

..Title

Consider and take action on Ordinance 2023-28 adopting the Annual Budget for Governmental and Proprietary Funds for Fiscal Year 2024 – Second Reading (Assistant City Manager - CFO)

Council approved 7-1-0 on August 22, 2023.

..Background

Pursuant to City Charter and state law, adoption of this ordinance will establish the budget for the 2024 fiscal year. The budget ordinance is based on the proposed budget, as adjusted, and as described in Exhibit A, B and C.

The FY2024 Proposed Budget provided to City Council on July 17, 2023, included \$177,860,894 for operations. Changes were made during the series of workshops in July and August.

City Council held a first reading of the budget ordinance on August 22, 2023. The proposed ordinance estimates property tax revenue at the proposed tax rate of \$0.396783 with a total operating budget of \$177,332,519.

Changes to the Proposed Operating Budget

City Council held a series of work sessions on July 17th, 24th, 31st and August 1st. A Public Hearing was held on August 8th. As a result of these discussions, the first reading of the FY2024 budget was adjusted. The operating budget appropriation for the first reading of \$176,603,019 is \$1,257,875 less than the July 17th proposed budget of \$177,860,894.

	FY2023 AMENDED BUDGET	FY2024 PROPOSED BUDGET	WORKSHOP CHANGES	FY2024 1ST READING BUDGET
OPERATING BUDGET	\$ 172,940,333	\$ 177,860,894	\$ (1,257,875)	\$ 176,603,019
CAPITAL BUDGET	\$ 148,293,872	\$ 153,347,670	\$ (500,000)	\$ 152,847,670
GRAND TOTAL	<u>\$ 321,234,205</u>	<u>\$ 331,208,564</u>	<u>\$ (1,757,875)</u>	<u>\$ 329,450,689</u>

The property tax rate required to fund changes made to the proposed budget during Council workshops is \$0.389783 per \$100 valuation. This rate is \$0.007 less than the no-new-revenue rate of \$0.396783, which was proposed by Council on August 8, 2023.

General Fund Revenues – Net decrease of \$447,705

- Due to current trends, FY2024 revenue estimates for sales tax has been reduced by \$600,000.
- Property tax has a net reduction of \$180,000 due to changes to the Senior Exemption (-\$480,000) and a decrease in Debt Service estimates (\$300,000).
- EMS ambulance revenue estimates have increased by \$32,295.
- A correction has been made to the Utility Fund Overhead Payment totaling \$300,000.

General Fund Debt Service Revenues – Decrease of \$300,000

- Decrease of property tax revenues by \$300,000.

Exhibit A to the ordinance for the first reading on August 22nd outlines the operating budget which includes:

General Fund Expenditures – Net decrease of \$913,332

The following items were removed from FY2024 Proposed Budget:

- Service Organization Memberships (\$3,760)
- Library Board of Trustees Monthly Meal (\$600)
- American Library Association Memberships except Librarian (\$490)
- Planner position (\$96,942)
- Animal Control Vehicle (\$91,200)
- Urban Management Professionals of Southeast Texas Membership (\$500)
- Clear Lake Chamber of Commerce Membership (\$2,500)
- Clear Lake Chamber of Commerce Boat Parade Sponsorship (\$2,900)
- (\$198,892)**

The following items were reduced in the FY2024 Proposed Budget:

- Library training budget 4800000-53440 (\$5,000)
- Holiday in the Park float reduced and moved to Communications (\$1,250)
- Council training budget 1100000-53440 (\$5,600)
- Oak Tree Maintenance split over two years 4400000-52150 (\$70,000)
- Fire Marshal position hire date delayed 2900000 (\$17,590)
- Southwest Side Master Development Plan 3200000-53490 (\$50,000)
- Facilities has reduced the following line items:
 - Janitorial Supplies (\$5,000)
 - Operating Supplies (\$5,000)
 - Minor Equipment & Furniture (\$5,000)
 - Building & Ground Maintenance (\$10,000)
- Information Technology has reduced the following line items:
 - Utility – Telephone (Switch to T-Mobile) (\$25,000)
 - Technology Maintenance Services (\$15,000)
- Transfer to Reinvestment 01005200-58317 (\$500,000)
- (\$714,440)**

