



# CITY OF WACO, TEXAS



## **Fiscal Year Budget In Brief 2022-2023**

# A MESSAGE FROM THE CITY MANAGER

Dear Waco Residents,

I am pleased to present this “Budget in Brief,” a summary of the formally proposed budget for the 2023 fiscal year which begins on October 1, 2022. The City’s “business” or fiscal year runs from October 1st to September 30th each year.

I want to thank the City Council for their continued support and leadership. Your City Council is unwavering in their commitment to providing best-in-class municipal services. In a volatile and historically inflationary year, Council and staff have worked together to formulate a budget that delivers on key City services and capital projects while seeking to limit impacts on Waco residents City tax and utility bills.

Of course, none of these services could be provided without the amazing work and excellent services City staff provide to this city. It is important to highlight that, without our City employees, the development of this budget and the operations of this City would not be possible. Their tireless efforts allow our City to thrive. I want to thank each and every employee for all their hard work and their willingness to operate as a team. It is their commitment that makes Waco a great place to live and conduct business.

I am pleased to highlight the following elements of the Proposed Fiscal Year (FY) 2023 budget which I believe are important to all Wacoans and to the awesome employees who work for our residents:

- For the second straight year, the proposed tax rate has decreased— this year down  $\frac{1}{4}$  of cent.
- Due to the City Council’s swift and decisive action in June of this year, property tax exemptions are increasing for those who claim the homestead exemption and over age 65 exemption. For the first time in Waco history, disabled property owners can now claim an exemption. In total, these increases and this new exemption cut more than \$760.5 million in value from the tax roll. At the proposed tax rate, that’s an equivalent revenue loss of more than \$5.8 million. These expanded exemptions reduce the property taxes homeowners pay in a time of substantial increases in home values. **On a home valued at \$250,000, the year-over-year property tax savings ranges from about \$100 (homestead) to more than \$440 for owners over 65 or who are disabled.** The effect of these exemptions will vary for each homeowner based on their particular circumstances.
- Reflecting the value our City employees bring to our City, an across-the-board salary increase of 6% is budgeted for all employees. This increase not only rewards our employees for their great work but also ensures the City remains competitive and can retain existing employees and attract new talent to our city in a market of rising salaries and wages.
- Public safety continues to be a high priority for the City Council and me. With that in mind, funding is provided for 12 new police officers, four new firefighters, and the construction of a new Fire Station on Ritchie Road.
- Infrastructure keeps the City going—streets, water, sewer, stormwater, solid waste, and airport systems. This budget provides approximately \$93 million for capital improvements but keeps rate increases well below the rate of inflation. **The combined water, wastewater, solid waste (trash) and drainage rate increases for an average customer total \$3.75 per month—an increase of about 3%, far below the annual inflation rate of 9%.** In keeping with our goals of equity, sustainability, and conservation, more of the water and sewer expense is proposed to be shifted to high users.
- Small business and housing affordability are significant priorities in the budget as well with new programs and support totaling \$3,558,000 for small business support and \$14,662,687 for implementation of the Strategic Housing Plan.

The City Council has established seven strategic goals for the City of Waco to help guide the City into the future. The 2023 fiscal year's proposed budget is built upon those strategic goals illustrated below.

# 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

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

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

The City Council and staff worked together to include in the Fiscal Year 2022 budget several specific program enhancements to propel the City forward toward the realization of the City’s strategic goals.

**Enhancements in the FY 2022/2023 Proposed Budget include:**

Facilitate Economic Development

- One-Time funding of \$3,500,000 for Economic Development Incentives through the Waco/McLennan County Economic Development Corporation (WMCEDC).
- One-Time funding of \$3,558,000 for small business support programs through ARP and TIF with new contracts for CTAACC, CTHCC, and Grassroots to help administer the grant programs.
- One-Time funding of \$19,500,000 to construct the Riverfront Pavilion Parking Garage.
- Continued funding of \$1,091,000 for economic development support organizations.
- \$1,250,000 in one-time funding requests for new façade improvement programs along Elm Avenue and 25th/26th Street.



