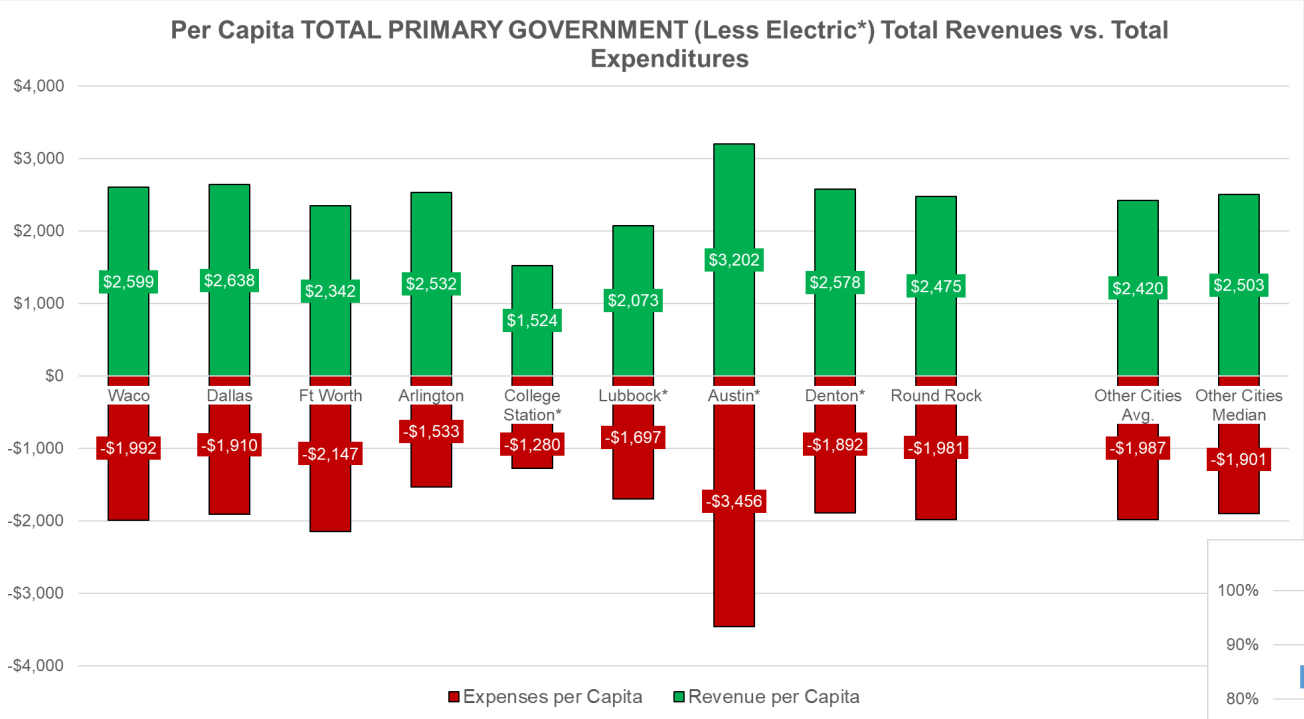
Proprietary Funds

- Enterprise Funds
 - Utility Funds
 - Quality of Life Funds
- Internal Service Funds
 - Risk Management Fund
 - Employee Health Insurance
 - Fleet and Engineering Funds

Fiduciary Funds


- Custodial

Primary Government (All) Comparisons

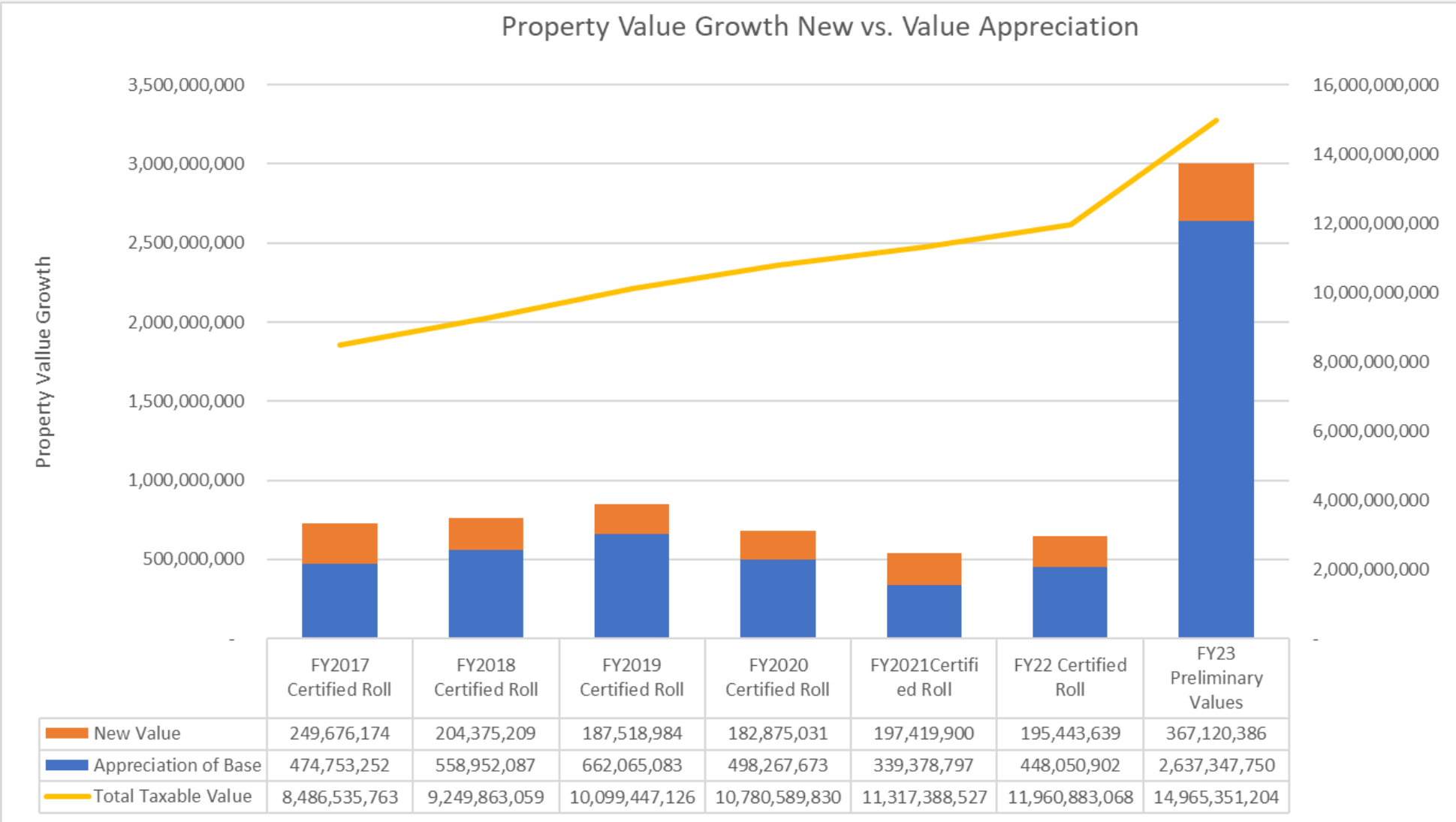


Current and Historical Revenues

- Major Sources for Major Funds
 - FY 2022 YTD Actual through April 21, 2022
 - FY2022 projection 3.4% increase over FY21 Actual

Revenues		FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 YTD Actual	FY 2022 Projection
Charges for Services		107,749,277	114,686,373	121,504,101	124,967,295	133,714,479	75,016,361	141,339,912
Property Tax		53,719,794	57,996,381	64,227,342	66,815,099	69,055,234	70,735,590	73,491,787
Sales Tax		38,135,659	39,017,059	40,610,169	41,033,102	48,720,357	30,426,697	47,703,219
Intergovernmental		8,142,838	6,159,264	7,143,642	17,845,459	9,646,148	4,267,410	8,553,825
Hotel - Motel Tax		3,724,543	4,270,253	4,617,066	3,138,696	4,519,547	2,681,059	4,839,966
Net Merchandise Sale		1,932,667	1,961,509	2,057,530	1,691,469	2,684,263	1,456,536	2,492,196
Licenses and Permits		1,844,585	1,767,209	2,189,022	2,275,881	2,959,116	1,355,325	2,143,530
Fines		1,802,902	1,567,372	1,622,125	1,295,831	1,524,620	871,739	1,493,253
Grand Total		217,052,265	227,425,420	243,970,996	259,062,832	272,823,763	186,810,716	282,057,688

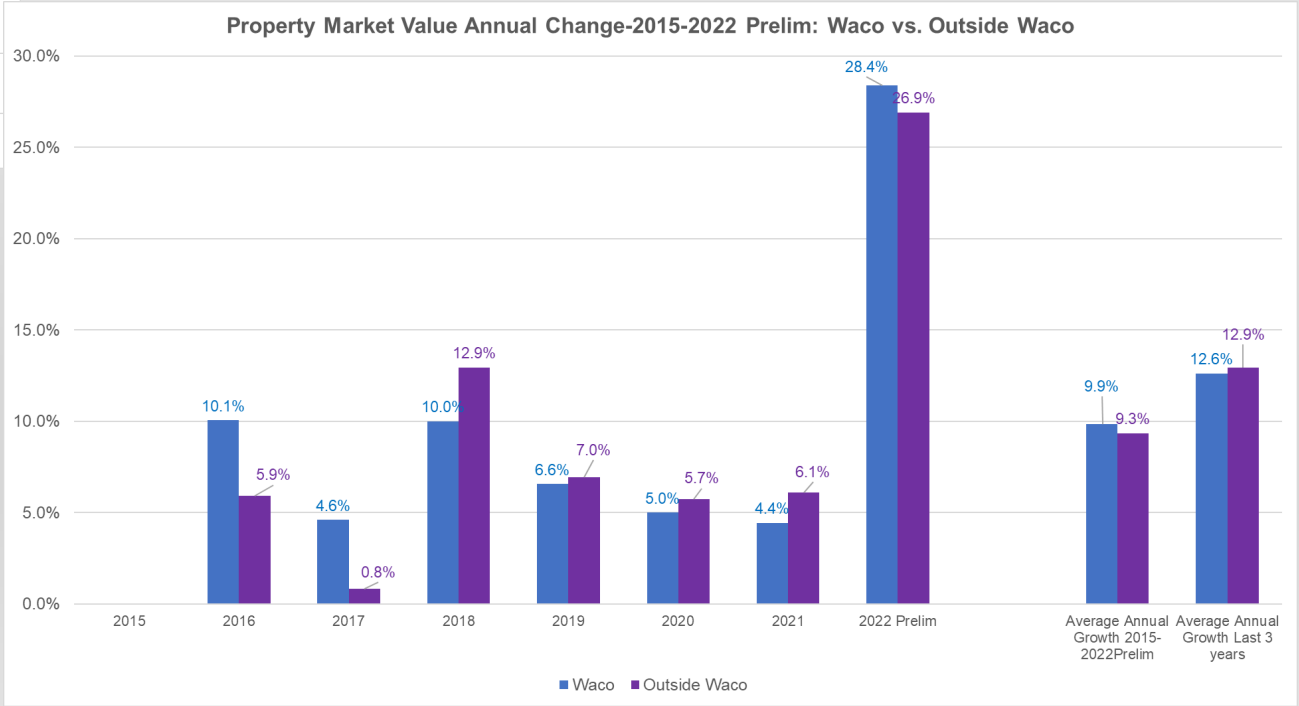
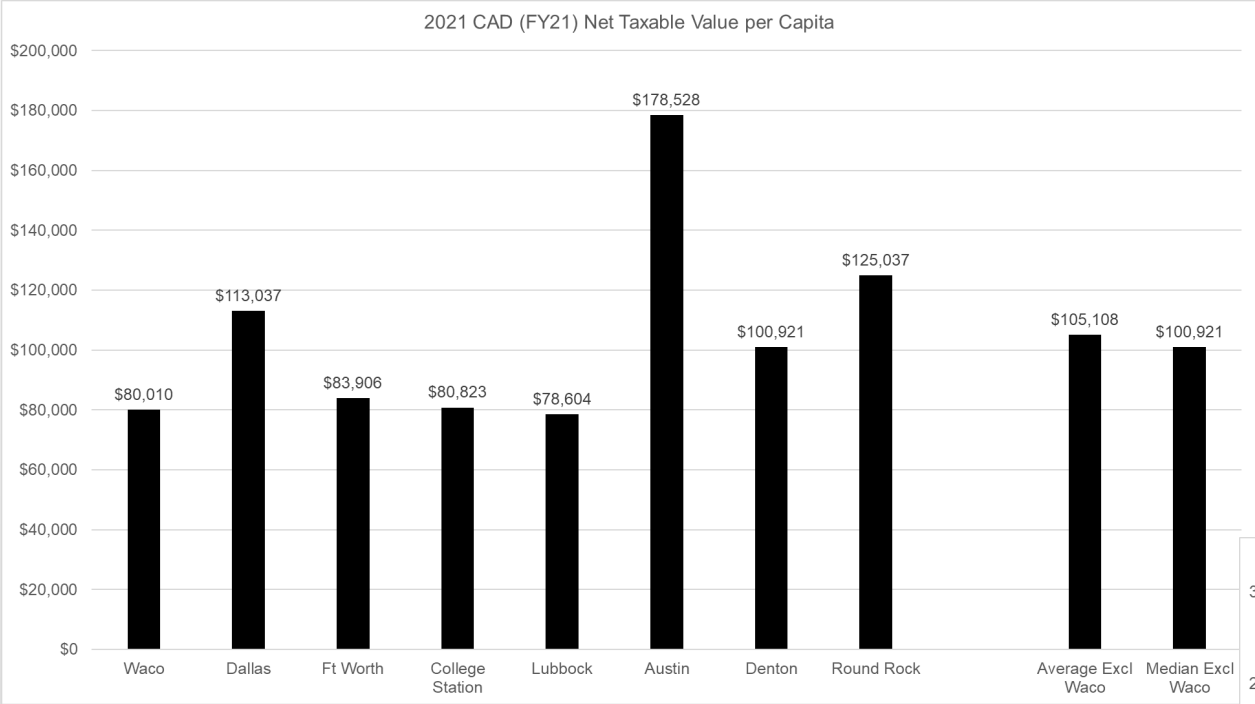
Property Value Growth vs. Value Appreciation



