

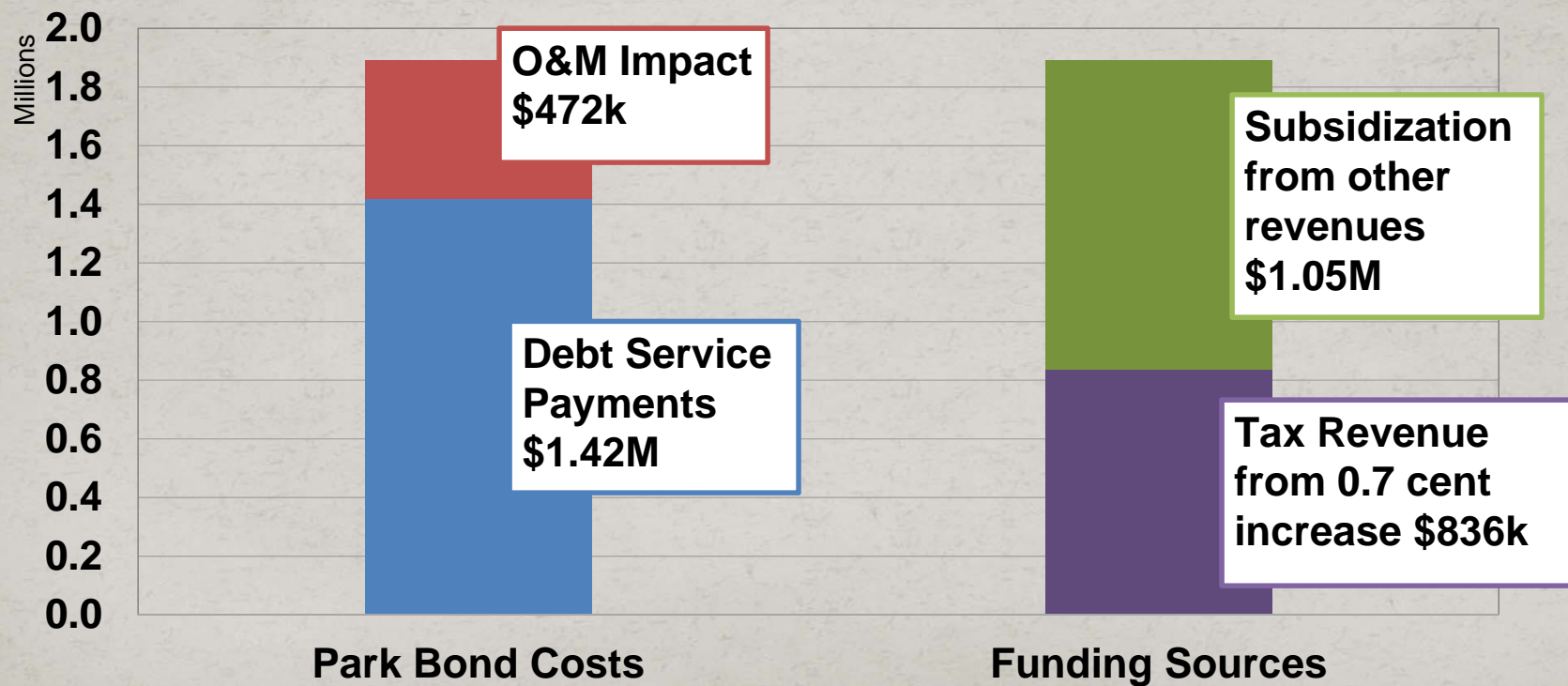
FY18 Budget Activity to Date

- **Sept 19-**
 - **Council adopted FY18 Budget as recommended**
 - **Council set a 2017 property tax rate of \$0.31762**
 - **Tax rate does not support adopted budget**
 - **Reductions to expenditures required to balance the budget**
- **Sept 26-**
 - **Budget workshop to discuss potential budget reductions and impact to long range forecast and 5 Year CIP**

