

# **Debt Service Fund & CIP Fiscal Year 2021**

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# Tax-Backed Bonds Debt Service Fund

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# Debt Service Fund

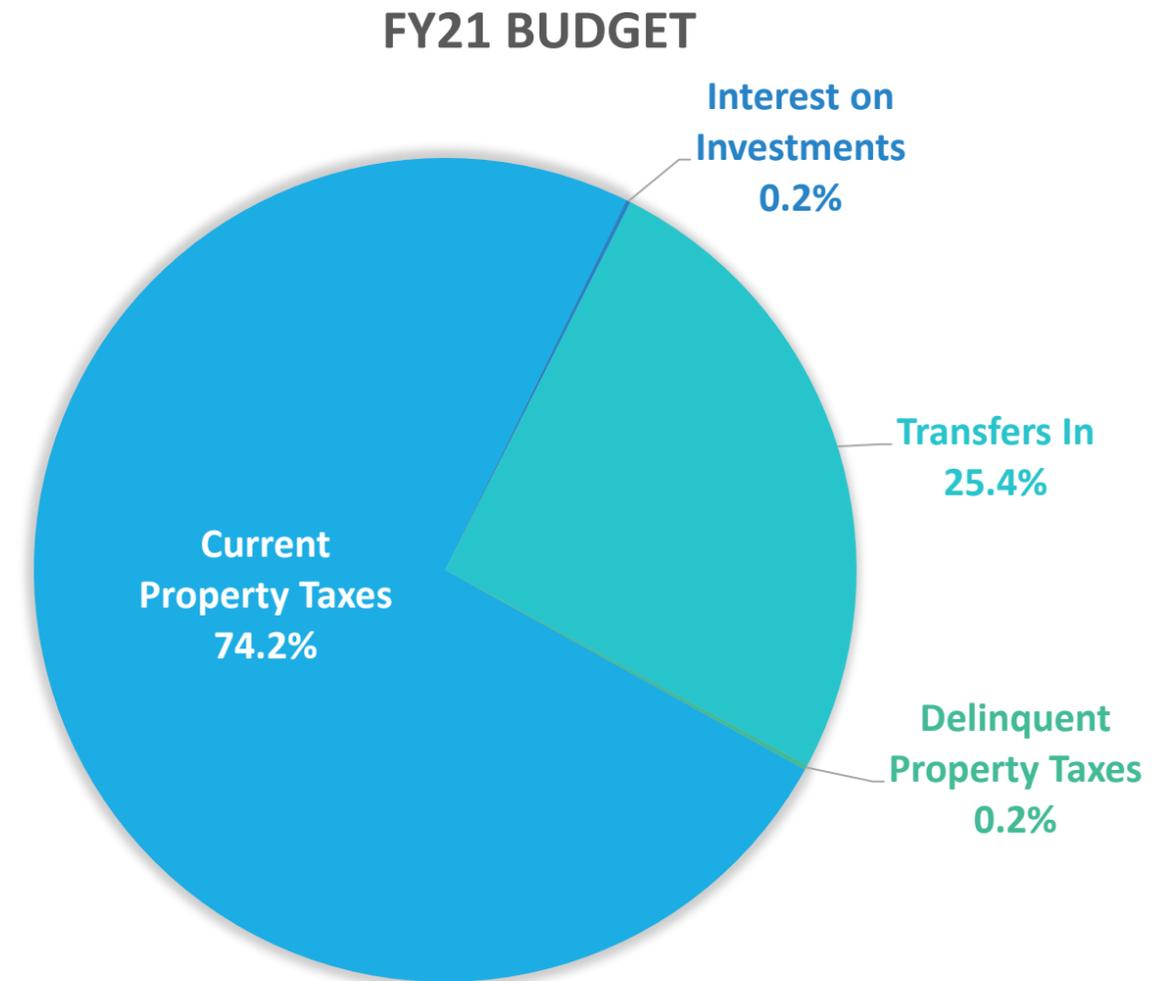
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- **Accounts for repayment of Tax Backed Debt**
- **Revenue sources:**
  - **Property Taxes**
    - **Debt service tax rate of \$0.13345**
    - **Homestead exemption at 12%**
  - **Transfers in**
    - **Tourism Fund (COs backed by HOT)**
    - **Utility Fund (Assumed MUD Debt)**
    - **Enclave at River Park PID**

# Revenue Impacts of COVID-19

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- Property Tax has been a stable source of revenue for the city even through the ongoing pandemic.
- Sales Tax as well as other revenues have been significantly impacted by the economic effects of COVID-19.
- The impact across other funds requires staff to assess strategies to address these shortfalls.
- Property Taxes make up 74.2% of the Debt Service Fund Revenue and 25.4% comes from Transfers in



## **FMPS Direction on Property Taxes- after SB2**

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- As economic conditions permit and in accordance with the voter-approval tax rate, the City Manager will recommend a tax rate that is equal to a 3.5% adjustment to the tax bill to maintain existing service levels, recognizing that individual tax bills will vary based on a number of factors, including revaluation, residential vs commercial revaluation and exemptions.**
- Adoption of the annual budget and tax rate will take into account growth in the certified tax roll, adjustments to the nominal tax rate and the homestead exemption- with a long term objective of stability in the tax rate and predictability of tax bills.**
- As stated in the GO bond section of the FMPS, in the tax year after a GO bond election, the debt service tax rate will be adjusted based on the projected impact of the bonds- before any projects from the GO bond election are funded in the CIP.**

## FMPS Direction on Debt Capacity

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- For property tax supported debt, current debt capacity shall be determined by an amount of annual debt service that the City can fund within a flat debt service tax rate with no growth in assessed valuation.
- The affordability shall include the anticipated impact to the tax rate necessary to support the proposed debt.
- This tax rate impact should be stated as a maximum impact with no assumed future changes to residential exemptions or growth from revaluation or new taxable value.
- The calculation shall include the estimated maximum annual increase in the amount of taxes that would be imposed on a residence homestead with an appraised value of \$100,000 to repay the debt obligations, if approved, based on the assumptions by the City. (Government Code Sec. 1251.052)

