

Office of the City Manager

August 7, 2019

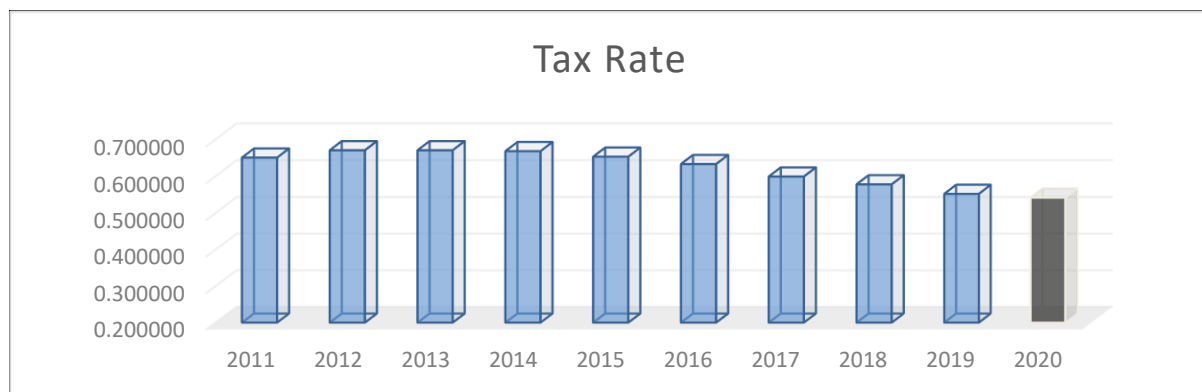
The Honorable Mayor and City Council
Leander City Hall
Leander, Texas 78641

RE: Fiscal Year 2020 Proposed Budget

I am pleased to present to you the proposed budget for the fiscal year beginning October 1, 2019 and ending September 30, 2020. The budget has been prepared to maintain the existing service levels of our growing community. Our Planning Department has recently estimated the City's population to be 63,527. This figure represents a continued strong growth rate of over 6% from the previous year. In less than a year, the 2020 U.S. Census will be underway. We are likely to be well over 65,000 population in the official count.

GENERAL FUND

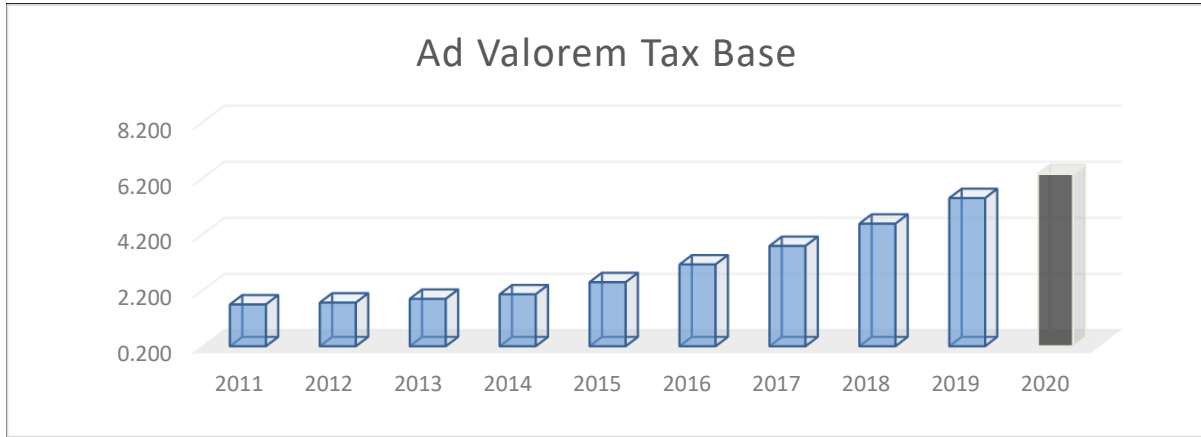
The proposed budget is based upon a tax rate of 54.1867 cents per \$100 valuation which is one cent below the current tax rate of 55.1867 cents and the seventh consecutive year of a tax rate decrease. The General Fund Maintenance & Operations proposed rate is 31.9867 which is a decrease of 2.1345 cents from last year. The Debt Service rate is 22.200 cents which is a slight increase of 1.1345 cents from the prior year due to the issuance of Phase 2 of the 2016 voter-approved GO Bonds in the par amount of \$25,675,000; the 2018-A Certificates of Obligation for the Northline Project in the par amount of \$14,365,000; and the 2018-B Certificates of Obligation for the construction and equipping of Fire Station No. 5 in the par amount of \$6,125,000.



