

2023/24 Budget Workshop #2 – Notes v2.1

Mayor / Council:

Our FY23/24 revenues and expenditures are currently BALANCED at \$15,713,873. This is now \$999,537k greater than our FY22/23 budget of \$14,714,336 and represents a 6.79% INCREASE in projected Y-O-Y spending. Our General Fund debt service payment next year will be \$866,961 (a 16% increase over last year's debt service payment of \$746,968). The total bonded debt with the proposed \$3M Tax Note will be \$10,019,108. Note: the City of Smithville currently has an "AA-minus" bond rating from S&P.

FY2022/23			
General	Utility	Debt	Total
\$5,938,301	\$8,029,067	\$746,968	\$14,714,336
FY2023/24			
General	Utility	Debt	Total
\$6,526,057	\$8,320,855	\$866,961	\$15,713,873

DELTA =
\$999,537 INCREASE

After reviewing the salary survey data in greater detail over the weekend, there were still a few positions that were below the 3-5% TML salary comparison target (which includes surrounding municipalities). Accordingly, I have made adjustments to the budget. Prior to the 8% cost-of-living / inflation adjustment, 75% of COS salaried employees were BELOW the TML average compensation. The additional adjustments have aligned all salaried personnel to 3-5% ABOVE the TML average.

City of Smithville Salary Comparison - **BEFORE** Adjustment

Position	Current Salary	Bastrop	Elgin	LaGrange	TML Average	TML Avg with Bastrop, Elgin & LaGrange	% Above or Below Average
City Manager	\$132,891	\$179,999	\$189,108	\$118,227	122,051	\$131,481	1.07%
Finance Director	\$91,416	\$104,062	\$95,000	\$109,678	106,094	\$102,618	-10.92%
Public Works / Utilities Director	\$87,505	\$112,063	\$87,502	\$94,182	86,170	\$89,486	-2.21%
Library Director	\$64,896	\$89,968	\$56,249	\$60,000	55,903	\$65,771	-1.33%
City Secretary	\$70,554	\$92,370	\$72,306	\$60,154	74,453	\$74,280	-5.02%
Rec Center Director	\$60,257	\$74,352	\$50,521	\$57,678	44,429	\$57,447	4.89%
Chief of Police	\$87,568	\$109,241	\$110,000	\$78,000	114,363	\$104,901	-16.52%
Eco Dev / Grant Director	\$84,968	\$169,998	\$85,055	\$55,786	85,620	\$91,545	-7.18%

City of Smithville Salary Comparison - **AFTER** Adjustment

Position	Proposed Salary (8% COLA)	Bastrop	Elgin	LaGrange	TML Average	TML Avg with Bastrop, Elgin & LaGrange	% Above or Below Average
City Manager	\$143,522	\$179,999	\$189,108	\$118,227	122,051	\$131,481	9.16%
Finance Director*	\$105,750	\$104,062	\$95,000	\$109,678	106,094	\$102,618	3.05%
Public Works / Utilities Director	\$94,505	\$112,063	\$87,502	\$94,182	86,170	\$89,486	5.61%
Library Director	\$70,088	\$89,968	\$56,249	\$60,000	55,903	\$65,771	6.56%
City Secretary*	\$76,750	\$92,370	\$72,306	\$60,154	74,453	\$74,280	3.33%
Rec Center Director	\$65,078	\$74,352	\$50,521	\$57,678	44,429	\$57,447	13.28%
Chief of Police*	\$108,500	\$109,241	\$110,000	\$78,000	114,363	\$104,901	3.43%
Eco Dev / Grant Director*	\$94,500	\$169,998	\$85,055	\$55,786	85,620	\$91,545	3.23%

The proposed FY23/24 budget will support multiple projects and plans with a proposed 16.5% equity adjustment for all hourly employees and an 8% cost of living adjustment for all salaried employees. This will bring our base hourly wage up from \$15.45 / hour to \$18.00 / hour to better align with what other municipalities are paying (see below). In addition, the Smithville Police Department will be instituting a “STEP” program to better align what the City of Smithville pays its law enforcement personnel with other local agencies. In aggregate, the proposed payroll increases (burdened) represent 71% of the total increase to the budget.