# Response to Financial Impact of COVID-19

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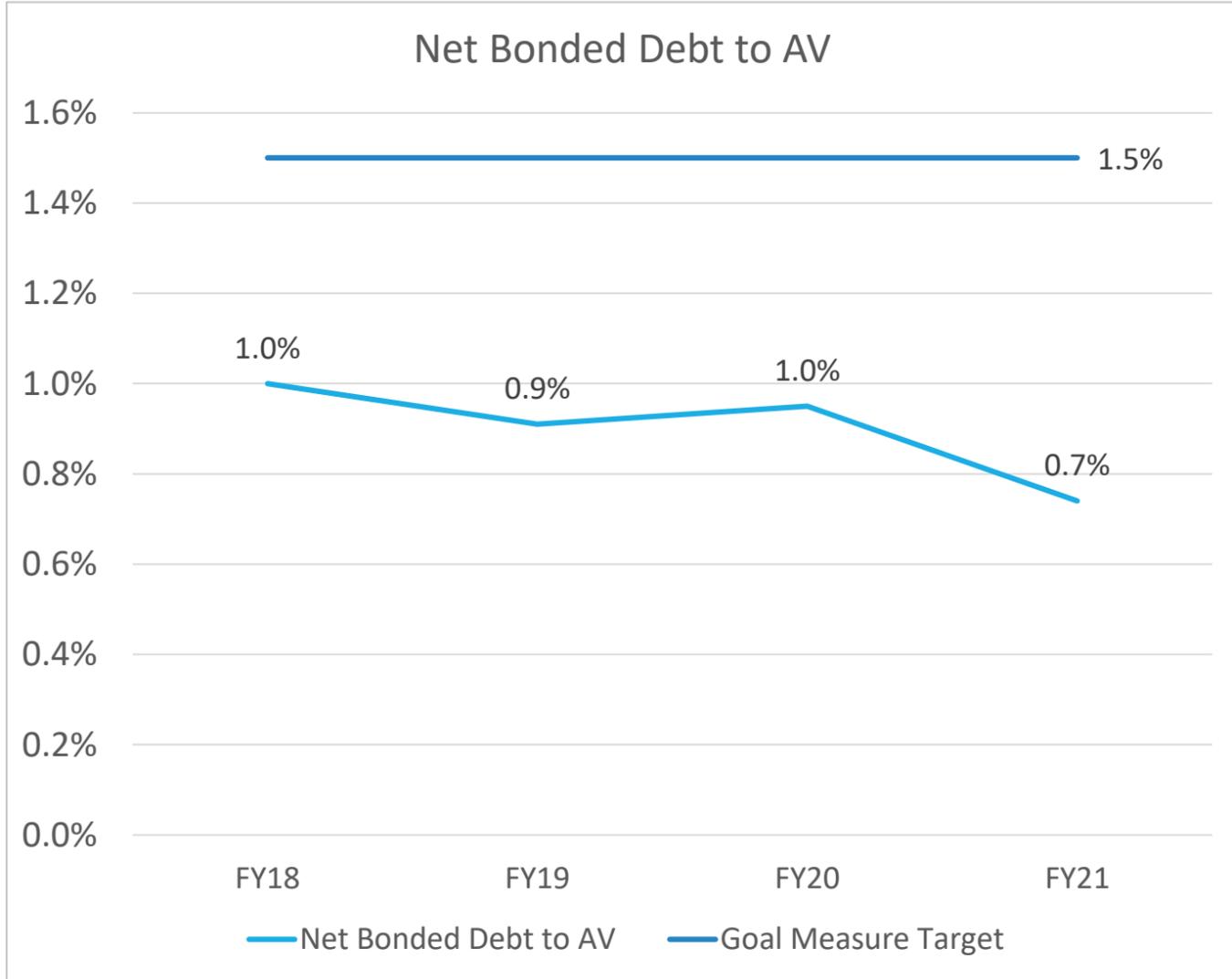
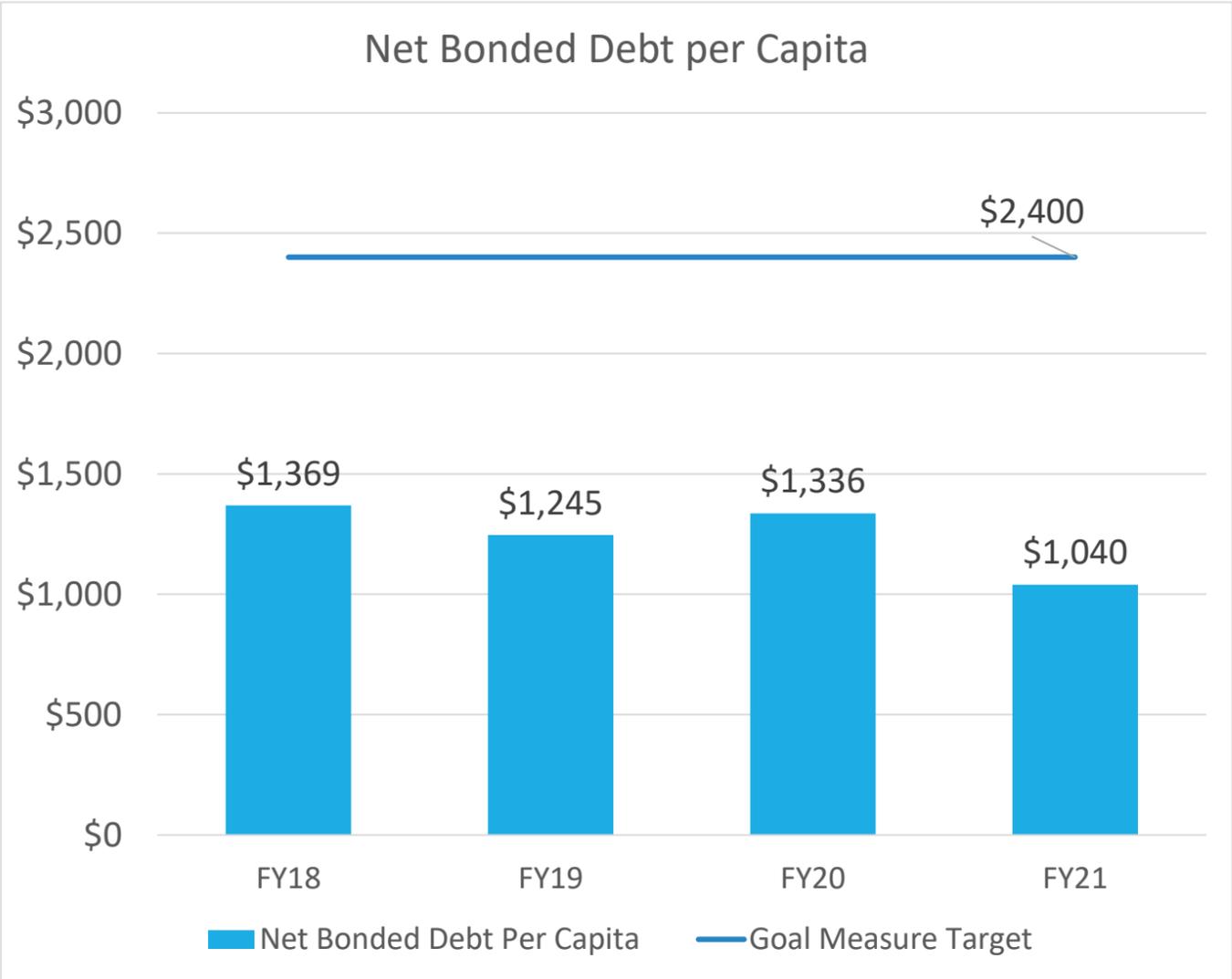
## ➤ Property Tax Revenues - Shift to M&O