The City added over \$495 million in new property this past year and the overall tax base increased by 16% from \$5.483 billion to \$6.346 billion in taxable value. As you are well aware, the Travis Central Appraisal District notified all taxing entities that it would not be able to certify the Travis County tax roll before

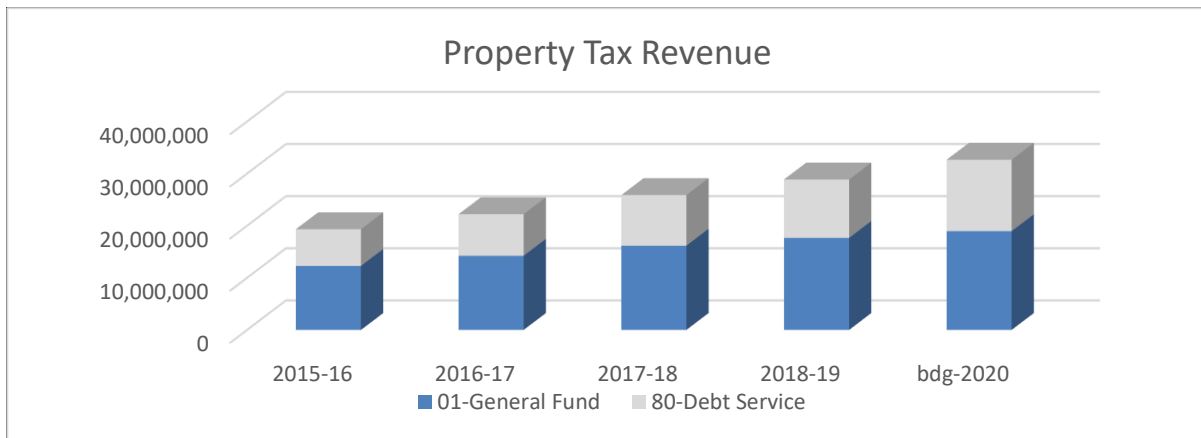


August 20. Consequently, the City is unable to officially calculate its Effective and Rollback Rates until that is accomplished. Once the certified tax roll is sent to us, we can begin the public hearing and tax rate adoption process.



The preliminary tax and budget adoption schedule assumes that the City Council meets on August 22 for a Special Meeting to consider a proposed tax rate as required by state law once the City has received the official Effective and Rollback Tax Rate calculations. If the proposed tax rate exceeds the calculated Effective Tax Rate, then the City Council must hold two public hearings before it can consider a rate for final adoption.

Below is a breakdown of property tax revenues over the past several years between the amount collected for operations versus the amount collected for debt service.

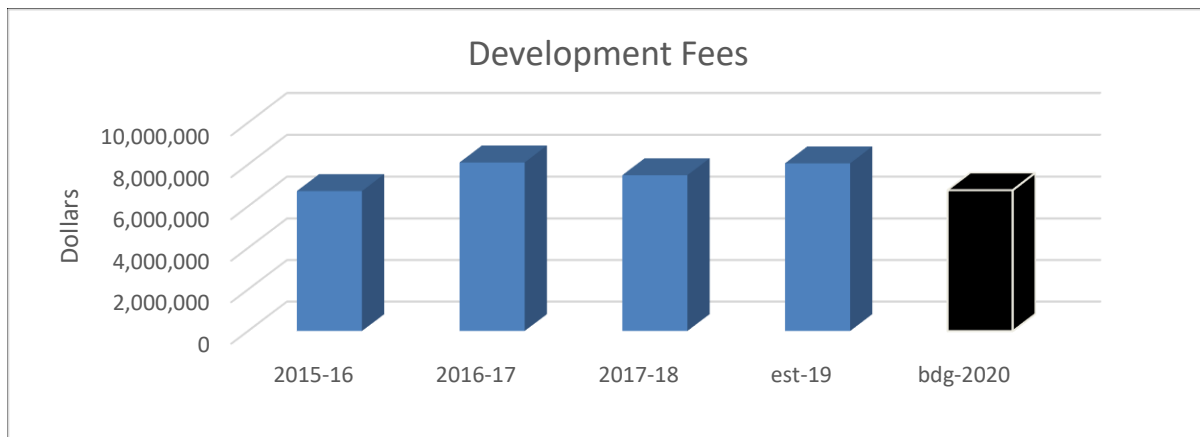
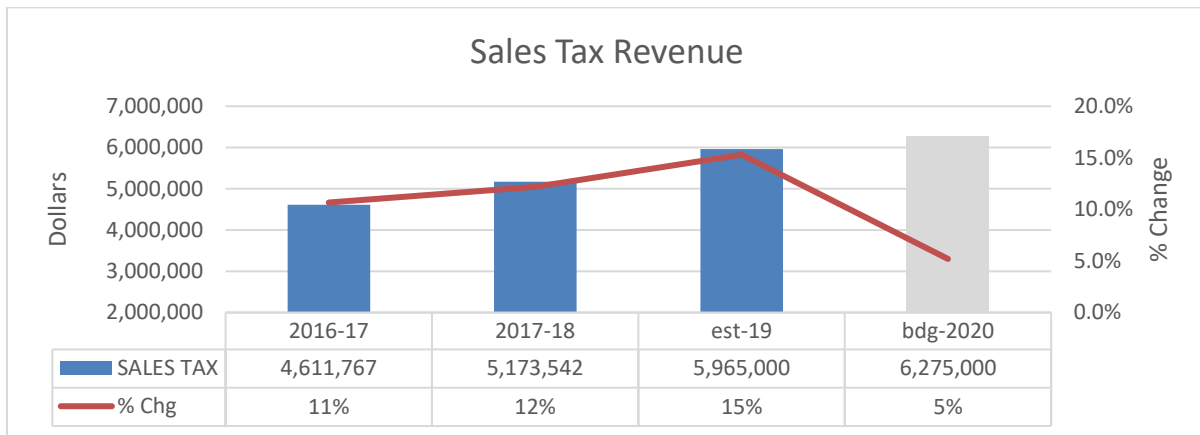


