

City Manager Update – 9/8/23

This month's City Manager update will primarily focus on the proposed FY23/24 budget and tax rate. I would like to extend my sincere appreciation to the Council, City Staff, and Citizens for participating in the public hearings and budget workshops over the past few weeks. Many hours were spent identifying and prioritizing projects, plans, and programs. Click on the following link to review the material presented during the two budget workshops→ <https://www.ci.smithville.tx.us/city-government/council-agendas/>. Before the Council votes on the proposed tax rate and budget during the **September 11, 2023** Council meeting, citizens will have the opportunity to address the Council about their opposition to (or support of) the proposed budget. **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.

The proposed FY23/24 budget will support multiple projects and plans with a 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. 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 67% of the total increase to the budget. 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 (\$50-resident / \$100 non-resident); and increasing miscellaneous permit fees will bring in the necessary revenue to support this objective. 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 \$34 per month or \$410 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.

Average Impact to Utility Customers 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	\$50.00	\$7,500	\$4.17	\$50.00	\$75 Annual Fee for Inside City Limits. Includes resident and commercial. \$150 Outside City Limit. Bulk on case-by-case basis. Est. 150 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	\$34	\$410	

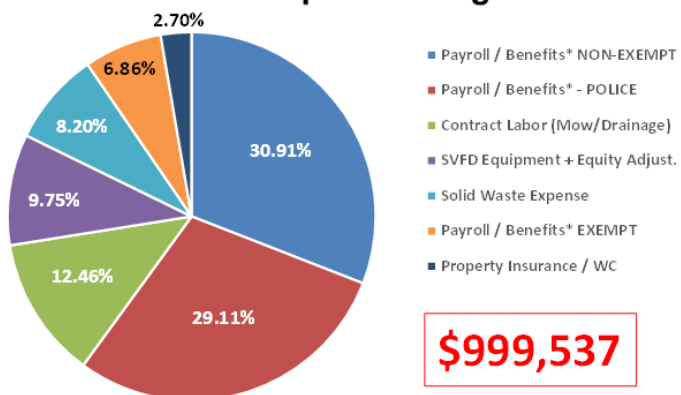
Breakdown of Proposed Budget Increase

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



City Manager Update – 9/8/23 (continued)

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 allocated 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.

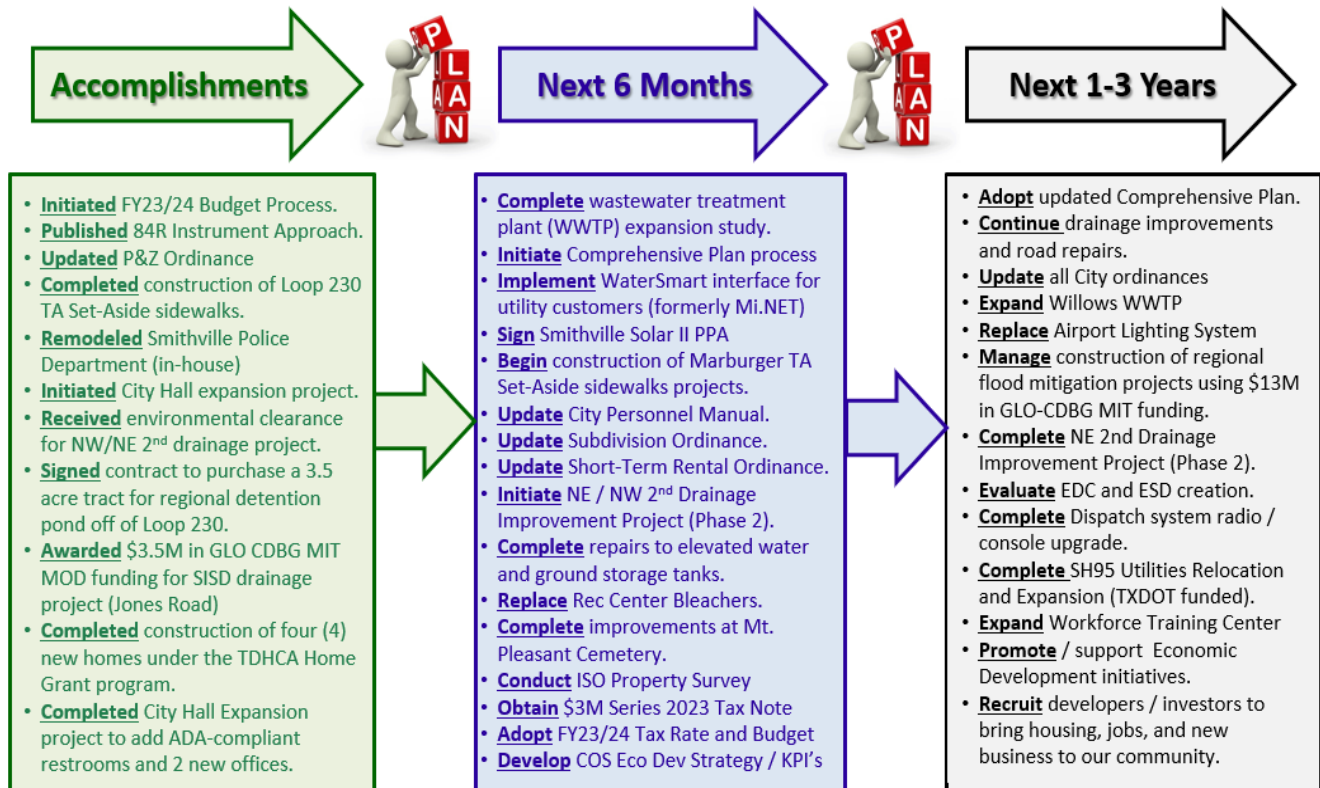
City Manager Update – 9/9/22 (Continued)