- Policy direction to budget M&O growth at 3.5% consistent with Voter Approval Tax Rate
- Consistent with FMPS to support M&O needs within existing tax rate
- Revenue assumptions for debt service exclude any growth from revaluation- this provides capacity to shift within the existing tax rate from debt to M&O to meet operating needs with no impact on tax bills

# Tax Rate Required to Fund FY21 Budget and CIP

	2019	Shift from Debt to M&O	Increase for GO Bond Projects	2020 Proposed Tax Rate
Maintenance & Operations	\$ 0.19705	\$ 0.00600	\$ 0.00000	\$ 0.20305
Debt Service	0.13495	-0.00600	0.00450	0.13345
<b>Total</b>	<b>\$ 0.33200</b>	<b>0.00000</b>	<b>0.00450</b>	<b>\$ 0.33650</b>

# FY21 Debt Service Expenditures Net Bonded Debt per Capita and Net Bonded Debt to AV



## FY21 Debt Service Expenditures

Millions (\$)	FY20 Budget	FY20 Projections	FY21 Budget
Current Outstanding & New Debt	\$ 28.86	\$ 26.84	\$ 28.69
Issuance Costs/Fiscal Fees/Other	0.13	0.14	0.03
Refunding Payment to Escrow	13.71	13.72	-
<b>Total Debt Service</b>	<b>42.70</b>	<b>40.70</b>	<b>28.72</b>
Rebates & Assignments	1.71	1.71	1.69
Transfers to Other Funds	0.07	0.09	0.09
<b>Total Other Expenditures</b>	<b>1.78</b>	<b>1.80</b>	<b>1.78</b>
<b>Total Expenditures</b>	<b>\$ 44.48</b>	<b>\$ 42.50</b>	<b>\$ 30.50</b>

# Debt Service Fund Summary

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<b>Millions (\$)</b>	<b>FY20 Projection</b>	<b>FY21 Budget</b>
<b>Revenues</b>	<b>\$ 41.76</b>	<b>\$ 28.78</b>
<b>Expenditures</b>	<b>- 42.50</b>	<b>- 30.50</b>
<b>Net Change</b>	<b>- 0.74</b>	<b>- 1.72</b>
<b>Ending Fund Balance</b>	<b>7.17</b>	<b>5.46</b>
<b>Policy Requirement (10% of DS)</b>	<b>2.68</b>	<b>2.87</b>
<b>Over Policy</b>	<b>\$4.49</b>	<b>\$ 2.59</b>

# Five Year Forecast

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**DEBT SERVICE FUND**

# Debt Service Fund Forecast Assumptions

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- **Base revenues from FY21 property taxes**
  - **Assumes no growth in property tax revenues from revaluation**
- **Spreads out the 3 cent tax increase for 2019 GO Bond projects over 4 years**
  - **GO Bond projects phased over 5 years FY21-25**
- **Transfers in for self-funded debt from Utility & Tourism Funds**
- **Supports current debt service obligations**
- **Continue rebates to in-city MUDs equal to 50% of city property taxes**
- **Meets fund balance policy**

