

MEMORANDUM

TO: Claire Powell, City Manager

FROM: Ashley Carlisle, Budget Manager

DATE: May 19, 2025

SUBJECT: Approval of FY 2025 Mid-Year Supplemental Appropriations to the Following Funds: General Fund in the Amount of \$507,233, Debt Service Fund in the Amount of \$1,855,940, Hotel/Motel Tax Fund in the Amount of \$29,000, Utility Fund in the Amount of \$1,339,376, and Tax Increment Reinvestment Zone 3 in the Amount of \$74,075.

BACKGROUND

As part of the mid-year budget process, both revenue and expense accounts are reviewed for all operating funds. A presentation will be provided during the May 19, 2025 City Council workshop session that outlines the financial trends the City has seen through the first half of the fiscal year. The analysis also provides a determination of any adjustments that may be needed for the remainder of FY 2025.

ANALYSIS

Since the adoption of the FY 2025 budget in September 2024, the following has occurred:

- FY 2024 actual amounts have been audited and finalized
- Six months of FY 2025 revenue and expenditure activity has occurred
- Supplemental appropriations have been determined

Detailed below is a list of supplemental appropriations being requested for FY 2025:

General Fund: \$507,233

- Part of the supplemental appropriation for the General Fund consists of \$452,223. Park Development, Park Dedication, and Tree Mitigation revenues received in FY 2025 will end the year in excess of the revenue budgeted in FY 2025's budget. This additional revenue will need to be appropriated in order to transfer those dollars out to the associated capital improvement projects.
- The remaining portion of the supplemental appropriation for the General Fund is \$55,000 for the City Council runoff election to be held in June. Last year's runoff election cost the City a total of \$55,859. There are additional savings available in the City Secretary's Office budget to cover additional expenses if the total comes in higher than \$55,000 this year.

Debt Service Fund - \$1,855,940

- Typically, the City's general obligation bond issuance occurs in the spring or early summer of each year. In FY 2024, the bond issuance occurred later in the summer due to the bond elections held in May. Debt payments are a year in arrears, meaning the City does not begin making debt payments on a bond issuance until the following fiscal year. Since the bond issuance occurred after the FY 2025 budget was prepared and presented to City Council, a supplemental appropriation is needed in the current year to manage debt obligations.

Hotel/Motel Tax Fund - \$29,000

- During the February 17, 2025 City Council workshop session, City staff presented various options for the fireworks and drone show for the FY 2025 Red, White, and Lewisville celebration. City Council directed staff to proceed with the hybrid fireworks and drone show option, requiring an additional event budget of \$29,000.

Utility Fund - \$1,339,376

- Typically, the City's utility revenue bond issuance occurs in the spring or early summer of each year. In FY 2024, the bond issuance occurred later in the summer to align with the general obligation bond issuance. Debt payments are a year in arrears, meaning the City does not begin making debt payments on a bond issuance until the following fiscal year. Since the bond issuance occurred after the FY 2025 budget was prepared and presented to City Council, a supplemental appropriation is needed in the current year to manage debt obligations.

TIRZ 3 Fund: \$74,075

- Part of the supplemental appropriation for TIRZ 3 is to allow P3 Works to continue to review draw requests related to development in this reinvestment zone. Draw requests are being submitted by the developer at a much higher rate than in previous years, and P3 Works reviews each request on behalf of the City for accuracy and eligibility. At a point in the near future, draw requests will begin to subside as the developer payments begin to approach the total reimbursement amount.
- The remainder of the supplemental appropriation for TIRZ 3 is for an increased reimbursement to Bright Realty related to their development agreement. In FY 2024, interest revenue came in higher than anticipated and expenditures came in under budget, resulting in more fund balance being available that will support an accelerated reimbursement amount due to the developer. This does not increase the overall amount that is reimbursable under the TIRZ, but rather allows the City to pay down the agreement more quickly.

CITY STAFF'S RECOMMENDATION

That the City Council approve the supplemental appropriations as set forth in the caption above.