

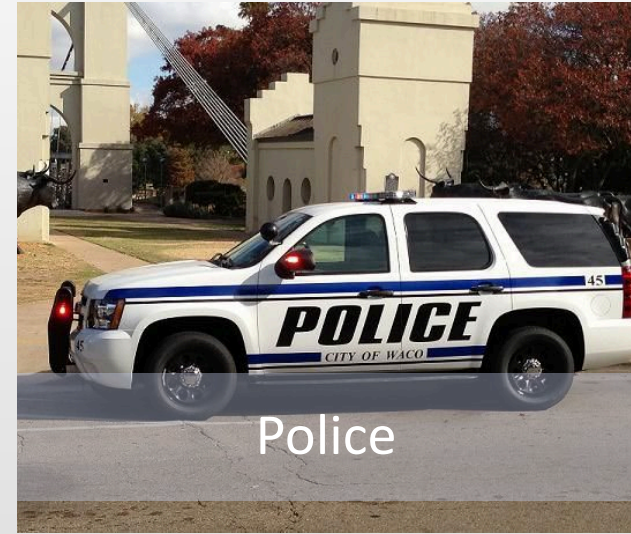
2023 Budget Retreat

April 6, 2023

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 6 fiscal years
 - General Fund over revenue budget each of last 6 fiscal years
 - Budget Award by GFOA each of last 30 years
 - Largest annual CIP in our history (\$215.4m) in FY 22/23

What services does the City provide?



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

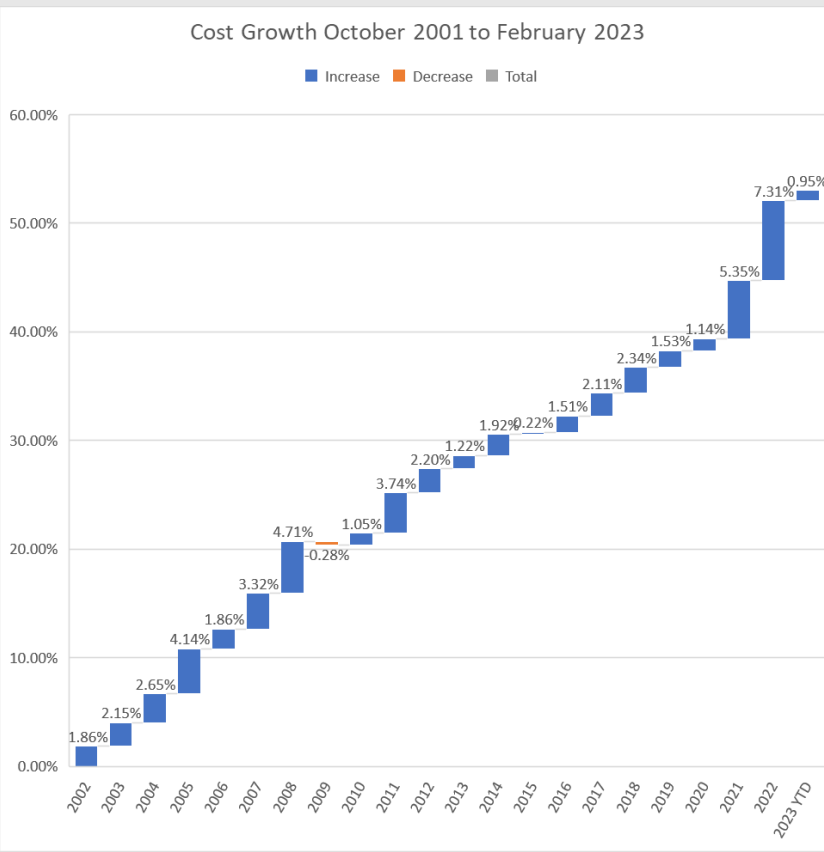
Fiduciary Funds

- Custodial

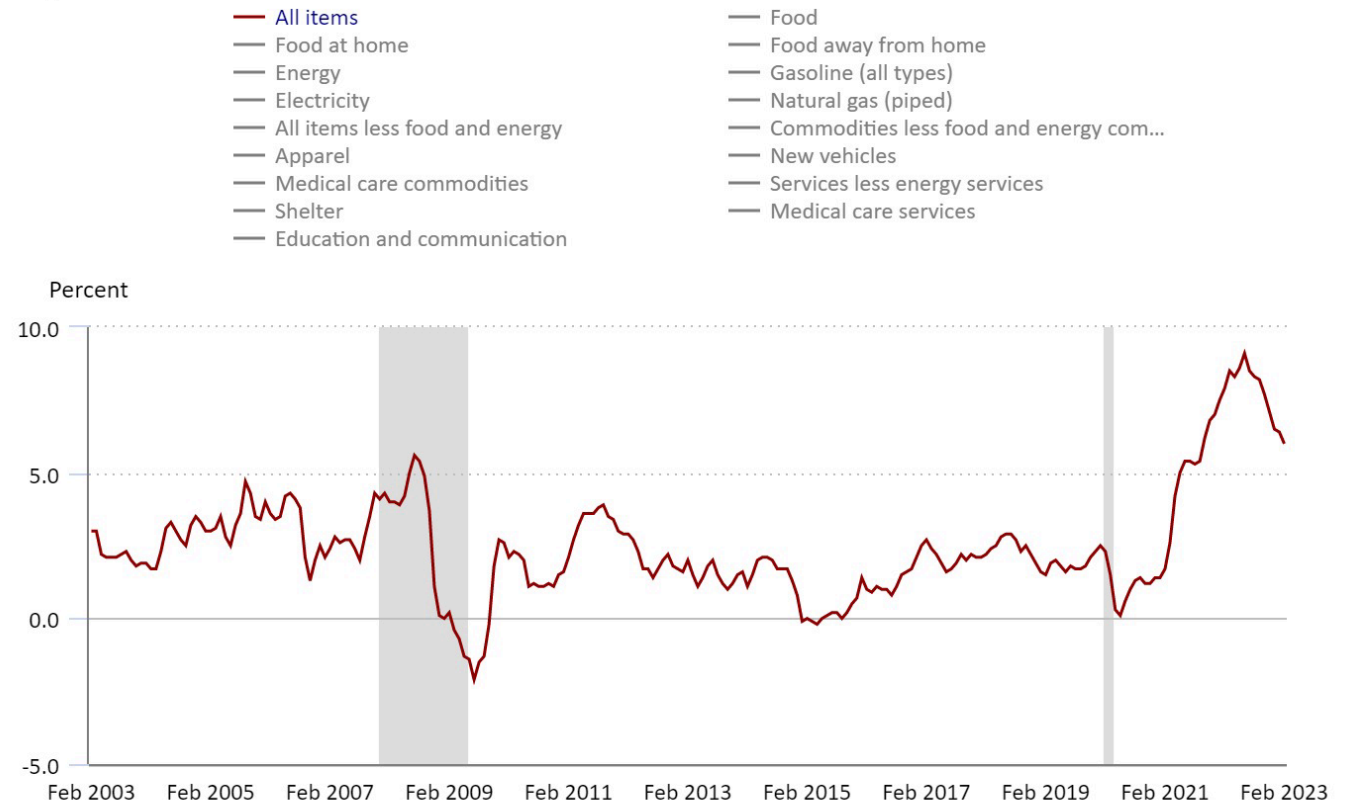
Economic Overview

Economic Perspective: Nationally

- CPI up 6.0% YOY
 - Shelter +8.1%; Energy + 5.2%
- Food +9.5%
- Producers Price Index Up 4.6%



12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



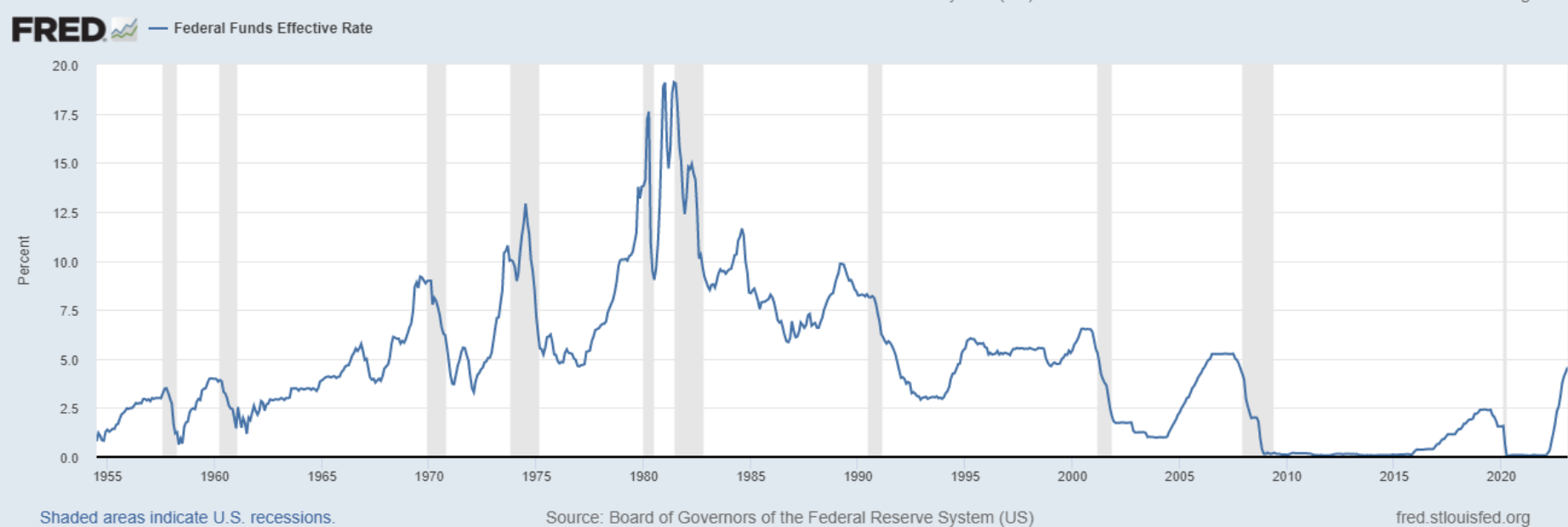
Source: U.S. Bureau of Labor Statistics.



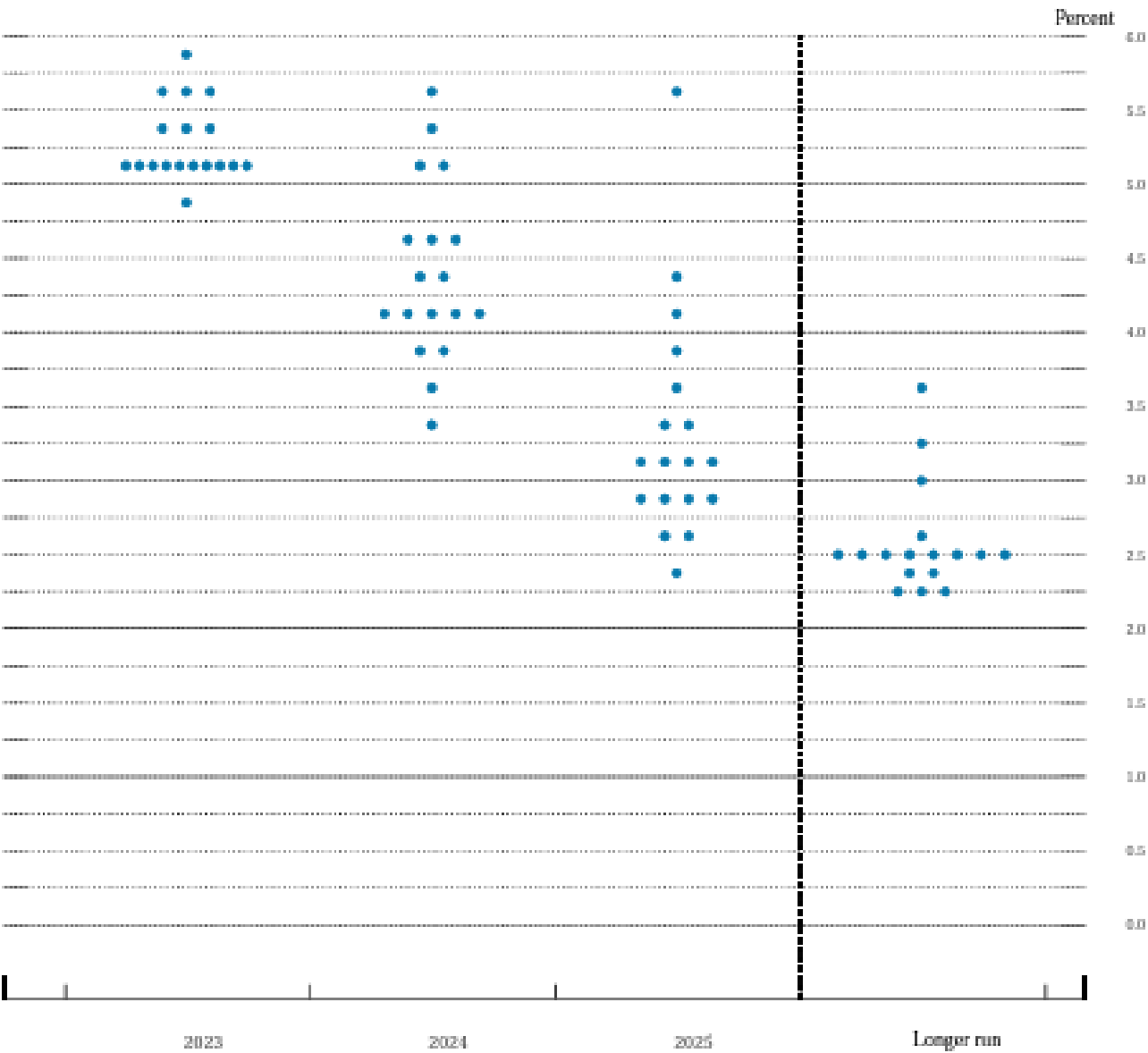
Economic Perspective: Nationally



- Fed funds rate up 4.75-5% over last year



Economic Perspective: Nationally



FOMC Dot plot from March 22, 2023

Economic Perspective: Nationally

- Federal Reserve Economic Projections

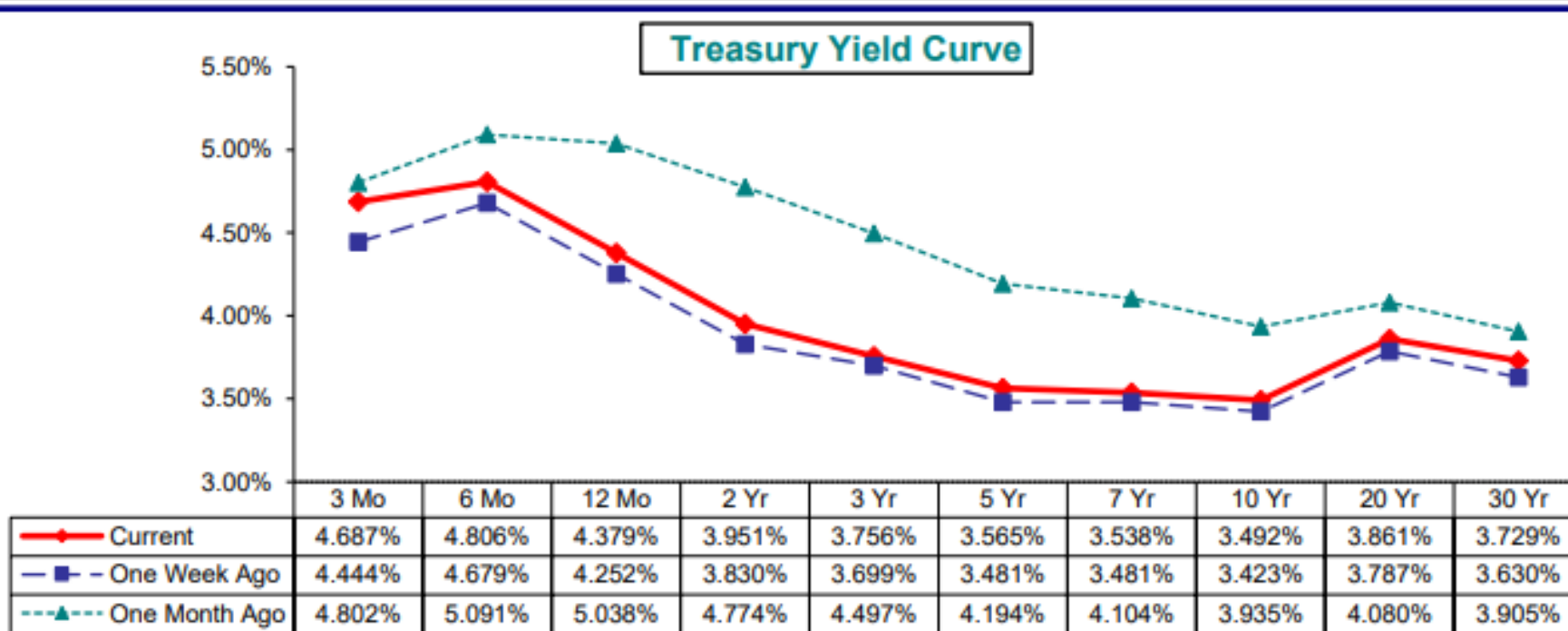
Percent

Variable	Median ¹				Central Tendency ²				Range ³			
	2023	2024	2025	Longer run	2023	2024	2025	Longer run	2023	2024	2025	Longer run
Change in real GDP	0.4	1.2	1.9	1.8	0.0–0.8	1.0–1.5	1.7–2.1	1.7–2.0	-0.2–1.3	0.3–2.0	1.5–2.2	1.6–2.5
December projection	0.5	1.6	1.8	1.8	0.4–1.0	1.3–2.0	1.6–2.0	1.7–2.0	-0.5–1.0	0.5–2.4	1.4–2.3	1.6–2.5
Unemployment rate	4.5	4.6	4.6	4.0	4.0–4.7	4.3–4.9	4.3–4.8	3.8–4.3	3.9–4.8	4.0–5.2	3.8–4.9	3.5–4.7
December projection	4.6	4.6	4.5	4.0	4.4–4.7	4.3–4.8	4.0–4.7	3.8–4.3	4.0–5.3	4.0–5.0	3.8–4.8	3.5–4.8
PCE inflation	3.3	2.5	2.1	2.0	3.0–3.8	2.2–2.8	2.0–2.2	2.0	2.8–4.1	2.0–3.5	2.0–3.0	2.0
December projection	3.1	2.5	2.1	2.0	2.9–3.5	2.3–2.7	2.0–2.2	2.0	2.6–4.1	2.2–3.5	2.0–3.0	2.0
Core PCE inflation ⁴	3.6	2.6	2.1		3.5–3.9	2.3–2.8	2.0–2.2		3.5–4.1	2.1–3.1	2.0–3.0	
December projection	3.5	2.5	2.1		3.2–3.7	2.3–2.7	2.0–2.2		3.0–3.8	2.2–3.0	2.0–3.0	
Memo: Projected appropriate policy path												
Federal funds rate	5.1	4.3	3.1	2.5	5.1–5.6	3.9–5.1	2.9–3.9	2.4–2.6	4.9–5.9	3.4–5.6	2.4–5.6	2.3–3.6
December projection	5.1	4.1	3.1	2.5	5.1–5.4	3.9–4.9	2.6–3.9	2.3–2.5	4.9–5.6	3.1–5.6	2.4–5.6	2.3–3.3

Economic Perspective: Nationally

- Banking jitters after recent bank failures and credit infusions
 - Actions taken to reassure public and confidence in banking system
- Steep decline in interest rates followed

City's deposits are fully collateralized and with one of the largest and most financially stable banks in the nation.

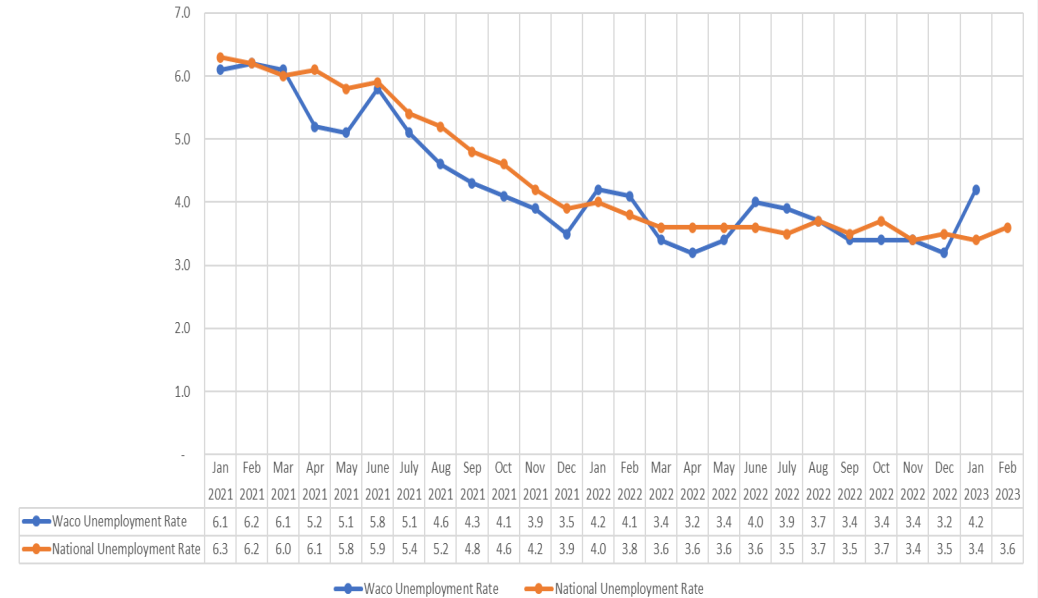


As of 3-27-23

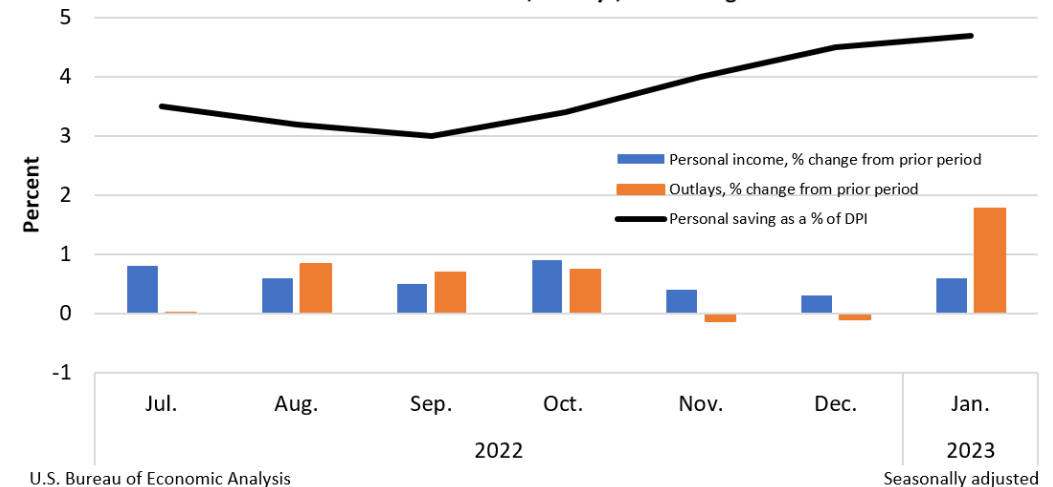
Economic Perspective: Nationally

- Unemployment: 3.6%
- Non-farm payroll employment unchanged
- Average hourly earnings up 4.6% YOY
- Personal Income up .6% in January
- Real (inflation factored) personal consumption expenditures increased 1.1% January
- Bank of America Institute
 - Debit & credit card spending up 5.1% YOY