GENERAL FUND

GENERAL FUND	FY2023 YEAR-END ESTIMATE	FY2024 PROPOSED BUDGET	FY2023 UPDATED	FY2024 UPDATED
Revenues	\$ 95,973,674	\$ 100,032,919	\$ 95,594,674	\$ 99,585,214
Expenditures	94,584,254	100,610,276	94,667,914	99,696,944
Revenues Over/(Under) Expenditures	1,389,420	(577,357)	926,760	(111,730)
Beginning Fund Balance	26,903,205	28,292,625	26,903,205	27,829,965
Ending Fund Balance	\$ 28,292,625	\$ 27,715,268	\$ 27,829,965	\$ 27,718,235
Days of Working Capital				
110 Days of Operating Expenditures Required by Policy	12.0	0.7	9.9	1.2

General Fund Debt Service Expenditures – Net decrease of \$300,000

Based on the 2023 GO Prop B Issuance:

- Principal – Decrease of \$110,000
- Interest – Decrease of \$190,000

Special Revenue Fund – Hotel/Motel Tax Fund – decrease of \$44,543

- Removal of Clear Lake Chamber of Commerce Membership (\$2,000)
 - Removal of 2 Part/Time Visitor Center Representatives (\$42,543)
- (\$44,543)**

POSITIONS:

As submitted the proposed budget had 687 FTEs. With the removal of the 2 part-time Visitor Center Representatives and the Planner the total proposed FTE count is at 685. The FY2024 budget represents a net addition of 10.00 FTE from the FY2023 year-end estimated 675 FTE.

In addition, the FY2024 budget includes authorization to ‘hire over’ the current number of Telecommunicators approved level of 16 by 2, plus the four (4) communication shift supervisors for a total of 22 positions to staff the four shifts.

In FY2023, 6 additional officers authorized in the adopted budget were filled during the year. A budget amendment will be presented to City Council to add the six (6) FTE to the total civil service count of 126, increasing the FY2023 year-end estimate to 132. Also included in the FY2023 year-end estimate, is the transfer of a police officer to the Fire Marshal’s office as a Deputy Fire Marshal I, which reduces the civil service total to 131. Authorization to ‘hire over’ the current number of civil service officers (131) by 6 continues in FY2024.

CITYWIDE

	FY2023 AMENDED BUDGET	FY2024 PROPOSED BUDGET	WORKSHOP CHANGES	FY2024 1ST READING BUDGET
OPERATING BUDGET	\$ 172,940,333	\$ 177,860,894	\$ (1,257,875)	\$ 176,603,019
CAPITAL BUDGET	\$ 148,293,872	\$ 153,347,670	\$ (500,000)	\$ 152,847,670
GRAND TOTAL	\$ 321,234,205	\$ 331,208,564	\$ (1,757,875)	\$ 329,450,689

Changes to the Ordinance approved at First Reading

The second reading of the budget ordinance includes the following changes approved during the first reading:

A Public Hearing on the budget along with the first reading of the budget ordinance was held on August 22nd. As a result of the discussions during this meeting, the proposed operating budget has been adjusted as approved in Ordinance 2023-28. The revised appropriation of \$177,332,519 is \$729,500 more than the August 22nd proposed operating budget of \$176,603,019. The revised appropriation of \$153,572,670 is \$725,000 more than the August 22nd proposed capital budget of \$152,847,670.

The property tax rate required to fund changes made to the operating budget during the first reading is \$0.396783 per \$100 valuation, which is the no-new-revenue rate proposed by Council on August 8, 2023.

General Fund Revenues – Increase of \$730,000

As part of approval of the first reading of the budget ordinance on August 22nd, property tax revenue was adjusted to the no-new-revenue rate of \$0.396783.

General Fund Expenditures – Increase of \$729,500

The following changes were made to the FY2024 Proposed Budget:

- | | |
|---|-------------------------|
| • Civic organization memberships for Council Direct Reports | \$2,000 |
| • Library Training & Travel | \$2,500 |
| • Transfer to Reinvestment | <u>\$725,000</u> |
| | <u>\$729,500</u> |

GENERAL FUND	FY2023 UPDATED	FY2024 PROPOSED BUDGET	First Reading Changes	FY2024 SECOND READING
Revenues	\$ 95,594,674	\$ 99,585,214	\$ 730,000	\$ 100,315,214
Expenditures	94,667,914	99,696,944	729,500	100,426,444
Revenues Over/(Under) Expenditures	926,760	(111,730)	500	(111,230)
Beginning Fund Balance	26,903,205	27,829,965		27,829,965
Ending Fund Balance	\$ 27,829,965	\$ 27,718,235		\$ 27,718,735
Days of Working Capital				
110 Days of Operating Expenditures Required by Policy	9.9	1.2		1.2

The following reflects changes during workshops and the first reading of the budget ordinance with difference highlighted:

General Fund Revenues – Net increase of \$282,295

- Due to current trends, FY2024 revenue estimates for sales tax has been reduced by \$600,000.
- Property tax changed by a net increase of \$550,000, which includes decrease from Senior Exemption (\$480,000), an increase in General Fund revenue based on the decrease in Debt Service requirements of \$300,000, and an increase of \$730,000 based on the proposed no-new-revenue property tax rate.
- EMS ambulance revenue estimates have increased by \$32,295.
- A correction has been made to the Utility Fund Overhead Payment totaling \$300,000, which is an increase to General Fund revenue.

