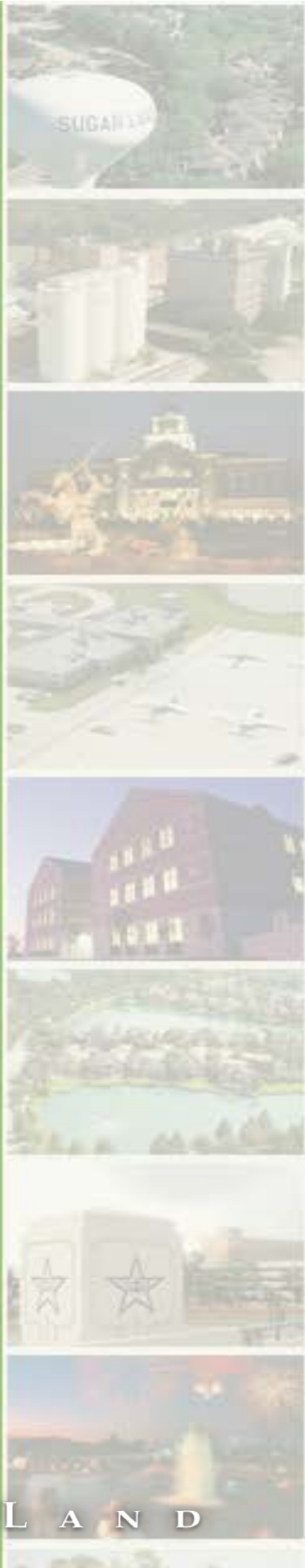


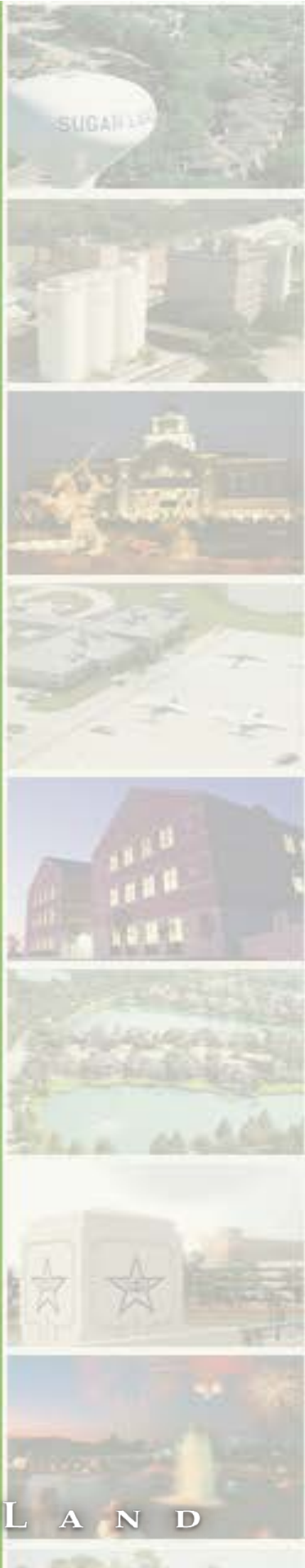
Successful 25 Year Strategy

- **Innovative and opportunistic financial strategy**
- **Voter approved sales taxes:**
 - **½¢ for property tax reduction**
 - **Funded city services with sales taxes**
 - **Required tax reduction of 9.2¢ in 2017**
 - **½¢ for economic development (4A & 4B)**
 - **Expanded job opportunities**
 - **Quality of life improvements (parks & amenities)**



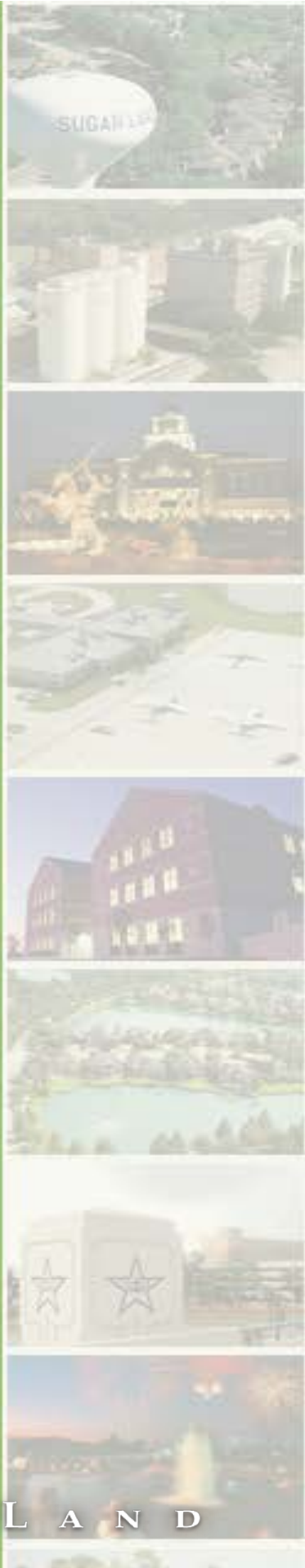
Strategy Results

- Sugar Land became a regional employment center & marketplace, allowing:
 - Additional property tax reductions
 - 9¢ off the tax rate to date
 - 10% homestead exemption
 - \$70,000 over-65/disabled exemption
 - Enhanced city services:
 - Sidewalk repairs
 - ROW beautification

