

# City of Killeen

## FY 2021 Proposed Budget In Brief

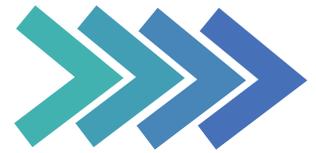
as of September 1, 2020



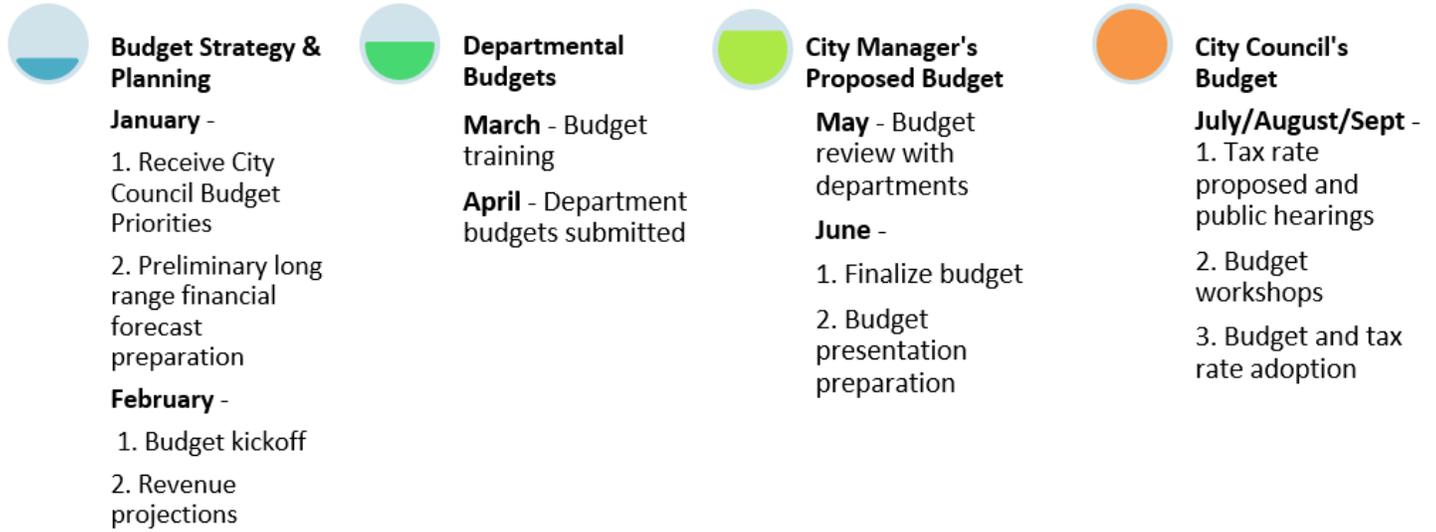


CITY OF KILLEEN

# BUDGET PROCESS & FUND STRUCTURE



## BUDGET PROCESS



## FUND STRUCTURE

The financial transactions of the City of Killeen are accounted for and recorded in individual funds and account groups.

### GOVERNMENTAL FUND TYPES

<b>GENERAL FUND</b>	<b>SPECIAL REVENUE FUNDS</b>
<p>General Fund: The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.</p>	<p>Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes.</p>
<b>DEBT SERVICE FUND</b>	<b>CAPITAL PROJECT FUNDS</b>
<p>Debt Service Fund: The Debt Service Fund is used to account for the accumulation of revenues that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.</p>	<p>Capital Project Funds: Capital project funds account for the acquisition and construction of the City's major capital facilities, improvements and infrastructure, other than those financed by proprietary funds.</p>

### PROPRIETARY FUND TYPES

<b>ENTERPRISE FUNDS</b>
<p>Enterprise Fund – Enterprise funds are used to account for the provision of services to the residents of the City. All activities necessary to provide such services are accounted for in these funds including, but not limited to, operations, maintenance, financing, and related debt service, billing, and collection.</p> <p>The City has five (5) enterprise funds, as follows:</p> <ul style="list-style-type: none"> <li>• Water &amp; Wastewater Fund</li> <li>• Solid Waste Fund</li> <li>• Aviation Funds – Killeen-Fort Hood Regional Airport &amp; Skylark Field</li> <li>• Drainage Utility Fund</li> <li>• Internal Service Funds – Internal service funds account for services provided to other departments or agencies of the government on a cost-reimbursement basis.</li> </ul>



