



Council Workshop

- ***Economic Development***
- ***Financial Health of the City***

June 30, 2016

Dedicated Service – Every Day, For Everyone!



Challenges

FY 17 and beyond

- ❖ **Interperiod Equity: expenses exceeding revenue (2003 → 2016)**
- ❖ **Rating of I & S/M & O shift (Relief, 2021) : \$ 3.7 m (FY 16 and 17)**
- ❖ **Increased costs: CPI +8.5%**
 - Population growth since 2011, +7.2%**
- ❖ **Aligning GF/EF funds**
 - **\$400,000 GF → W/S for merchant fees**
 - **\$ 750,000 bonds → GF for transportation division**
 - **City-wide Compensation System (2014), \$3m, +2% annual growth**
 - **Grants: compensation, \$3m (+2% annual growth)**
\$2m (equipment)
- ❖ **Safety**
 - ❖ **Caps on department operational budgets (frozen, 2013)**



Why?



General Fund

Historical Operating Results (Millions \$)

	2009	2010	2011	2012	2013	2014	2015
Revenues	60.59	61.93	65.28	69.14	68.44	71.65	76.66
Expenses	62.40	61.39	67.53	66.89	69.27	73.65	78.86
Surplus/ (Deficit)	(1.81)	0.54	(2.25)	2.25	(0.83)	(2.00)	(2.20)
Unassigned Fund Balance	21.66	20.92	17.98	22.52	21.18	19.40	17.51
Percent	35.36%	34.28%	26.86%	33.98%	30.81%	26.81%	22.91%

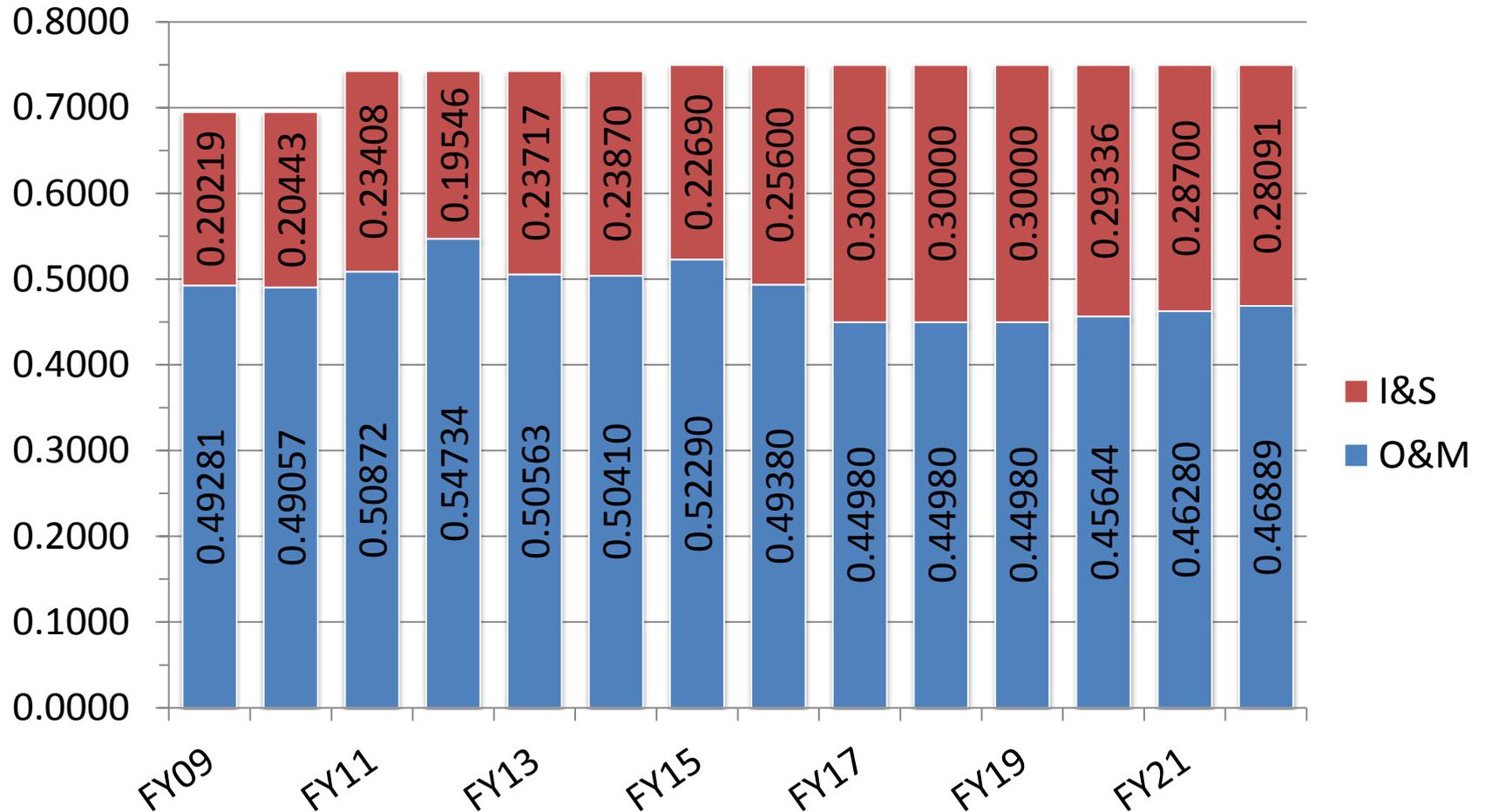
NOTES: 2003 (\$3 m) deficit
2004 (\$3 m) deficit
2006 (\$6 m) deficit