BEFORE		AFTER			
City	Hourly Rate \$	City	Hourly Rate \$	% Increase Proposed	\$\$\$ Increase Proposed
Bastrop	\$18.53	Bastrop	\$19.08	3%	\$0.55
Elgin	\$18.00	Elgin	\$18.90	5%	\$0.90
Gonzales	\$15.75	Smithville	\$18.00	16.50%	\$2.55
Smithville	\$15.45	Gonzales	\$16.75	6.34%	\$1.00
Flatonia	\$15.00	Flatonia	\$15.75	5%	\$0.75
LaGrange	\$14.00	Giddings	\$15.00	15.30%	\$2.00
Giddings	\$13.00	LaGrange	\$14.70	5%	\$0.70

BEFORE		AFTER	
Company	Hourly Rate	Company	Hourly Rate
Bluebonnet	\$20.56	Bluebonnet	\$20.56
McCoy's	\$18.00	McCoy's	\$18.00
Chick-fil-a	\$16.50	City of Smithville	\$18.00
HEB	\$15.50	Chick-fil-a	\$16.50
City of Smithville	\$15.45	HEB	\$15.50
Hyatt	\$15.00	Hyatt	\$15.00
Buc-ees	\$14.00	Buc-ees	\$14.00
Walmart	\$12.00	Walmart	\$12.00
Smithville Auto Parts	\$11.00	Smithville Auto Parts	\$11.00
Subway	\$10.00	Subway	\$10.00
Dairy Queen	\$9.75	Dairy Queen	\$9.75

Private Sector Hourly Rates

Base Hourly Wage for Laborer (BEFORE ADJUSTMENT)		Base Hourly Wage for Laborer (AFTER ADJUSTMENT)			
City	Hourly Rate \$	City	Hourly Rate \$	% Increase Proposed	\$\$\$ Increase Proposed
Bastrop	\$18.53	Bastrop	\$19.08	3%	\$0.55
Elgin	\$18.00	Elgin	\$18.90	5%	\$0.90
Gonzales	\$15.75	Smithville	\$18.00	16.50%	\$2.55
Smithville	\$15.45	Gonzales	\$16.75	6.34%	\$1.00
Flatonia	\$15.00	Flatonia	\$15.75	5%	\$0.75
LaGrange	\$14.00	Giddings	\$15.00	15.30%	\$2.00
Giddings	\$13.00	LaGrange	\$14.70	5%	\$0.70

Below you will find a list of action items from the first budget workshop:

1. Provide salary comparisons with TML by position - **COMPLETE**
2. Workplace conduct / Harassment training annually - TBD
3. Conflict of interest form for boards and employees (who serves on what boards) - TBD
4. Find a way to get non-exempt wages to \$18 per hour - **COMPLETE**
5. On a future agenda place the Workforce Training Center building agreement - TBD
6. Create a recycling center task force that would include Councilman Washington and Jenkins - **COMPLETE**
7. Create a recycling membership card \$75 / resident per year - **COMPLETE**
8. Increase SVFD call-out stipend and identify revenue to fund the purchase of additional equipment – **COMPLETE**
9. Add \$1.00 to the utility bill for fire department. (Propose from \$1.00 to \$5.00) - **COMPLETE**
10. Put all “Community Service” line items back to the original amount don’t cut in half (\$8,000) - **COMPLETE**
11. Add revenue by increasing the electric distribution fee by a half cent (+\$184k) - **COMPLETE**
12. Fireworks vs Drone what would the difference be and possibly put back in the budget - **COMPLETE**
13. Maintain Main Street to look groomed - **COMPLETE**
14. Send CM succession plan to Mayor / Council – **COMPLETE**.

As instructed, we have gone back to the “well” to find additional revenue to provide equitable and competitive wages to our employees. Increasing the water rate from \$3.50 to \$4.50 per 1000 gallons used; increasing the garbage rate from \$38.50 to \$48.50 per month; adding \$0.005 to the electric distribution fee; charging an annual recycling membership (\$75); and increasing miscellaneous permit fees will bring in the necessary revenue to support this compensation objective / initiative. In addition, we are recommending that the City Council authorize a \$5.00 / month fee to all residential and commercial customers inside the city limits to help the SVFD purchase additional equipment while providing a “call-out” equity adjustment for our firefighters from \$10.00 to \$15.00 per call-out.

The average impact to utility customers is \$36 per month or \$435 per year. If a utility customer chooses NOT to purchase an annual recycling membership, the average impact will be \$30 per month or \$360 per year. The additional estimated revenue and percentage breakdown of the proposed budget are provided below.