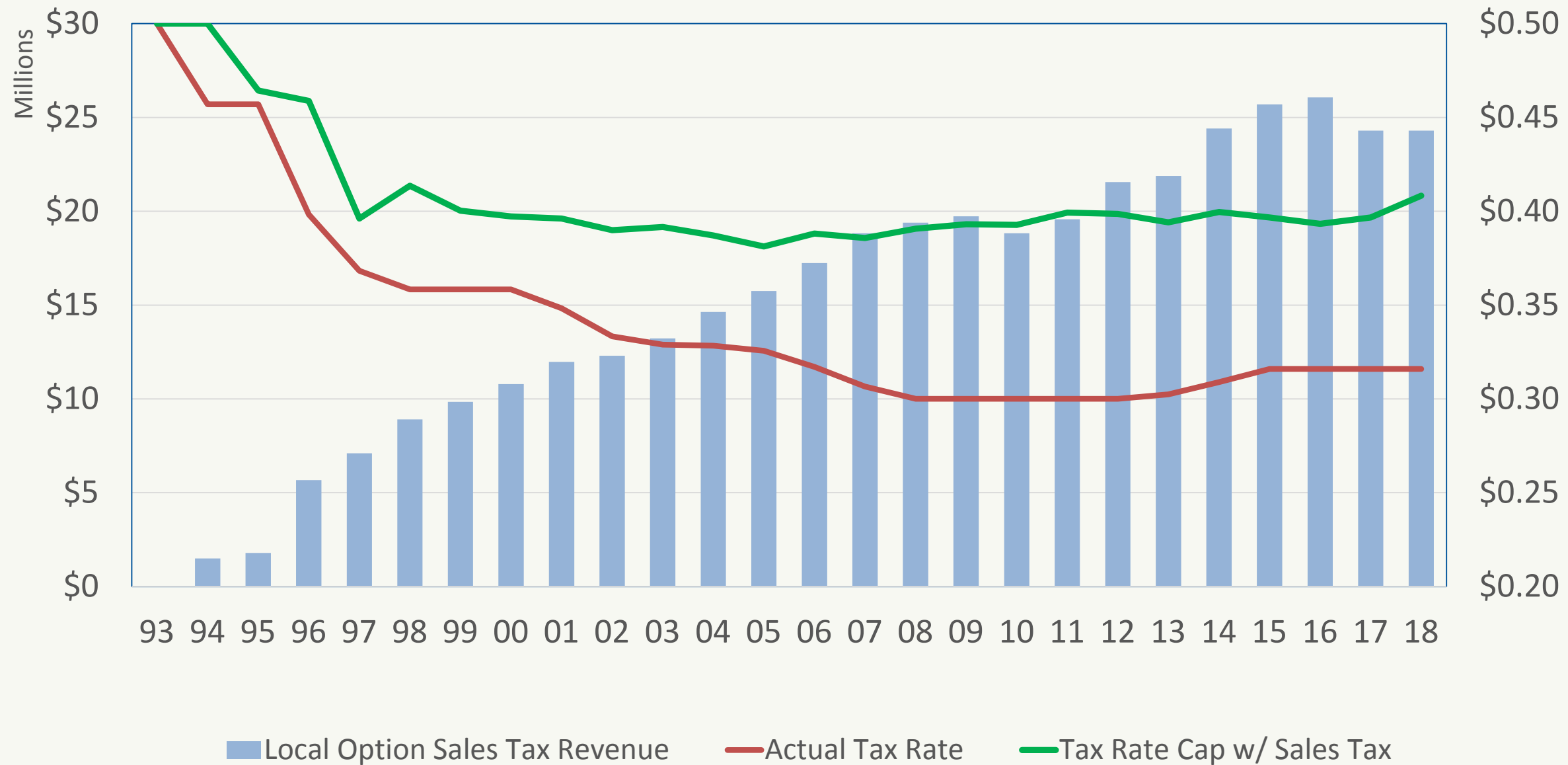


Strategy Results

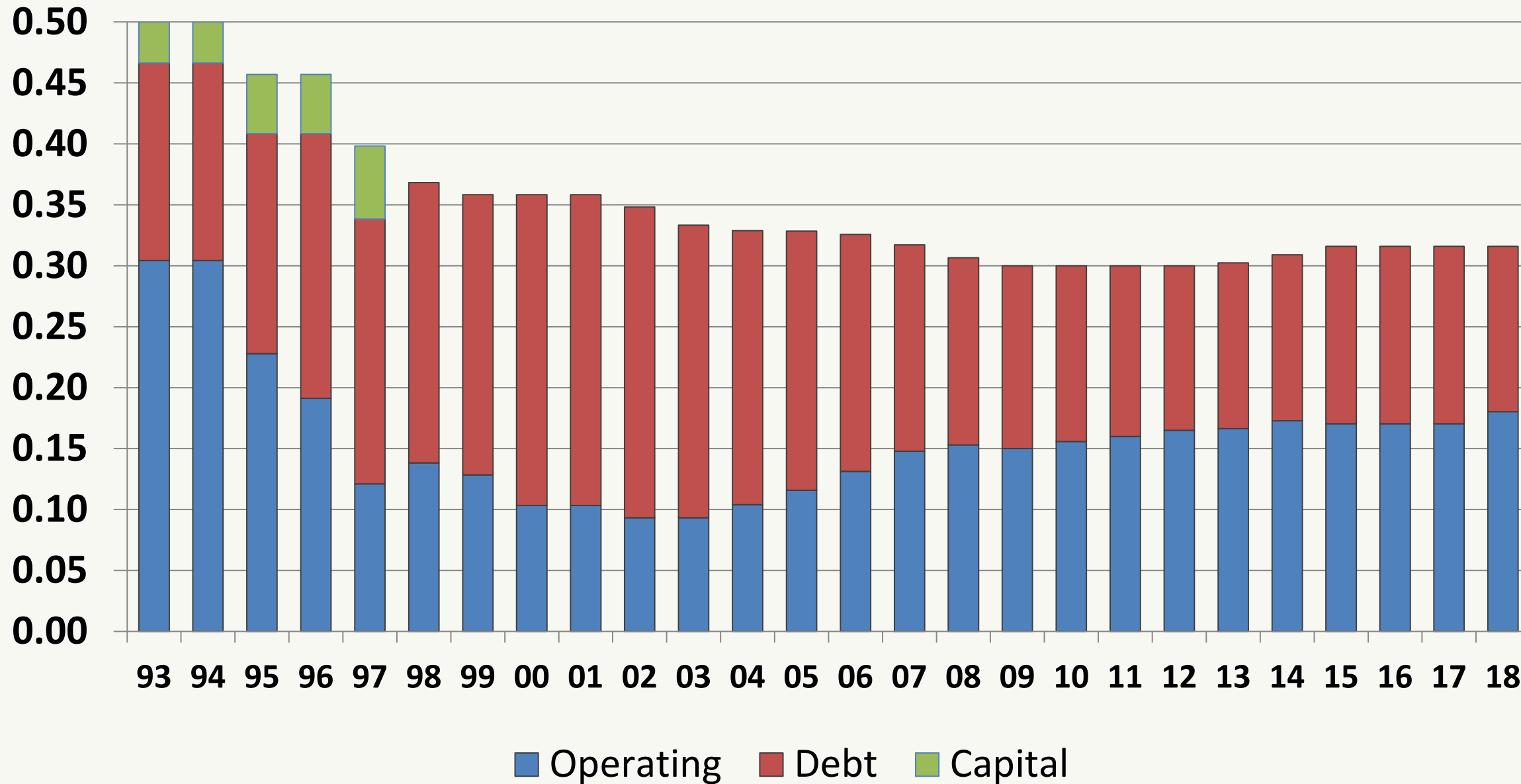
- **Visitors to Sugar Land subsidize service costs**
- **High citizen satisfaction**
- **AAA tax-backed bond ratings**
- **Declining tax rate allowed the issuance of CO's for capital projects instead of voter authorized debt**



Impact of Local Option Sales Tax



Historical Tax Rate



Property Tax Survey

- **2017 TML survey**
 - **30 cities in 65k-165k population group**
 - **18th in population**
 - **3rd highest net taxable value**
 - **Highest taxable value per capita**
 - **\$143,153 / average \$76,086**
 - **Lowest tax rate**
 - **Average 56.6¢**



Local Option Sales Tax Impacts

- **Low property tax rate is a direct result of the local option sales tax**
 - **Benefit: sales taxes paid by non-residents result in lower tax bills**
 - **Downside: left us less resilient to economic changes**



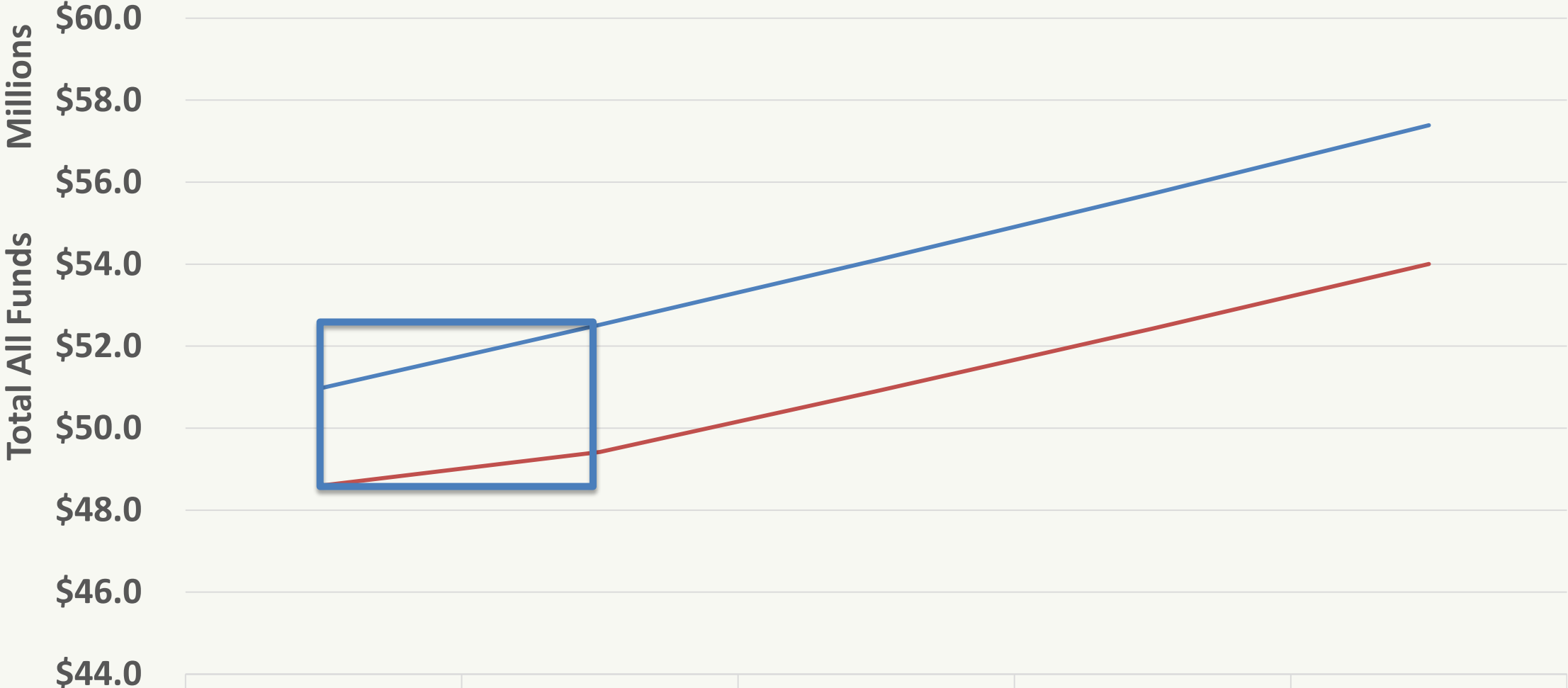
Changing Conditions

- **Sales tax weakness: projected for short & long term**
 - Less spending at brick and mortar retail
 - More online sales with limited sales tax collection
 - Reduced sales tax collection from oil & gas businesses
 - Aging Sugar Land population
- **Attacks on local control from Austin**
- **Aging infrastructure requiring greater expenditures on rehabilitation & reconstruction**
- **Resident concerns regarding growth impacts**