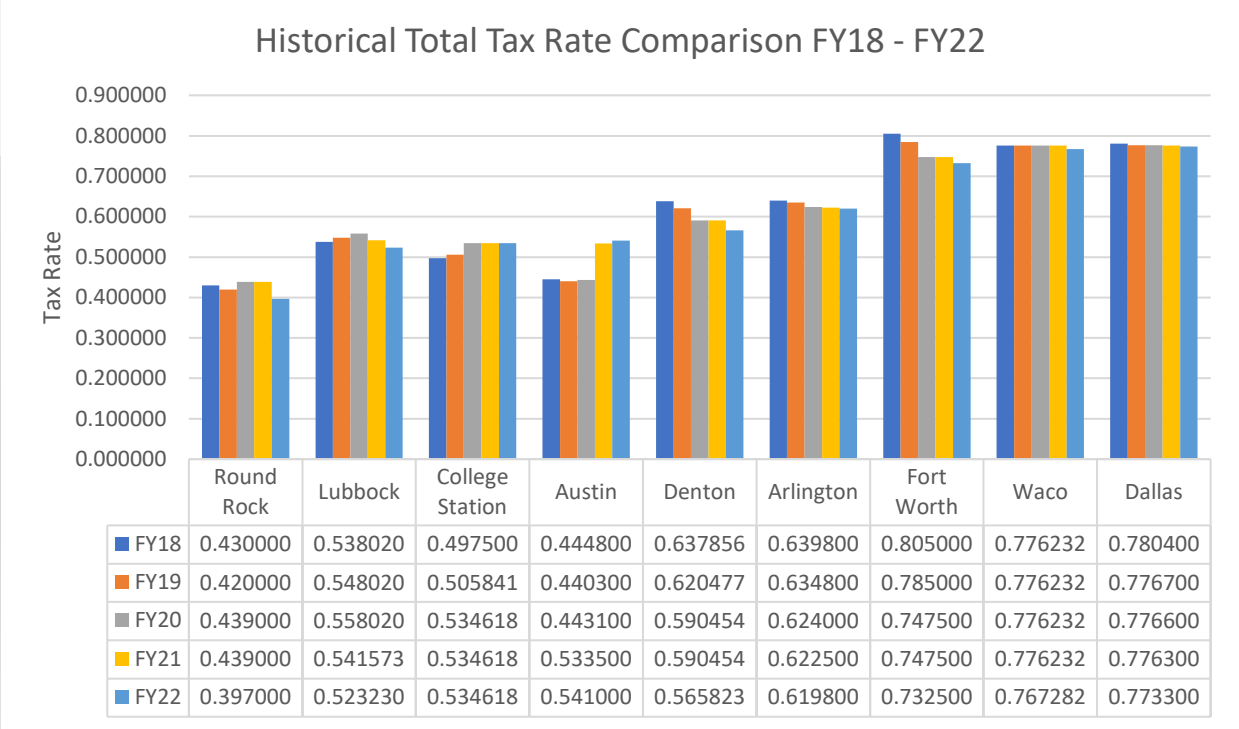
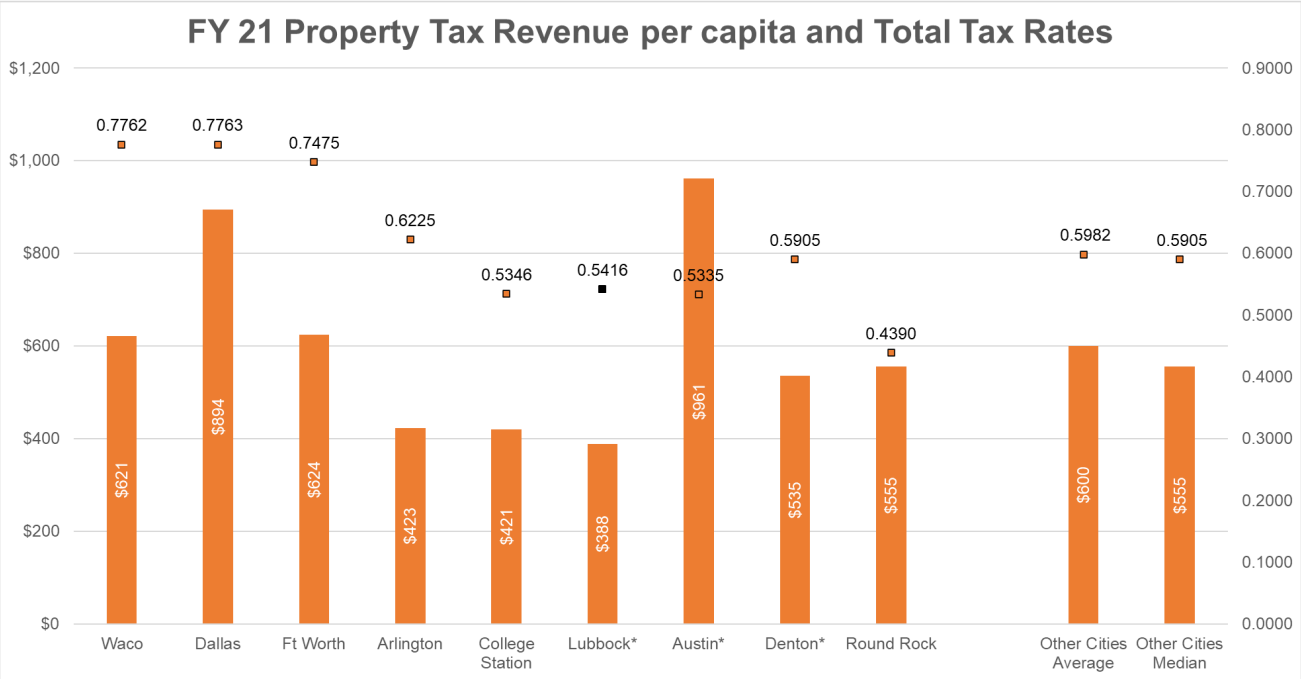
Property Values by Classification

Property Classification	FY2020 Certified Roll	FY2021 Certified Roll	FY2022 Certified Roll	FY2023 Preliminary Values	\$ Change	% Change
Single Family Residence	4,409,141,763	4,778,131,760	5,332,775,967	6,419,588,081	1,086,812,114	20.38%
Multi-Family	1,203,731,489	1,307,251,804	1,402,466,289	2,335,386,273	932,919,984	66.52%
Commercial Real Property	2,385,542,645	2,523,103,170	2,481,853,711	3,352,917,990	871,064,279	35.10%
Industrial & Manufacturing	522,952,926	530,703,464	534,644,749	565,808,522	31,163,773	5.83%
Commercial Personal Property	1,251,897,853	1,161,037,860	856,619,964	794,187,968	(62,431,996)	-7.29%
Industrial & Manufacturing Pers Prop	453,718,329	447,043,854	768,963,765	796,198,028	27,234,263	3.54%
Vacant Lots and Tracts	214,597,348	224,553,034	225,703,727	326,966,154	101,262,427	44.87%
Gas Distribution System	49,337,460	53,406,830	59,137,680	59,140,170	2,490	0.00%
Electric Company	81,939,672	92,618,912	98,820,347	99,025,190	204,843	0.21%
Rural Land	46,579,982	41,433,121	43,925,119	48,053,056	4,127,937	9.40%
Residential Inventory	40,305,219	35,956,224	27,655,282	30,581,520	2,926,238	10.58%
Special Inventory Tax	44,302,380	47,830,220	48,895,480	62,339,370	13,443,890	27.50%
Other	76,542,764	74,318,274	79,420,988	75,158,882	(4,262,106)	-5.37%
Total	10,780,589,830	11,317,388,527	11,960,883,068	14,965,351,204	3,004,468,136	25.12%
Population	138,486	139,982	139,982	139,982	-	0.00%
Assessed Value per Capita	77,846	80,849	85,446	106,909	21,463	25.12%