# Debt Service Fund – Five Year Forecast

## Revenues

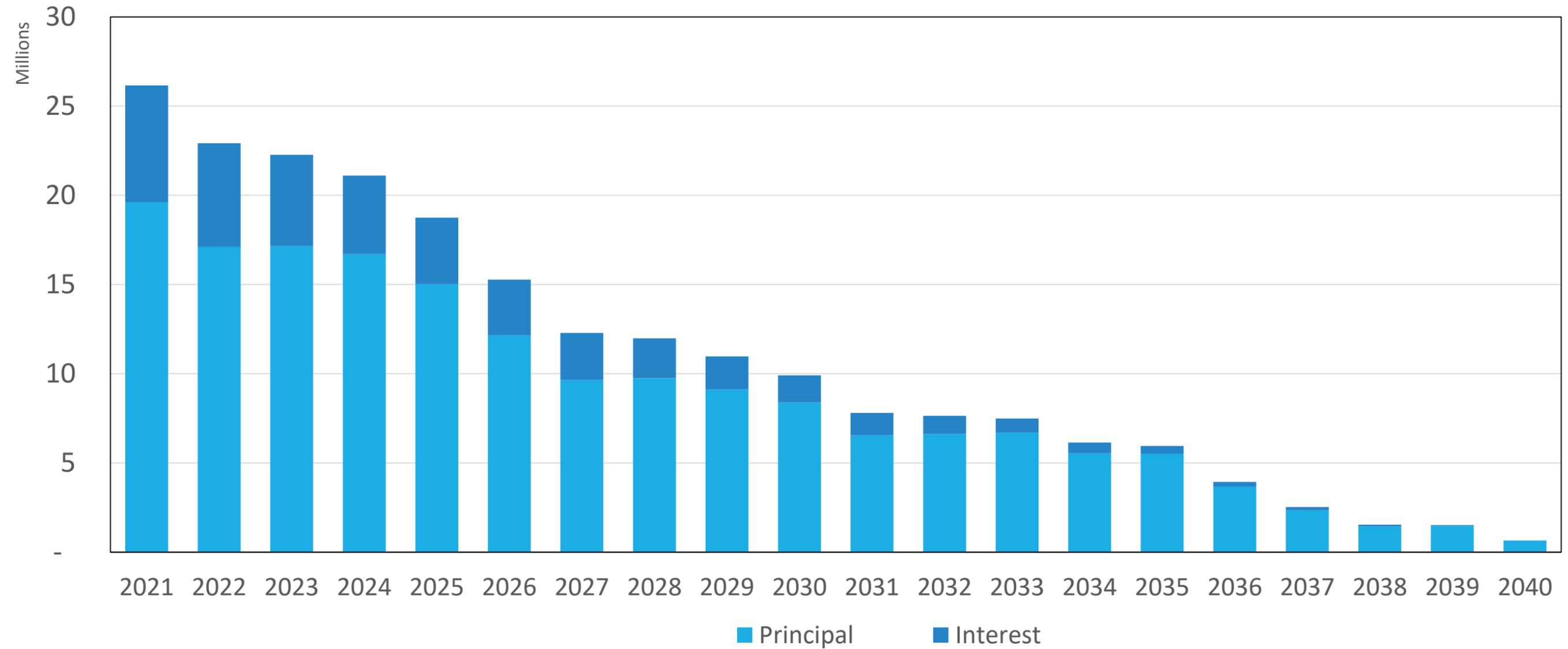
Millions (\$)	FY21	FY22	FY23	FY24	FY25
Property Taxes – Base Revenue	\$ 20.56	\$20.56	\$20.56	\$20.56	\$20.56
<b>Property Taxes –Tax Rate Increase</b>	<b>0.80</b>	<b>2.01</b>	<b>3.66</b>	<b>4.92</b>	<b>4.92</b>
<b>Total Property Taxes</b>	<b>21.36</b>	<b>22.57</b>	<b>24.22</b>	<b>25.48</b>	<b>25.48</b>
Miscellaneous	0.10	0.11	0.11	0.11	0.11
Transfers In	7.32	5.73	5.68	5.43	5.01
<b>Total Revenues</b>	<b>28.78</b>	<b>28.41</b>	<b>30.01</b>	<b>31.02</b>	<b>30.60</b>
<b>Est. Tax Increase for GO Bonds</b>	<b>\$.0045</b>	<b>\$.0080</b>	<b>\$0.01</b>	<b>\$0.0075</b>	

## Debt Service Fund - Five Year Forecast

Millions (\$)	FY21	FY22	FY23	FY24	FY25
Revenues (from previous slide)	\$28.78	\$28.41	\$30.01	\$31.02	\$30.60
Debt Service – Existing Debt	- 27.63	- 24.45	- 23.80	- 22.68	- 20.33
<b>Debt Service – New GO’s</b>	<b>-1.06</b>	<b>-2.44</b>	<b>-4.31</b>	<b>-6.01</b>	<b>-7.85</b>
Rebates/Other	- 1.81	- 1.89	- 2.02	- 2.13	- 2.14
<b>Total Expenditures</b>	<b>- 30.50</b>	<b>- 28.78</b>	<b>- 30.13</b>	<b>- 30.82</b>	<b>- 30.32</b>
Net Income	- 1.72	- 0.37	- 0.12	0.19	0.28
<b>GO Bond Issuance</b>	<b>\$ 11.78</b>	<b>\$ 15.62</b>	<b>\$ 21.34</b>	<b>\$ 20.03</b>	<b>\$ 21.99</b>

