

# Budget Workshop

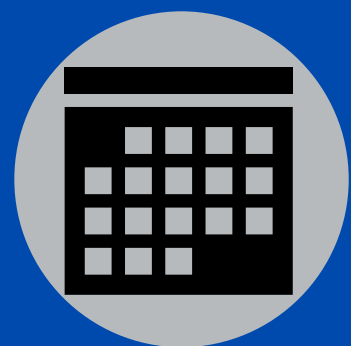
- Proposed - FY23-24 •

“Planning for Today and Tomorrow”  
Managing the Impact of Growth



## Agenda

Friday, July 14, 2023  
Community Center  
9:00 a.m. to 2:00 p.m.



## Budget

Budget Overview  
Debt Update  
General Fund & Utility Fund  
Capital Improvement Plan

2



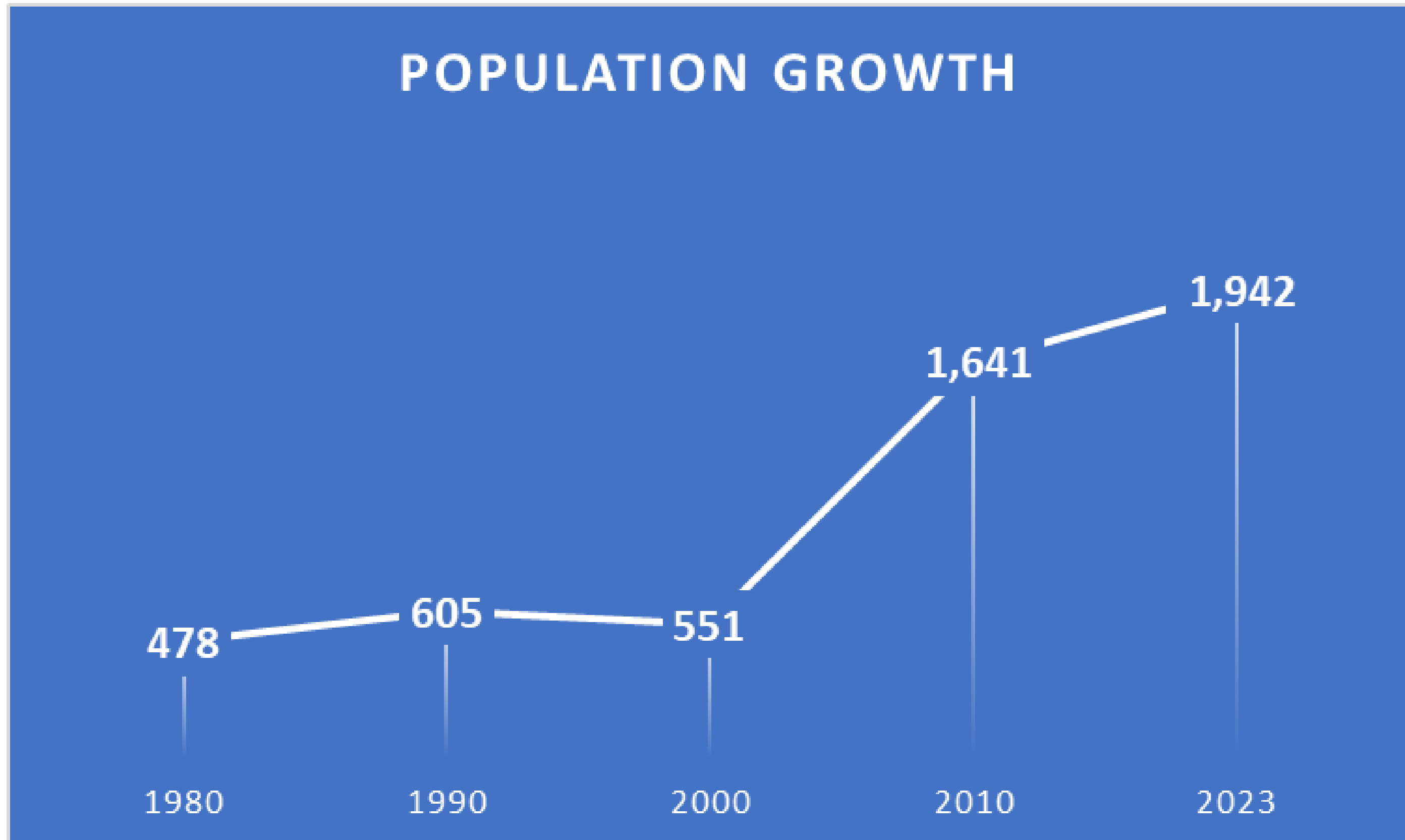
## Direction

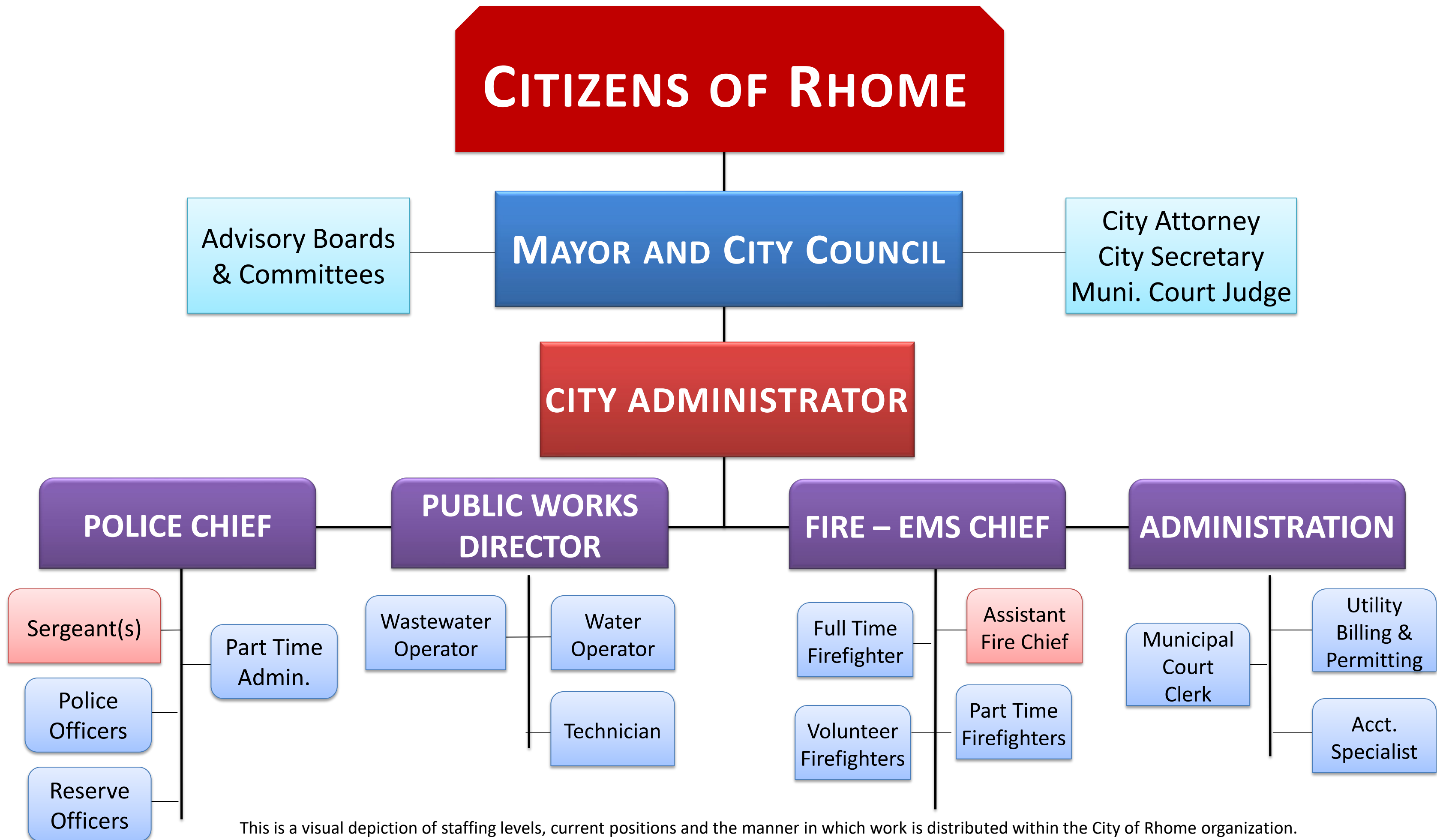
Council Feedback  
Next Steps

# State of the City – Fast Facts

- 1935 = Incorporated as a Type C General Law City
- 1940 = Became a Type A General Law City
- 5 square miles = City Limits
- 19 square miles = w/Extra Territorial Jurisdiction (ETJ)
- 1935 made application to construct water system
- 1967 constructed first sewer plant
- 2006 built elevated water tank
- 611 = approximate number of homes
- 5 = named subdivisions currently in city limits
- 2 = named subdivisions in ETJ (Bluestem & Reunion)
- 1 = named subdivision – future (Prairie Point)
- \$90,474 = Average Household Income
- \$78,365 = Median Household Income
- 34 = Median age of residents
- 1,453 = approx. number of residents over 18 yo
- 489 = approx. number of residents under 18 yo
- 5 = number of churches in city limits
- 44 = approx. number of businesses in city limits
- 7K to 10K = homes being built in PMB development

# State of the City – Fast Facts, cont.





This is a visual depiction of staffing levels, current positions and the manner in which work is distributed within the City of Rhome organization.

It is also meant to be a tool to help improve transparency with our community members.

# Vacant (Unfunded) Staffing Positions

## **Administration**

- Part-time Office Clerk
- Code Compliance Officer

## **Public Works**

- Part-time Administrative Assistant

## **Police Department**

- Part-time Residential Traffic Officer



# Economic Development

## **QuikTrip (QT)**

- **Under construction**
- **Expected completion time 2<sup>nd</sup> Quarter of FY 23/24**
- **Will generate additional revenue from ad valorem tax value increase**
- **Will generate some additional sales and use tax revenue**

## **Reunion & Bluestem (ETJ)**

- **Residential development being built by PMB**
- **In city's ETJ area**
- **Has commercial component**
- **Residents living in homes already**

# Economic Development, cont.

## **Prairie Point**

- **Future residential subdivision along Hwy 114 and near Crown Point**
- **Approx. 300 acres of developable land**
- **Mix of residential and commercial**
- **No timeline for construction**

## **Various Projects**

- **Property near Love's, QuikTrip (QT), City Hall, By Well Estates**
- **Urgent Care Center**
- **Hickory homes project**
- **Townhome project**