Taxable Value Comparisons

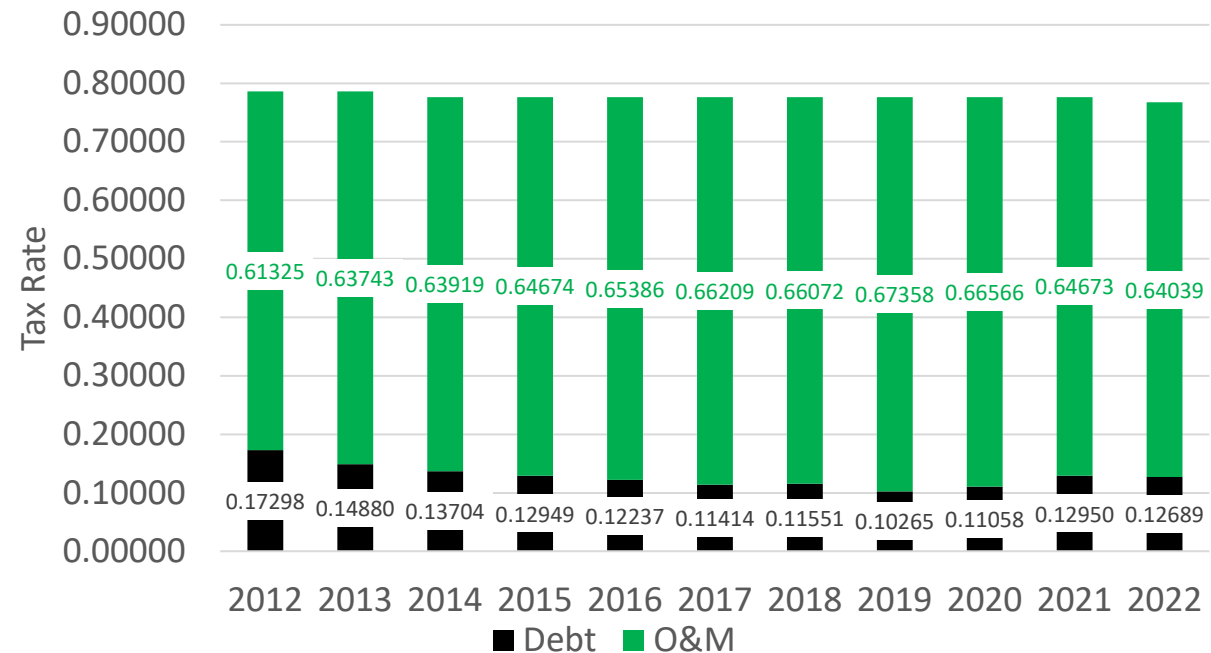


Property Tax Rates and Revenue Comparisons

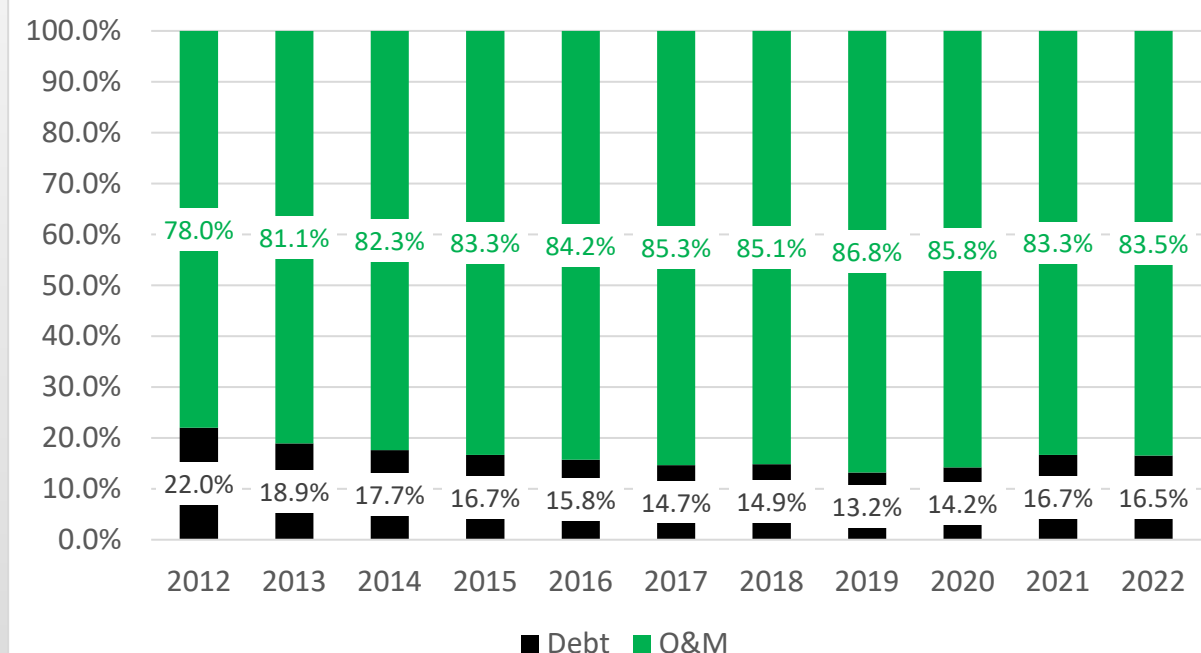


Waco's Tax Rate Components

Tax Rate Components: 2012-2022

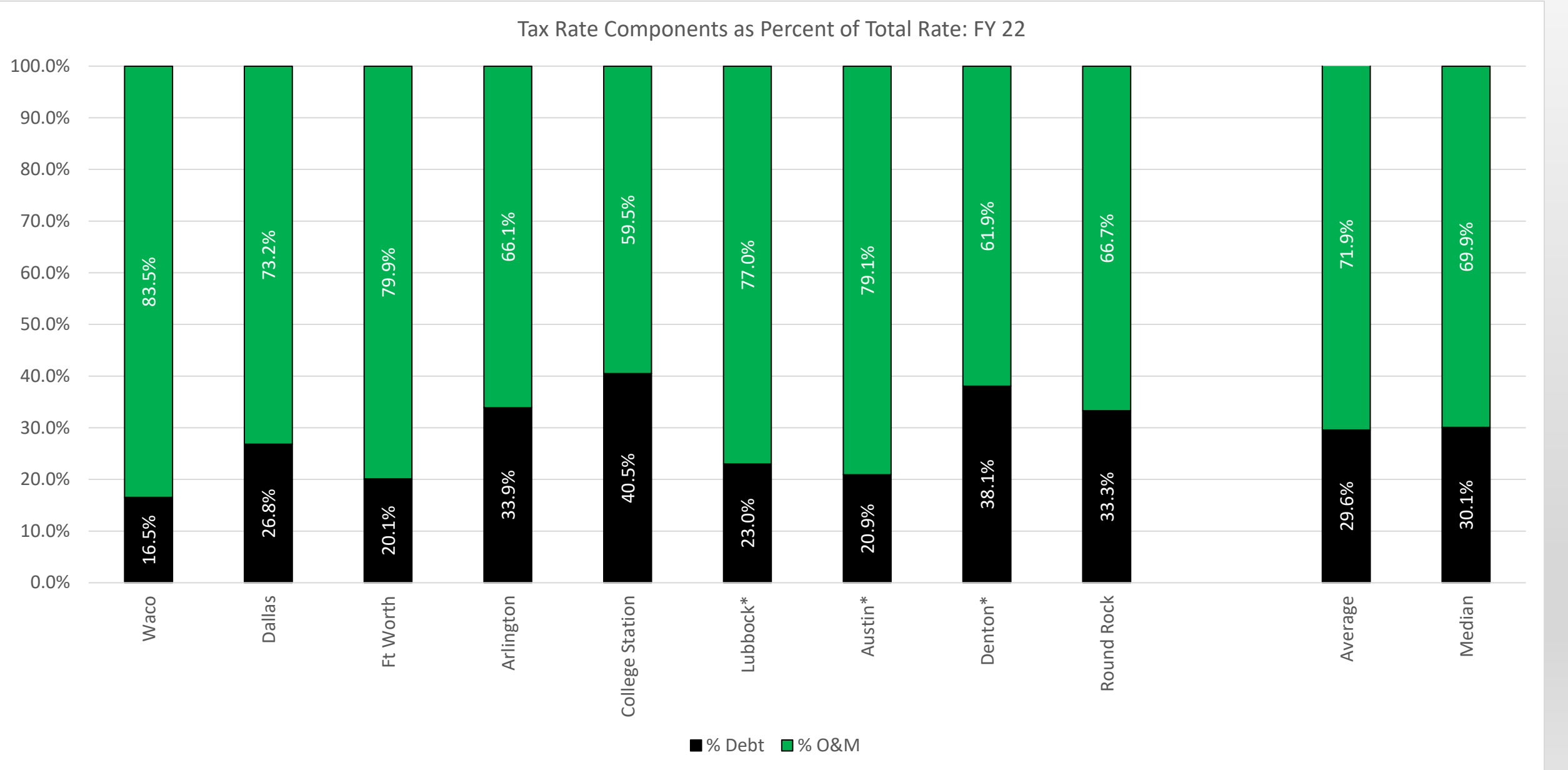


Tax Rate Components as Percent of Total Rate: 2012-2022

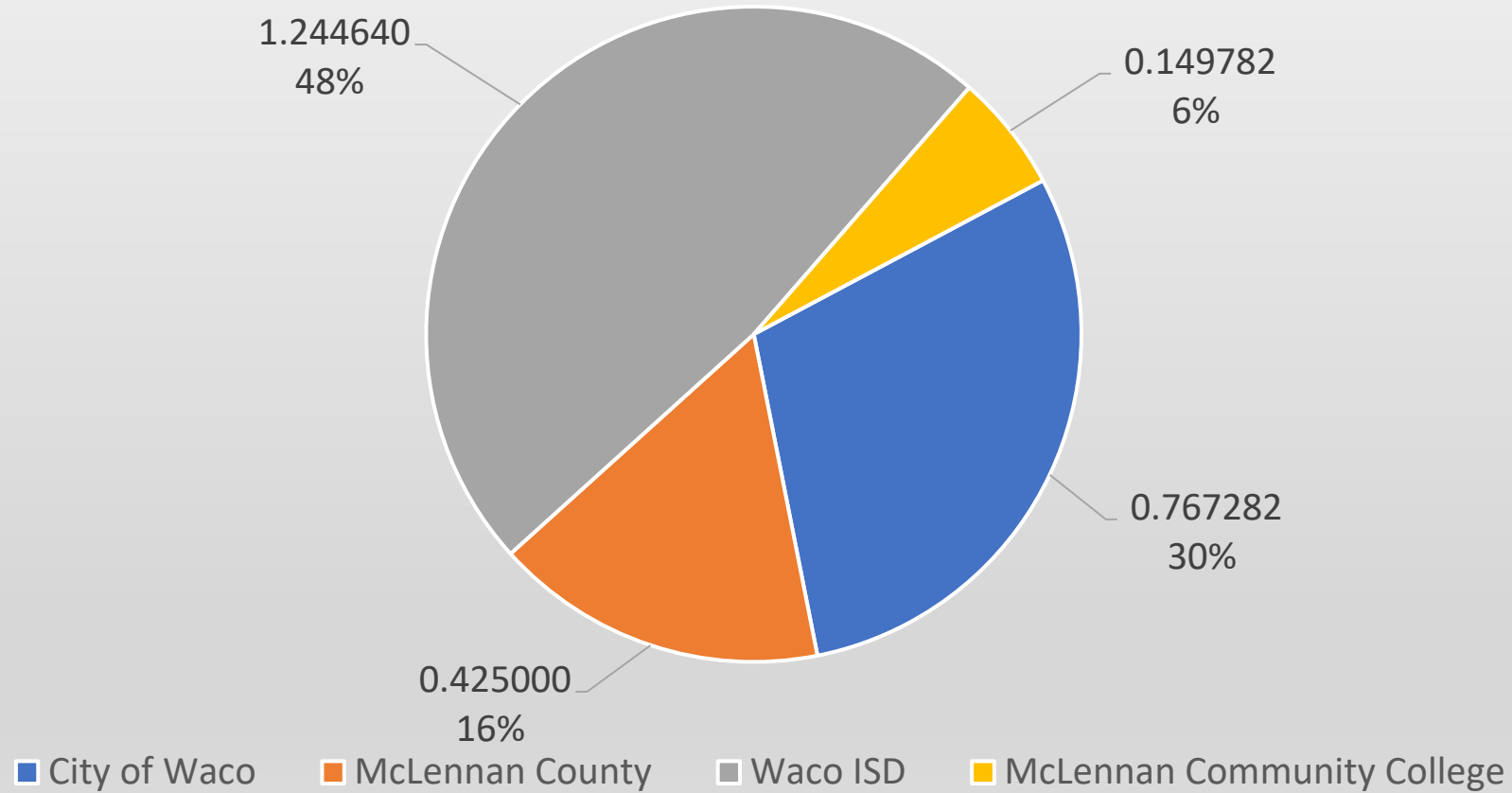


	Debt	O&M	Total	Change		Debt	O&M
2012	0.17298	0.61325	0.78623			22.0%	78.0%
2013	0.14880	0.63743	0.78623			18.9%	81.1%
2014	0.13704	0.63919	0.77623	-0.01000		17.7%	82.3%
2015	0.12949	0.64674	0.77623			16.7%	83.3%
2016	0.12237	0.65386	0.77623			15.8%	84.2%
2017	0.11414	0.66209	0.77623			14.7%	85.3%
2018	0.11551	0.66072	0.77623			14.9%	85.1%
2019	0.10265	0.67358	0.77623			13.2%	86.8%
2020	0.11058	0.66566	0.77623			14.2%	85.8%
2021	0.12950	0.64673	0.77623			16.7%	83.3%
2022	0.12689	0.64039	0.76728	-0.00895		16.5%	83.5%

Comparison of Tax Rate Components



FY22 Property Tax Rates



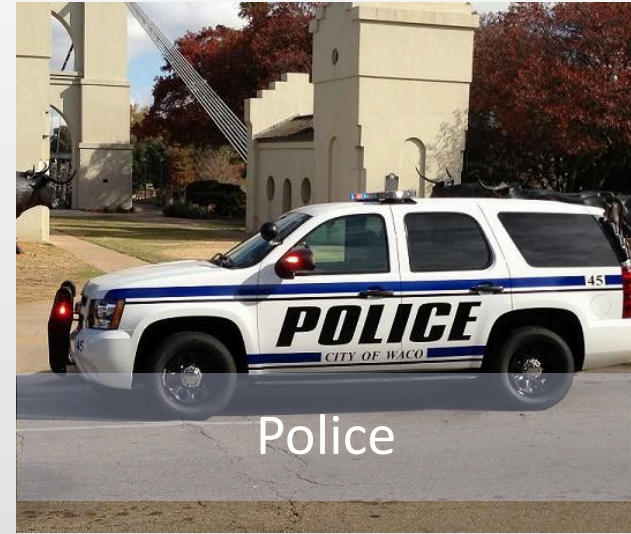
What tax supported services does the City provide?



Parks & Recreation



Fire



Police



Streets

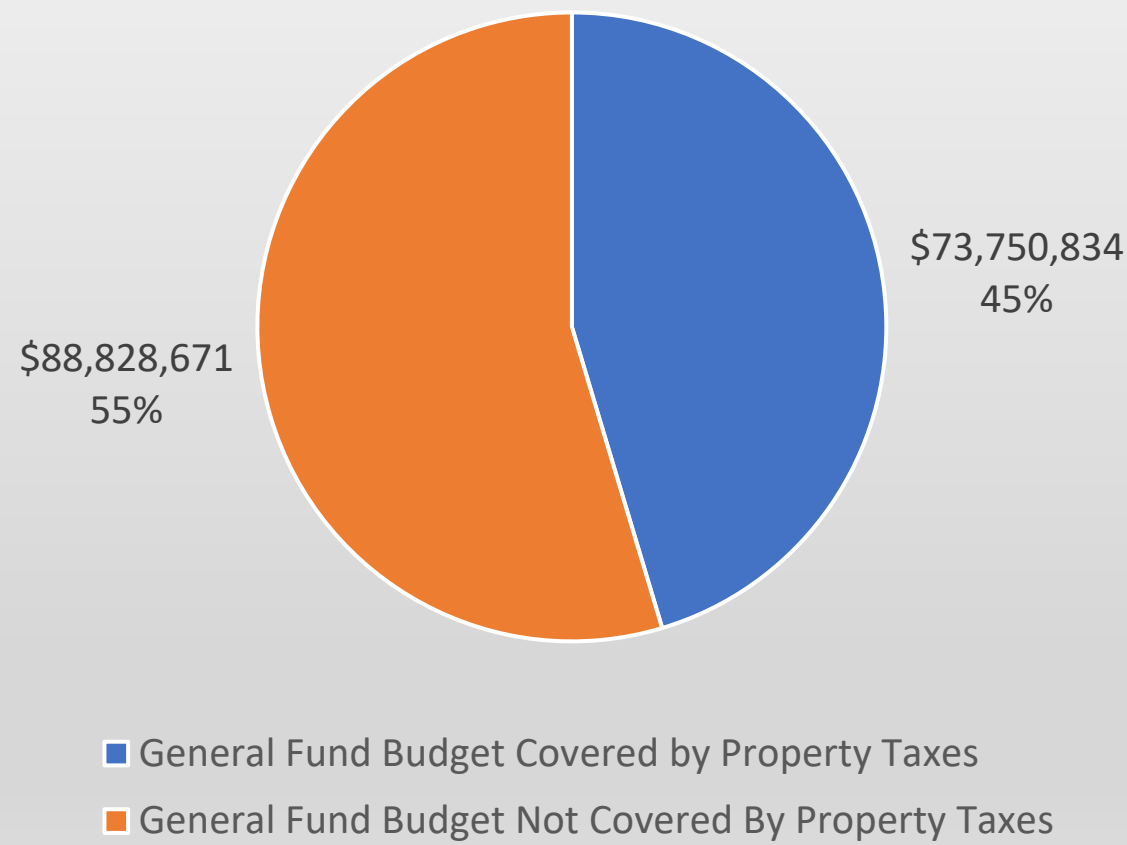


Libraries

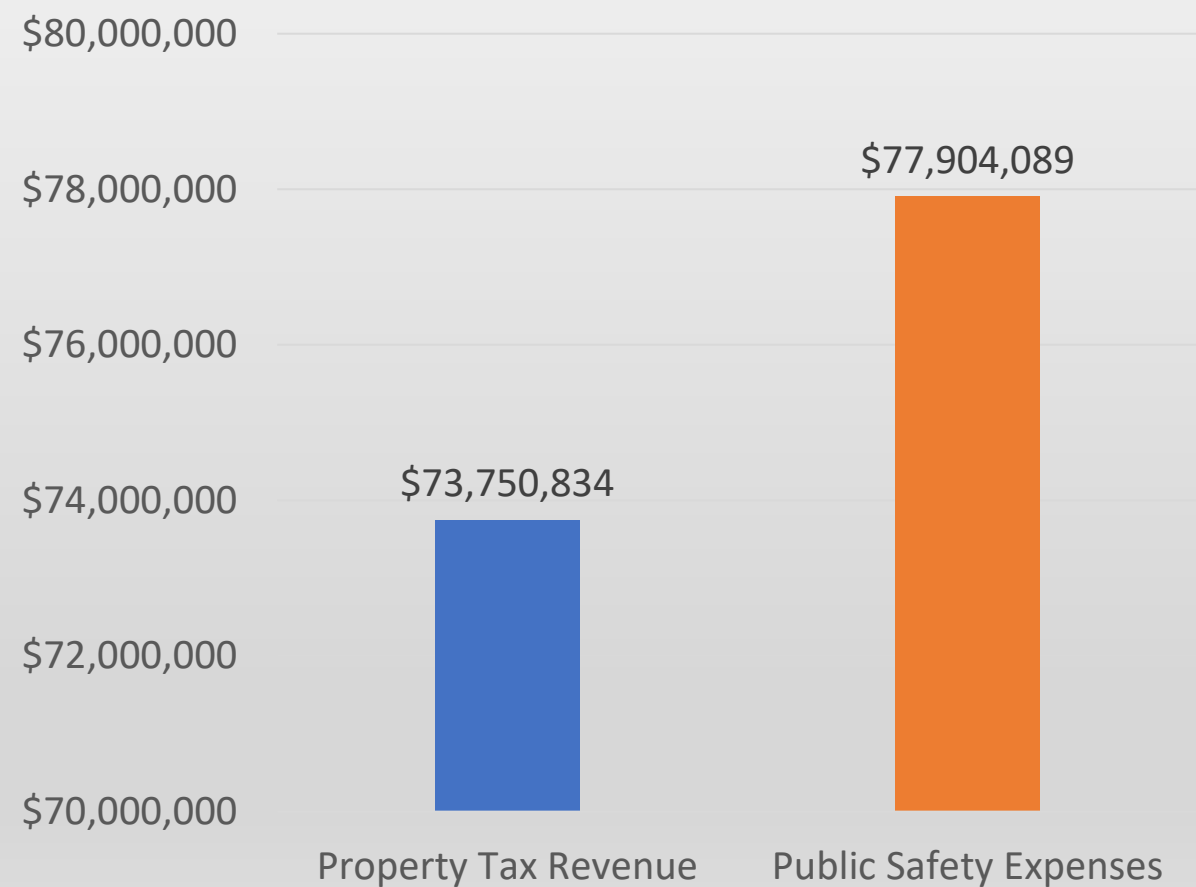


Planning & Development

*FY22 General Fund Budget
Covered by Property Tax
Revenue*



FY22 Budgeted Property Tax Revenue vs. Public Safety Expenses (General Fund Only)



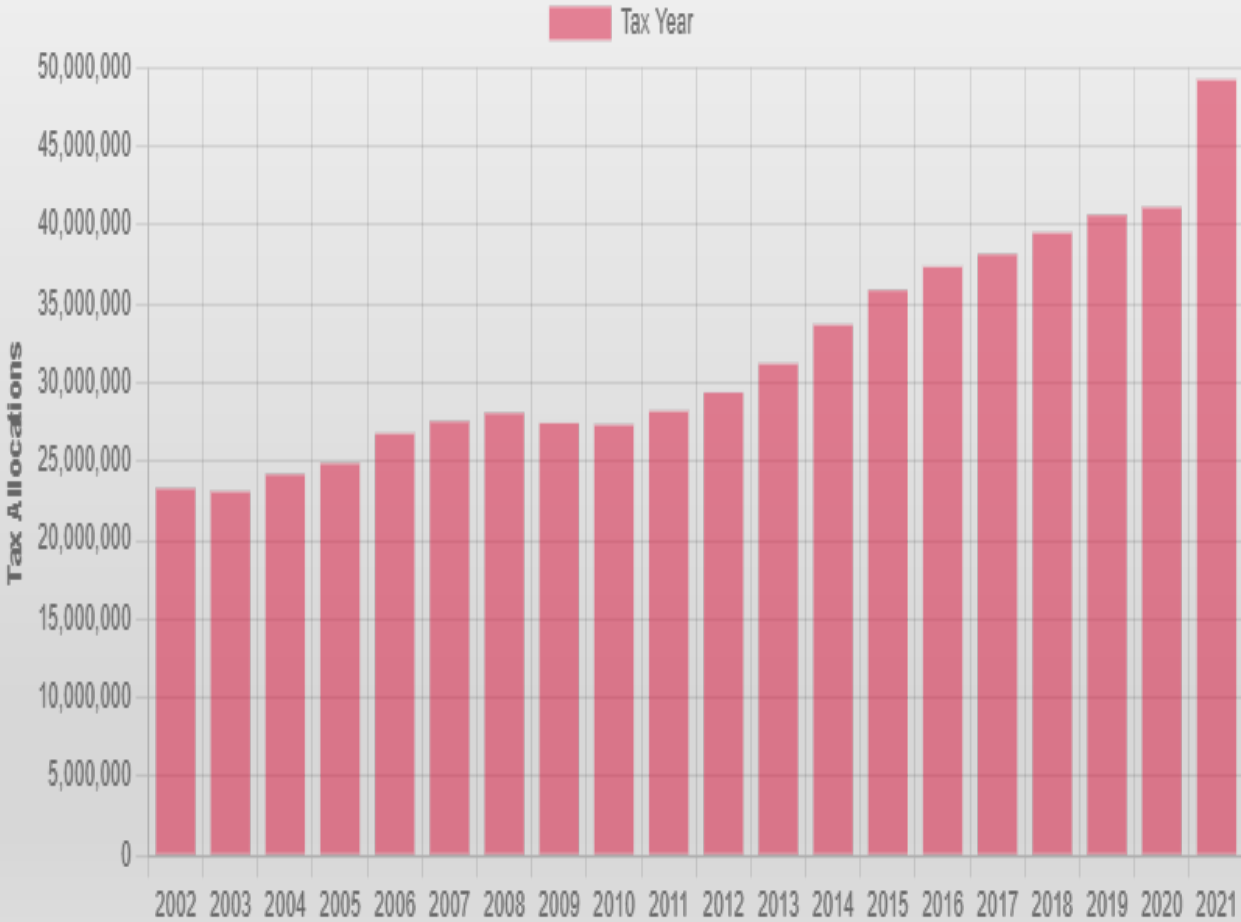
Public Safety expenses include Police, Fire and Municipal Court.

