

2023-2024 Budget Development

June 20, 2023

Salaries and Benefits

Where we started

WORKPLACE TRENDS & ENVIRONMENTS

WorldatWork®
Total Rewards Association

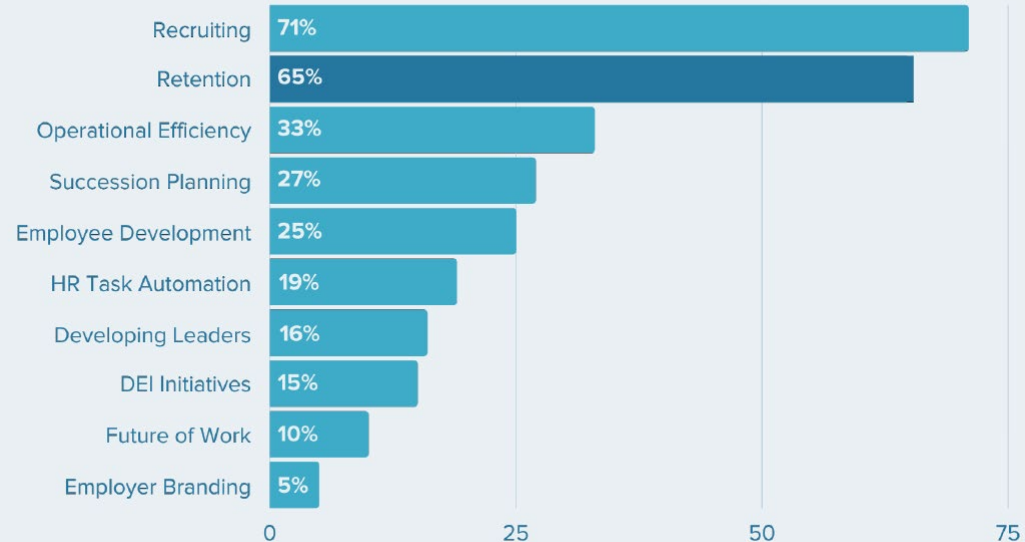
What Employees Care About the Most



**PAY INCREASES
EXPECTED TO HIT 4.6%
IN 2023**

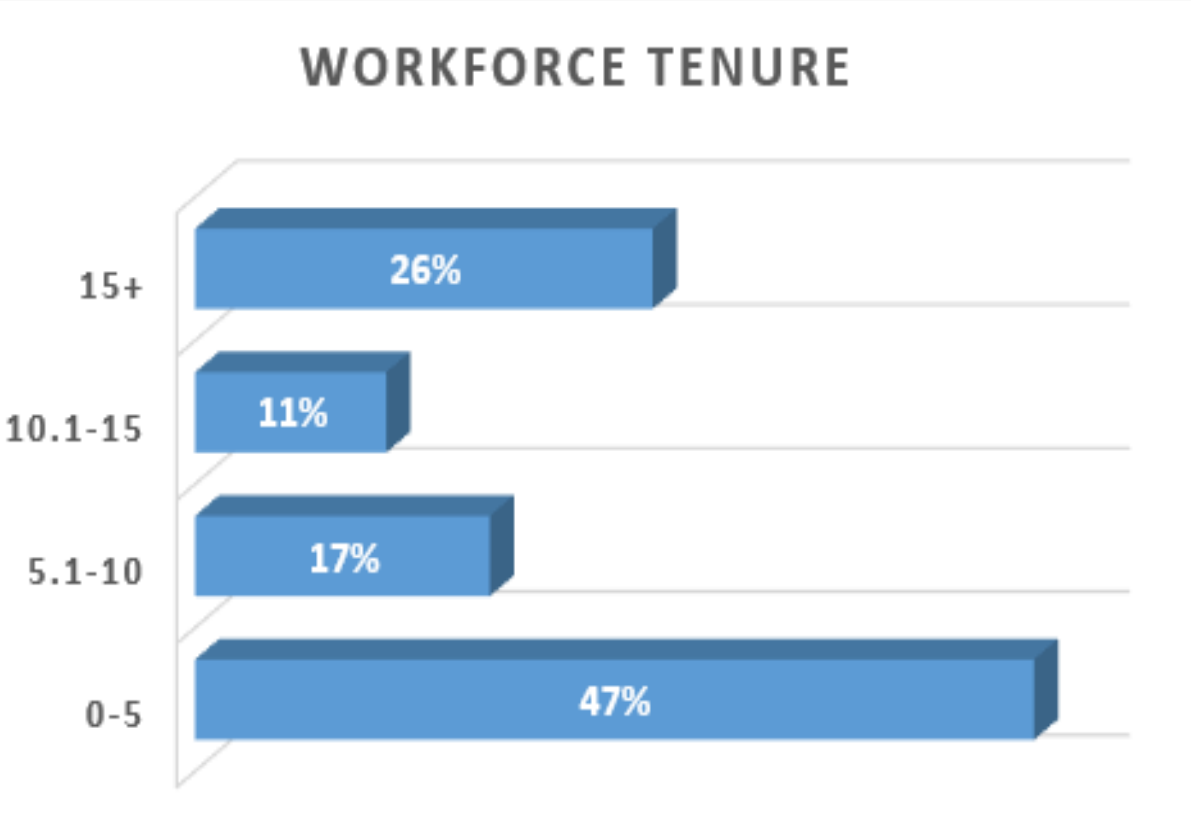


Top Priorities in 2023



City of Waco Metrics

According to the Society of Human Resource Management, it costs **six to nine months** of an employee's salary in order to find and train a replacement.



WORKFORCE PRIORITIES

1. Address salary and general inflation via salary increase
2. Minimize employee health insurance increase
3. Continue to build on recruitment & retention strategies
4. Evaluate retiree benefits