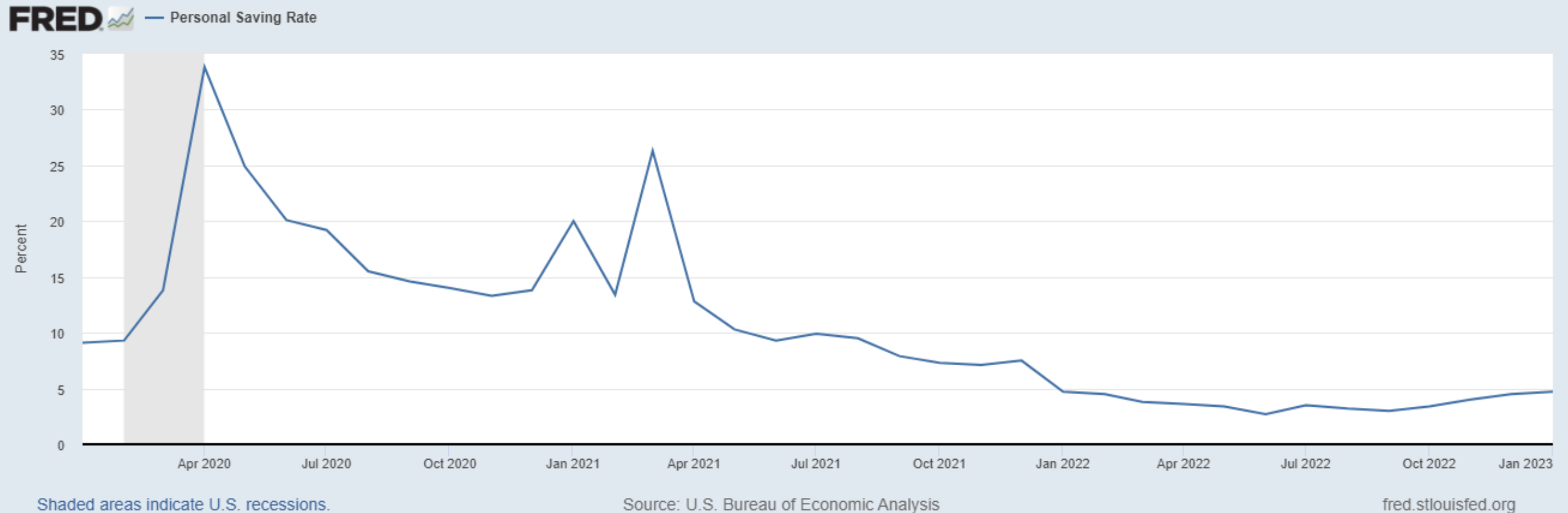
UNEMPLOYMENT RATE: WACO, TX MSA AND NATIONAL RATE (U.S. BUREAU OF LABOR STATISTICS)



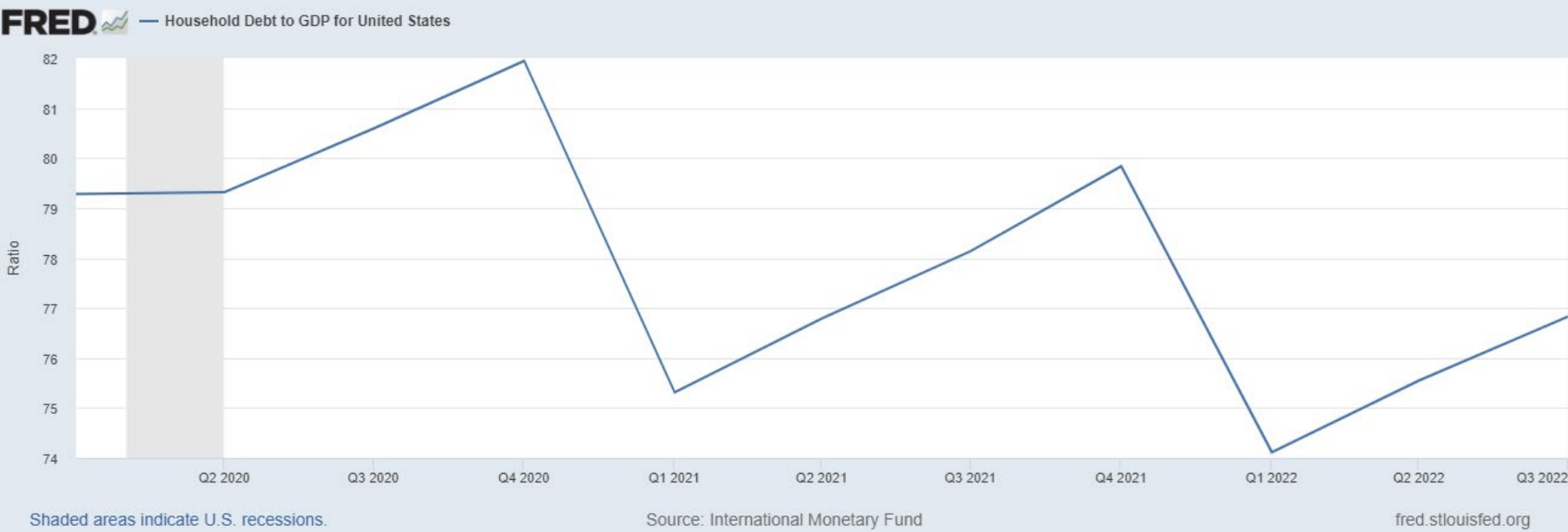
Personal Income, Outlays, and Saving



Economic Perspective: Nationally



Economic Perspective: Nationally



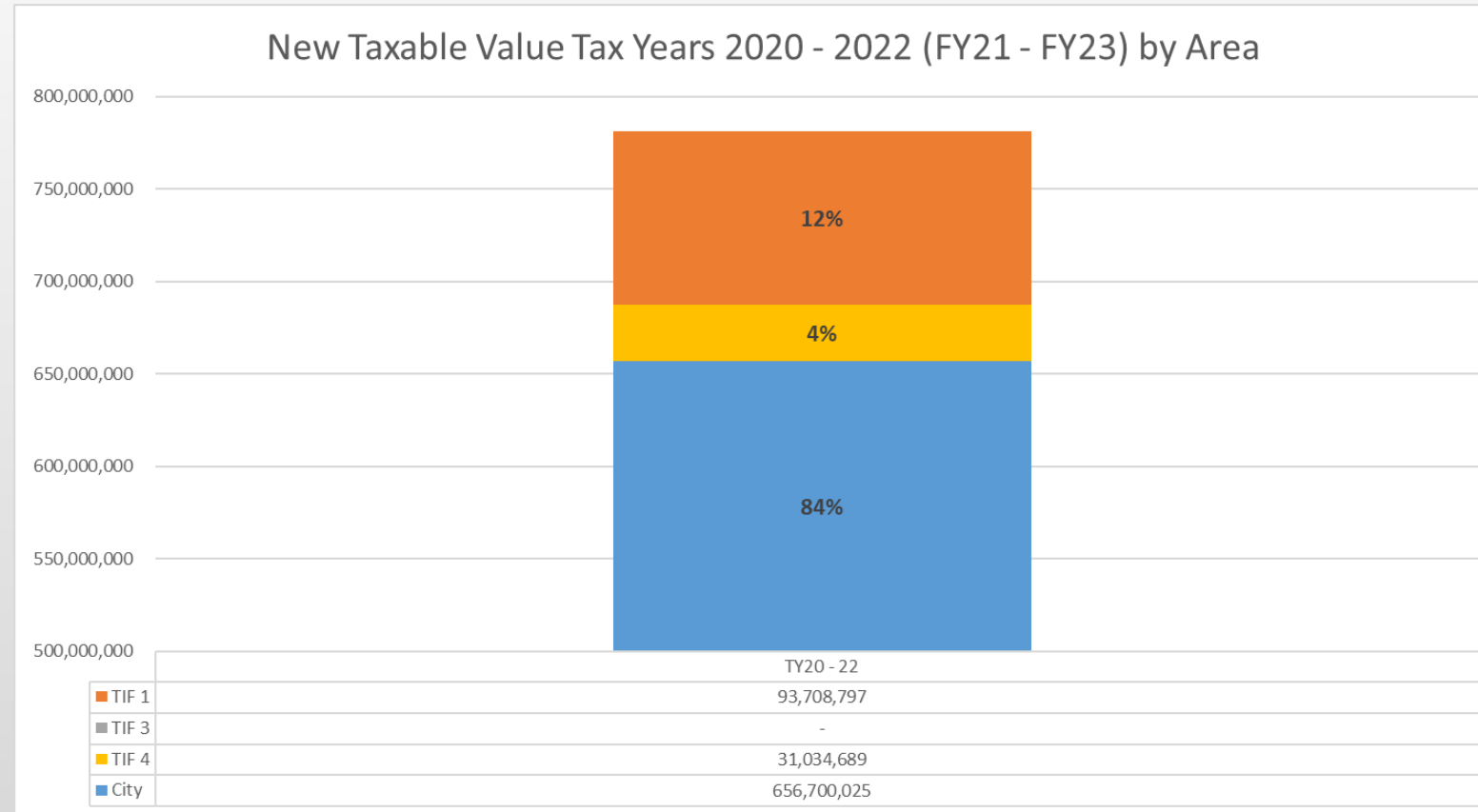
Economic Perspective: Nationally

- Mortgage rate increased from 4.16% to 6.60% YOY
 - Impacts homebuyers, slows housing market
 - Monthly payment on \$300,000 home up \$365 per month.



Economic Perspective: Locally

- Economic Index at historic high
 - More than \$1 Billion in announced projects to further grow tax values through 2026.
- \$781.4m in new taxable value added to tax rolls over last 3 years.
- Increased Housing Costs

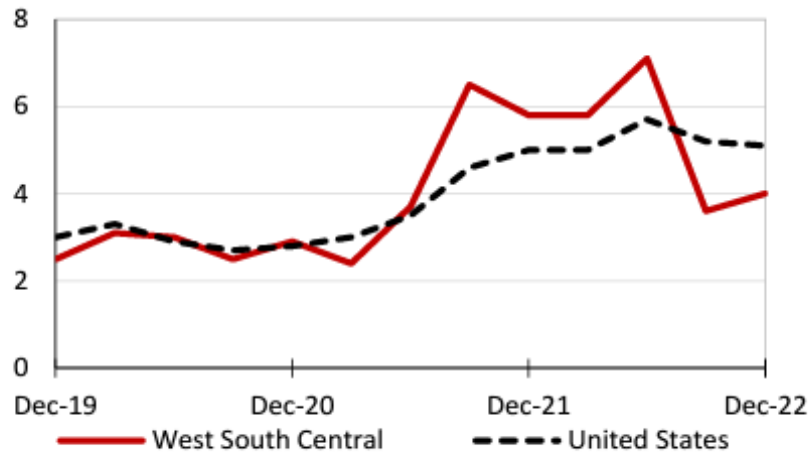


Economic Perspective: Locally

- Unemployment Rate up 1% (Jan. vs. December)
- Non-farm Employment increased 4.8%
- 3rd quarter Average weekly wages up \$70 YOY
 - 7.1% increase
 - Current national average \$1,334

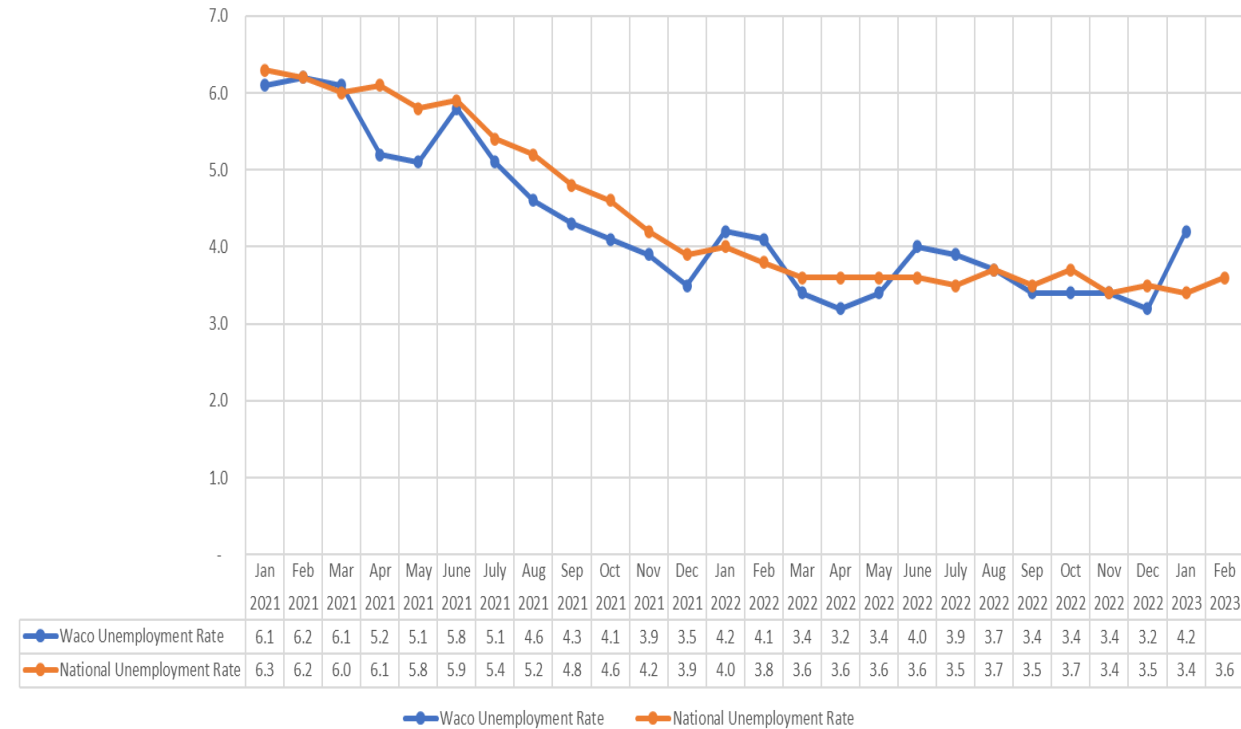
Over-the-year changes in wages and salaries

12-month percent changes in ECI



Source: U.S. BLS, Employment Cost Index.

UNEMPLOYMENT RATE: WACO, TX MSA AND NATIONAL RATE (U.S. BUREAU OF LABOR STATISTICS)

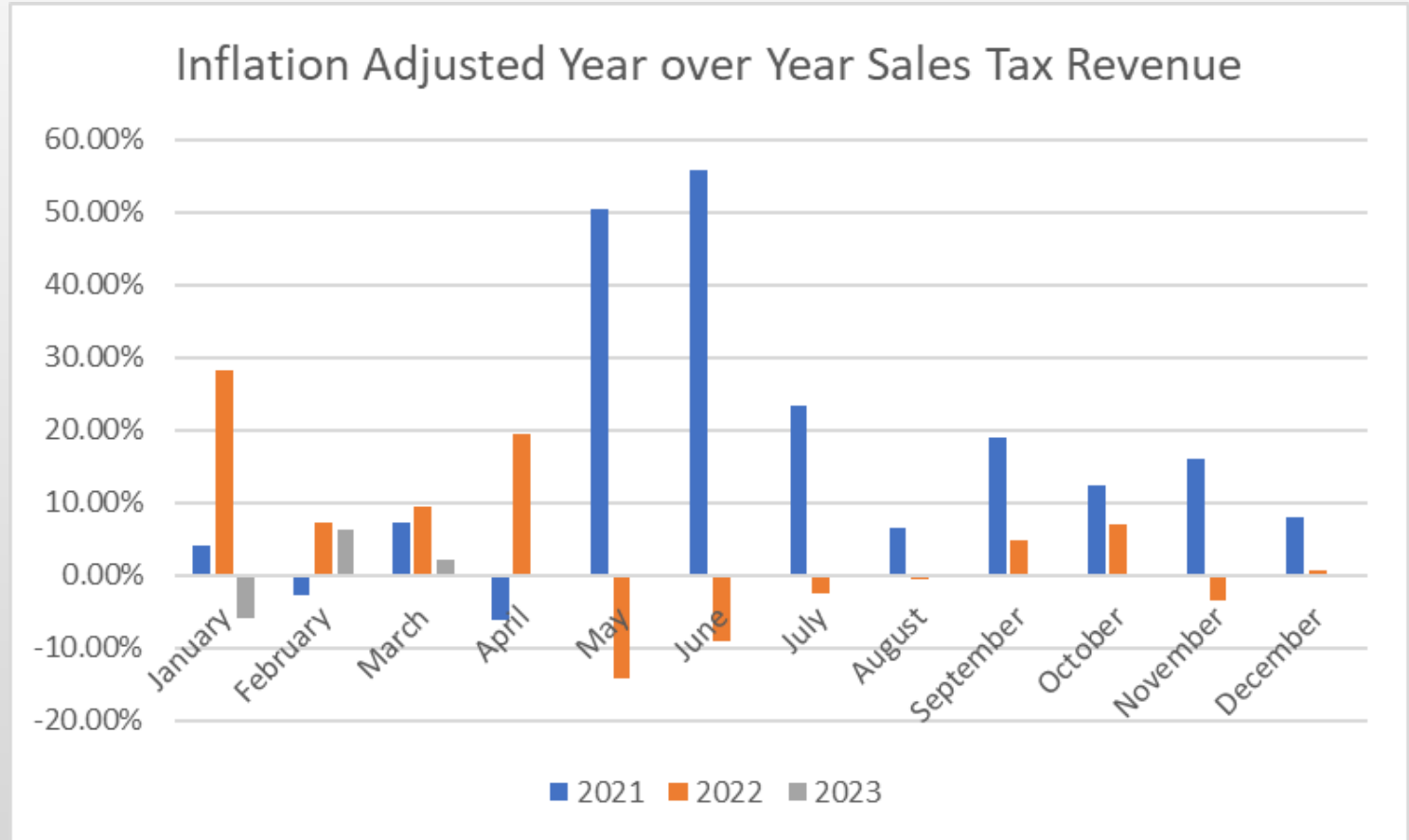


Economic Perspective: Locally

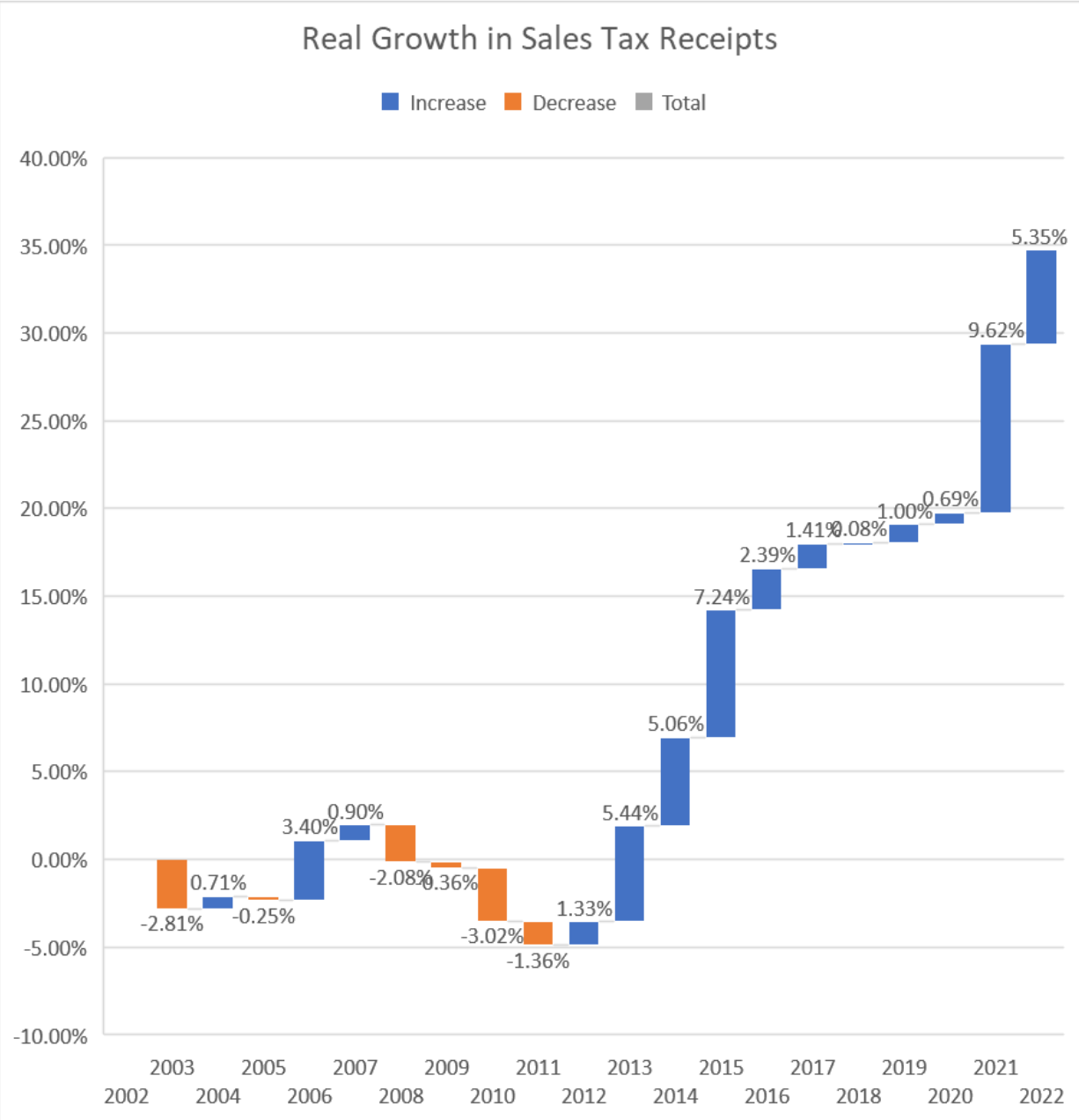
- Inflation effects on CIP
 - Materials up 40-190% over last 5 years
 - Asphalt HMAC +28.6% in last year
 - 81.9% increase in concrete paving YOY
- Effects on Operations
 - Fuel
 - Unleaded decreased 24.5% YOY
 - Diesel decreased 29.6% YOY
 - 34.6% increase in Asphalt YOY

Economic Perspective: Locally - Sales Tax

- Sales tax at historic high
- Instability creeping in
- Year over year growth in amount not necessarily real (inflation adjusted) growth



Economic Perspective: Locally - Sales Tax



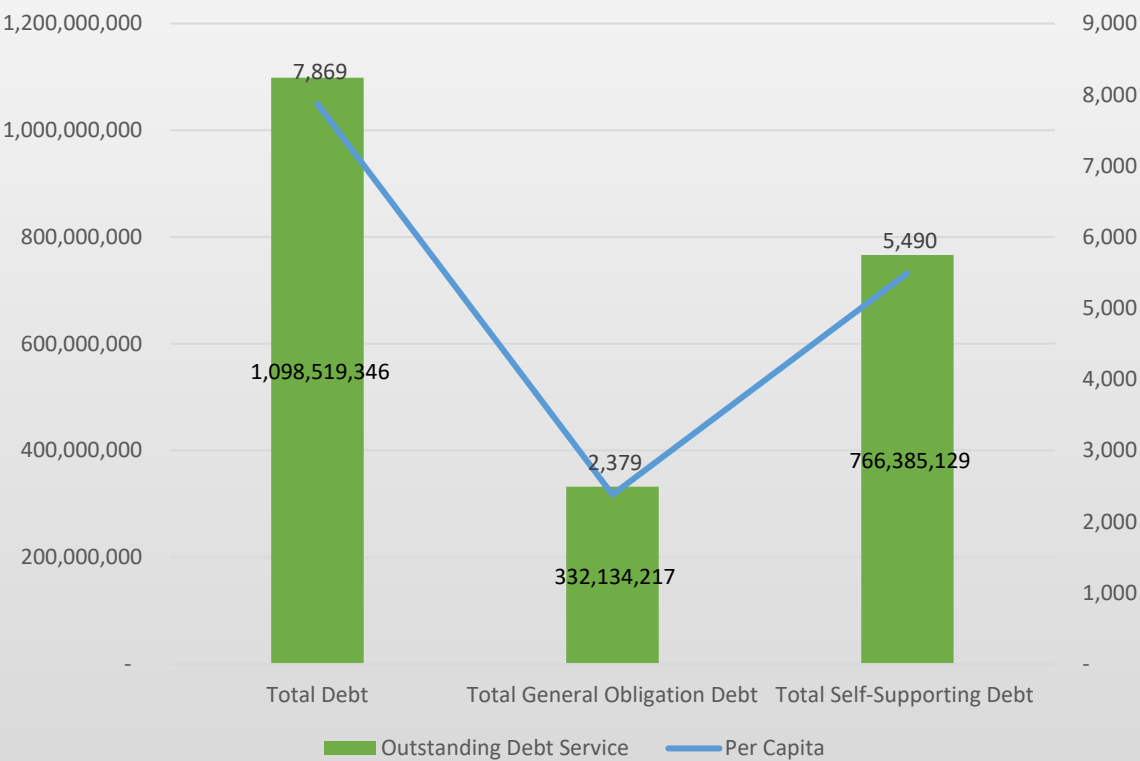
Summary

- Economic Data is mixed
 - Consumers have continued to spend
 - Household debt increased
 - Savings rate declined
 - Warning signs that a recession is on the horizon
 - What it looks and feels like is unknown
 - Most economists now expect a recession this year in light of recent bank issues
- Waco Residents have been resilient but just like nationally there are areas of concern
 - Costs are increasing faster than revenue in some areas of city operations