QUIZ TIME

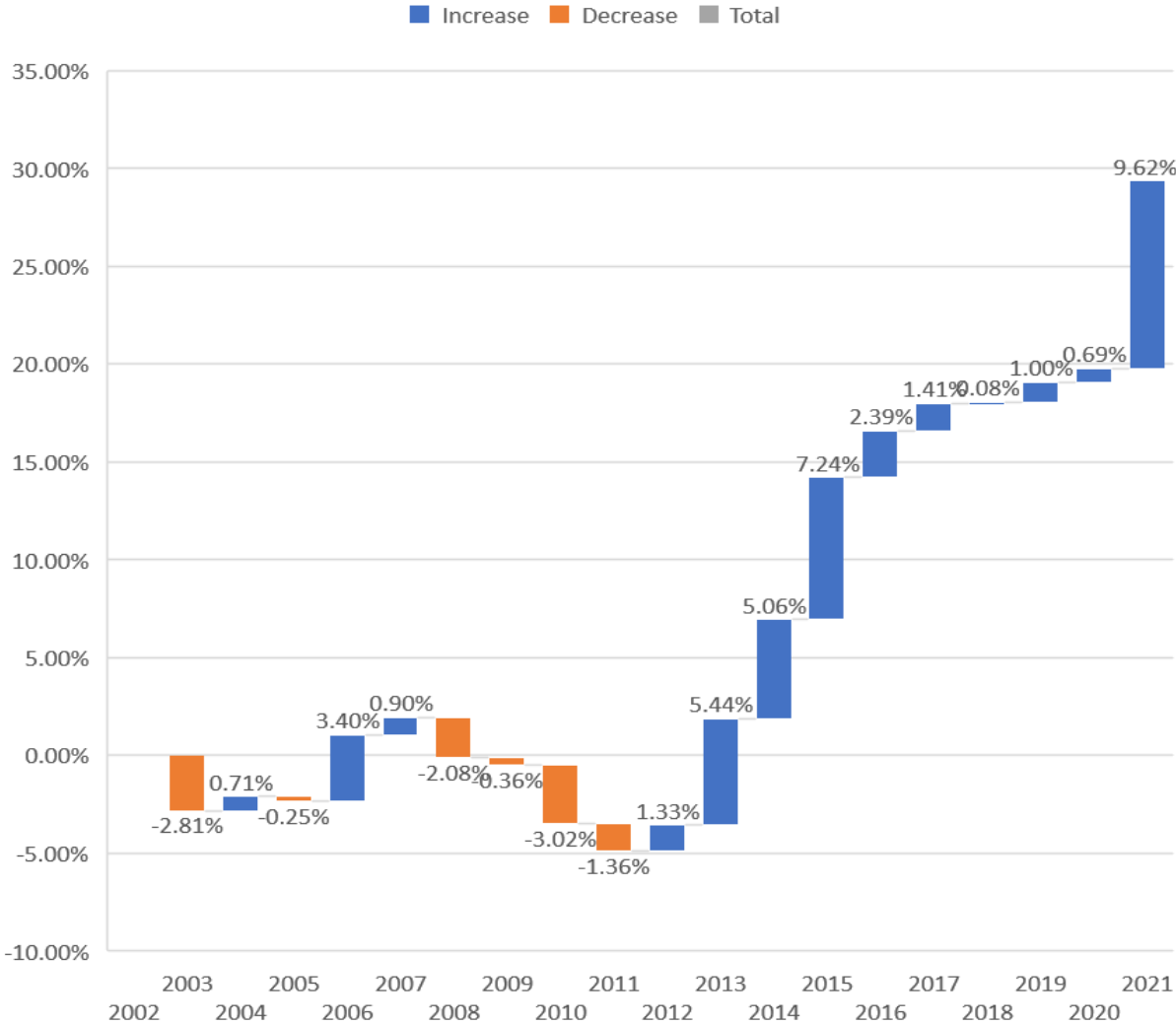
- ▶ How many open records requests does the City Secretary's Office receive/archive on an annual basis?

Sales Tax

Yearly - Sales Tax Allocations - Past 20 Years

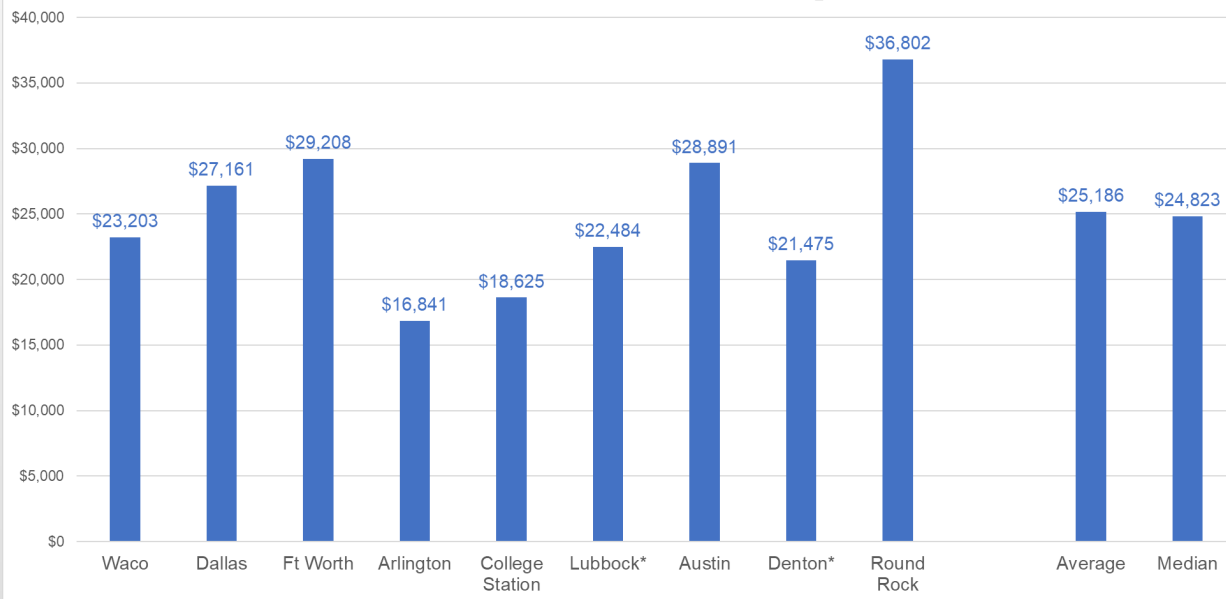


Real Growth in Sales Tax Receipts

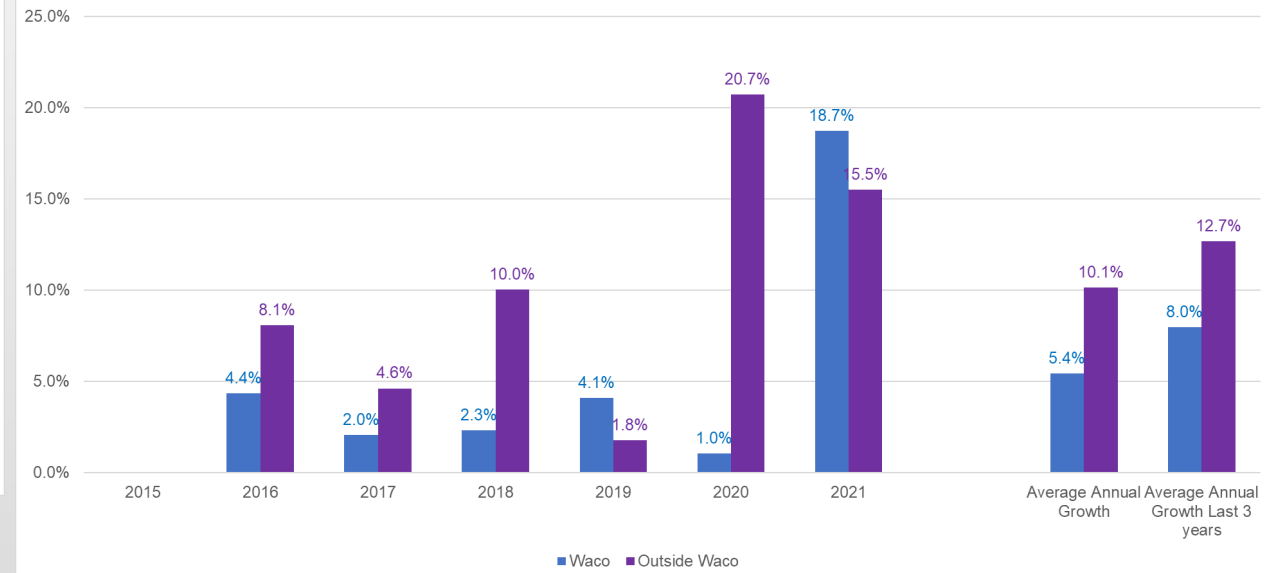


Sales Tax Comparisons

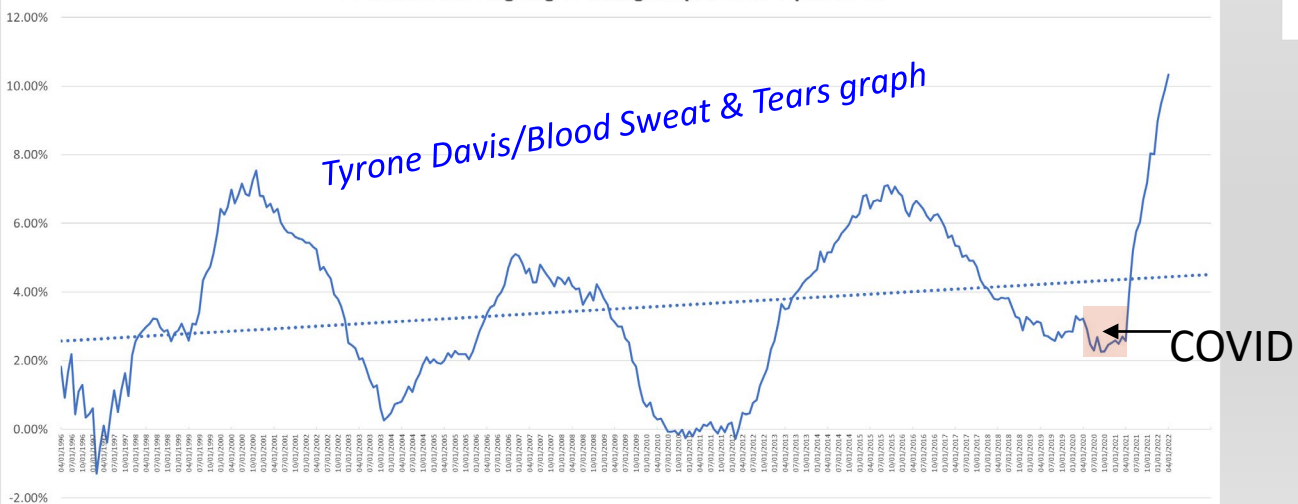
Taxable Sales/Capita



Taxable Sales Percent Annual Growth- 2015-2021: Waco vs. Outside Waco



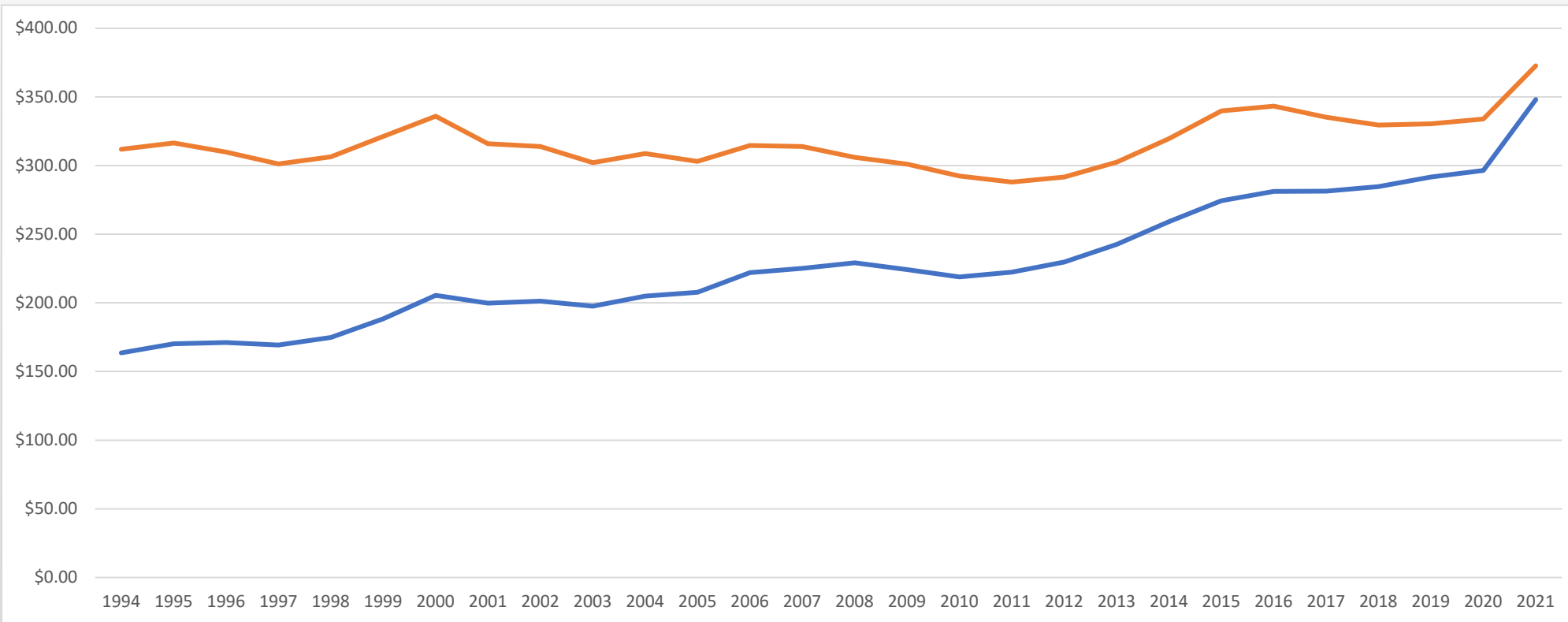
36 month moving avg % change: April 1995-April 2022



Observations from 36 month moving average

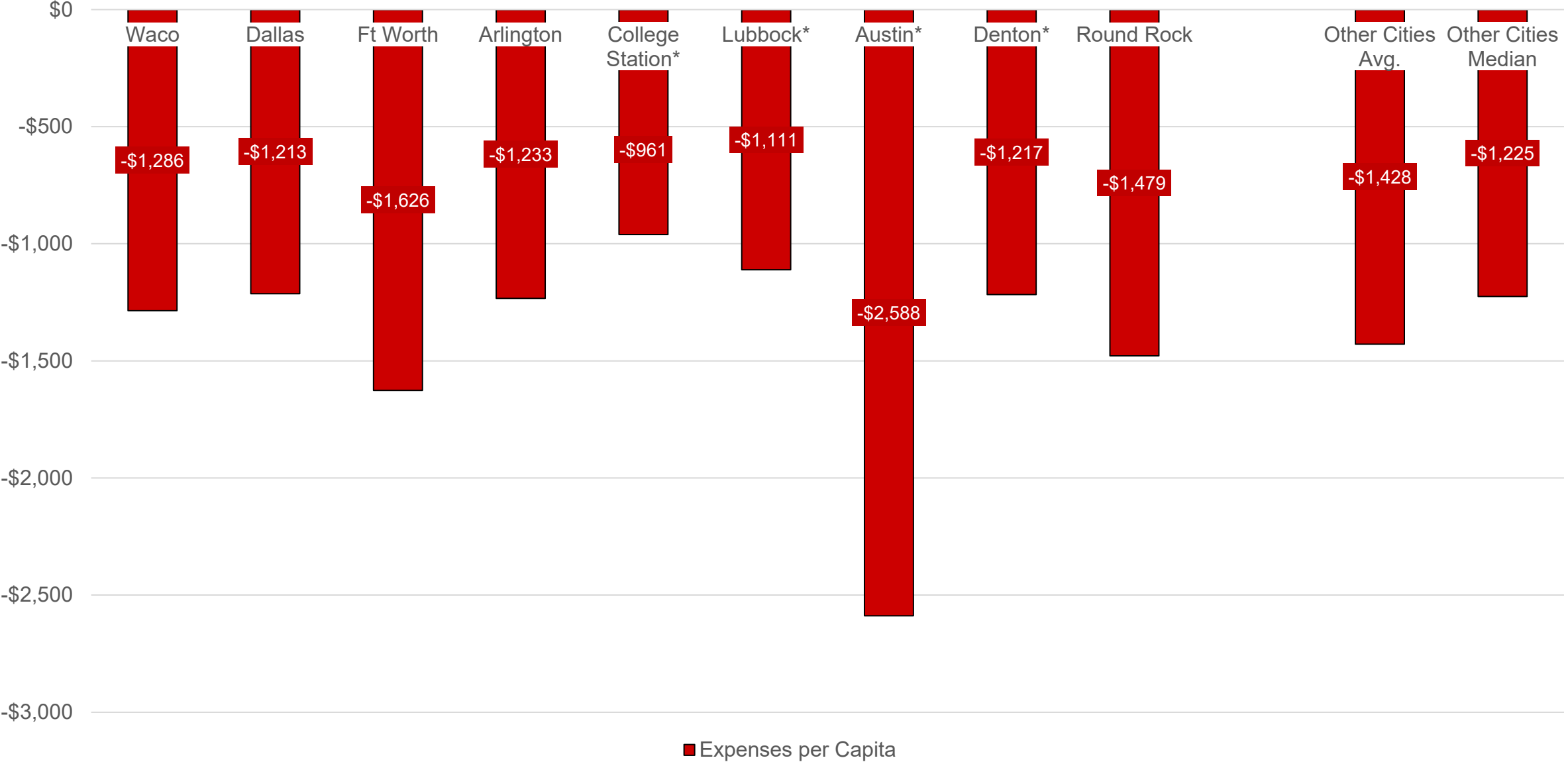
- 26 months zero growth (7/10-8/12)
- 153 months declining
- 171 months increasing
- Peaks at 7.4 year intervals (11/00; 1/07; 8/15)
- Slopes of last 3 increases
 - .004%; .006%; .020%
 - Current trend 3x steeper than ever experienced