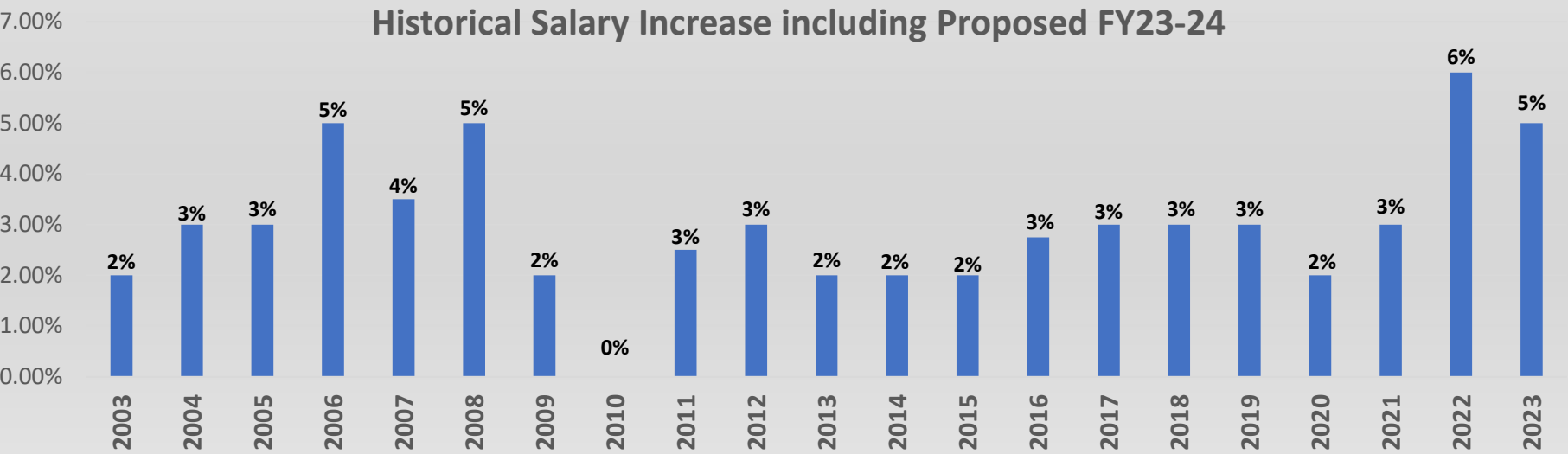
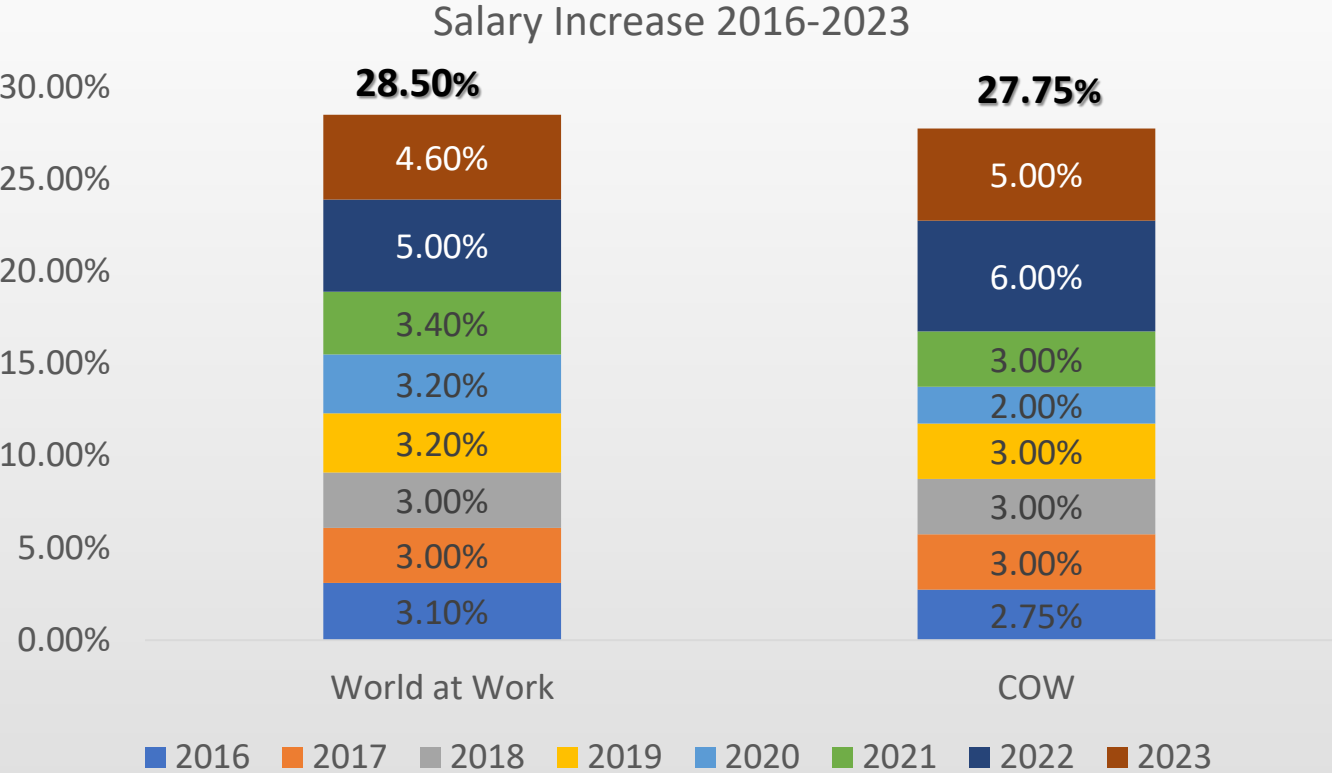
Where we propose to be

Proposed Salary Increases

- At least a 5% increase for all employees
 - Remain competitive/fill vacancies
 - Retain employees
 - Address wage & CPI inflation
- Market-based adjustments under negotiation in public safety departments (Police & Fire)
 - Challenging hiring environment
 - Competition from other public agencies
 - New Hires
 - Retention
 - Critical need to fill new positions to address demand for service

CITY OF WACO

Salary METRICS



TEXAS MUNICIPAL RETIREMENT SYSTEM

TMRS



- City Contribution Rate
 - Required Contribution rate = no changes to plan for 2024 (13.92%)
 - 0.25% increase from the 2023 required rate of 13.67%
- Retirees
 - Ordinance adopted in December for following January
 - House Bill 2464 signed into law this year allows for repeating prospective COLAs
 - Can elect repeating (prospective or look-back/prospective) or ad hoc COLA at 30%, 50% or 70% of CPI
 - Prior COLAs
 - Adopted 70% repeating COLA from 2005 to 2011
 - Adopted 70% Ad Hoc COLA in 2012
 - Adopted 50% Ad Hoc COLA in 2013 and 2014
 - Rates for 2024 will be available in July 2023
 - Rates for COLA options still in development

Health Plan Update

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

	Headcount Enrolled	Monthly Wellness Premium	Monthly Non- Wellness Premium
Employee	735	\$35.00	\$110.00
Employee + Spouse	128	\$395.70	\$470.70
Employee + Child(ren)	245	\$235.00	\$310.00
Family	268	\$513.86	\$588.86

Health Plan Financials

- Lockton performed a reprojection of claims in February and determined the plan to be underfunded for the current fiscal year
 - Estimated to be \$2.1 million underfunded
 - Claims cost has increased 23% over last year
- Causes:
 - Large claims activity is the primary driver of the shortfall in funding
 - The number of high-cost claimants has increased 16% over last year
 - The cost of the large claims has increased 25% over last year
 - The City purchases stop loss insurance to protect the City from catastrophic claims activity
- Actions to Address:
 - The City conducted a full medical and pharmacy Request for Proposal this year

Funding Recommendation

Considerations	Overall Cost	Employee Premiums	Cost Increase to the City	% Cost Increases City and Employee	City Cost PEPY (Assumes 1785 Budgeted Positions)
Move to UMR	<u>Health Plan*</u> \$18,662,174	No Increase	<u>Health Plan Increase</u> \$1,083,417	City – 7% Employee – 0%	\$8,607 PEPY

*Overall cost includes medical and pharmacy claims costs, administration, stop loss, COBRA, FSA, EAP, and all other ancillary costs in the Employee Health Insurance fund