Sales Tax Estimates

FY17 vs. FY18 Long Range Forecast Comparison

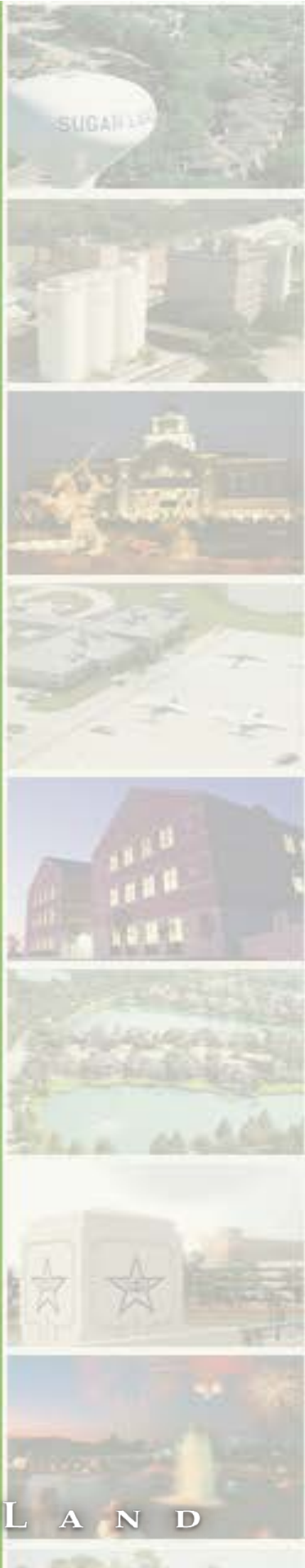


	FY17	FY18	FY19	FY20	FY21
— 2017 Estimate	50,990,000	52,519,700	54,095,291	55,718,149	57,389,695
— 2018 Estimate	48,604,881	49,419,705	50,902,296	52,429,365	54,002,246



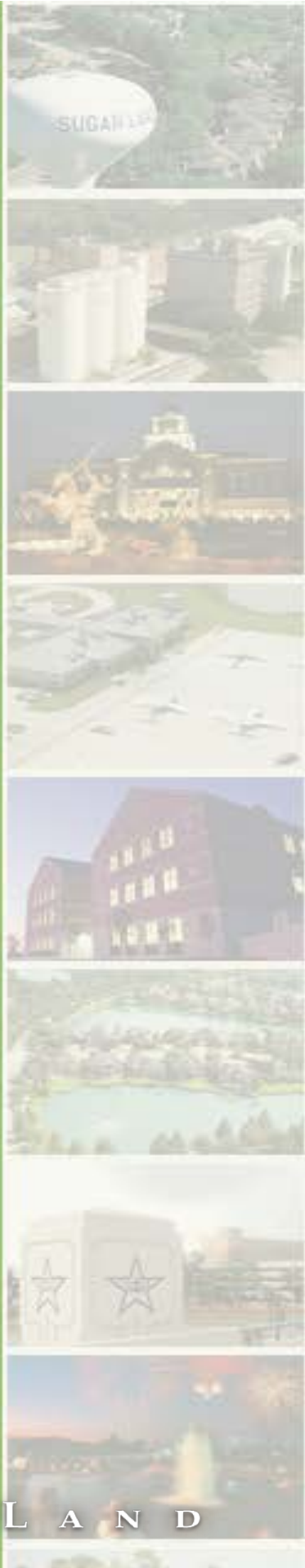
New Strategy Underway

- **Reduce reliance on sales tax for base budget**
 - Infrastructure rehabilitation
 - Expanded sales tax use for one time capital expenses
- **Infrastructure Asset Management**
 - Making wise reinvestment decisions for current and future residents



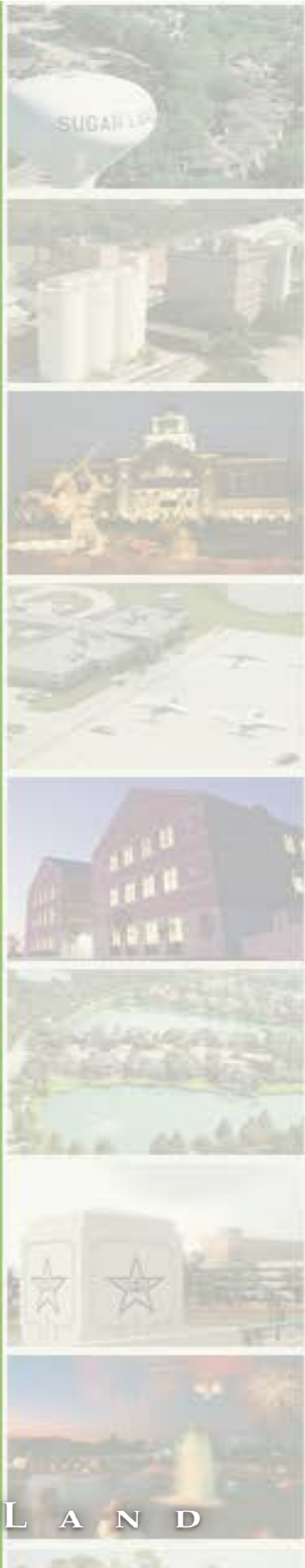
New Strategy Underway

- **Increased accountability**
 - Operational assessments
 - City Council Goal Measures
 - Departmental performance measures
- **Greater citizen engagement**
 - Use of voter authorized debt for capital expenditures and related tax increases
 - Parks bond program



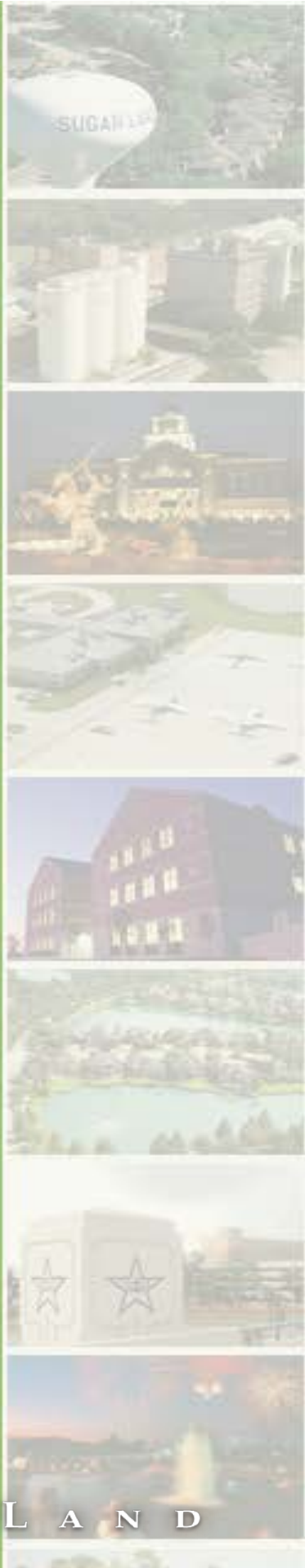
Looking Forward

- **Build resiliency**
 - Economic development programs
 - Public / private partnerships
 - Land uses that produce high taxable values
 - Destination city
 - Encourage redevelopment of aging retail centers



Next Steps

- **Update Financial Management Policy Statements**
- **Adopt Future Land Use Plan and begin implementation**
- **Adopt Corporate Communications Plan**
- **Achieve priority projects with Funding for Opportunities as needed:**
 - **Imperial Market**
 - **Second Hotel/Conference Center**
 - **Telfair/tract 5 commercial (TIRZ #4)**
 - **Development of Central Prison Unit property**
 - **Fluor/ Schlumberger**



FY18 Budget



Budget Background

- **Result of months of work**
- **FY18 budget addresses**
 - **Service needs and priorities**
 - **Stability in resources**
 - **Capital investment**
 - **Implementation of annexation decision**
 - **New Territory and Greatwood**
 - **Funded from Debt Reduction Funds**



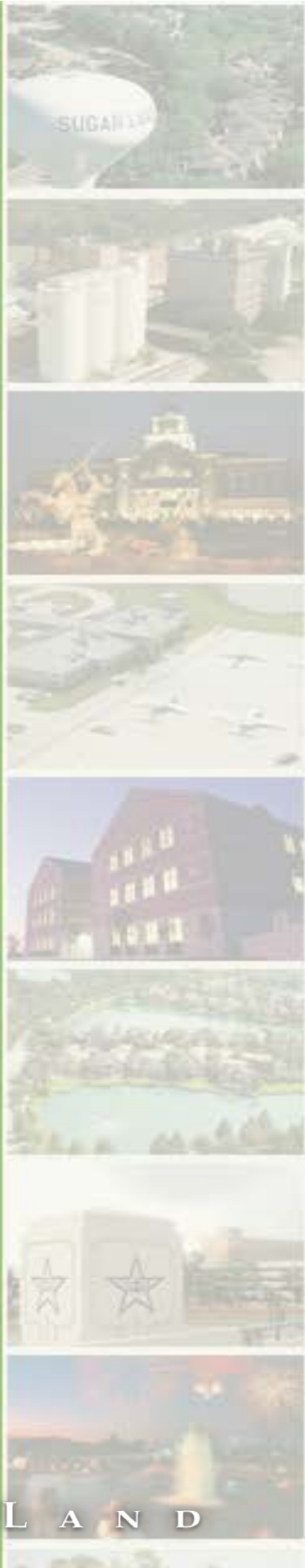
Financial Strategies

- **Maintain financial strengths**
 - **Update Financial Management Policy Statements**
 - **Proposed language drafted**
 - **Implement in FY18 budget**
 - **Continue progress from the spring retreat**
 - **Ensure policy and strategy are flexible**
 - **Ability to navigate changing conditions**