# GENERAL FUND SERVICES

<sup>1</sup>GENERAL FUND SERVICES = \$1.53 A DAY PER CITIZEN

**Police: 0.57¢**

**Fire: 0.42¢**

**Recreation Services: 0.13¢**

**General Government: 0.10¢**

**Non-Departmental & Non-Operating Costs: 0.08¢**

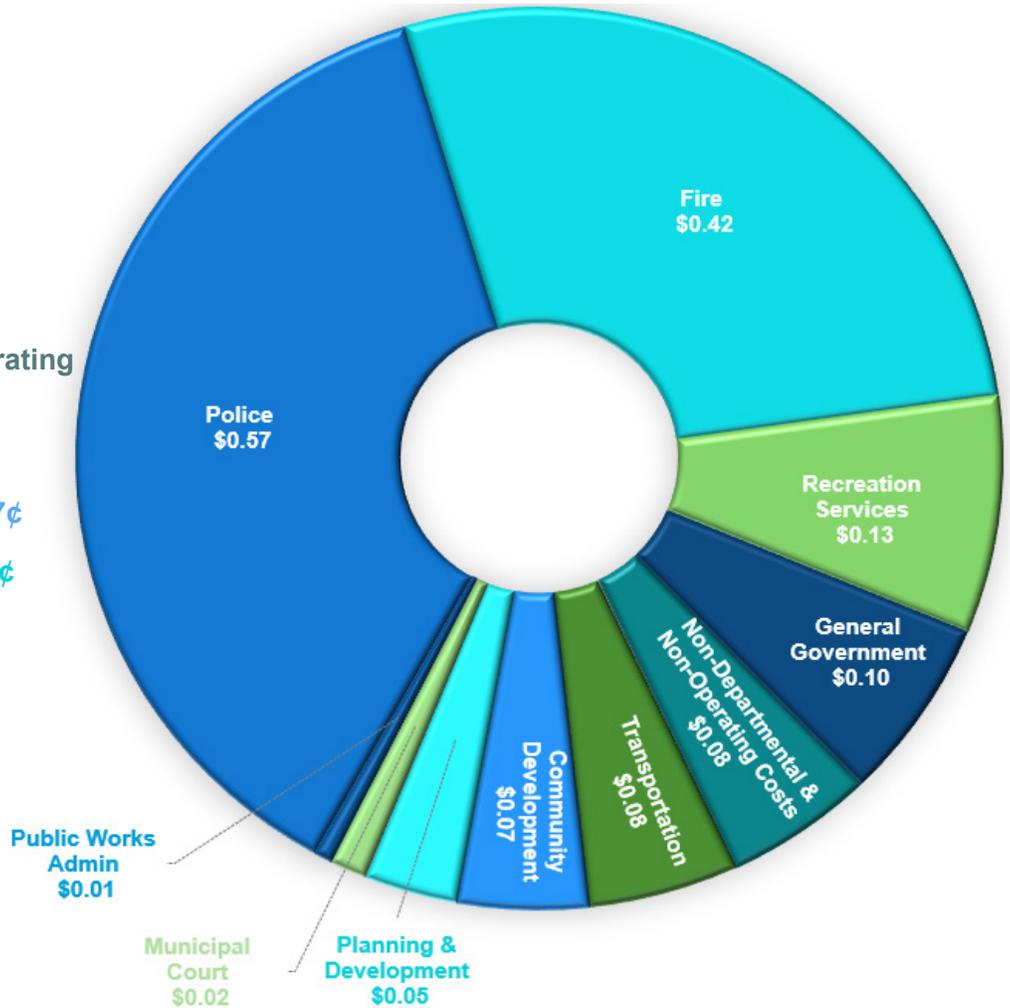
**Transportation: 0.08¢**

**Community Development: 0.07¢**

**Planning & Development: 0.05¢**

**Municipal Court: 0.02¢**

**Public Works Admin: 0.01¢**



<sup>(1)</sup>Adjusted for Interfund Activity

## WHAT THAT BUYS:

**Public Safety:** The Killeen Police Department and the Killeen Fire Department are always top priorities for the City Council in prioritizing General Fund expenditures. The police, fire, and emergency medical protection offered by these departments are vital for the City of Killeen.

**Recreation Services:** The Recreation Services Department offers the high-quality recreation that Killeen residents have come to expect.

**Planning & Development Services:** Planning and Development Services are on the front lines of planning and managing the City's growth and development and City Code Enforcement services.

**General Government:** General Government departments in the General Fund include City Council, City Management, City Auditor, Human Resources, Legal, Finance, and Communications. These departments provide support to all City divisions and functions, including those divisions and functions housed in other funds.

**Community Development Services:** Community Development provides an array of services such as the Library and cultural arts, building and custodial services.

**Non-Departmental & Non-Operating Costs:** Non-Departmental & Non-Operating expenditures are not department specific. These expenditures include, the City's contributions to Economic Development, the Bell County Appraisal District, Bell County Communication Center along with General Fund payments to the Internal Service Funds: Information Technology, Risk Management and Fleet Services. This also includes separation pay and lease payments.

**Transportation:** Transportation maintains the existing transportation network of roads and neighborhood streets. City streets, sidewalks, drive approaches, trails, curb & gutter, valley gutters, pavement markings, and traffic control devices that provide a safe and functional complete street network.

**Municipal Court:** Municipal Court provides a neutral, courteous, and fair forum for all class C misdemeanor offenses arising under Texas civil and criminal statutes and city ordinances and providing for the efficient and timely adjudication of court cases.

**Public Works Admin:** Public Works Admin provides the citizens of Killeen with superior utility services, quality infrastructure, and orderly standards of development to protect their health, safety, and general welfare.

# CITY MANAGER'S MESSAGE



September 8, 2020

Honorable Mayor, City Council Members, and Residents of Killeen: It is with great pleasure that I submit the City of Killeen's adopted budget for the fiscal year beginning October 1, 2020 and ending September 30, 2021. The budget includes recommended appropriations totaling \$204,462,246, excluding duplicative transfers between funds. The implementation of Senate Bill 2 and the Coronavirus pandemic proved challenging for some of the operating funds. Even with these additional resource constraints, the budget as presented is balanced and meets requirements set forth in the City Charter.

The budget has been prepared to address some of the City's most pressing strategic issues, as well as minimizing service level impact. It lays the foundation for the delivery of services, facilities, and infrastructure to the citizens of Killeen. The budget process began with departments submitting a budget that would allow them to maintain current service levels. Departments created decision packages for new or enhanced programs and services. The decision packages were evaluated and approved or disapproved based on citywide priorities and available resources.

A focal point of the budget are the four guidelines and priorities established by the City Council: 1) employee compensation, 2) retirement funding, 3) infrastructure, and 4) maintaining the City's fund balance policy. I am pleased to share that the budget addresses each of these priorities.

## Employee Compensation

Killeen has made strides in providing employees a competitive and fair wage. This is imperative to ensure the City attracts and retains a talented workforce. Staff conducted a compensation analysis to identify how employees are being paid relative to the appropriate market for each position.

The analysis identified three areas that needed to be addressed: 1) positions being paid less than the minimum amount identified for the position, 2) public safety civil service pay is further behind than non-civil service pay, and 3) there is considerable compression among the firefighters and higher ranking fire officers.

To address these findings, the adopted budget will move all employees to at least the minimum salary for their position. The adopted budget includes a 3% increase for non-civil service employees and a 4% increase for public safety civil service employees. The increase for firefighters will be tiered to address the compression present in the current pay plan.

Tenured employees that are at the maximum pay for their position will receive a lump sum payment equal to a 3% increase. The lump sum payment will not be added to the employee's base salary. The lump sum payment will allow long-term employees to receive an increase in pay and minimize the City's future obligations.

## Retirement

Retirement is being addressed on multiple fronts. A retirement analysis is being performed that will provide City Council with a detailed overview of the City's two retirement plans. The results of the analysis will compare employee retirement benefits to what is an adequate retirement for positions at different salary levels and compare the City's retirement benefits to our peer cities.

In addition, the analysis will show the impact of changing benefit levels of the Texas Municipal Retirement System (TMRS) to the employee and City. This will assist in identifying a level of benefits that are adequate for employees and that the City can afford long-term.