Employee Health Insurance Fund

	FY22	FY23 Budget	FY23 Projection	FY24 Proposed
Charges for Services	\$ 16,159,321	\$ 16,819,602	\$ 16,752,194	\$ 19,057,439
Total Assets	\$ 16,159,321	\$ 16,819,602	\$ 16,752,194	\$ 19,057,439
Salaries & Wages	\$ 71,924	\$ 76,854	\$ 50,100	\$ 80,697
Benefits	\$ 23,610	\$ 25,628	\$ 23,599	\$ 27,111
Prof./Tech Services	\$ 809,296	\$ 1,435,791	\$ 900,000	\$ 2,272,658
Purchased Property	\$ 2,589	\$ -	\$ -	\$ 1,024
Maintenance		\$ 14,000	\$ 1,100	\$ 14,000
Supplies	\$ 1,665	\$ 4,500	\$ 15,317	\$ 4,500
Other Purchased Services	\$ 17,600	\$ 2,890	\$ 1,673	\$ 2,890
Claims	\$ 15,909,896	\$ 15,299,094	\$ 18,216,412	\$ 16,259,494
Total Operating Expenses	\$ 16,836,580	\$ 16,858,757	\$ 19,208,201	\$ 18,662,374
Operating Income (Loss)	\$ (677,259)	\$ (39,155)	\$ (2,456,007)	\$ 395,065
Non-Operating Rev/(Exp)	\$ (55,154)	\$ 45,000	\$ 150,000	\$ 45,000
Change in Net Position	\$ (732,413)	\$ 5,845	\$ (2,306,007)	\$ 440,065
Net Position, Beginning of Year	\$ 4,423,444	\$ 3,691,031	\$ 3,696,876	\$ 1,390,869
Net Position, End of Year	\$ 3,691,031	\$ 3,696,876	\$ 1,390,869	\$ 1,830,934
<u>Reserve Policy Calculation</u>				
Cash/Cash Equivalents Beginning of Year	\$ 5,449,490	\$ 5,023,004	\$ 5,028,849	\$ 2,722,842
Cash/Cash Equivalents End of Year	\$ 5,023,004	\$ 5,028,849	\$ 2,722,842	\$ 3,162,907
less 20% of Operating Expenses	\$ (3,367,316)	\$ (3,371,751)	\$ (3,841,640)	\$ (3,732,475)
less Unpaid Estimated Claims Liability	\$ (1,079,000)	\$ (1,242,520)	\$ (1,242,520)	\$ (1,428,898)
Cash/Cash Equivalents Surplus/(Deficit)	\$ 576,688	\$ 414,578	\$ (2,361,318)	\$ (1,998,466)

To ensure there is sufficient reserves in compliance with the Council adopted policy, staff recommends the following contributions to the health insurance fund from reserves in the respective operating funds:
General Fund: \$1,616,757
W/WW Fund: \$258,845
Solid Waste Fund: \$124,399
In FY25 and beyond, the reserve requirement will have to be accounted for in the Employee and City (PEPY) contributions.

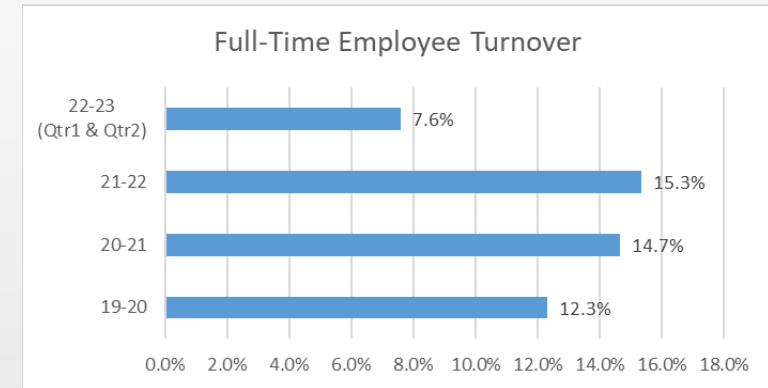
Personnel Recommendations Summary

- Salaries
 - General Employees: Adjust for Inflation (5%)
 - Fire and Police: Target Market; Negotiations Still Ongoing
- TMRS COLA
 - Rates and Costs Still Being Evaluated
 - TMRS Act Amended to Provide New Repeating COLA Option
 - Requested Estimates from TMRS
 - Recommendation Expected Late Summer/Fall

Personnel Recommendations Summary

- Health Insurance

- No premium increase for employees
- City contribution will increase to cover the additional cost
- 205 Full-Time Vacant Positions (60 Vacancies in Police and Fire)
- Employee Turnover Continues to Increase; Approximately 400 Employees Retirement Eligible
- Salary and Benefits Ranked in Top Three of What Candidates Care About the Most
- Recruitment and Retention Ranked One and Two of Public Sector Employer Priorities
- Intentional Recommendation to Invest in People to Remain Competitive
- Will Work with Lockton and Employee Team to Develop a Plan Going Forward



Tax Rate

Where we started

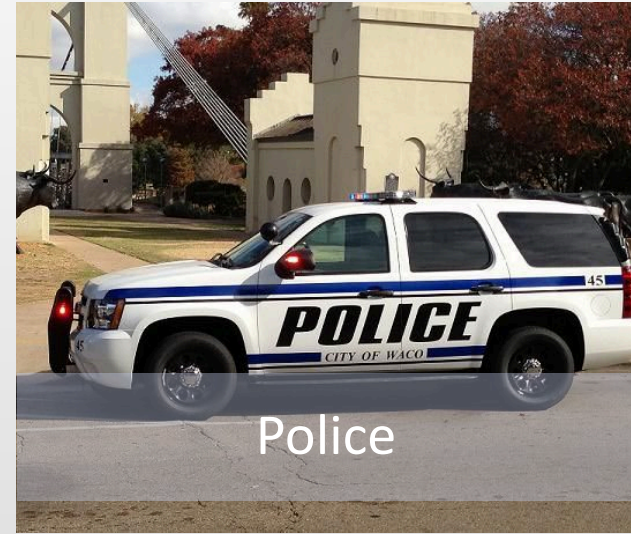
What primary services does the City provide?