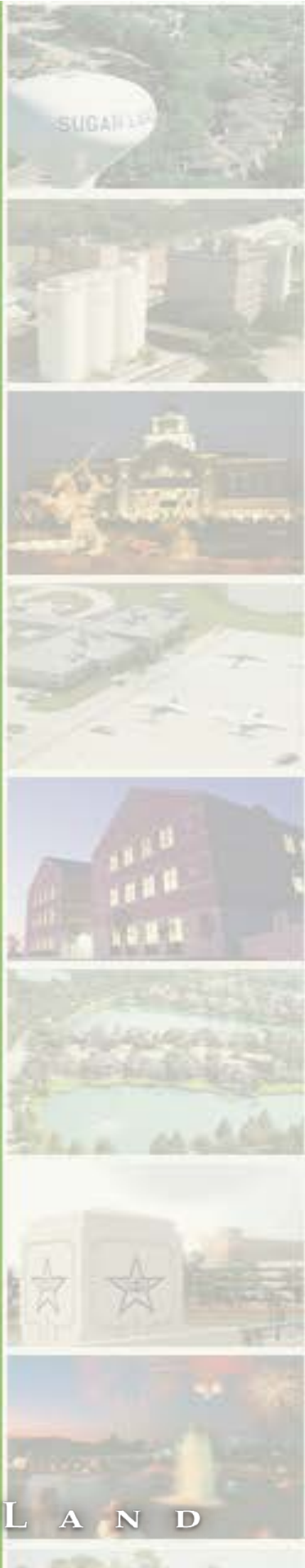
Financial Strategies

- **FY18 Proposed budget**
 - **Begins transitioning recurring PAYG maintenance to a more stable revenue source in the general fund**
 - **Reduces reliance on sales tax until after funding has been received**



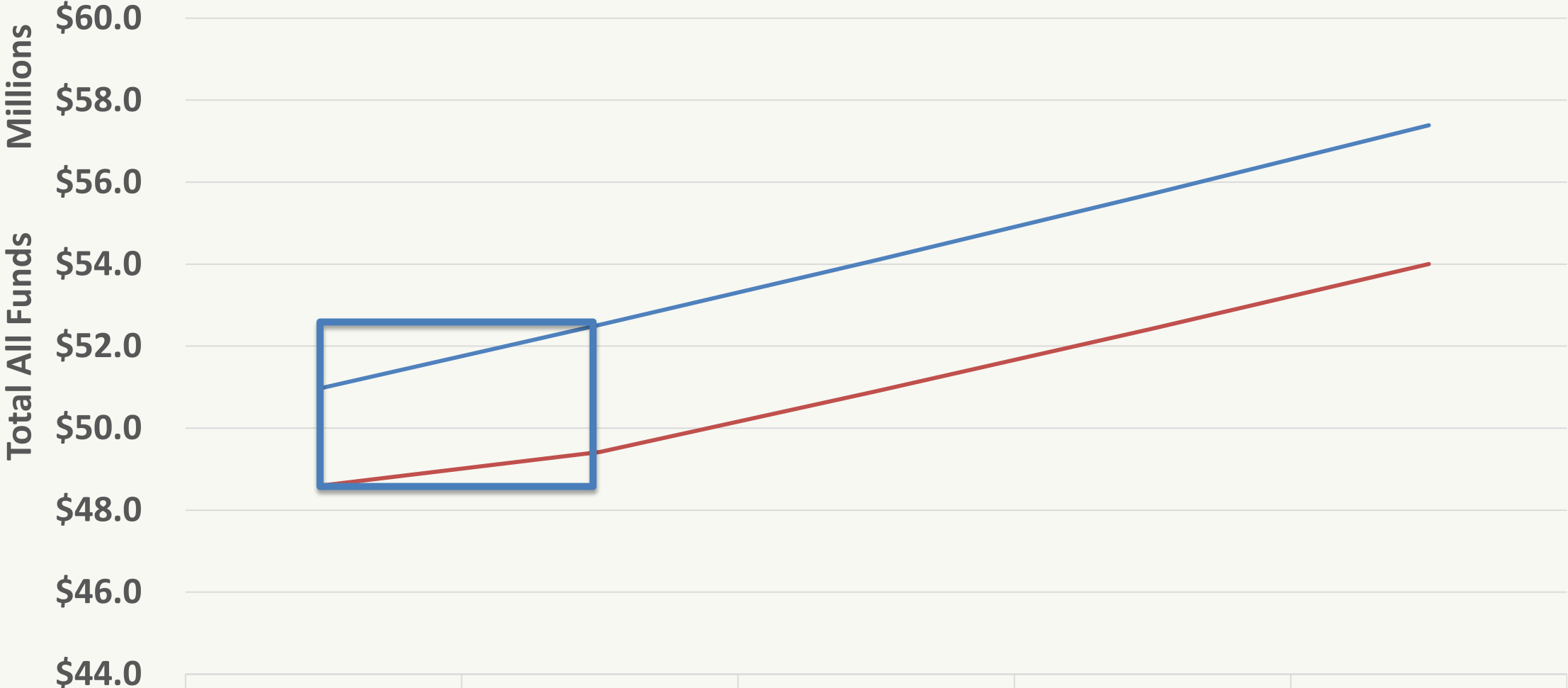
Sales Tax Analysis

- Based on trends we anticipate ending the year:
 - \$48.6M projected vs. \$50.9M budget
 - 4.68% lower than budget
- FY18 total sales tax: \$49.4M
- No base growth:
 - \$48.6M base + revenue from annexation
 - \$734K utility/online + \$80K existing retail

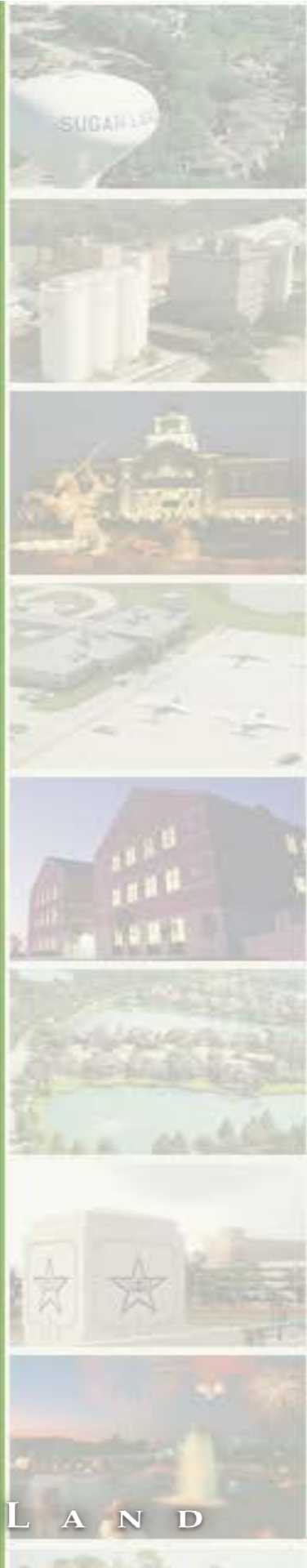


Sales Tax Estimates

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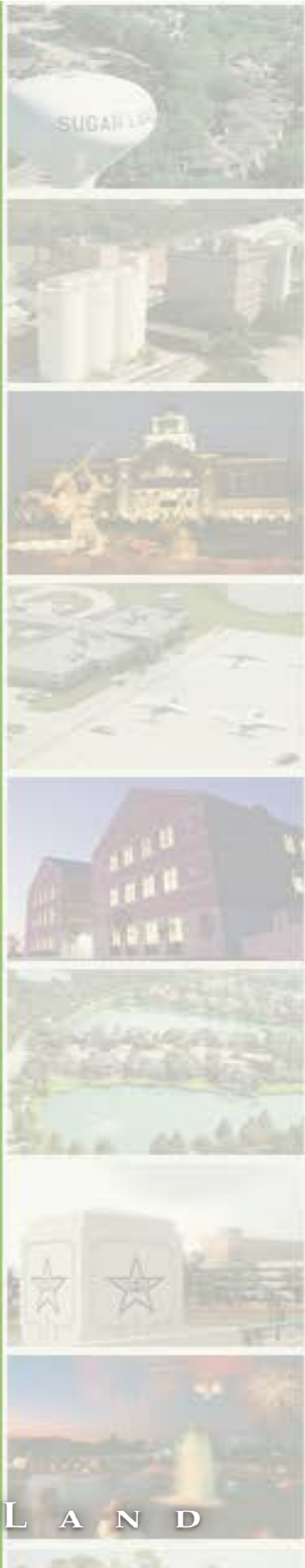


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Property Taxes - FMPS Guidelines

- **City Manager will recommend a tax rate that the City finances require...to operate efficiently, yet effectively, and meets the City Council's expectations of services provided and service levels**
- **The goal is not to exceed an average annual increase in the residential tax bill of 3% unless the voters approve a general obligation bond referendum**
 - **More stringent than proposed revenue caps being proposed in the legislature**



Property Tax Bill- Impact to Homeowners

2017 Average Home Value	\$ 386,835
Less: 10% Homestead Exemption	<u>- 38,684</u>
Taxable Value	\$ 348,152
Proposed Tax Rate per \$100	\$0.31595
Estimated 2017 Tax Bill	\$1,100
Over 65/Disabled 2017 Tax Bill	\$879