The adopted budget includes increasing the TMRS contribution level 1.66%, from 11.81% to 13.47%. Total contributions are over \$900,000 more than the adopted FY 2020 Budget. This is a crucial first step towards a solution for properly funding TMRS. City Council received a presentation from staff and the actuary firm that prepared the most recent valuation report for the Firefighter Retirement and Relief Fund. The valuation report recommended a 2% increase in funding to the retirement plan. The budget proposes to increase the City's contribution to the Firefighter Retirement and Relief Fund for the full 2%, from 13% to 15%. Total contributions are \$330,982 more than the FY 2020 Adopted Budget.

## Infrastructure and Fund Balance

The final two City Council priorities, infrastructure and fund balance, are interrelated. The Financial Governance Policy requires fund balance in excess of 22% be moved to the appropriate capital improvement fund. This is the primary source for funding infrastructure improvements. There is \$17.2 million of projects in the adopted FY 2021 Capital Improvement Plan. Project highlights include \$3.8 million for the new senior center, \$1.4 million for a record management system for the Police Department, and \$2.5 million for North Killeen redevelopment.

All operating funds meet the fund balance requirement except for the Hotel Occupancy Tax fund. The Coronavirus pandemic severely impacted hotel tax revenues. Revenues through the end of the current fiscal year are estimated to be 31.9% or \$843,779 below budget and 31.9% lower than Fiscal Year 2019 actuals. The budget estimates moderate growth during the upcoming fiscal year that will not rebound to pre-pandemic levels. Hotel tax revenues are budgeted at \$2,066,651, which is 21.9% lower than the adopted FY 2020 Budget and an increase of 14.7% over forecasted Fiscal Year 2020 revenue.

The significant reduction in revenue created the need to use fund balance. The Hotel Occupancy Tax fund is estimated to use \$592,346 of fund balance to finish FY 2020,

Hotel Occupancy Tax Fund adopted FY 2021 expenditures are \$2,100,207, which is 20.6% lower than the FY 2020 Adopted Budget and 12.3% lower than current year forecasted expenditures. Eliminating the four positions did not reduce expenditures enough to stay within the available fund balance. As a result, funding for grants to the arts is not included in the adopted FY 2021 Budget.

Removing grants to the arts reduced expenditures by approximately \$187,000. It is important to note that this does not affect art grants awarded in FY 2020. The contractual contribution to the Mounted Warfare Museum is included in the adopted FY 2021 Budget. The adopted FY 2021 Budget is projected to use \$33,356 of fund balance after the expenditure reductions.

## General Fund

General Fund FY 2021 revenues are \$97,458,465, which is 7.5% higher than the FY 2020 Adopted Budget and 0.6% higher than current year forecasted revenue. The primary increases in revenues include \$3.0 million in expected Coronavirus Relief Fund proceeds, \$2.9 million from property tax, and an estimated increase of \$1.0 million from the disabled veteran exemption reimbursement.

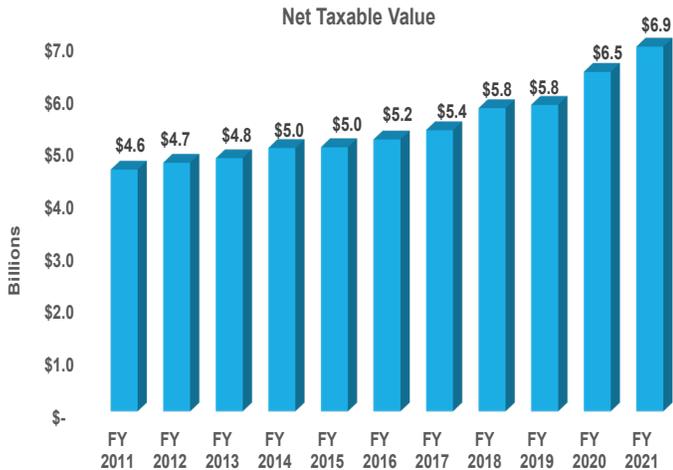
The budget is based on a preliminary tax rate of 73.30 cents per \$100 valuation. This is 1.68 cents below the current FY 2020 tax rate of 74.98 cents and is the first time in 16 years the tax rate has been reduced. This reduction in the tax rate keeps the City's tax rate under the 3.5% cap imposed by Senate Bill 2 and represents



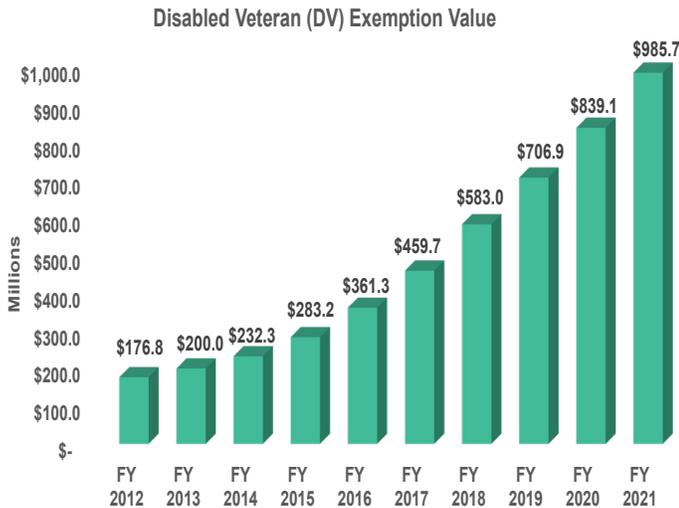
# CITY MANAGER'S MESSAGE

approximately \$1.1 million in revenue reduction.

The Central Texas Region and Killeen specifically continues to grow from a population and property valuation perspective. The Certified Tax Roll shows the net taxable value for Killeen increased 7.4% to \$6.9 billion. The increase in taxable value includes \$124.4 million in new growth. The chart below shows the net taxable value over the past ten years.

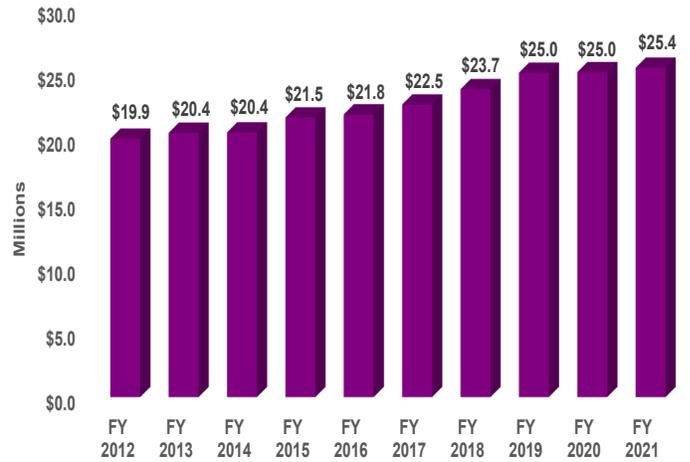


The new growth was essentially eliminated by the growth of tax exemptions. The value of tax exemptions grew by \$169.6 million, of that amount \$146.6 million is from the disabled veteran exemption. Taxable property exempted by the disabled veteran exemption, grew by 17.5% to \$985.7. The chart below shows the growth of the disabled veteran exemption over the past ten years.



