

FY 2019-20 to FY 2023-24 Financial Forecast



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For FY 2019-20, the City's annual budget process began with the City Council retreat in March - 2019. The half day retreat focused on the recognition of challenges and opportunities that will impact the upcoming year as well as the establishment of high level goals and objectives for the FY 2019-20 Budget. The next phase of our process is the publication of the annual Five-Year Financial Forecast. A Five-Year Financial Forecast is a planning tool to aid the City Council and Executive Leadership Team in maintaining consistent service delivery to the community within available resources. The financial forecasts presented in this document represent one of many tools employed by staff to support the delivery of services in the community and value to our citizens through sound management of the City's financial resources.

The purpose of this forecast is to identify key trends in revenues and expenditures and to provide information about the City's financial position and impacts on the City's financial position considering spending patterns and anticipated projects. The forecast also serves as a resource in evaluating and potentially pivoting from the various multi-year budget initiatives that the City Council has approved in recent history. The identification and description of strategic issues is also designed to assist Council in policy and priority setting. The forecasts are developed within the framework of City Council goals, fiscal responsibility and most importantly considers the impact of New Braunfels' tremendous growth on service delivery.

Speaking of growth, this week New Braunfels was declared the second fastest growing City in the country yet again, with an 7% growth rate from 2017-2018. This marks the third time in the last four years we have been named the second fastest growing City. However, this is the first time in recent history we have been recorded as the fastest growing City in the state of Texas. Growth has been the single biggest factor affecting the City's finances, service delivery and ability to respond to the community. However, the impending/potential property tax revenue cap legislation will bring on a completely different set of challenges as it relates to the City's finances and delivery of services (at the time this report was finalized, the state was still in session). The forecast includes narrative on how this legislation will impact the General Fund, debt management strategies as well as various responding policy considerations staff may recommend to the City Council once implemented.

Staff is pleased to present this annual Five-Year Forecast and we look forward to discussing this document with the City Council.

Five Year Forecast - Definition and Purpose

The forecast is an assessment of four funds' (General Fund, Debt Service Fund, Equipment Replacement Fund and Self Insurance Fund) financial position should the assumptions used in creating projections materialize. *A forecast is not a prediction.* A forecast is a result based on assumptions; if the assumptions change, the financial position and projections change as well. Moreover, the projections for FY 2019-20 are not representative of the proposed budget or recommendation. However, the results of the five-year forecast do impact budget policy.

There has been a direct correlation between this document and our ability to develop and discuss policy from a multi-year perspective. Moreover, it also assists the City Council by providing a longer term look at the financial impact various programs could or will likely have, should the program be funded.

Economic Benchmark & Outlook

On a national level, economic data over the last 1-2 years is impressive, however the first four months of 2019 have produced mixed economic results. While we are in the midst of the longest economic expansion of record, the data suggests that growth is definitely slowing in comparison to 2018. The Dallas branch of the Federal Reserve reported strong and robust economic growth in 2018 for the state of Texas. Job growth in 2018 was 2.3% (in comparison to 2.1% for 2017). Job growth of 1.8% is currently projected for 2019. Signs of a slowdown in growth rates were seen in Texas slightly before they were noticed nationally, partially driven by lower energy prices. Job growth in the local metropolitan area is closely correlated with statewide job growth.

Locally, median household income has risen 87% in New Braunfels since 2001, which is higher than the state and metro-area averages. Continued investments in business development and primary job recruitment have resulted in an average of 938 new primary jobs added each year since 2004. Since 2008, growth in employment in new Braunfels has averaged 3.25% annually. This continued job growth, should continue to drive new housing and commercial developments, along with moderate to strong growth in sales tax collections. The economic data continues to suggest increased demand for City services throughout the forecast period.

Strategic Issues

The forecast document summarizes a variety of strategic issues to communicate to Council the specific challenges facing the City, explains the factors that make the issues a fundamental challenge or opportunity and provides a brief description of possible options to address the strategic issue. Items are added to the section as they are identified or removed if progress has been made to address the issue.

The strategic issues are grouped by the five City Council adopted strategic priorities: Infrastructure, Public Safety, Effective Management, Growth and Development and Quality of Life.

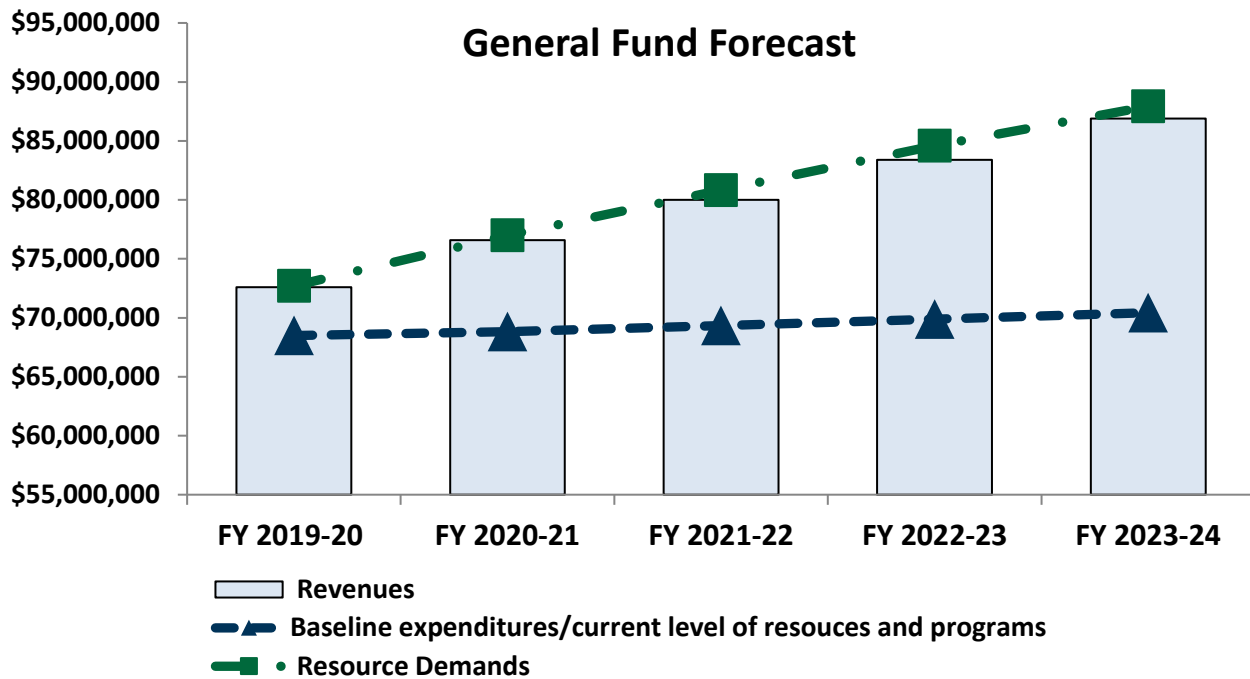
In addition to the narrative of each issue, some strategic issues, mainly those that City Council has provided some direction and/or indicated an interest in the initiative moving forward, have been quantified and incorporated into the financial forecast. Moreover, action items that will help or have helped to address the strategic issue are now included in this section as well as statistical references to the 2012-2019 National Citizen Surveys for New Braunfels (where applicable). This information will be beneficial for the City Council in developing and updating the City-wide Strategic Plan.