Create a Culture of Equity & Inclusion

- \$6,250,000 to design and construct a STEAM Education Center in east Waco.
- \$2,988,000 to renovate and re-open the Doris Miller Recreation Center.
- One-Time funding of \$425,000 for the renovation of Eastern Little League ballfields and Cotton Palace ballfields.
- Creation of a Children’s Librarian position for the east Waco Library branch.

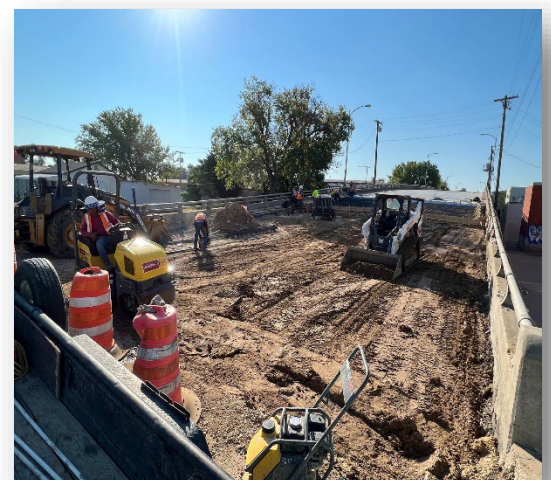


Provide a Safe and Resilient City

- Funding for 12 new police officer positions including equipment and vehicles.
- Funding for 4 new fire fighter positions including equipment.
- \$4,645,000 for the construction of a new fire station on Ritchie Road (west Waco).
- \$750,000 for design services for a new fire station on LaSalle Avenue.
- \$2,010,000 for the acquisition of three new fire trucks.

Improve Infrastructure

- \$40,000,000 in capital spending for street rehabilitation and street preservation.
- \$5,200,000 in capital spending for bridge reconstruction and safety improvements.
- \$10,550,000 in funding for the construction of a new Solid Waste Transfer Station.
- \$4,200,000 in funding for the first phase of construction at the new landfill (MSW 2400).



- \$3,000,000 in funding for local drainage and creek flood improvements.
- \$29,388,000 in water system improvements including \$6,416,000 for the 72" DAF raw water intake which will provide a 2nd / redundant feed to the DAF Plant from Lake Waco.
- \$23,705,000 in wastewater system improvements and an additional \$15,140,000 in Waco Metro Area Sewer System (WMARSS) improvements; including more than \$2,000,000 for expansion at Bull Hide Creek Treatment Plant and \$13,000,000 for the Flat Creek interceptor.
- New Street Capacity Program for High Growth Corridors



#### Build A High-Performance City Government

- 2 new positions in Cyber Security as well as additional cyber security tools and equipment
- 5 new positions in the Risk / Safety team called for by the Safety Audit conducted in FY 21/22.
- 6 new positions to support project management and ARP policy development/implementation in multiple departments.
- 1 new position in Office of Management and Budget to form a new internal audit function.
- \$85,000 in funding for a Development Process Feedback and Process Improvement Study.



#### Enhance Quality of Life

- One-Time funding of \$11,762,687 in American Rescue Plan (ARP) funding and \$2,900,000 in Tax Increment Financing (TIF) funding to implement the Strategic Housing Plan for Waco.
- \$10,000,000 for the 1st phase of Floyd Casey area community park.
- \$3,500,000 for Lion's Park renovation.
- \$3,350,000 for the completion of Cameron Park Zoo projects.
- \$2,250,000 for the construction of China Spring Park.
- \$27,400,000 for Riverwalk Re-development along Lake Brazos.



#### Support Sustainability

- \$75,000 for a Transit Fleet Analysis to support Electric Vehicle Transition Plan.
- \$125,000 for a Landfill Close-out Solar Evaluation Study on Old Lorena Road.
- Plans to conduct a comprehensive audit of certain City buildings and facilities to assess energy efficiency and other sustainability measures, following preliminary audit work done in FY21-22.