The Coronavirus pandemic took a toll on sales tax revenues as many businesses were forced to close their doors and citizens stayed home to practice social distancing. Sales tax revenues are estimated to finish 0.2% higher in FY 2020 compared to FY 2019. This is down from growth of more than 5.0% the prior two fiscal years. Given the uncertainty on the duration of the pandemic, we have budgeted a conservative 1.35% increase for FY 2021. The chart below depicts historical sales tax revenue with the adopted FY 2021 revenue budget.

Sales Tax Revenues



The cost of providing and maintaining services for citizens increases each year. Maintaining current service levels continues to be challenging as the City continues to grow. General Fund expenditures for FY 2021 are \$97,458,465. Excluding transfers of \$5,722,350, the operating budget is \$91,736,115, which is 10.4% higher than the FY 2020 Adopted Budget and 17.9% higher than current year forecasted expenditures.

The services provided by the General Fund are predominantly people oriented. Employees comprise 70.5% of the total operating budget. Increases in expenditures are primarily attributable to investing in our employees. A summary of the cost increases includes \$2.1 million for compensation increases, \$345,737 for healthcare insurance, and \$1.2 million for retirement expenses.

To balance the budget and manage costs, the adopted budget reduces staffing by 14 positions. All 14 positions are vacant and 10 of the positions are being eliminated indefinitely. The remaining four positions are police officers that are only being temporarily unfunded in FY 2021. We expect the four police officers will be funded in future years.

The budget includes the addition of four new positions. These four positions were submitted by departments in decision packages. The Police Department requested an Assistant Chief of Police and a Sergeant. Both positions were approved and are included in the budget. The Emergency Management Division in the Fire Department was approved to add an Emergency Management Senior Specialist position. The final new position is in the Library. The City's population is expected to exceed 150,000, which requires an additional librarian to maintain state certification. The Library's approved decision package eliminated a vacant part-time librarian in conjunction with the addition of the new full-time librarian position.

### Enterprise Funds

The enterprise fund budgets that include Water and Sewer, Solid Waste, Drainage, and Aviation were prepared to meet the requirements set forth in the Financial Governance Policy. In addition, the enterprise fund budgets meet applicable requirements in the Capital Improvement Policy, commitments to our bond holders, and regulatory agencies.

### Water and Sewer Fund

Water and Sewer Fund FY 2021 revenues are \$45,421,044, which is 4.3% higher than the FY 2020 Adopted Budget and 2.8% higher

# CITY MANAGER'S MESSAGE



than current year forecasted revenue, adjusted for the bond refunding. The primary reasons for the increase in revenues is a recommended water rate increase and assumed growth of the City.

The last year the City adjusted rates was in FY 2016 for water and FY 2015 for sewer. Since the last rate adjustment, water treatment costs through the Water Control and Improvement District #1 (WCID) increased every year. Sewer treatment costs through WCID increased all but one year. Water and sewer treatment costs will increase again in FY 2021.

A five-year rate analysis was performed to determine the level of rate adjustments needed in the coming years. The results of the analysis recommend a water rate increase in FY 2021 and no increase in sewer rates. An additional tier was added for high volume users that use more than 30,000 gallons monthly.

The chart below compares the current monthly water and sewer bill to the monthly water and sewer bill after the rate adjustment for different volumes of water use:

Gallons	FY 2020	FY 2021	Difference
2,000	\$31.96	\$33.42	\$1.46
5,000	\$49.07	\$51.64	\$2.57
10,000	\$83.92	\$88.34	\$4.42

Even after the rate adjustment, Killeen's rates are among the lowest regionally and compared to our benchmark cities. Rate adjustments are necessary to ensure the sustainability of the City's water and sewer system. Rates not being adjusted since FY 2016 was one of the reasons given by Standard and Poor's for revising Water and Sewer Revenue Bond from AA-Stable to AA-Negative Outlook.

Water and Sewer Fund FY 2021 expenses are \$45,421,044, which is 5.1% higher than the FY 2020 Adopted Budget and 10.9% higher than current year forecasted expenses. The increase in expenses is due to the \$1.4 million debt service on the new bond issue, \$1.1 million in additional capital improvement projects, and an estimated \$357,383 increase in water and sewer treatment costs.

### Drainage Fund

Drainage Fund FY 2021 revenues are \$5,071,414, which is 13.5% higher than the FY 2020 Adopted Budget and 0.8% higher than current year forecasted revenue. The primary reasons for the increase in revenues are assumed growth of the City and the restructuring of non-residential drainage fees.

In February 2020, the methodology to determine drainage rates was revised to impervious cover rather than zoning and parcel size. Impervious cover includes surfaces that do not let rainfall absorb into soil (i.e., rooftops, driveways, and parking lots). The use of impervious cover is a more widely accepted method of billing drainage fees. Non-residential customers can reduce their monthly fee by implementing stormwater best practice management (i.e., parking lot sweeping and retention ponds) to receive a credit on their bill or by reducing impervious cover. This change in billing structure did not affect residential customers.

On August 18, 2020, the City Council approved discontinuing the stormwater credit program due to minimal participation. By discontinuing the stormwater credit program, the City was able to reduce drainage rates by 10%. For a single-family residential customer the rate went from \$6.00 to \$5.40 per month for a monthly savings of 0.60¢.

Drainage Fund FY 2021 expenses are \$5,071,414, which is 13.5% higher than the FY 2020 Adopted Budget and 6.1% lower than current year forecasted expenses. The primary expense decrease is due to a transfer of \$1,239,345 for capital improvement projects in FY 2020.

### Solid Waste

Solid Waste Fund FY 2021 revenues are \$19,511,428, which is 1.0% higher than the FY 2020 Adopted Budget and a small increase from current year forecasted revenue. The reason for the increase in revenues is due to the assumed growth of the City.