General Fund

DRAFT

Property Tax Split - Proportion





Property Tax Structure

	FY 2016	FY 2017	FY 2017 Revenue Impact
Market Value	\$6,036,239,344	\$ 6,338,464,132	
Exempt Property	(406,257,027)	(407,704,000)	(\$3,056,965)
Veterans' 100% Exemptions	(296,899,431)	(390,353,749)	(2,926,872)
Other Exemptions	(90,051,331)	(100,755,618)	(755,466)
Over 65 Exemptions (Local Option)	<u>(67,739,134)</u>	<u>(69,350,386)</u>	<u>(519,989)</u>
Net Taxable Value	\$5,175,292,421	\$5,370,300,379	(\$7,259,292)
Freeze Adjustment	<u>(232,043,780)</u>	<u>(246,055,659)</u>	
Freeze Adjusted Taxable Value	\$4,943,248,641	\$5,124,244,720	
Tax Rate per \$100 Valuation	\$0.7498	\$0.7498	
Freeze Tax Levy	\$1,651,063	\$1,730,624	
Freeze Adjusted Tax Levy	<u>37,064,478</u>	<u>38,421,587</u>	
Total Tax Levy	\$38,715,541	\$40,152,211	

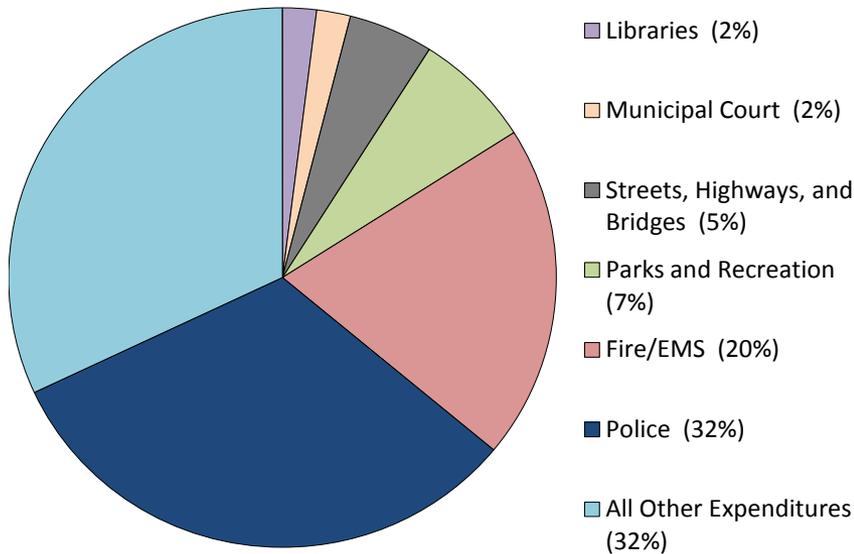
*6¢ on tax rate
Growing by \$1 m
annually