# Types of Bonds



# General Obligation (GO's) Bond

## City wide vote required

A GO bond is a debt instrument issued by the municipality that allows the city to raise funds for capital projects and other needs by borrowing from investors. Governmental entities such as the federal government, states, cities, school districts, and many other types of government institutions routinely sell bonds in order to attain funding to complete a project. This type of debt instrument also allows the city to pay it back the money (with interest) over an extended period of time (maximum of 40 years).

*Considered to be a stable investment choice for investors and are backed by the full-faith-and-credit of the state or local government.*

# Certificates of Obligation (CO's)

**City wide vote not required (unless petitioned)**

Proceeds may be used for:

- (a) construction of any public work;
- (b) purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes; or
- (c) payment of contractual obligations for professional services, including services provided by tax appraisers, engineers, architects, attorneys, map makers, auditors, financial advisors, and fiscal agents

Maximum maturity = 40 years

Secured by ad valorem taxes

This type of debt may be used by cities, counties and health/hospital districts.

# Tax Notes

## **City wide election not required (may not petition)**

Proceeds may be used for:

- (a) the construction of a public work;
- (b) the purchase of materials, supplies, equipment, machinery, buildings, lands, and rights-of-way for the issuer's authorized needs and purposes;
- (c) a professional service, including a service by a tax appraisal engineer, engineer, architect, attorney, mapmaker, auditor, financial advisor, or fiscal agent;
- (d) operating or current expenses; or (e) the issuer's cumulative cash flow deficit

- Maximum maturity of seven years

# Utility System Bonds

## Utility (Revenue) Bonds

Proceeds may be used for:

- (a) capital improvements; and
- (b) repairs to the enterprise system.

Often has a higher interest rate as it is backed by revenue and not tax-supported debt.

# House Bill 1869

Limits what can be financed with debt secured by taxes

“Debt service” payments *not exempt from 1869* are included on the M&O side “No New Revenue Rate” when calculating the voter approval tax rate.

Exceptions:

- Voted Debt
- Self-supporting debt
- Loan under State (e.g., TWDB) or Federal (e.g., USDA RUS) program
- Designated Infrastructure (has specific list of projects)
- Refunding Bonds
- Emergency Borrowing
- Renovating, improving or equipping existing buildings or facilities
- Vehicles or equipment
- Project located in a TIRZ



# Debt as a Financial Tool

Bonds (debt) issued to fund long-term projects:

- Road construction
  - City facilities
  - Water lines
  - Sewer plants
  - Infrastructure projects
- 
- Defrays the cost of major projects over the entirety of residents (current & future)
  - Increases equitable load of repayment (all who use the asset are paying for the benefit)
  - Repayment of bond is spread out over many years (similar to a home mortgage)
  - Allows Rhome to be good financial stewards of public funds

