

Hurricane Harvey

- Sugar Land was proactive in responding to the event
- Public Works/Utilities: Tiger Dams, support for LIDs, sandbags, street closures, water /wastewater functioning
- Call Center received thousands of calls
 - Evacuation orders & shelter information
 - Rumor Control (Water shut off/ US59 Closed / etc)
- Public Communications efforts
 - Website, Social Media Updates
- Public Safety Efforts: Police, Fire, EMS, Dispatch
- Community Services: Volunteers, Sheltering Evacuees
- Airport: staging area for rescue helicopters

Hurricane Harvey Financial Impact

- Revenue Impacts
 - Sales Tax Loss
 - Closures during & after the storm
 - Stores, Restaurants, etc
 - Business impacted by flooding- prolonged closures
 - Hotel Occupancy Taxes Waived by the State
 - Aug 23- Sept 6 for Evacuees and Responders
 - FEMA will reimburse most, but not all expenses
 - Timing uncertain

Hurricane Harvey Financial Impact

- Event response is still in progress
 - River crested Friday at 55.19 ft
- Expenditures: Overtime, supplies & equipment
 - Amend FY17 budget once we have better estimates
- Damage Assessments
 - ~200 houses with structural water damage
 - Facility Repairs Needed – water damage
- FEMA usually reimburses 100% of emergency response and 75% of repair work, leaving the City on the hook for 25%
- Strong financial position allowed City to dedicate resources to the event where others did not have the resources

Actions on 2017 Tax Rate

- **August 15th Record Vote**
 - Maximum tax rate for consideration \$0.33007
 - Adopted rate can be lower but not higher
- **Scheduled Vote on Tax Rate**
 - September 19, 2017
 - 5:30pm
 - City Hall Council Chamber

Effective Tax Rate

- State Law = “Truth in Taxation”
 - Calculations & Publication Requirements
- The Effective Tax Rate is a calculation to provide a link between the relationship comparing prior year and current year tax revenue based on a tax rate that would produce the same amount of tax revenue if applied to the same properties taxed in both years

Tax Rate Calculations

	Per \$100
Voter Authorized Tax Rate	\$0.33995
Published 2017 Tax Rate	0.33007
Effective Tax Rate +3%	0.32233
2016 Tax Rate	0.31595
Effective Tax Rate	0.31293
Rollback Tax Rate	0.33352

FMPS Direction on Property Taxes

- The City Manager will recommend a tax rate that the City finances require in order to operate efficiently, yet effectively, and meets the city council's expectations of services provided and service levels
- As economic conditions permit, the city manager will recommend a tax rate not greater than the effective tax rate plus 3%
- Nominal tax rate may go up or down, depending on changes to assessed valuation

FY18 Proposed Budget

- The proposed budget is based on a revenue stream for property taxes that is built around the Council adopted Financial Management Policy Statements (FMPS)
- FY18 Proposed Budget and Five Year Forecast are based on Effective Tax Rate +3%, consistent with FMPS Direction

Tax Rate for FY18 Filed Budget

- Effective Tax Rate (ETR) + 3% (\$0.32233)
 - Lower than anticipated assessed values
 - + Effective Tax Rate + 3% (\$0.32233)
 - = Funds FY18 Budget as proposed
- Tax rate adjustment offsets lower valuation
- Consistent with FMPS direction

Conservative FY18 Budget

- **FY18 Filed Budget includes:**
 - Rehabilitation funding in General Fund at reduced levels from prior years (\$1.4 M vs \$3 M)
 - Pushed out existing CIP projects from 4 yrs to 5 yrs
 - Increased salary savings offset to balance budget (\$561k)
 - Incorporated savings from electricity, fuel, HOA reimbursements (\$654k)
 - Efficiencies from Departmental Assessments
 - No PAYG CIP funding from sales tax
 - No discretionary additions outside of annexation

FY 18 Budget Implications

Adopting less than Effective Tax Rate +3%

- **Recurring budget cuts will be necessary**
 - **Reduction in existing staff**
 - **Reduce / eliminate budgeted merit pool**
 - **Delay compensation plan adjustments**
 - **Eliminate or reduce GF services/service levels**
 - **Eliminate \$3.5M (44%) in General CIP out of \$8M in projects from Certificates of Obligation**
- **Information requested was provided to Council Aug 25**

Long Term Implications

Adopting less than Effective Tax Rate +3%

- Infrastructure Degradation
 - Streets, Sidewalks, Drainage, Traffic
- No funding in the Five Year CIP for:
 - Ft Bend County Mobility bond projects (City share)
 - Public Safety Training Facility
 - Police & Court Expansion phase II
 - Enterprise software replacement
 - License Plate Recognition Cameras phase II
- Reduced capacity to respond to significant events
 - Hurricanes, flooding, etc.