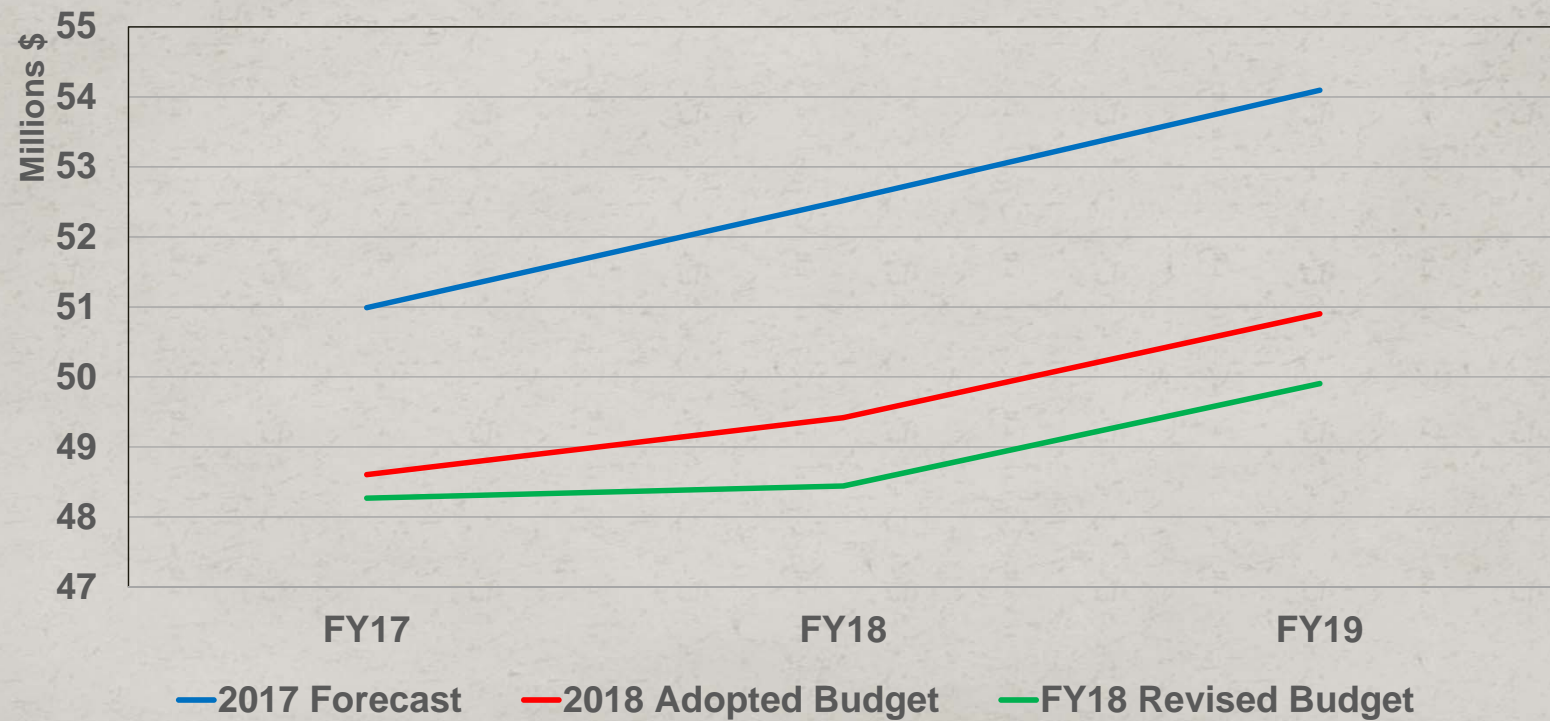
Property Taxes

- **Voter approved Park Bonds issued to date require \$1.9 million in annual revenues to support**
 - **Tax rate increased 0.7 cents in 2014 = \$836,000**
 - **Remaining \$1.05 million erodes ability to fund services**
- **Recommended tax rate was \$800,000 in revenue increase vs 2016 tax rate**
 - **Adopted tax rate reduced that by \$600,000**
 - **Eliminated capacity to absorb continuing downturns in sales tax**