Parks & Recreation



Fire



Police



Streets



Libraries



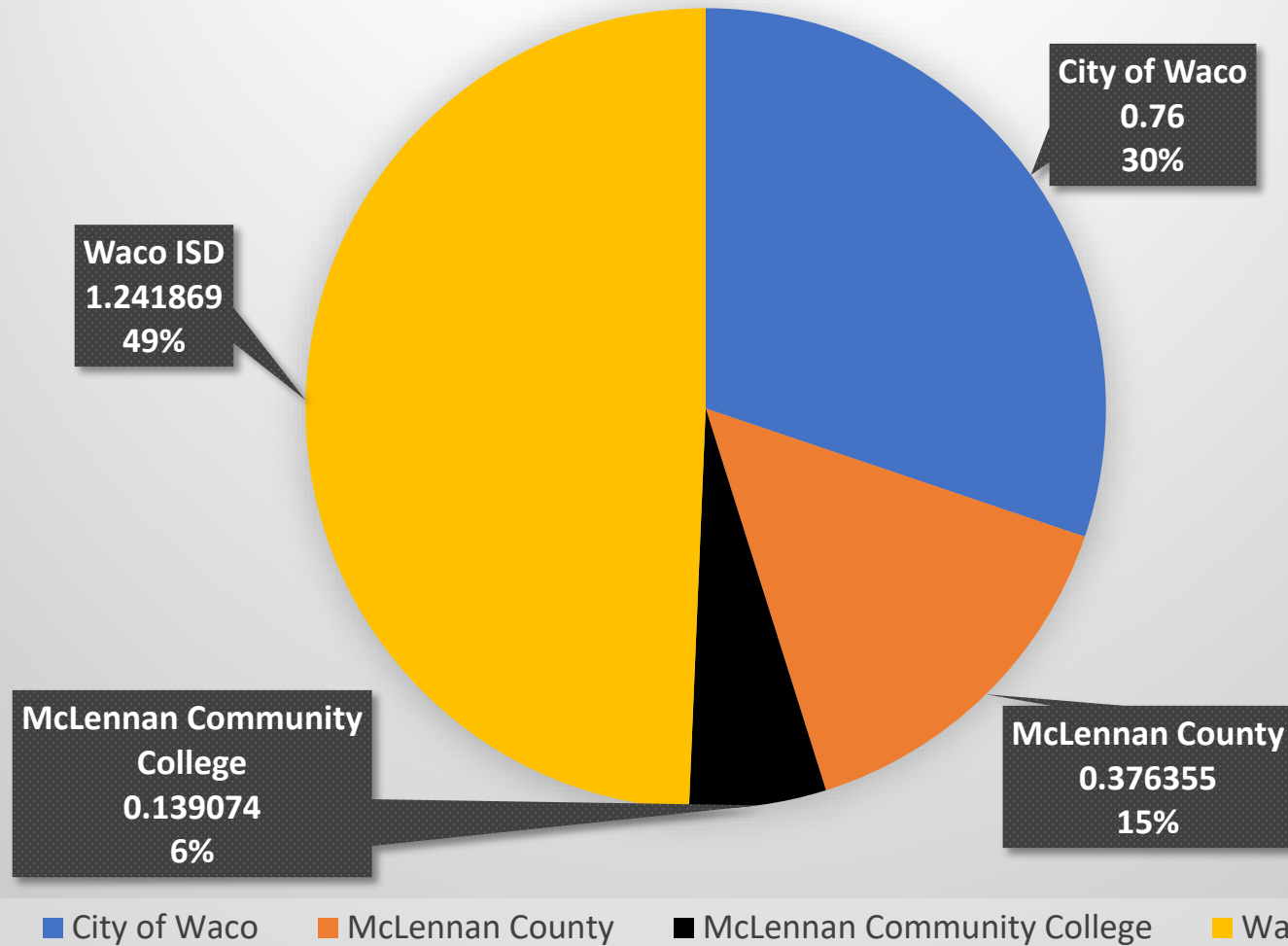
Planning & Development

Property Taxes

- In FY23 City Council decreased the property tax rate to \$0.76000, the lowest rate in over a decade.
- City Council also approved the following tax relief measures:
 - Increased the local option homestead exemption from 10% to 15%
 - Increased the senior exemption from \$5,000 to \$50,000
 - Established a disabled exemption of \$50,000
 - Total Cost of the exemptions: \$5.8 million (equivalent to a 4.5 cent tax rate cut)
- In FY23, one cent on the property tax rate generated \$1.25M.