The Proposed FY 2020 General Fund Budget is balanced with \$41,787,626 in projected current revenues and the use of \$1,500,000 in surplus reserves for one-time capital projects. Forecasted General Fund revenues are up 6.7% from the 2018-19 adopted budget and 2.2% from the current year estimate. The primary increases in General Fund revenues continue to be in the areas of development-related fees, sales

taxes, and property taxes due to new construction and revaluations.

As mentioned above, Debt Service requirements have increased due to the issuance of Phase 2 of the 2016 voter-approved General Obligation Bonds; the 2018-A Certificates of Obligation for the Northline project; and the 2018-B Certificates of Obligation for the construction and equipping of Fire Station #5.

The following charts show the trend over the past several years associated with General Fund sales tax revenues and development-related fees. The chart also shows the year over year percentage increase. Next year’s revenue is conservatively estimated to increase 5% over FY 2019.



On the expenditure side, the General Fund budget includes the addition of twenty (20) new positions as follows:

Department	Position	Full-time Equivalent
Information Technology	Information Security Officer	1.0
General Services	Assistant Purchasing Agent	1.0
Planning	Planning Clerk	1.0
Public Works	Sign Technician	1.0
Public Works	Maintenance Worker	3.0

Department (cont'd)	Position	Full-time Equivalent
Engineering	Engineer	1.0
Engineering	Construction Inspector	1.0
Parks & Recreation	Maintenance Worker	2.0
Police	Patrol Officers	4.0
Police	Accreditation Manager	1.0
Police	Telecommunications Officer	1.0
Code Enforcement	Code Enforcement Officer	1.0
Fire	Fire Inspector	1.0
Building Inspections	Plan Reviewer	1.0
General Fund	Total	20

The new positions are necessary in order to keep up with the increasing demands of a vibrant and growing community as well as the continued extraordinary pace of development.

The proposed budget includes the use of \$1,500,000 in surplus reserves (combined with \$441,000 in Capital Projects Fund reserves) to fund the following capital improvement projects:

Upper Brushy WCID Model	\$ 300,000
Traffic Control Improvements	269,000
Regional Pond Improvements	350,000
Leander H.S. @ Bagdad Signal Design	50,000
Mason Creek Trail	172,000
Fire Station #2 / EMS	800,000
Total	1,941,000

In addition, the proposed budget includes continuation of the roadway rehabilitation program in the amount of \$1,750,000 which is the same amount as the prior year. The Public Works budget includes \$140,000 for professional consulting services to update the roadway pavement condition assessment which results in a complete inventory of the street conditions for all streets in Leander. The model is then used to determine a five-year maintenance program.

The proposed budget includes the impact of the public safety market-based salary adjustments from the prior year which increased wages for positions below the Chief and Assistant Chief levels by 7% for Fire and 8% for Police. The proposed budget includes continuation of the performance-based merit system for all City employees. Funding is based upon an average merit of 4%.