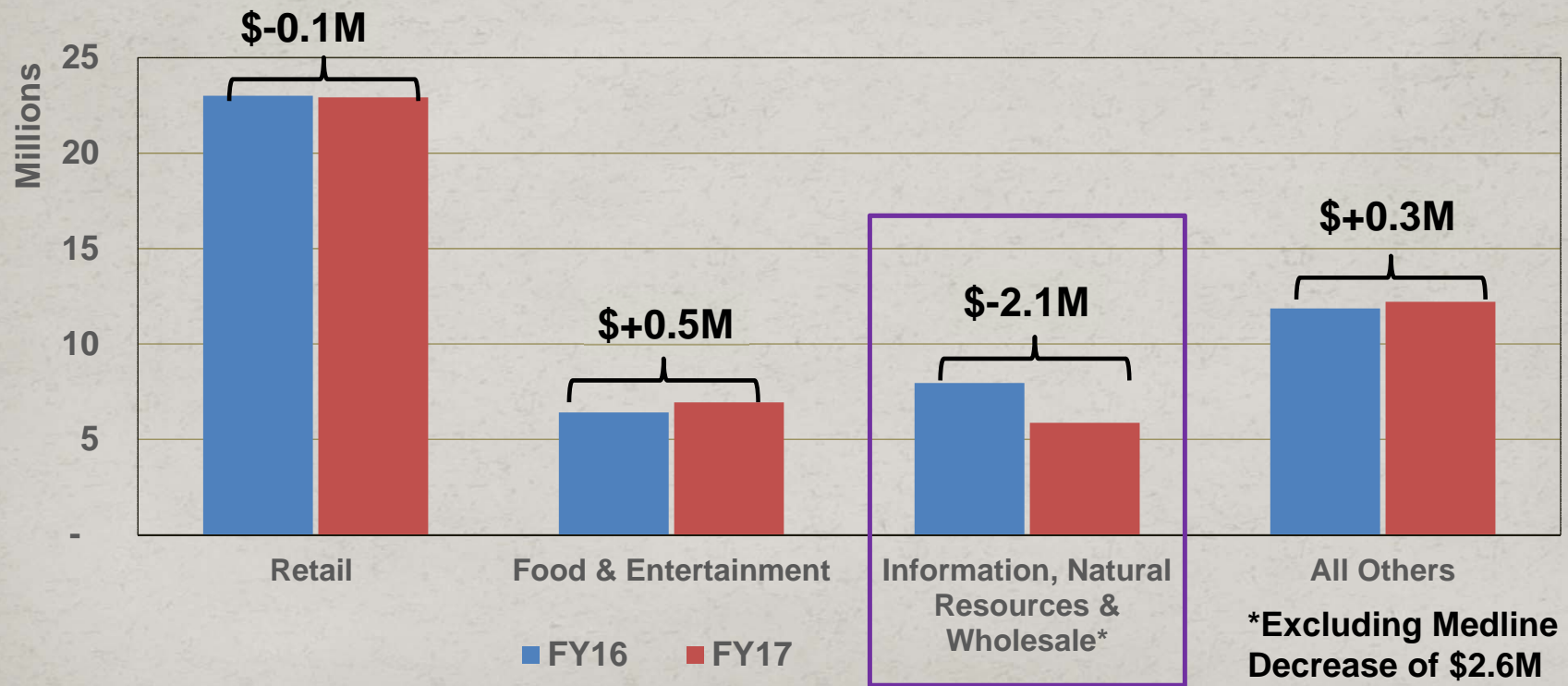
Parks Bonds: Subsidization of Funding



Sales Tax vs Prior Estimates



Sales Tax: FY17 vs FY16 Actual



FY18 Revenue Impact

- **FY18 budgeted revenues to be reduced to reflect adopted tax rate and revised sales tax estimates**
 - **General Fund: Property Tax: \$650K**
 - **1.5% vs. 3.0% over Effective Tax Rate**
 - **Lost revenue from flood damaged properties**
 - **Sales Tax: ~\$1M total (General Fund & 4A/4B Corps)**
 - **Based on current trends**
 - **Primarily business sectors:**
 - **Information, Natural Resources, Wholesale**
 - **General Fund Impact: \$1.4 million**