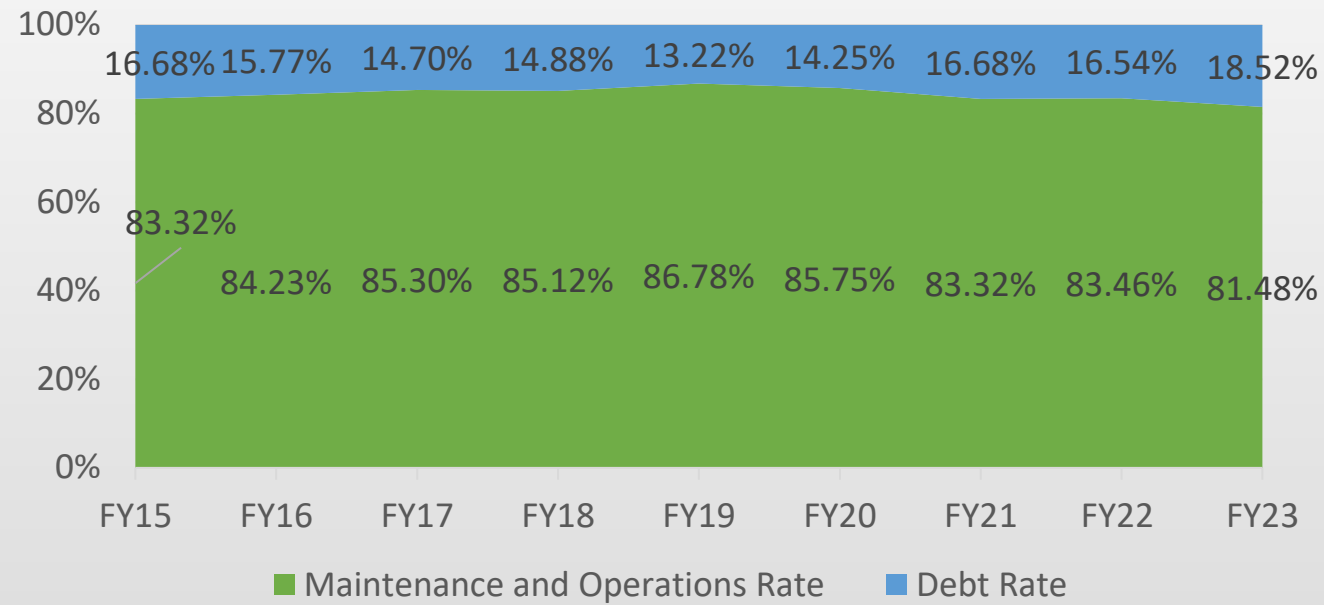
Property Taxes

FY23 Property Tax Rates

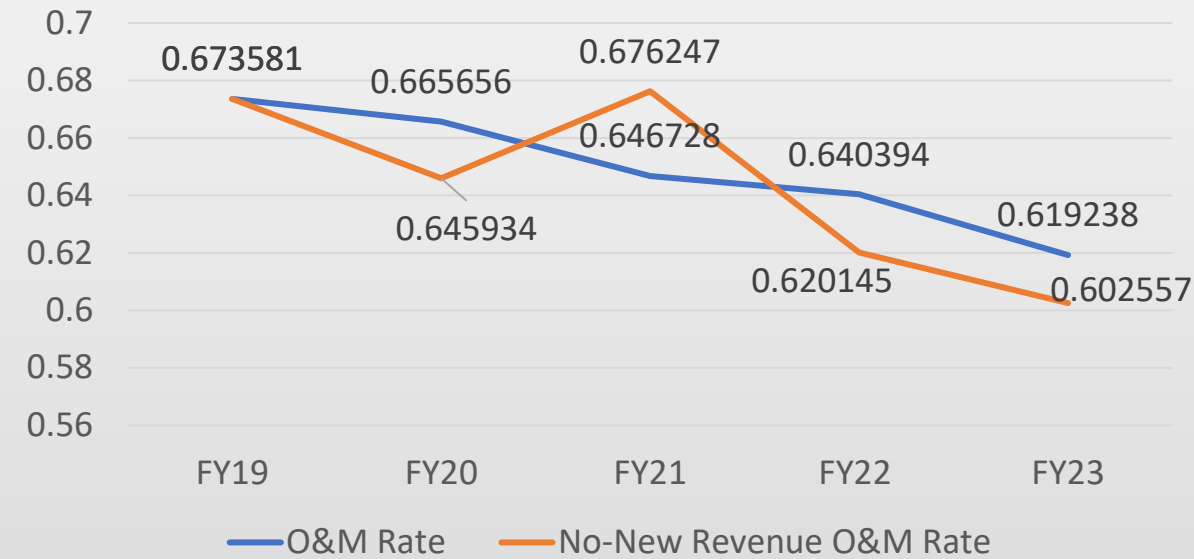


Waco's Tax Rate Components

Property Tax as % of Total Rate by purpose



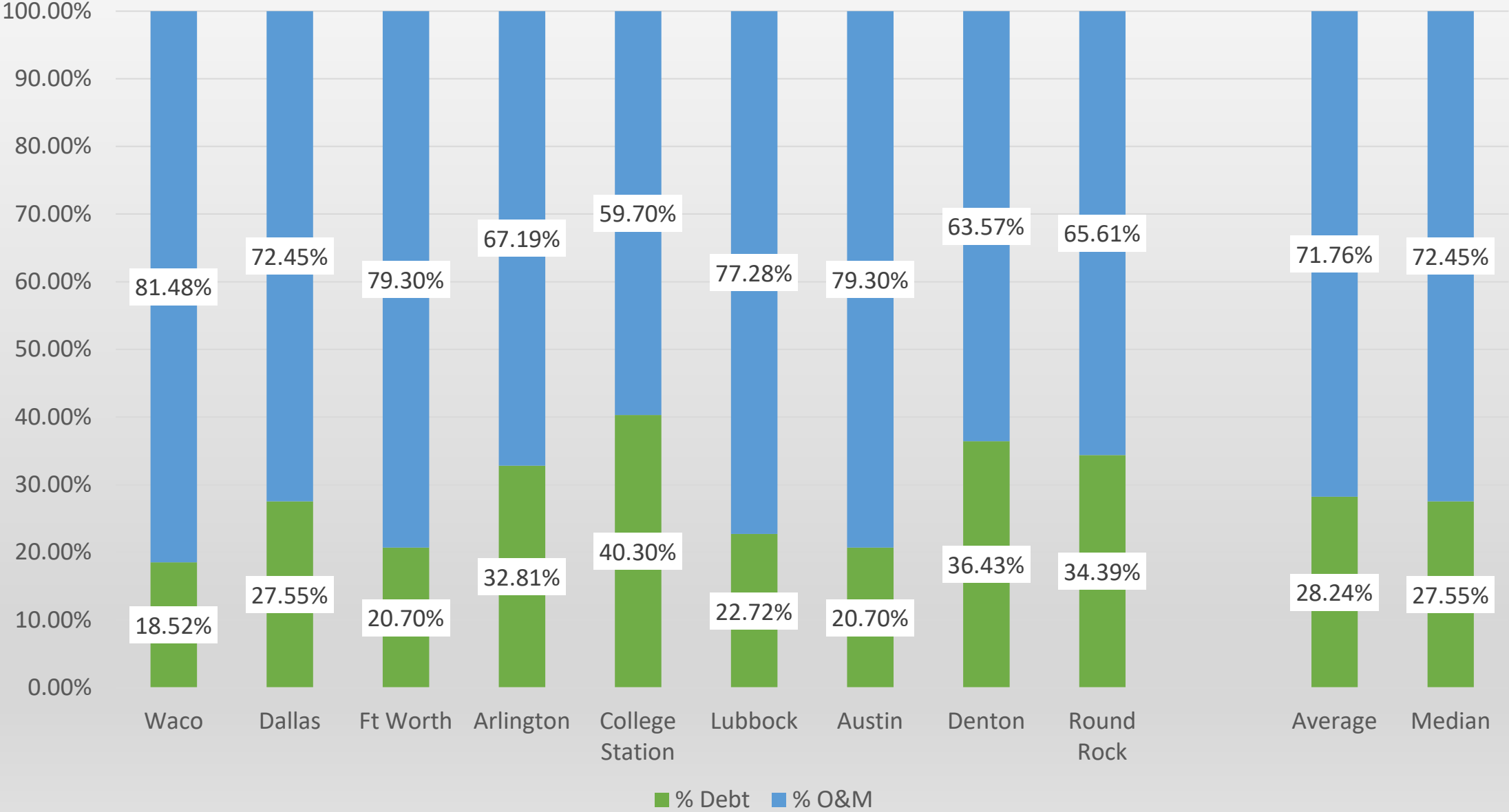
O&M Rate vs. O&M No-New Revenue Rate



In FY23, the adopted O&M rate generated \$2.1 million more in property tax revenue than would have been received at the O&M NNRT.

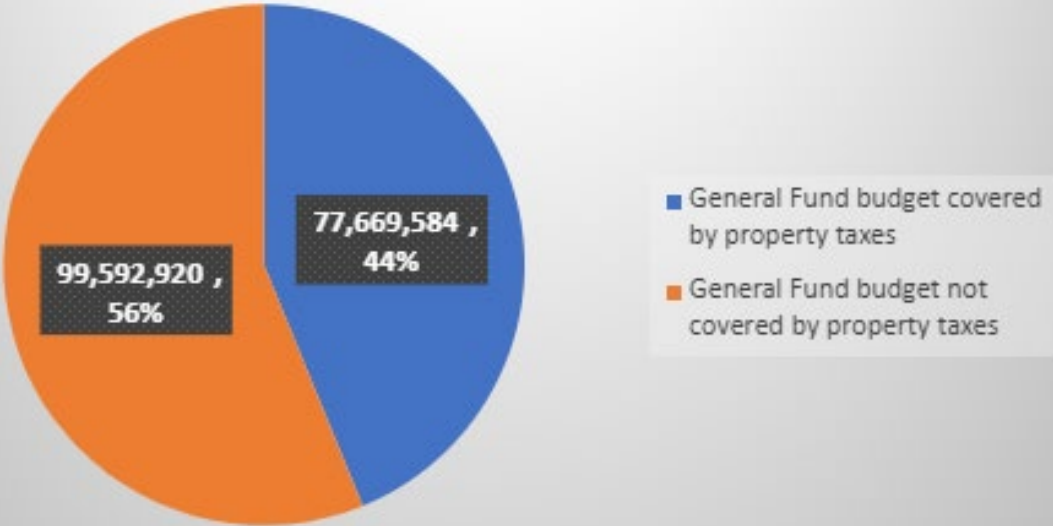
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Maintenance and Operations Rate	0.646744	0.653858	0.662094	0.660723	0.673581	0.665656	0.646728	0.640394	0.619238
Debt Rate	0.129488	0.122374	0.114138	0.115509	0.102651	0.110576	0.129504	0.126888	0.140762
Total Property Tax Rate	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.767282	0.760000
Change in Rate		0	0	0	0	0	0	-0.00895	-0.007282