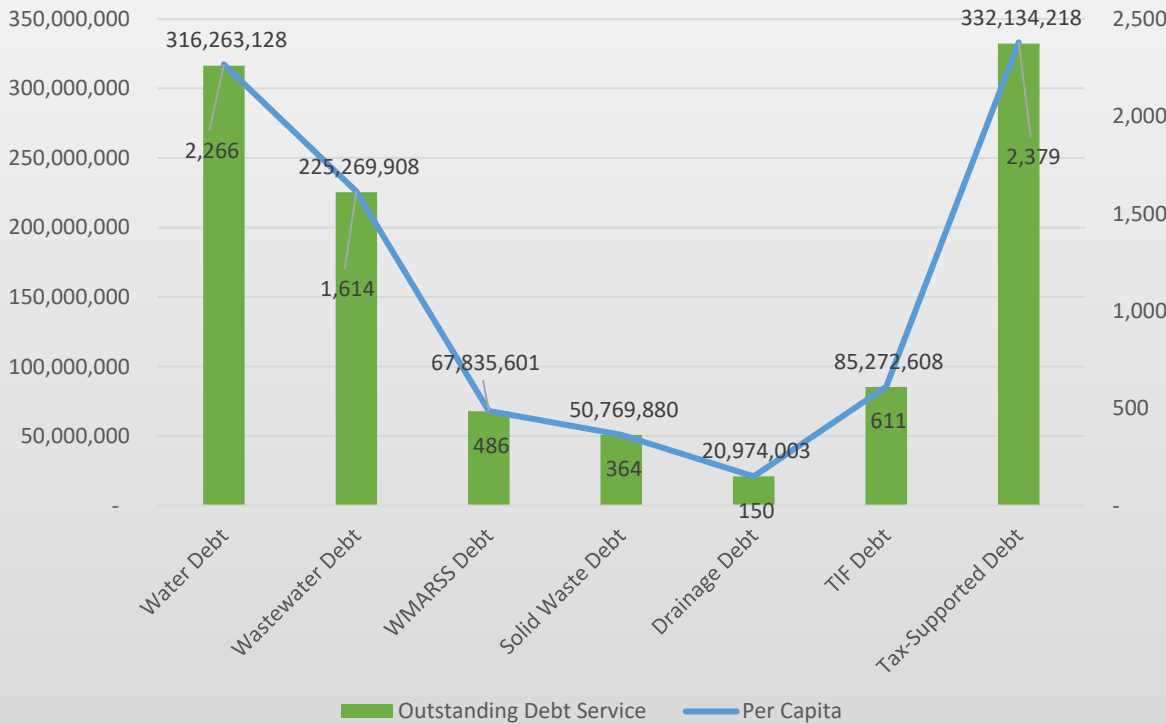
Debt Profile

City of Waco Debt Profile

Debt by Functional Area and Per Capita Debt



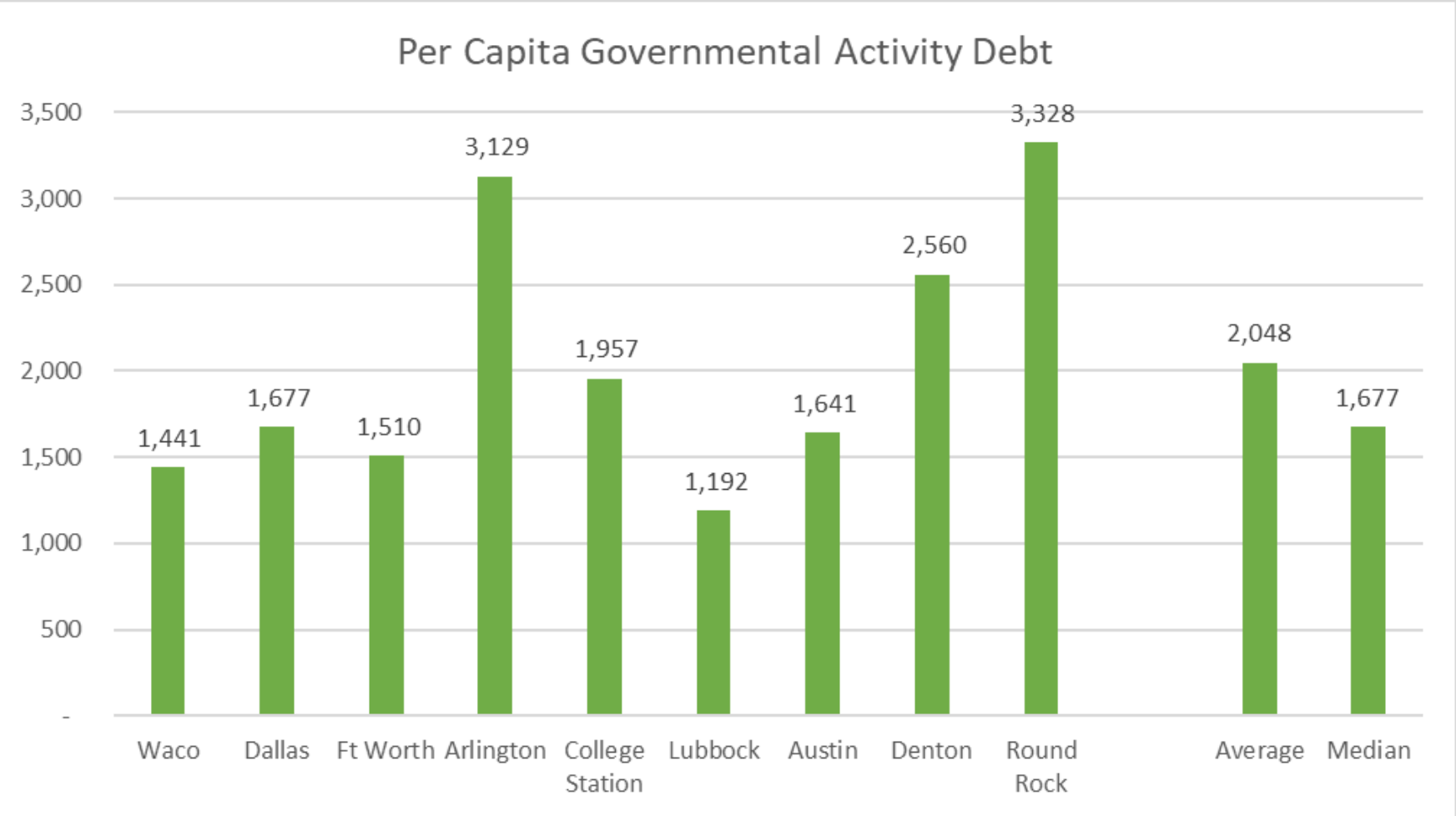
Debt by Fund and Per Capita



	Water Debt	Wastewater Debt	WMARSS Debt	Solid Waste Debt	Drainage Debt	TIF Debt	Tax-Supported Debt
Outstanding Debt Service	316,263,128	225,269,908	67,835,601	50,769,880	20,974,003	85,272,608	332,134,218

W/WW/WMARSS debt per capita can be overstated because total debt can include debt carried for customer cities.

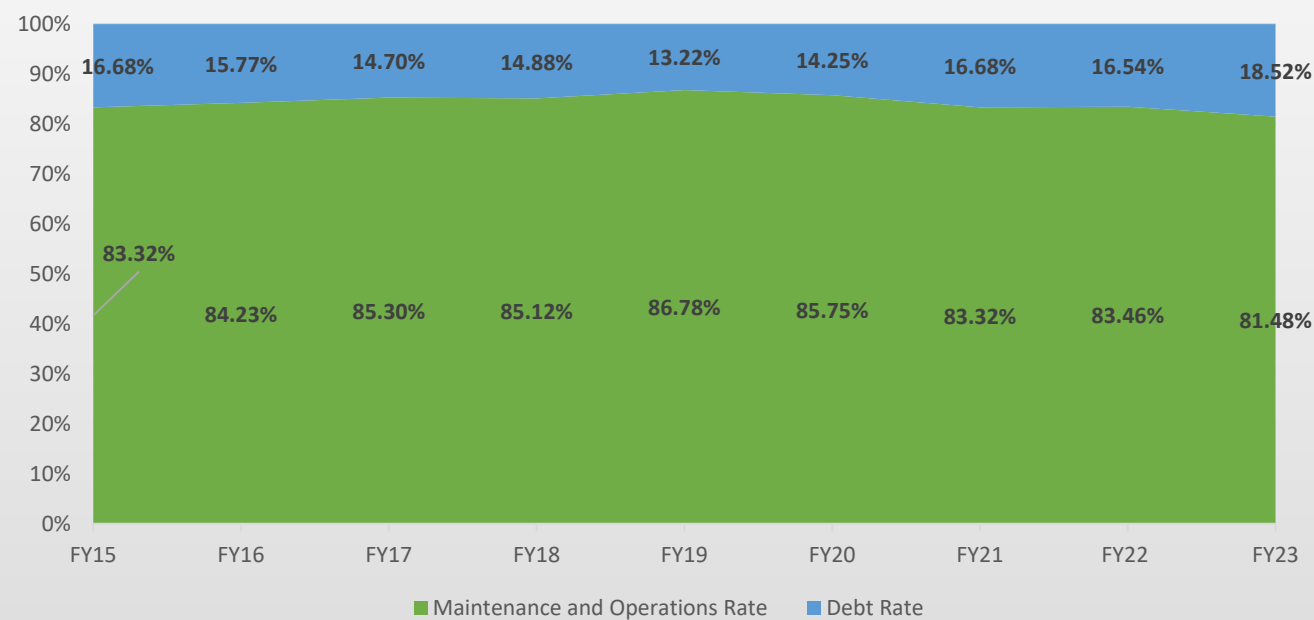
City of Waco Debt Profile – Per Capita Comparison



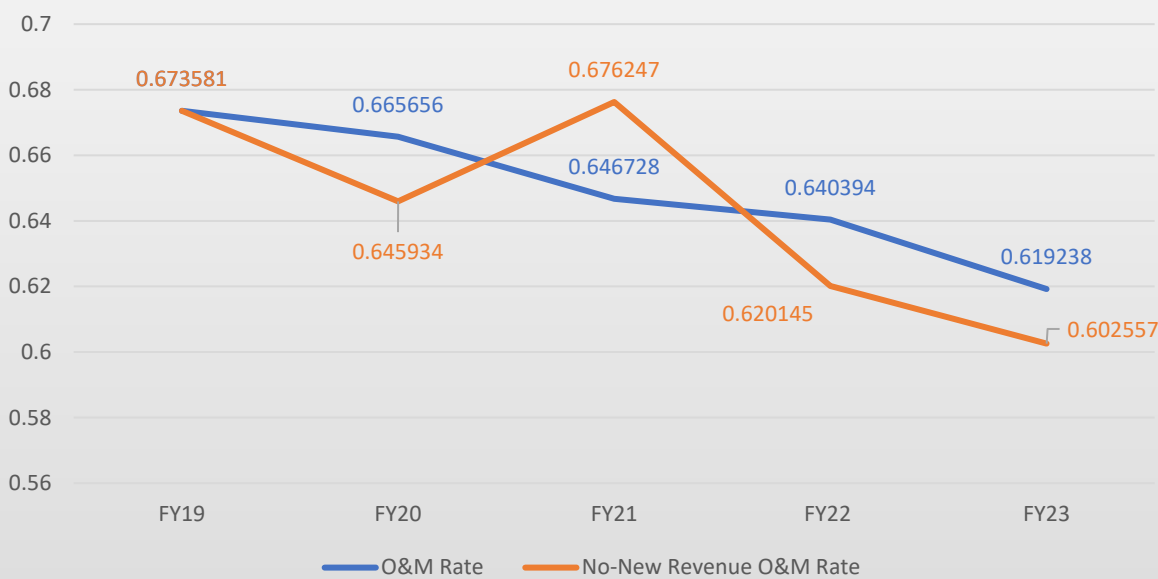
City of Waco has the 2nd lowest per capita debt amongst peer cities.

Waco's Tax Rate Components

Property Tax as % of Total Rate by purpose



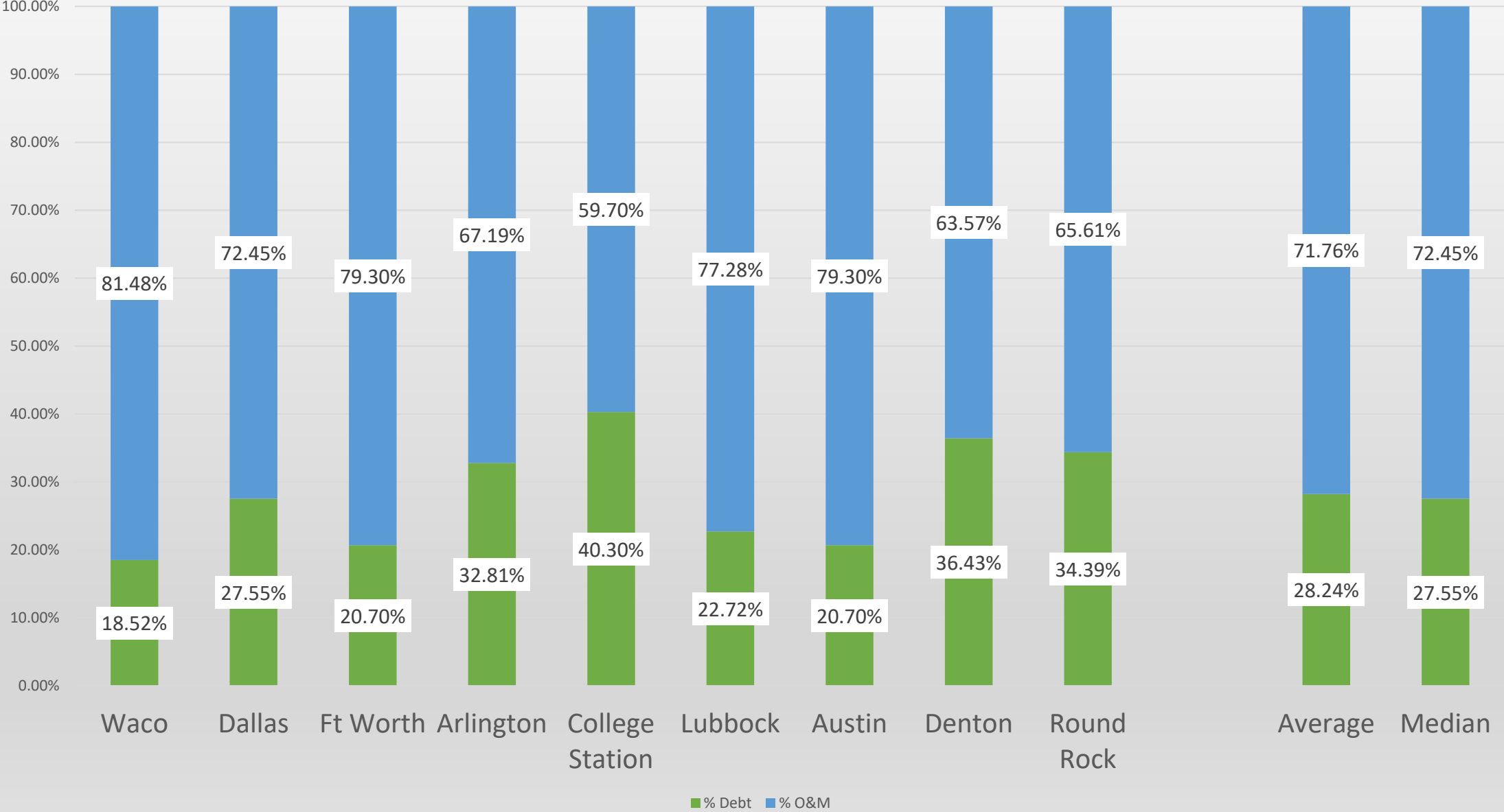
O&M Rate vs. O&M No-New Revenue Rate



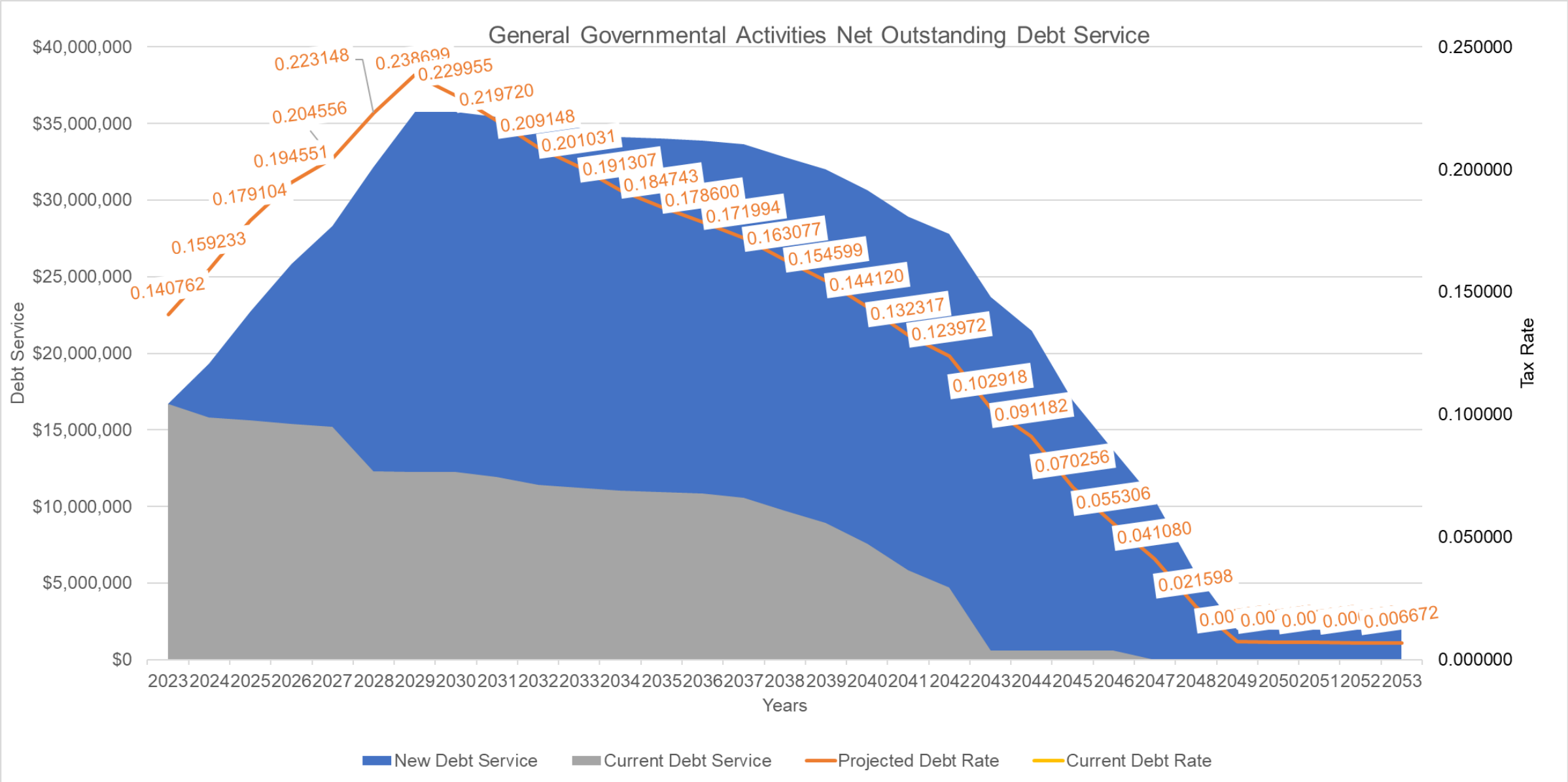
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Maintenance and Operations Rate	0.646744	0.653858	0.662094	0.660723	0.673581	0.665656	0.646728	0.640394	0.619238
Debt Rate	0.129488	0.122374	0.114138	0.115509	0.102651	0.110576	0.129504	0.126888	0.140762
Total Property Tax Rate	0.776232	0.776232	0.776232	0.776232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

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.

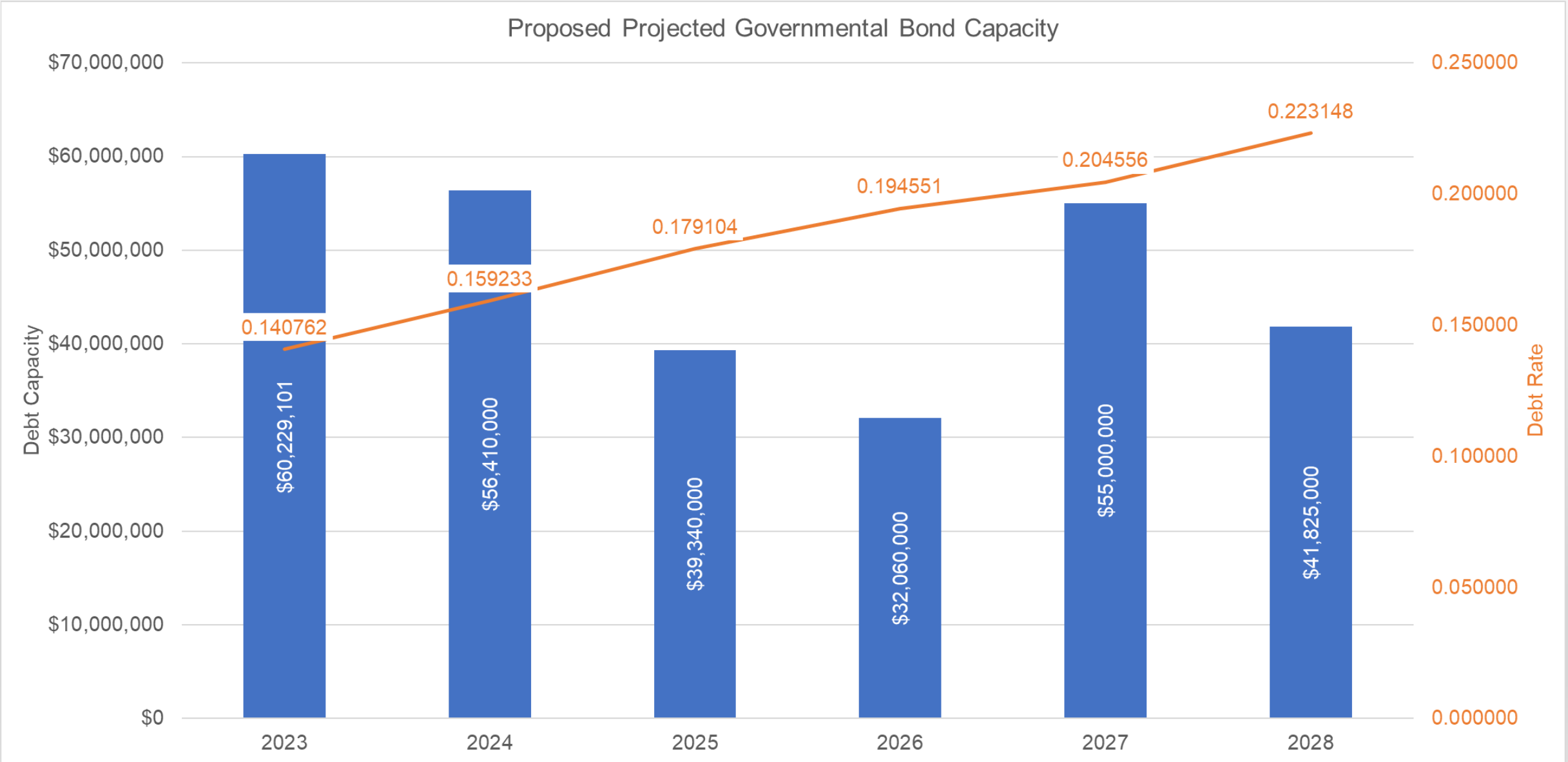
Comparison of Tax Rate Components



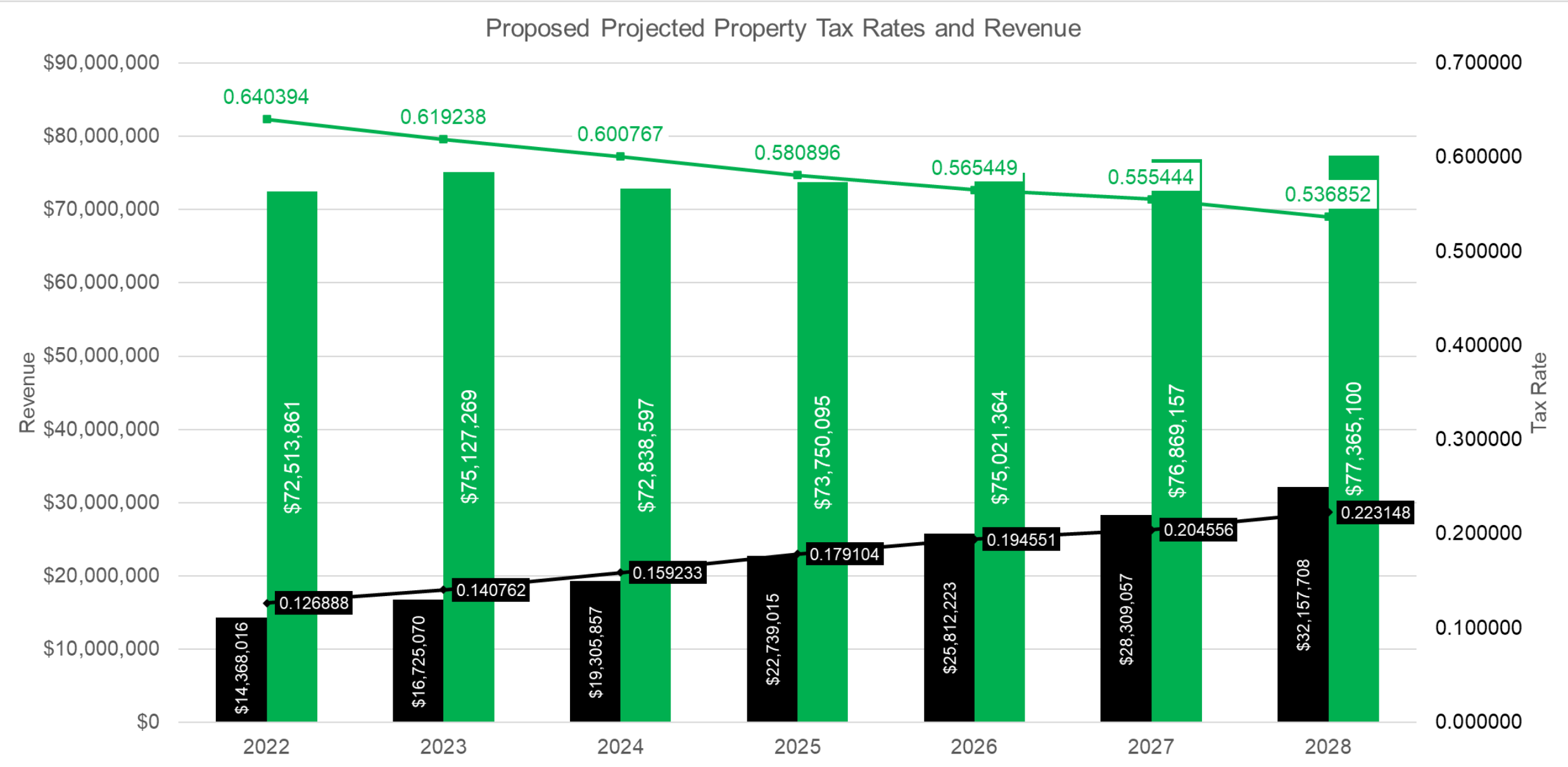
General Debt Capacity Forecast



General Debt Capacity Forecast



Rates and Revenue



History of Bond Elections in Waco

- Last bond election May 2, 2007 - \$63 million
 - Next recent in 1967 (Lake Brazos Dam, Convention Center & major drainage and road projects)
- 1982 and 1983 bond elections were rejected for special events center and a new zoo (subsequently approved via countywide elections)

VOLUME 9

WACO, TEXAS, WEEKEND, FEBRUARY 18, 19, 1967

Waco's Future Pro Up To Voters Tues

\$23.2 MILLION TO BE SPENT

Federal Funds To Add \$5 Million -- Making Total Near \$30 Million
Improvements Outlined in Bond Program

Improvements the citizens of Waco may expect to be accomplished are listed in a brochure which was distributed when the Citizens Advisory Committee gave final approval of the plans.