Sales Tax Per Capita: 1994-2021

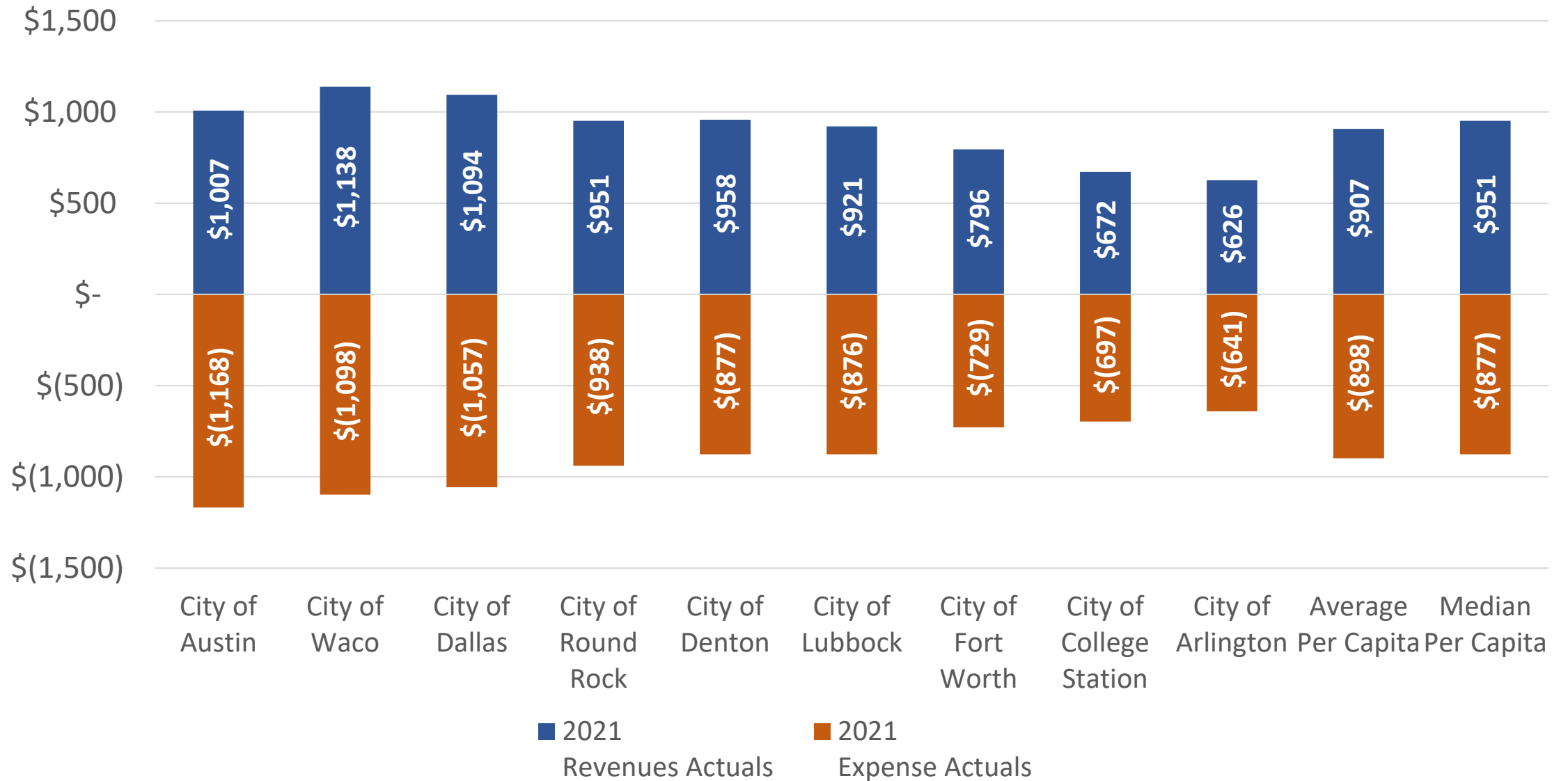


- *1994-2020*
 - *Unadjusted: Slope is \$4.98, average change 2.36%*
 - *Adjusted: Slope is \$0.65, average change is 0.31%*
- *1994-2021*
 - *Unadjusted: Slope is \$5.38, average change is 2.92%*
 - *Adjusted: Slope is \$1.01, average change is 0.73%*
- *The rapid growth in 2021 (+17.47%; +11.61%(adj)) causes a significant increase in slope and % change*

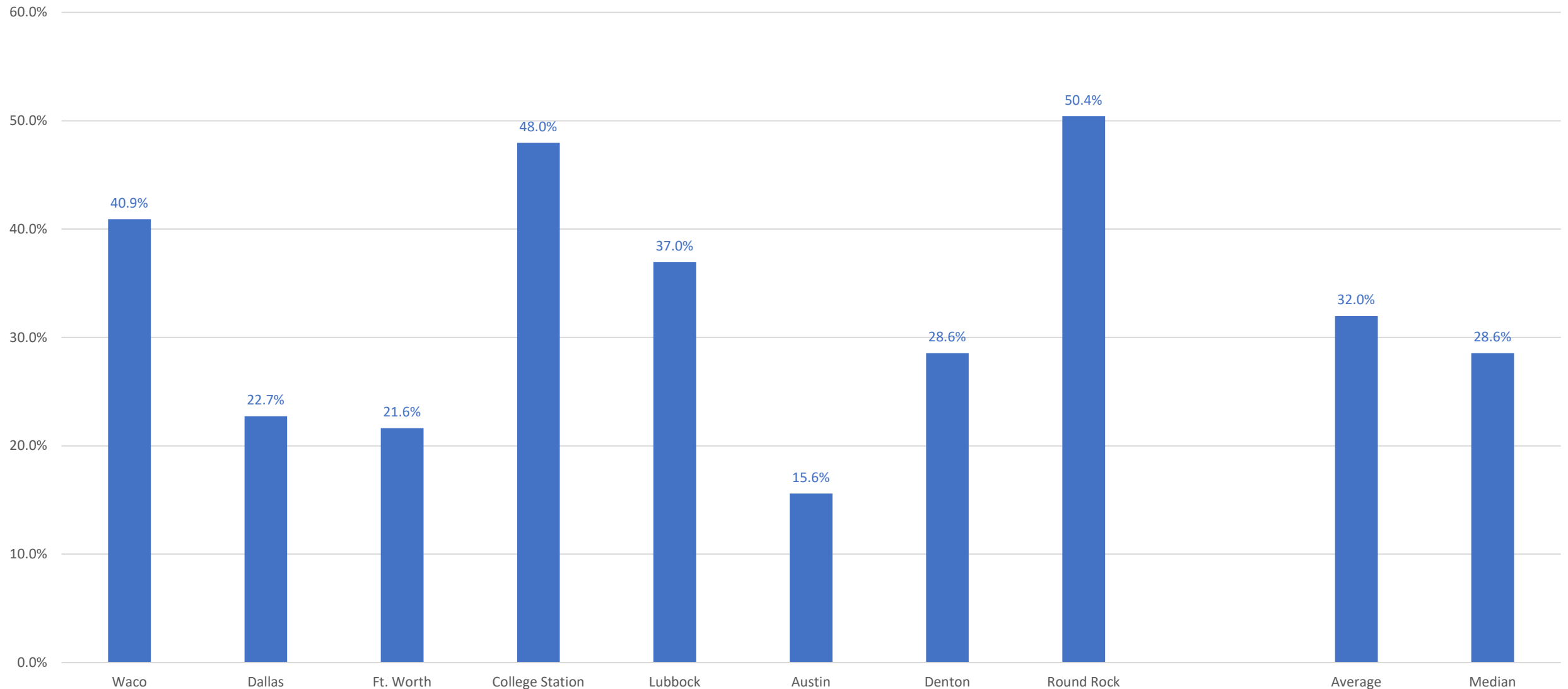
ADJUSTED PRIMARY GOVERNMENT (Less Water, Wastewater, Solid Waste, Airport,
& Electric) Total Expenditures Per Capita



Per Capita FY21 GF Revenue and Expense Actuals Comparison

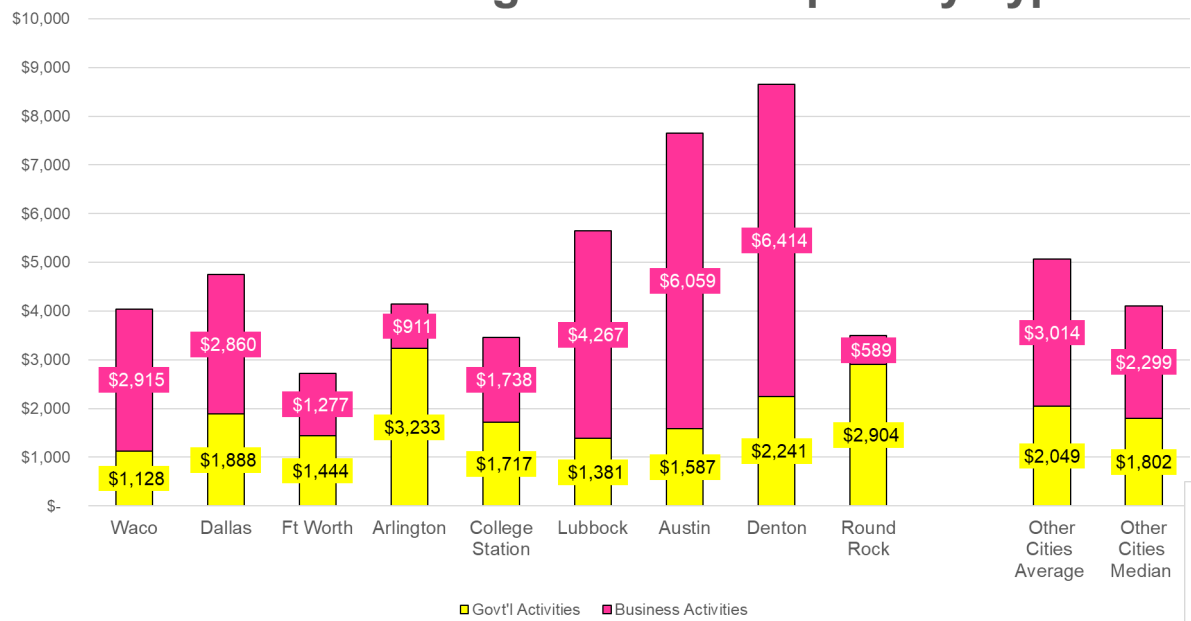


FY 21 General Fund EOY Unassigned Fund Balance as Percent of GF Revenues

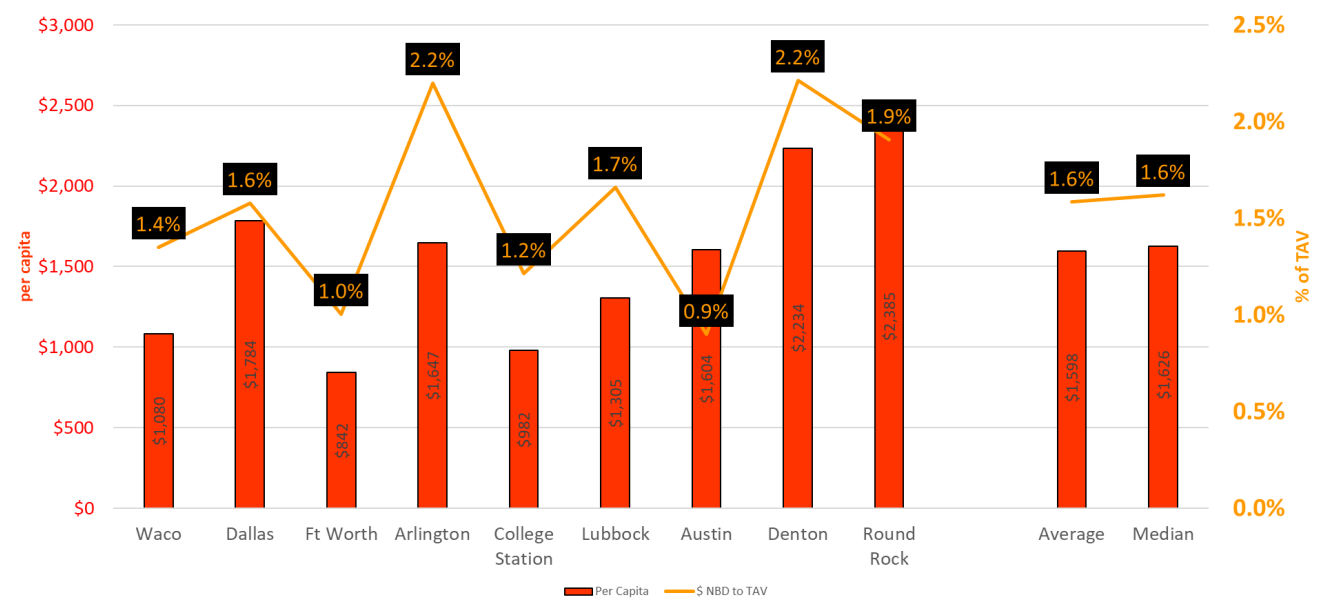


Outstanding Debt Comparisons

2021 Outstanding Debt Per Capita By Type



2021 Net General Bonded Debt: Total and as % of Taxable Assessed Value

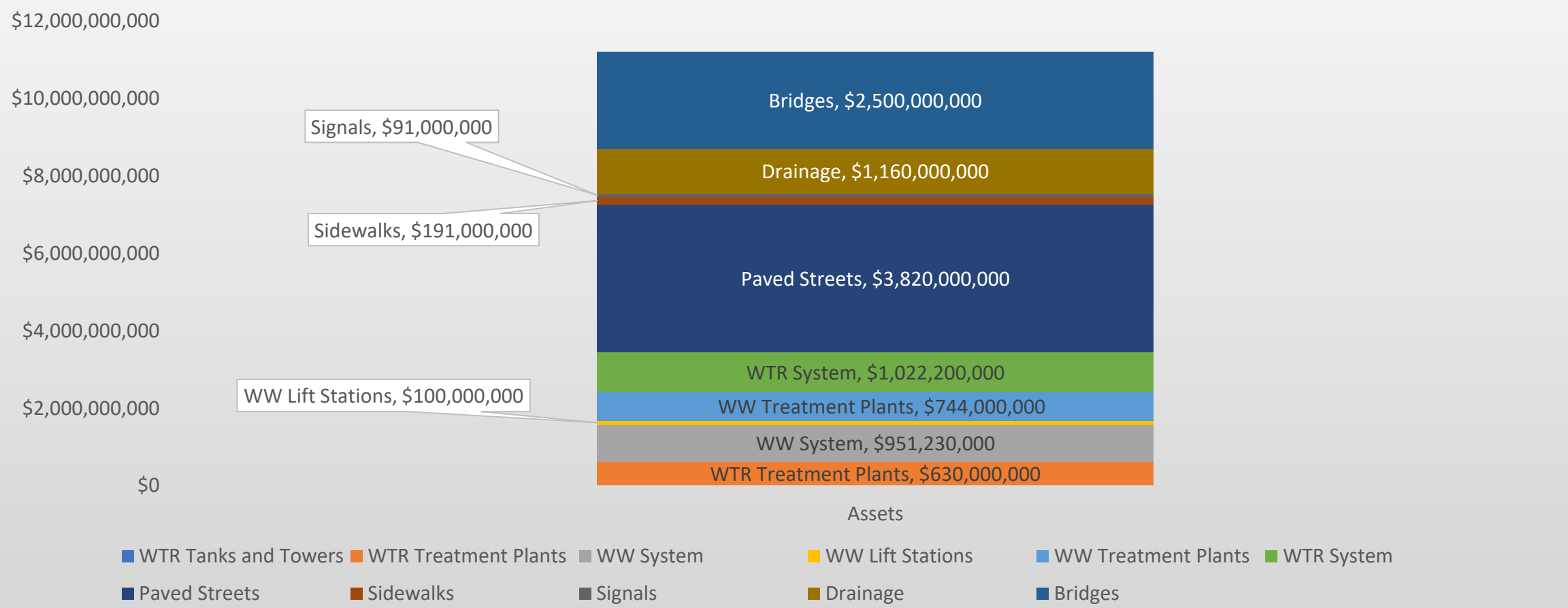


QUIZ TIME

- ▶ How many job applications does the City receive annually?