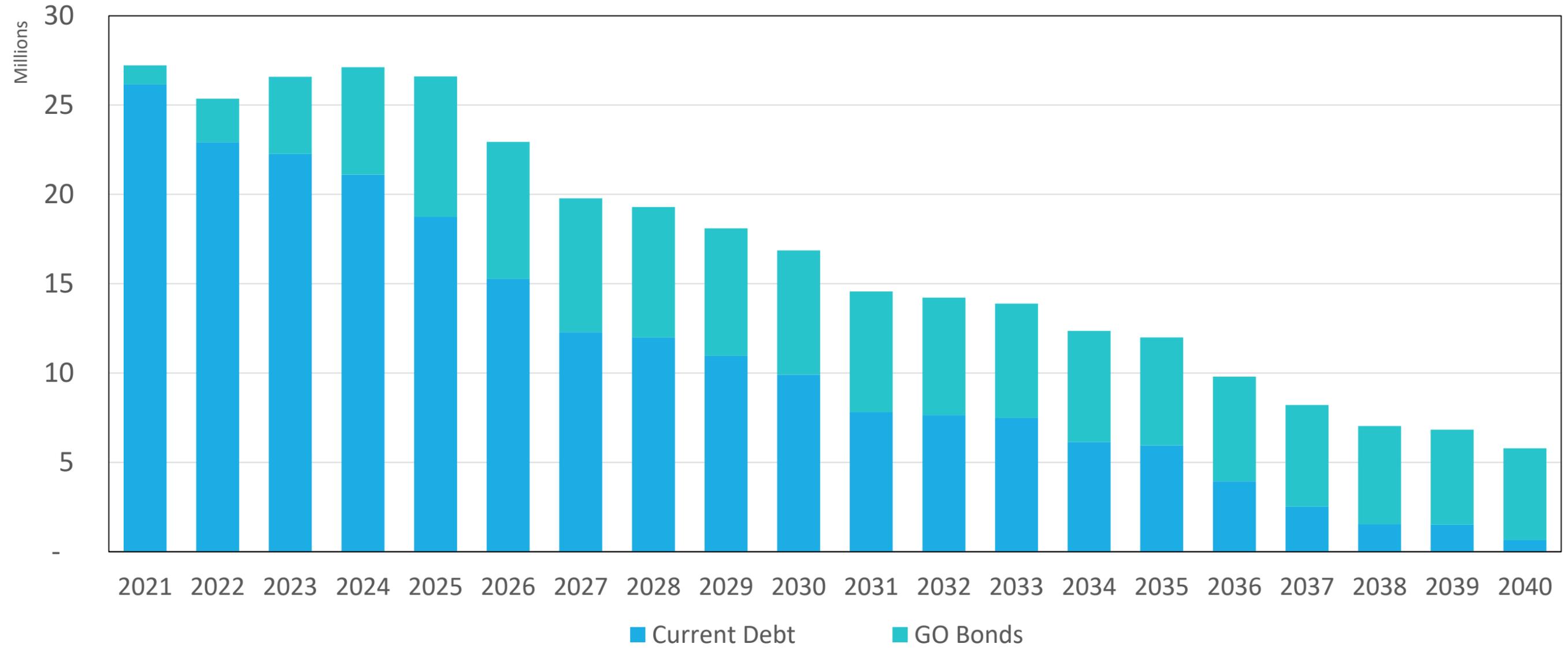
# Debt Service Requirements FY21-40

## Current Outstanding Bonds



# Debt Service Requirements FY21-40

## Current Debt with 2019 GO Bond Program



# Taxable Debt Service Fund for Smart Financial Centre

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- Lease paid monthly in arrears on the first of each month
- Resets each January 1 based on Debt Service Payments
- Based on calendar year Debt Service Requirement for Series 2014A Taxable CO's
- Debt Service Reserve equal to last 3 years DS payments
  - Began paying additional 25% in Jan 2019
  - Pay over 12 year period
  - Letter of Credit on file until DS Reserve is met
- Lease runs through Dec 31, 2046

# Taxable CO's Debt Service Fund

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<b>Millions (\$)</b>	<b>FY20 Projection</b>	<b>FY21 Budget</b>
<b>Lease Revenues &amp; Interest</b>	<b>\$ 1.36</b>	<b>\$ 1.78</b>
<b>Debt Service/Fees</b>	<b>- 1.59</b>	<b>-1.60</b>
<b>Net Change</b>	<b>- 0.23</b>	<b>0.18</b>
<b>Ending Fund Balance</b>	<b>\$ 0.70</b>	<b>\$ 0.89</b>

# Taxable CO's Debt Service Fund Long Range Forecast

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<b>Millions (\$)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>
<b>Lease Payments/ Interest</b>	<b>\$ 1.77</b>	<b>\$ 2.01</b>	<b>\$ 2.00</b>	<b>\$ 2.00</b>	<b>\$ 2.00</b>
<b>Debt Service/Fees</b>	<b>- 1.59</b>				
<b>Net Income</b>	<b>0.18</b>	<b>0.42</b>	<b>0.41</b>	<b>0.41</b>	<b>0.41</b>
<b>Ending Fund Balance</b>	<b>0.70</b>	<b>0.88</b>	<b>1.30</b>	<b>1.71</b>	<b>2.12</b>
<b>Available Ending Balance</b>	<b>\$ 0.88</b>	<b>\$ 1.30</b>	<b>\$ 1.71</b>	<b>\$ 2.12</b>	<b>\$ 2.53</b>

# **CIP FY21-25**

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# CIP Development Process

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- **Capital Improvement Needs Identified**
  - Master Plans / IWRP
  - Asset Management Program
  - City Council
  - Citizen Input / Citizen Satisfaction Survey
  - State Mandates
  
- **2019 GO Bond Election**
  - Voter Approved \$90.76M GO Bond

## **Workshop Goals**

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- **Review Financial Strategy for GO Bond Projects**
  - **Bond Program Planning**
  - **Projects and Schedule**
  
- **Review and Discuss FY21-25 Capital Improvement Program**
  - **FY21 Project List**
  - **FY22-25 Project List**

# Financial Strategy for GO Bond Projects

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- **Staff developed 3 debt capacity scenario models (V, U & L)**
  - **V = Planned Implementation – 3 Year Program**
    - **Proposed 3 cents tax increase in FY21**
  - **U = Phased Implementation – 5 Year Program**
    - **Proposed \$0.45 cent tax increase in FY21**
    - **Additional tax increases in next 3 years**
  - **L = Delayed Implementation – 8 to 9 Year Program**
    - **Proposed 1 cent tax increase per year starting in FY23**

# Proposed GO Bond Program (U) Highlights

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- **\$12M Debt Capacity Available in FY21**
- **High Priority Drainage Projects Study/Design Begin in FY21**
- **High Priority Shovel Ready Projects Begin Construction in FY21**
- **Areas of Structural Flooding Design/Construction Begins in 2 Years**
- **PSTF Design Begins in FY23 and Construction in FY24**
- **All Projects Under/Complete Construction in 5 Years with a Focus on Structure Flooding Areas as Top Priority and Balancing PSTF, Streets, and Major Rehab in Out Years**