# Debt / Loans / Bond Rating = A+

Series	Original Amount	Outstanding as of Jan. 2023	Purposes (as described in legal documents)
1991 GO Bonds	\$ 325,000	-	Water system improvements
2000 Combo CO's	\$2,285,000	-	Improvement to water supply/collection system; rehab wastewater collection system
2005 Combo CO's	\$1,550,000	-	Water, sewer, and street improvements
2007 Tax Notes	\$ 435,000	-	Complete construction of elevated storage tank
2007 GO Refunding	\$2,085,000	-	Refunded 1991 (\$120K) and 2000 CO (\$1.7M)
2010 Tax Notes	\$ 580,000	-	Improvements to water/sewer system
2016 GO Refunding	\$ 1,617,000	\$ 577,000	Refunded 2007 GO Refunding
2017 Tax Notes	\$ 699,000	\$ 146,000	City Hall renovations, auto meter readers, warning sirens, improvements to water/wastewater system, removal of asbestos & demo Old City Hall
2019 GO Bonds	\$2,620,000	<u>\$2,475,000</u>	Water/sewer system improvements (E-WWTP)
	<b>TOTAL</b>	<b>\$3,198,000</b>	

# 2022 W/WW Revenue Bond

- **2019/2020** - The Water/Wastewater Master Plans identified several short and long-term capital improvement projects
- **2021** - Staff/consultants developed three projects to submit to Texas Water Development Board for low interest rate loans:
  - Short-term Wastewater project (s) (\$3,875,906) – Not selected
  - Short-term Water project (s) (\$1,945,650) – Not selected
  - Long-term Water projects (\$26,545,000) - Selected. However, it was discovered that pre-planning was not included and was required (project needed to be shovel ready and under contract with Upper Trinity) to accept so we weren't able to utilize.
- **2021** – Council approved a W/WW Revenue Bond for the (2) Short-term Water/Wastewater projects
- **2021** – Applied for and received a Texas Department of Agriculture CDBG that will fund bringing Well #6 back online.
- **2022** – Revenue bond approved (not issued at this time) for West Plant minimum upgrades

# Revenue Sources



# Main Revenue Sources

## Property Tax (ad valorem)

- Ad valorem means 'according to value' in Latin
- Amount due depends on value of the property & the rate set by the taxing entity
- May be assessed by school districts, cities, counties, hospitals, special districts, and community colleges
- Most Stable - reliable

## Exemptions/Exceptions

- Homestead
- Over 65 or Disabled
- Disabled veterans
- Armed services members and First Responders (killed in the line of duty)
- Religious Use

Rhome Tax Rate for 22-23 FY = .437815

Property Value	\$200,000/\$100
Tax Rate	<u>x 0.437815</u>
Taxes Due	\$ 875.63

\*less any exemptions

# Main Revenue Sources, cont.

## **Sales & Use Taxes (Sales Tax)**

- State rate = 6.25 percent
- Local rate = up to 2 percent
- Often significant revenue source
- Imported revenue
- Very volatile (changes each month)
- May be levied on all goods sold in the city limits.

Rhome uses full 2 % of sales & use tax allowed by the State

- General revenue = 1 %
- Property Tax Reduction (local) = a half percent
- Property Tax Reduction (county level) = a half percent



# Main Revenue Sources, cont.

## **Fines & Fees (permits, mixed beverages, court fines, etc.)**

- Building permits
- Court revenue from citations
- Credit card fees
- Notary / copy fees
- Charges for open records requests

## **Grants**

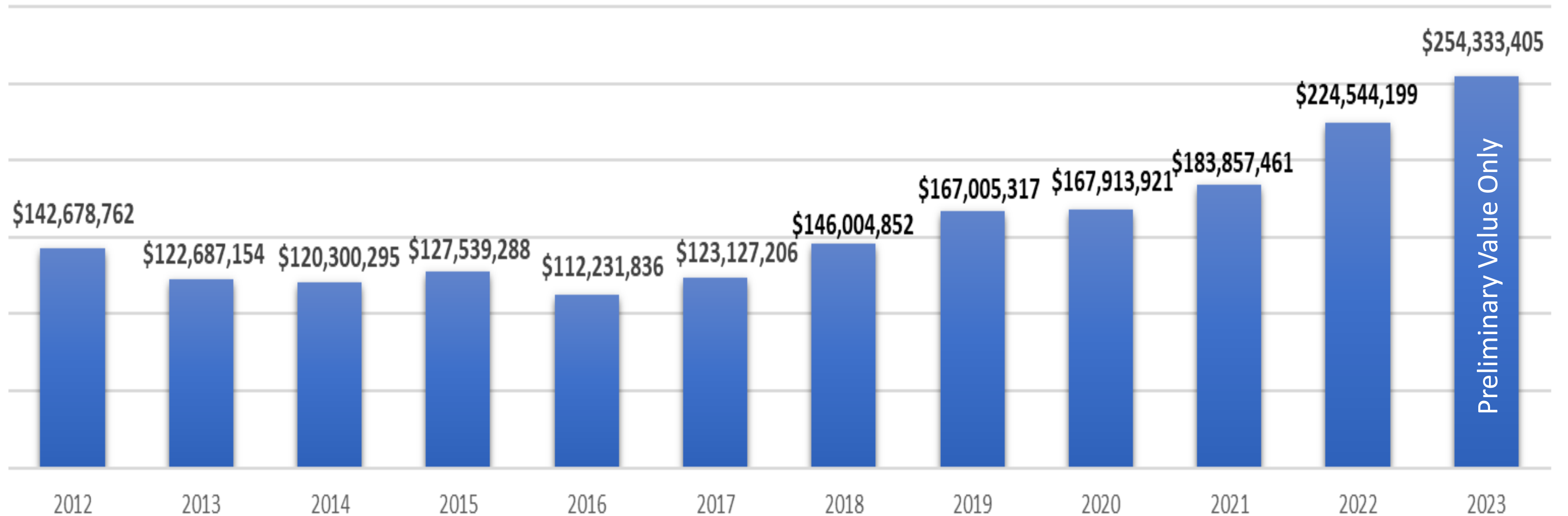
- Rhome has benefited from several grants
- Currently use Grant Works to help us prepare applications