Comparison of Tax Rate Components

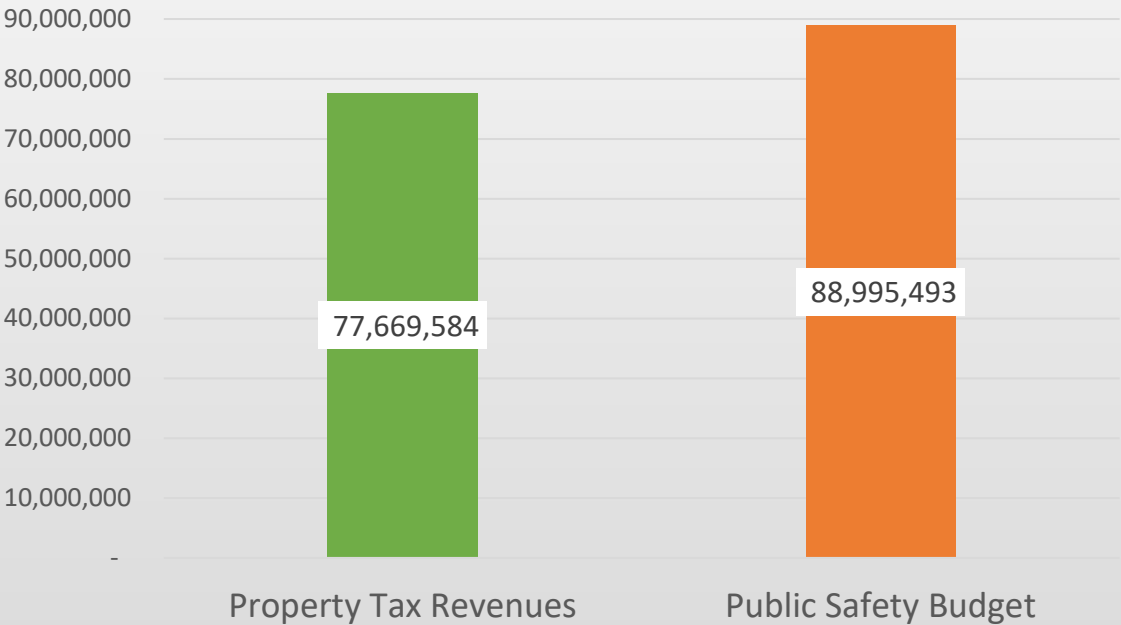


Property Taxes

FY23 General Fund Budget Covered by
Property Tax Revenues



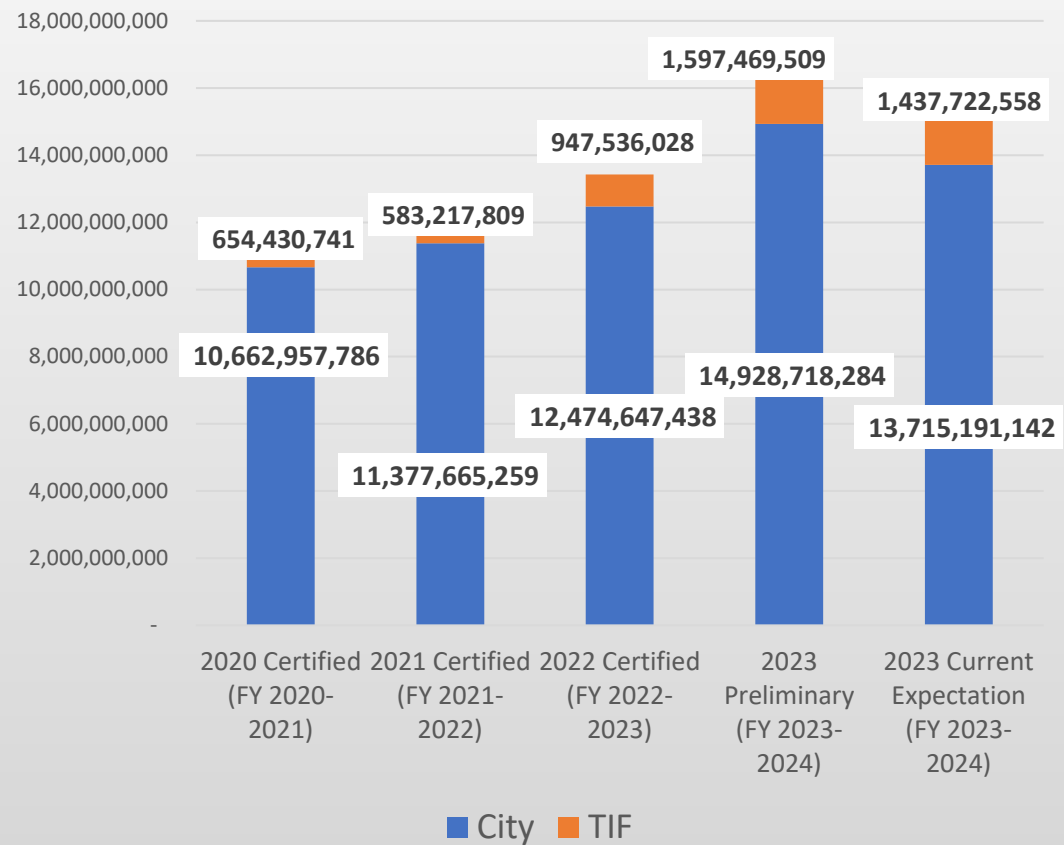
FY23 Budgeted Property Tax Revenues VS. Public Safety Budget



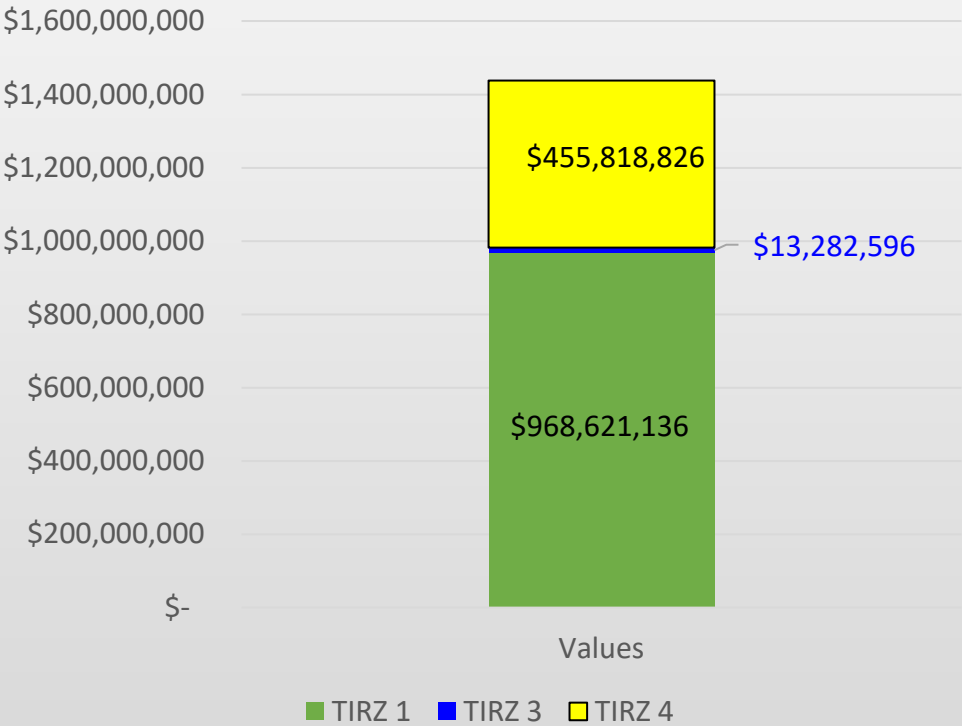
Proposed FY24 Values & Tax Rate Information