FY17 Year-End

- **Revenues performing lower than anticipated**
 - Sales tax
 - Building permits
 - Fines
- **Adjusted expenditures (PAYG CIP) to offset decline per FMPS**
- **Plan to end FY17 within budget as a result of reduction in the PAYG CIP**



Revenue Assumptions

- **Consistent with FMPS direction**
- **Sales tax - flat from FY17 projection**
- **Property taxes:**
 - **Revaluation assumptions**
 - **3% residential, 3% commercial**
 - **10% homestead exemption**
 - **Maintain current tax rate \$0.31595**
 - **Reallocate one-cent from debt to operating**
 - **Certified roll due at the end of July**



Revenue Assumptions

- Fees and rates
 - No change to water and wastewater rates (since 2011)
 - No change to surface water/GRP fees
 - User fees:
 - Proposed increases tied to CPI



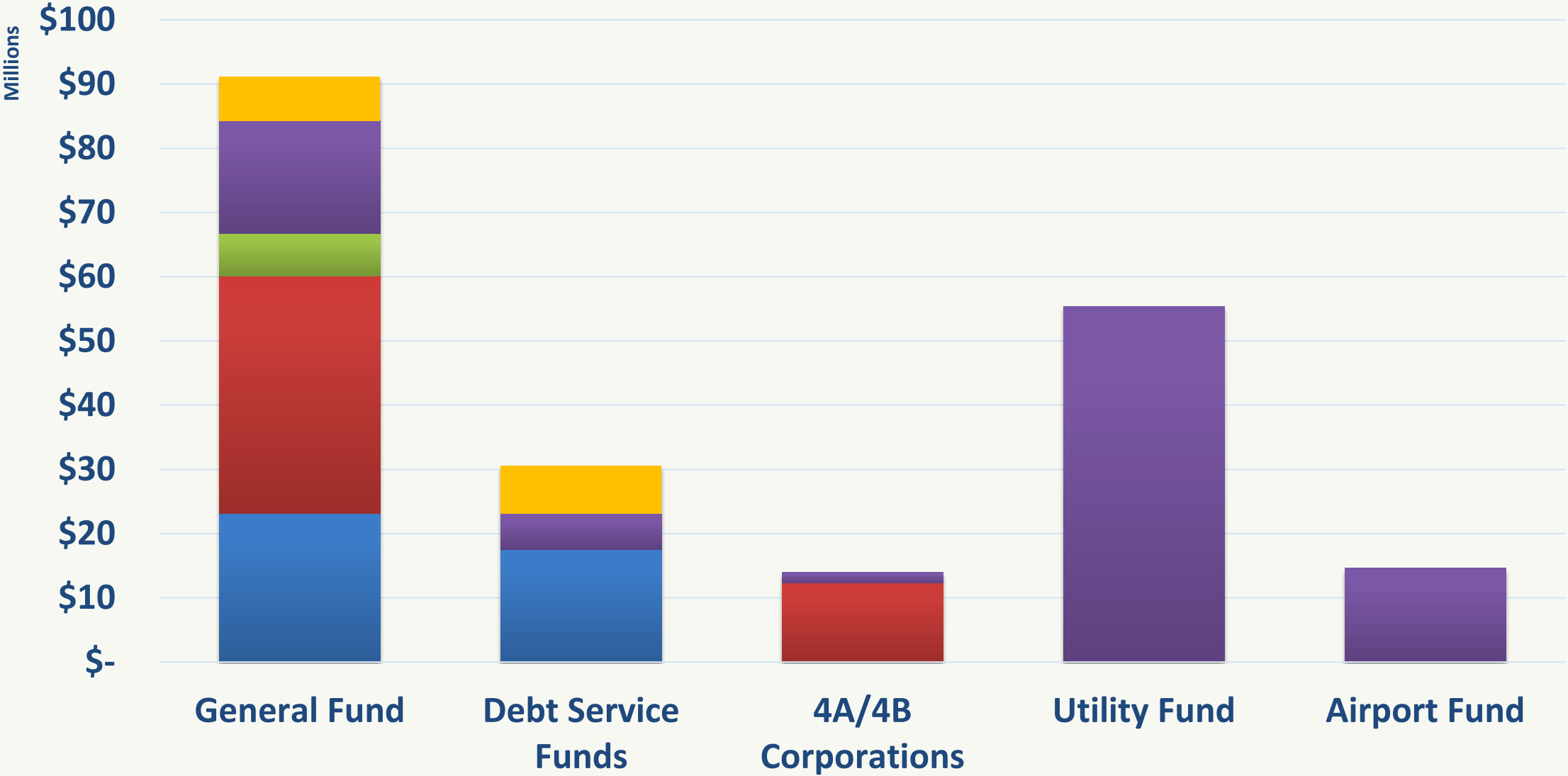
Revenue Assumptions

- Residential solid waste
 - Cost +2.5% based on CPI in contract
 - Rate increase \$18.00 to \$18.45
 - January 2018



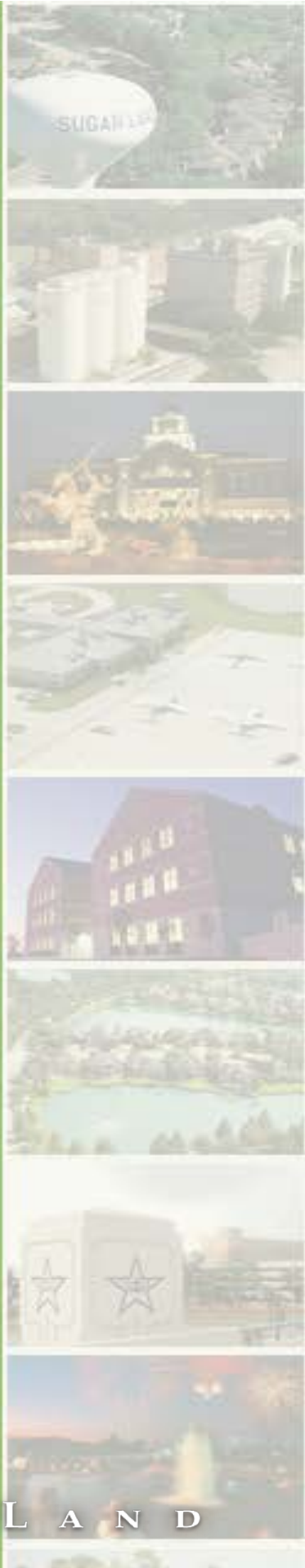
Major Revenue Sources

■ Property Tax ■ Sales Tax ■ Other Taxes ■ Fees & Other ■ Annexation



FY18 Operating Budget

- **Funding to maintain service levels defined in departmental business plans**
- **\$208.6M total**
 - **Adjusted fixed costs**
 - **Extremely select additions to base**
 - **Cost to serve annexed areas funded by debt reduction funds**



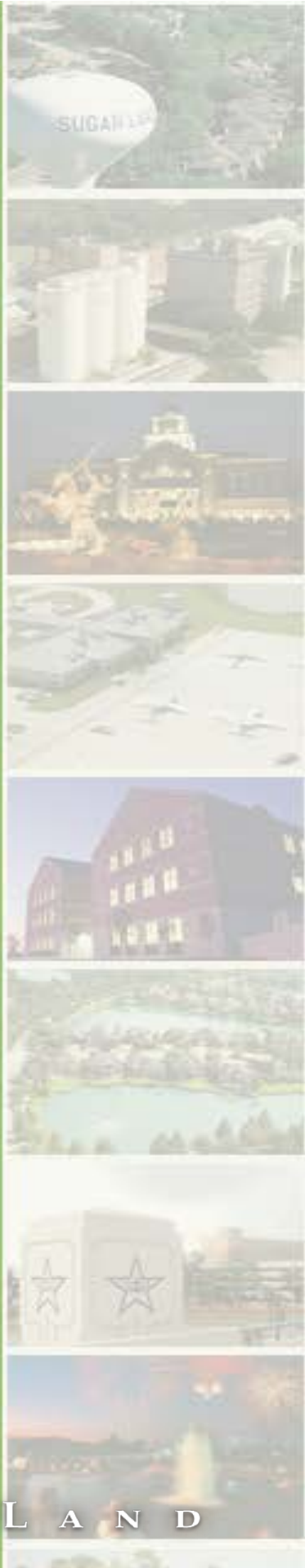
FY18 Proposed Budget

Fund	Amount \$M
General Fund	\$ 87.6
Debt Service Funds	30.3
Utility and Surface Water Funds	41.5
Airport Fund	14.0
Solid Waste Fund	7.6
Corporations	11.3
Other Funds	16.3
Total Operating Funds	\$ 208.6
Capital Projects	22.4
Total Proposed Budget	\$ 231.0