***BUDGET FACT: The City collects less in property taxes (\$83.9 million) than the combined costs to run the Police (\$49.8 million) & Fire (\$34.3 million) departments.***

Based on the priorities addressed, identified, and discussed above, the FY23 proposed budget totals \$694.69 million. Of the total, \$432.05 million is for operating expenses and \$262.64 million is for capital projects and debt service. The FY23 adopted budget has been developed in keeping with the Council’s priorities for Waco.

I encourage you to read through this “Budget in Brief” to learn about the key elements of our FY23 Budget. Should you wish to view the entire budget, you may find it on our website. <https://city-waco-tx-budget-book.cleargov.com/> If you’d like additional information, please reach out to our Office of Management and Budget. On behalf of the more than 1,700 employees at the City of Waco, thank you for the opportunity to serve the great residents of Waco.

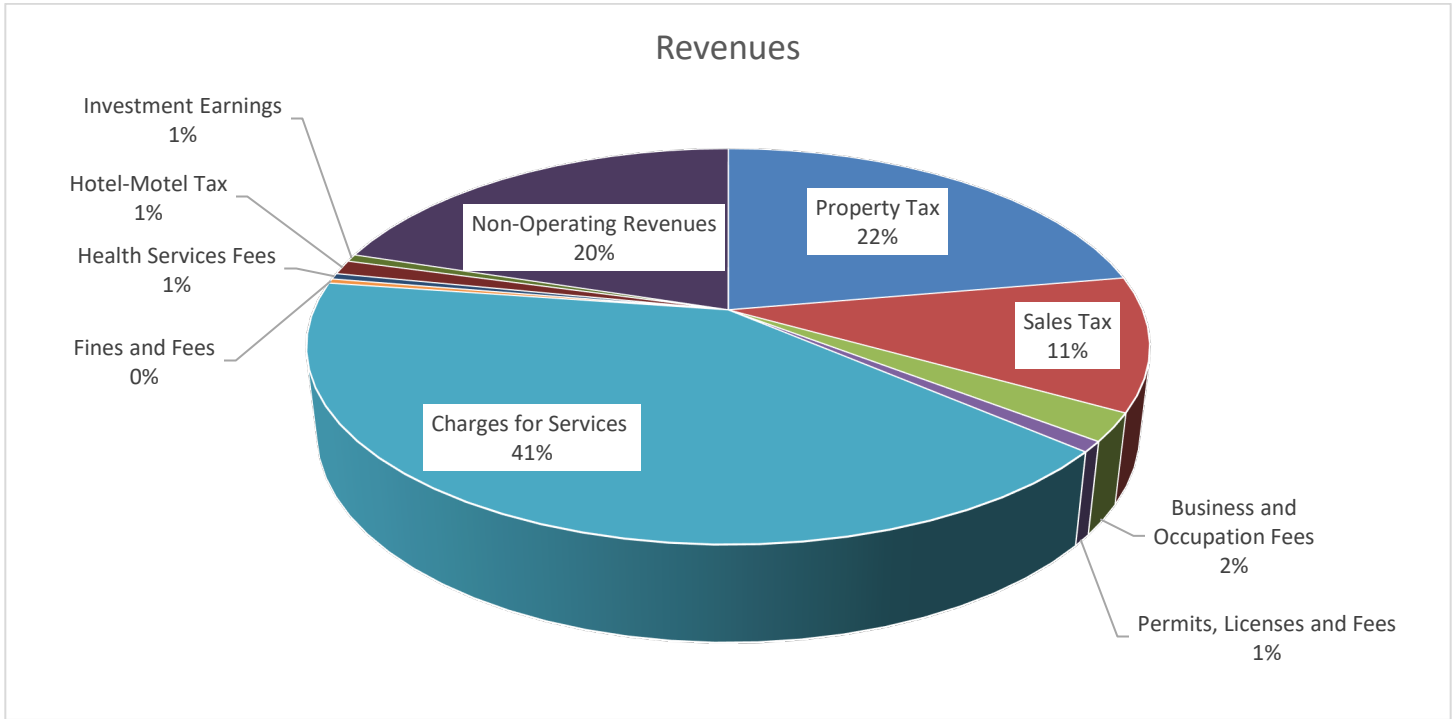
Respectfully,



BRADLEY FORD  
CITY MANAGER

# MAJOR REVENUE OVERVIEW: CITY WIDE

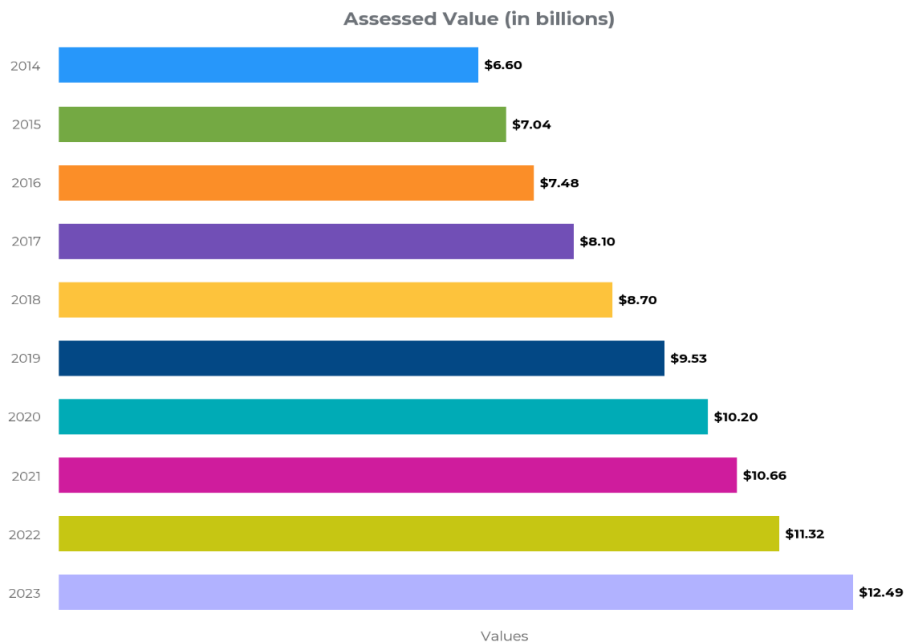
The City of Waco's revenue stream for FY23 is illustrated in the graph below.



## PROPERTY TAXES

Property taxes include the current year's levy, prior year levies/penalties, and interest collected on payment of delinquent taxes. The tax rate of \$ 0.764782 per hundred dollars of valuation includes \$0.142198 for debt service.

The Property Tax Rate decreased \$0.0025 from the prior year; this is the second consecutive year to have a decrease in the property tax rate. Annexations and increased property values have contributed to the steady increase in property taxes over the past five years.





Property taxes fund both operations in the general fund as well as debt service payments for large capital projects like road construction, parks, and fire stations.

## HOTEL OCCUPANCY TAXES

The tourism industry suffered a dramatic halt in activity following the outbreak of the virus. However, the city has seen a rapid recovery that has led to higher-than-normal hotel occupancy rates. The largest revenue source for Convention Services is the hotel/motel taxes. In FY23, we are projecting continued growth in the revenue source as travel returns and continues to build on the rebound experienced during FY22 and should exceed revenues from FY18.