# **Proposed FY21 General Fund CIP Projects**

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# Drainage

<b>Project</b>	<b>Phase</b>	<b>Year</b>	<b>Amount</b>
<b>Austin Park/Chimneystone Drainage Improvements</b>	<b>D</b>	<b>FY21</b>	<b>\$1,200,000</b>
<b>Greatwood Village Drainage Improvements</b>	<b>S/D/C</b>	<b>FY21</b>	<b>3,000,000</b>
<b>Avalon/Brazos Landing/Commonwealth Drainage Impr PH I-Lake Control Structure Modifications</b>	<b>D</b>	<b>FY21</b>	<b>100,000</b>
<b>Avalon/Brazos Landing/Commonwealth Drainage Impr PHII-Elkins Rd</b>	<b>D</b>	<b>FY21</b>	<b>520,000</b>
<b>Telfair Drainage Improvements-New Territory Blvd &amp; Chatham Ave</b>	<b>D</b>	<b>FY21</b>	<b>206,000</b>

# Drainage

<b>Project</b>	<b>Phase</b>	<b>Year</b>	<b>Amount</b>
<b>Riverbend Stormwater Inlets and Pipes Replacement</b>	<b>D</b>	<b>FY21</b>	<b>\$250,000</b>
<b>Flood Control Improvements – Dam III Oyster Creek @ Lexington</b>	<b>C</b>	<b>FY21</b>	<b>800,000</b>
<b>Sugar Creek Drainage Improvements-Montclair Drive – PH I</b>	<b>C</b>	<b>FY21</b>	<b>4,500,000</b>
<b>Citywide Flood Prevention &amp; Drainage Studies</b>	<b>S</b>	<b>FY21</b>	<b>600,000</b>
<b>Total Drainage Projects</b>			<b>\$11,176,000</b>

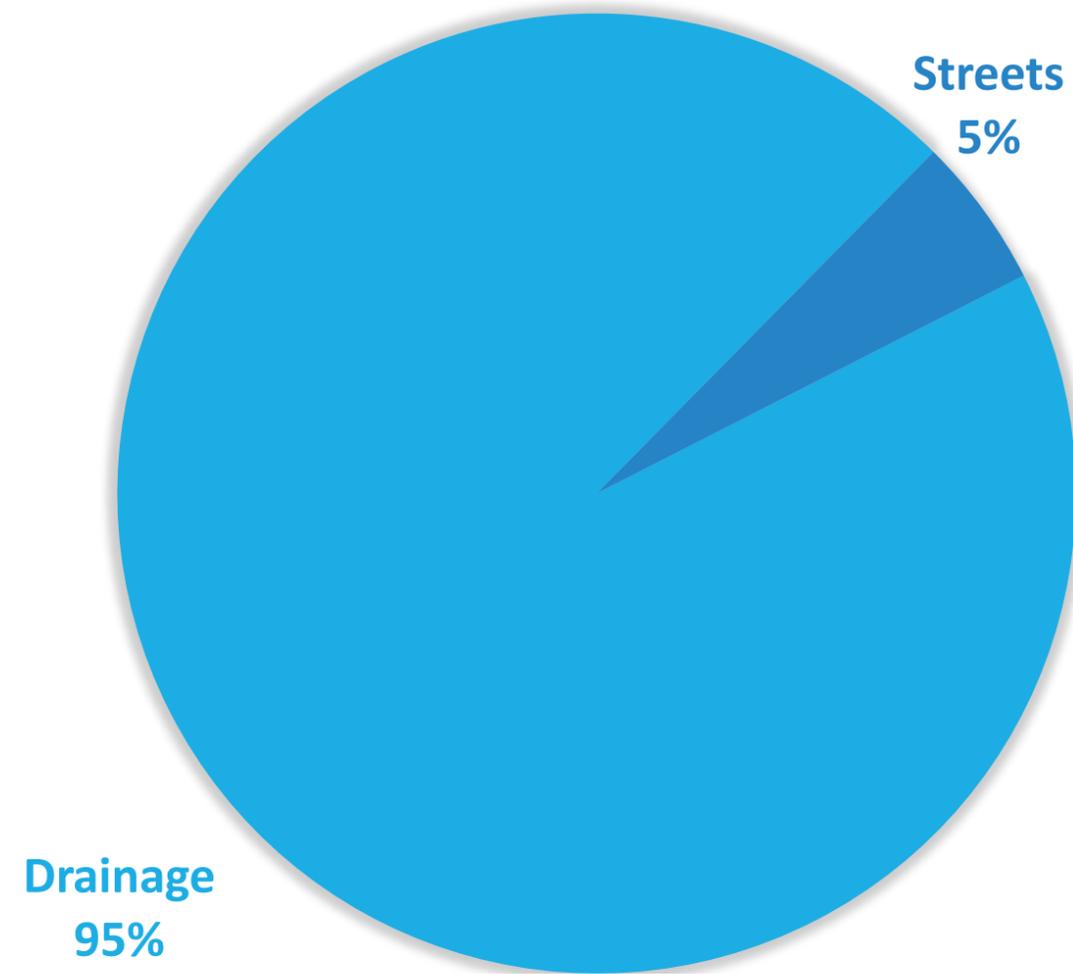
# Streets

<b>Project</b>	<b>Phase</b>	<b>Year</b>	<b>Amount</b>
<b>University Blvd Widening – FBC Mobility Bond Project</b>	<b>D</b>	<b>FY21</b>	<b>\$200,000</b>
<b>Citywide Transportation &amp; Mobility Studies</b>	<b>S</b>	<b>FY21</b>	<b>400,000</b>
<b>Total Streets Projects</b>			<b>600,000</b>
<b>Total Drainage Projects</b>			<b>11,176,000</b>
<b>TOTAL GO BONDS</b>			<b>\$11,776,000</b>