Average Impact to City of Smithville Residents Due to Proposed Fee Increases

Description of Fee	Current	Proposed	Additional Estimated Revenue	\$\$\$ Impact / Mo	\$\$\$ Impact / Yr	Comments
Water / 1000 Gallons	\$3.50	\$4.50	\$150,000	\$10.00	\$120.00	1863 Active Accounts. Based on average homeowner use of 12,000 gallons / month. Date of last increase - 10/1/21
Recycling Membership	NEW	\$75.00	\$7,500	\$6.25	\$75.00	\$75 Annual Fee for Inside City Limits. Includes resident and commercial. \$150 Outside City Limit. Bulk on case-by-case basis. Est. 100 members.
Smithville VFD	\$1.00	\$5.00	\$97,500	\$4.00	\$48.00	Monthly Fee to help cover SVFD operational cost and purchase equipment. Also provides firefighters \$15 per call-out.
Electric Meter Distribution Rate	\$0.050	\$0.055	\$184,000	\$6.00	\$72.00	2179 Active Accounts (Includes residential and commercial). Based on avg. homeowner use of 1,200 kWh / mo. Date of last increase - 10/1/21
Garbage Rate Increase	\$38.50	\$48.50	\$231,000	\$10.00	\$120.00	1555 Active Accounts. 2x / wk service, 1x / mo. Bulk + leaf / limb. Date of last increase - 10/1/21
TOTAL			\$670,000	\$36	\$435	

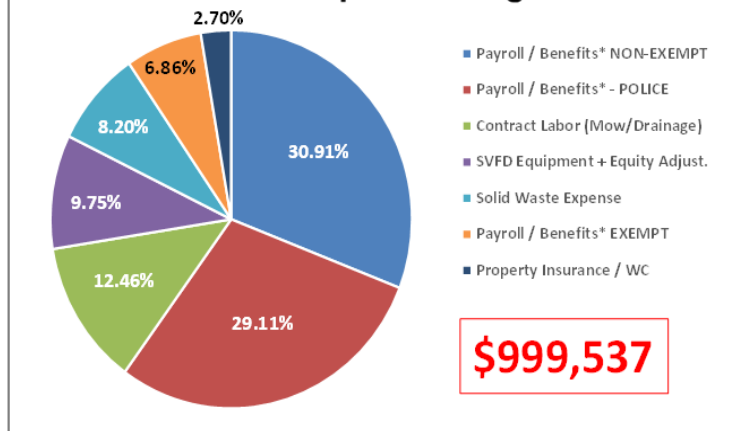
Breakdown of Proposed Budget Increase

Item	Percent	Cost
Payroll / Benefits* NON-EXEMPT	30.91%	\$309,000
Payroll / Benefits* - POLICE	29.11%	\$291,000
Contract Labor (Mow/Drainage)	12.46%	\$124,500
SVFD Equipment + Equity Adjust.	9.75%	\$97,500
Solid Waste Expense	8.20%	\$82,000
Payroll / Benefits* EXEMPT	6.86%	\$68,537
Property Insurance / WC	2.70%	\$27,000
TOTAL	100.00%	\$999,537

* Includes 28% Burden Rate for Benefits + Estimated OT and Part-Time Labor

Increases in Sales Tax, Property Tax, Mics. Permits, Tap Fees, and decrease in health insurance will bring in additional \$329k in revenue and/or cost savings to make up the difference.

Breakdown of Proposed Budget Increase



We will be recommending a **PROPOSED AD VALOREM TAX RATE of \$0.548952 cents per \$100 valuation** --- a slight increase from our current tax rate of \$0.548934. This rate includes a proposed [\\$3M Series 2023 Tax Note](#) that can be used for facility improvements (e.g., roof repairs, security systems, video surveillance, HVAC, etc.) infrastructure upgrades (e.g., streets, roads, sidewalks, gutters, drainage, lighting, etc.), and capital equipment (e.g., patrol cars, chipper truck, bucket truck, fire truck, playground equipment, etc.). The \$3M tax note will be repaid by the I&S portion of the total tax rate over the next 7-years. During 2023, the average homeowner will pay \$1,290 in property taxes (\$128 more than the average paid in 2022). The strategy we have followed in the past is to identify the maximum tax rate allowable without triggering the possibility of a rollback election then decide the amount of increase (if any) that is required to support the proposed budget. The FY23-24 effective tax rate (now called the “No-New-Revenue Tax Rate”) is \$0.51174. The rollback rate (now called the “Voter-Approval Tax Rate”) is \$0.548952. The maximum increase the City can raise taxes in a given year without triggering a rollback election is 3.5% of the effective M&O tax rate. The effective tax rate is basically the tax rate that would generate the same amount of revenue in the current tax year as was generated by a taxing unit’s adopted tax rate in the preceding tax year from property that is taxable in both the current tax year and the preceding tax year.