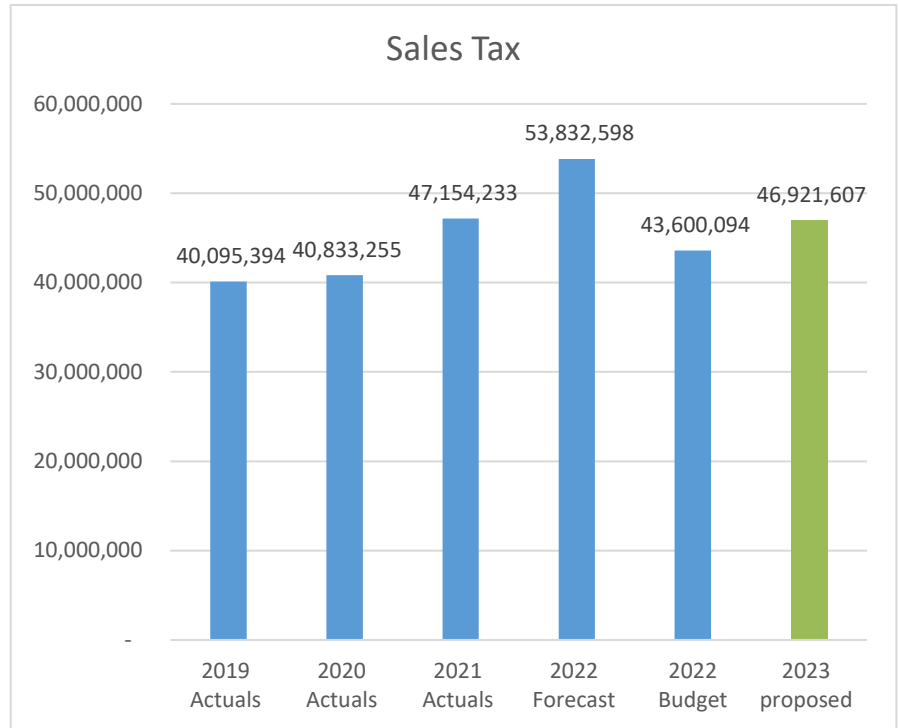


## SALES TAX

The City collects a one and one-half percent (1.5%) sales tax on all retail sales, leases and rentals of most goods. Sales tax revenue is proposed at \$46.9 million, which is a \$3.3 million increase over the 2022 fiscal year budgeted amount.

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

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



# GENERAL FUND OVERVIEW

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

## REVENUES

The FY23 budgeted revenues total \$175.2M. The largest revenue stream in the general fund is the tax segment, which is comprised of property tax and sales tax. Combined property and sales tax revenue is budgeted at \$124.9M.