# FY21 GO Bond Project Distribution

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## PROJECTS



# **FY22-FY25 General CIP Projects**

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# Drainage

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<b>Project</b>	<b>Phase</b>	<b>Year</b>	<b>Amount</b>
<b>Austin Park/Chimneystone Drainage Improvements</b>	<b>C</b>	<b>FY22-23</b>	<b>\$15,300,000</b>
<b>Avalon/Brazos Landing/Commonwealth Drainage Impr PH I-Lake Control Structure Modifications</b>	<b>C</b>	<b>FY22</b>	<b>1,000,000</b>
<b>Telfair Drainage Improvements-New Territory Blvd &amp; Chatham Ave</b>	<b>C</b>	<b>FY23</b>	<b>\$2,794,000</b>

# Drainage

Project	Phase	Year	Amount
Covington Woods Drainage Impr-Covington West & Imperial Woods	D	FY22	\$360,000
	C	FY25	2,640,000
Sugar Creek Drainage Improvements-Montclair Drive – PH II	C	FY23	4,300,000
Avalon/Brazos Landing/Commonwealth Drainage Impr PHII-Elkins Rd	C	FY24	6,780,000
Riverbend Stormwater Inlets and Pipes Replacement	C	FY24	3,250,000
<b>Total Drainage Projects</b>			<b>\$36,424,000</b>

# Public Safety & Public Facilities

Project	Phase	Year	Amount
Fire/EMS Apparatus Replacement	FFE	FY22	\$1,800,000
Public Safety & Public Services Building Rehabilitation	C	FY22-24	3,000,000
Public Safety Training Facility-PH II	D	FY23	1,000,000
	C	FY24	9,000,000
Emergency Operations Center/Public Safety Dispatch Building	D	FY23	<i>Currently funded</i>
	C	FY25	11,500,000
<b>Total Public Safety/Public Facilities Projects</b>			<b>\$26,300,000</b>

# Animal Shelter

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Project	Phase	Year	Amount
Animal Shelter	D	FY23	\$250,000
	GO Bonds	FY25	6,350,000
	Donations	FY25	2,400,000
Total – GO Bonds			\$6,600,000
Total – Donations			\$2,400,000

# Streets

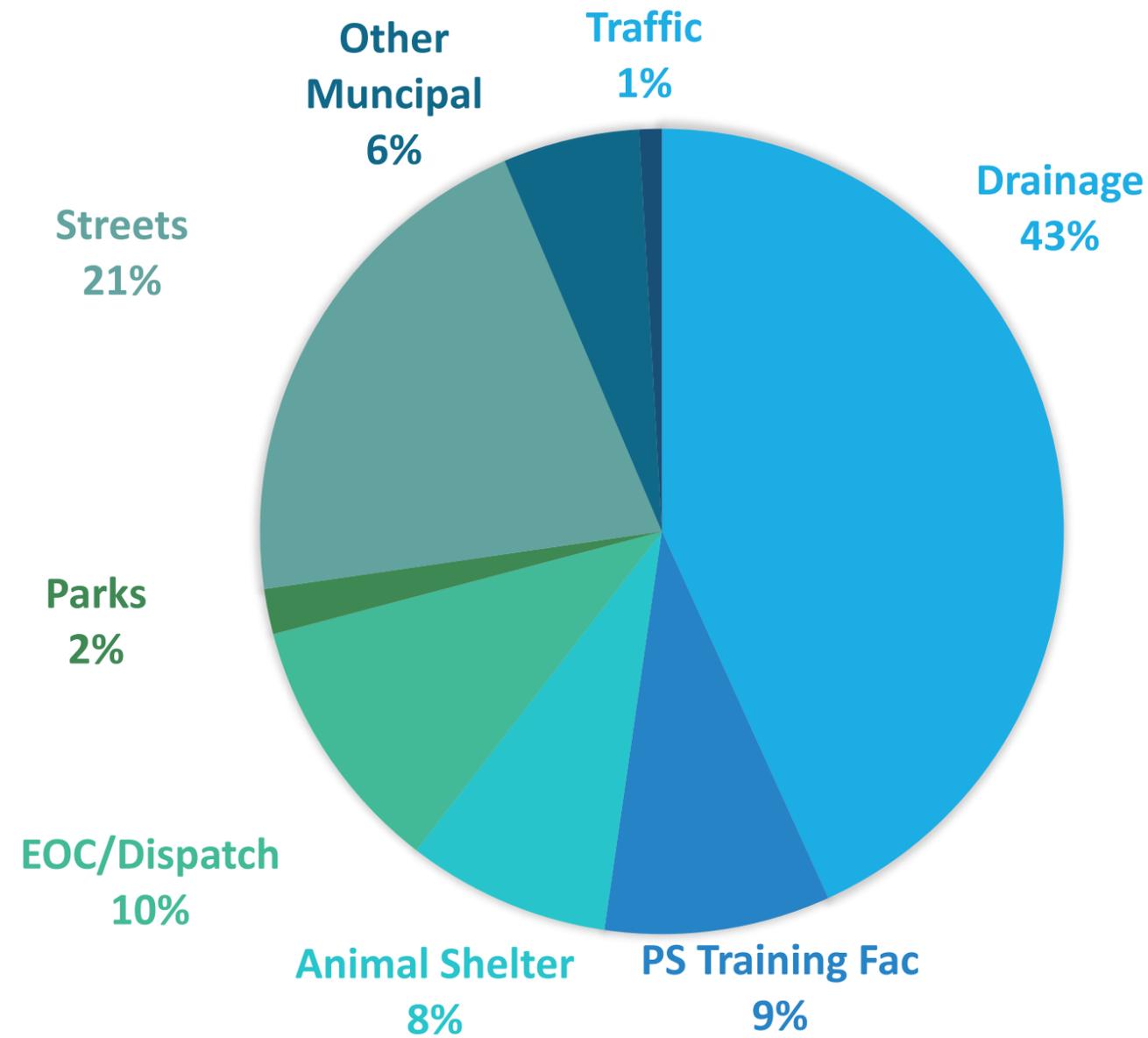
Project	Phase	Year	Amount
Soldiers Field Extension to SH6/Roundabout at First Colony Blvd and Soldiers Field	C	FY22	\$2,460,000
Major Street Rehabilitation	C	FY22/23/25	4,000,000
Country Club Blvd Improvements-Sugar Creek to Chesterfield (combine with Montclair Drainage Improvements Phase II)	C	FY23	1,700,000
University Blvd Widening – FBC Mobility Bond Project	C	FY23	1,500,000
<b>Total Streets Projects</b>			<b>\$9,660,000</b>
<b>TOTAL GO BOND FOR FY22-FY25</b>			<b>\$78,984,000</b>