General Fund

The General Fund is the City's main operating fund. The General Fund forecast includes two schedules. The first looks at the financial position of the General Fund, assuming revenues grow throughout the period, but that expenditures remain fairly flat, growing only to reflect inflationary pressures. This perspective does not take into account the increased demands on services resulting from population growth and is referred to as the "Baseline Expenditures". The second forecast schedule illustrates the impact of costs associated with identified resource needs, program enhancements, compensation adjustments to the General Fund and is called the "Resource Demands".

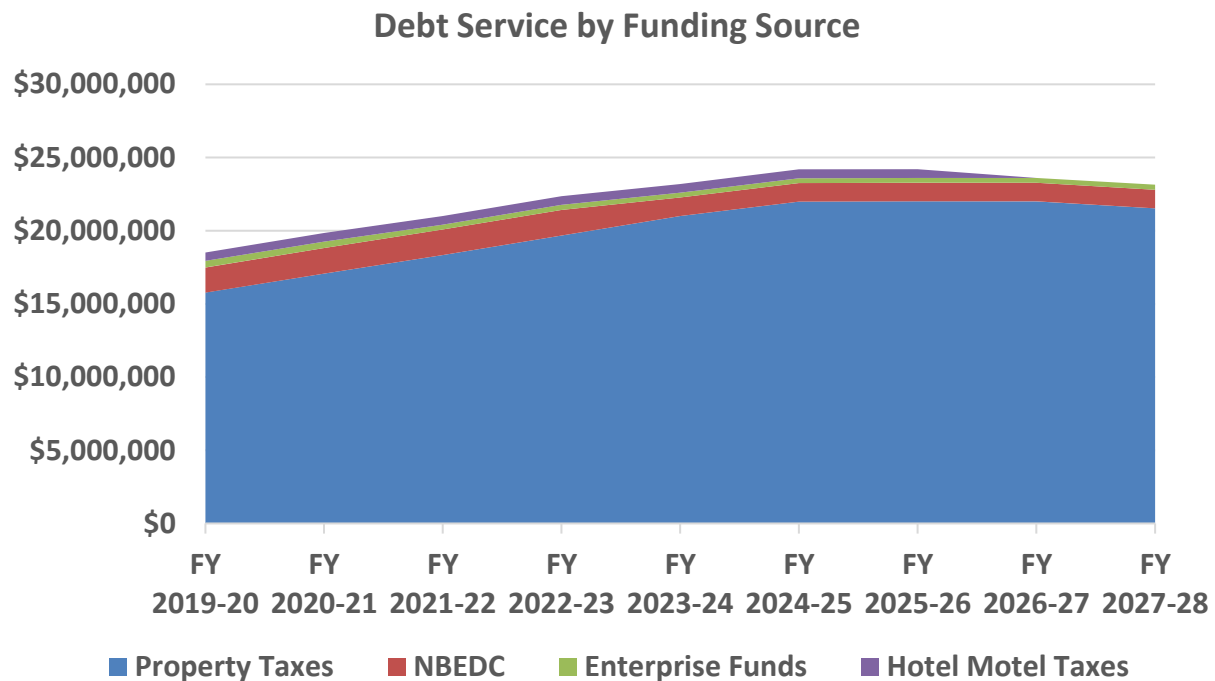
The Baseline Expenditures General Fund forecast shows a surplus (over the 30 percent target fund balance) throughout the forecast period. In FY 2019-20, the surplus is \$4.5 million and grows to \$52.3 million by the end of the fifth year. The Resource Demands forecast shows a different result. In FY 2019-20, the Resources Demand forecast shows a deficit of \$500,000 and grows to a deficit of \$8.6 million by the end of the five-year forecast period. The assumptions used to develop these forecasts are described in detail in the General Fund section of this document.

The Resource Demands Forecast is not a policy or budget recommendation. It is meant to demonstrate the total fiscal impact associated with **current** unmet needs, council/voter approved capital projects and other priorities/issues previously recognized by City Council. During the forecast period, as the demand for services continue to grow, additional resource needs will likely be identified. Those needs will be recognized in the forecast and budget development process as they are identified.



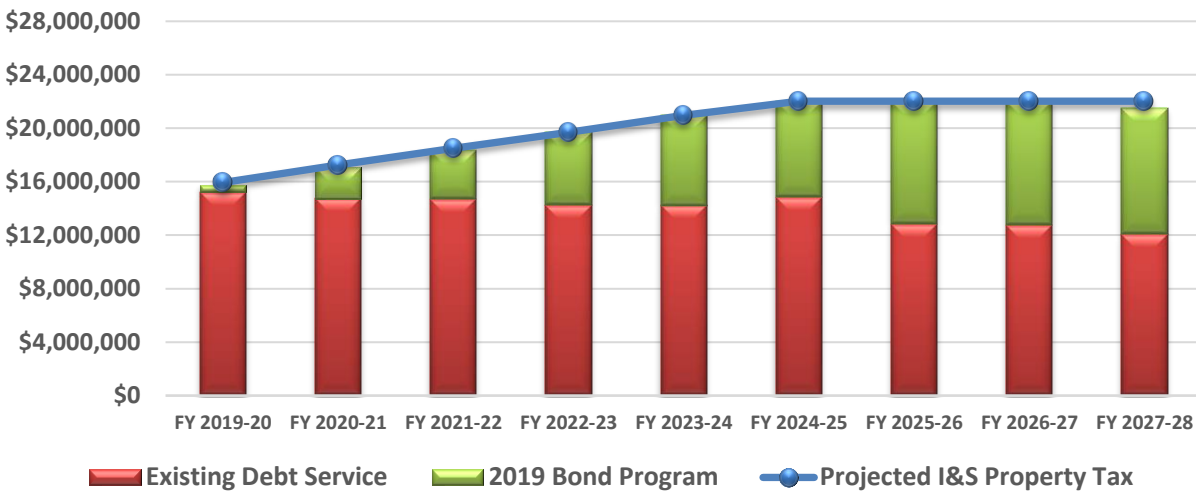
Debt Service Fund

The City of New Braunfels issues general obligation bonds (voter approved), certificates of obligation and tax notes to fund needed capital improvement projects such as streets and drainage improvements, park improvements, facility improvements and other major projects. The Debt Service Fund is used to account for the principal and interest payments for all the City's outstanding debt, including those not supported by funding sources other than property taxes. The graph below illustrates the City's debt portfolio (annual debt service) by funding source.



The Debt Service Fund forecast incorporates the issuance of the remaining 2013 General Obligation Bonds (\$5.06 million) as well as the full amount stemming from the recently approved 2019 bond program (\$117 million). As discussed during the development of the 2019 bond program, staff was tasked with developing a scenario that maximized the total investment with no projected impact to the total tax rate. The forecast includes analysis and discussion on the timing and sizing of the anticipated 2019 bond program issuances. The graph below illustrates the alignment of property tax supported annual debt service to projected property tax revenues.