Increased Cost of Services: Factors City of Killeen

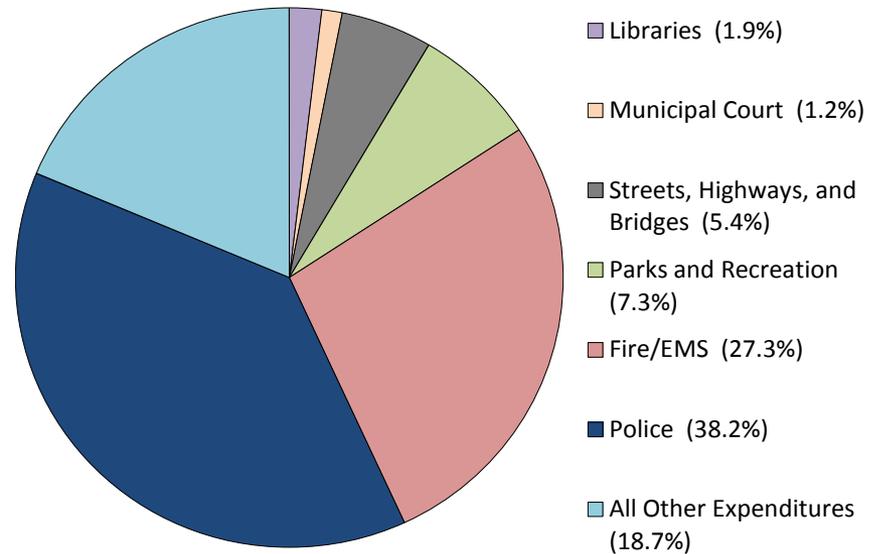
	Cost of Living Increase	Population Growth
2011	0%	131,640
2012	3.6%	135,015
2013	1.7%	134,254
2014	1.5%	139,242
2015	1.7%	140,391
2016	<u>0%</u>	<u>141,846</u>
	8.5%	7.2%

General Fund Revenue Expenditures

FY 2016 TML How Cities Work



City of Killeen FY 2017 Budget





How?

Principles

- Cut expenses.
- Delay expenses.
- Add revenue.
- Spend reserves.
- UTILIZE A HYBRID.



What?



FY 15

- Process audits (Go Gradient)

*Handling of cash



FY 16

- Staff savings through efficiencies
 - *Fuel Man
 - *Energy power factors
 - *Refunding
 - *Electricity rates
 - *Telecommunications audit
- Staff budget scrub (≈\$2.6m)



FY 17

- Staff savings through efficiencies
 - *HOT audit
 - *Merchant services
 - *Utilities audit
 - *Collections audit
 - *Energy assessment/action
- Staff initiatives to increase revenue
 - *HAZMAT fees
 - *P4 partnerships (2)
 - *New franchise fees (3)
 - *Water re-use
- Staff cuts, \$3.4m (primary impact on staff)
- Recommended revenue increases
- Recommended cuts, primary impact on services

General Fund : FY 17

Proposed Expenditure Fund Decreases

(reflected in 07/19/16 draft budget)

- Assuming a 1.494% “salary lag”: **\$999,995**
- Pausing the step increase portion of compensation: **\$427,813**
- Delaying the provision of benefits for new employees by one month: **125,076**
- Pausing the tuition assistance reimbursement program: **\$20,000**
- Pausing travel not directly related to certificate or revenue-generating activities: **\$184,144**
- Limiting the purchase of food and water (exception: provisions for officers on scene during safety responses, KCCC bar operations, students): **\$61,502**
- Allocating public works administration across General and Enterprise Funds: **\$115,134**
- Including street light costs in the transportation division; allocated across the General and Enterprise Funds: **\$457,615**
- Outsourcing EMS billing: **\$1,025,694**

TOTAL: \$3,416,973

? Council food \$2,000; travel \$30,000 ?