FMPS Direction on Budget Management

- **City Manager corrective actions for mid-year deficits:**
 - 1. ~~Reduce PAYG Capital Projects~~**
 - 2. Manage Vacant Positions**
 - 3. Defer Capital Purchases**
 - 4. Expenditure Reductions**
 - 5. Hiring Freezes**
 - 6. Freeze Merit Increases**
 - 7. Use of Fund Balance**
 - 8. Increase Fees**
 - 9. Lay Off Employees**

FY18 Budget: Proposed Amendment

- **Budget reflects Council-approved funding and service levels**
- **General Fund Operating Expenditures \$85.1 million**
 - **Structural balance via recurring expenditure cuts**
 - **Reduce subsidization of services**
 - **Prioritize “needs” vs “wants”**
 - **Reduce discretionary service levels**
 - **Focus on services with significant overtime**
 - **Reduces flexibility to respond to unforeseen events**

FY18 Budget: Proposed Amendment

- **Council direction to preserve the merit pool**
 - **Recommendation to reduce from 3% to 2% merit pool**
 - **To be implemented & managed by City Manager**
 - **Balancing employee compensation with reductions to service levels that make Sugar Land, Sugar Land**
- **Adjustments to long range forecast & 5-year CIP needed**
 - **Use Effective + 1.5% per Council direction on Sept 26**
 - **Delay or eliminate projects with significant O&M impact or those where construction not affordable within 5-year CIP**

FY18 Budget: General Fund Reductions

Description	Dept Impact	Amount
Eliminate 2 FTE's	Communications/ OSI	190,000
New Year's Eve Event	Parks & Recreation	118,000
Impact Players Partners	City Council	5,000
Reduce Travel/Training by 10%	Employee Development	72,000
Printing of Sugar Land Today & City Calendar	Communications	105,000
Reduce Merit Pool to 2%	Citywide	316,000
Reduce Contingency to ¼%	Citywide	200,000

FY18 Budget: General Fund Reductions

Description	Dept Impact	Amount
Suite Hosting	Intergov Relations	12,000
Photographer/Videographer	Communications	4,000
Fee Study/Prof Services	Finance	35,000
MUD Tax Rebates	Non-Departmental	42,000
Employee Recognitions	Human Resources	20,000
Close the City Pool	Parks & Recreation	40,000
State of the City Event	Communications	25,000

FY18 Budget: General Fund Reductions

Description	Dept Impact	Amount
Ft Bend TREK	Planning	70,000
Star Spangled Spectacular	Parks & Recreation	94,000
Reduced Street Sweeping	Public Works	85,000
Reduce Mulch/Fertilizer	Public Works – ROW	69,000
Reduced Services	Parks & Recreation	50,000
Reduced Tractor Mowing	Public Works - ROW	31,000
Total Reductions		\$ 1,583,000

FY18 Budget: 4A/4B Amendment

- **Impact to Economic Development Corporations**
 - **Estimated Sales Tax Revenue loss of \$125k each**
- **SLDC**
 - **Reduction to Direct Incentives**
- **SL4B**
 - **Reduce funding for Capital Projects**

Capacity for Harvey

Examples of Potential Harvey Projects

- **Engineering studies: identify potential drainage improvements in areas where structures flooded**
- **Repairs to city facilities**
 - **Issues being uncovered: roof related**
- **Repairs to public infrastructure – recognizing many issues may not yet be known**
 - **Example: Wood Street Bridge repairs**



Reprioritizing CIP for Harvey

- **Reprioritization of CIP projects and debt capacity are needed as a result of uncertainty from the event**
 - **Damages to infrastructure/ facilities**
 - **Cost of repairs/ potential reimbursement**
- **Reprioritization of FY17 projects – close out**
 - **License Plate Recognition Cameras - \$133K Prelim Eng.**
 - **Emergency Operations/ Dispatch Center - \$700K Design**
- **Re-evaluate funding needs at Spring Retreat in preparation for FY19-23 CIP planning for Harvey and other projects**