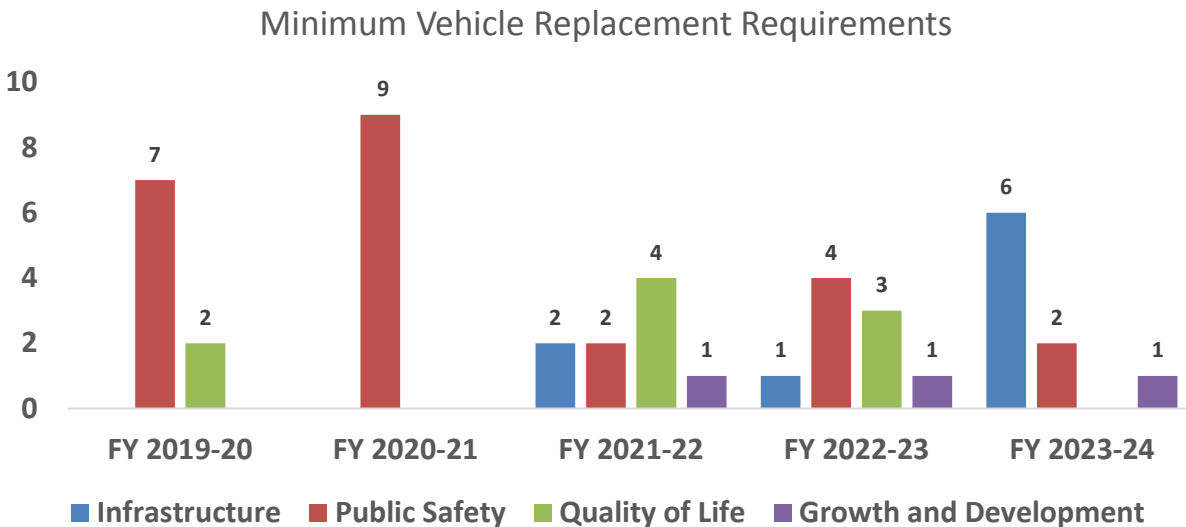
Property Tax Supported Debt Service - Detail



Equipment Replacement Fund

The Equipment Replacement Fund was created by City Council in FY 2005-06. The program allows for vehicles, technology equipment and the Fire Department's self-contained breathing apparatus to be replaced on a regular schedule, ensuring that these service-critical assets are replaced at the end of their useful life.

In FY 2013-14, the equipment replacement program was suspended as a budget balancing strategy that was necessary to develop a structurally balanced budget. Therefore, no contributions occurred into the fund in FY 2013-14, and only select vehicles and computers were replaced. From FY 2014 15 thru FY 2017-18, the transfers has been reduced significantly or diverted to the Self Insurance Fund to ensure solvency. The funding level (transfer) allows the program to support the current lease/tax note obligations as well as meet the minimum level of technology and vehicle replacement requirements without the additional issuance of short-term debt. The graph below represents the minimum vehicle replacement needs over the forecast period. Even if vehicles are replaced in accordance with the forecast, there will be many other vehicles remaining in our fleet that are beyond the ideal age, mileage and condition threshold(s).

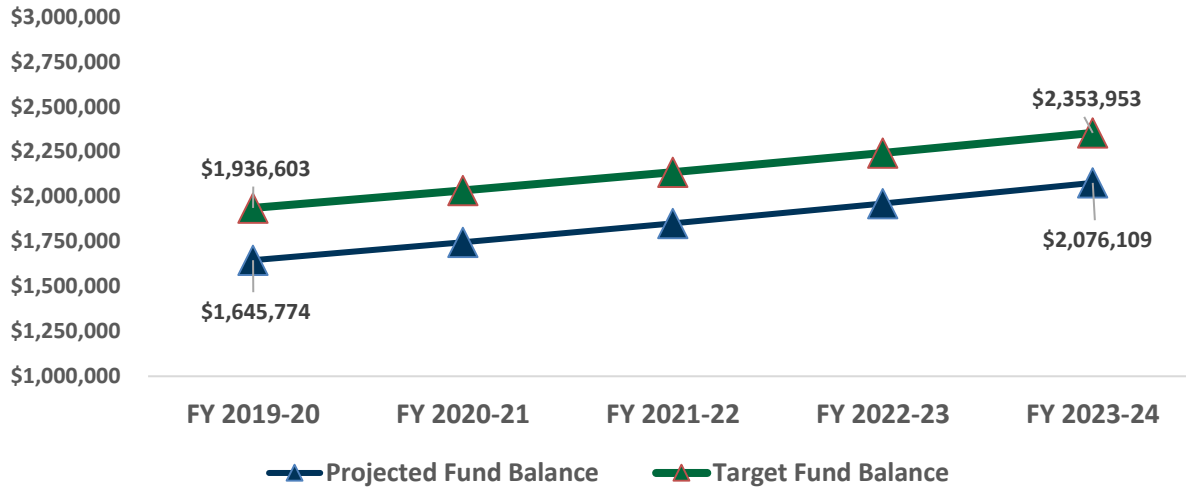


Self Insurance Fund

The Self Insurance Fund was added to the forecast document three years ago, after the second year of dramatic increases in health insurance related costs. The sustainability of this fund is critical to providing a quality health care plan to the employees of this organization, which directly impacts the recruitment and retention of employees. From the beginning of FY 2014-15 thru FY 2016-17, the City experienced a dramatic increase in claim and administrative expenditures.

A multitude of plan design changes, premium increases (employee and employer), transitioning to a new plan administrator (UnitedHealthcare) and various strategies that encourage lower cost and better outcomes have resulted in a leveling off of expenditures. The plans also encourage preventative care such as physicals, mammograms and increased interaction with primary care physicians. Moreover, the fund has been able to begin rebuilding reserves much faster than anticipated. Last fiscal year, a fund balance goal of 120 days of claim expenditures was established. This ambitious target was set at a level intended to mitigate the chance of General Fund interfund transfers needed to keep the fund solvent. As the graph below illustrates, while the fund balance continues to grow over the forecast period, it doesn't fully meet the fund balance target.

Projected vs Targeted Fund Balance



Conclusion

It is the annual budget development process where the decisions regarding service levels and funding sources for the associated costs of services will be determined by City Council. The forecast is designed to set the stage for and assist in making those important decisions.

Economic Benchmarks and Outlook

The following section provides a discussion of national and regional economic trends and how those trends could affect the underlying economic conditions of the local New Braunfels economy. The fluctuation in the City's two primary sources of revenue (sales and property tax) is often correlated with broader economic trends. A forecast of the City's financial condition recognizes that the City's fiscal health is directly linked to success of the regional and national economies. In this section, projections regarding population and demographic trends, property valuations and sales tax collections, as well as information concerning employment and household incomes are provided and discussed.