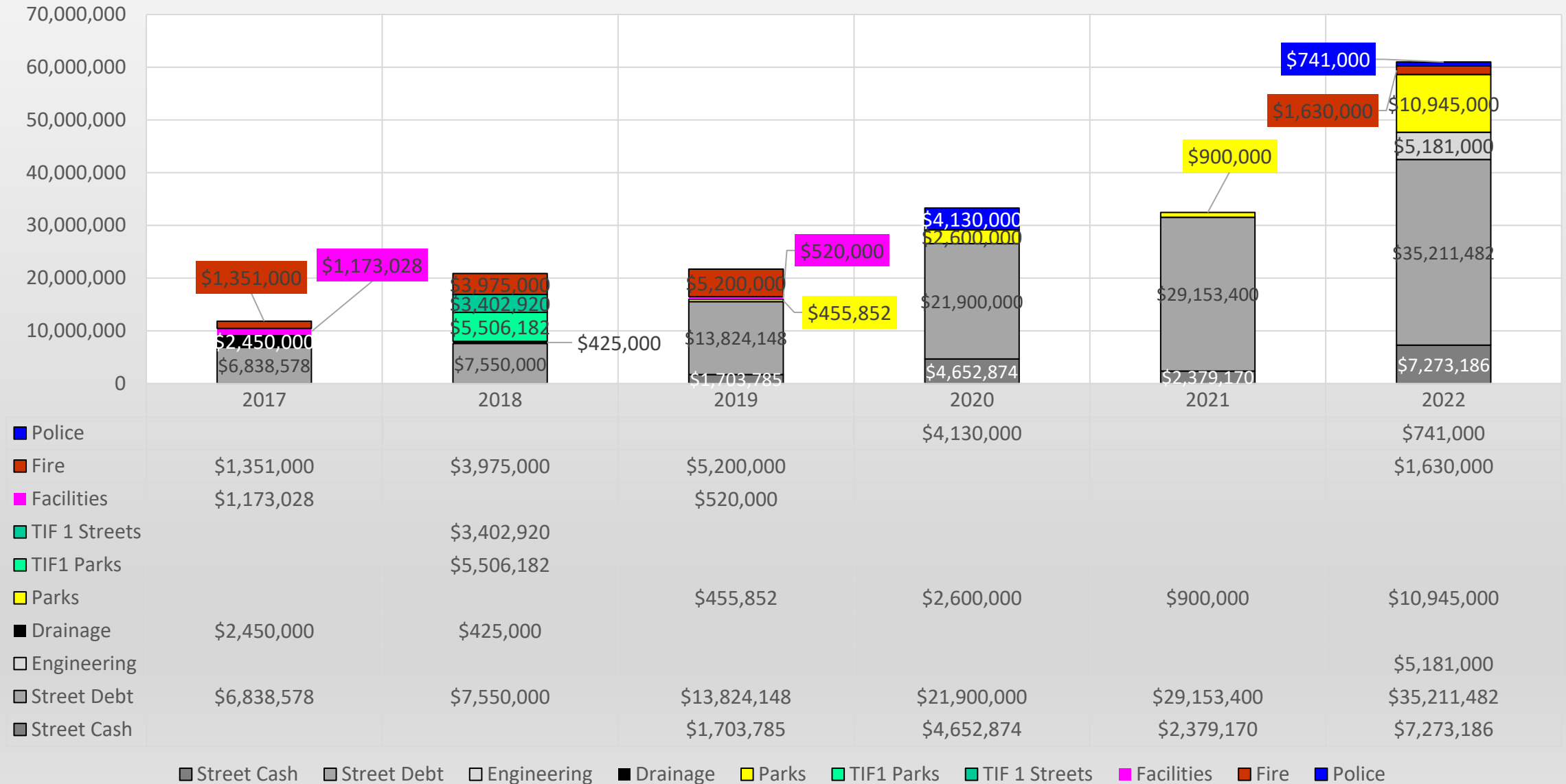
Where we are...
Infrastructure

Asset Replacement Value: \$11.2 billion

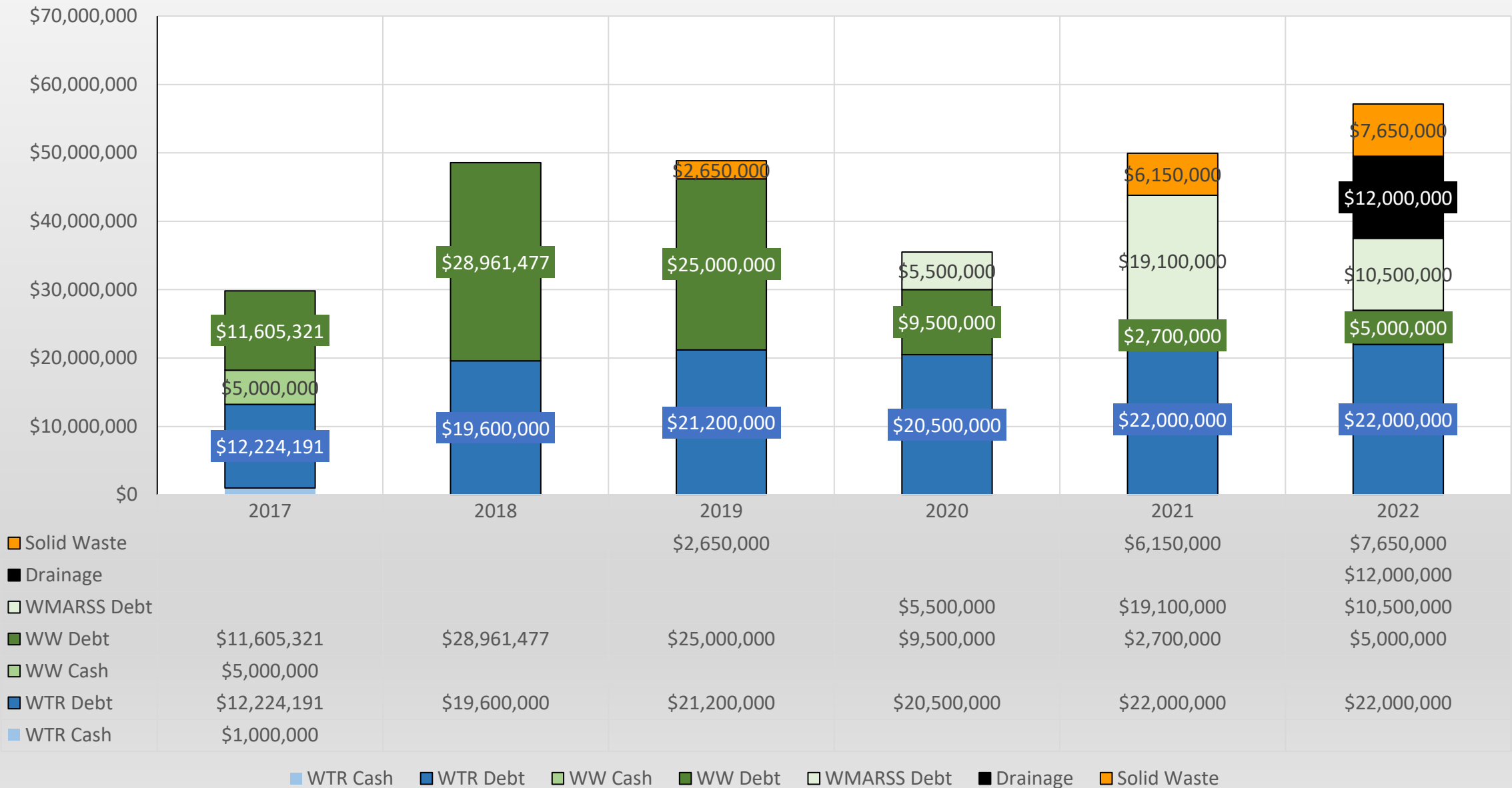


100 year cycle = \$112,000,000 per year

Governmental CIP History 2017-2022 (Budgeted)



Enterprise CIP History 2017-2022 (Budgeted)



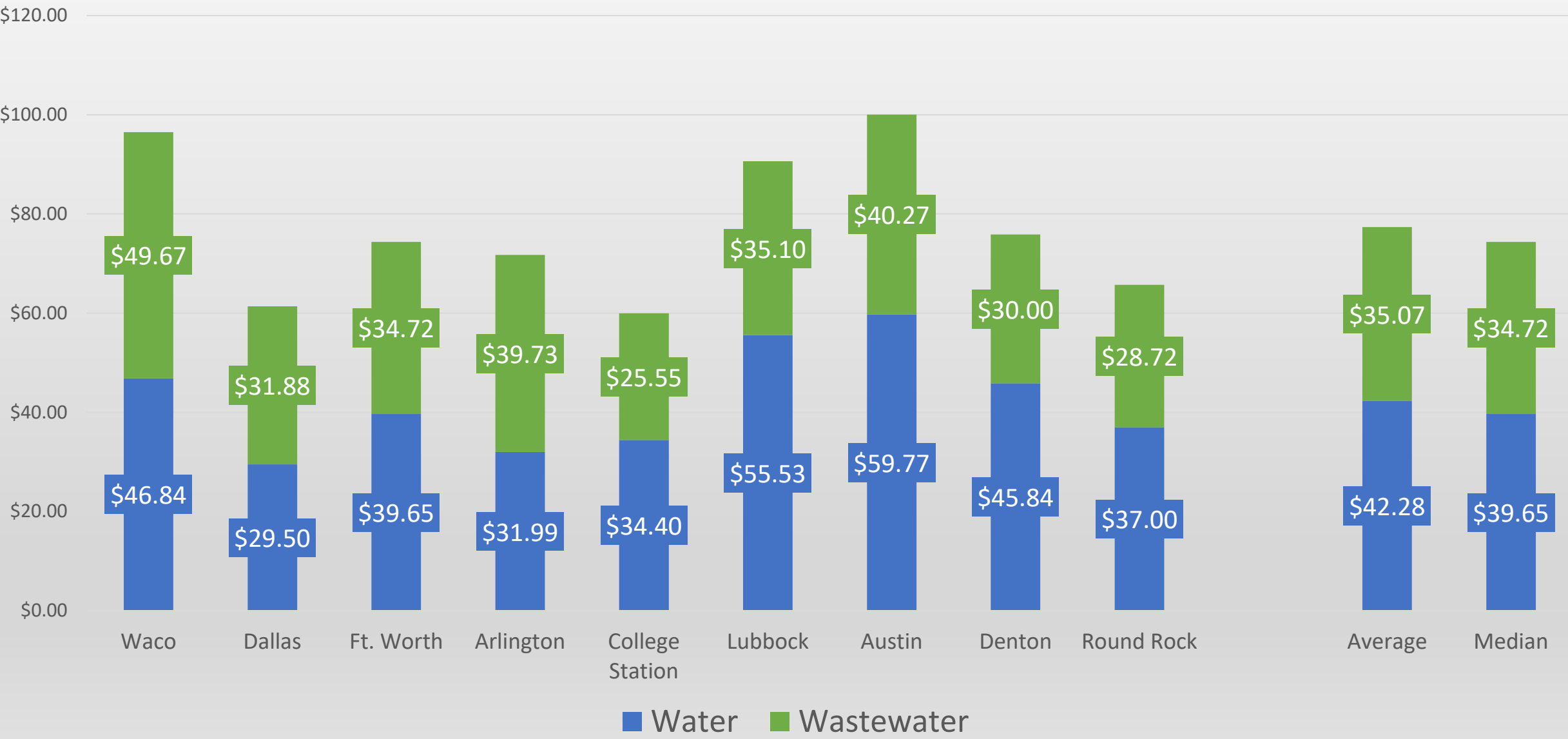
QUIZ TIME

- ▶ What Council District has the most visited business in Waco?
- ▶ And as a follow-up special bonus extravaganza, which District has the 2nd most visited business in Waco?

Where we are...

Enterprise Fund Fees
(Water, Wastewater, Solid Waste, Drainage)

Water and Wastewater Fees

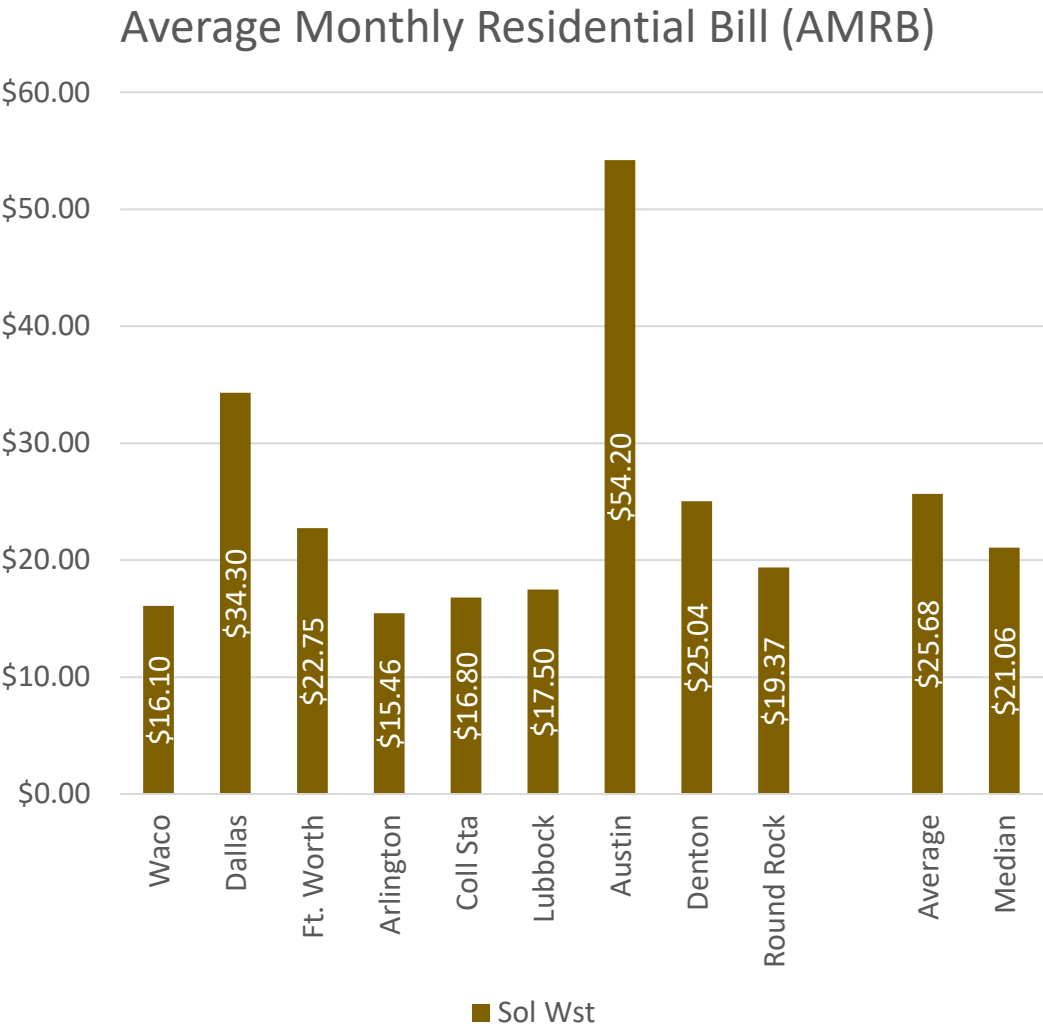


Water and Wastewater

	Water	Wastewater
Plants	3	2
Pipe (miles)	1,121	903
Customers	46,047	43,020
Largest Customer (MGD)	City of Woodway Refresco	City of Waco Pilgrim's Pride
% Total Collected Residential	43%	46%
% Total Collected Commercial/Industrial	49%	30%
% Total Customer Cities	8%	24%
% AMRB to Capital	41%	39%
% AMRB to Operations	43%	51%
% AMRB to General Fund (PILOT, Cost Allocations, Franchise)	16%	10%
% of Rate Change for since 2018 (5 Years)	13%	29%
*AMRB=Average Monthly Residential Bill		