Some of the large projects / initiatives the city will be supporting during the FY23-24 Fiscal year include the following:

- Re-furbish / rehabilitate city-wide water storage tanks - (\$2M C of O).
- Street / Road Repair, Sidewalks, and Misc. Drainage - (\$150k).
- Hwy 95 Expansion / Utilities Relocation – (\$12.0M TXDOT / COS \$4.2M)
- Re-furbish / rehabilitate city-wide water storage tanks - (\$2M C of O).
- Construct TDHCA HOME Grant homes for 2 qualified candidates. City Match = (\$10k + \$11k In-Kind).
- Support TXDOT TA/Set-Aside Projects - Main Street ADA ramps / 1st Street Sidewalks. Match = 100k (TAX NOTE).
- Support GLO CDBG-MIT City-wide drainage Improvement Projects - \$13M with 1% match (\$130k – FY24).
- Support GLO CDBG-MIT Community Resiliency Grant for Comprehensive Plan - \$300k with NO MATCH.
- Support FEMA DR-4485 – Emergency Generator(s) for Water Plants. Cost = \$650k. Match = \$65k (TAX NOTE)
- Support GLO CDBG-MIT MOD drainage improvement project at SISD and Jones Road = \$3.5M with NO MATCH
- Support Subdivision permitting and construction (M5, Smithville Truck Stop, Enclave, Grove, Garwood Park).
- Complete city-wide AMI system upgrades (customer billing interface) – (NO COST - Ameresco warranty item)
- Upgrade Communication System at PD (New Dispatch Console) - \$200k (2022 TAX NOTE)
- Complete Wastewater Treatment Facility (WWTF) Expansion Study - \$165k (ARPA)
- Conduct city-wide road assessment and street sign inventory – (2023 Tax Note)
- Support security upgrades (cameras, access doors, panic button) at City Hall
- Conduct ISO Survey of city-wide Fire Protection and Emergency Response Services
- Evaluate cemetery management software suite and digitize cemetery records.
- Complete Mt. Pleasant Cemetery upgrades - \$25k (ARPA)

These projects are above and beyond what it takes to provide City services to our citizens while keeping the water running, the lights on, and the toilets flushing. Below you will find an updated “at-a-glance” strategic roadmap.