National

According to the Federal Reserve Board, Real Gross Domestic Product (GDP) grew approximately 3.0% in the calendar year 2018. In several months, the current economic expansion will have reached the longest on record. Unemployment is nearing the lowest level recorded in the past 50 years. Nationally, the labor market remains very tight. With that, hourly wages have increased consistently as employers compete for talent.

On a national level, economic data over the last 1-2 years is impressive, however the first four months of 2019 have produced mixed economic results. While we are in the midst of the longest economic expansion of record, the data suggests that growth is definitely slowing in comparison to 2018. Inflation - Consumer Price Index (CPI) has been stagnant in recent months. The 35 day government shutdown certainly delayed the availability of economic data. The shutdown also delayed the issuance of tax refund checks. Tax refunds were ultimately impacted by the new tax laws implemented in 2017 as well. Together, this did impact consumer and business spending in early 2019. On a national level, home sales have rebounded in recent months, driven by an approximate 75 basis point drop in mortgage rates from a high in November 2018.

The current overnight fed funds rate target is 2.25% to 2.50%. Over the next eight quarters, the rate is only projected to increase another 25 basis points. This data is entirely driven by the slowing of growth that we are seeing at the national level in 2019. In summation, the nation continues to trend in the right direction, however the 2019 data suggest that various components of our economy may have peaked.

Texas

The Dallas branch of the Federal Reserve reported strong and robust economic growth in 2018 for the state of Texas. Job growth in 2018 was 2.3% (in comparison to 2.1% for 2017). Job growth of 1.8% is currently projected for 2019. Signs of a slowdown in growth rates were actually seen in Texas slightly before they were noticed nationally, partially driven by lower energy prices. Moreover, from 2008-2018, unemployment in Texas has been noticeably lower than the national figures. However, the available 2019 data suggests that Texas unemployment is now equal the national figures – approximately 3.8%. As mentioned earlier, the current unemployment rate is hovering around a 50 year low.

San Antonio-New Braunfels MSA

Job growth in the local metropolitan area is closely correlated with statewide job growth. The unemployment rate in the San Antonio area continues to remain below the State and National

Economic Benchmarks and Outlook

averages. The March 2019 rate was 3.1% compared to Texas and the Nation's 3.8%. In the first quarter of 2019, jobs in the MSA grew at approximately 2.9%. Job growth in 2019 is relatively positive with the construction (10.8%), Leisure & Hospitality (8.5%) and Professional & Business Services (5.7%) sectors leading the way. In the last ten years, private sector wages have been somewhat volatile in the MSA, although still trending upward. The current private sector hourly wage average is approximately 8.7% behind the state average and 14.8% behind the national average.

Of concern is the San Antonio-New Braunfels Metro areas inability to keep pace with the rest of the state's metro areas in terms of the general business-cycle index. The business-cycle index is a broad measure of economic activity, illustrating the expansion or recession of a certain area's economy. For example, Austin, Dallas, Fort Worth have been measuring business cycle index rate(s) of 4-6 % in 2019 in comparison to San Antonio currently measuring at 3.9%.

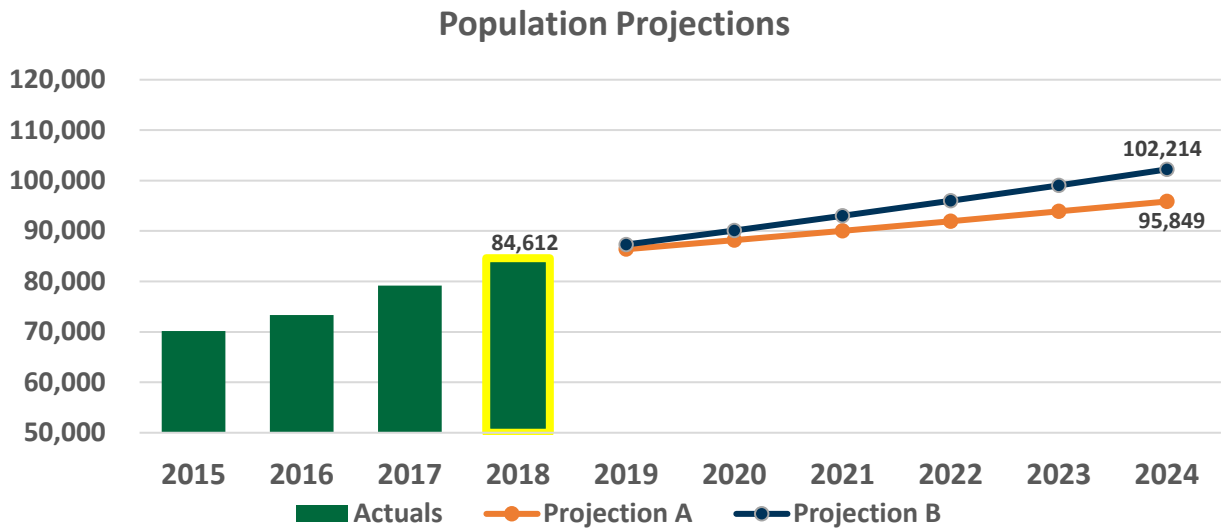
New Braunfels

The renaming of the San Antonio MSA to the San Antonio-New Braunfels MSA after the 2010 census is an acknowledgement that the two cities are linked by close economic ties and social integration. There are many parallels between the New Braunfels and San Antonio economies and discussions regarding the local economy should acknowledge those significant regional influences. City property valuations have outpaced population growth. Median household income has risen 87% in New Braunfels since 2001, which is higher than the state and metro-area averages. Continued investments in business development and primary job recruitment have resulted in an average of 1,191 new primary jobs each year between 2010 and 2018. Since 2008, growth in employment in New Braunfels has averaged 3.25% annually. This continued job growth should continue to drive new housing and commercial developments, along with moderate to strong growth in sales tax collections.

Population

Like other communities in the San Antonio-New Braunfels MSA, the City of New Braunfels saw significant population growth over the last decade. Between the years 2011 and 2017, the City's population grew from 57,740 to 79,152, a 37% increase. Between 2016 and 2017 we saw an increase of 7.02%. In May 2019, the census released the 2018 estimates, with the New Braunfels coming in at a population of 84,612, a growth rate of 7.2% from the previous year.