W. Lacy Clifton is chairman of the Advisory Committee, a selected group named by city councilmen to represent all walks of life.

General Obligation bonds to be voted will be in the amount of \$15,000,000 in addition to \$1,000,000 Revenue Bonds. Supplementing these toward the total of \$16,000,000 will be an anticipated amount of \$5,139,058 with current funds available of \$49,454 and bond funds on hand is the amount of \$381,478.

Exactly what you can expect to be done if a favorable vote is given the \$23,200,000 capital improvements, is as follows:

If you accept this program, then the following streets will be paved:

Bosque - Rambler to Hwy. 6,

Speight Ave. - Valley Mills Dr. to Government Dr.
East Riverside Dr. - Her- ring to Steinbeck Bend Road.
S. 18th St. - I.H.35 to La- Salle Avenue.
MacArthur - Park Lake to Lake Shore Dr.
Sanger - N. 16th Street to Loop 340.
Old Robinson Road - Prim- rose to City Limit.
Hillcrest - Lake Air Drive to Lake Shore Drive.
N. 36th Street - Edmond to Sanger.
Owen Lane - Sanger to Loop 340.
Primrose - R.W. 77 to Ir- ving Lee.

If you accept the proposals, these Traffic Controls will be made:

Lake Air Dr. and Valley Mills Signal.
Lake Air Drive and Bosque Blvd. Signal.
Waco Drive and New Road signal.
Replacement of P.H. Control- lers in downtown area.
Street name sign replacement

give the go-ahead signal, at these locations:

Lake Air Relief Line, Lake Air Dr. to Outfall of Lake Shore Hills in LaPorte.
N. 21st St. Line Relocation.
Wooded Acres Outfall (Hill- crest Relief Line).

If the program is accept- able these Sanitary Sewer Items

will be taken care of:

Lake Air Relief Line, Lake Air Dr. to Outfall of Lake Shore Hills in LaPorte.
N. 21st St. Line Relocation.
Wooded Acres Outfall (Hill- crest Relief Line).

Continued on Page 4

School Bonds Explained

Voters in the Waco Inde- pendent School District will be presented a six million dollar bond issue to vote on Tuesday, February 21.

The need for the bond elec- tion has been brought about by the shifting of the population. This has caused overcrowding in several of the schools which must be alleviated.

Three new school buildings are included in the proposal. One of which will be construc- ted immediately in the Viking Viking Hills Area. This will be an elementary school and the school system already owns the

The population has shifted from Central and North Waco to Northwest Waco causing the overcrowding in the elementary schools in Northwest Waco and the closing of Richfield to trans- fers.

It has been said that the build- ing in North Waco of new resi- dences has stopped because the children have to attend Waco High and it is so far from the Cedar Ridge District. Cedar Ridge is district in which the new North Waco School will be located. This district is located in the North Nineteenth section of town.

The Lariat

Vol. 86, No. 39

Senators convene despite bomb debris

The Associated Press

WASHINGTON — FBI agents combed through an estimated \$1 million mound of debris Tuesday as the Senate attempted business as usual in the wake of a bomb blast that ripped through a hallway and severely damaged a meeting room near the chamber. Officials said the device was triggered by a wrist- watch.

"The Senate will not be deterred or intimidated," declared Majority Leader Howard H. Baker Jr., R-Tenn., as he held the Senate to a schedule that began at 9 a.m. EST.

Baker said that had the Senate been in session at the time of the explosion, there would have been "grave injury ... and, perhaps, loss of life to senators and staff."

Although there was no struc- tural damage to the Capitol, the blast all but wiped out a large sec- tion of the corridor on the second — main — floor, adjacent to the Senate chamber. In addition to shattering windows, splintering wood frames and exposing brick wall and pipe, the blast knocked the doors to Democrat Leader Robert C. Byrd's office off their hinges and destroyed several irreplaceable paintings, including portraits of Daniel Webster and John Calhoun.

However, the Senate chamber it- self was left intact, although a coat- ing of dust greeted maintenance workers.

Byrd aide Mike Willard said the damage could reach \$1 million.

See Bomb, Page 12



Low turnout dooms move

Zoo relocation referendum fails

By Sheila Mimpler Staff Writer

Waco voters Tuesday voted down by a margin of 1,076 votes a proposal for a 3-cent tax increase to fund a move for the Central Texas Zoo.

The referendum calling for tax revenues to be collected over five years to finance the \$7.2 million project failed by a vote of 5,286 for

HOUSTON'S MAYOR — See Houstonians, Page 12

AMENDMENT RESULTS — See Proposals, Page 12

and 6,362 against. The proposal failed to pass in some large pre- cincts that supporters of the zoo had expected to win.

Gene Firman, a member of the board of directors of the zoo, said he had heard negative reports from the community during the last week and was not surprised at the outcome. He said, however, sup- porters of the zoo do not have an alternate plan to finance construc- tion of a new zoo site.

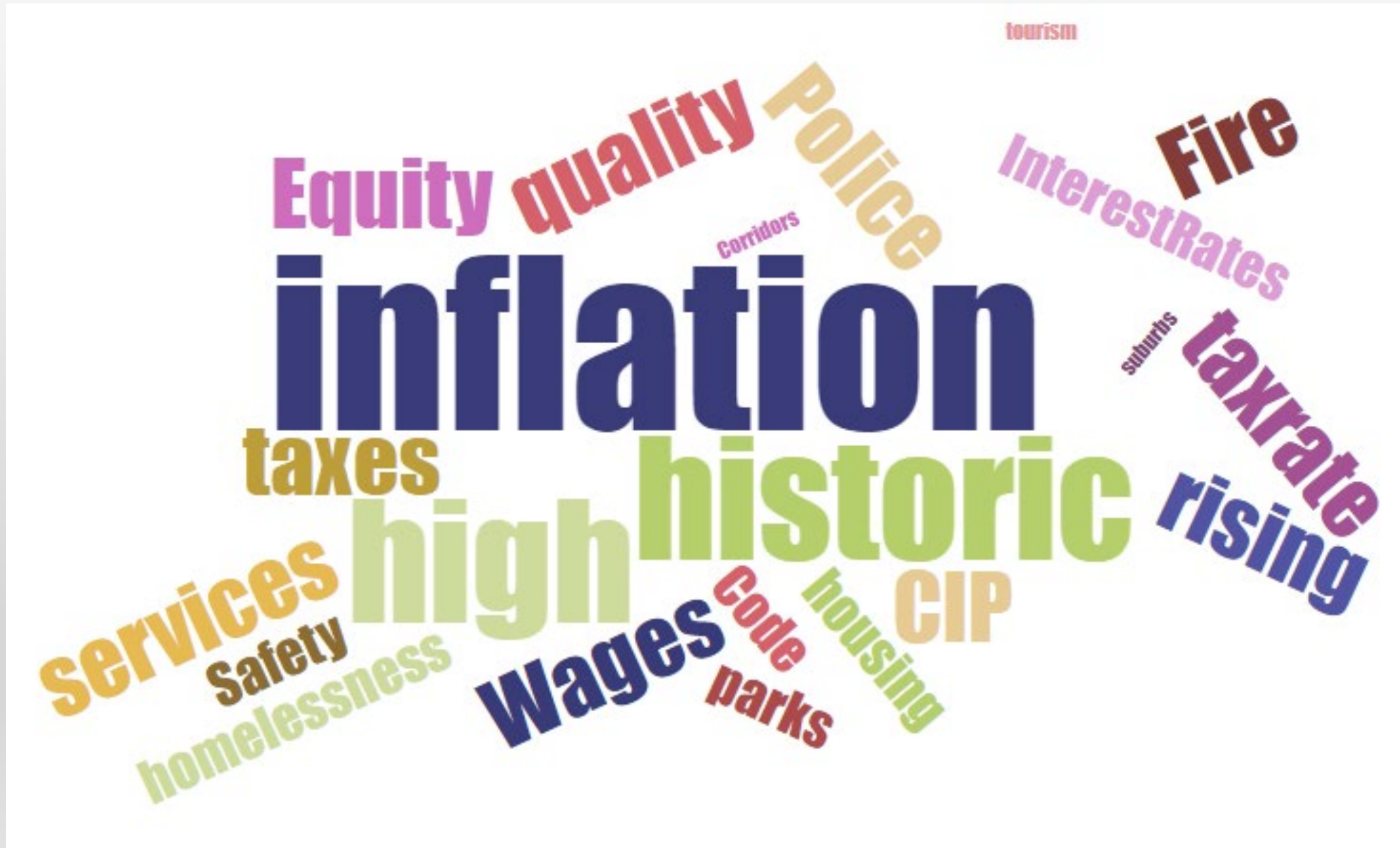
Firman blamed the failure of the proposal on voters' misconceptions about the cost of the zoo.

Additional Debt Information: Use of Certificates of Obligation

- General Government: Replace & maintain needed infrastructure as citizens expect
- Enterprise Funds
 - Alternate to Revenue Bonds
 - Pledge the enterprise funds revenues to cover bonds
 - Typically come with covenants (requirements) for revenues over expenses of 1.25
 - Revenue Bond ratings focus more on coverage of revenues to expenses
 - Most recent COs as Revenue Bonds
 - Rating falls from AA+ to A- due to coverage requirements
 - \$3.3 million increase cost to rate payers over 30 years
 - Enterprise Fund COs sold at internally set revenue to debt ratio of 1.10

Budget Pressures and Realities

How we are challenged...



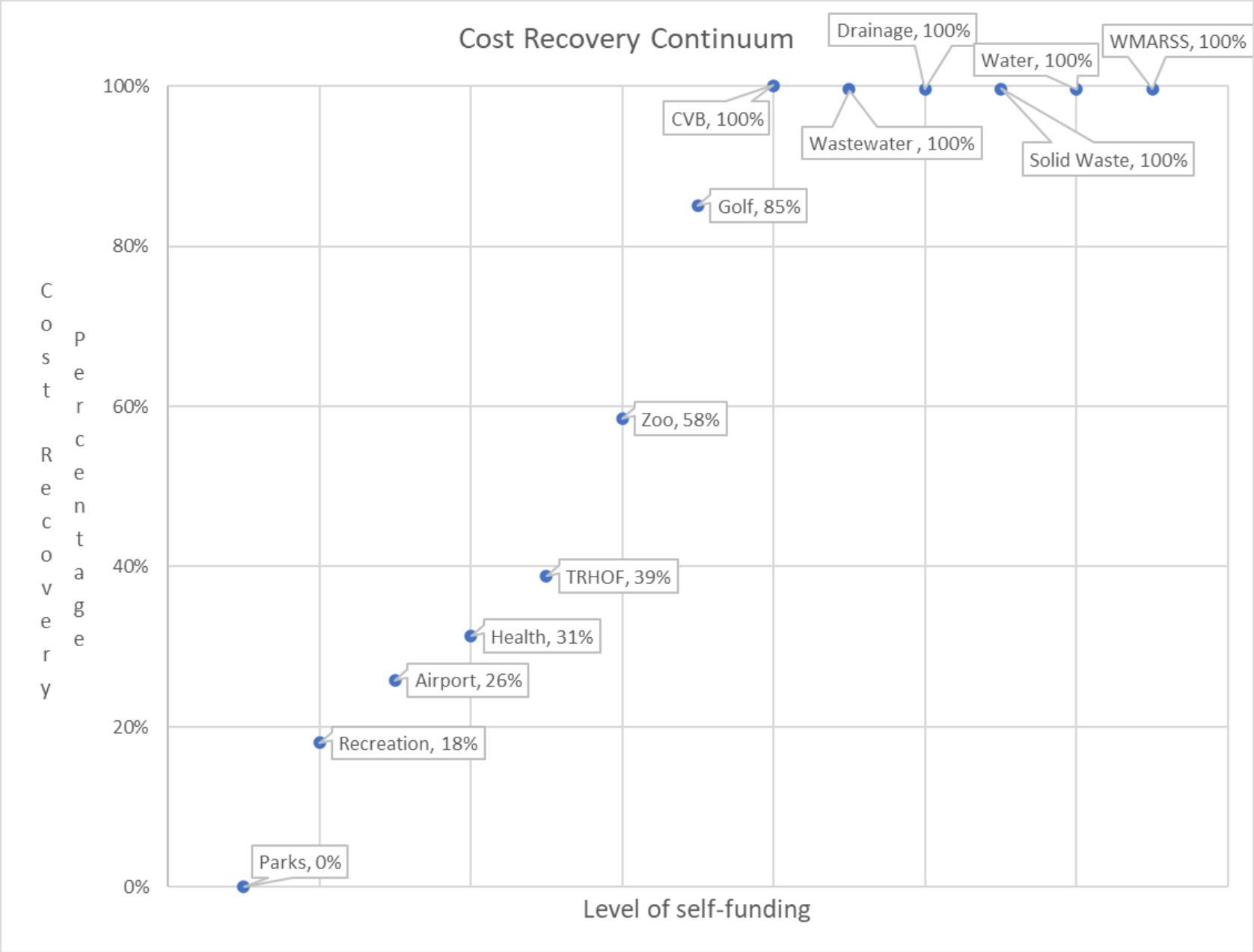
How we are challenged... limited tools

- 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)
 - Current session has outstanding bills that would impact both revenues and debt
 - Alternative funding tools (i.e. street maintenance fee and cost recovery considerations)
- Rate Management
 - Debt Rate 10% lower than average
 - Can't solve infrastructure needs via debt rate
 - Shifting rate from O&M to Debt
 - Based on debt issued
 - Utility rates
 - Ensuring affordability for residents
- Study Implementation
- Level of service establishment and recognition
 - i.e. Accreditation for Fire Services or Texas Public Library (TPL) standards for enhanced or exemplary service

Cost Recovery of Business Units

- What does cost recovery look like for each business unit?
- Should each business unit recover its costs? If not, how much of costs should be recovered?
- How do taxes – Property and Sales – fit in to the mix?
- Do certain programs within a unit such as youth athletics and adult athletics have different rates of recovery?
- Do we have alternatives and options available for those that cannot afford a program for those areas with lesser cost recovery policies?

Cost Recovery of Business Units



UPDATE FROM

HUMAN RESOURCES

Workplace Environments
City of Waco Statistics
Initiatives Under Consideration

WORKPLACE TRENDS & ENVIRONMENTS

WorldatWork®
Total Rewards Association

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



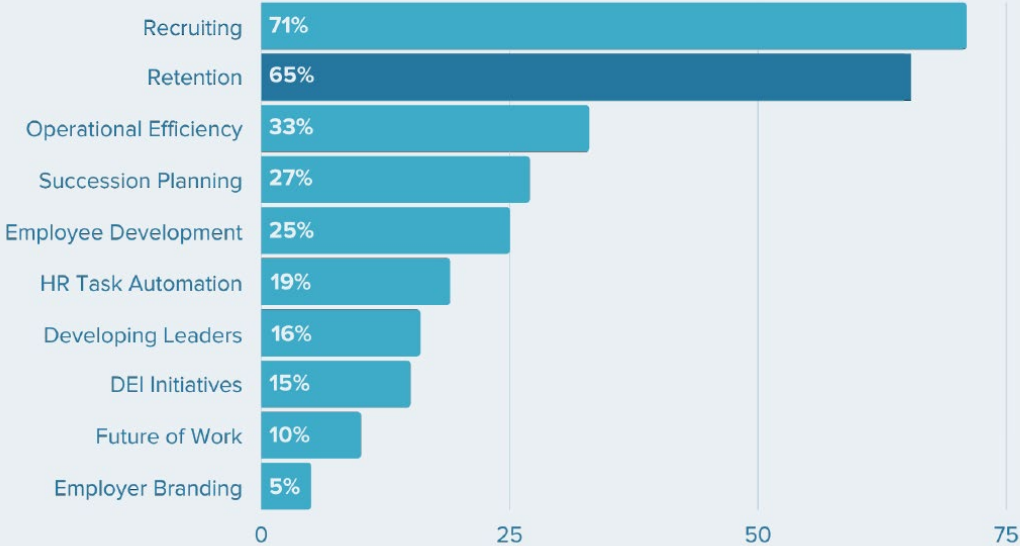
What Employees Care About the Most



Which do you think should be top priorities for your organization in 2023?

EMPLOYEES' RANK	
1	Performing fair and competitive compensation evaluations and adjustments
2	Retaining top talent
3	Maintaining employee morale and engagement
4	Providing good health care coverage
5	Finding and recruiting talent with the necessary skills

Top Priorities in 2023



RETENTION STRATEGIES

COMPENSATION

General Salary Increase (GSI)
Position Reviews



DEVELOPMENT

Needs Assessment
Robust Training Catalog
New Computer Lab



BENEFITS

Health Insurance
Mental Health
Retirees



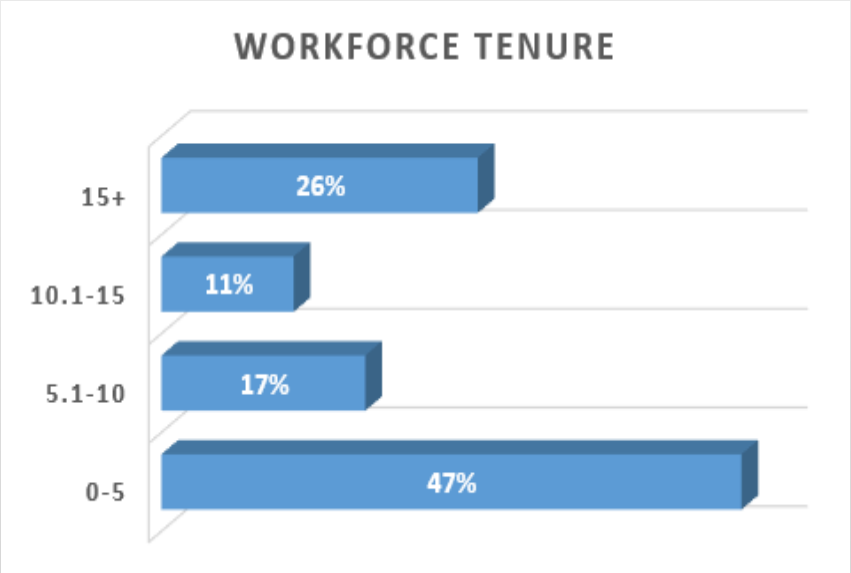
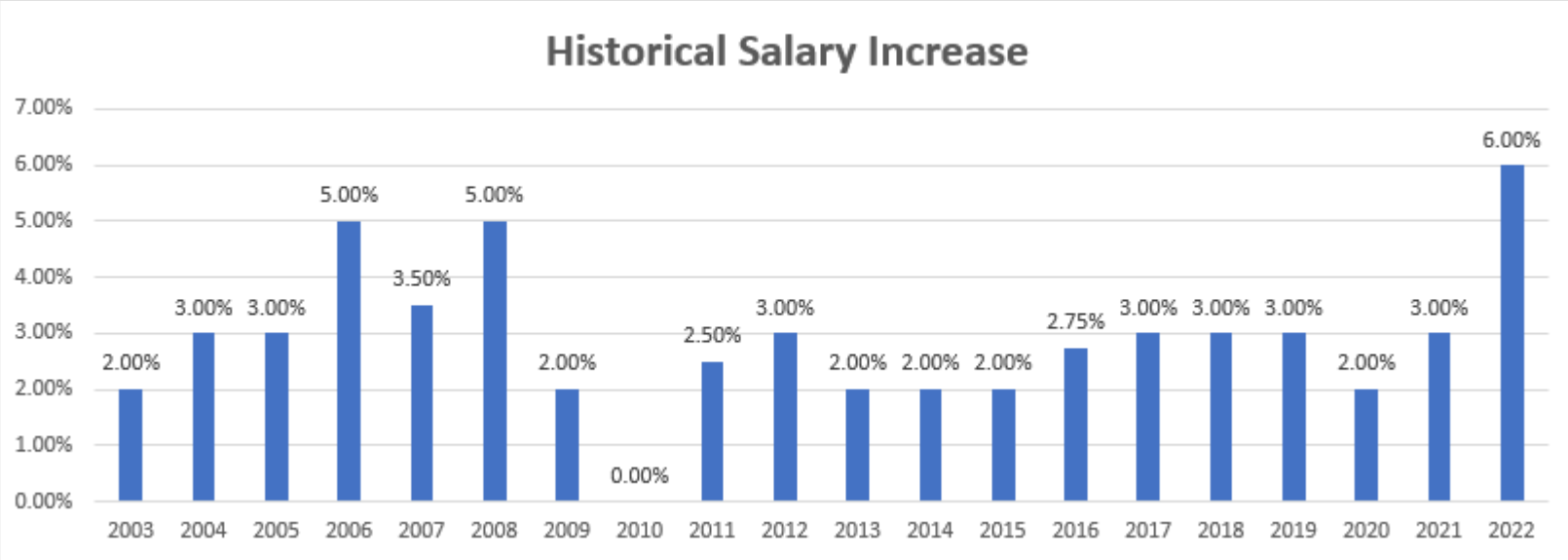
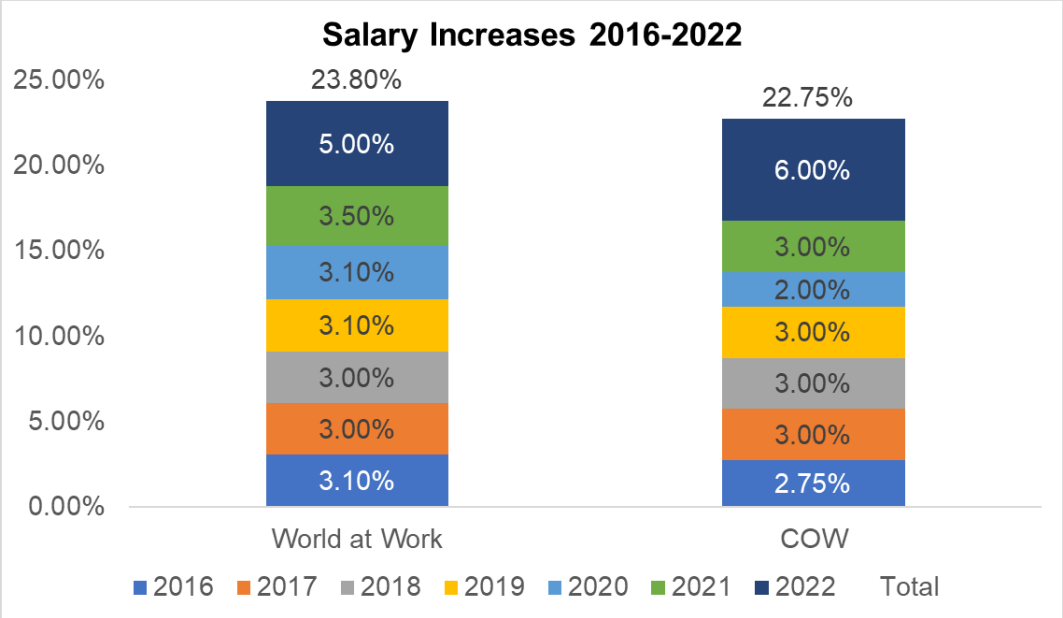
RECOGNITION