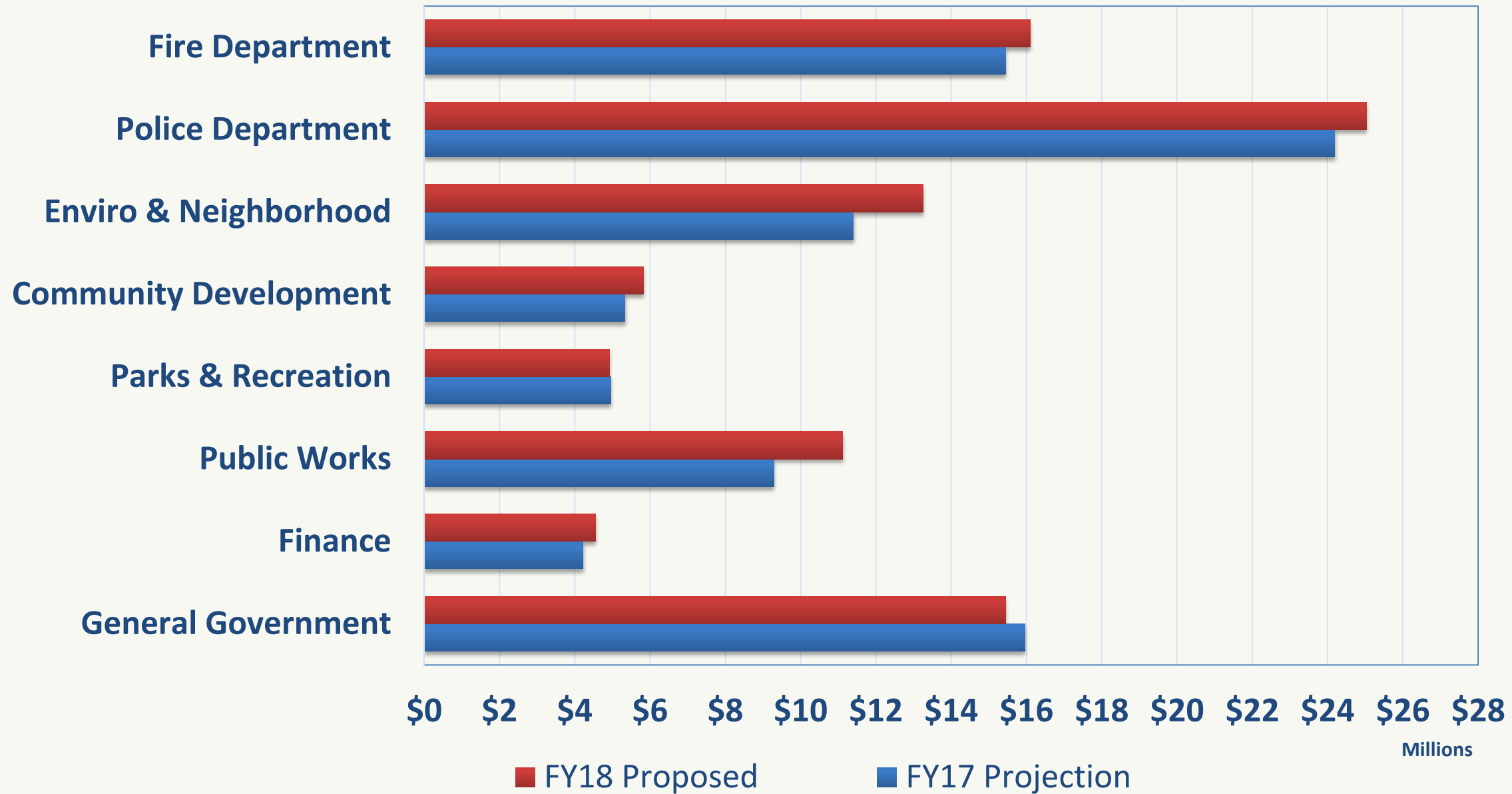


General Fund Budget Additions

- **Maintain Service Levels**
- **Annexation Impacts**
- **Infrastructure Rehabilitation**
 - Formerly included in CIP



General Fund Spending



Fund	Current FTE	New FTE	FY18 Budget
General	639.0	16.5	656.4
Tourism	3.5	-	3.5
Special Events	1.0	-	1.0
Utility	73.5	2.0	75.5
Surface Water	12.5	-	12.5
Airport	46.0	-	46.0
Solid Waste	2.5	1.0	3.5
RLC/Court Sec	1.0	-	1.0
Total	779.0	19.5	798.5
Population	87,730		117,868
Staffing per 1,000	8.24		6.77



FY18 Annexation Impact

General Fund	One Time	Recurring	Total
General Government	\$ 99,759	\$ 223,191	\$ 322,950
Finance	2,624	221,953	224,577
Public Works	9,078	1,421,908	1,430,986
Community Development	77,152	244,077	321,229
Env & Neighborhood Serv	118,800	243,277	362,077
Fire Department	167,756	209,052	376,808
Police Department		70,211	70,211
Grand Total	\$ 475,169	\$ 2,633,669	\$ 3,108,838



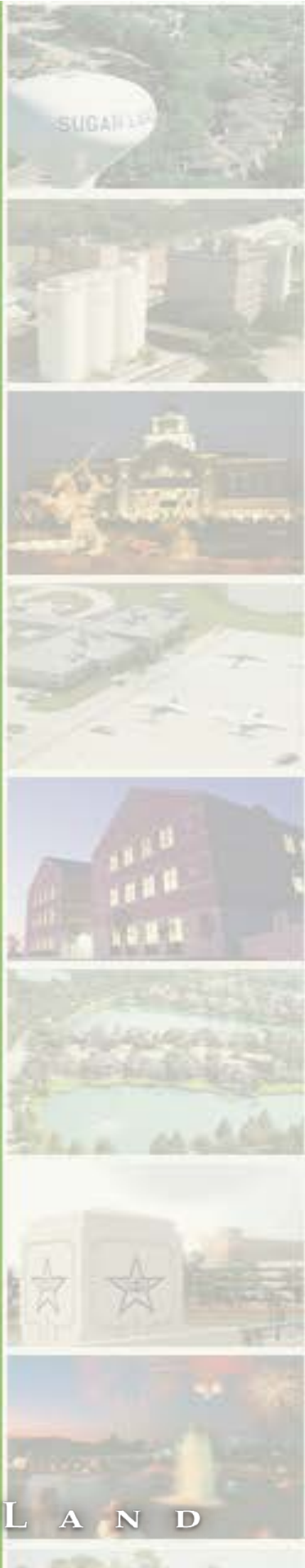
FY18 Annexation Impact

Utility Fund	One Time	Recurring	Total
Customer Service		\$ 59,793	\$ 59,793
Treasury	\$ 33,000	356,717	389,717
Wastewater Collection	3,400	129,779	133,179
Wastewater Treatment	5,200	1,811,671	1,816,871
Water Distribution	4,450	340,752	345,202
Water Production	8,867	828,526	837,393
Water Quality	8,000	48,361	56,361
Grand Total	\$ 62,917	\$ 3,575,599	\$ 3,638,516



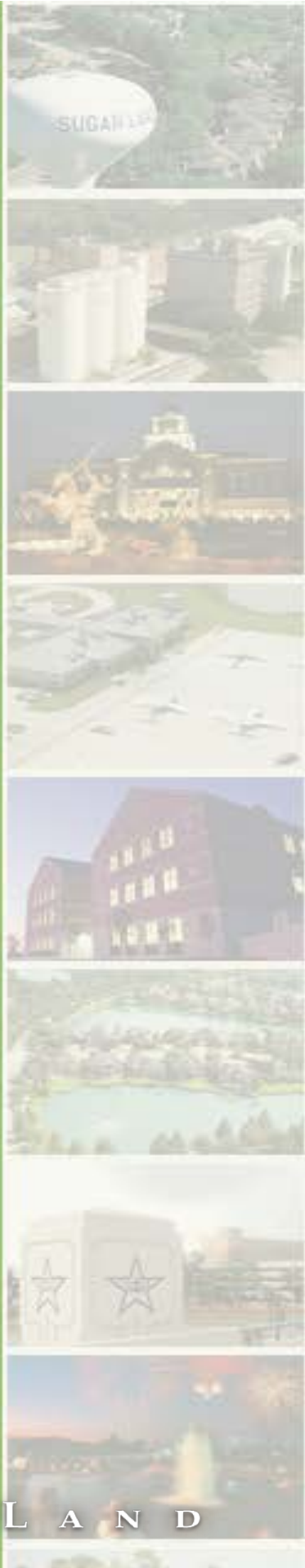
FY18 Annexation Impact

Solid Waste Fund	One Time	Recurring	Total
Contractual Services		\$ 1,515,168	\$ 1,515,168
Education Programs		14,557	14,557
O&M	\$ 14,300	4,314	18,614
Personnel		69,444	69,444
Total	\$ 14,300	\$1,534,039	\$ 1,617,783