City of Smithville \$3M Series 2023 Tax Note

Police Department					
Qty	Description	Unit Cost	Total	Actual	Comments
1	Micellaneous Equipment	\$85,000	\$85,000		Weapons, Ammunition, Tasers, Office Equipment, Computers, etc.
4	Patrol Vehicles	\$65,000	\$260,000		Two (2) fully outfitted vehicles + two (2) offline vehicles
1	New HVAC	\$20,000	\$20,000		Replace / repair HVAC to improve efficiency and reduce cost
1	Animal Control Vehicle	\$55,000	\$55,000		Replace old vehicle with new holding pins for animals
13	Mobile CAD Units for Patrol Cars	\$6,250	\$81,250		Mobile access to BADGE system and other LE databases.
			\$501,250	\$0	

Public Works / Utilities					
Qty	Description	Unit Cost	Total	Actual	Comments
1	Chipper Truck	\$85,000	\$85,000		Replace older chipper truck
1	Sewer Pump Truck	\$200,000	\$200,000		Truck needed to pump clogged sewer lines and/or lift stations
1	Small Bucket Truck	\$190,000	\$190,000		Use for tree trimming and cleaning alleys + back-up when needed
2	Utility Trucks (F-250)	\$80,000	\$160,000		Replace older trucks in current fleet
1	Tractor w/ Shredder	\$40,000	\$40,000		Additional tractor to mow at Airport and Riverbend Park
1	Warehouse Roof Repair	\$100,000	\$100,000		New roof w/ spray insulation to repair leaks help with heating / cooling
1	Rack Storage System (Warehouse)	\$25,000	\$25,000		Rack storage system will provide additional space in warehouse
1	Miscellaneous Tools / Equip.	\$100,000	\$100,000		Mowers, Weed-eaters, Chainsaws, Tools, Tire Balancer, Industrial Vacuum
1	Streets/Drainage/Sidewalks/Curbs	\$200,000	\$200,000		Road repair / paving. Sidewalks, curbs, and gutters. Small drainage projects.
			\$1,100,000	\$0	

General					
Qty	Description	Unit Cost	Total	Actual	Comments
1	Airport Lighting System	\$150,000	\$150,000		Upgrade runway lighting system. Est. cost = \$1.5M w/ 10% Grant Match.
1	Downtown Lighting Upgrade	\$150,000	\$150,000		Upgrade ornamental lighting with Dark-skies compatible LED lighting
1	Security Camera Upgrade	\$350,000	\$350,000		City-wide replacement of HK Vision cameras (cyber-security risk)
1	Tanker Truck	\$275,000	\$275,000		Purchase Fire Tanker for SVFD
1	Playground Equipment	\$250,000	\$250,000		Playground equipment for City Parks w/ weatherproof padding
1	Misc. City Facility Upgrades	\$100,000	\$100,000		Public restroom remodel. Security doors @ City Hall. Video surveillance.
1	Grant Match for Infrastructure	\$275,000	\$275,000		GLO Drainage (\$130k) / TXDOT Main Street ADA Ramps & Sidewalks (\$145k)
			\$1,400,000	\$0	

Grand Total \$3,001,250

Based on citizen and council feedback from the workshop, the list above has been modified to remove the \$500k previously recommended for replacing the ornamental lights on Main Street to the security camera upgrade and playground equipment line item(s) respectively. The list can be further modified as necessary by the Council. However, 85% of the Tax Note funds must be spent within 3- years of issuance. Funds have also been budgeted to cover various grant matches and enable mowing of over-grown lots and removal of debris associated with condemned property. Public services like fire, police, animal control, courts, library, airport, rec center, parks, cemetery, leaf/limb, road repair, street paving, and small drainage projects throughout town will be funded through property taxes, sales tax, permits, and a \$1.24M Utility transfer to the General Fund.

Enclosed you will find the updated PRELIMINARY BUDGET for FY23/24. All of the yellow sheets have been updated. **You will need to replace the updated sheets in your binders.** The proposed \$15.7M budget represents the collective input from my direct reports and includes projects / plans that councilmembers have expressed be included for consideration. Please review this material thoroughly and be prepared to ask questions during the **Wednesday, September 6, 2023 Workshop and Public Hearing on the Tax Rate and Budget.** The meeting will be held at City Hall (317 Main) and will begin promptly at 5:30 pm. We must have a quorum. I will provide a 30-minute overview of the workshop action items and present the updated budget to include the proposed equity adjustment, salary survey, and the schedule of proposed fee increases (included in your packets). Citizens will have the opportunity to address the Council about their opposition to, or support of, the proposed budget and tax rate. Hopefully, we can get through the process in 1-2 hours.

Special thanks to my staff for working over the Labor Day weekend to complete the adjustments to the FY23/24 budget. Also, thanks to each of you for recognizing the need to provide equitable and competitive wages to our employees. We are almost there!

-- Robert --