Solid Waste Fund FY 2021 expenses are \$19,511,428, which is 1.0% higher than the FY 2020 Adopted Budget and a small increase from current year forecasted expenses. The primary expense increases include solid waste transport and disposal fees of \$196,638 and compensation in the amount of \$142,080.

### Aviation

Aviation Fund FY 2021 revenues are \$3,870,052, which is 4.0% higher than the FY 2020 Adopted Budget and 4.9% higher than current year forecasted revenue. The primary reason for the increase in revenue is funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The airport received \$2,717,498 in CARES Act funding to support operations due to the pandemic.

Aviation Fund FY 2021 expenses are \$3,815,395, which is 2.5% higher than the FY 2020 Adopted Budget and 16.0% higher than current year forecasted expenses. The primary expense increases include \$54,141 in compensation and \$11,535 in health insurance.

In summary, the adopted FY 2021 budget provides a sound financial plan for the City of Killeen. The budget addresses City Council's guidelines and priorities, as well as the City's most challenging strategic issues. I want to thank City Council, citizens, boards and commissions, and staff for their time and effort through the budget process and for their continued commitment to the success of our City.

Sincerely,

Kent Cagle, City Manager



## QUICK FACTS



### Totals for FY 2021<sup>1</sup>

General Fund  
Total Capital Improvement Projects (CIP)  
All Other Funds

**\$204.5M**  
\$91.7M  
27.4M  
85.4M

<sup>1</sup>Adjusted for Interfund Activity



### FY 2021 Adopted

**Tax Rate**  
**\$0.7330**

Tax Rate  
Decreased



**1.68¢**



### FY 2021 Salary Changes

4% COLA for Civil Service \$1,506,005  
3% COLA for Classified 1,115,143  
New Pay Plan Implementation 288,113  
Longevity 592,040

### FY 2021 Benefit Changes

#### Pension Contributions:

Increase in TMRS from 11.81% to 13.47% \$903,932  
Increase in Firefighter's Pension 13% to 15% 330,982

#### Health Benefits:

Increase in Health Insurance \$514,390



### Fleet Replacement \$4.84M

Governmental CIP  
W&S Fund CIP  
Drainage Fund CIP  
Solid Waste Fund CIP

\$2.68M  
\$0.27M  
\$0.05M  
\$1.84M



### Total Cost Saving Measures \$1,037,797

Eliminated 14 positions  
Unfunded 4 positions

\$743,978  
293,819



### General Fund Eliminated Positions

	FTE	Cost
Special Project Manager for City Manager	1.0	\$65,025
Deputy City Attorney (Public Works)	1.0	124,652
Finance Manger (Recreation)	1.0	70,929
Equipment Operator (Street Maintenance)	2.0	85,545
Accounting Specialist (Police)	1.0	38,444
Communication Specialist (Police)	2.0	76,889
Jailer (Police)	2.0	101,086
Police Officer (unfunded, positions remain)	4.0	293,819
<b>Total</b>		<b>\$856,389</b>



### New Staff Approved Decision Packages:

**3.50**

	FTE	Cost
Police Sergeant	1.0	\$143,441
Asst Chief of Police	1.0	194,825
Emer Mgmt Senior Specialist	1.0	68,693
Program Librarian	0.5	55,046
Dangerous Building Abatement Program		67,000
<b>Total</b>		<b>\$529,005</b>



### Capital Improvement<sup>1</sup> Program \$27.4M

Capital Improvement Projects  
\$22.5M

\$8.54M - Governmental CIP  
\$6.26M - Grants  
\$3.54M - W&S Fund CIP  
\$2.75M - Drainage Fund CIP  
\$1.12M - Aviation CFC/PFC Funds  
\$0.29M - Solid Waste Fund CIP

<sup>1</sup>Adjusted for Interfund Activity



### Hotel Occupancy Tax (HOT) Fund Changes

	FTE	Cost
Eliminated Positions:		
Civic & Conference Center Assistant	1.0	\$43,468
Crew Leader	1.0	51,478
Crew Leader (Night Shift)	1.0	51,424
Event Assistant	1.0	35,038
Reduction in Operating Expenditures		166,751
Grants to the Arts Program		187,737
<b>Total</b>		<b>\$535,896</b>

# STAFFING BY DEPARTMENT



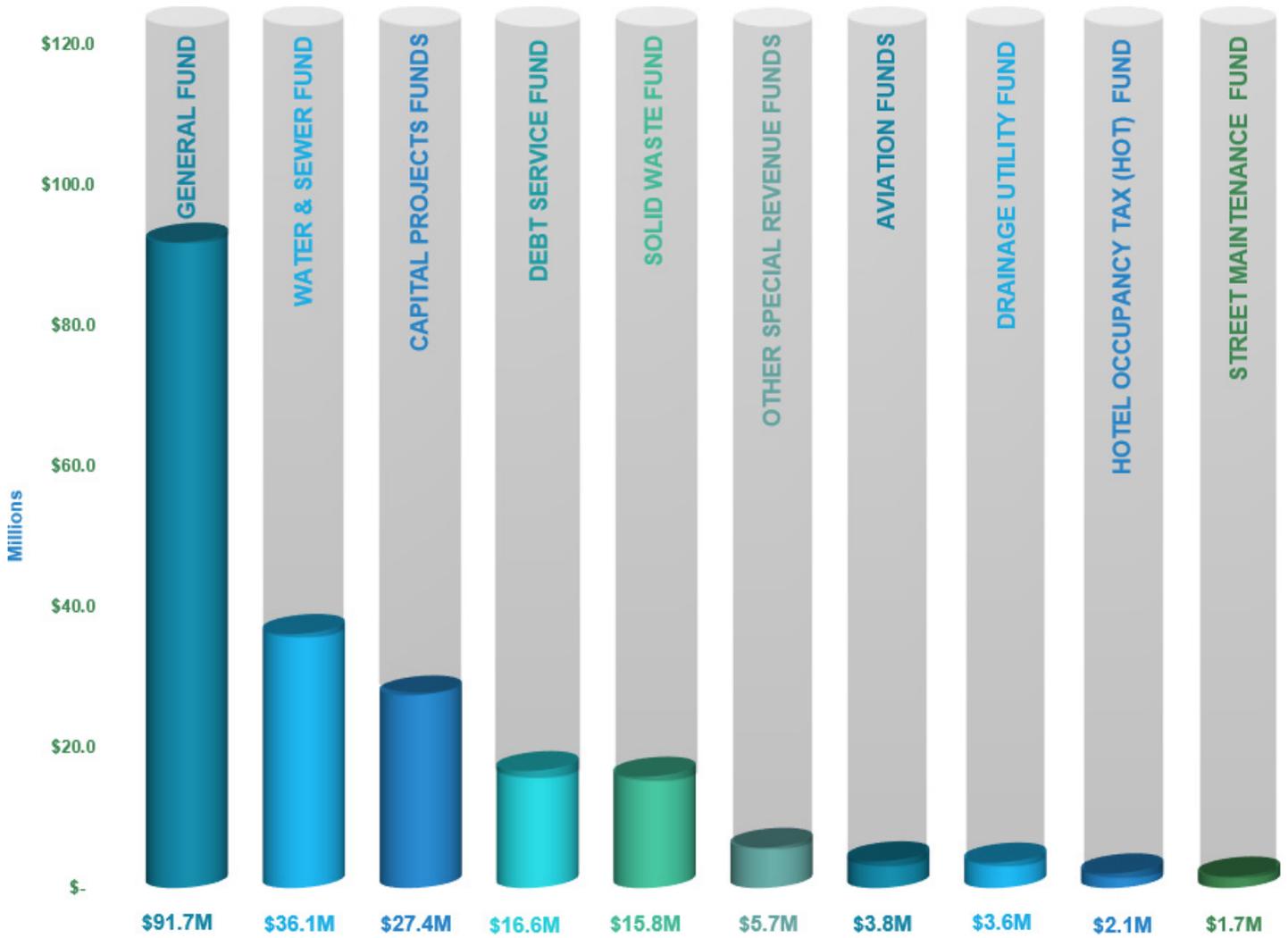
## FY 2021 STAFFING BY DEPARTMENT (FULL-TIME EQUIVALENT EMPLOYEES)





