

MEMORANDUM

TO: Claire Powell, City Manager

FROM: D'Ann Tompkins, Budget Manager

DATE: May 11, 2023

SUBJECT: Approval of the Mid-Year Report and Approval of the Supplemental Appropriations to the following funds: Debt Service Fund in the Amount of \$2,225,000, Utility Fund in the Amount of \$118,534, TIRZ #1 Fund in the Amount of \$165,000, TIRZ #3 Fund in the Amount of \$464,064, and the Other Post-Employment Benefits Liability Fund in the Amount of \$31,452.

BACKGROUND

As part of the mid-year budget process, both revenue and expense accounts are reviewed for all operating funds. A presentation is provided that outlines the financial experience the City has seen through May of this fiscal year. The analysis also provides a determination of any adjustments that may be needed for FY 2023.

ANALYSIS

Since the adoption of the FY 2023 budget in September 2022, the following has occurred:

- FY 2021-2022 actual amounts have been finalized
- Six months of FY 2022-2023 revenue and expenditure activity has occurred
- Supplemental appropriations have been determined

Detailed below is a list of supplemental appropriations needed for FY 2022-2023:

Debt Service Fund - \$2,225,000

- The supplemental appropriation for debt service is necessary to support an additional payment made on the Series 2012 Bonds. These bonds had maturities that became callable in February 2022. Based on the recommendation of the City's financial advisor, Hilltop Securities, it was recommended that \$300,000 of the principal amount for FY 2025-26 and the entire principal amounts for FY 2026-27 and FY 2027-28 (\$1,925,000) be paid early. By making these early payments, the City was able to save \$406,825 in interest costs over the remaining life of this issue. Revenue to support this additional payment comes from property taxes generated from the levy for tax year 2022.

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Utility Fund - \$118,534

- This fund has realized additional revenue due to increased water and sewer service sales. Because of this, the franchise fee and Payment In Lieu of Taxes (PILOT) amounts (which are based on a percentage of water and sewer revenue) due to the General Fund have increased.

TIRZ #1 Fund - \$165,000

- An economic development agreement with XMPK LLC. (developer) was approved by City Council on April 17, 2023. The developer is planning to build seven townhomes and private open space at the southeast corner of Harris Street and Walters Street. In consideration for the development, the agreement provides for a grant up to \$40,000 for construction of the rear alley and a grant up to \$125,000 for environmental remediation required by the Texas Commission on Environmental Quality.

TIRZ #3 Fund - \$464,064

- On August 16, 2021, City Council approved an Amended and Restated TIRZ Reimbursement Agreement with Bright Realty to update project costs and zone reimbursements and to allow for economic development grant authority. The agreement also includes the utilization of base TIRZ revenues, calculated on the city and county portion, for the reimbursement of developer costs. On November 21, 2022, a supplemental appropriation was approved to reimburse the developer for project costs. An additional developer reimbursement has been requested based on higher than projected TIRZ revenues. This will be the last developer reimbursement for FY 2023.

Other Post-Employment Benefits Liability Fund - \$31,452

- This fund accounts for future liability associated with retiree health claims. The increase is based on latest actuarial study which assessed current liabilities.

CITY STAFF'S RECOMMENDATION

That the City Council approve the Mid-Year Report and supplemental appropriations as set forth in the caption above.