Economic Benchmarks and Outlook

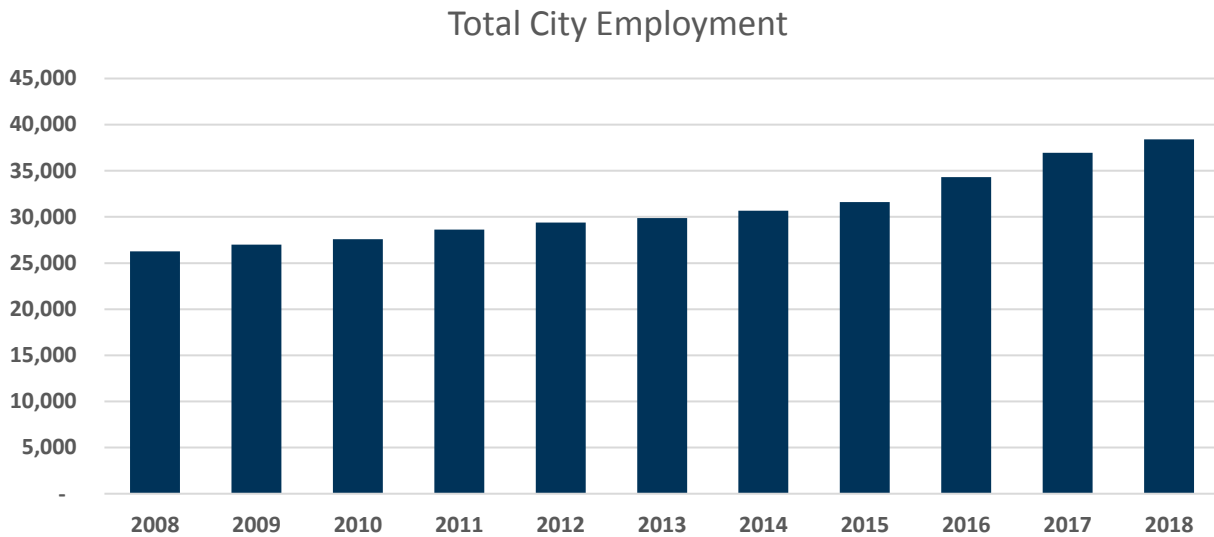


The office of the State of Texas’ official demographer provides population projections for the state, MSA area and counties. The graph above utilizes two of those projections for estimating the New Braunfels population during the forecast period. Projection A represents the San Antonio-New Braunfels MSA estimated annual growth rate of 2.1% while projection B represents the Comal County estimated annual growth rate.

Job Growth

A metric to gauge the economic health of a community is in the growth of primary jobs. Primary jobs are provided by employers that export goods or services to regional, state, national or international markets and are the basis of local economic development efforts. The recruitment, retention and expansion of primary employers to New Braunfels imports new wealth into the community, which is then circulated throughout the community. Since 2004, New Braunfels has averaged 938 primary jobs added annually. Job growth in New Braunfels has been especially rapid since 2011 as depicted in the following chart:

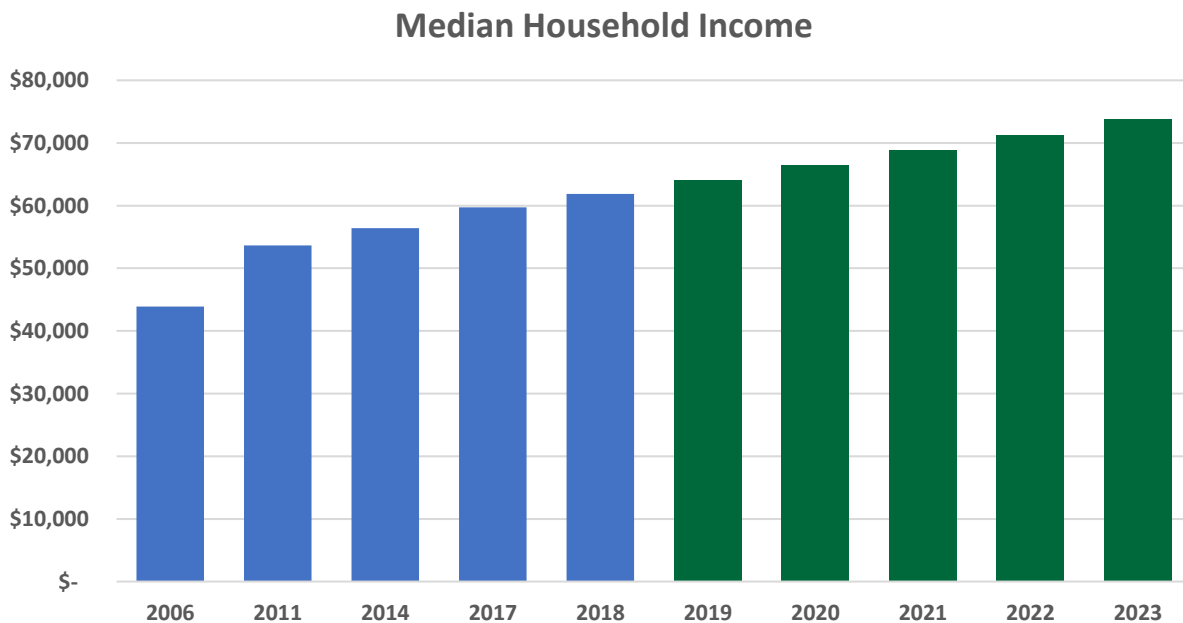
Economic Benchmarks and Outlook



Source - New Braunfels Chamber of Commerce 2018 Economic Benchmarks Report

Household Income

New Braunfels saw significant growth in median household incomes from 2001 to 2010 (2.8% annually). In recent years, household income growth seems to have leveled off, which can partially be explained by lagging effects of the recession and the loss of one of the community's major employers in 2013. There was a slight drop in median income between 2016 and 2017. Projections estimate, however, that income growth will pick up again between 2018 to 2023 with annual increases around 3.6%. This should translate most directly into steady sales tax collections through the forecast period.



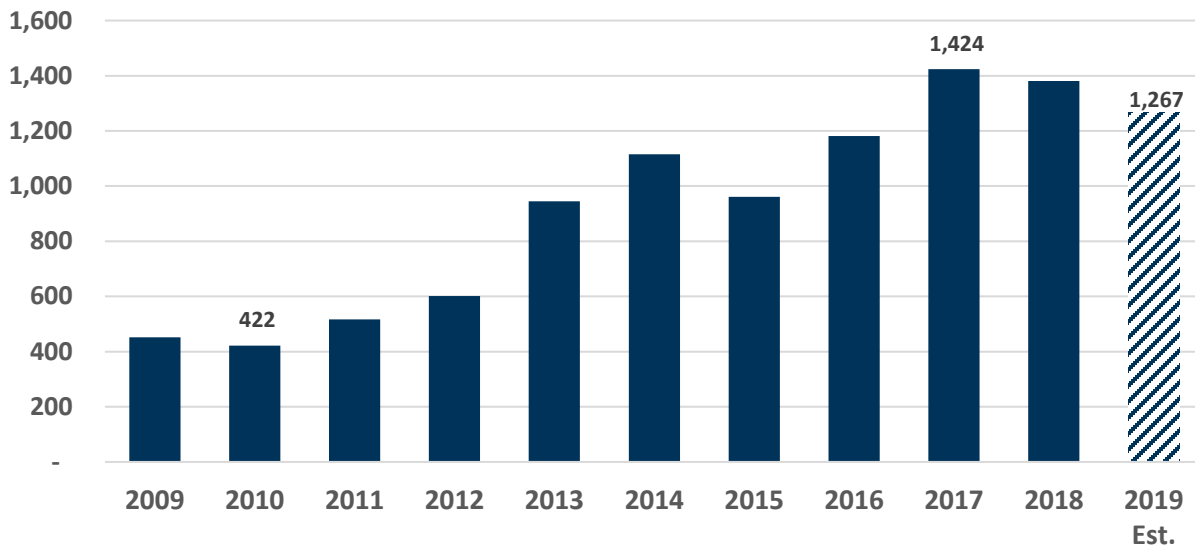
Economic Benchmarks and Outlook

Source: ESRI, Chamber of Commerce

Building Activity

Housing and jobs are strongly connected. When the economy is expanding, job creation promotes household formation, which in turn increases demand for rental and owner-occupied housing. Other economic drivers of housing include population growth, the need to replace or improve existing housing stock and regional population changes. These factors are driving new housing demand in New Braunfels and will continue to do so as long as job growth and regional population changes continue on their recent trajectory. New Braunfels had an average 1,168 new single-family homes constructed each year in 2013-2018 with a compounded annual growth rate of 7.8%.