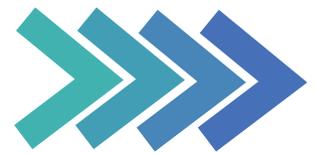
## FY 2021 REVENUES BY SOURCE

FY 2021 REVENUES BY SOURCE TOTAL \$204.5



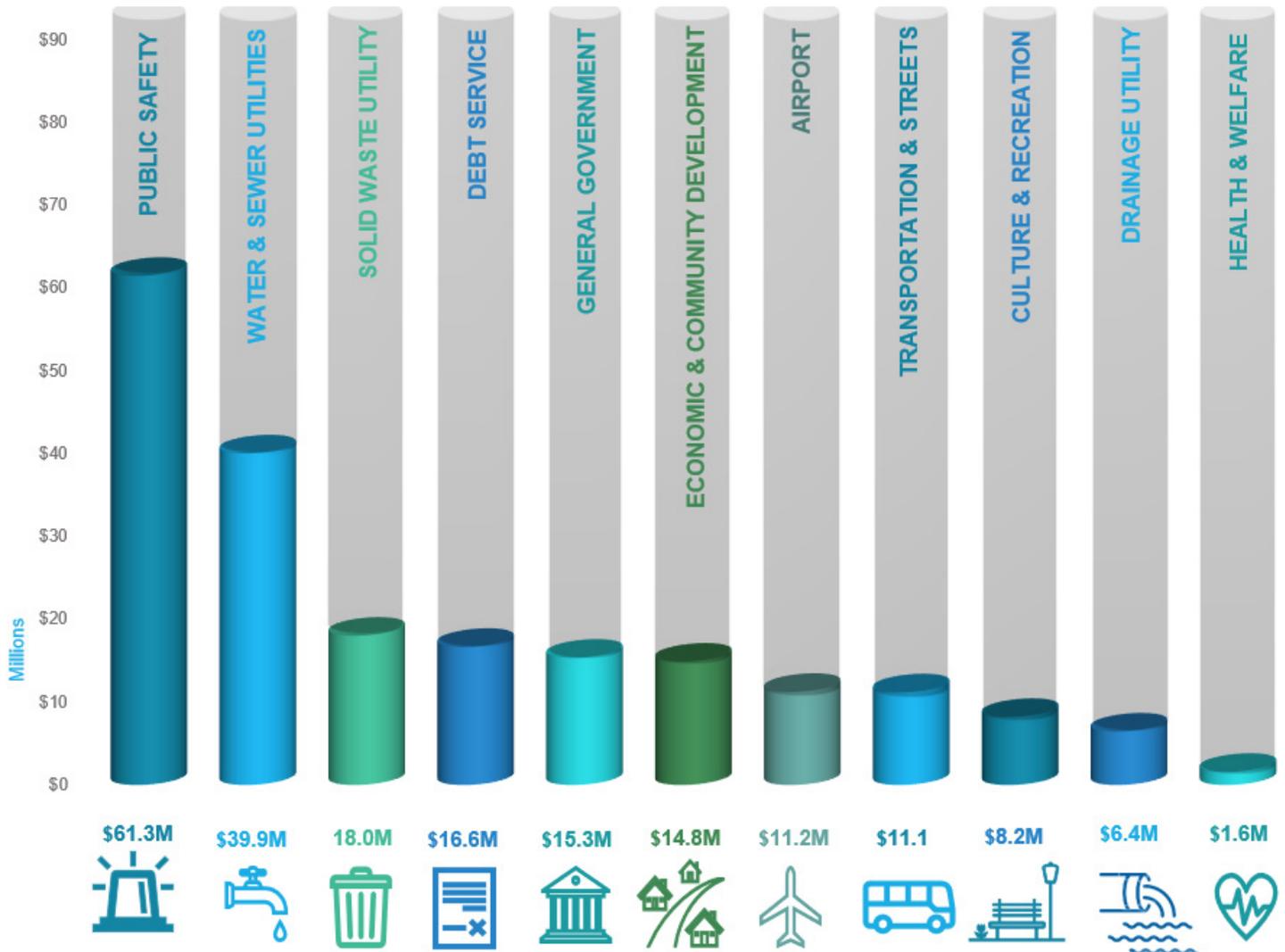
<sup>(1)</sup> Adjusted for Interfund Activity

# FY 2021 OPERATING BUDGET BY FUNCTION



What is the money being used for?

1 FY 2021 OPERATING BUDGET BY FUNCTION TOTAL \$204.5



<sup>(1)</sup> Adjusted for Interfund Activity

## Chart Legend:

**Public Safety:** Police Department, Fire Department, Municipal Court, Law Enforcement Grant, Police State Seizure, Police Federal Seizure, Emergency Management Fund, Teen Court, Court Technology Fund, Court Security Fee Fund, Court Juvenile Case Manager Fund, Jury Fund, Fire Department Special Revenue Fund, Police Department Donations Fund and Capital Projects.