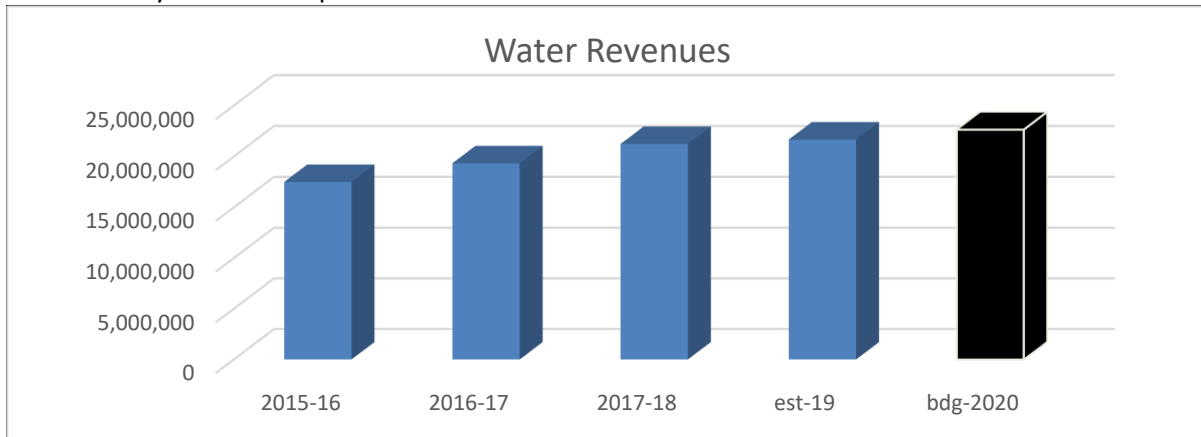
One last reminder for the General Fund I want to bring to your attention. Last year, the Fire Department received a federal grant to hire twelve firefighters which will be necessary to open Station No. 5 next year. The grant is a three-year matching grant. The grant pays 75% in the first two years and 35% in the third year. The upcoming FY 2020 budget is the second year of the grant. In future years, the City will be required to absorb 100% of the cost of these twelve positions.

GOLF FUND

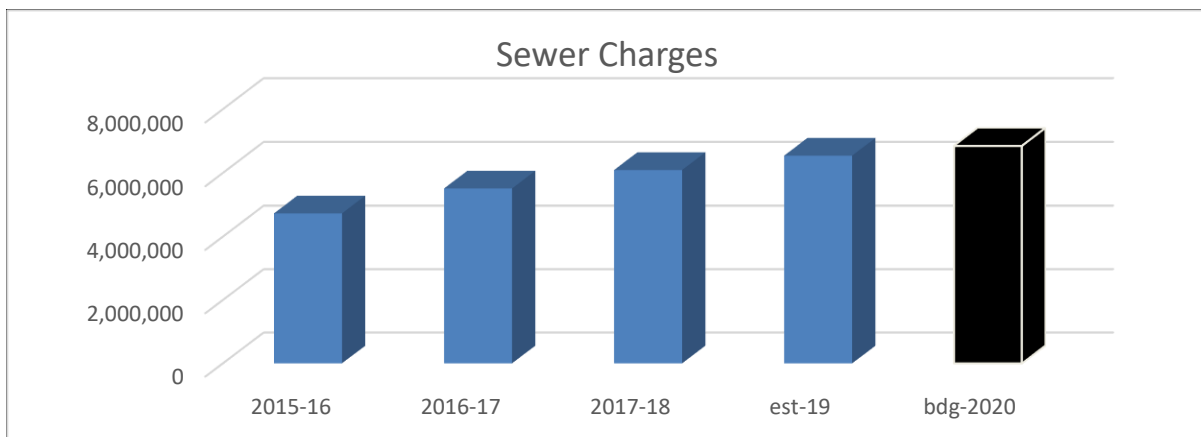
The FY 2020 proposed budget for the Golf Course does not anticipate a subsidy from the General Fund. In FY 2018, the Golf Course ended the year with a slight profit and FY 2019 appears to be very close to achieving the same result. This represents tremendous effort on the part of the entire staff at the golf course. Revenues are based upon an anticipated 29,100 rounds. No significant changes are proposed in this budget.