CITY OF SMITHVILLE – STRATEGIC ROADMAP




As of 9/6/23

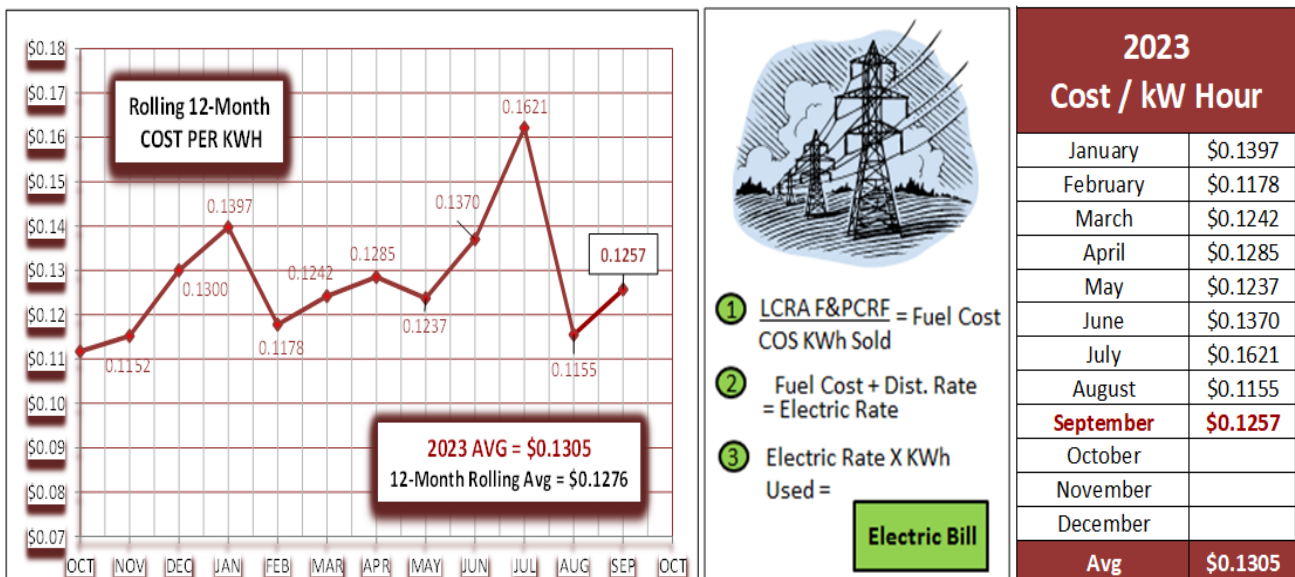
- Much has been accomplished but still much to be done.
- **Strategic Focus** - Infrastructure Improvement, Eco Development, and Fiscal Responsibility.
- Partner with the Community, Chamber, and County to proactively manage growth.

City Manager Update – 9/8/23 (Continued)

Below you will find a list of significant accomplishments, events and activities since my last City Manager update:

