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Waco City Manager Files Budget for Fiscal Year 2020-21

WACO, TEXAS (July 27, 2020) - City Manager Bradley Ford has filed his proposed budget for Fiscal Year 2020-21 (FY21) which begins October 1, 2020. Ford and his staff will present the budget to the City Council during the work session portion of tomorrow's meeting.

The budget may be found at: <https://www.waco-texas.com/pdf/budget/FY21ProposedBudgetBook.pdf>

"I believe this proposed budget allows the City of Waco to not only continue to provide the level of service Wacoans expect, but also to provide for new initiatives in alignment with the Council's goals such as a new Community Policing initiative and a commitment to establishing programs that promote economic and racial equity in our community," Ford said.

Noting the impact of COVID-19 on the Waco economy, Ford noted: "This budget reduces the City's recurring expenses to absorb recurring revenue losses without having to furlough or layoff any of our existing employees. With the City Council establishing clear strategic goals for the City, I am able to propose a fiscally responsible budget that follows the Council's path forward into a better future for Waco."

The FY21 operating budget includes the addition of several initiatives to support the City Council's goals for the City of Waco. A brief summary of these initiatives follows:

- \$1.8 million towards a high performing city government including (conditional) mid-year compensation adjustments for employees, expanded technology, management development, fiscal management & transparency.
- \$2.675 million to enhance the quality of life in Waco through a new Neighborhood Vitality initiative, \$350,000 to refresh and update the Parks, Recreation and Trails Master Plan, and \$2.1 million in capital for Parks improvements.
- \$3.3 million for Economic Development including \$2.75 million for the Riverfront Development and a \$250,000 annual increase in the City's contribution to the Waco-McLennan County Economic Development Corporation.

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- \$667,000 to begin building a culture of equity in the City. Included within this category are: \$125,000 to staff an Office of Equity in the City Manager’s Office and \$542,000 for various equity centered purchasing and development programs.
- \$2.1 million to keep Waco safe and vibrant including \$1.5 million for a new Community Oriented Policing initiative and \$600,000 to fund 7 new apparatus in the Fire Department.
- To ensure the sustainability and resiliency of the City, the FY21 budget includes funding and staff to: update regulations to improve the quality of new development, develop impact fees to shift the cost of infrastructure from existing citizens, expand the use of electric vehicles when cost savings are identified, and to develop a replacement program for over \$7 million in roof and HVAC replacements at city facilities, taking into account energy efficiency and consideration of solar panels.

Ford’s proposed budget will be presented during the Work Session portion of the August 4th meeting, followed by a public hearing and adoption of the budget at the September 1st City Council meeting. The public hearing and vote on the tax rate are planned to occur at a special called City Council meeting on September 8th.

Property Tax Valuation and Tax Rate

Ford’s proposed budget maintains the property tax rate at 77.6232 cents per \$100 in valuation. The tax rate has not changed since FY14.

This budget is the City of Waco’s first to be developed under the Texas Property Tax Reform and Transparency Act of 2019.

The net taxable property value increase in FY21 is 1.33%, far below the 8.07% average annual increase for the previous 4 years. The total increase in net taxable value is \$136.15 million. With the taxable value of new properties estimated at \$188 million, the value of existing properties has declined. This decline in the value of existing properties is reflected in a 5.07 cent increase in the No New Revenue rate.

The Property Tax Reform & Transparency Act includes the establishment of the “No-New Revenue Tax Rate” (formerly known as the “Effective Tax Rate”), which is the tax rate at which the City receives the same tax revenue as last year from properties taxed in both years.

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The No-New-Revenue Tax Rate for FY21 is 79.2330. The total tax rate recommended by Ford (77.6232) is 1.60980 cents lower than the No-New-Revenue Tax Rate--- meaning the City will take in less revenue this year as opposed to last year on properties taxed in both years.

Ford's total proposed tax rate of 77.6232 is comprised of the Maintenance & Operations (M&O) rate at 64.6728 cents and the Debt rate at 12.9504 cents. These rates reflect a shift of 1.893 cents from the M&O rate to the Debt rate in order for the City to pay the debt payments on previously issued debt. This rate shifting moves about \$2 million from operations to debt service.

General Fund Revenues and Expenses

The General Fund is the largest fund in the City and includes most city services (Police, Fire, Parks & Recreation, Code Enforcement, etc.). General Fund is primarily funded by property and sales tax.

Total General Fund revenues in FY21 are proposed at \$145.73 million which is \$3.27 million (-2.19%) below FY20. This loss in revenue can be attributed to substantial losses in property tax revenues of 1.03 million (-1.53%) and sales tax revenues of \$3.02 million (-7.73%). Decreases in sales tax revenues are directly related to the economic impacts of COVID-19.

Total General Fund expenditures are \$153.71 million, an increase of less than one percent (+0.66%). This amount includes utilization of \$7.98 million from reserves and assignments for one time expenses. Recurring operating expenses, like revenues, are down \$3.27 million (-2.19%).

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