## **Hotel Occupancy Taxes (HOT Taxes)**

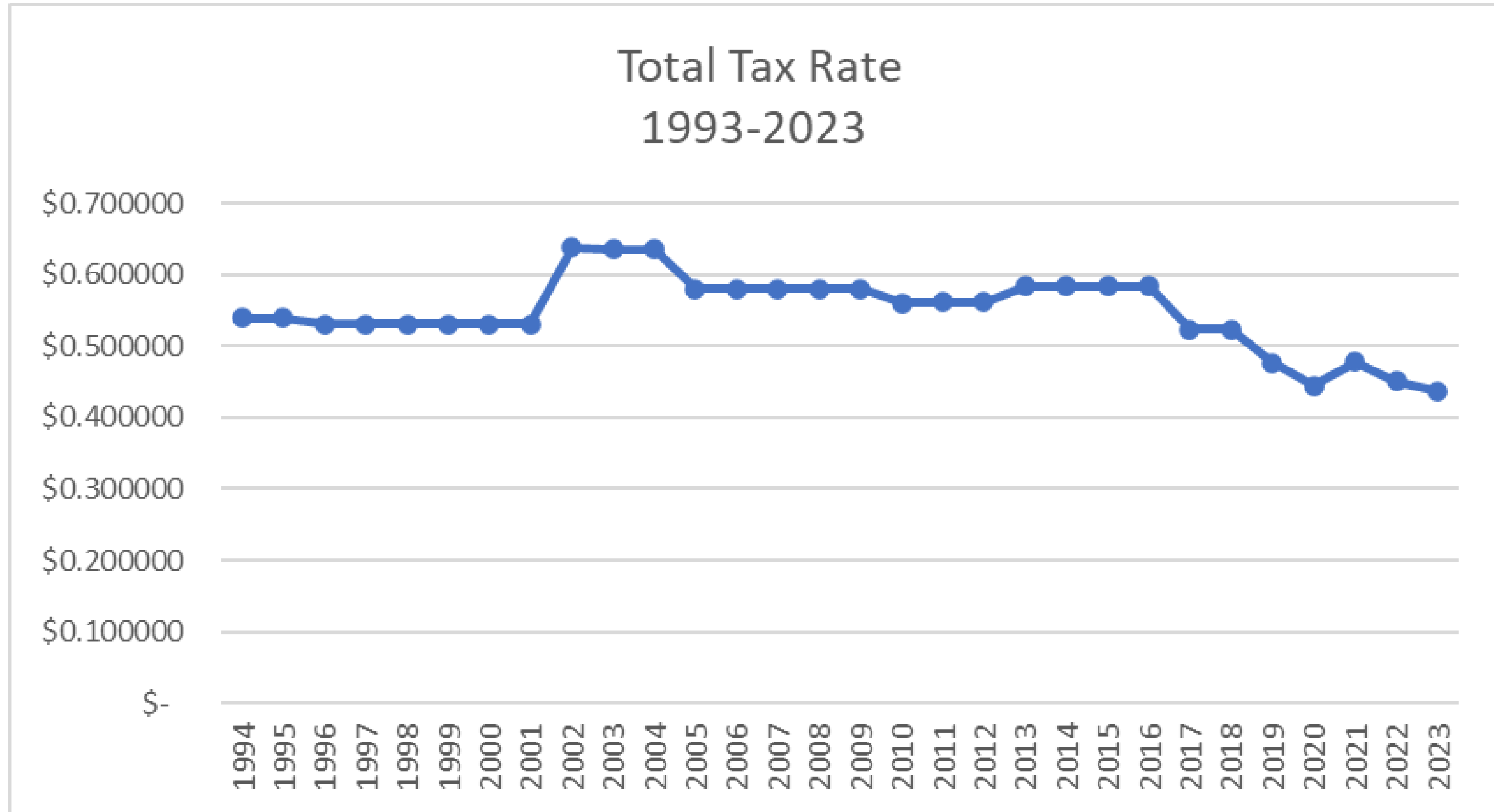
- Levied on person who pays for a room at hotel

# Tax Base

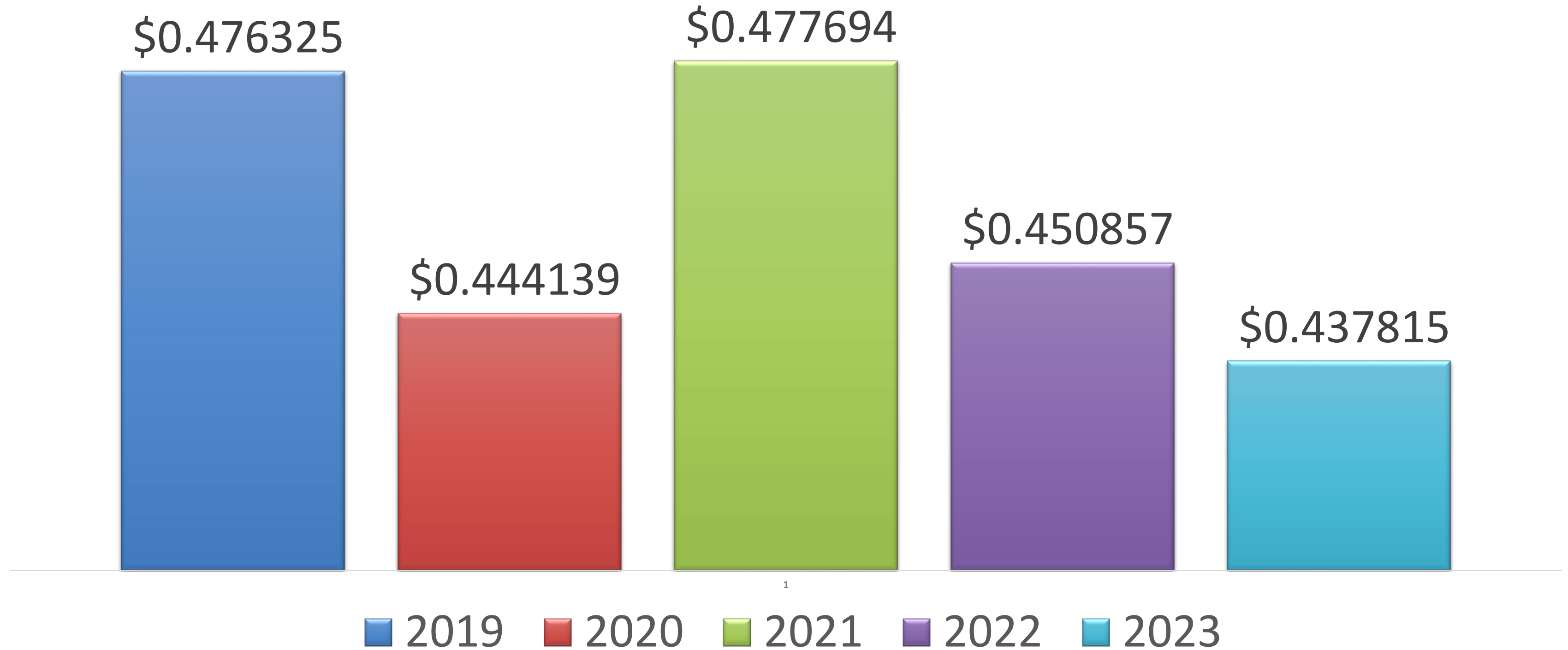
## City of Rhome Certified Taxable Value History