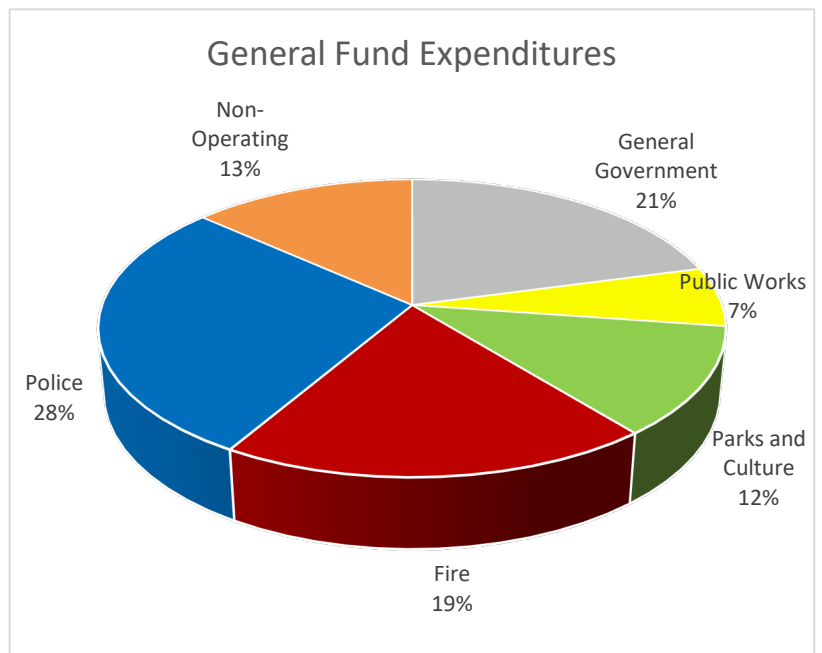
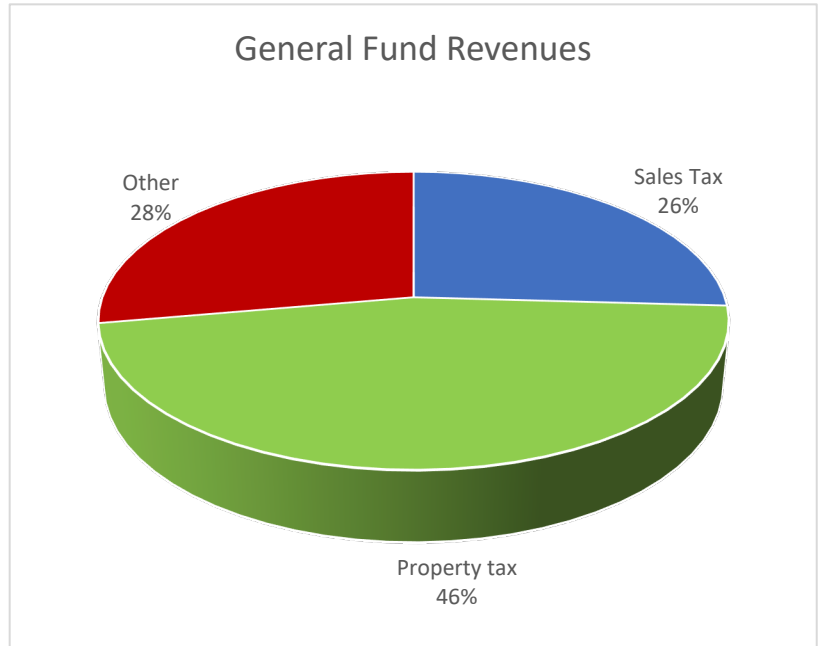
The City budgeted a conservative \$46.9M for sales tax revenues. This figure returns to the historical growth in sales tax for the City and is indication of the resiliency of the Wacoans, the rebound in Waco tourism over the past year, and the economic development efforts over the last several years. We are still monitoring the impacts of inflation on year-to-year sales tax figures.

The remaining revenues are from different programs and fees. These categories include fees for the City's many recreations. The remaining revenues are from different programs and fees. These categories include fees for the City's many recreation programs, building permits, and other services. A more detailed look at the General Fund Revenue is available in the FY2023 Budget Book on the City's website.

## EXPENDITURES

The FY23 budgeted expenses total \$177.3M. The largest expense category in the general fund is salaries and wages.

The Police Department represents 28% of total expenditures, while the Fire Department represents 19% (note that all of the property tax the City receives do not cover the cost of Police and Fire) General Government is comprised of the remaining city operational departments excluding Parks & Rec, Library Services, and Public Works.



# CAPITAL IMPROVEMENT PROJECTS

## MOVING WACO FORWARD

The City of Waco will invest \$215.4M in capital improvements in the FY22 Budget. The strong commitment to improving the core infrastructure of the City and investing in economic development is done via a combination of cash reserves, previously issued bonds, federal and state grants, and new bonds anticipated to be sold in the spring of 2023. Over the next five years the City of Waco plans to invest over \$874.3M in capital improvements for a variety of projects across the city.

### ENTERPRISE CIP

The Enterprise Funds consist of the Airport, Cameron Park Zoo, Cottonwood Creek Golf Course, Convention Services, Drainage, Solid Waste, and the three funds of the Water Utility (Water, Wastewater, and WMARSS). The City will invest just over \$93.8M in FY23 for capital improvements for enterprise departments.