**Water & Sewer Utilities:** Water & Sewer Fund, Senior Citizens Assistance Program Fund and Capital Projects.

**Solid Waste Utility:** Solid Waste Fund and Capital Projects.

**General Government:** City Council Department, City Manager Department, City Auditor Department, Communications Department, Legal Department, Finance Department, Cablesystem PEG Fund and Capital Projects.

**Economic & Community Development:** Planning & Development Department, Community Development Department, Hotel Occupancy Tax (HOT) Fund, KCCC Fountain Fund, Library Memorial Fund, Community Development Block Grant (CDBG) Fund, Community Development Home Program Fund, Tax Increment (TIRZ) Fund and Capital Projects.

**Airport:** Skylark Field Fund, KFHRA Fund, Aviation AIP Grants Fund, Aviation CFC Fund and Aviation PFC Fund.

**Culture & Recreation:** Recreation Services Department, Parks Donations Fund, Animal Control Donations Fund and Governmental Capital Projects Fund.

**Drainage Utility:** Drainage Utility Fund and Drainage Utility Fund CIP.

**Transportation & Streets:** Street Maintenance Fund, Transportation Department and Capital Projects.

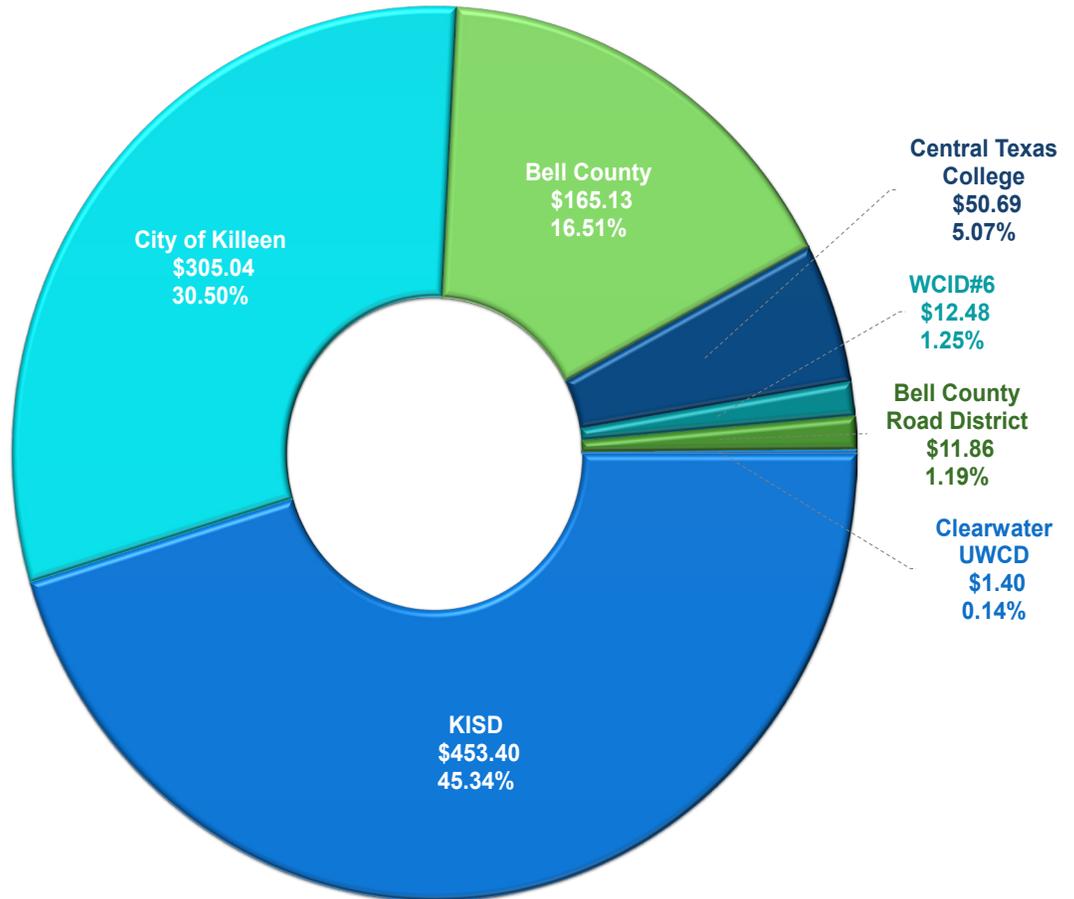
**Health & Welfare:** Human Resources Department, Risk Management Fund and Wellness Non-Assessment Fund.



# PROPERTY TAXES

For every \$1,000 in property taxes paid by residents and businesses, the City receives \$305.04.

Taxing Unit	FY 2021 Adopted Tax Rate
KISD	\$ 1.08950
City of Killeen	0.73300
Bell County	0.39680
Central Texas College	0.12180
*WCID#6	0.03000
Bell County Road District	0.02850
Clearwater UWCD	0.00334
	<u>\$ 2.40294</u>