FY 18, 19, 20, 21: UNFUNDED NEEDS

Street maintenance

Rosewood extension (\$6m grant + \$2.75 m)

Compensation plan (higher starting wages, caps on salaries)

Chaparral Road (\$35m, with partners)

Capital Improvement Projects (Bob Gilmore Senior Citizen Center, Animal Services, etc.)

Revenue

General Fund

Council Opportunities

Ad valorem taxes
Fund balance
Transportation Utility Fund
Impact fees
Rate Models
Red Flex
Others?

Staff Initiatives

HazMat fees
Water re-use
P-4
Aviation business plan
Franchise fees
Fees for service



City of Killeen Council Workshop

Ad Valorem Taxes

July 5, 2016

Dedicated Service – Every Day, For Everyone!



Historical Tax Data

Fiscal Year	M&O Tax Rate	I&S Tax Rate	Total Tax Rate*	Appraised Value	Taxable Value	Freeze Adjusted Taxable Value	Freeze Adjusted Tax Levy	Total Tax Levy	Each \$0.01 of tax @ 98% collection
FY 2000	0.46120	0.13880	0.60000	\$ 2,197,742,274	\$ 1,954,482,363	\$ 1,954,482,363	\$ 11,726,894	\$ 11,726,894	191,539
FY 2001	0.54540	0.13460	0.68000	\$ 2,319,205,634	\$ 2,072,918,747	\$ 2,072,918,747	\$ 14,095,847	\$ 14,095,847	203,146
FY 2002	0.50580	0.17420	0.68000	\$ 2,453,095,984	\$ 2,198,181,894	\$ 2,198,181,894	\$ 14,947,637	\$ 14,947,637	215,422
FY 2003	0.51620	0.16380	0.68000	\$ 2,618,622,621	\$ 2,330,164,265	\$ 2,330,164,265	\$ 15,845,117	\$ 15,845,117	228,356
FY 2004	0.52110	0.17790	0.69900	\$ 2,849,821,601	\$ 2,536,247,292	\$ 2,536,247,292	\$ 17,728,369	\$ 17,728,369	248,552
FY 2005	0.52180	0.17320	0.69500	\$ 3,013,700,074	\$ 2,690,294,155	\$ 2,690,294,155	\$ 18,697,544	\$ 18,697,544	263,649
FY 2006	0.50020	0.19480	0.69500	\$ 3,383,389,073	\$ 3,024,014,497	\$ 3,024,014,497	\$ 21,016,901	\$ 21,016,901	296,353
FY 2007	0.47620	0.21880	0.69500	\$ 3,891,637,052	\$ 3,503,324,989	\$ 3,503,324,989	\$ 24,348,109	\$ 24,348,109	343,326
FY 2008	0.46256	0.23244	0.69500	\$ 4,363,030,088	\$ 3,975,581,548	\$ 3,975,581,548	\$ 27,630,292	\$ 27,630,292	389,607
FY 2009	0.49281	0.20219	0.69500	\$ 4,797,496,514	\$ 4,398,110,371	\$ 4,398,110,371	\$ 30,566,867	\$ 30,566,867	431,015
FY 2010	0.49057	0.20443	0.69500	\$ 5,083,927,923	\$ 4,565,643,251	\$ 4,375,096,971	\$ 30,406,924	\$ 31,715,884	428,760
* FY 2011	0.50872	0.23408	0.74280	\$ 5,139,160,999	\$ 4,598,247,312	\$ 4,392,742,421	\$ 32,629,291	\$ 34,067,651	430,489
FY 2012	0.54734	0.19546	0.74280	\$ 5,287,187,452	\$ 4,726,643,478	\$ 4,513,081,476	\$ 33,523,169	\$ 35,011,917	442,282
FY 2013	0.50563	0.23717	0.74280	\$ 5,424,952,057	\$ 4,811,938,035	\$ 4,592,445,477	\$ 34,112,685	\$ 35,654,173	450,060
FY 2014	0.50410	0.23870	0.74280	\$ 5,677,195,525	\$ 5,004,176,039	\$ 4,785,439,345	\$ 35,546,243	\$ 37,098,327	468,973
FY 2015	0.52290	0.22690	0.74980	\$ 5,784,580,161	\$ 5,019,547,844	\$ 4,800,966,116	\$ 35,997,644	\$ 37,567,618	470,495
FY 2016	0.49380	0.25600	0.74980	\$ 6,036,239,344	\$ 5,175,292,421	\$ 4,943,248,641	\$ 37,064,478	\$ 38,715,541	484,438
FY 2017	0.44980	0.30000	0.74980	\$ 6,338,464,132	\$ 5,370,300,379	\$ 5,124,244,720	\$ 38,421,587	\$ 40,152,211	502,176