Estimated Taxable Values

City of Waco Net Taxable Values



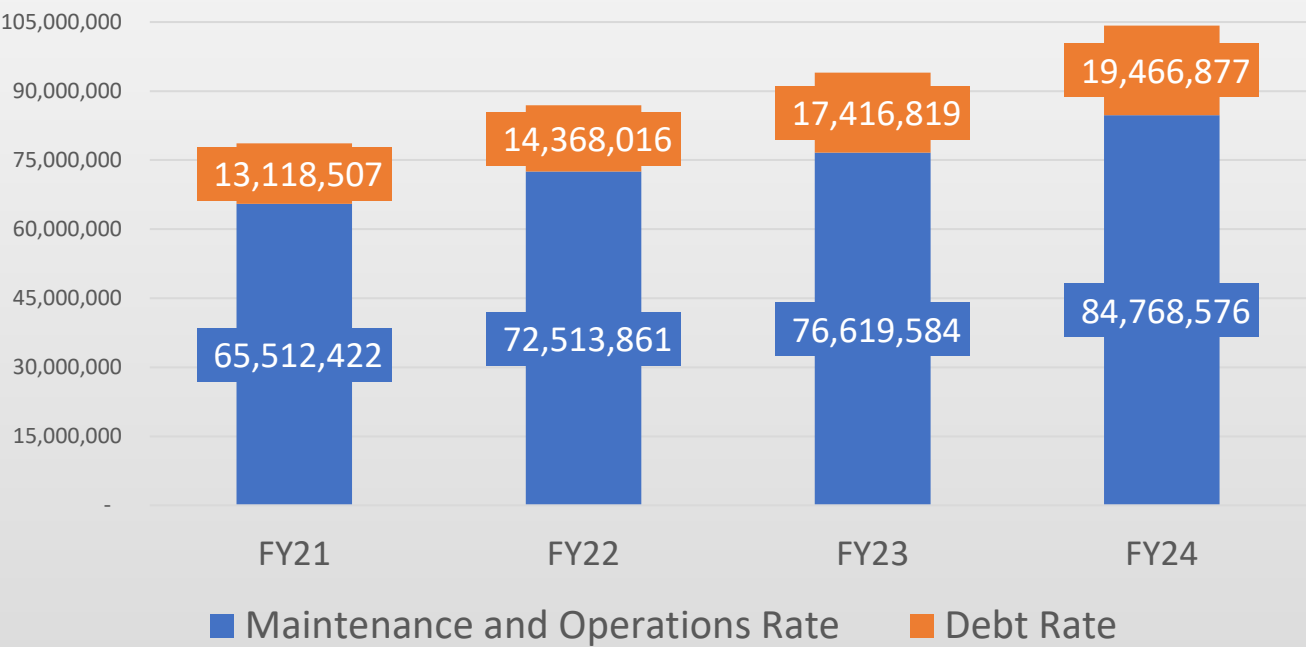
Estimated TIRZ/TIF Values



Taxing Unit	2020 Certified (FY 2020-2021)	2021 Certified (FY 2021-2022)	2022 Certified (FY 2022-2023)	2023 Preliminary (FY 2023-2024)	2023 Current Expectation (FY 2023-2024)
City	10,662,957,786	11,377,665,259	12,474,647,438	14,928,718,284	13,715,191,142
TIF	654,430,741	583,217,809	947,536,028	1,597,469,509	1,437,722,558
Total	11,317,388,527	11,960,883,068	13,422,183,466	16,526,187,793	15,152,913,700

Estimated Tax Rate Revenue Components

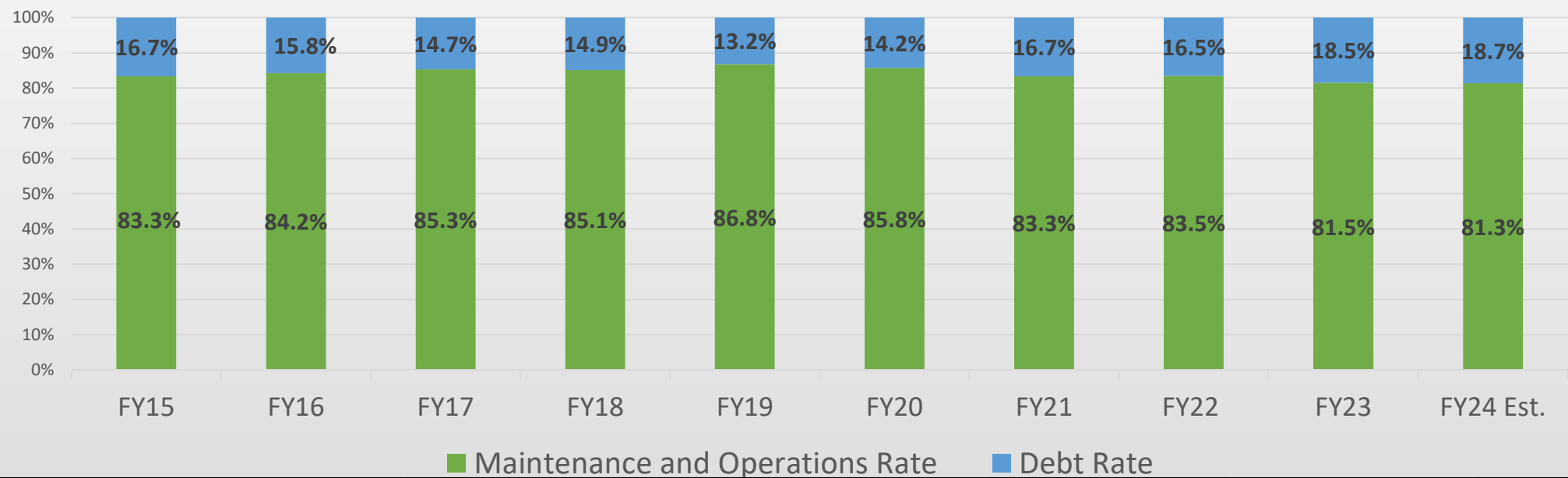
Property Tax Levy Components



Levy Component	FY21	FY22	FY23	FY24	% Change
Maintenance and Operations Rate	65,512,422	72,513,861	76,619,584	84,768,576	10.64%
Debt Rate	13,118,507	14,368,016	17,416,819	19,466,877	11.77%
Total Tax Levy	78,630,929	86,881,877	94,036,403	104,235,453	10.85%

FY24 Estimated Tax Rate Components

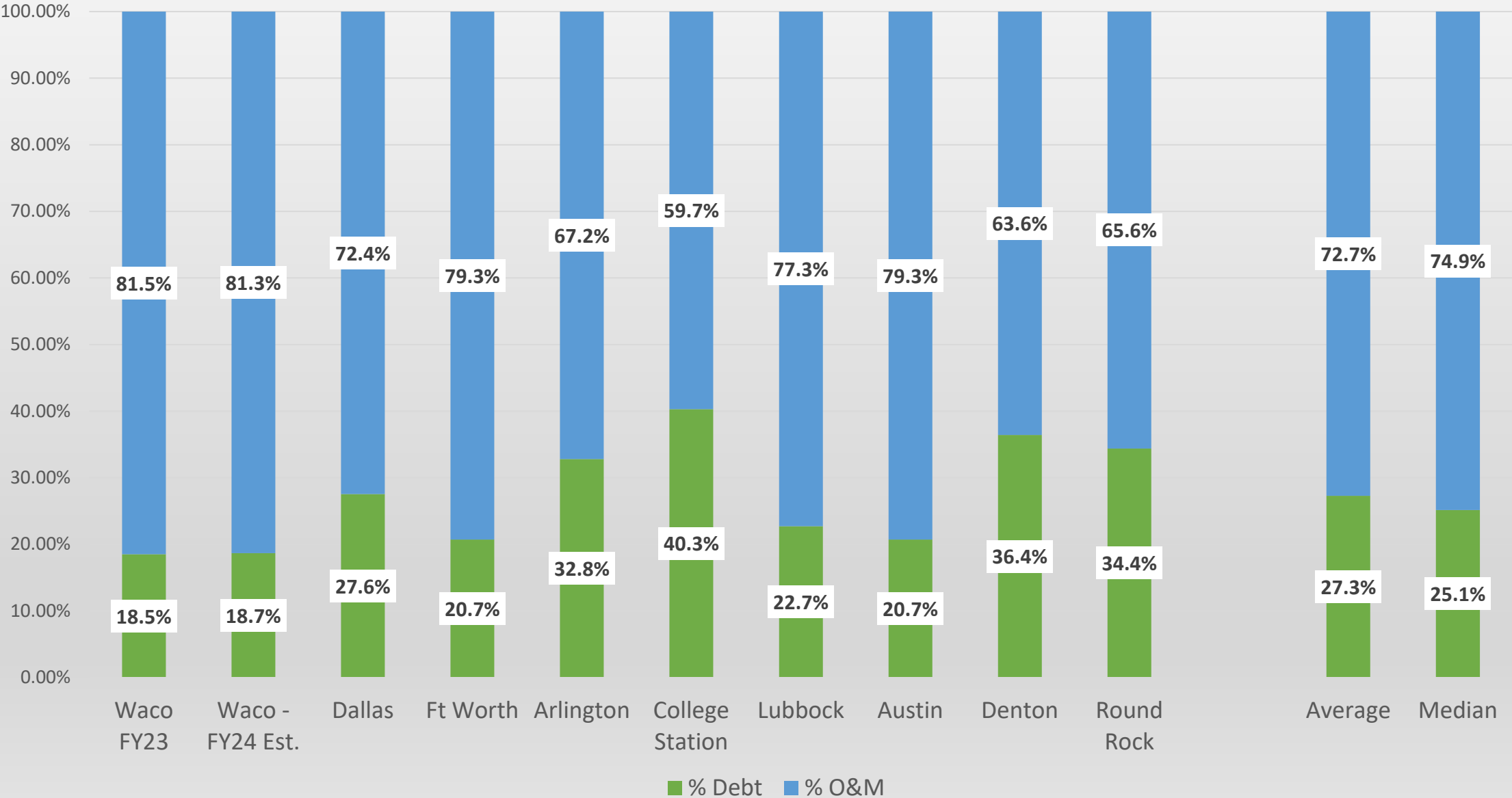
Property Tax as % of Total Rate by purpose