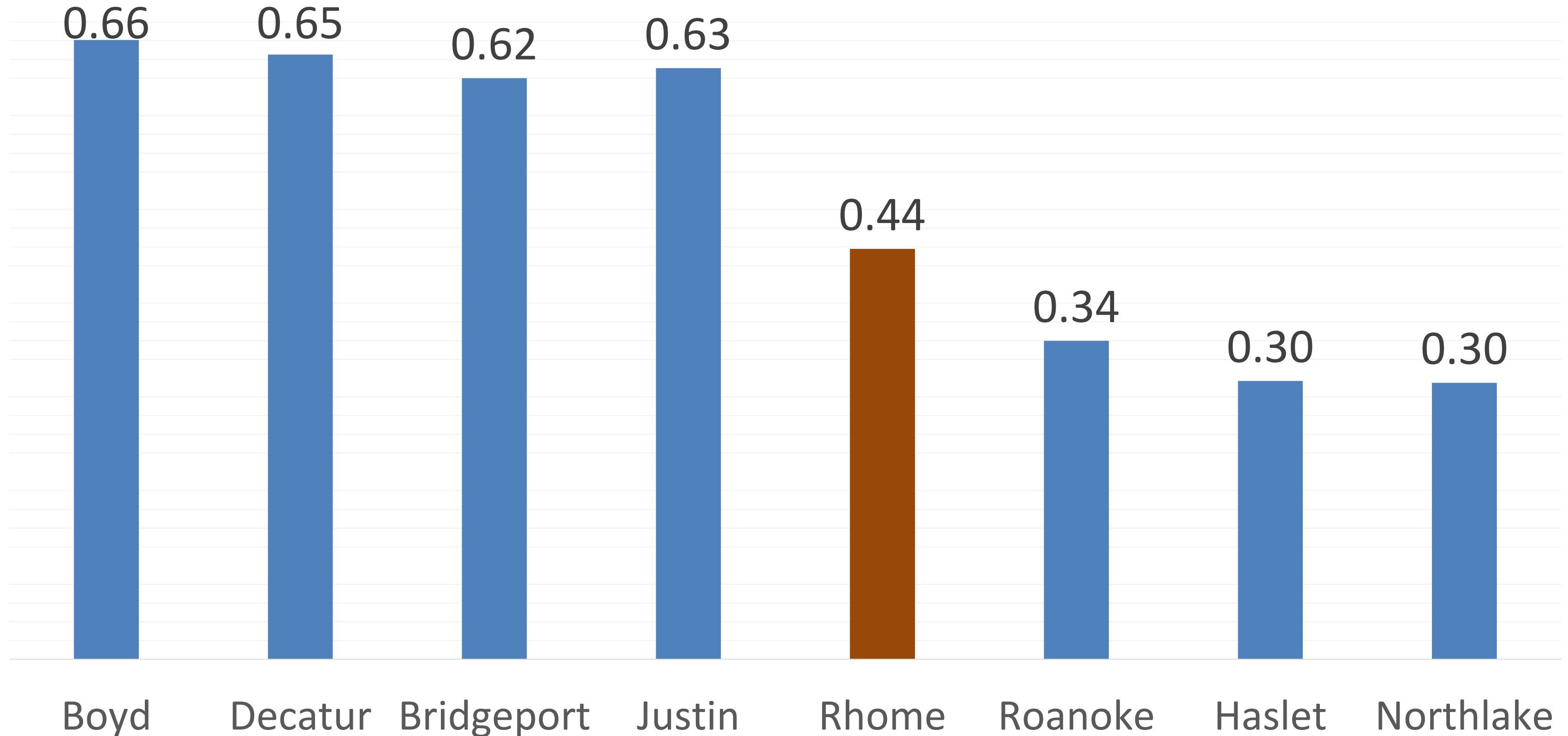
# Tax Rate History – 20 years



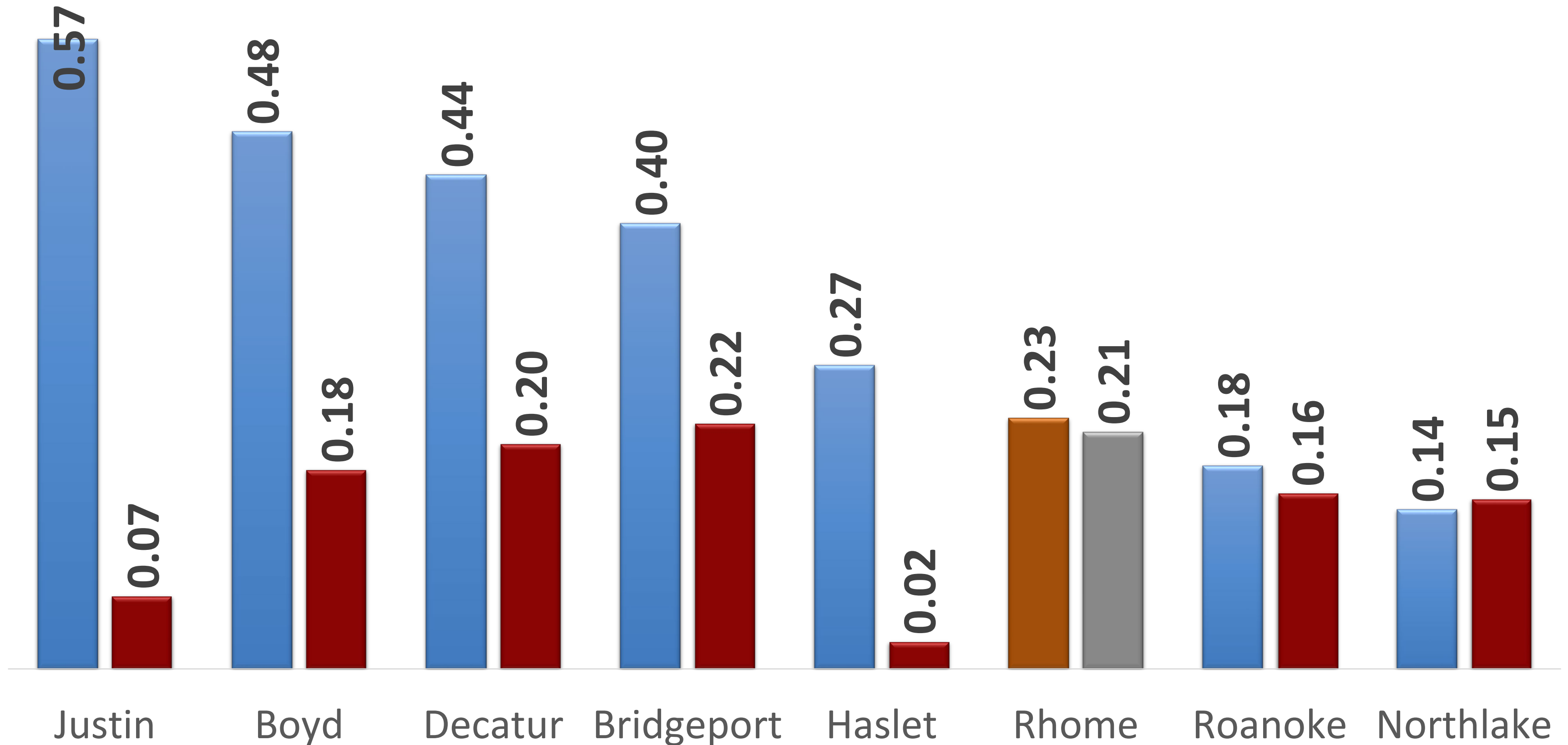
# Tax Rate History – Five Years



# Tax Rate Comparison – FY 22-23 Data

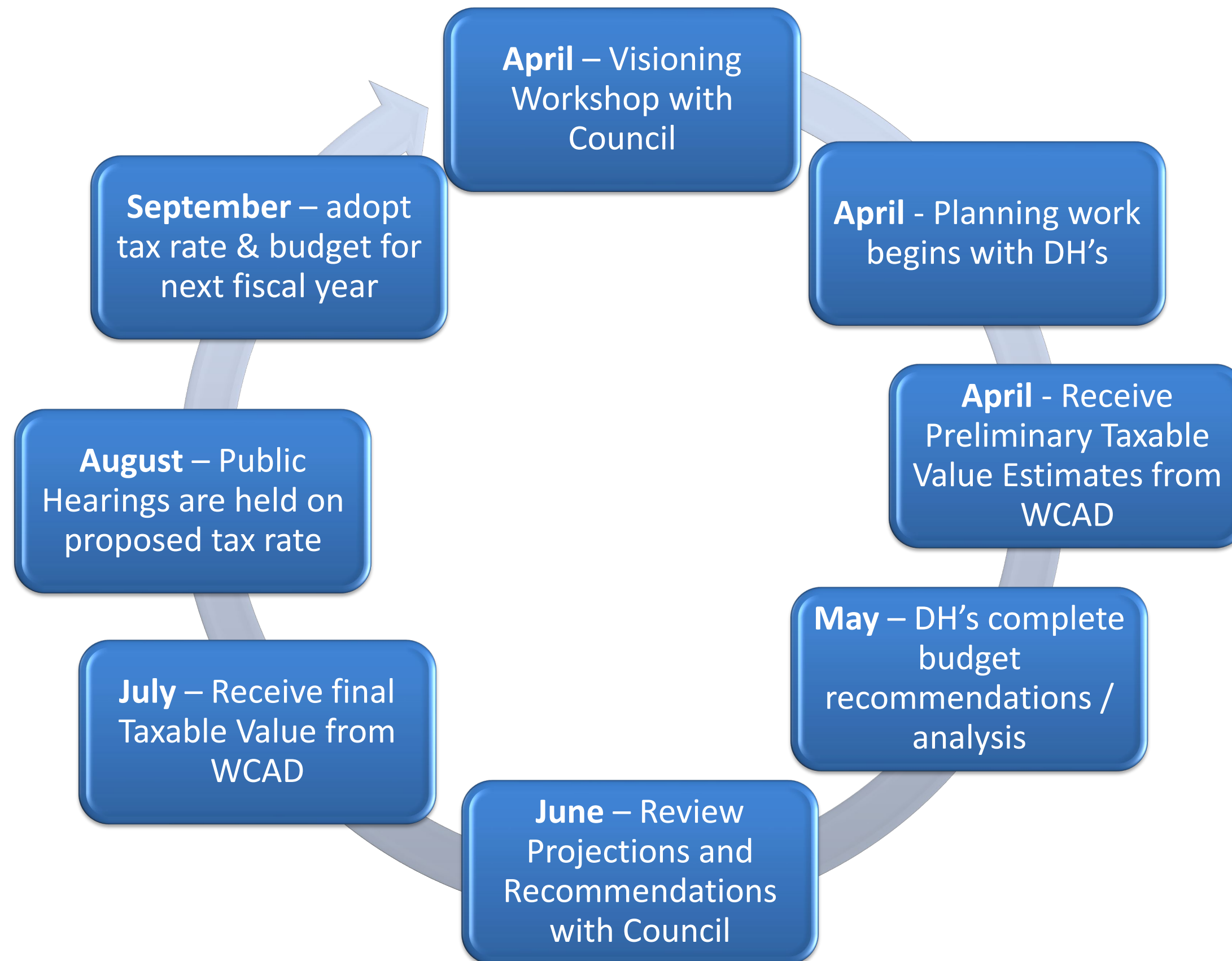