* 2011 → Tax increase, \$0; cost of living increase, +8.5%; growth of population, + 7.2%



Property Tax Rate Increase

Property Tax Increase	Additional Revenue	Median Home Value	Median Home Annual Tax Increase	Median Home Annual Property Tax
\$0.00	\$0	\$120,675	\$0.00	\$904.82
\$0.01	\$502,176	\$120,675	\$12.07	\$916.89
\$0.02	\$1,004,352	\$120,675	\$24.14	\$928.96
\$0.03	\$1,506,528	\$120,675	\$36.20	\$941.02
\$0.04	\$2,008,704	\$120,675	\$48.27	\$953.09
\$0.05	\$2,510,880	\$120,675	\$60.34	\$965.16



Early Payment Discount

Fiscal Year	Amount
2016	\$986,121 (Actual)
2017	\$983,729 (Estimated at 2.5%)



General Fund

- FY 2017
Projected
Beginning
Unassigned Fund
Balance:
\$17,387,590

Unassigned Fund Balance

Percent Used	Amount of Fund Balance Used (\$)	Remaining Fund Balance (\$)	Fund Balance Percent
1%	832,429	16,555,161	19.89%
2%	1,664,857	15,722,733	18.89%
3%	2,497,286	14,890,304	17.89%
4%	3,329,715	14,057,875	16.89%
5%	4,162,143	13,225,447	15.89%

Killeen Impact Fees and Transportation Utility

July 12, 2016

Water and Wastewater Impact Fee Study Results

(Max – regulated by state)

Use data from 2013 master plan and comp plan to calculate this.

Meter Size	Water Max Fee	Wastewater Max Fee	Total Max Fee
3/4"	\$683.81	\$549.55	\$1,233.36
1"	\$1,141.96	\$917.75	\$2,059.71

One-time fee calculated at time of plat; paid when permit is pulled.

Maximum Yearly Revenue Projection

- Water Impact Fee Revenue = \$750,000
- Wastewater Impact Fee Revenue = \$600,000
- Roadway Impact Fee Revenue = \$3 million



Kimley»»Horn

TRANSPORTATION UTILITY FEE



Kimley»»Horn

100% M&O

(\$4.9 m)