PILOT = Payment in lieu of taxes

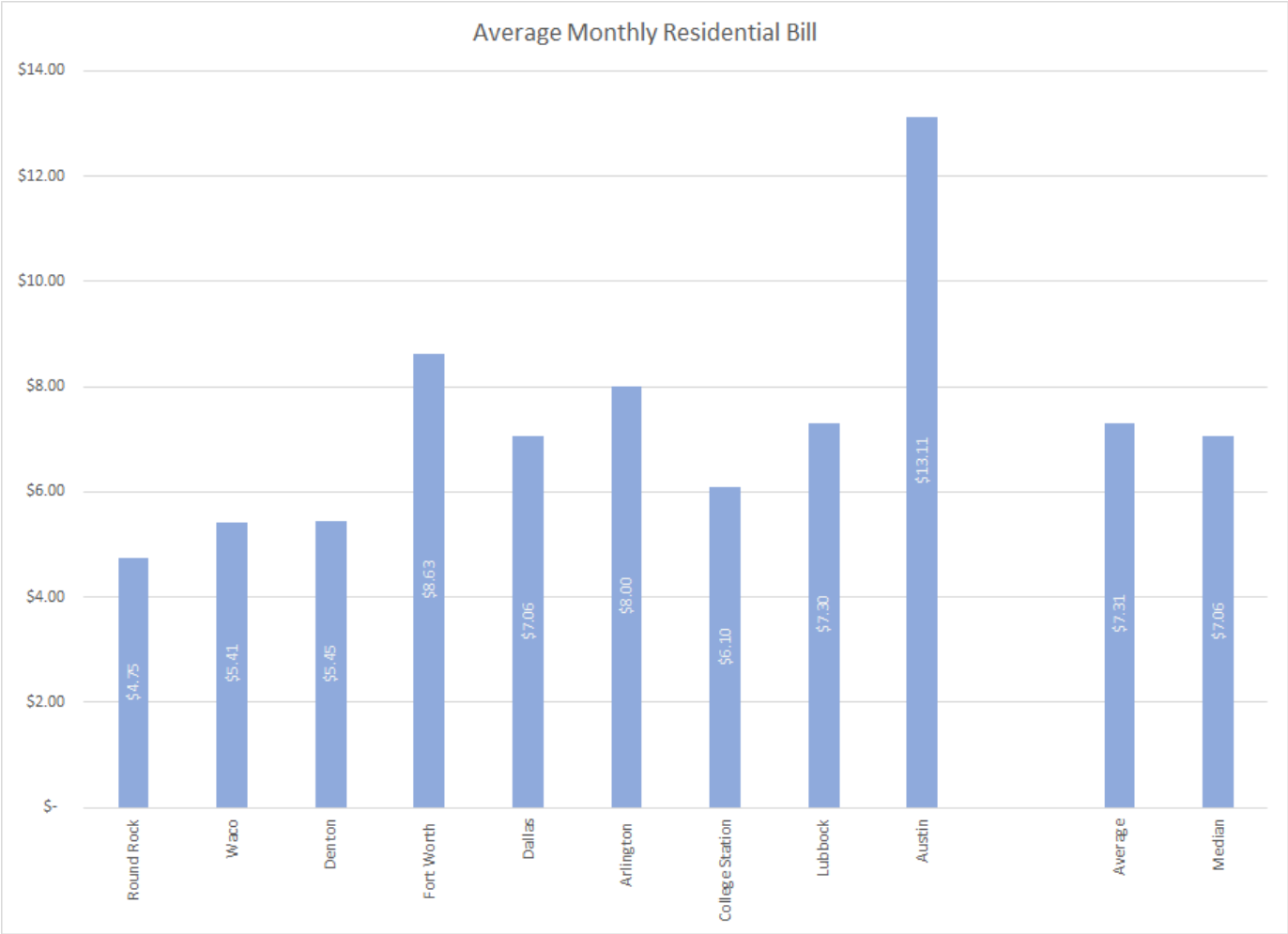
Solid Waste Fees



Commercial Customers	4,770
Residential Customers	40,905
Residential Routes	94
Avg. stops per Residential Route	830
% Total Revenue: Landfill	29.83%
% Total Revenue: Commercial	22.28%
% Total Revenue: Residential	45.78%
% AMRB to Operations	96%
% AMRB to Capital	4%
% residential rate change since 2018 (5 years)	13.38%

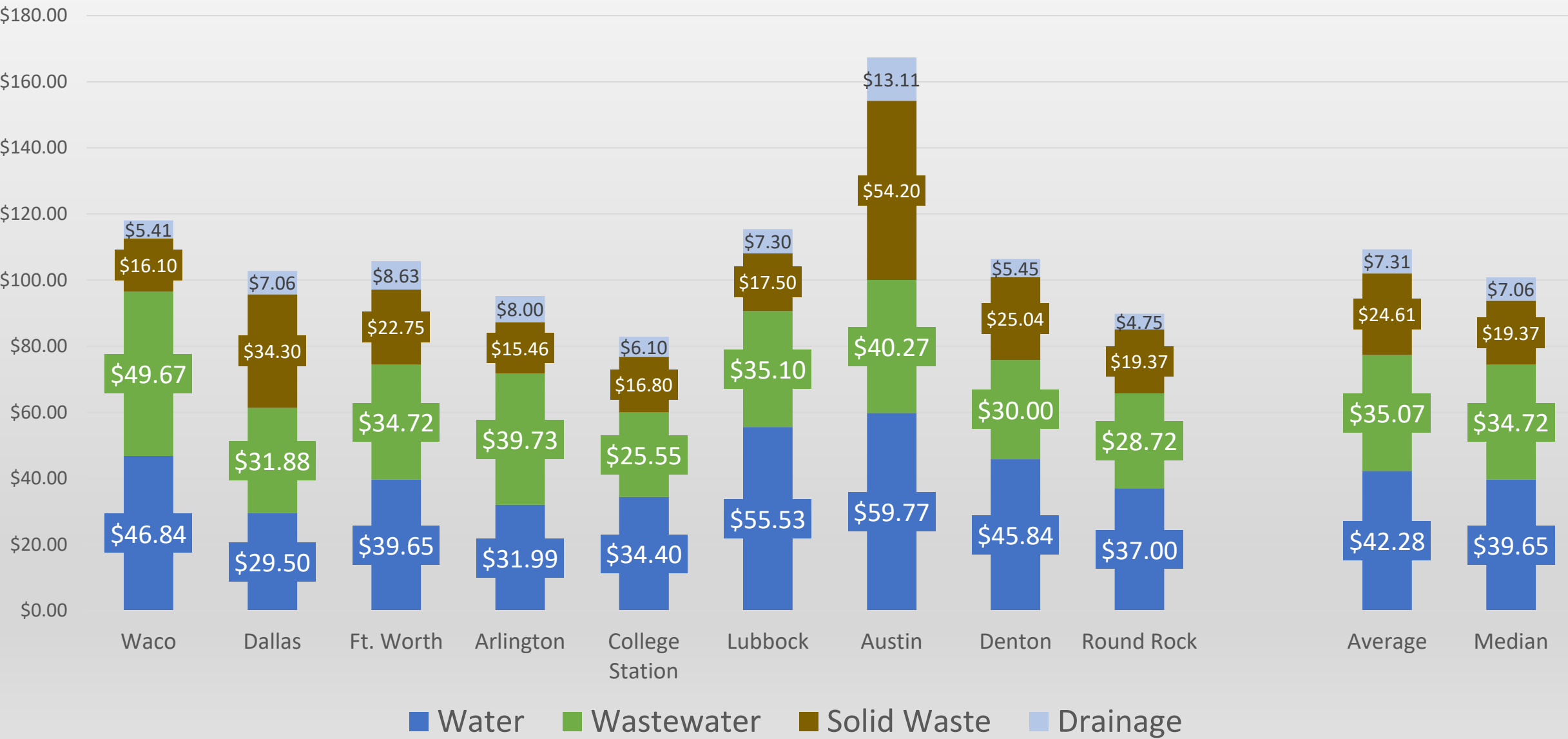
**Misc Revenue accounts for 2.11%*

Drainage Utility Fees



Residential (ERU)	2,633 sq ft
Total ERUs System Wide	188,503
% Total Revenue: Commercial	71%
% Total Revenue: Residential	29%
% Avg. Residential Bill to Capital	35%
% Avg. Residential Bill to Operations	65%

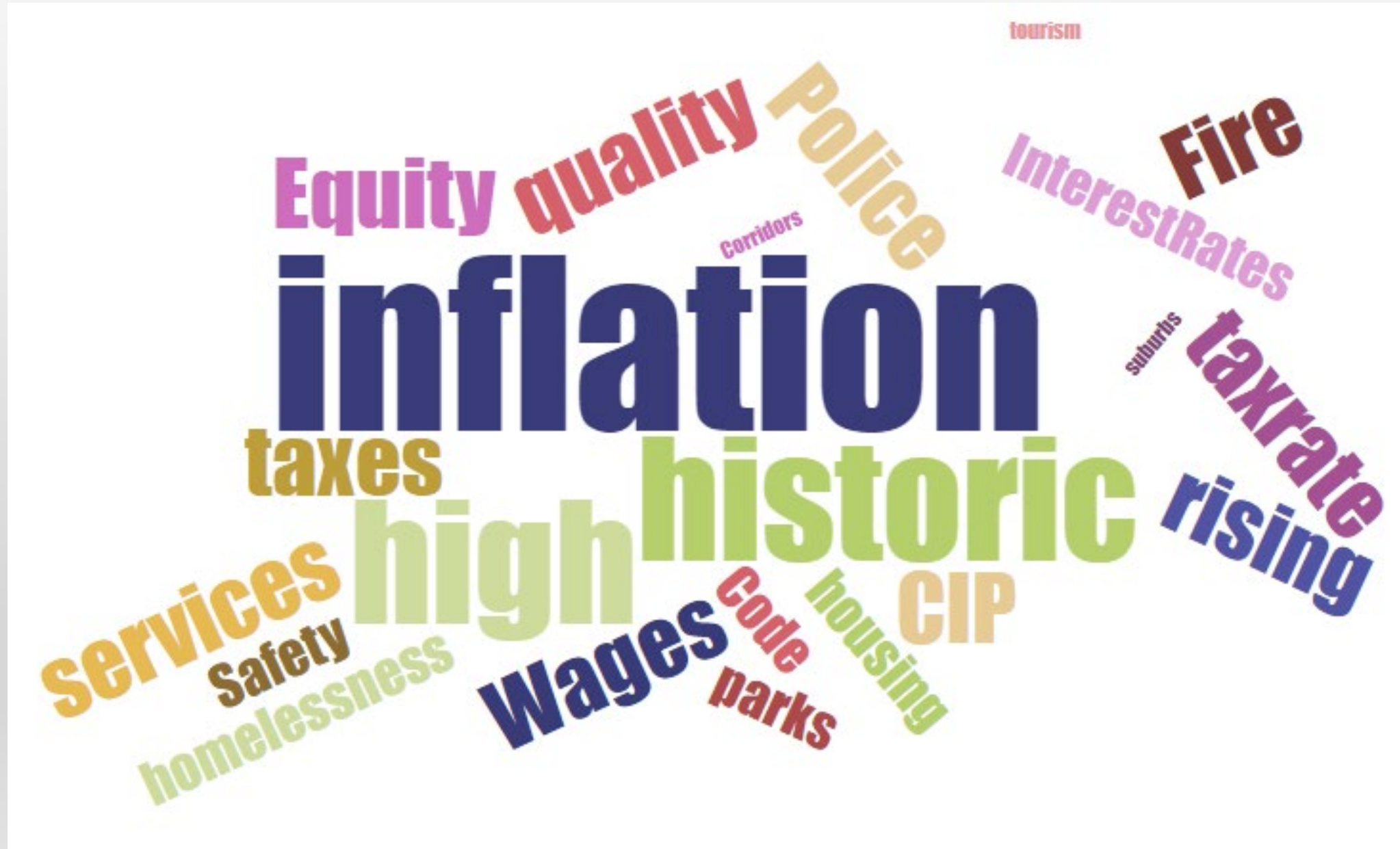
Combined Monthly Utilities Bill



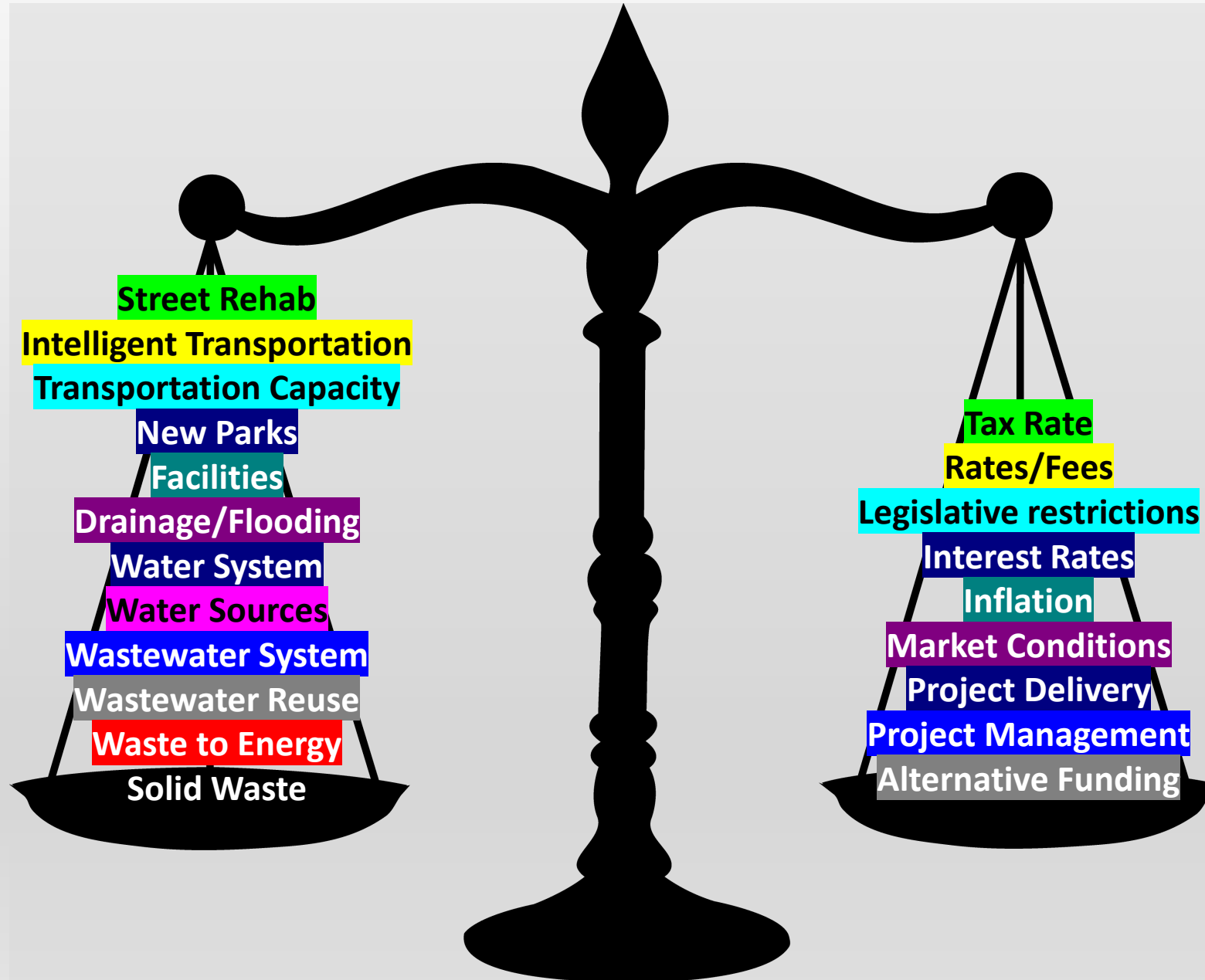
QUIZ TIME

- ▶ What is the top resident request (so far) in the MyWaco resident engagement app?

How we are challenged...