# Tax Rate Comparison – M&O and I&S





# Budget Cycle & Preparation



# Fund Types

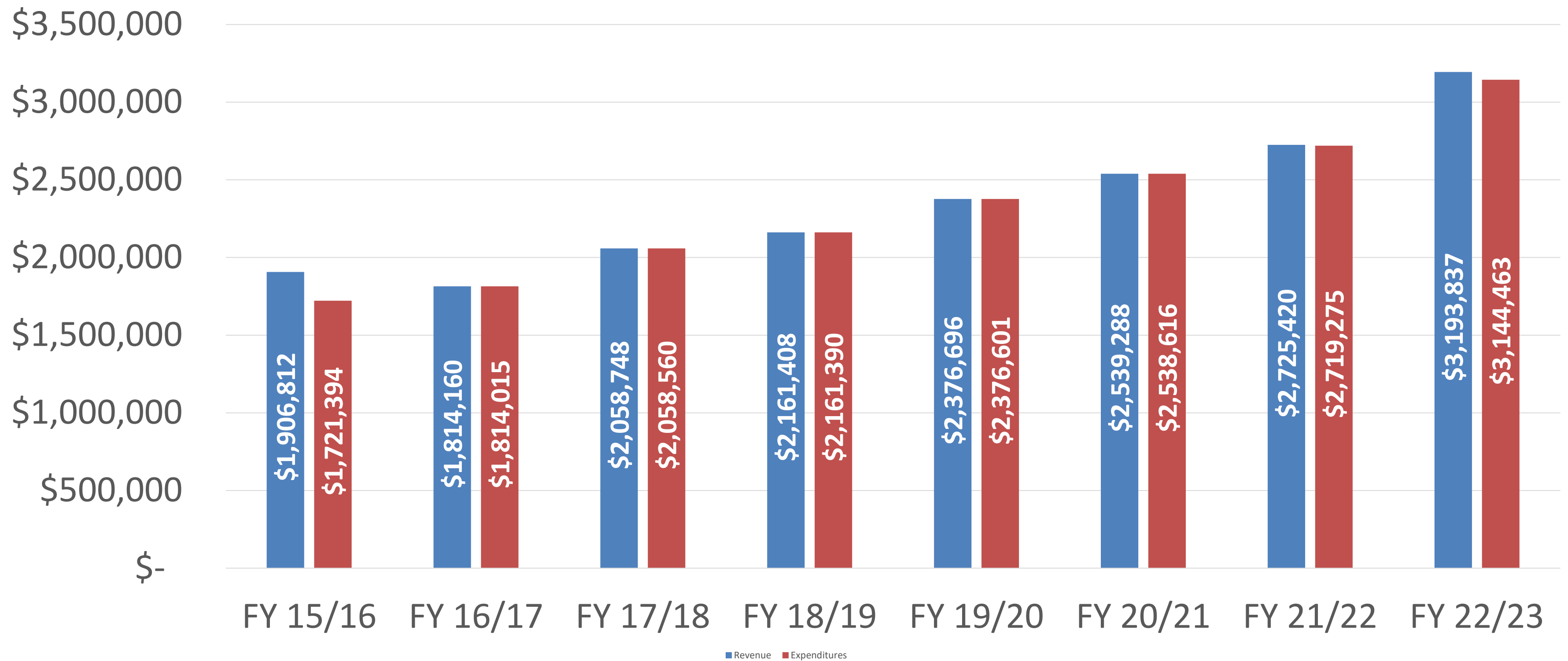
## General Fund

- ✓ Administration
- ✓ Building & Development
- ✓ Court
- ✓ Police
- ✓ Fire
- ✓ Parks