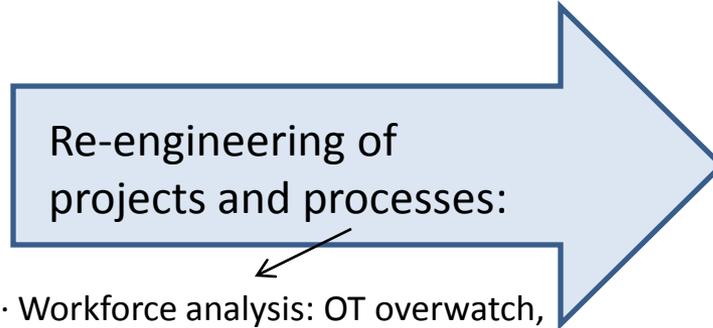
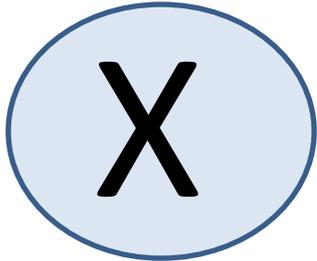
Maintenance and Operations (M&O)				
Land Uses:	Development Unit:	Total Maximum M&O Utility Fee: (Monthly)	Percentage of Maximum M&O Utility Fee:	Total Adopted M&O Utility Fee: (Monthly)
Commercial	1000 sq. ft.	\$11.65	100.00%	\$11.65
Industrial	1000 sq. ft.	\$6.91	100.00%	\$6.91
Institutional	1000 sq. ft.	\$0.68	100.00%	\$0.68
Lodging	1000 sq. ft.	\$2.87	100.00%	\$2.87
Multi-Family	Dwelling Unit	\$3.61	100.00%	\$3.61
Office	1000 sq. ft.	\$6.36	100.00%	\$6.36
Religious	1000 sq. ft.	\$1.65	100.00%	\$1.65
Single Family	Dwelling Unit	\$5.83	100.00%	\$5.83



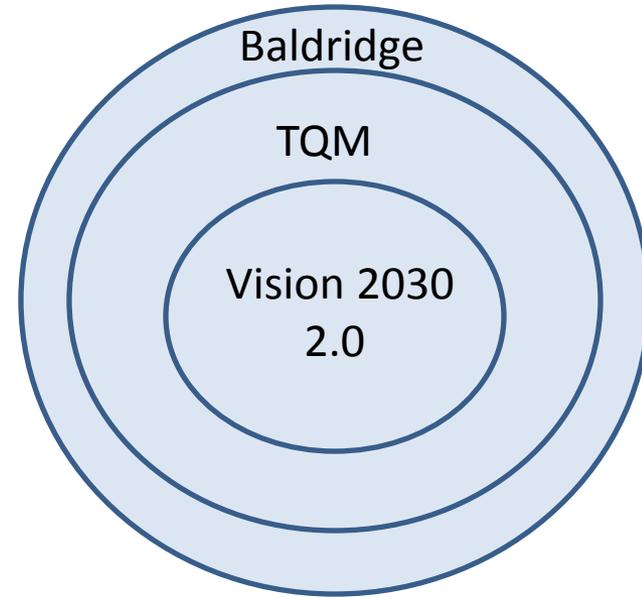


Path Forward

FY 17



- Workforce analysis: OT overwatch, safety academies, etc.
- Contracted services
- Telecommunications
- Program-based budgeting
- Other



Bridging

Reforming

Transforming: Best Community in Texas

General Fund: FY 17

Proposed Expenditure Fund Increases (not reflected in 07/19/16 draft budget)

- Ad valorem tax revenue:

<u>Cost:</u>	<u>Revenue:</u>	<u>Citizen Cost:</u>
1 cent =	\$ 502,176	\$12.07/yr
2 cent =	\$1,004,352	\$24.14/yr
3 cent =	\$1,506,528	\$36.21/yr
4 cent =	\$2,008,704	\$48.28/yr
5 cent =	\$2,510,880	\$60.35/yr
6 cent =	\$3,013,056	\$72.42/yr
7 cent =	\$3,515,232	\$84.49/yr

- Exemption, more than 65 years old: **\$519,989**
- Early payment discount: **\$1,000,000**
- Transportation utility fund:

<u>Percent</u>	<u>Revenue</u>	<u>General Fund Impact</u>	<u>Citizen Cost</u>
100	\$4.9 m	\$4m / \$1m	\$69.96/yr
75	\$3.7 m	\$3m / \$.75m	\$52.44/yr
50	\$2.4 m	\$2m / \$.5	\$35.04/yr
25	\$1.2 m	\$1m / \$.25m	\$17.52/yr

- Impact Fees, estimated revenue, 2018:
 - \$1,350,000** water/waste water (W/S Enterprise Fund)
 - \$3,000,000** transportation (General Fund)
- Fund Balance: 1% = \$830,000 2% = \$1,660,000 3% = \$2,490,000
 4% = \$3,320,000 5% = \$4,150,000