General Fund Debt Service Revenues – Decrease of \$300,000

- Decrease of property tax revenues by \$300,000 based on the decrease in Debt Service requirements from the 2023 GO Bond issuance.

Exhibit A to the ordinance outlines the operating budget which includes:

General Fund Expenditures – Net decrease of \$183,822

The following items were removed from FY2024 Proposed Budget:

- Service Organization Memberships (leaving \$2,000) (\$1,760)
- Library Board of Trustees Monthly Meal (\$600)
- American Library Association Memberships except Librarian (\$490)
- Planner position (\$96,942)
- Animal Control Vehicle (\$91,200)
- Urban Management Professionals of Southeast Texas Membership (\$500)
- Clear Lake Chamber of Commerce Membership (\$2,500)

- Clear Lake Chamber of Commerce Boat Parade Sponsorship (\$2,900)
- (\$196,892)**

The following items were reduced in the FY2024 Proposed Budget:

- Library training budget (includes \$2,500 increase from first reading) (\$2,500)
 - Holiday in the Park float reduced and moved to Communications (\$1,250)
 - Council training budget 1100000-53440 (\$5,600)
 - Oak Tree Maintenance split over two years 4400000-52150 (\$70,000)
 - Fire Marshal position hire date delayed 2900000 (\$17,590)
 - Southwest Side Master Development Plan 3200000-53490 (\$50,000)
 - Facilities has reduced the following line items:
 - Janitorial Supplies (\$5,000)
 - Operating Supplies (\$5,000)
 - Minor Equipment & Furniture (\$5,000)
 - Building & Ground Maintenance (\$10,000)
 - Information Technology has reduced the following line items:
 - Utility – Telephone (Switch to T-Mobile) (\$25,000)
 - Technology Maintenance Services (\$15,000)
- (\$211,940)**

The following items was added to the FY2024 Proposed Budget:

- Reduce Transfer to Reinvestment (workshop change) (\$500,000)
 - Increase Transfer to Reinvestment (1st reading) \$725,000
- \$225,000**

General Fund Debt Service Expenditures – Net decrease of \$300,000

Based on the 2023 GO Prop B Issuance:

- Principal – Decrease of \$110,000
- Interest – Decrease of \$190,000

Special Revenue Fund – Hotel/Motel Tax Fund – decrease of \$44,543

- Removal of Clear Lake Chamber of Commerce Membership (\$2,000)
 - Removal of 2 Part/Time Visitor Center Representatives (\$42,543)
- (\$44,543)**

POSITIONS:

As submitted the proposed budget had 687 FTEs. With the removal of the 2 part-time Visitor Center Representatives and the Planner the total proposed FTE count is at 685. The FY2024 budget represents a net addition of 10.00 FTE from the FY2023 year-end estimated 675 FTE.

Over-hire authority for police officers and telecommunicators remained unchanged from the proposed document.

Changes to Capital Budget

- Increase transfer to Reinvestment for Sidewalks, Streets & general Facilities

\$725,000

	FY2023 AMENDED BUDGET	FY2024 PROPOSED BUDGET	WORKSHOP CHANGES	FY2024 1ST READING BUDGET	1st READING CHANGES	FY2024 2ND READING BUDGET
OPERATING BUDGET	\$ 172,940,333	\$ 177,860,894	\$ (1,257,875)	\$ 176,603,019	\$ 729,500	\$ 177,332,519
CAPITAL BUDGET	\$ 148,293,872	\$ 153,347,670	\$ (500,000)	\$ 152,847,670	\$ 725,000	\$ 153,572,670
GRAND TOTAL	<u>\$ 321,234,205</u>	<u>\$ 331,208,564</u>	<u>\$ (1,757,875)</u>	<u>\$ 329,450,689</u>	<u>\$ 1,454,500</u>	<u>\$ 330,905,189</u>

Deadline to approve the FY2024 Budget

Charter requires the budget to be approved by at least ten (10) days before the beginning of the fiscal year, which is September 20th.

ATTACHMENTS

1. Data Sheet
2. Data Sheet (Clean Version)
3. Proposed Ordinance with Exhibits A, B and C