- 1) City of Smithville Employee Health Benefits Open Enrollment Scheduled** – The FY23/24 Health Benefits plan has been finalized and will be presented to City employees during open enrollment meetings on Tuesday, September 12, 2023 at the Smithville Recreation Center. We will be changing our medical insurance carrier from Aetna to United Health Care resulting in approximately \$82k in annual premium savings. In addition, the city will be reinstituting its Health Reimbursement Account (HRA) for all regular full-time employees to provide a \$50 / month benefit that can be used to cover the cost of prescriptions and medical provider co-pays. The HRA benefit carries over from year to allowing the employee to accrue any unused portion as long as the individual is employed. On average, benefits account for approximately 28% of an employee's total compensation (\$12-13k per employee per year). We are among the very few employers that pay 100% of the employee's benefit cost (i.e., medical, dental, vision, short-term disability, longevity, etc).
- 2) Budget Infographics Available to Citizens via City Website** – Budget Infographics is subscription-based software service that converts our annual budget from a PDF file into a user friendly, graphical format with one click drill-down to details. The subscription service costs \$2.5k per year and provides an "at-a-glance" look at revenue and spending in both the Utility and General Fund. The software is capable of producing City-defined metrics that show historic trends and comparisons with other municipalities from within the region (e.g., Elgin, Bastrop, Luling, LaGrange, and Giddings). Budget Infographics provides the public transparency by visually communicating all the components of our annual budget. Archive budget information is available for fiscal years 2015 to 2023. The FY23/24 budget information will be available to the public once the Council adopts the tax rate and budget. Here is a link to the Budget Infographics portal via the city website → <http://www.budgetinfographics.com/smithville>. Once you access the portal, select the budget year and you will be able to navigate the revenue and expenses associated with the both the Utility and General Fund. Clicking on the  icon will give you comparison data with other municipalities.
- 3) Residential Cost Per Kilowatt Hour (kWh) Calculated** - An analysis of LCRA billing data was conducted to determine residential cost per kilowatt hour (kWh) in SEPTEMBER. Fuel costs vary month to month and are based upon electric utility generation, transmission, line loss, and service fees. The fuel cost per kWh for September is \$.07567. Adding the City's distribution fee of \$.0500, the cost per kWh for residential service in Smithville during SEPTEMBER will be \$0.1257. This represents an **8.8% INCREASE** compared to August's \$ 0.1155 cost / kWh. Below you will find a "rolling" 12-month residential cost per kWh comparison chart. On average, the cost per kWh for residential electric service in Smithville is between 12-13 cents.

City of Smithville Residential Cost Per kWh - SEPTEMBER



Note: Fuel & Power Cost Recovery Factor + City Distribution Fee* (\$0.0500) = Cost / kWh

*Residential Distribution Fee = \$0.0500/kWh. Non-Resident (i.e., service outside city limit) Distribution Fee = \$0.0650/kWh Effective October 1, 2019

City Manager Update – 9/8/23 (Continued)

- 4) **111th Texas Municipal League (TML) Annual Conference and Exhibition** - The 111th Annual Texas Municipal League (TML) Conference and Exhibition will be held at the Kay Bailey Hutchison Convention Center in Dallas on October 4-6, 2023. The 2023 [TML Annual Conference](#) will provide the opportunity for our current elected officials to attend informational training sessions while networking with other elected officials, municipal staff members, and city service providers. Muni-Services, CivicPlus, Waste Management, Inc., Langford Community Management Services, KSA, and a host of other service providers currently doing business with the City of Smithville will be in attendance. For those planning to attend, Jennifer will be putting together a packet of conference information that includes your registration, hotel reservation, and session program that will be delivered on Monday, October 2, 2023.
- 5) **FY23/24 Financial Audit Scheduled** - Singleton, Clark & Company (our 3rd Party Financial Auditor) will be conducting an internal audit of our FY22/23 budget during the week of October 2-6, 2023. Last year, the City received a “clean” financial audit for our prior fiscal year’s performance and compliance with government accounting standards. This year’s audit will focus on internal financial controls, procurement, payroll, employee records, and accounts payable/receivable, etc. Results of the financial audit will be available in April of 2024. In the interim, Cynthia White (Finance Director) will be finalizing budget amendments for discussion and action during the October 16, 2023 Council meeting. Please note that the October Council meeting (regularly scheduled for the 2nd Monday of the month) has been pushed back a week due to the Columbus Day holiday on October 9th.
- 6) **City of Smithville Receives \$1.5M in TXDOT Aviation Funding for Lighting Improvements at the Smithville Airport** - The City of Smithville received notice that there is an official agreement between TXDOT and the FAA to administer the Infrastructure, Investment, and Jobs Act (IIJA) funding for improvements to General Aviation Airports. This is a \$1,545,500 dollar grant with a 10% match (\$154,500) for replacing the runway lighting, beacon, electrical vault, and the Precision Approach Pathway Indicators (PAPI’s) with a more energy-efficient system. The council will consider passing a resolution during the Monday, September 11, 2023 council meeting directing the City Manager to act on behalf of the City of Smithville pertaining to all matters associated with this grant. The project will go out to bid pending completion of a TXDOT project implementation plan for administration, engineering, and construction.
- 7) **City of Smithville Sales Tax Update** - Below are the sales tax allocations for September 2022 vs. September 2023 (retail sales made primarily in July). This data reflects RETAIL sales of goods and services subject to LOCAL sales tax. I am pleased to report that our sales tax receipts for September **INCREASED by 14.34%** (the highest % increase among the 3 municipalities). I know some might discount this from a total revenue perspective and that we are still -2.14% lower compared to last year but it is a step in the right direction. With the new Family Dollar open and Holiday shopping around the corner, I anticipate the current trend will continue and that we will be close to breaking even at the \$885-892k mark by the end of the calendar year. In addition, the new Truck Stop and Sonic (to be built at the corner of FM153 and SH71) will soon be breaking ground. This was one of the Eco Dev deals that we negotiated and the Council approved back in December 2022 under a 380 Economic Development / annexation agreement. This will have a positive impact on our future sales and property tax receipts. For more information, see single page summary attached (next page). As a reminder, sales tax dollars are used to make street / road repairs and help pay for community services like FIRE and POLICE. Remember...SHOP LOCAL - it makes a difference!!!