Reprioritizing CIP for Harvey

- **Debt capacity from CIP design work in FY18 budget:**
 - **Preservation of funding from existing studies & design for project work not yet completed**
 - **Remove design projects where we cannot afford construction in the 5 year CIP**
 - **Animal Shelter - \$500K Design**
 - **First Colony/ Soldiers Field Roundabout - \$100K Design**
- **Park bonds reallocation- debt capacity**
 - **Bond proceeds support ~\$140,000 in annual debt service**
 - **Provides capacity for additional debt issuance**

Capacity for Harvey

- **FY18 Funding**
 - **General Fund: \$210k one-time funds- engineering studies**
- **Future Capital Projects**
 - **\$833k from closed out FY17 projects (cash)**
 - **~\$3.1M in debt capacity from canceled FY18 projects & delayed park bond projects**
 - **First Colony Trail- construction on hold**
 - **Brazos River Park phase II (mid-lake)- design on hold**
 - **Ditch H Trail- design on hold**

5 Year CIP and Long Range Forecast

Long Range Forecast

- **Modified long-range forecast to remain congruent with Council direction**
 - **Long range assumptions**
 - **1.5% over effective tax rate**
 - **1.5% increase in salary & benefits**
 - **1.0% increase in O&M expenses**
 - **0.25% operational contingency**
- **General Fund and Debt Service Fund revised based on the these assumptions**
 - **Structurally balanced and in compliance with policy**

Capital Projects Approach

- **Objective: Fiscally constrain the 5 year CIP within the updated long range forecast**
 - **Adjust project timing based on:**
 - **Available debt capacity**
 - **General Fund O&M impacts**
 - **Suspend park bond projects**
 - **Requires tax increase**
 - **Construction projects removed from 5 year CIP**
 - **First Colony Trail- construction on hold**
 - **Remove funding for projects that we cannot afford to construct in the 5 year CIP**

5 Year CIP Changes

In \$ M	2018	2019	2020	2021	2022	TOTAL
Adopted CIP	22.23	50.62	9.30	17.77	30.36	130.28
Revised CIP	21.50	14.80	8.27	14.44	37.39	96.40
Variance	-0.73	-35.82	-1.03	-3.33	7.02	-33.88

Revised 5 Year CIP Summary

In \$ M	2018	2019	2020	2021	2022	TOTAL
Airport		0.41				0.41
Drainage	2.21	1.70	1.35	5.12	18.17	28.55
Municipal	3.29	0.20	0.20	0.65	1.85	6.19
Parks	1.10	1.20	1.20	1.20	0.20	4.90
Streets	4.04	2.28	1.28	1.63	8.52	17.75
Surface Water				0.65	1.65	2.30
Traffic	0.75					0.75
Wastewater	6.13	3.82	2.00	2.11	5.53	19.59
Water	3.99	5.20	2.24	3.08	1.47	15.98
Total	21.50	14.80	8.27	14.44	37.39	96.40

CIP Changes – No Longer in 5-year Window

Project	Amount
Animal Shelter	\$ 5,000,000
Emergency Operations/Dispatch Center	7,000,000
Sweetwater Reconstruction phase II	9,475,000
CO Projects	\$ 21,475,000
Brazos River Park phase II (mid-lake)	\$ 3,580,000
Ditch H Trail	6,680,000
GO Park Projects	\$ 10,260,000

Summary

- **Revised & structurally balanced operating budgets**
 - **General Fund**
 - **Debt Service Fund**
 - **4A/4B Corporations**
- **Set aside capacity for Harvey**
 - **Capital projects- cash & debt service capacity**
 - **General Fund – one time funding**
- **Revised 5 year CIP and long range forecast based on assumptions**

Next Steps

- **Future Steps:**
 - **Monitor & implement further corrective actions as identified in the FMPS if needed**
 - **Revisions to FMPS in FY18 based on Council direction**
- **Recommendation:**
 - **Approval of FY18 Budget Amendment Ordinance No. 2115**

Questions?