## Utility Fund

- ✓ Water & Sewer

# General Fund History (Revenue & Expenditures)



# Utility System

Water System	17 ½ miles of line
Well Water Storage Tanks	5 ground storage tanks
Wells (#3-#6)	4 groundwater wells
Elevated Tank	1 tower (1 million gallons)
FM 3433	Large ground storage tank and booster station
Bobo Plant	Inlet from WCSUD and booster station
SCADA System	Monitoring and alarm system

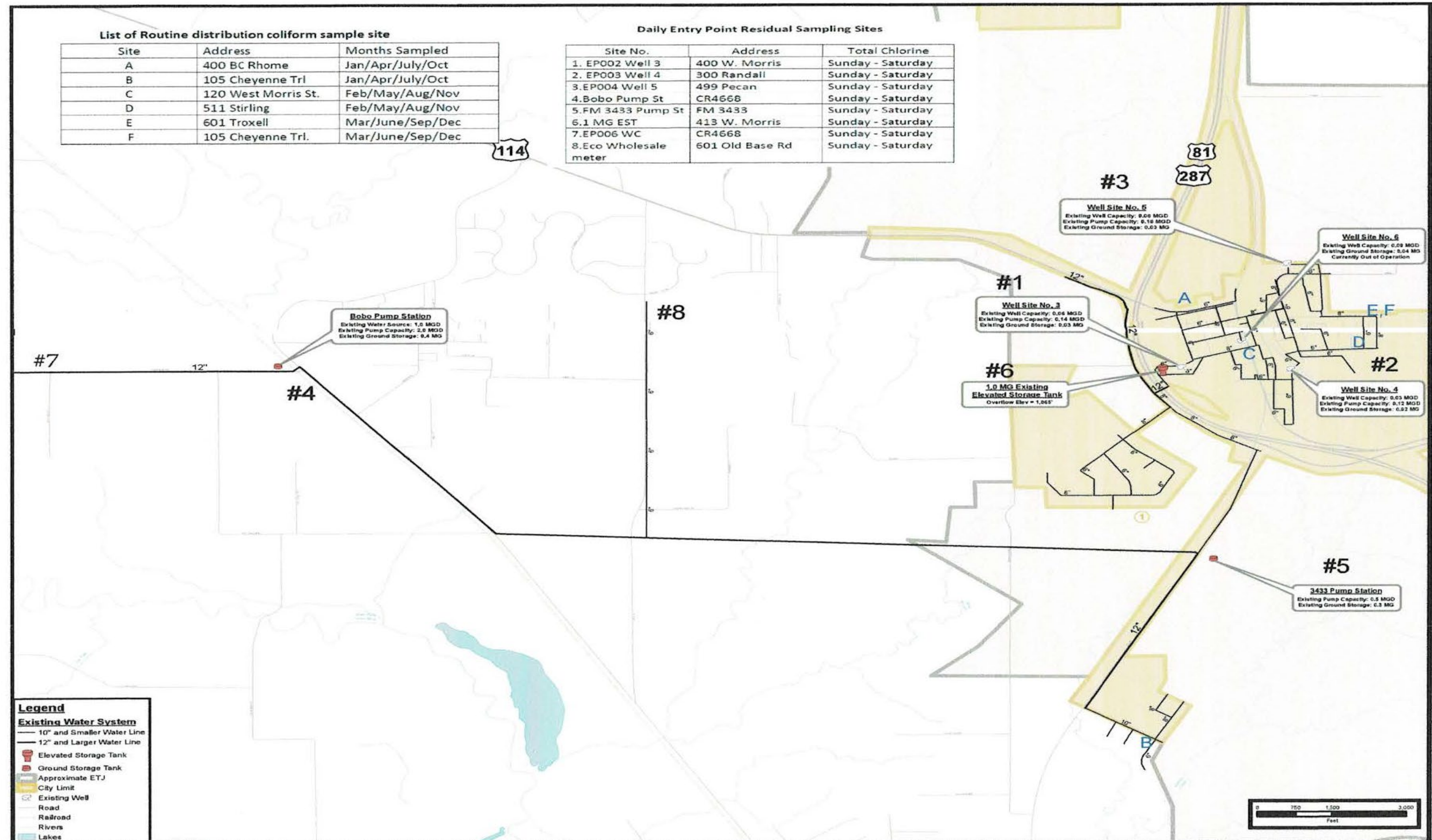
East Wastewater Treatment Plant – original 1967 Imhoff lagoons (now package plant); upgraded to package plant in October 2011

West Wastewater Treatment Plant – original 1998 package plant

Lift stations 3 (one at Love's, and one at each plant)