New Residential Home Permits



When reviewing undeveloped parcels (in the city limits), the City's future land use plan, historical building permit data as well as feedback from New Braunfels Utilities, there are approximately 5,000 single-family lots projected over the next ten years. This figure is derived from a draft version of the City's roadway impact fee study update. If this figure were to materialize, it would represent a decrease in comparison to recent history. However, when reviewing the same data as the draft roadway impact fee study, there are nearly 4,200 multi-family units projected over the next ten years, which represents a significant increase in comparison to the long term trend for new multi-family inventory in New Braunfels. This data suggests that residential construction in New Braunfels over the next ten years could be shifting towards higher density. To confirm, a more in depth analysis on this data would be necessary.

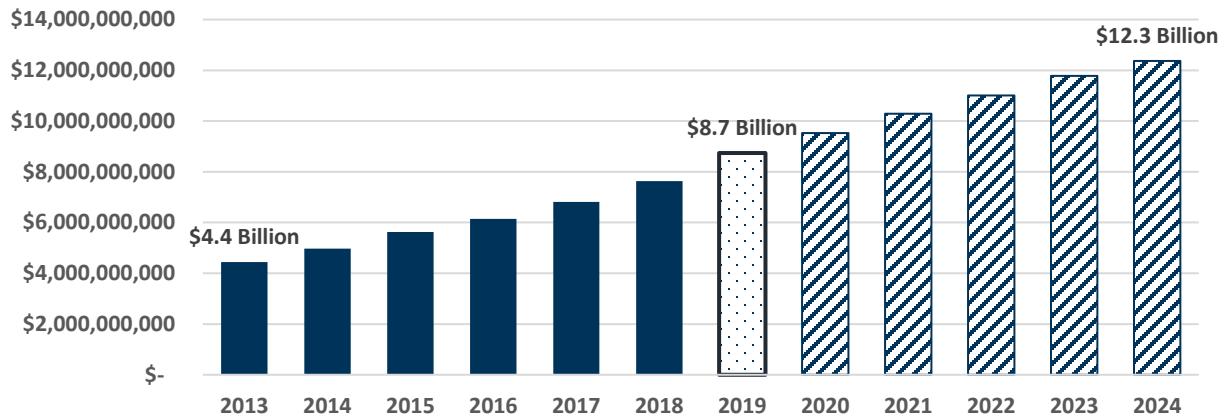
Property Valuation

Like many parts of the country, New Braunfels was not immune to the effects of the housing market downturn during 2008-2009 as evidenced by the graphs above. The effects of the recession during this time resulted in a two-year period where the City's total appraised values did

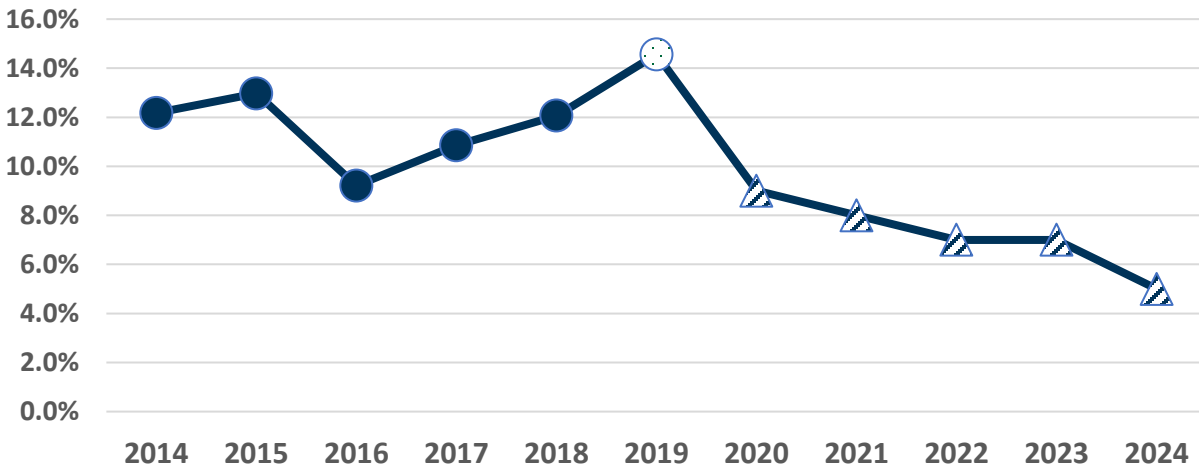
Economic Benchmarks and Outlook

not increase as had been customary in the decade prior. From 2001 to 2009, property values saw a compounded annual growth rate of 12%. From 2011 to 2018, the compounded annual growth rate was 11.4%. Early figures from the appraisal districts indicate significant growth in values for 2019 (14%-16%), however, a significant portion of that growth is coming from existing values. The five-year forecast assumes that total appraised values will increase from 10% - 7% throughout the forecast period. However, the graphs below illustrate the impact to values if the 2019 preliminary values are realized (14%-16%). Other sections in this document (General Fund/Debt Service Fund) go into further depth on the justification of these projections.