Service Awards
Spot/Bonus Plan
Kudos



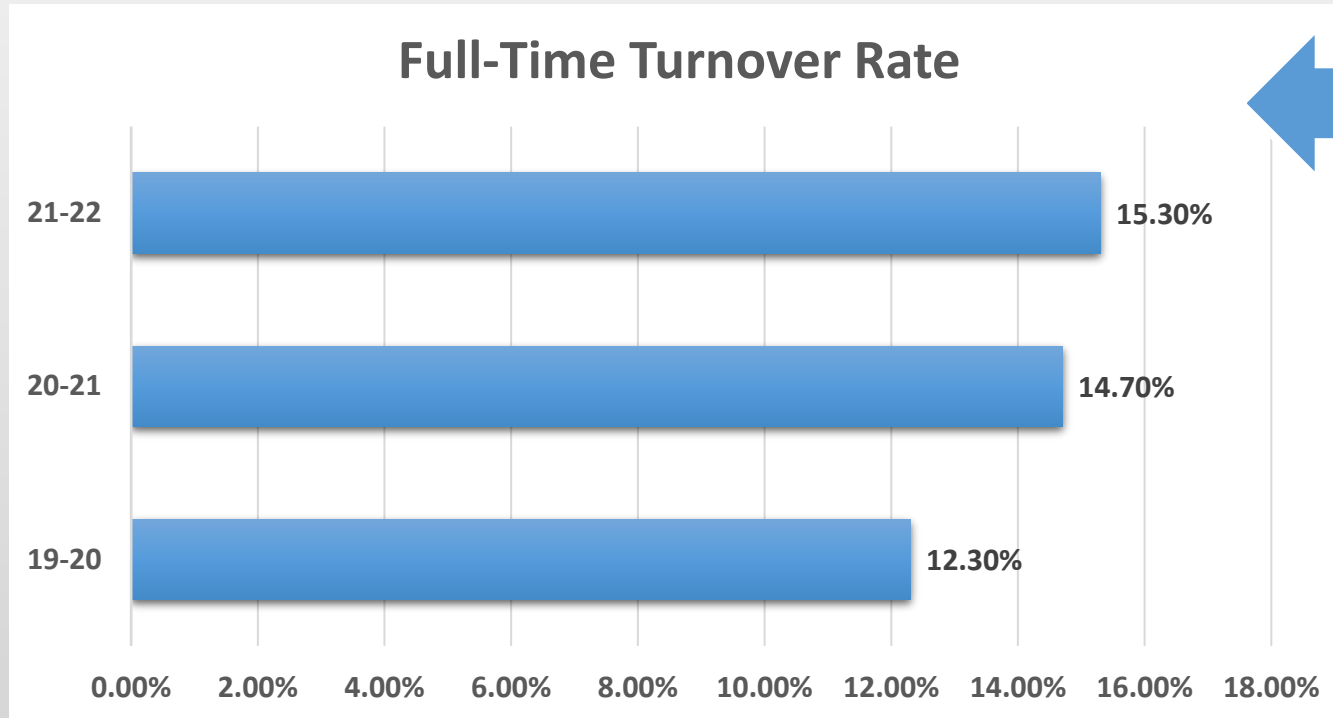
CITY OF WACO

METRICS



CITY OF WACO

METRICS

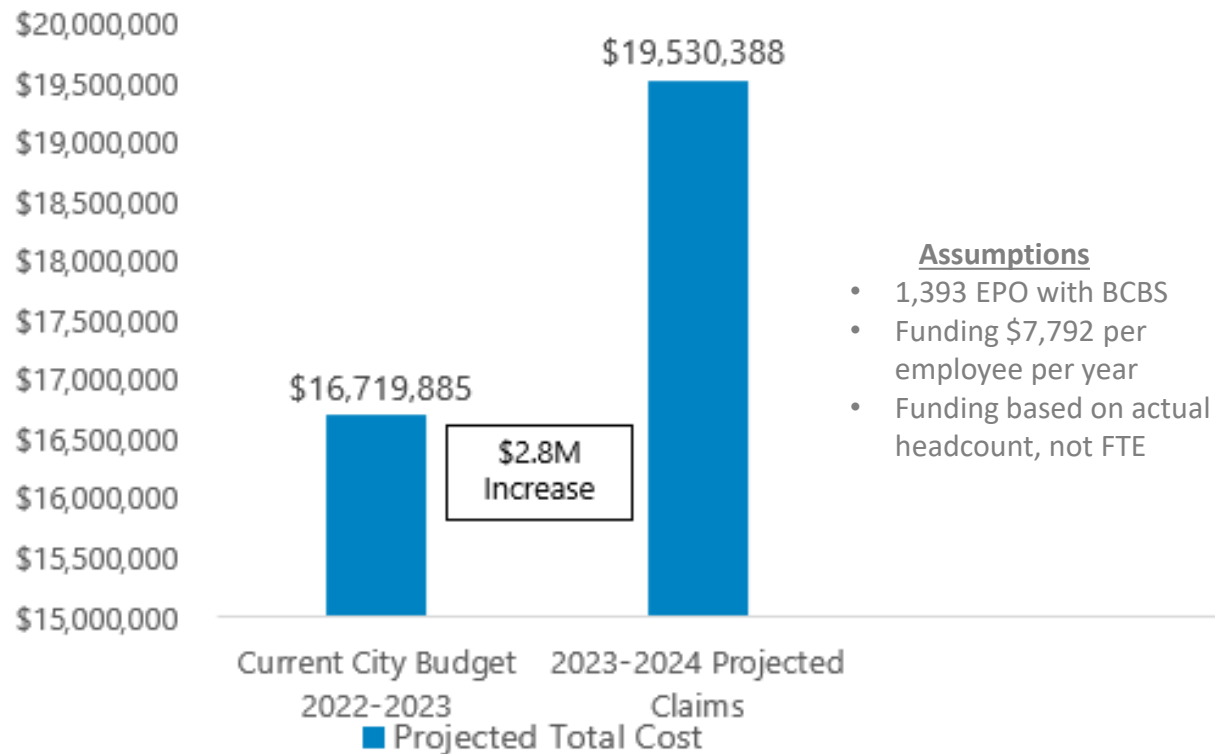


FY 22-23
Oct-Dec

3.3%

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.

EMPLOYEE HEALTH INSURANCE



Considerations to Mitigate Projected Cost

- Move to a new medical/Rx carrier (negotiate administrative fees)
 - *City is currently evaluating the medical/Rx RFP results*
- Renegotiate pharmacy contract terms
- Increase deductibles and coinsurance
- Increase employee/dependent premiums

Impact of 3% Premiums vs. Annual Salary Increase

Current Salary	Salary + 4% GSI Annual Increase	Membership Tier	Employees Enrolled	Annual Increase in Premium – 3% increase	Annual Salary Increase After Premium Increase
\$15.90 per hr. (lowest salary)	Hourly inc. to \$16.54; \$1,331.20 annually	Employee Only	735	\$12.60	\$1,318.60
\$15.90 per hr. (lowest salary)	Hourly inc. to \$16.54; \$1,331.20 annually	Family	268	\$184.99	\$1,146.21

Impact of 5% Premiums vs. Annual Salary Increase

Current Salary	Salary + 4% GSI Annual Increase	Membership Tier	Employees Enrolled	Annual Increase in Premium – 5% increase	Annual Salary Increase After Premium Increase
\$15.90 per hr. (lowest salary)	Hourly inc. to \$16.54; \$1,331.20 annually	Employee Only	735	\$21.00	\$1,310.20
\$15.90 per hr. (lowest salary)	Hourly inc. to \$16.54; \$1,331.20 annually	Family	268	\$308.28	\$1,022.92

TEXAS MUNICIPAL RETIREMENT SYSTEM

TMRS



- Ordinance adopted in December for following January
- Can elect repeating 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 June 2023
 - 2023 rates for 30% AdHoc COLA: \$0 net increase as rate was below 15% contribution rate City uses
 - 2023 rates for 30% repeating COLA: \$4.1M cost increase
 - 2023 rates for 50% repeating COLA: \$8.5M cost increase
 - 2023 rates for 70% repeating COLA: \$13.1M cost increase

WORKFORCE PRIORITIES

1. Address salary and general inflation via across-the-board salary increase
 - 1% employee salary increase costs \$2.8M across all funds and \$1.1M to general fund
2. Minimize employee health insurance increase
3. Continue to build on recruitment & retention strategies
4. Evaluate retiree benefits

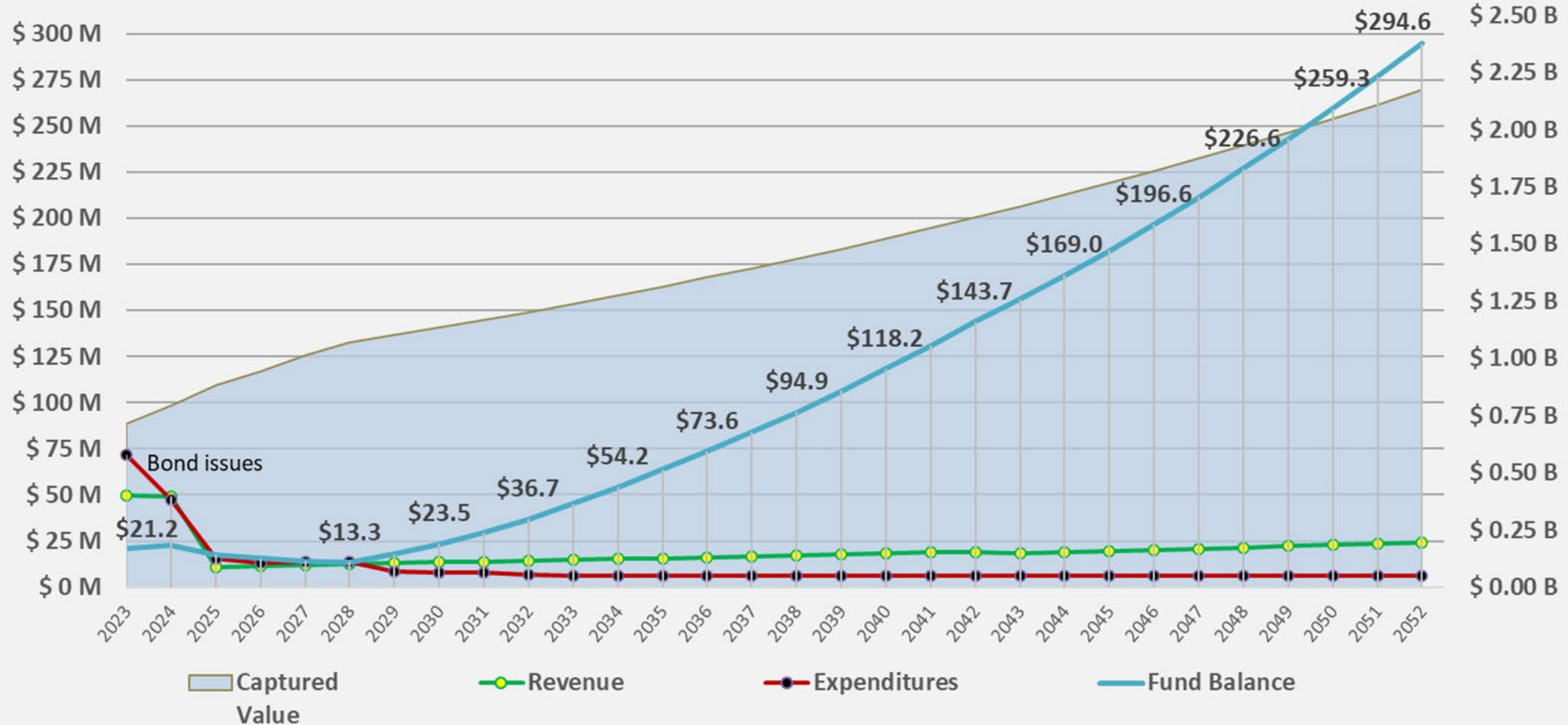
Revenue Streams Available to Achieve Goals

TIF Balances

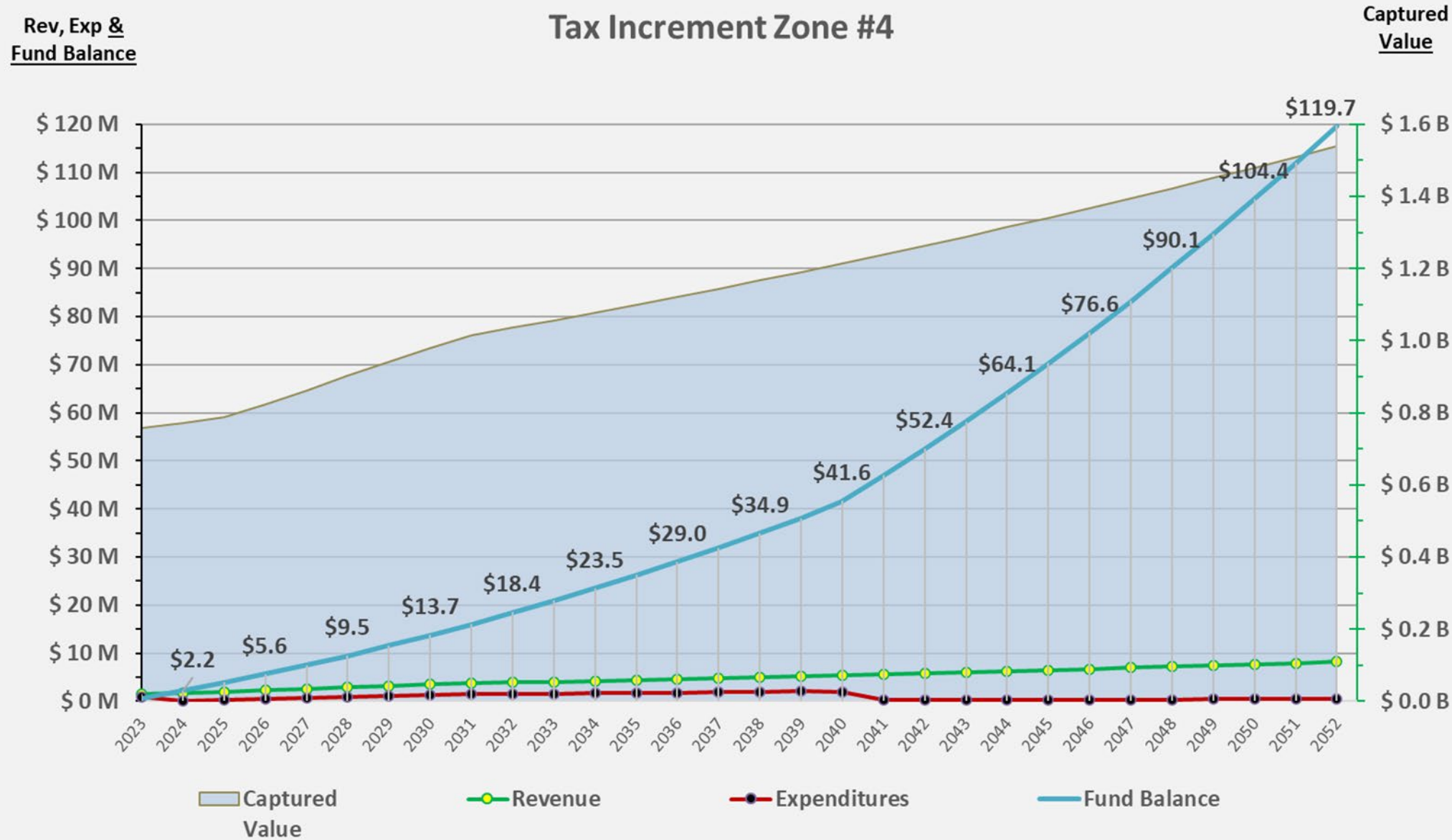
Rev, Exp &
Fund Balance

Tax Increment Zone #1

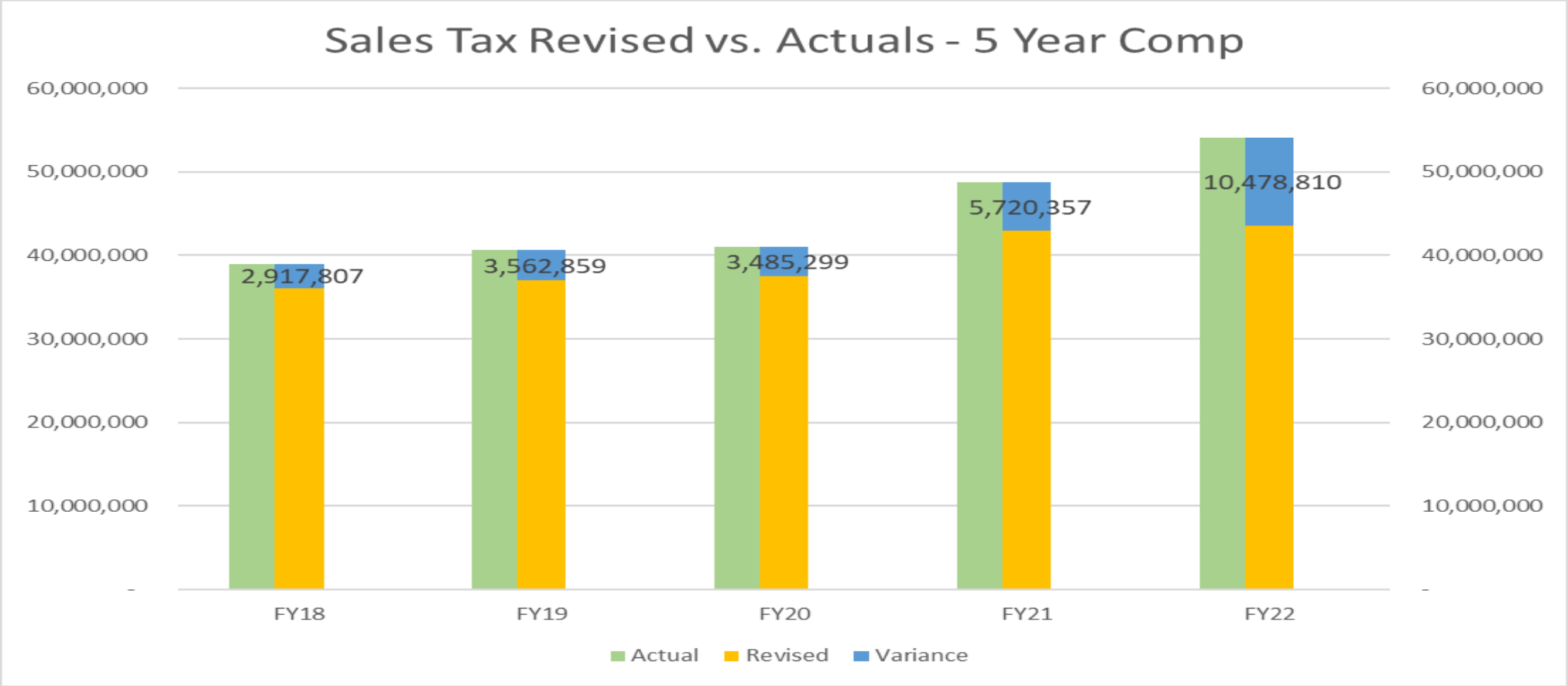
Captured
Value



TIF Balances



Excess Sales Tax



	FY18	FY19	FY20	FY21	FY22
Actual	39,017,059	40,610,169	41,033,102	48,720,357	54,078,904
Revised	36,099,252	37,047,310	37,547,803	43,000,000	43,600,094
Variance	2,917,807	3,562,859	3,485,299	5,720,357	10,478,810

Excess Sales Tax

- ***Volatility!***
- Non-recurring uses
 - Capital
 - Studies
 - Single purchases
 - Leverage with Private Sector investment
- Recurring Uses
 - Salaries?
 - Materials?
 - Debt Service?
 - 1.25 times coverage?
 - Reserves equal to rolling 12 months of obligations?

Excess Property Sales

- Do we consider selling City property to generate revenues?
 - Excess property that is not used in operations or can be consolidated
- Sales revenue should be used for one-time, non-recurring expenses
 - Capital expenses like facilities, etc
 - Support strategic economic development

Hotel-Motel Taxes (HOT)

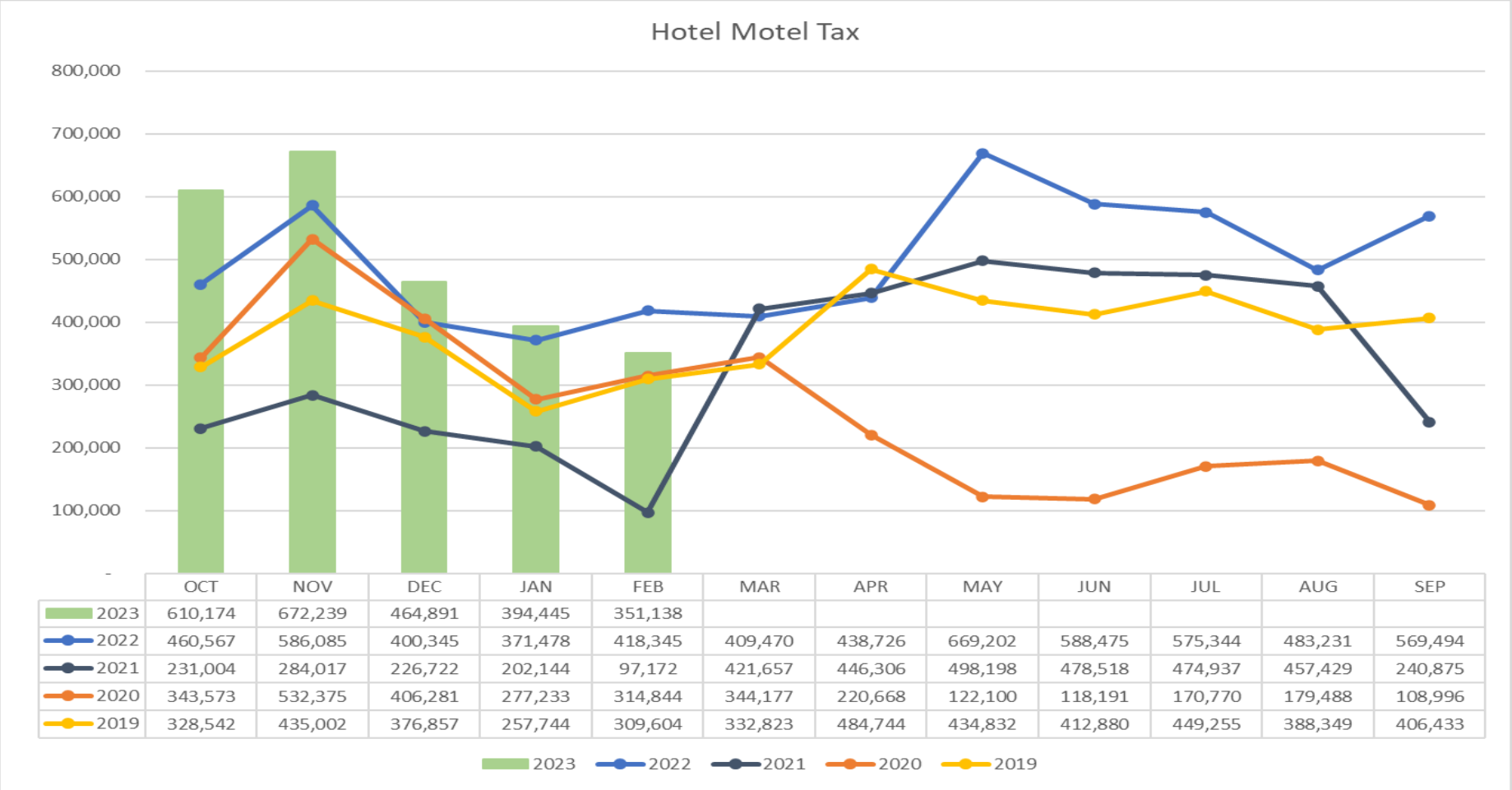
- Total HOT rate: 15% of room cost
 - State: 6%
 - McLennan County: 2%
 - City: 7%
- Hoteliers must collect HOT for rooms costing \geq \$15/day
- Applies also to bed and breakfasts, condominiums, apartments and houses rented daily.
- Local hotel taxes apply to sleeping rooms costing \$2 or more each day.