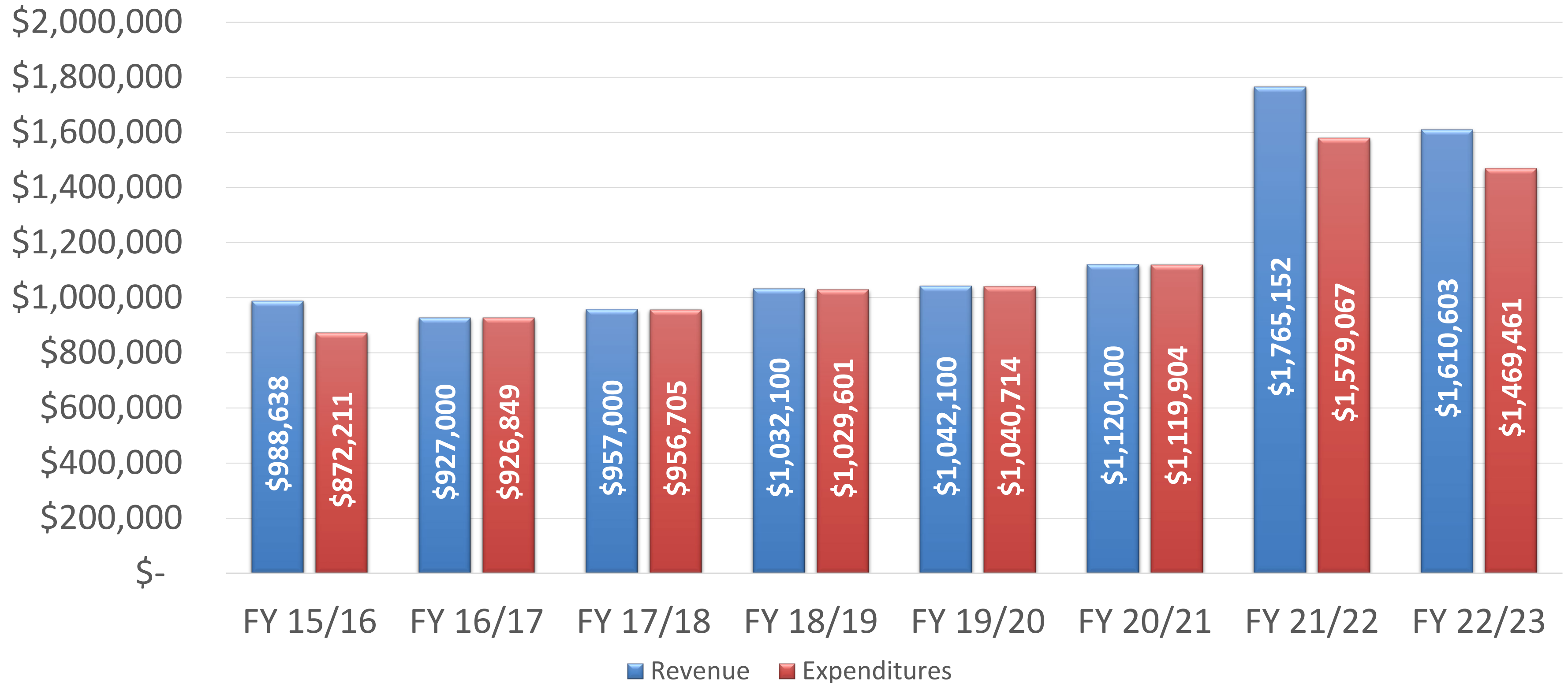


# Utility System, cont.



# Utility Fund History

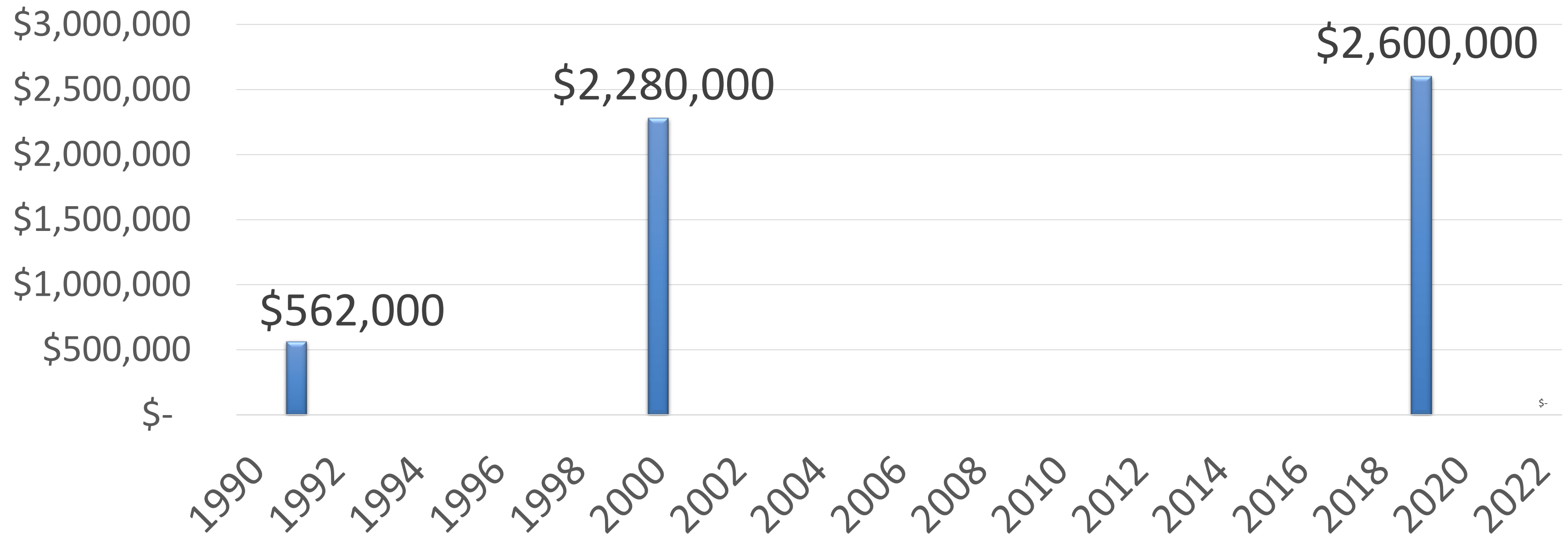
(Revenue & Expenditures)





# Utility Fund History

(Revenue & Expenditures)



# Capital Improvement Plan (CIP)

## Utility Fund

- Replace West Plant (existing)
- Clay tile lines (existing)
- Water wells (new)
- Rehab or replace ground storage tanks (existing)
- Lead and Copper Mandate
- Secondary water source or other options for future needs (new)

## General Fund

- Facilities (general replacement or rebuild)
- Senior Center rehab
- Street Repairs (need to inventory and prioritize)
- Apparatus Replacement for Fire-EMS

# Future Planning & Needs

## Community Related/Communication

- ✓ Community event planning
- ✓ Parks expansion
- ✓ Upgrade website platform (allows for email communications)
- ✓ Revamp and print/email community newsletter
- ✓ Historical preservation
- ✓ Upgrade technology system/vendor for public meeting viewing
- ✓ Electronic signs (similar to Boyd) to help inform residents of city issues
- ✓ General City clean-up (dilapidated buildings, trash, junk vehicles)

## Financial Stewardship

- ✓ Review the ½ percent local sales and use tax
- ✓ Evaluate the ½ percent county sales and use tax
- ✓ Texas Municipal Retirement System enhancements

# Future Planning & Needs, cont.

## **Public Safety**

- ✓ Future police dispatching service needs
- ✓ Plan and budget for Fire and Police staffing needs
- ✓ Consider funding Code Enforcement Officer position
- ✓ Extrication Tools for Fire Department use
- ✓ Emergency Management plan and coordination with County
- ✓ Generator for Fire Department
- ✓ Records Management system for Police – Handheld ticket writers
- ✓ CAD in vehicles
- ✓ Body cameras (in-vehicle and worn)

## **Utility System**

- ✓ Stock replacement parts for water/sewer emergencies
- ✓ Generator for Public Works

# Future Planning & Needs, cont.

## **Additional Staffing Related**

- ✓ Review and adjust current pay plan for staff
- ✓ Review the use of take home vehicles for select positions
- ✓ Consider funding part-time position to flex in court and utility billing
- ✓ Title change for utility billing position
- ✓ City cell phones for police sergeants
- ✓ Texas Municipal Retirement System enhancements

# Next Steps



Budget  
Discussions



Tax Rate  
Decision



Adoption of FY  
23/24 Budget