Bastrop County Sales Tax Allocation - SEPTEMBER 2023

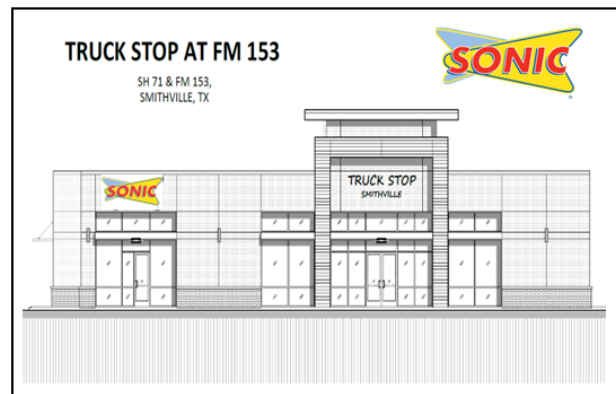
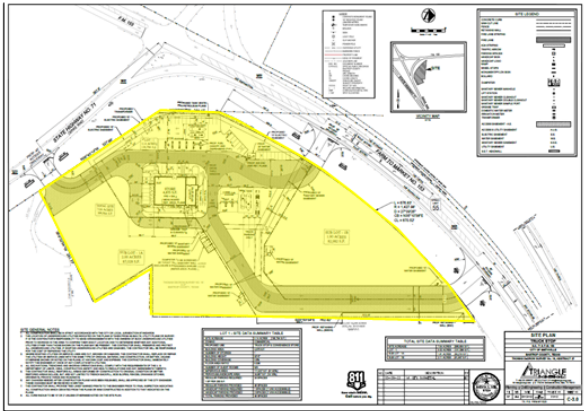
County/City	Current Rate	Net Payment This Period	Comparable Payment Prior Year	% Change	2023 Payments To Date	2022 Payments	% Change
Bastrop	1.50%	\$967,537	\$957,229	1.07%	\$9,171,856	\$8,471,643	8.26%
Elgin	1.50%	\$306,209	\$315,356	-2.90%	\$2,859,225	\$2,668,316	7.15%
Smithville	1.50%	\$66,831	\$58,446	14.34%	\$655,150	\$669,522	-2.14%
Bastrop County	0.50%	\$661,586	\$628,617	5.24%	\$6,230,629	\$5,874,030	6.07%

Current Development Projects

PENDING

C-Store /Gas Station / QSR

- 7.04-acre tract @ FM-153 & HWY-71
- Voluntary Annexation (380 Agreement)
- \$2M Developer Investment
- 6-10 New Jobs to be created.
- Increase Sales / Property Tax Revenue
- Construction Start: **FALL 2023**



ISSUES:

- Finalizing TXDOT Driveway Access Permit

STATUS:

- City to provide Wastewater Service (50% Cost Share - \$25k)
- Zone Change granted from SF1 to C3.
- Submittal of construction plans for 3rd Party review - **COMPLETE**