Total Assessed Valuation



Percent Change In Taxable Valuation



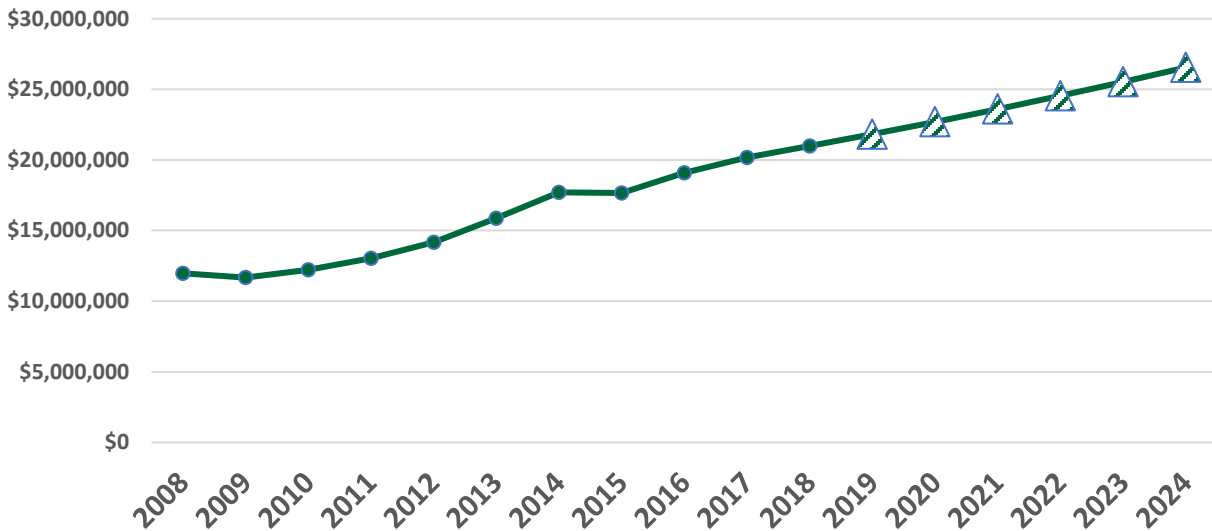
Sales Tax

Data from the Texas Comptroller on retail sales are one of the best indicators of economic activity in New Braunfels. Retail sales are a good barometer of economic activity because consumer spending represents more than two-thirds of gross domestic product. The rebates generally reflect a two-month lag and have a strong but imperfect relationship with retail sales. One weakness is

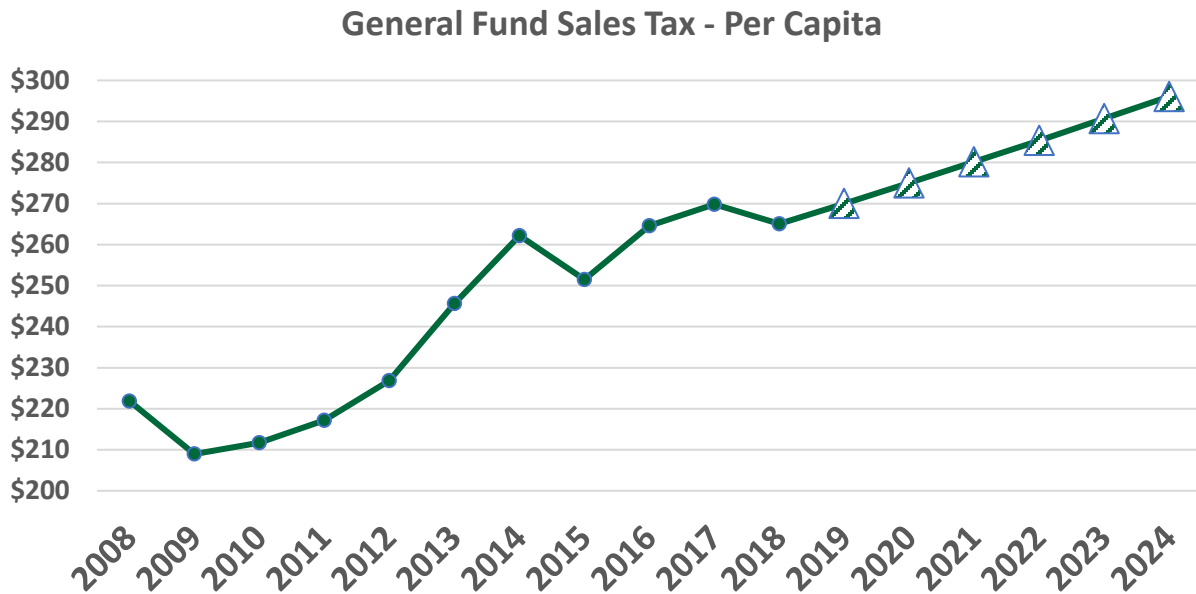
Economic Benchmarks and Outlook

that groceries and prescription drugs are not taxed so city sales tax rebates do not reflect spending in these categories. An additional weakness is that net collections to the General Fund do not represent the complete sales tax collection picture because of existing economic development agreements. The City maintains many sales tax sharing commitments with companies through Chapter 380 agreements and the economic development agreement associated with the Creekside TIRZ. Adjusting the percent of gross sales tax collections that are rebated can have a significant impact on the amount of revenue this source contributes to the general fund. The table below is a representation of the net sales tax collections after rebating the required amounts (from these tax sharing agreements) in each year. These net sales tax collections have enjoyed relatively consistent growth except for the recession from 2008-2010. From 2008-2018, net sales tax collections to the general fund saw a compounded annual growth rate of 5.8 %. The forecast assumes 4% growth annually throughout the forecast period.

Net Sales Tax Collections - General Fund



Economic Benchmarks and Outlook



The chart above reflects the sales tax per capita collected in the General Fund for general governmental operations. Sales tax collections have historically increased at a rate faster than the annual population increase and CPI, which means that the community is reducing sales tax leakage. Sales tax leakage is when citizens purchase needed goods and services outside of the municipality. Reducing retail leakage is an effective way to increase the per capita sales tax collections, and the most recent studies indicate that New Braunfels has significantly reduced retail leakage in the last few years.

Summary

Over the five-year forecast period, many economic indicators evaluated show positive trends for New Braunfels with continued growth in population, property values, commercial/business activity and job growth. Continued increases in sales and property tax collections are strongly correlated with increases in population and can serve as a somewhat reliable predictor of future revenues. It is important to note that these projections assume that the national and state economies remain in a growth mode without any recessionary forces. While there has been and will continue to be growth in many indicators, there has been a noticeable leveling off. Double digit growth is no longer the norm.

Strategic Issue: INFRASTRUCTURE

A. Streets and Traffic

Aging streets infrastructure, accompanied by significant growth in this community, presents challenges for the City. The maintenance and repair of the existing road infrastructure and expansion and construction of new transportation corridors is important to the continued flow of people, goods and services in the community. Traffic generated by new development places added demands on the existing road and transportation network, which results in deterioration of streets along with compounding challenges in how traffic flows efficiently throughout the City.

There are over 923 lane miles of streets currently maintained by the City. Street pavement surfaces typically have a life of 7 to 10 years. Many city streets and drainage facilities are much older, compounding the need for street restoration. The City has made significant increases in the annual funding committed to street repair and maintenance

A new 4-person street crew was added in the FY 2017-18 budget, allowing street maintenance to be performed in house at a lower cost. As a result, staff anticipates completing over 18 lane miles in FY 18-19.

The City of New Braunfels also maintains over 49 signalized intersections, 24 school and other warning flashers and 5 flashing intersections on City and State roadways within the City limits. The City has been awarded funds through Alamo Area Metropolitan Planning Organization to supplement the City's efforts to upgrade traffic communications systems.

Action Items completed/to be completed

- Develop an annual Street Maintenance Plan from allocated budget funding.
- Develop street design for new development as it pertains to soil type and traffic.
- Develop a traffic signal management system.
- Develop a prioritized thoroughfare plan with regional stakeholders to address congestion.