UTILITY FUND

The Proposed FY 2020 Utility Fund budget projects total revenues in the amount of \$20,457,200 which is an increase of \$2,025,000 or 7.1%, from the adopted FY 2019 Budget and \$1,112,687 or 3.8% above the current year estimate. The increase is based on new customer growth, partially offset by a proposed reduction in the water reserve charge from \$4 per L.U.E. to \$3. If approved, this would be the second consecutive year that this particular rate has been reduced.



Sewer revenues are also projected to be slightly ahead of the prior year due to new customer growth.



Total Utility Fund operating revenues are projected to exceed estimated expenditures, including debt service, by \$97,870.

The proposed budget includes the addition of four positions, the purchase of a vacuum truck in the amount of \$400,000, and \$1,830,600 to remove approximately 8,000 non-automated water meters and replace with current technology water meters (AMR). The program may be out-sourced and span more than one fiscal year.

Utility Fund debt service will increase in FY 2020 by \$505,796, but then will decrease slightly in FY 2021 and level off thereafter.

CAPITAL IMPROVEMENT PROJECTS

The list of CIP projects funded in FY 2020 is quite long and involves both projects currently in progress as well as new projects that will start in the upcoming fiscal year. In addition to the projects already highlighted earlier, below is a list of some of the more significant projects.

General Purpose CIP

Description	Primary Funding Source	FY 2020 Budget
Hazelwood Intersection	Traffic Impact & Roadway Adequacy Fund	140,860
San Gabriel Pkwy R-Turn at 183	Traffic Impact & Roadway Adequacy Fund	122,618
East Street	G.O. Bond Funds	4,756,512
Raider Way / Woodview	G.O. Bond Funds	6,608,835
Metro Drive	G.O. Bond Funds	3,025,758
W. South at West Intersection	G.O. Bond Funds	664,940
Brushy Creek Trail	G.O. Bond Funds	317,000
Senior Center	G.O. Bond Funds	3,685,000
Cap Metro Quiet Zones	2016 Certificates of Obligation	250,000
Fire Station #5	2018 Certificates of Obligation	3,699,806
Northline City Improvements	2018 Certificates of Obligation	14,825,000
Bledsoe Parking Lot	Park Dedication Fees Fund	250,000
Leander Commons Park	Park Dedication Fees Fund	50,000
	TOTAL	38,396,329

Utility Fund CIP

Description	Primary Funding Source	FY 2020 Budget
Hero Way Waterline	Water Impact Fees	322,500
San Gabriel Waterline 24in	Water Impact Fees	1,359,000
Lively Tract Waterline	Water Impact Fees	550,000
San Gabriel Pkwy EST Design	Water Impact Fees	200,000

Utility Fund CIP (cont'd)	Primary Funding Source	FY 2020 Budget
San Gabriel Pkwy Pump Station	Water Impact Fees	4,370,336
Crystal Falls GST #2	Water Impact Fees	1,447,129
Woodview Dr. 12 WL"	Water Impact Fees	1,061,961
Falcon Oaks Collection System	Wastewater Impact Fees	3,926,000
Brushy Creek WW Plant Expansion	Wastewater Impact Fees	3,820,659
TOD WW Interceptor	Wastewater Impact Fees	500,000
Falcon Oaks 12 WL"	Utility Fund CIP	275,000
Downtown Fire Improvements	Utility Fund CIP	750,000
Deep Water Intake - Electrical	Utility Fund CIP	500,000
Eagles Way, Mica, Topaz WW Svcs	Utility Fund CIP	821,585
WWTP No. 1 Improvements	Utility Fund CIP	2,064,000
	TOTAL	21,968,170

The entire FY 2020 Annual Budget includes numerous other funds that are required either by state law, ordinance, or as part of the budgeting process to segregate funds for particular purposes. The following chart encompasses all of the different funds.

BUDGET SUMMARY – ALL FUNDS

Fund Group	FY 2020 Proposed Budget
General Fund	43,287,626
Golf Fund	1,398,406
Utility Fund	30,300,130
General Capital Projects Funds	48,878,050
Utility Capital Projects Funds	27,096,044
Special Revenue Funds	5,751,334
Internal Service Funds	855,000
General Debt Service Fund	14,009,450
Total All Funds	171,576,040

CONCLUSION

I want to thank the entire City staff that have worked with me to make this document a reality. It represents an ambitious amount of work to be accomplished in one year. However, we are fortunate to have dedicated and talented employees who are motivated to get the job done. I look forward to working with the City Council to finalize this budget over the next several weeks.

Sincerely,



Gordon Pierce
Interim City Manager