Department	2023 Budget	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	Total
Airport Services	1,726,500	5,335,960	1,017,540	12,210,474	-	20,290,474
Cameron Park Zoo	-	480,000	1,330,000	2,300,000	3,000,000	7,110,000
Cottonwood Creek Golf Crs	-	1,250,000	7,500,000	-	-	8,750,000
Solid Waste Department	18,413,000	12,384,000	6,400,000	1,500,000	1,500,000	40,197,000
Drainage	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
Waco Metro Area Sewer Systems	15,140,000	72,812,000	6,720,000	10,501,128	7,840,000	113,013,128
Wastewater Department	24,705,000	9,591,000	11,529,000	36,115,760	8,108,000	90,048,760
Water Department	30,888,000	20,608,000	16,980,000	18,992,000	20,188,000	107,656,000
<b>Total</b>	<b>93,872,500</b>	<b>125,460,960</b>	<b>54,476,540</b>	<b>84,619,362</b>	<b>43,636,000</b>	<b>402,065,362</b>

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

### GOVERNMENTAL CIP

Department	2023 Budget	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	Total
Economic Development	19,500,000	7,644,203	3,044,203	3,044,203	3,044,203	36,276,812
Engineering Services	5,290,000	14,600,000	7,810,000	7,960,000	10,500,000	46,160,000
Facilities	-	145,000	4,320,000	325,000	56,000	4,846,000
Fire Services	6,655,000	6,825,000	-	1,450,000	-	14,930,000
Parks Services	46,055,000	30,850,000	5,400,000	5,500,000	5,500,000	93,305,000
Police Services	-	1,700,000	9,600,467	4,002,262	897,194	16,199,923
Streets	40,872,400	49,728,550	51,803,126	48,950,000	51,347,000	242,701,076
Traffic	3,110,000	3,800,000	4,321,500	3,250,000	3,370,000	17,851,500
<b>Total</b>	<b>121,482,400</b>	<b>115,292,753</b>	<b>86,299,296</b>	<b>74,481,465</b>	<b>74,714,397</b>	<b>472,270,311</b>

The Governmental CIP totals \$121.5M and is funded with a combination of new bonds to be sold in the spring of 2023, cash reserves, grants, and contributions.

The primary focus of the Governmental CIP is to improve the quality of living through new economic development projects like the Riverwalk redevelopment, the Floyd Casey redevelopment project, and a Pavilion Parking Garage. These three projects total \$56.9 million and will be funded with TIF funds and new bonds. There is still a strong focus on the road and bridge network throughout the city. Road and Bridge improvements receive \$46.2M in funding for FY23 and accounts for about 38% of total Governmental CIP funding.

A full list of projects can be found in the FY 2022-2023 Budget Book at <https://city-waco-tx-budget-book.cleargov.com/>



- Connections
- Recreation and Fitness
- Creek Enhancements
- Inclusive Amenities
- Bridge Improvements
- Social, Cultural & Economic
- Greenspace Activation



THE RIVERFRONT



# WACO SNAPSHOT: COMMUNITY HIGHLIGHTS

## Area

- Waco: 101.26 square miles
- McLennan County: 1,041.8 square miles

## Population

- City of Waco: 139,594 (2021 Census)
- Waco MSA: 271,326 (Census estimate)
- Median Age 34.8

## Employment

- MSA Labor Force: 131,600
- Unemployment Rate: 3.4% (as of May 2022)
- Source: U.S. Bureau of Labor Statistics

## Education

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

## Arts & Entertainment

- 5,000 Hotel Rooms
- 300+ Restaurants
- 20 museums and library collections including the Texas Ranger Hall of Fame
- 4 movie theaters, Top Golf and more
- Over 70 short term rental properties

## Recreation

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

- 3 Country Clubs
- 5 Recreation Centers
- 77 Tennis Courts
- Athletic Complex
- 7 Golf Courses, including Cottonwood Creek Golf Course
- Softball & Little League fields
- Hawaiian Falls Water Park
- Barefoot Ski Resort