Hotel-Motel Tax (HOT) Uses

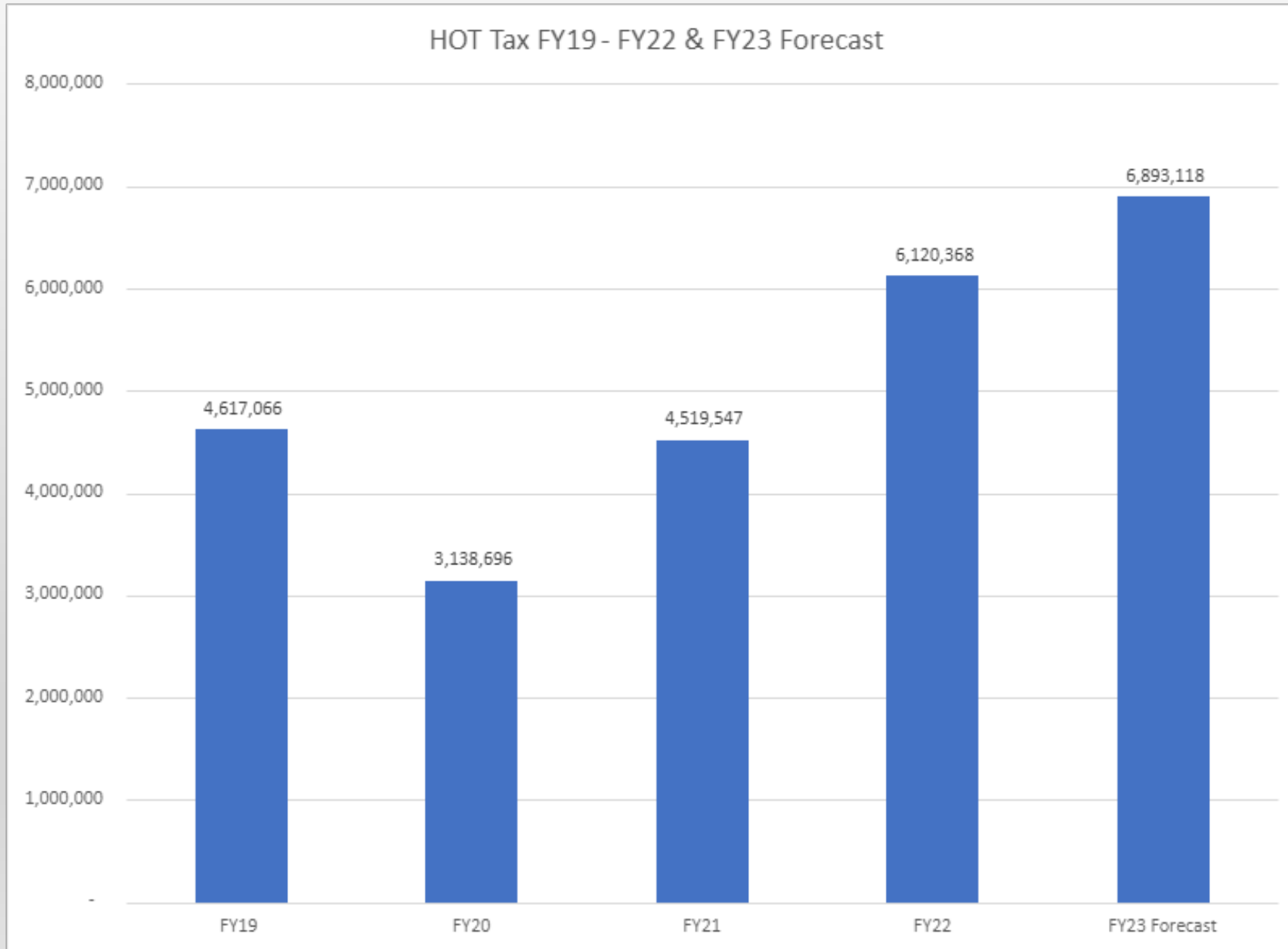
- Two-part test for the use of HOT funds.
 - #1: Expenditures must directly enhance and promote tourism.
 - #2: Expenditures must fit into one of nine statutorily provided categories.
Examples include:
 1. Convention center or visitor information center.
 2. Advertising and promotions to attract tourists
 3. Signage directing tourists



Hotel-Motel Taxes (HOT)



Hotel-Motel Taxes (HOT)



FY19-FY22 we have collected \$18.4M in HOT.

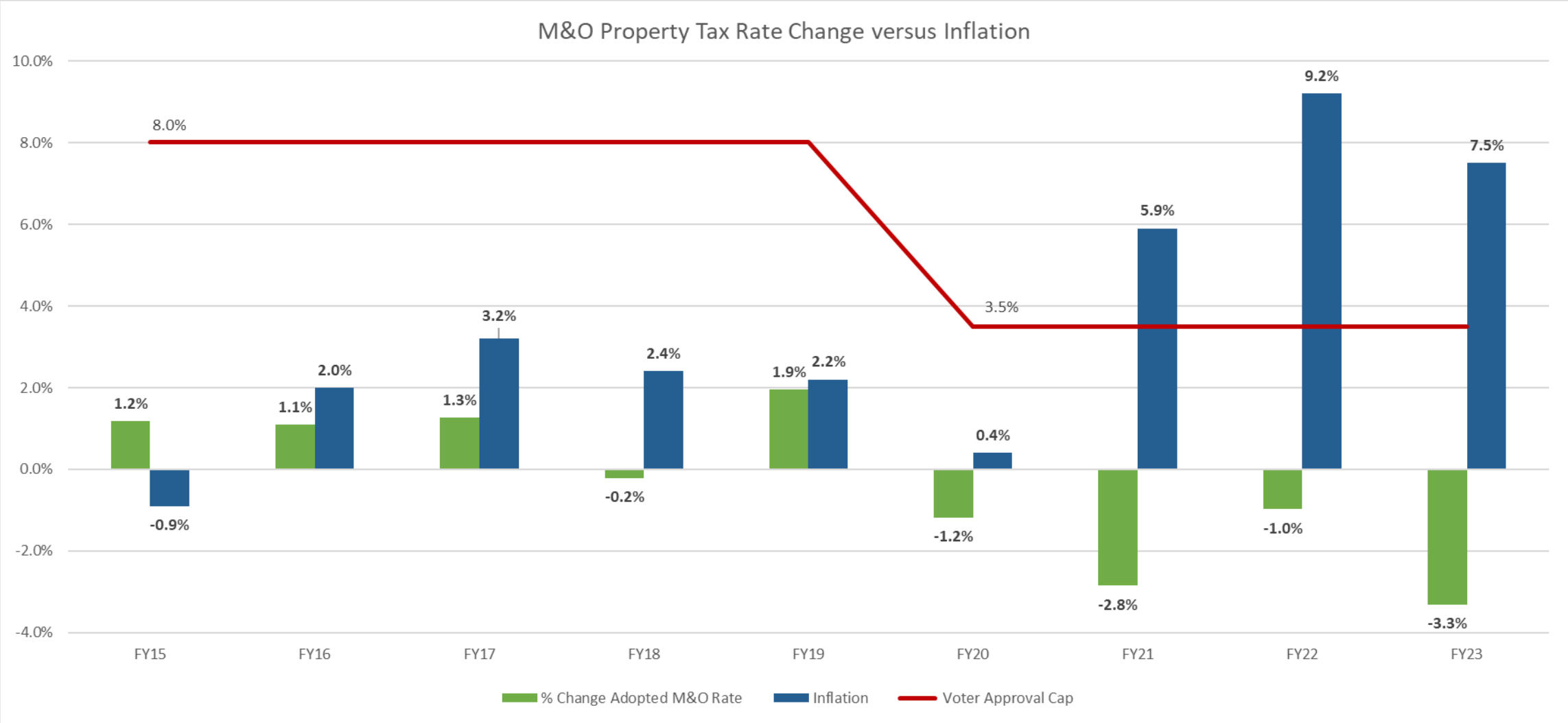
Special Project Reserves

- Currently has \$20.4M in unobligated/allocated funds
- Funded from excess fund balance and one-time revenues
- Not recommended for recurring expenses
- Best Financial Policy Usage
 - One-time, non-recurring expenses (capital, land, facilities, etc.)

Property Taxes

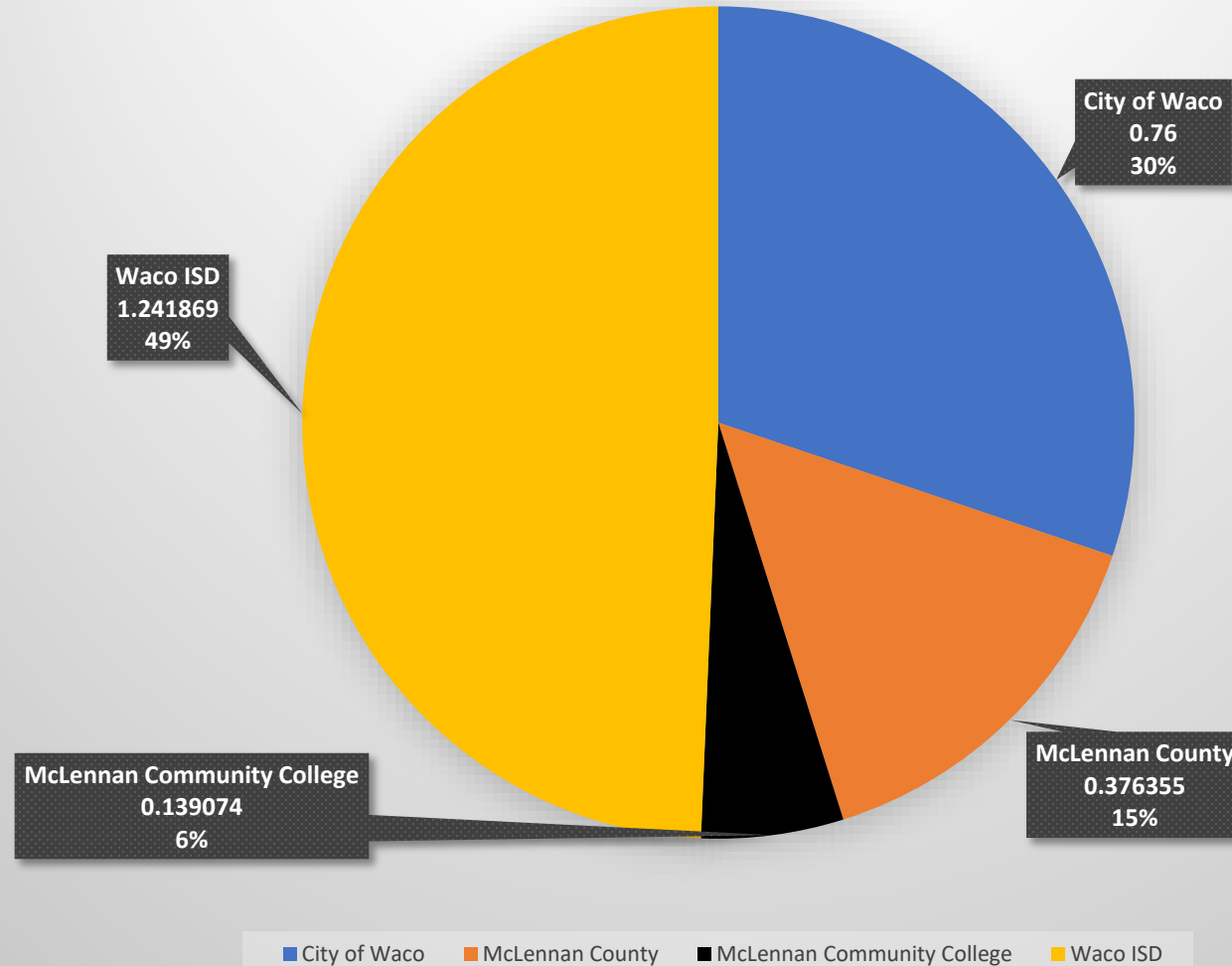
- In FY23 City Council decreased the property tax rate to \$0.76000, the lowest rate in over a decade.
- City Council also approved the following tax relief measures:
 - Increased the local option homestead exemption from 10% to 15%
 - Increased the senior exemption from \$5,000 to \$50,000
 - Established 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



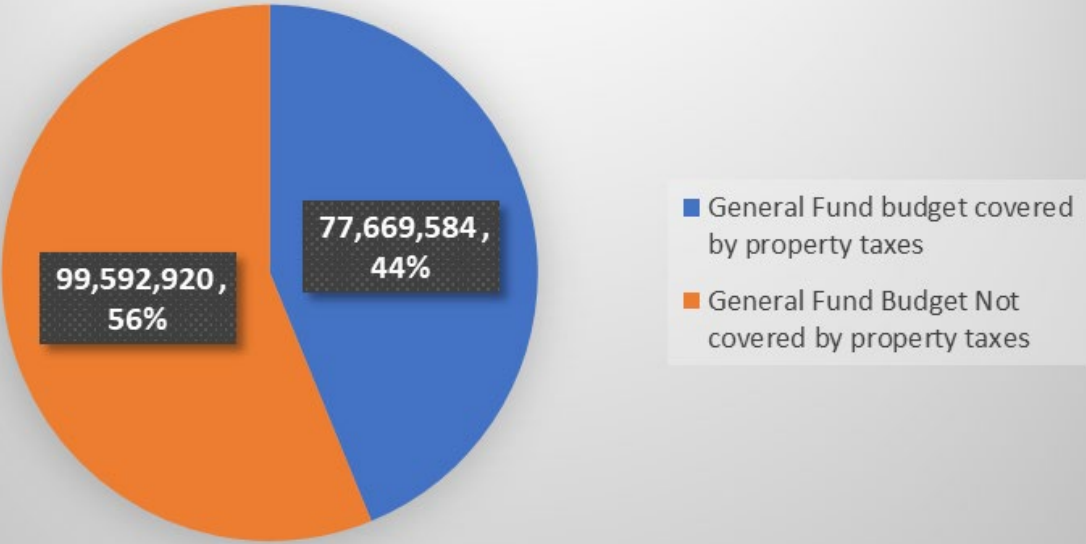
Property Taxes

FY23 Property Tax Rates



Property Taxes

FY23 General Fund Budget Covered by Property Tax Revenues



FY23 Budgeted Property Tax Revenue VS. Public Safety Expenditures



Public Safety expenses include Police, Fire and Municipal Court.

Fees and Cost Recovery

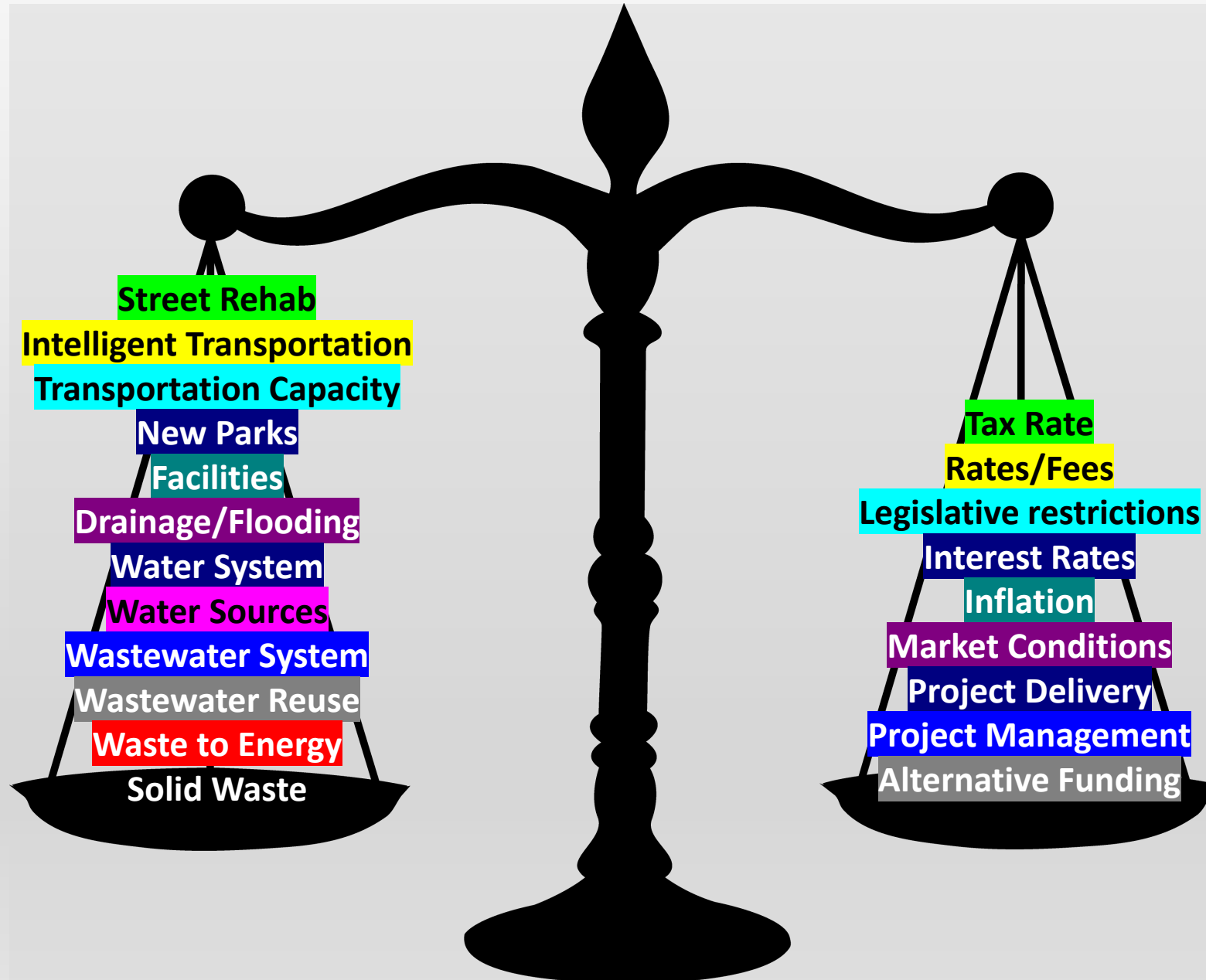
- Increase fees to achieve an established cost recovery on services
- Establish the cost recovery continuum for programs
- Evaluate programs for viability (i.e. are we offering programs to just offer them but there is very limited usage or only the same small group utilizes)

Street Fee

- Creates Business Unit for Street Maintenance
 - Revenues are costs for service
 - Greater transparency
 - More equitable way to fund street maintenance (higher burden on higher use)
- Allows shifting of property tax revenue from Operations to Debt
 - Leverages +/- \$288 million for capacity street program
- Allow CIP to shift from “Fixing What’s Broken” and include projects to improve traffic flow

Enterprise Funds

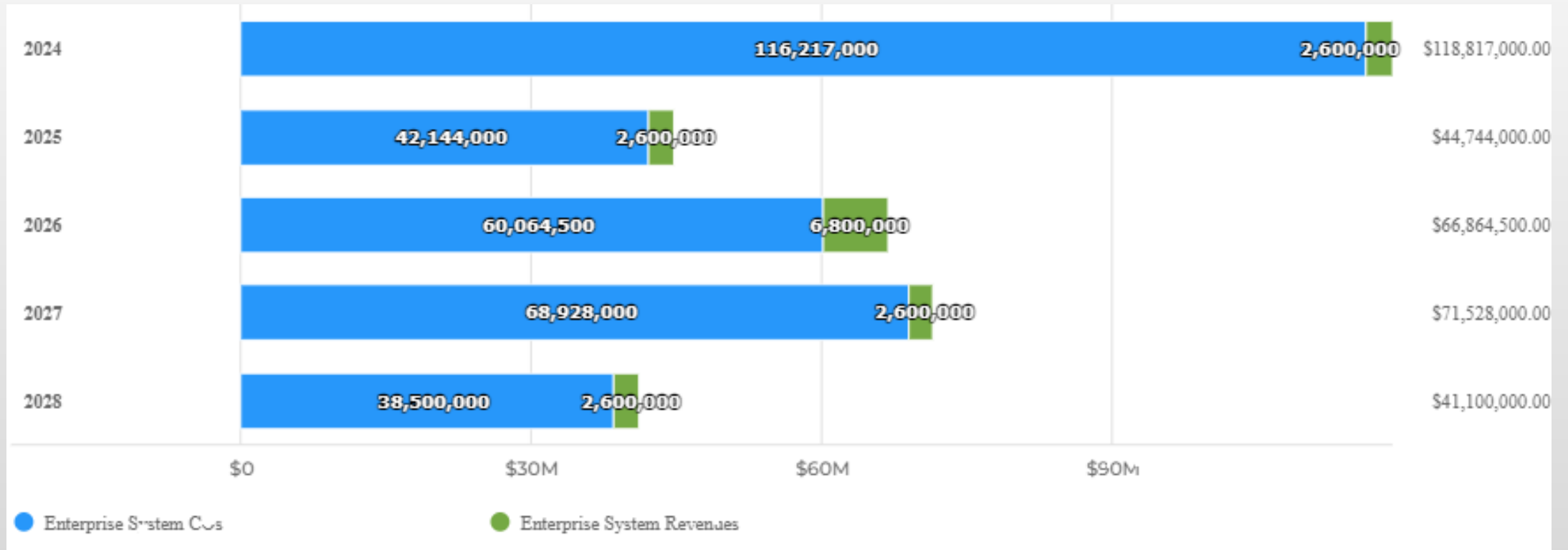
Capital Improvement challenges



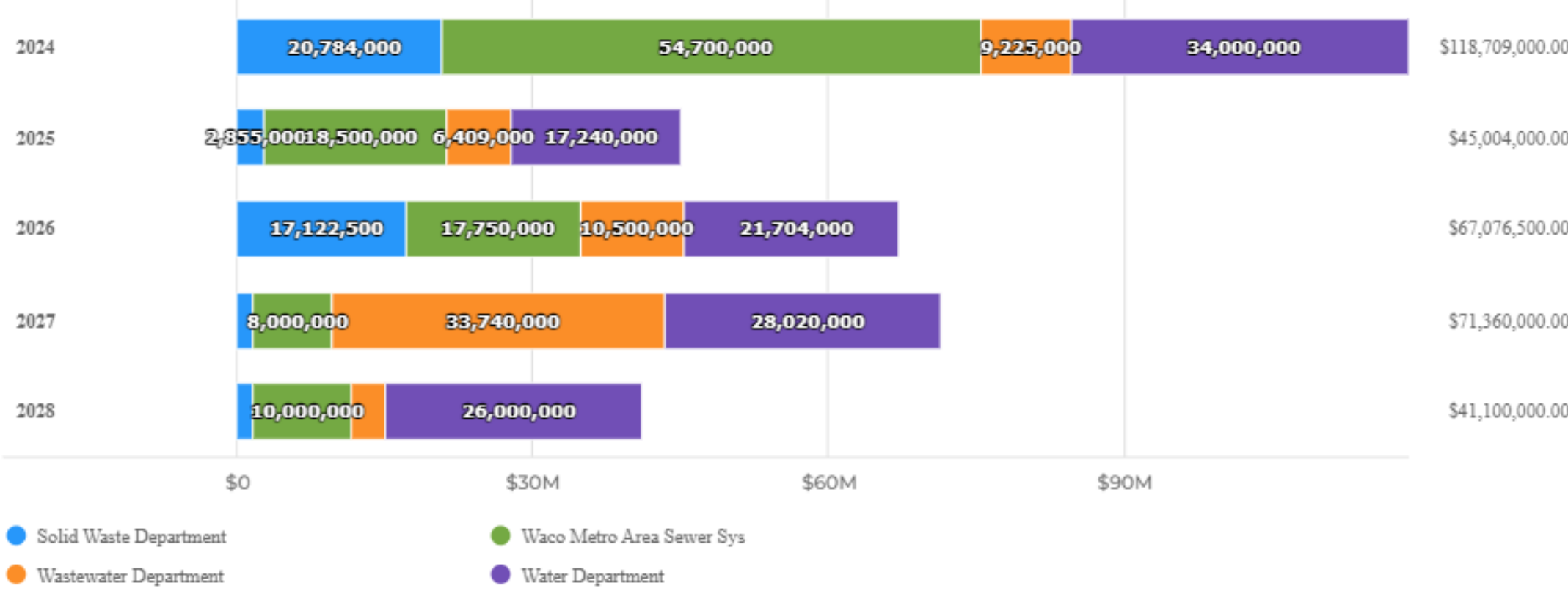
Capital Improvements: Finding Balance

- 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 is 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