Capital Improvement challenges



How we are challenged... limited tools

- Legislative Restrictions
 - Voter Approval Tax Rate limits operational revenue increases to 3.5% unless approved by election
 - Limitations for inclusion in debt rate
 - Not Allowed: new non-public safety facilities (unless paid by other than property taxes)
 - Future session expected to attack both revenues and debt
 - Alternative funding tools (i.e. street maintenance fee)
- Rate Management
 - Debt Rate 13% lower than average
 - If average
 - 10 cent shift from Ops to Debt (\$11.3 million @ FY 22 valuations)
 - Service \$185M in debt (e.g. replaces 5% of street assets)
 - Can't solve infrastructure needs via debt rate
 - Shifting rate from O&M to Debt
 - Based on debt issued

Truth in Taxation Forecast

	FY21 Adopted	FY22 Adopted	FY23 Preliminary Values
Tax Rate	\$0.776232	\$0.767282	TBD
No-New-Revenue Tax Rate	\$0.783485	\$0.741670	\$0.647878
No-New-Revenue Maintenance and Operations Tax Rate	\$0.676247	\$0.620145	\$0.543047
Voter Approval Tax Rate (with tax increment)	\$0.834000	\$0.833654	\$0.766197
Voter Approval Tax Rate (without tax increment)	N/A	\$0.775886	\$0.699825
Debt Rate	\$0.129503	\$0.126888	\$0.129553

The tax rate cannot exceed the Voter Approval Tax rate with the tax increment without voter approval. Any rate above the voter approval tax rate triggers an automatic election.

How we are challenged... property tax relief

- Primary Exemptions available to the City:
 - Homestead Exemption*
 - This exemption must be adopted via an ordinance by council before July 1st.
 - Over 65/Disabled Exemption**
 - Two methods for establishing or increasing the exemption:
 1. Via an ordinance by council
 2. By a favorable vote of the majority of qualified voters of the city which can be called in two ways:
 1. By council
 2. The council shall call an election on the petition of at least 20% of the number of qualified voters who voted in the preceding election of the city.
- Disabled or over 65 tax limitation, “Senior Freeze”***
 - Two methods for establishing or increasing the exemption:
 1. The tax limitation for over 65 and disabled can be adopted via an ordinance of the Council.
 2. On receipt of a petition of at least 5% of the registered voters in the city, the council shall call an election to determine by majority vote whether to establish a tax limitation.

*Tax Code 11.13(n)

**Tax Code 11.13(d)

***Tax Code 11.261 & Texas Constitution, Article 8, Sec. 1-b(h)

Comparison Cities

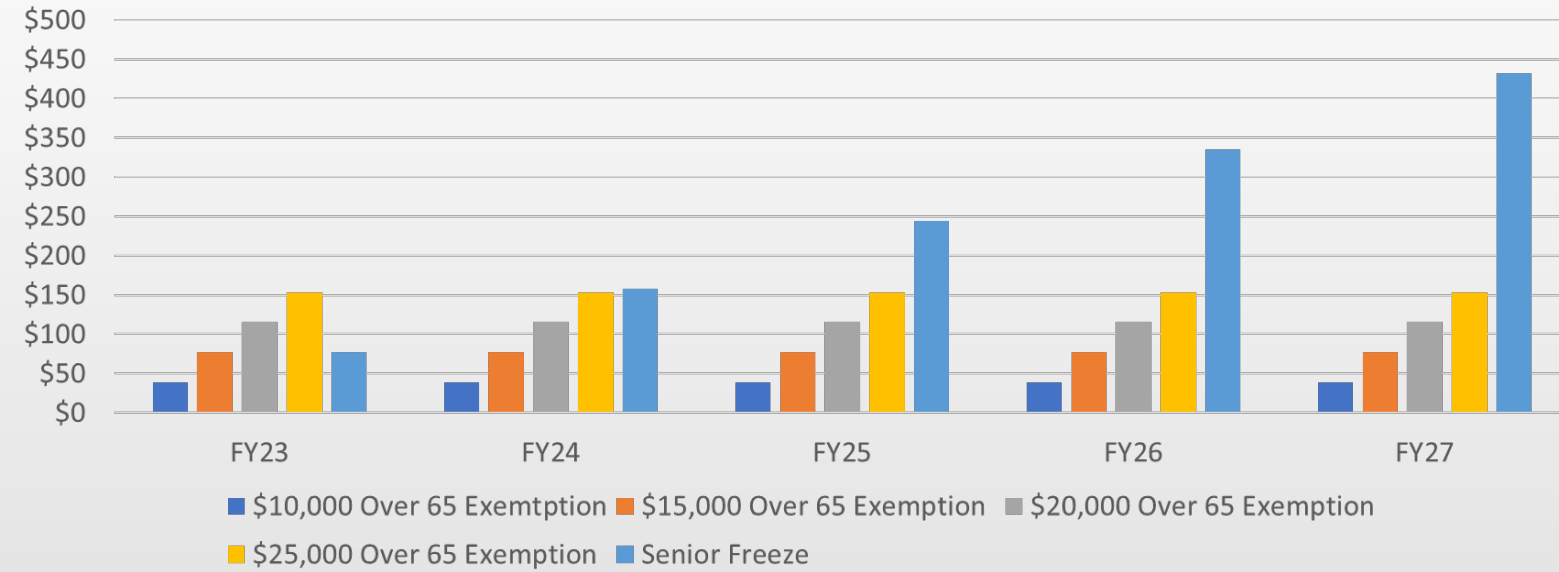
City	Local Homestead	Over 65	Senior Freeze
Waco	10%	\$5,000	No
Lubbock	0%	\$16,700	Yes
College Station	5%	\$30,000	Yes
Denton	0.5%	\$50,000	Yes
Round Rock	0%	\$22,000	No
Austin	20%	\$113,000	No
Fort Worth	20%	\$40,000	Yes
Dallas	20%	\$107,000	No
Arlington	20%	\$60,000	Yes

The minimum local option homestead offered cannot be less than \$5,000.

Property Tax Relief Options Summary

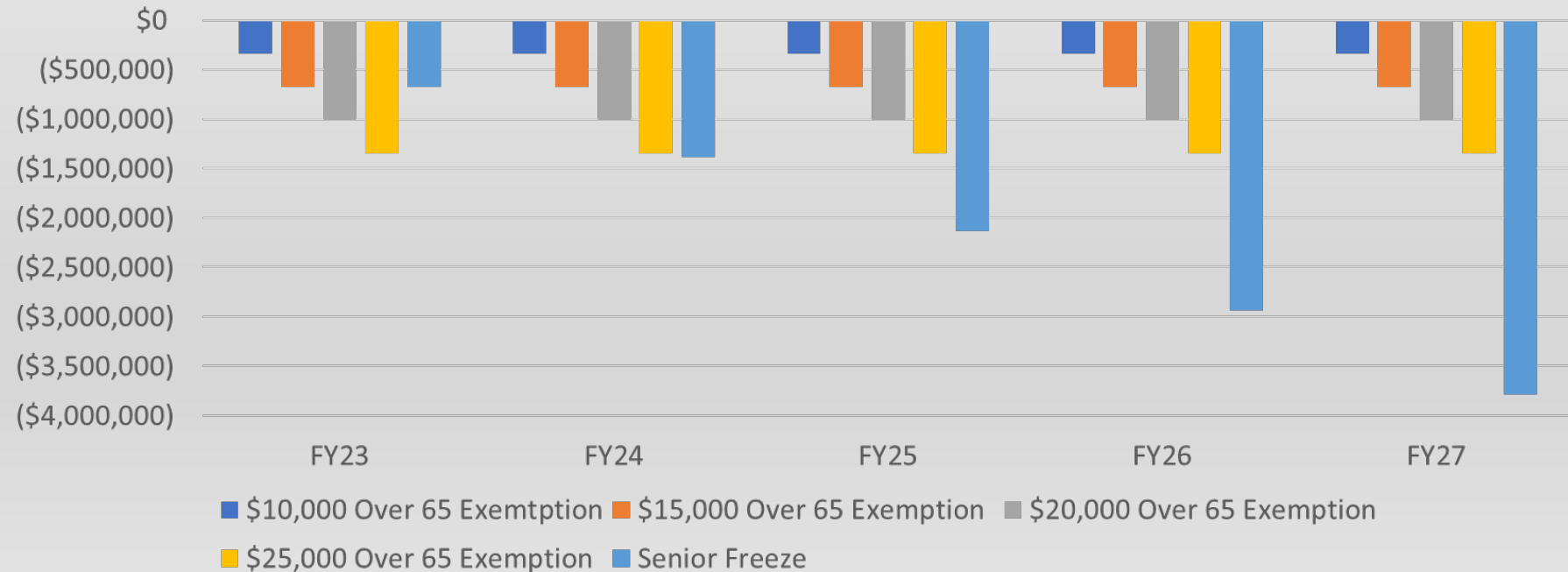
	HS Only	Over 65		
Average City of Waco Property Tax Bill	\$1,374	\$1,336		
Homestead Local Options	15%	20%		
Average New Property Tax Bill	\$1,298	\$1,221		
Savings Compared to Average (HS Only)	\$76	\$153		
Over 65/Disabled Local Options	\$10,000	\$15,000	\$20,000	\$25,000
Average New Property Tax Bill	\$1,297	\$1,259	\$1,221	\$1,182
Savings Compared to Average (HS Only)	\$77	\$115	\$153	\$192
Penny Off the Tax Rate	HS Only	Over 65		
Average New Property Tax Bill	\$1,356	\$1,318		
Savings Compared to Average	\$18	\$17		

Over 65 Exemptions vs. Senior Freeze Household Savings



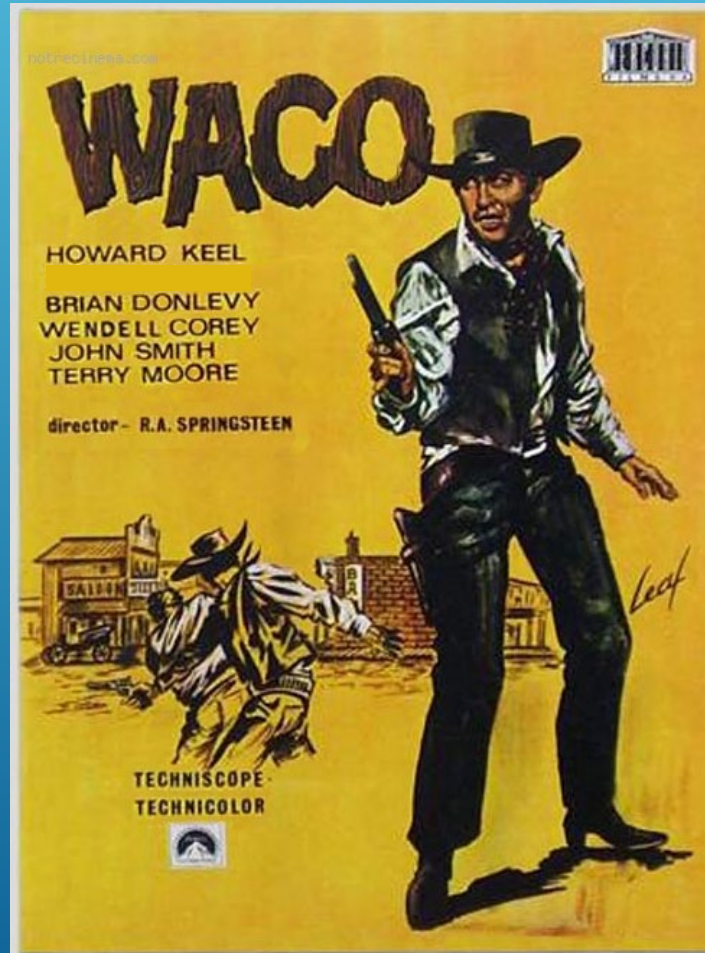
Property Tax Relief Options

Over 65 Exemptions vs. Senior Freeze Property Tax Revenue Loss

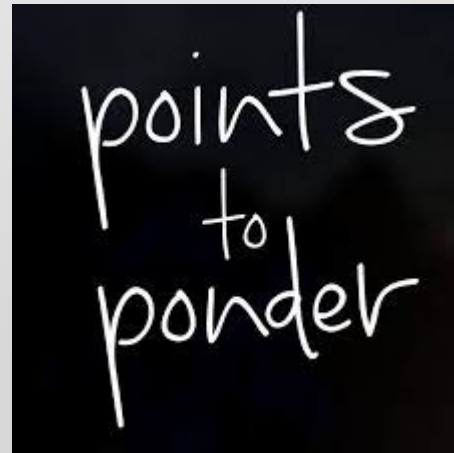


QUIZ TIME

- ▶ In the 1966 western “WACO”, what actress played the role of “Jill Stone”?



Where we're going...



points
to
ponder

Key Opportunities & Challenges

- Salaries/Wages must be addressed
- Revenue growth is substantial
- Strengthening Public Safety
- Bolstering Code Compliance
- Advancing Management Support
- Balance Tax relief vs. Maintaining Level of Service in Times of High Inflation
 - State law will cut the rate unless “bank” is used
- Implementing Studies/Plans
 - Housing
 - Homelessness
 - Disparity
 - Economic Development
 - Transit Realignment
 - TRHOF modernization
 - Master Thoroughfare Plan
 - Traffic Signal Master Plan
 - Downtown Implementation Plan
 - Corridor studies (25th/26th ST Corridor Study; 17th/18th/19th)

Capital Improvements: Finding Balance

- Asset Replacement Emphasis to Date
- New Assets Needed
 - Drainage System Enhancements called for in the Stormwater Master Plan
 - Transportation (intelligent transportation; new roads/connectivity; intersections)
 - Pedestrian Connectivity
 - Street and Public Space Lighting
 - Public Safety facilities
 - Parks
- Project Costs are rising dramatically
- Timely material procurement challenging
- Financing costs increasing
- Legislative changes may further restrict/prohibit Council initiated debt issuances
- Capacity to deliver projects limited
 - Project Design and Project Management staff funded via capital financing (debt) underway

General Debt Capacity Forecast

Scenario	FY23 Capacity	5-Year Capacity
Preliminary values	\$65,000,000	\$199,215,000
90% of preliminary values and doubling of homestead exemption	\$35,000,000	\$179,330,000
Preliminary values and doubling of homestead exemption	\$47,000,000	\$186,090,000

Scenarios assume 4% future growth rate in values and \$0.015 shift in the debt rate.

Where we're going...

Council Priorities

Strategic Planning

- Defined...
 - Process to define the city's strategy and direction
 - Lays out the policy tone and direction for the council
 - Helps in determining how to allocate resources
 - Guides implementation of the city's strategy

Strategic Planning

- Are current strategic goals viable?
Accurate?
- Are these still your priorities in rank order?
 1. Facilitate Economic Development
 2. Create a Culture of Equity and Inclusion
 3. Build a High Performing Government
 4. Improve Infrastructure
 5. Provide a Safe and Resilient City
 6. Enhance Quality of Life
 7. Support Sustainability
- Any additional policy priorities for the FY23 budget development?



Specific Budgetary Elements: Council Direction

- Property Tax Rate
 - Overall?
 - Use of “bank”? Above NNRTTR?
- Enterprise Fund Rates
 - Base has not grown like property tax or sales tax
 - Existing debt obligations and inflation creating pressure
- Capital Improvement Program
 - Finding Balance
 - Known (now) vs. Unknown (future)
- Operating Budget
 - Public Safety?
 - Code Compliance?
 - Housing?

Budget Calendar

Timeline

- May 23-26 – Departments Present Budget Submissions to City Manager's Office
- June 14 – Budget and Audit Committee
- June 24 – City Manager's Office Final Review of Budget Requests
- June 28 – Budget and Audit Committee – Financial Management Policy
- July 12 – Budget and Audit Committee – Utility Rates
- July 15 – Planned filing of Budget – operational, capital, and fee schedule
- July 25 – Certified Tax Roll Due from MCAD
- July 29 – Budget Due

Timeline

- **August 2 – Presentation on Filed Budget and Certified Tax Roll**
- **August 2 – Resolution Setting Date for Public Hearing on Budget**
- **August 9 – Budget and Audit - Fee Schedule, CIP Plan, and Quarterly Financial Update**
- **August 16 – 1st Reading of Ordinance setting Departments**
- **August 16 – Resolution Setting Date for Public Hearing on Tax Rate**
- **August 30 – Public Hearing on Proposed Budget**
- **August 30 – Adoption of the Budget**
- **August 30 – 2nd Reading of Ordinance setting Departments**
- **September 6 - Public Hearing and First and Final Reading of Tax Rate Ordinance**