Airport

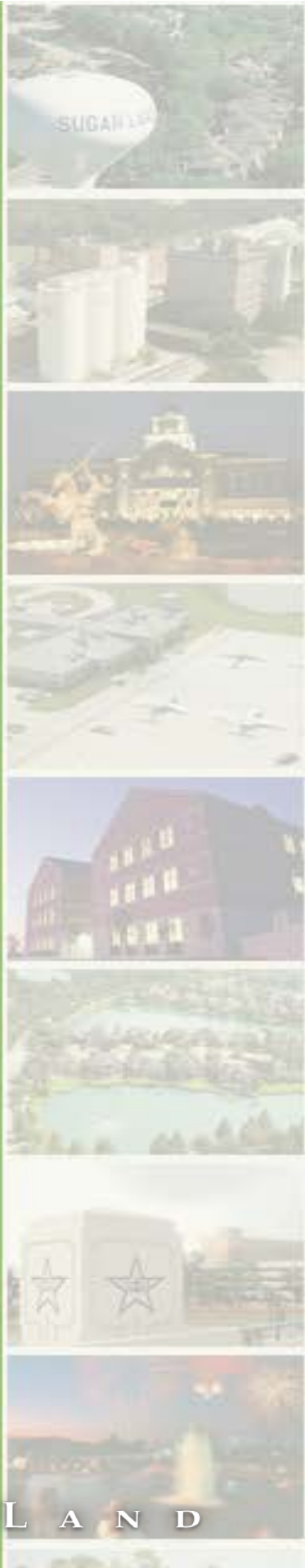
Airport	One Time	Recurring	Total
Airport Administration	\$182,000	-	\$182,000
Airfield Operations	-	7,500	7,500
Customs	50,000	-	50,000
Maintenance	208,000	750	208,750
Grand Total	\$440,000	\$8,250	\$448,250



Employee Compensation & Benefits

Effective January 1, 2018

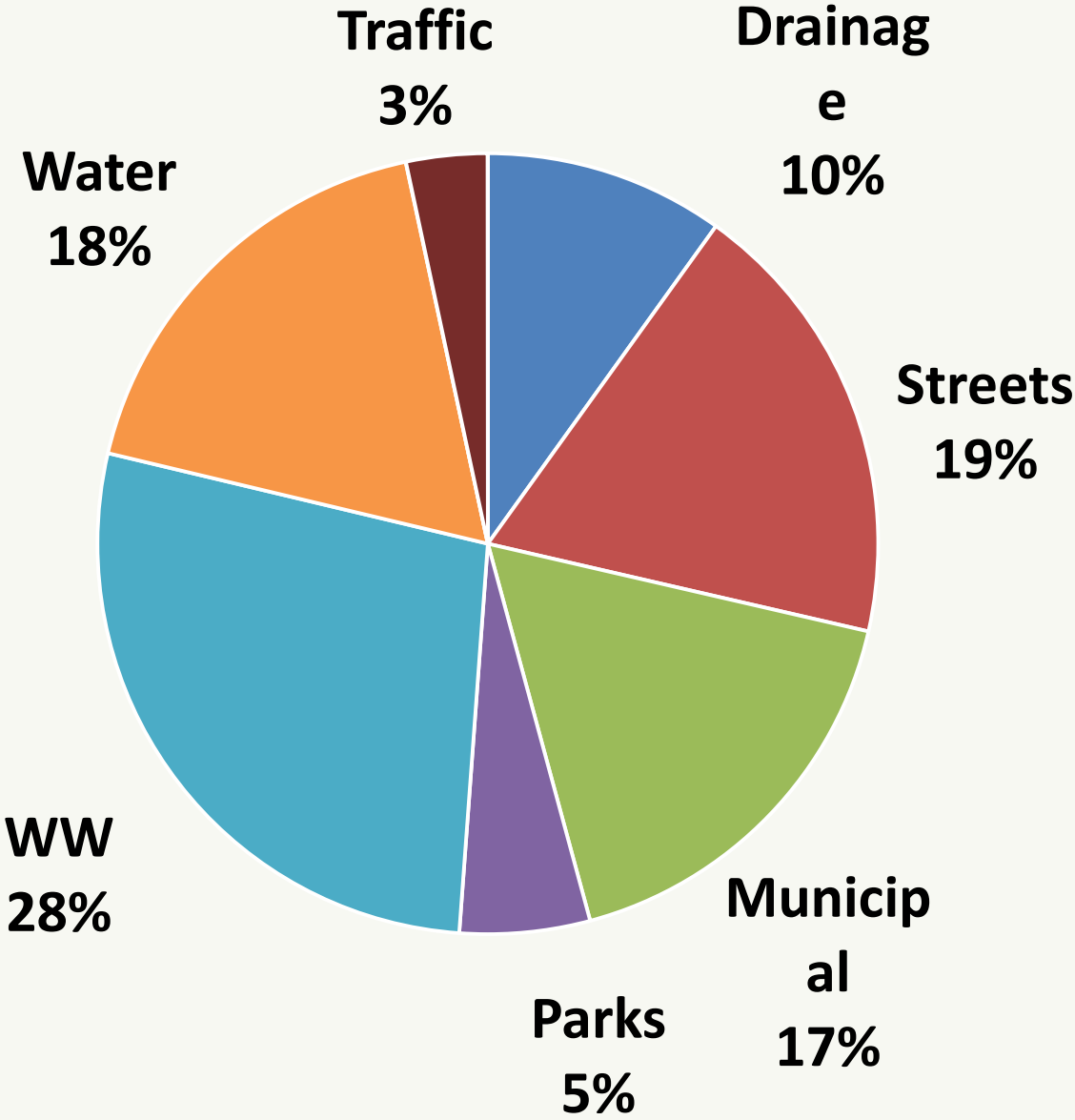
- **Compensation adjustments:**
 - Pay for performance merit pool of 3%
 - Market adjustments for all salary structures
 - Police & Fire Entry at 75th percentile
- Health benefits +4% over FY17- City cost
- Small increase in city's TMRS required contributions
 - City's plan is 86% funded at Dec 31, 2016



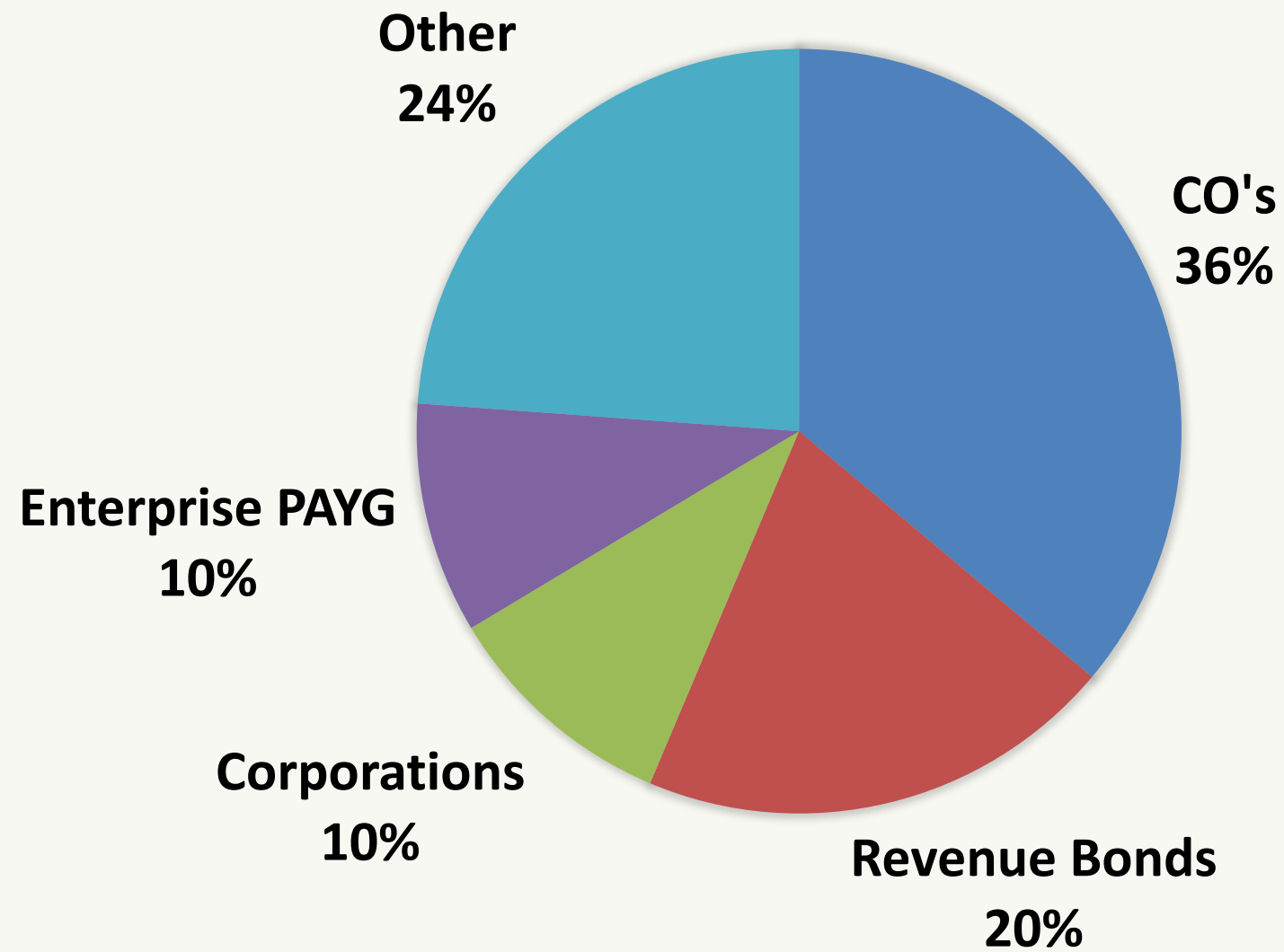
FY18 Proposed CIP

Type	Amount \$M
Municipal	\$ 3.83
Streets	4.16
Drainage	2.21
Parks	1.20
Water/WW	10.12
Traffic	0.75
Total*	\$ 22.37