Utilities Capital Improvement Funding



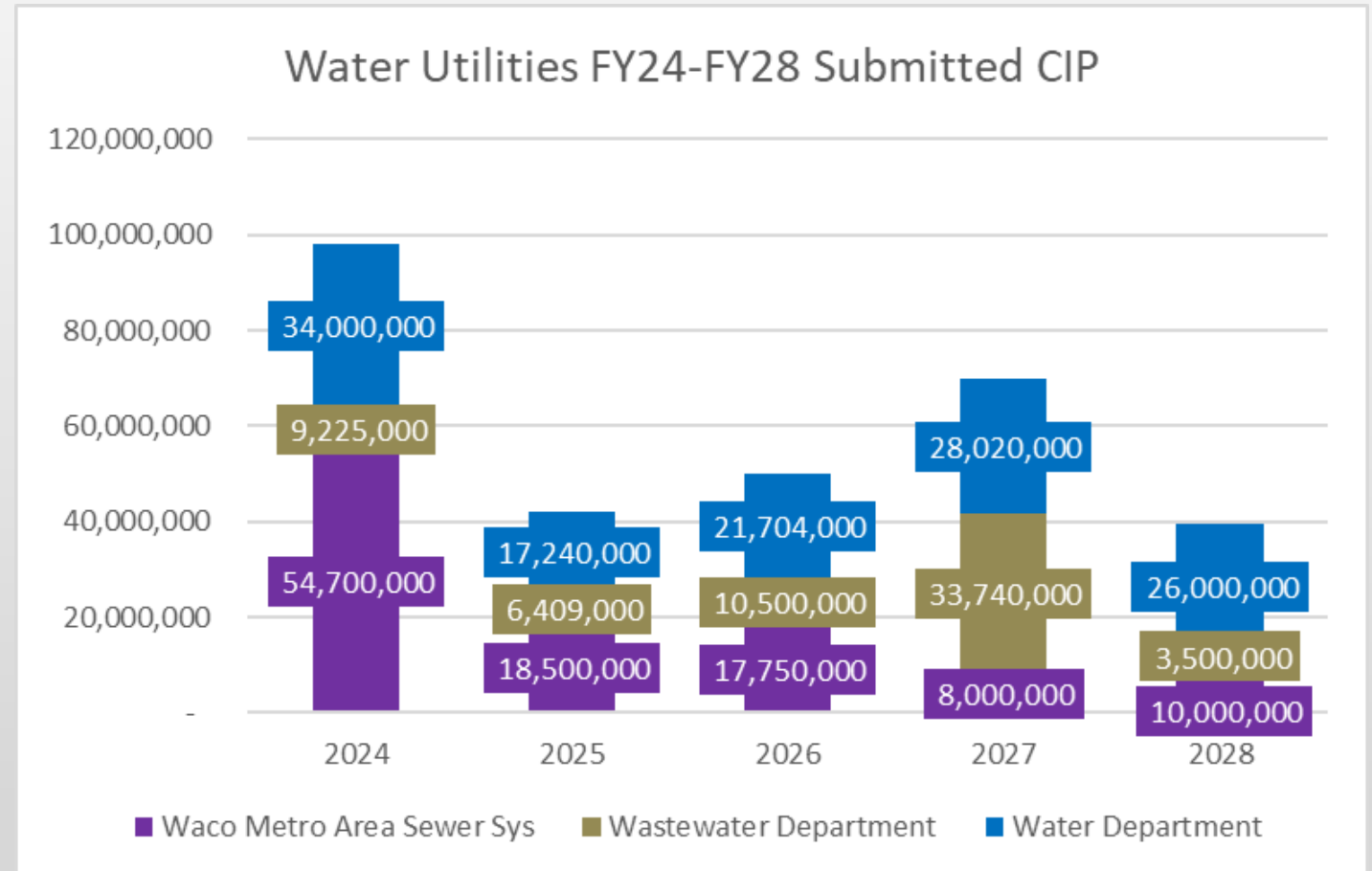
Utilities Capital Improvement Requests (5 Years)



Water/Sewer Rates

Major CIP Projects included in CIP:

1. WMARSS Bullhide Expansion - \$46M
2. Wastewater Treatment Plant TBD - \$25M
3. WMARSS North Interceptor - \$11.4M
4. DAF 72" Raw Water Line - \$6.5M
5. Water System Improvements - \$50.5M
6. Wastewater System Improvements - \$34M
7. Lead and Copper Replacement - \$5M

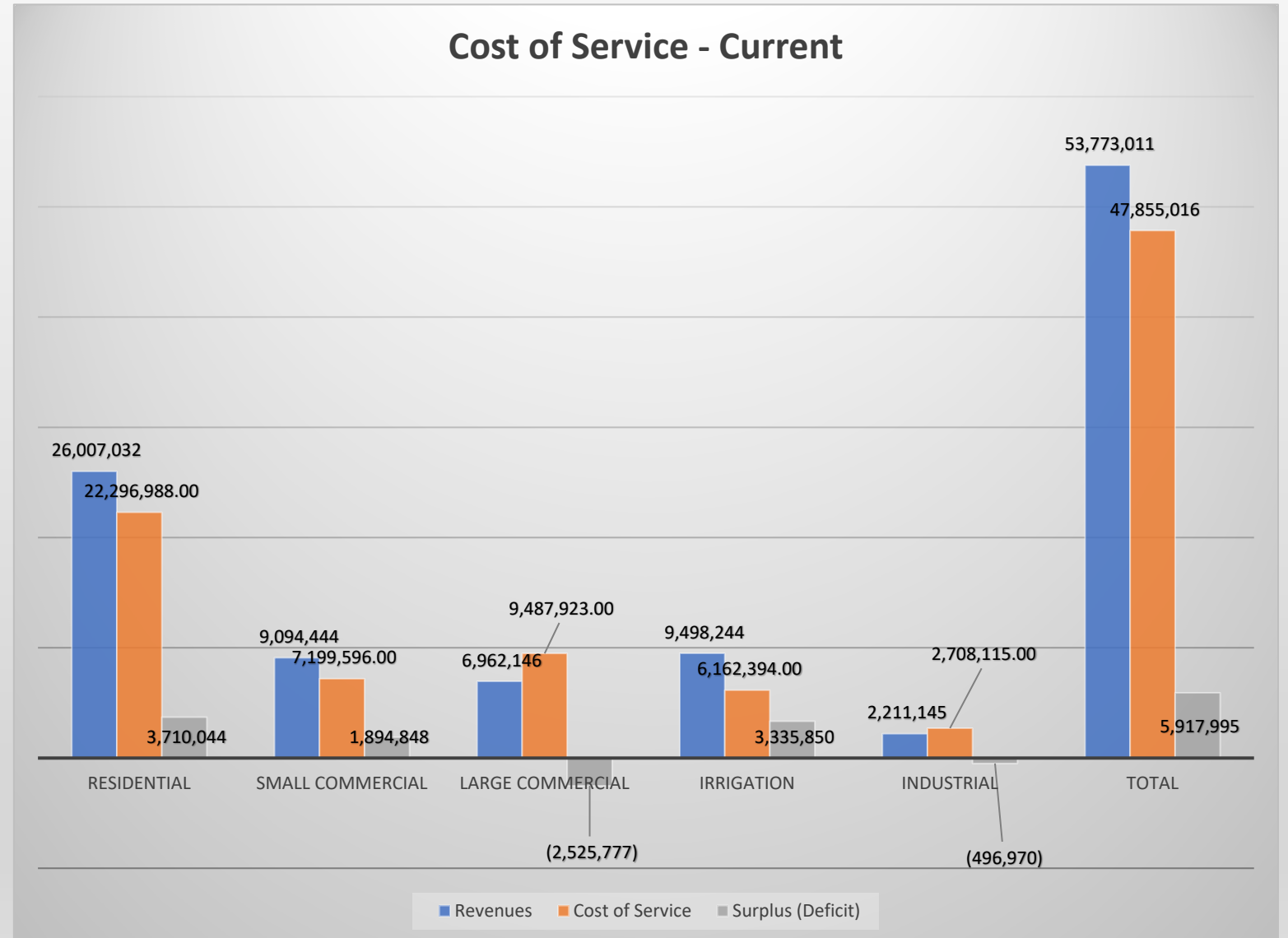


Water/Sewer Rates – Operational Items

- Lead and Copper Rules
- Ensuring customers are being charged equitably
- Drought and Conservation contingencies and planning
- Ensuring sufficient capacity to meet needs and requirements
- Permitting timelines

Water/Sewer Rates – Cost of Service Study Results

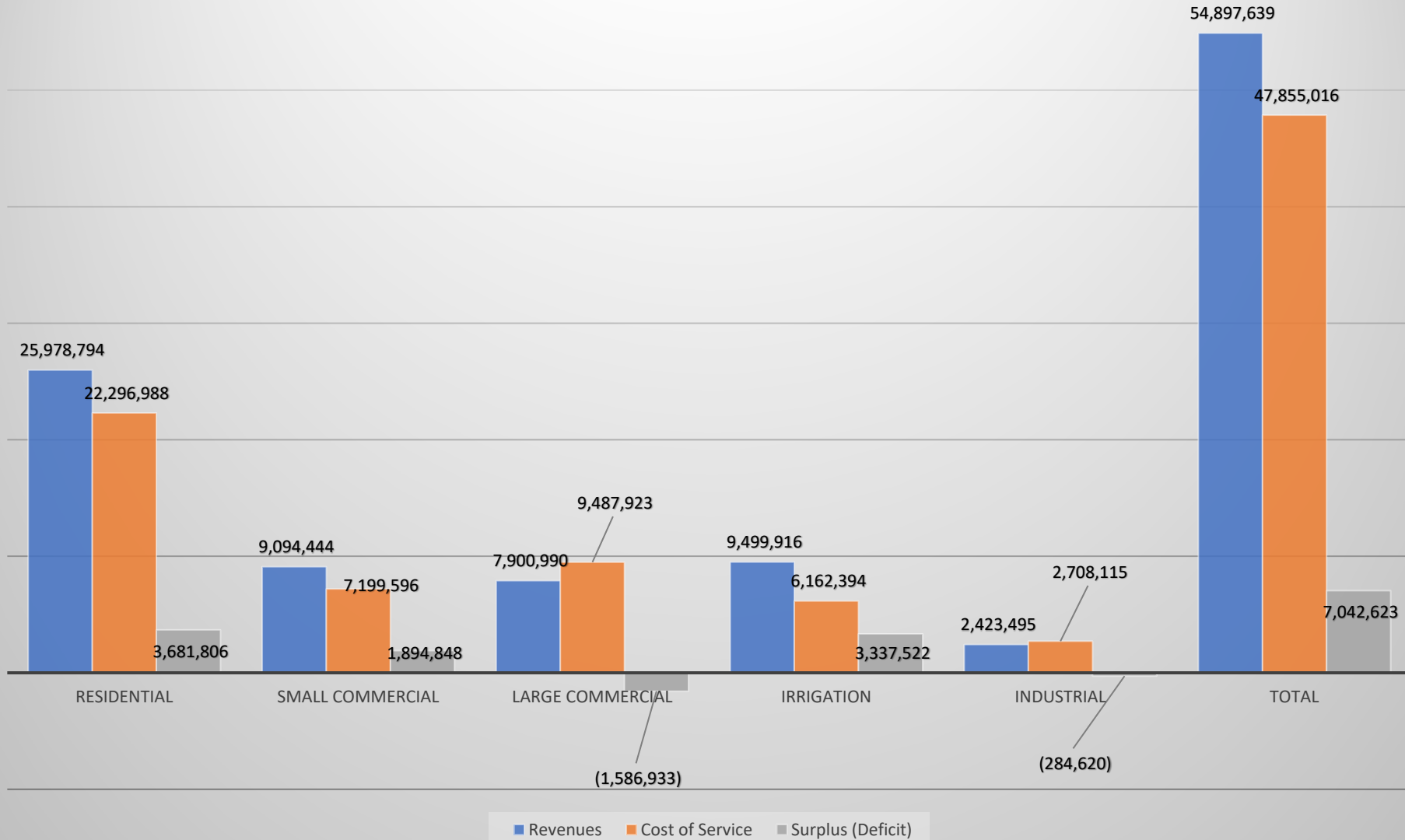
- Residential customers are subsidizing large commercial and new industrial tier customers
 - Planning to adjust rates to reduce/eliminate subsidy
 - Creating a new Industrial rate Tier – Large users over 1 million gallons average a month



Small Commercial - Non-Residential and Non-Industrial with meters 2" or less
Large Commercial - Non-Residential and Non-Industrial with meters 3" or greater

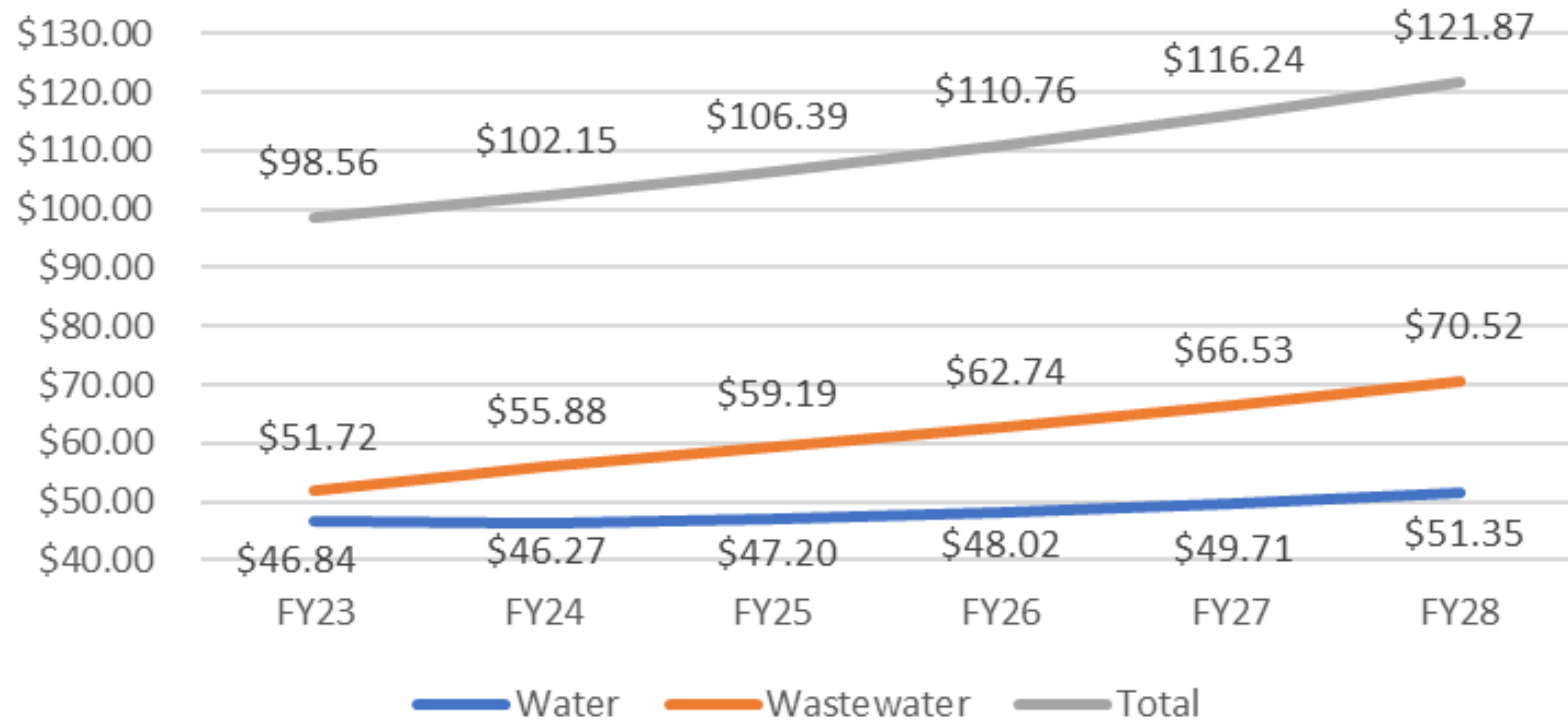
Water/Sewer Rates – Cost of Service – Draft Adjustment

FY24 Cost of Service With Preliminary Adjustments to Rates



Water/Sewer Rates – 5-year Rate Look

5-year Rate Outlook - Average Residential Customer



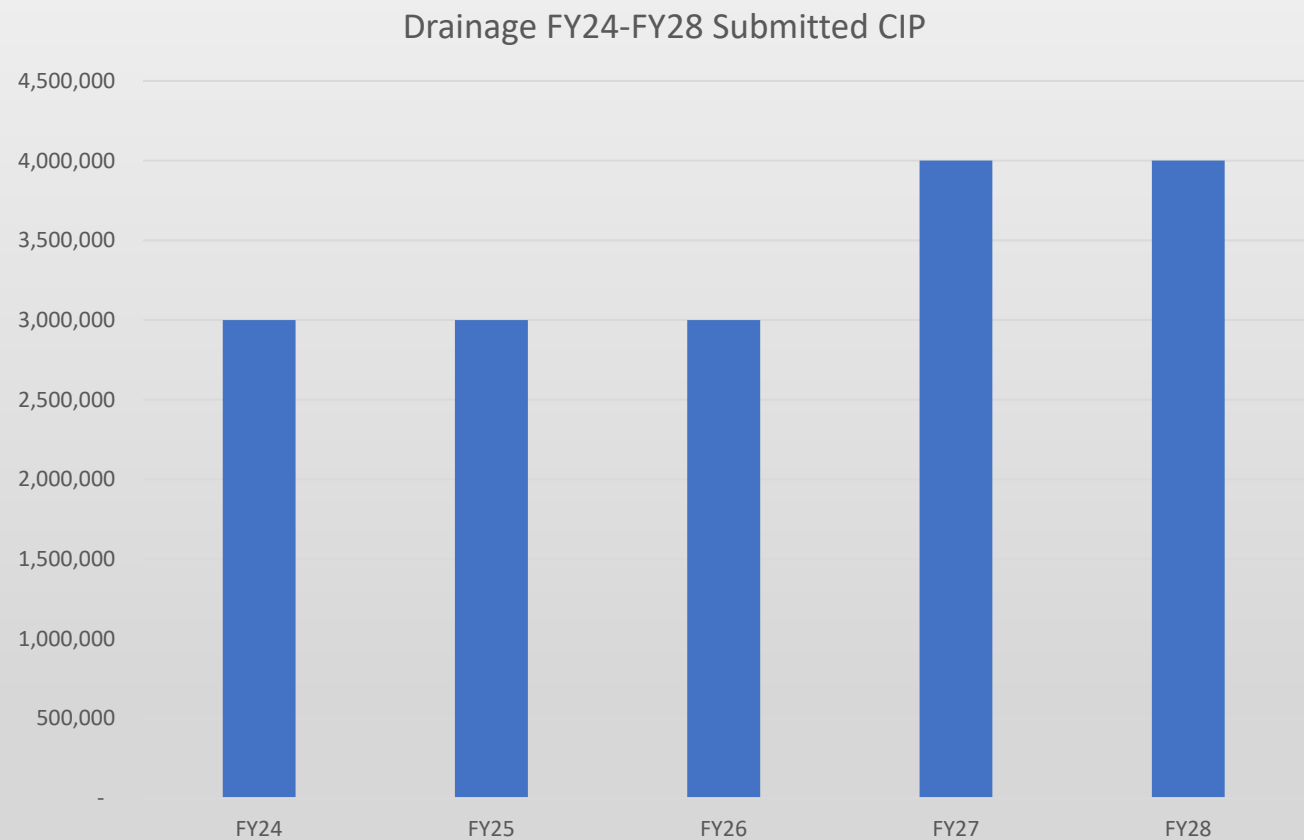
The average water customer uses 8,000 gallons of water a month. The average wastewater customer uses 5,000 gallons a month.

Service	FY23	FY24	FY25	FY26	FY27	FY28
Water	\$ 46.84	\$ 46.27	\$ 47.20	\$ 48.02	\$ 49.71	\$ 51.35
Wastewater	\$ 51.72	\$ 55.88	\$ 59.19	\$ 62.74	\$ 66.53	\$ 70.52
Total	\$ 98.56	\$ 102.15	\$ 106.39	\$ 110.76	\$ 116.24	\$ 121.87

Drainage - CIP

Major Projects included in CIP:

- 1. Support for new capacity improvements as part of the Better Streets Waco Program



Drainage – Operational Impacts

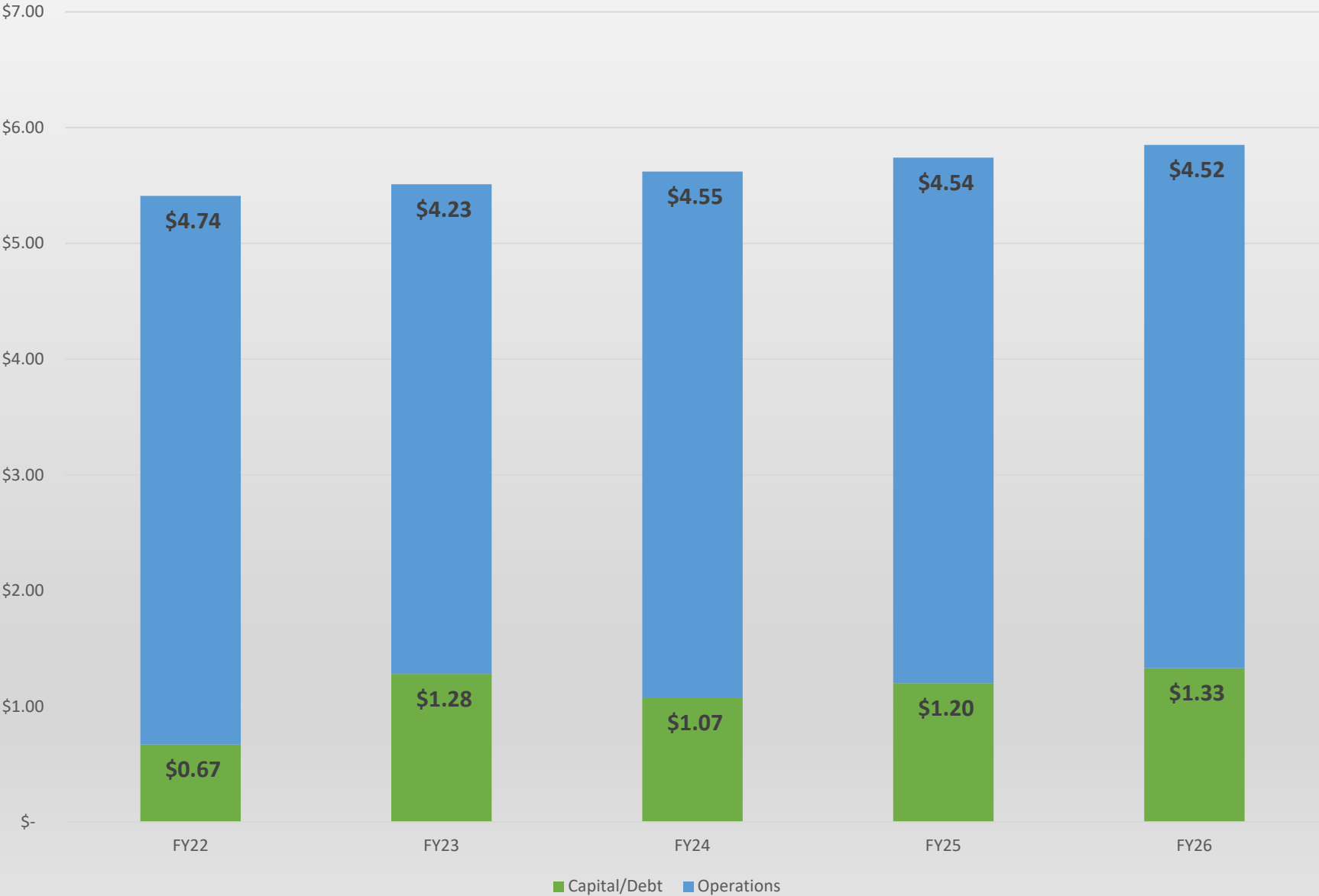
- Permit compliance
- Significant need for capital investment and improvements
- Ensuring all parcels are accurately being billed monthly