# FY21-FY25 Restricted Funds Projects

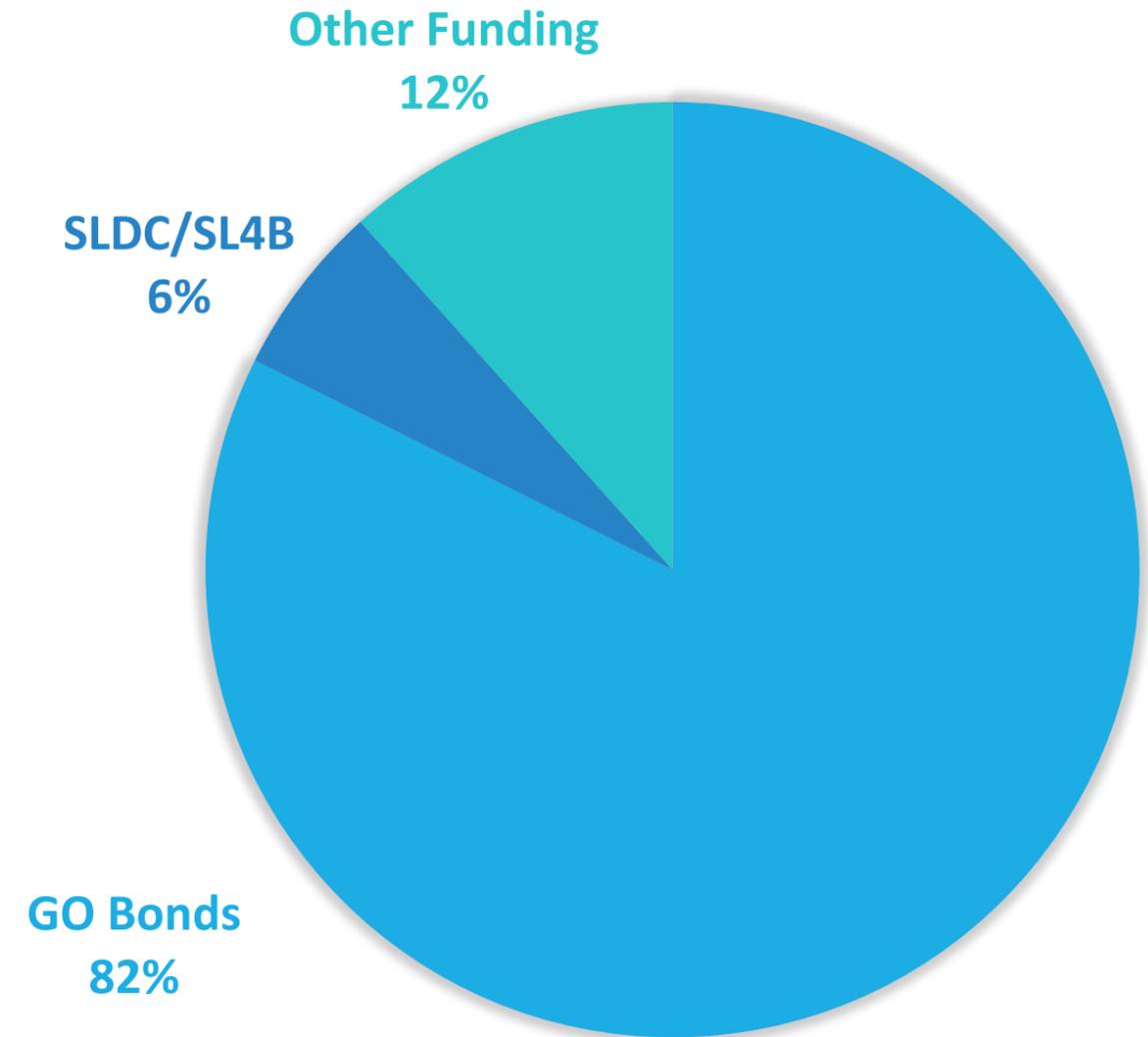
Projects	Phase	Fund	Year	Amount
Owens Road -Mobility Bond	C	SLDC	FY22	\$3,320,000
		Other Funding	FY22	9,430,000
Public Arts	C	SL4B	FY21-25	1,250,000
Joint Participation in CIP	C	SL4B	FY21-25	1,000,000
Landscape Replacement for Major Roadway and Enhancements	C	SL4B	FY21-25	1,000,000
Cullinan Park Improvements-PH II	C	Cullinan Park Conservancy	FY21	1,000,000
<b>Total Restricted Funds</b>				<b>\$17,000,000</b>

# FY21-25 General CIP Projects & Funding Sources (Total \$110.16M)

PROJECTS



FUNDING SOURCES



## FY21 Budget: Key Dates

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Date	Action
Aug 18	Public Hearing on PID Assessment
Sept 1	Public Hearing on Proposed Budget 1st Reading of Fee Ordinance & PID Assessment
Sept 8	Public Hearing on Proposed Tax Rate
Sept 15	Approve FY21 Budget, Five Year CIP and Compensation Plans Adopt 2020 Tax Rate 2 <sup>nd</sup> Reading of Fee Ordinance & PID Assessment

# City Council Budget Workshop Schedule

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## FY21 Proposed Budget & CIP

Date	Topic
Aug 20	Enterprise Funds Water Utility System, Airport, Solid Waste
Aug 27	Compensation & Benefits, Other Funds- including Economic Development & Tourism

# Clarifying Questions for Staff

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