*Including Debt Issuance Costs

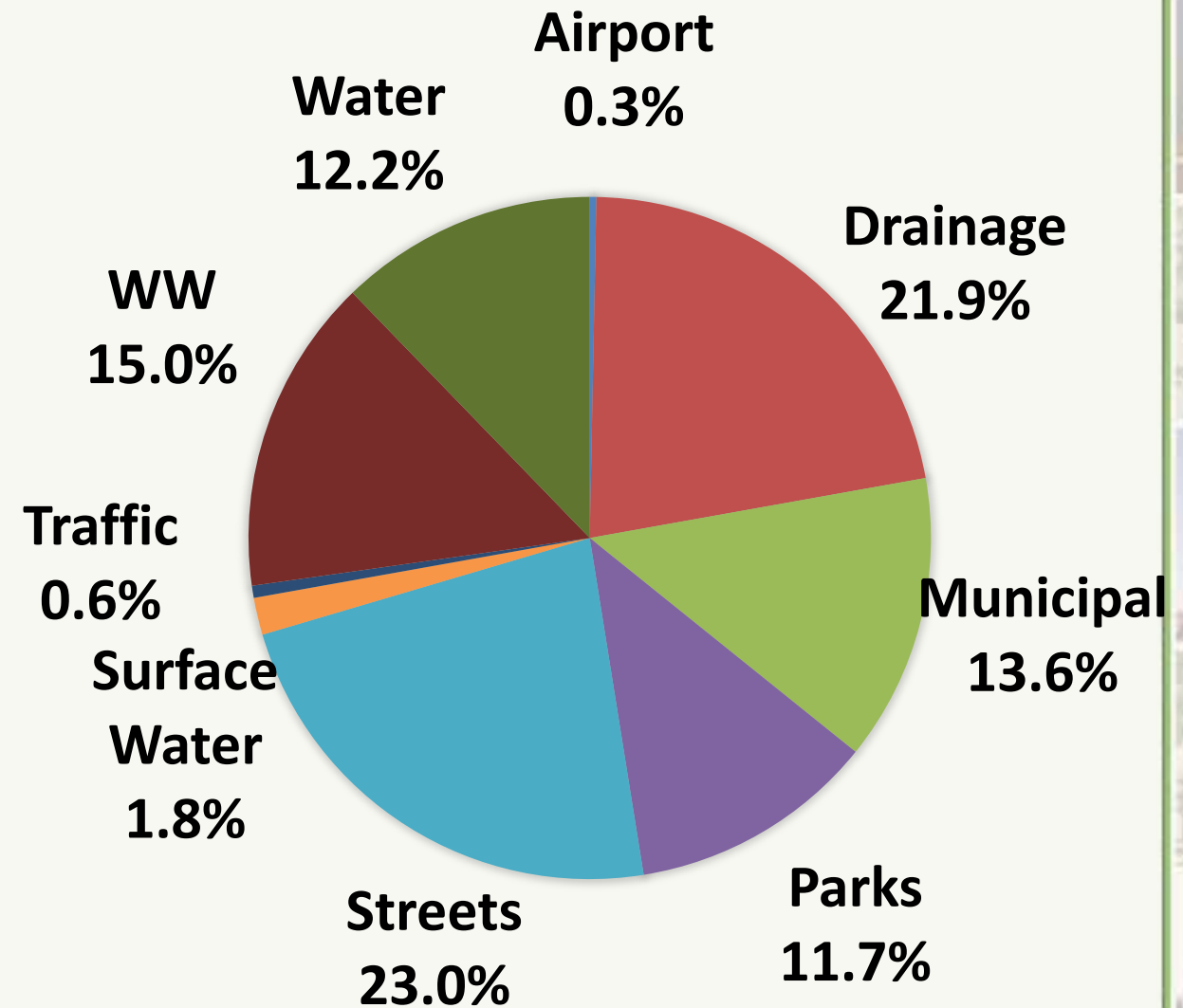


FY18 CIP Funding Sources

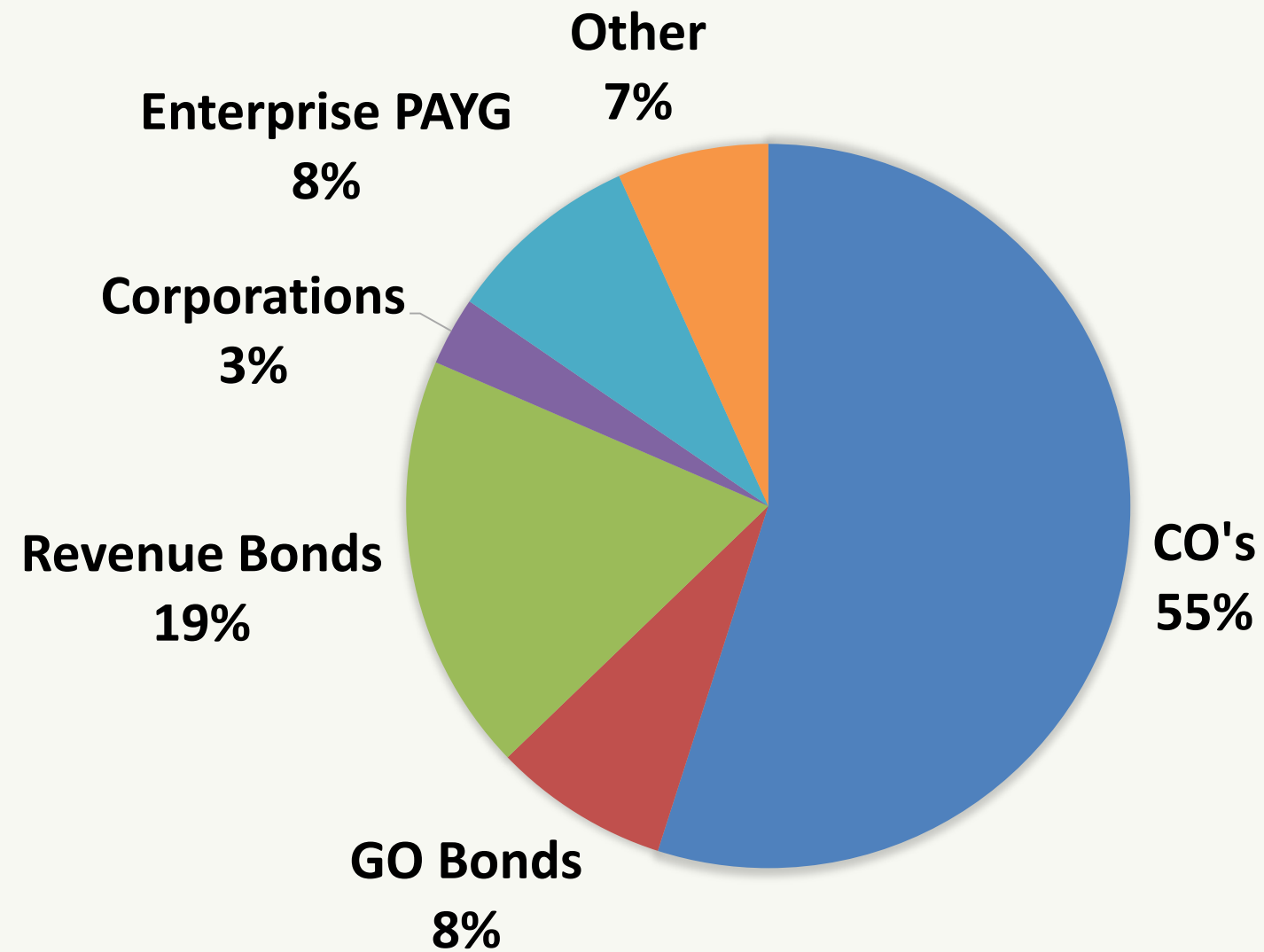


Five Year CIP FY18-22

Type	Amount \$M
Airport	\$0.41
Drainage	28.55
Municipal	17.76
Parks	15.26
Streets	29.97
Surface Water	2.30
Traffic	0.75
Water	19.59
Wastewater	15.97
Total	\$ 130.60



Five Year CIP Funding Sources



Key Dates

Date	Action
Aug 15	Public Hearing on Proposed Budget
Aug 22	Public Hearing on Proposed Tax Rate Public Hearing on PID Assessment
Sept 5	Public Hearing on Proposed Tax Rate Amend FY17 Budget Fee Ordinance First Reading
Sept 19	Approve FY18 Budget, CIP and Comp Plans Adopt 2017 Tax Rate Fee Ordinance Second Reading



Budget Workshops

7:30 am-9:30 am

Date	Topic
Aug 3	General Fund
Aug 10	Property Tax and Debt Service
Aug 17	Enterprise Funds- Utility, Surface Water Airport, Solid Waste
Aug 24	Capital Projects/ Five Year CIP
Aug 31	Other Funds, Compensation and Benefits, Tourism, Corporations



Questions?