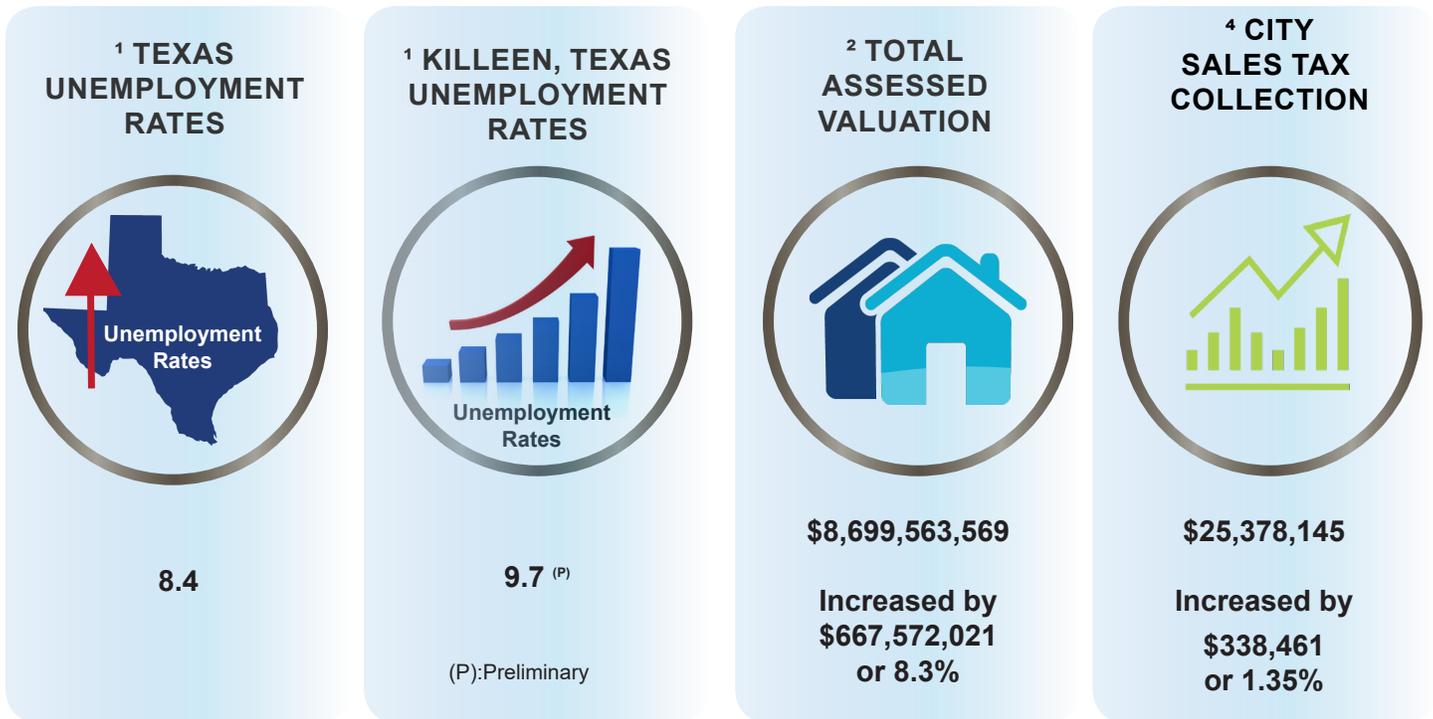
\*Not all properties are taxed by Bell County WCID #6



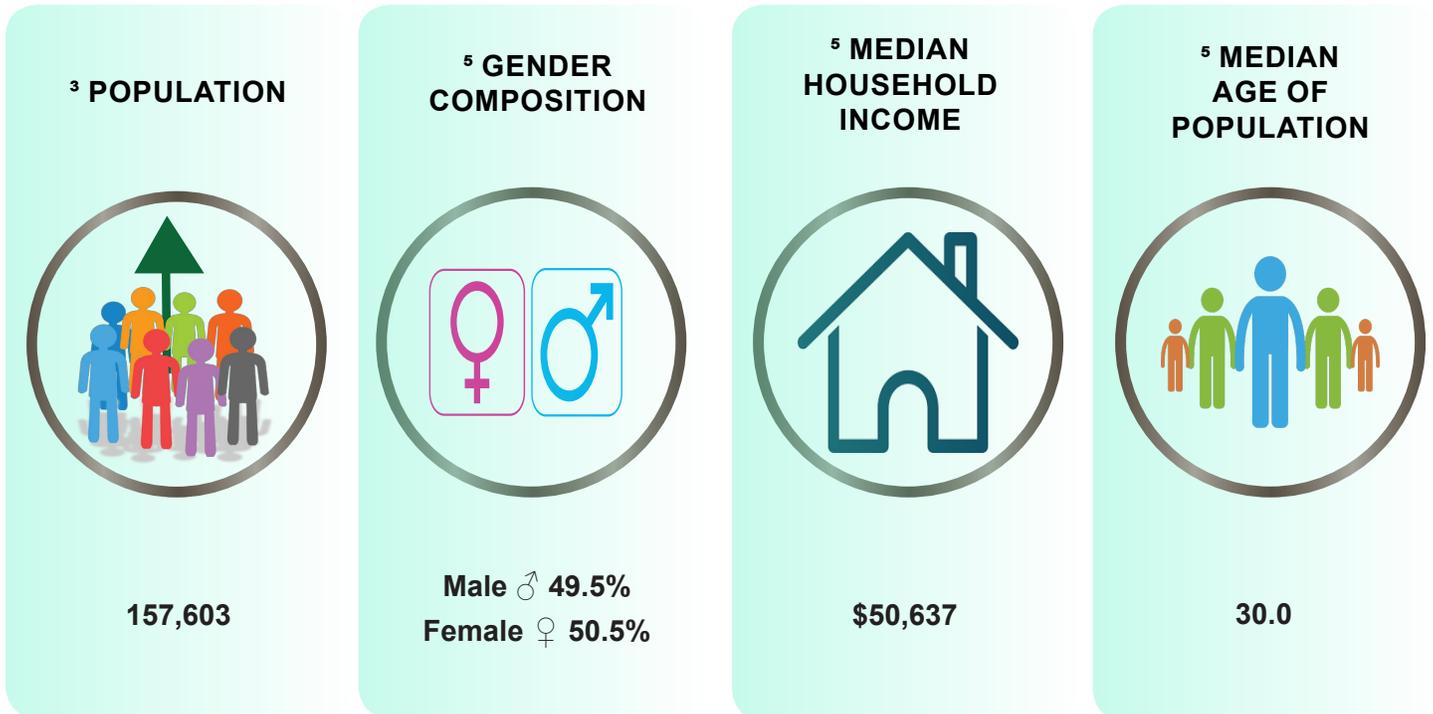
# QUICK FACTS



## CURRENT ECONOMIC CLIMATE



## DEMOGRAPHICS: CITY OF KILLEEN



Sources:

<sup>1</sup>U.S. Bureau of Labor Statistics Unemployment Rates (Seasonally Adjusted) June 2020 - as of August 31,2020.

<sup>2</sup> Bell County Tax Appraisal District

<sup>3</sup> U.S. Census Bureau – 2010 Profile Data

<sup>4</sup> City of Killeen

<sup>5</sup> Greater Killeen Chamber of Commerce



# City of Killeen Budget Division

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The Budget in Brief was produced by the City of Killeen Finance Department Budget Division. This document provides Citizens with a high-level overview of the City's FY 2021 Budget. The City's Proposed Budget Book can be found on the City's website: <https://www.killeentexas.gov/417/Budget>



**For specific questions or comments, please contact the Budget Division.**

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