Drainage – 5-year Rate look



Drainage – 5-year Rate look

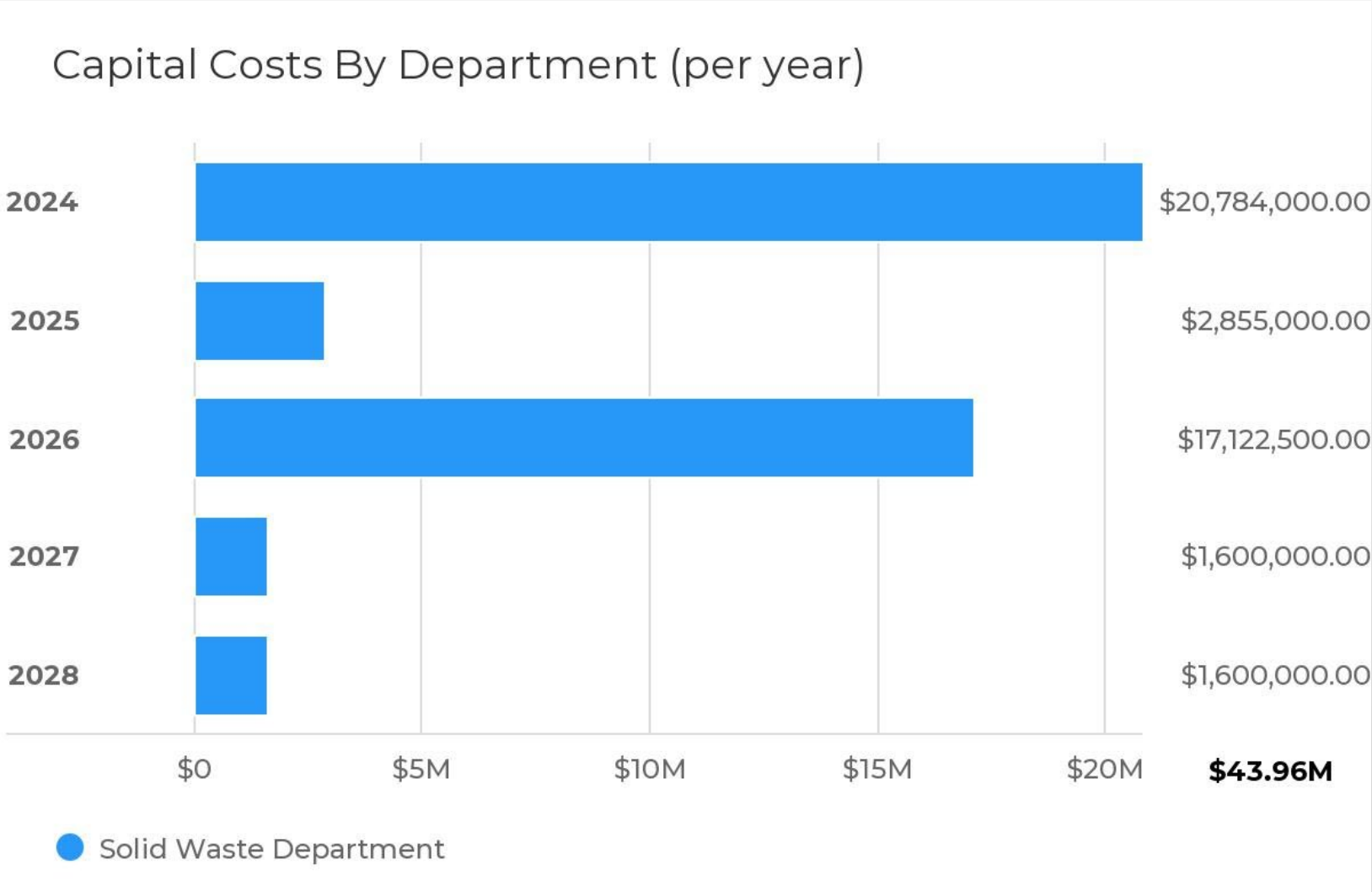
Drainage Rates FY22-FY26 Capital/Debt vs. Operations



Solid Waste - CIP

Major Projects included in CIP:

- 1. MSW2400 Landfill - \$21.8M
- 2. Transfer Station Equipment - \$3M
- 3. Equipment Replacement - \$10.3M
- 4. MSW948A Closure - \$5M
- 5. MSW948A Landfill Gas - \$3.4M
- 6. MSW948A Drainage - \$500K

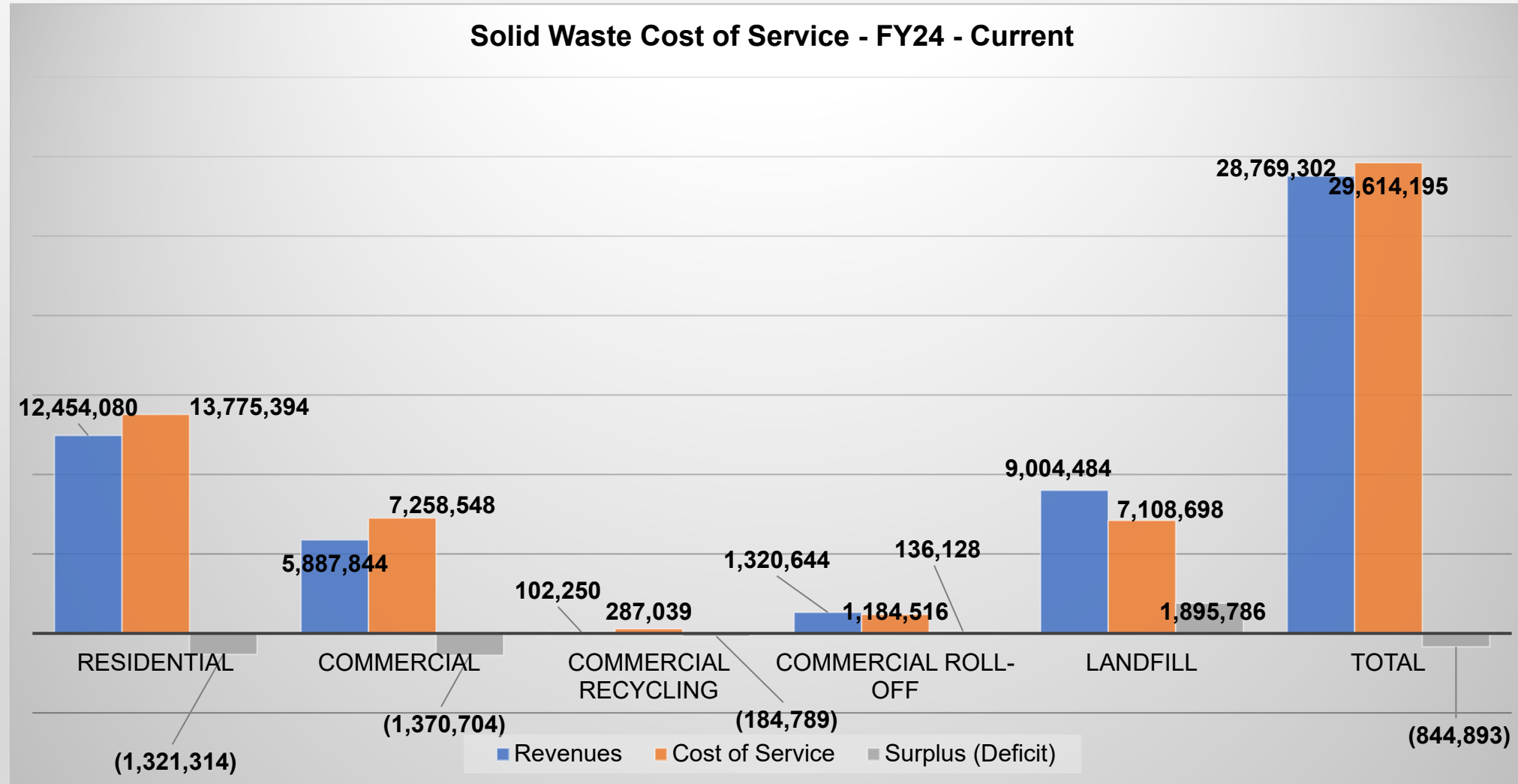


Solid Waste – Operational Impacts

- Solid Waste facility permitting, design, and construction
 - MSW 2400 Landfill
 - Transfer Station – MSW 1039 Landfill
- Remaining life of existing MSW 948A Landfill
- Closure of existing MSW 948A Landfill
- Fleet replacement program

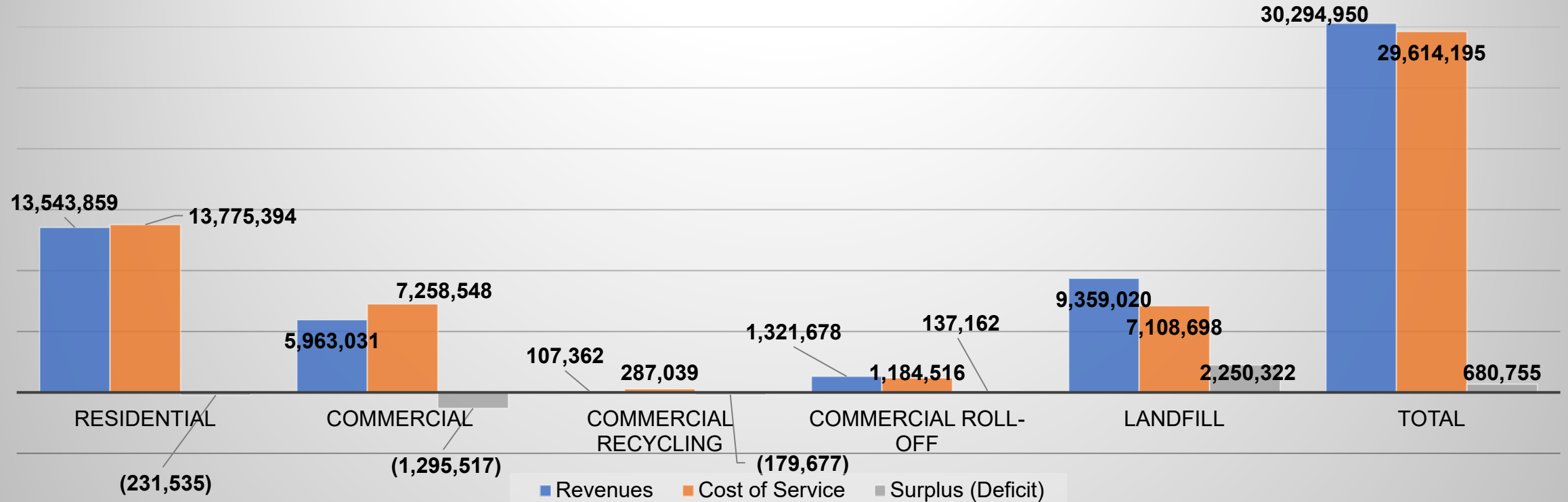
Solid Waste – Cost of Service Study - Current

- Residential services supported by Landfill Operations

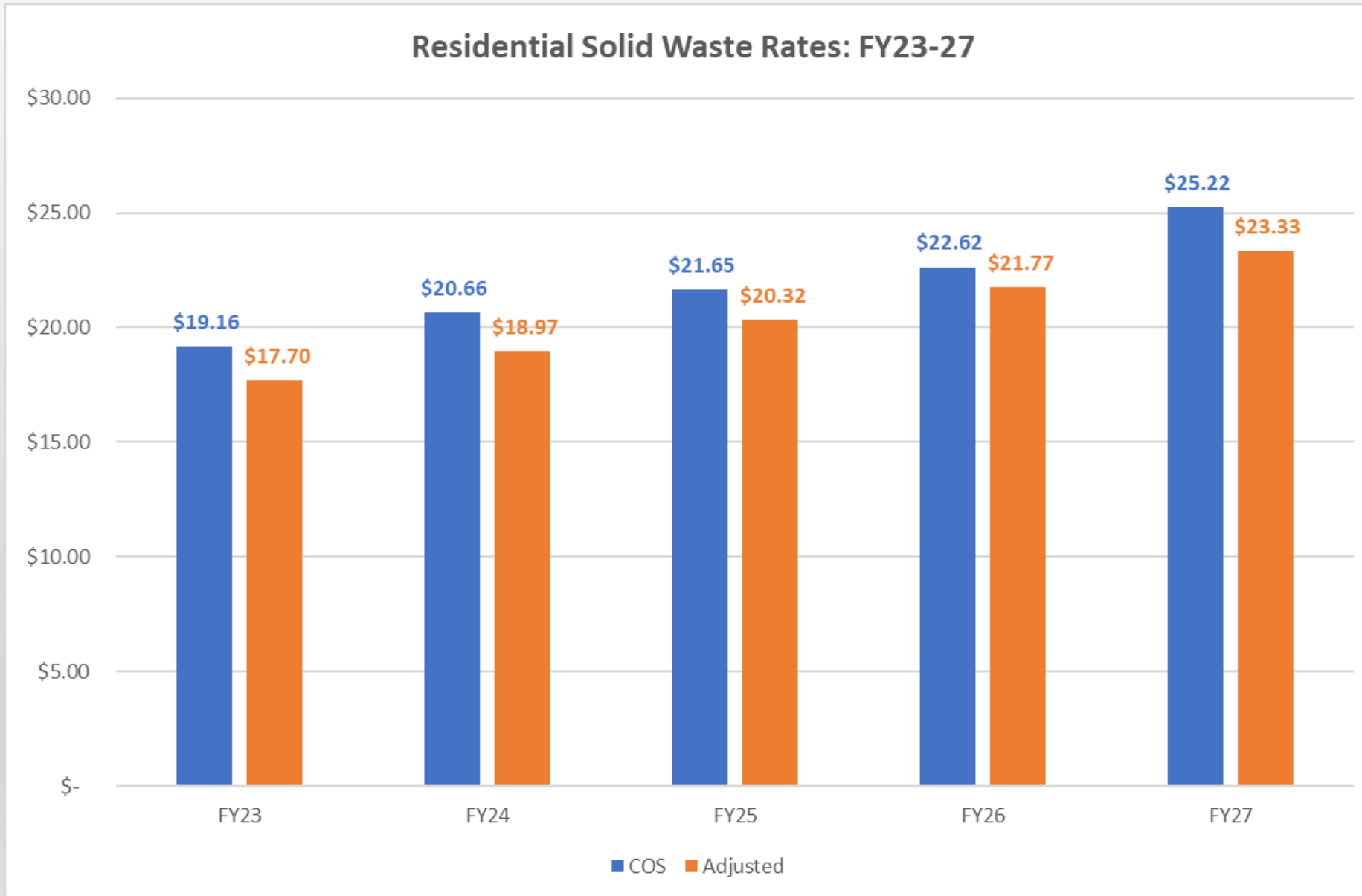


Solid Waste – Cost of Service Study – Proposed

Solid Waste Cost of Service - Proposed - FY24

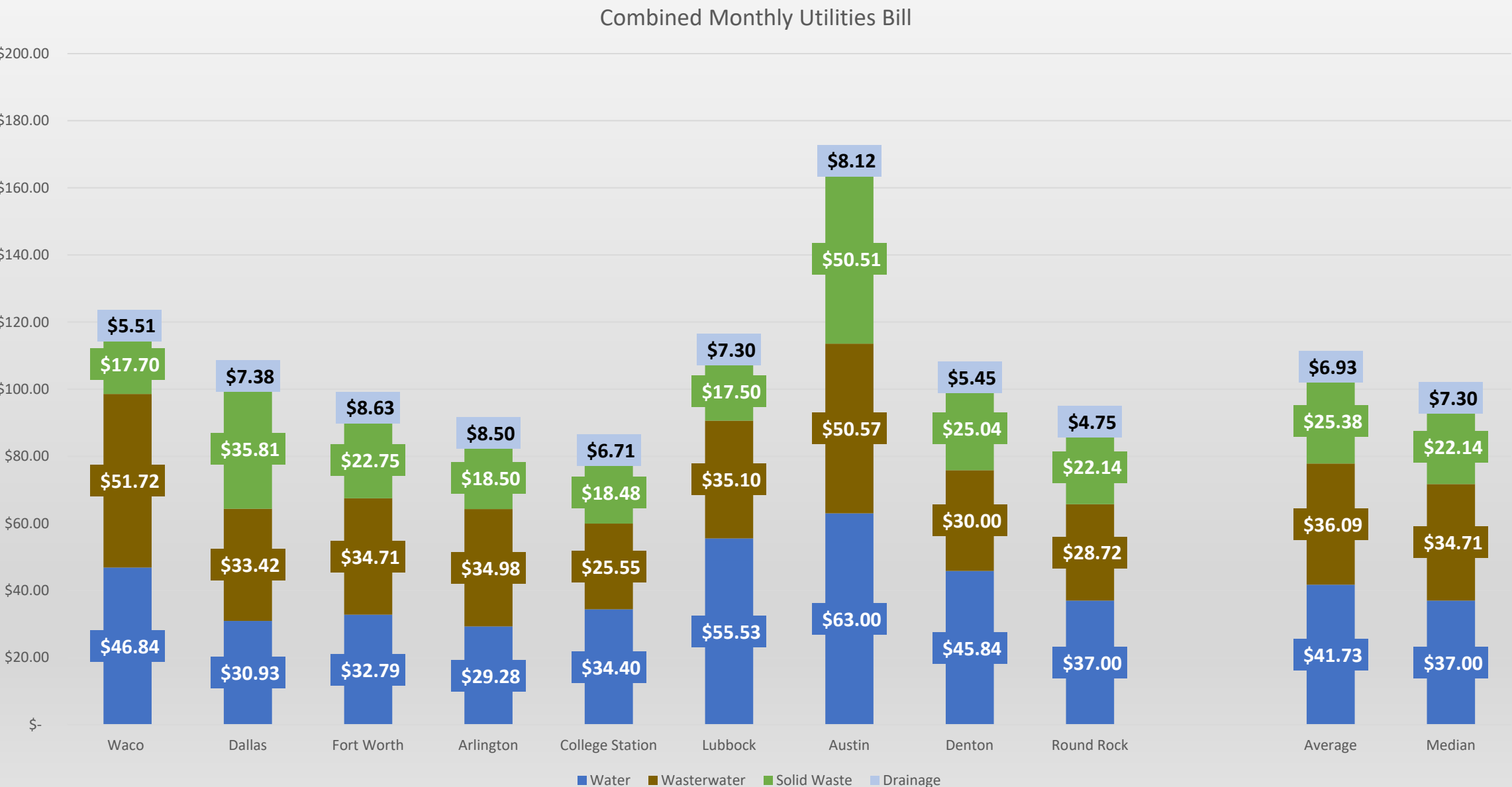


Solid Waste Rates – 5-Year Outlook

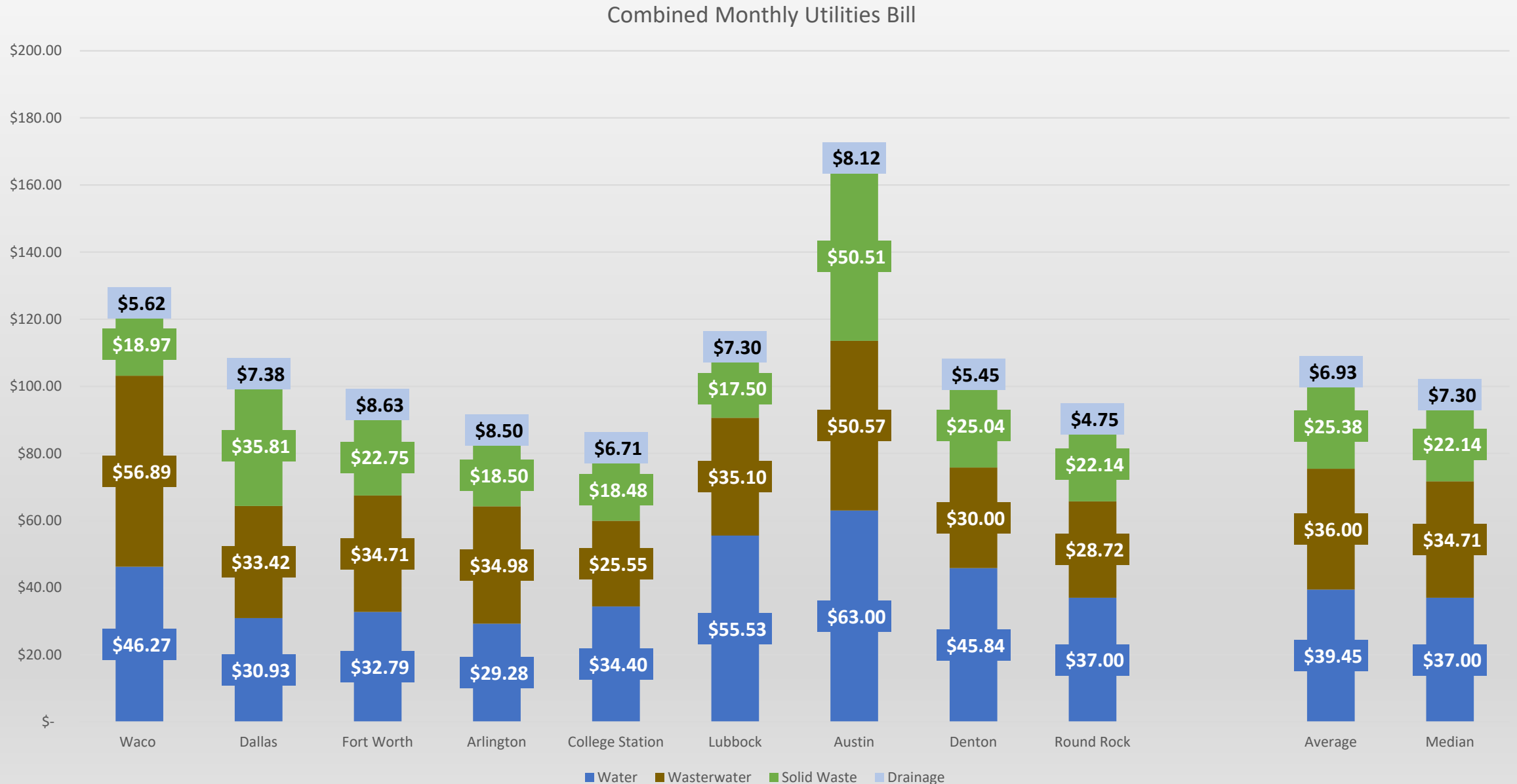


- Adjusted rate reflects revenue offsets
- Avg. annual increase:
 - 7.15%
 - \$1.41/mo/year

Current – Combined Utilities Bill



Tentative FY24 – Combined Utilities Bill



Peer city numbers are all current rates, future rates are to be determined

Budget Calendar

Timeline

- April 24-28 – Departments Present Budget Submissions to City Manager's Office
- May 9 – Budget and Audit Committee
- May 23 – Budget and Audit Committee – Financial Management Policy
- May 24 – City Manager's Office Final Review of Budget Requests
- June 13 – Budget and Audit Committee – Utility Rates
- **June 27 – Special Meeting – City Manager Presentation of Budget**
- June 30 – Planned filing of Budget – operational, capital, and fee schedule
- July 25 – Certified Tax Roll Due from MCAD
- August 1 – Budget Due

Timeline

- **August 1 – Presentation on Filed Budget and Certified Tax Roll**
- **August 1 – Resolution Setting Date for Public Hearing on Budget**
- **August 6 – Budget and Audit - Fee Schedule, CIP Plan, and Quarterly Financial Update**
- **August 15 – 1st Reading of Ordinance setting Departments**
- **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 – 2nd Reading of Ordinance setting Departments**
- **September 5 - Public Hearing and First and Final Reading of Tax Rate Ordinance**

City Council's Strategic Goals

Waco City Council's Strategic Goals



Facilitate Economic
Development



Create a Culture
of Equity and Inclusion



Provide a Safe and
Resilient City



Improve
Infrastructure



Build a High Performing
City Government



Enhance
Quality of Life



Support Sustainability

Discussion of Council Priorities