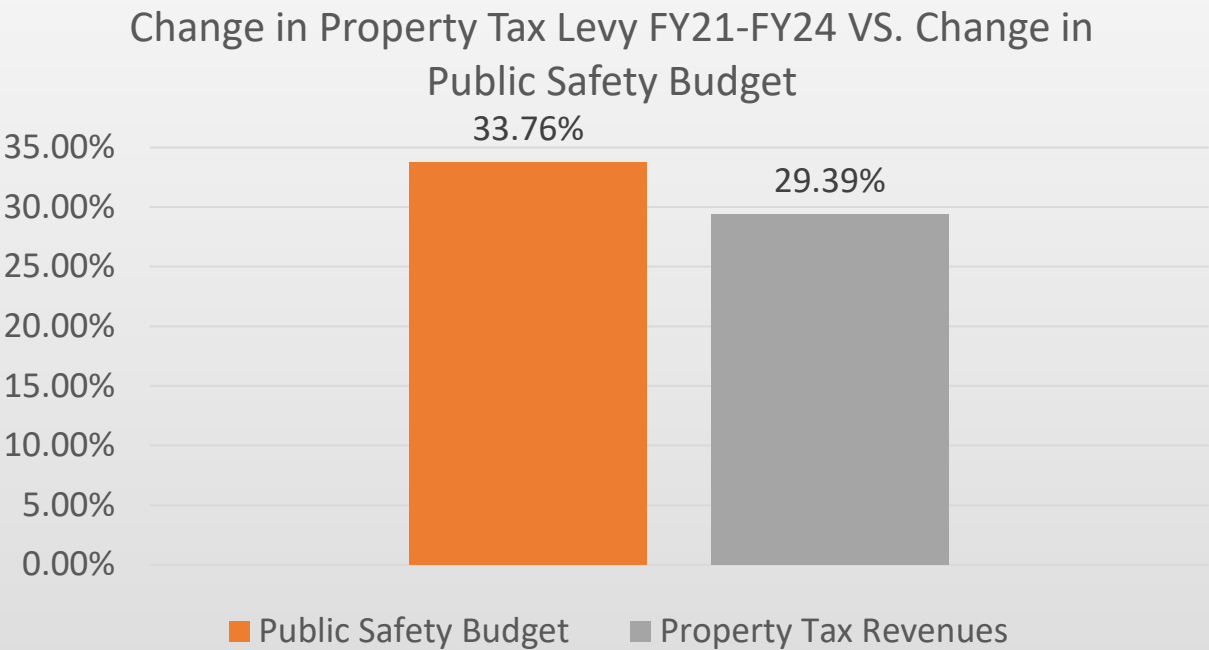
Tax Rate Components	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24 Est.
Maintenance and Operations Rate	0.646744	0.653858	0.662094	0.660723	0.673581	0.665656	0.646728	0.640394	0.619238	0.618063
Debt Rate	0.129488	0.122374	0.114138	0.115509	0.102651	0.110576	0.129504	0.126888	0.140762	0.141937
Total Property Tax Rate	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.767282	0.760000	0.760000
Change in Rate		0	0	0	0	0	0	-0.00895	-0.007282	0

Comparison of Tax Rate Components - City of Waco vs. Peer Cities FY23 Rate Components

Note: Tax Rates for other cities are current year. FY24 rates are not yet available.



Public Safety Budget vs. Property Tax Revenues



Since FY21 have added more than 39 public safety positions, including 12 officers in each of the last two years, one commander, and 12 firefighters for Fire Station 15.

Budget Component	FY21	FY22	FY23	FY24 Est
Public Safety Budget	72,733,167	76,629,411	88,995,493	97,287,257
Property Tax Revenues	65,512,422	72,513,861	76,619,584	84,768,576
Public Safety Budget Over Property Tax Revenues	7,220,745	4,115,550	12,375,909	12,518,681

FY24 Budget Tax Rate Summary

- As valuations firm up will continue to evaluate tax rate
 - Budget will be submitted before final certified roll – July 11 vs. July 25
 - Reconciliation will be completed between estimates and certified rolls
 - Will bring to council on August 1st
- Ensure balance between tax rate and council priorities

Budget Calendar

Timeline

- June 27 – Special Budget and Audit Committee
 - Capital Improvements Program
 - Street Fee
 - Street Capacity
- **July 11– Special Meeting – City Manager Presentation of Budget**
 - 48 days before Council votes to adopt
- July 14– Planned filing of Budget – operational, capital, and fee schedule
- July 25 – Certified Tax Roll Due from MCAD
- **August 1 - City Council Meeting**
 - Presentation on Filed Budget and Certified Tax Roll
 - Update potential budget changes from Certified Roll
 - Resolution Setting Date for Public Hearing on Budget
 - 2nd Reading of Ordinance setting Departments
 - 2nd Reading of Ordinance Establishing the Parks Performance Fund

Timeline

- August 8 – Budget and Audit Committee
 - TMRS Discussion
 - Remaining Items/Issues
 - Quarterly Financial Update
- **August 15 – Resolution Setting Date for Public Hearing on Tax Rate**
- **August 29 – Public Hearing on Proposed Budget**
- **August 29 – Adoption of the Budget**
- **August 29 – Public Hearing and Vote on Resolution on Municipal Drainage Utility fee schedule revision**
- **September 5 - Public Hearing and First and Final Reading of Tax Rate Ordinance**

A composite image featuring a realistic Earth from space, showing the Americas and surrounding oceans. The word "QUESTIONS?" is overlaid in a large, stylized, glowing font with a yellow and orange outline. The background is a deep black space filled with numerous small white stars.

QUESTIONS?