



City Manager Delivers Status Report on Upcoming Budget

Preliminary budget to be delivered August 7.

City Manager Ron Olson presented a status report with preliminary findings for the Fiscal Year 2019 Budget to City Council at tonight's workshop. The presentation detailed revenue estimates and financial trends that will be factors in developing the plan for the coming budget year.

The foundation of a balanced budget is creating an accurate estimate of revenues so that expenditures can be planned within that limit. Tonight's presentation enumerated the findings in this initial step and offered long-term projections to consider when making budgetary decisions.

Assumptions were made to begin budget development. It is assumed that population growth will continue at about two percent each year, that inflation will continue at between two and three percent annually and that the City will continue offering the same services.

The presentation focused largely on the General Fund, which comprises 45 percent of the overall \$180 million City budget. The fund is supported primarily by property and sales taxes and funds services like public safety, streets, parks, libraries and general government operations.

General Fund revenue is estimated for both property and sales taxes as well as franchise fees, permits, charges for services, fines and other sources. The preliminary data shows a projected decrease in revenue due primarily to no growth in property tax receipts and the expiration of public safety grants.

Revenue and expenditure trends over the past decade were analyzed to gauge changes in revenue sources and expenditure allocations. Key findings show that while General Fund revenues have increased by 26 percent in that time, revenue per capita has decreased by 21 percent when adjusted for inflation.

Staffing trends were also examined from 2008 to 2018. While the number of staff members has increased by 16 percent, it has not kept pace with population growth resulting in an 11 percent reduction in employees per 1,000 residents.

Comparative analysis was completed to demonstrate the City of Killeen's position among other cities. While Killeen ranks near the top of the list in population, it appears near the bottom of the lists for sales and property taxes and overall revenue per capita and for the number of employees per 1,000 residents.

Forecasts show a widening gap between revenue generated by growth and the cost of maintaining service levels. The disproportionate impact of veterans exemptions on Killeen's tax base is a significant factor in current and future budgets.

Olson has identified strategic issues that will require City Council discussion and direction ahead of budget delivery. Compensation equity, employee retirement, street maintenance and building

maintenance all have significant financial impacts and will require additional revenue or cuts in services to address in this and future fiscal years.

The next step in budget development is to use all of these findings to create priorities and allocate resources throughout the organization. The result will be a proposed budget with balanced revenues and expenditures.

The City Charter requires that the City Manager develop a proposed annual budget and plan of municipal services and present it to City Council at least 45 days prior to the start of each fiscal year October 1. Once delivered, City Council deliberates the proposal prior to its required adoption by September 20.

The preliminary budget calendar schedules the City Manager's delivery of the proposed budget to City Council August 7. Departmental presentations by fund are expected during August workshops. Public hearings on the budget and tax rate are scheduled at September meetings. Budget adoption is expected at a special meeting September 18.

The City Manager's full presentation of preliminary budget findings along with all information related to the 2018 and 2019 budgets is available at killeentexas.gov/budget.

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