General Fund Impacts

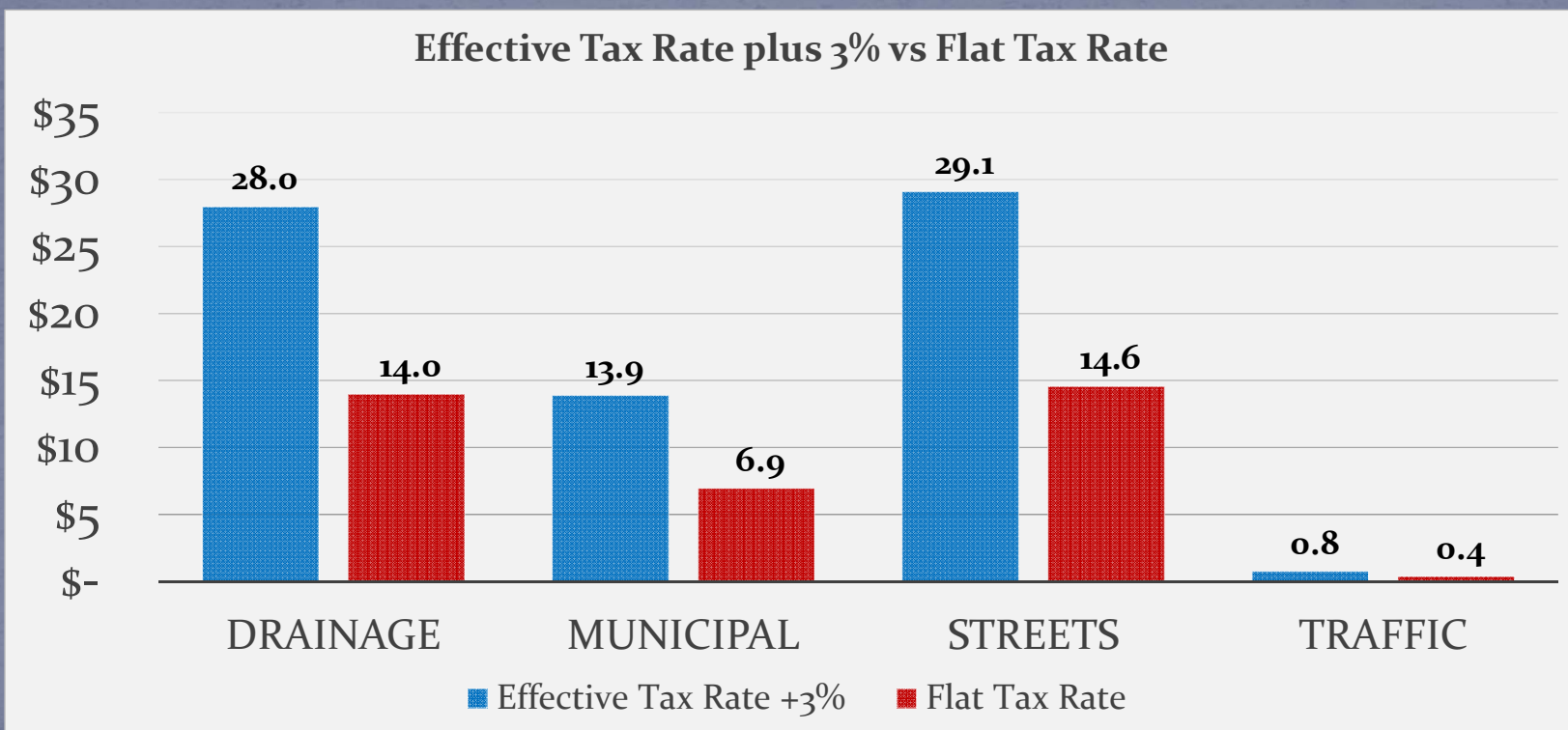
Without Effective Tax Rate +3%

- Increased reliance on sales tax to support operations
 - Contrary to our strategic direction
 - Increased risk to the City due to economic changes
- No capacity for operating cost increases
 - Contractual services (Mowing, janitorial, etc)
 - Fuel cost
 - Personnel Cost / Benefits
- O&M Impact of Capital Projects

Impact on Five Year CIP Without Effective Tax Rate +3%

- Fundamentally different General CIP w/o ETR +3%
- Reduction in funding capacity each year
- FY18
 - ~\$4.5M vs. \$8M Planned
 - Lost Capacity of ~\$3.5M
- FY19 – FY22
 - ~\$32M vs ~\$64M planned
 - Lost Capacity of ~\$32M

FY19-22 Projects Funded by CO's



Harvey Impacts

- FY18 Budget will need to be adopted before we know what the impact of Harvey is
- Amend FY17 budget after the FY ends (Oct-Nov)
 - Exp's: Cost for payroll, repairs, etc
 - Rev: Estimated FEMA reimbursement (75%-100%)
- Difference from General Fund FY17 Ending Fund Balance
- Reduces beginning FY18 Fund Balances
 - The beginning balances shown in the FY18 budget will not be the final FY17 ending fund balances
- Hurricane Ike reimbursements took 12-24 months to come in
 - Harvey pending federal appropriation of FEMA funding

Recommendation

- Receive and hear all persons desiring to be heard on the proposed tax rate for 2017

Next Steps:

- September 19th at 5:30pm
 - Adopt FY18 Budget & Five Year CIP
 - Adopt 2017 Tax Rate
 - Ratify Tax Revenue Increase
 - Separate vote – legislative requirement