Reference to the 2012-2019 New Braunfels National Citizen Survey

Street Repair	Percent Rating Positively				Comparison to Benchmark Cities			
	<u>2012</u>	<u>2014</u>	<u>2017</u>	<u>2019</u>	<u>2012</u>	<u>2014</u>	<u>2017</u>	<u>2019</u>
	17%	25%	24%	30%	Much Lower	Lower	Lower	Lower

B. Stormwater Management

Successful stewardship of the natural environment to preserve and improve the City's resources for future generations while addressing the community's current and diverse needs requires a comprehensive approach to watershed management. The natural beauty of the

City and its economic dependence upon river flows of the Comal and the Guadalupe Rivers presents a challenge in striking a balance between managing stormwater runoff and protecting property from flood damage. Therefore, implementing policy and procedures that ensure *environmental stewardship* of water resources as well managing *flood control* is a strategic issue.

1. Environmental Stewardship

The Edwards Aquifer is a significant groundwater resource for the City and south/central Texas, serving agricultural, industrial, recreational and domestic needs. Community growth and the demand for water in the region are projected to increase beyond the limits of the Edwards Aquifer. This increase in demand creates concern for the well-being of endangered species living in the Comal Springs system as well as the City's economy that depends upon spring flows from the aquifer. Growth and development must be managed in ways to ensure recharge water replenished to the aquifer is of high quality. It is imperative the City continue to be a partner in rational and sustainable management of the Edwards Aquifer and springs resources through the Edwards Aquifer Habitat Conservation Plan (EAHCP) program. The City will continue efforts to implement environmental and habitat restoration projects as part of the EAHCP to benefit federally-protected endangered species.

Watershed protection planning for the Dry Comal Creek and Comal River is imperative in order to reduce bacteria levels in both of these waterbodies. The Dry Comal Creek and the Comal River have been listed as impaired for bacteria on the state's 303(d) list, meaning that bacteria levels have exceeded state water quality standard. A Watershed Protection Plan (WPP) plan has been developed and approved by the U.S. Environmental Protection Agency (EPA) and the Texas Commission on Environmental Quality (TCEQ). Implementation of bacteria reduction strategies identified in the WPP is expected to reduce bacteria loading to the Dry Comal Creek and Comal River and hopefully improve bacteria concentrations. In 2018, the City applied for and was awarded an EPA/ TCEQ grant to implement bacteria reduction measures. The grant term is 2018-2021 and City will look to apply for additional grant funding for 2022 and beyond to continue implementation of bacteria management measures.

Under federal regulation, the City is required to address stormwater runoff that might affect water quality in its rivers and streams. These federally mandated Municipal Separate Storm Sewer System (MS4) regulations became effective for New Braunfels in December 2014 and are enforced by the EPA through the TCEQ. The TCEQ approved the stormwater management program (SWMP), which was developed to identify specific control measures to regulate and address stormwater runoff. To meet the obligations of the MS4 regulations, the City is required to implement the SWMP

which includes education/training programs for maintenance staff and inspectors, implementation of a public outreach program for community awareness, inspection program for regulatory compliance and development, tracking and reporting processes to document compliance with state and federal regulations. The City is also required to require the treatment of stormwater runoff from both new developments and the redevelopment of existing properties. Throughout the program, City resources will need to be dedicated to this effort to effectively implement the required activities of the permit.

Action Items completed/to be completed

- Sufficient allocation in the annual budget to comply with MS4 requirements.
- Implementation of a watershed protection plan for the Dry Comal Creek and the Comal River.
- Continued participation in the Edwards Aquifer Habitat Conservation Plan program, including annual implementation of restoration and habitat improvement projects in the Comal River system.

2. Flood Control

From the past flooding and other previous high-water events, issues related to drainage control continue to challenge the community. Currently the City is responsible for maintaining approximately nearly 570 acres of drainage ways and associated debris/trimmings. Mitigation measures to minimize flood damage include construction of detention/retention ponds, improved drainage facilities, property acquisition in flood prone areas and the promotion of on-site stormwater quality enhancement to address initial flows from a runoff event. Low impact development (LID) methods are also encouraged and are becoming an accepted option for new and redevelopment to effectively reduce stormwater runoff and enhance water quality. Incorporating LID methods into City projects and new development can be a cost-effective alternative to conventional design.

Within the community, private drainage facilities operate in conjunction with public facilities. Many current owners of private facilities are not adequately maintaining these drainage areas. Because private systems are within the jurisdiction of the City, it may be important to consider assuming management control for some of these private systems to address flood control and water quality issues. As the community grows, to effectively manage stormwater flows, the City could also consider assuming maintenance responsibility for stormwater facilities in new developments.

Improvements to drainage facilities and construction of new drainage structures are also a critical issue for the City. Citizens have expressed that flood control and drainage improvements are a key issue for them. As with streets, the May 2013 general obligation bonds passed by the voters includes significant funding for drainage improvement - \$24.5 million for improvements at Alves Lane, Blieders Creek/German Creek Watershed, Panther Canyon, Live Oak/Katy Street and preliminary design at Wood/Landa Streets. The capital improvement plan includes an additional \$94 million in identified drainage improvements. The Watershed Advisory Committee will continue to work with the City Council and staff to plan for additional drainage improvements.

Action Items completed/to be completed

- Develop prioritized citywide Master Drainage Plan

Reference to the 2012-2019 New Braunfels National Citizen Survey

Storm Drainage Infrastructure	Percent Rating Positively				Comparison to Benchmark Cities			
	<u>2012</u>	<u>2014</u>	<u>2017</u>	<u>2019</u>	<u>2012</u>	<u>2014</u>	<u>2017</u>	<u>2019</u>
	45%	53%	53%	57%	Much Lower	Similar	Similar	Similar

Strategic Issue: PUBLIC SAFETY

A. Proactive Versus Reactive Policing

The goal of law enforcement is to effectively protect and serve everyone within its area of responsibility. Utilizing proactive strategies such as community policing to not only manage the criminal offenses currently taking place, but to also prevent additional crimes from ever happening, helps to successfully accomplish this goal. Currently, the New Braunfels Police Department (NBPD) is generally responding to calls for service and investigating crimes which have already occurred and has not had the opportunity to focus on crime prevention within the community. Evaluating and implementing proactive police strategies is a strategic issue.

To be more effective and proactive regarding crime prevention, we have implemented an online reporting system, saving time for both the victim of a minor crime, and the patrol officers. In 2017 the City contracted with the Center for Public Safety Management to conduct a staffing study. Based on call load and other data, it has been determined that the Patrol Division is short 16 Officers and 2 Sergeants. Once these additional personnel are hired and trained, NBPD will have adequate personnel to respond to incoming calls based on 2016 call load data. CPSM also recommended adding a 'Community Response Unit, which would be 8 additional sworn personnel. Additional uniform officers would have the largest impact as it will immediately provide more opportunities for random patrols and other

proactive strategies. Additional officers could be used to meet the objectives described here of increased crime prevention activities to reduce the occurrence of crimes.

Reference to the 2012-2019 New Braunfels National Citizen Survey

Crime Prevention	Percent Rating Positively				Comparison to Benchmark Cities			
	<u>2012</u>	<u>2014</u>	<u>2017</u>	<u>2019</u>	<u>2012</u>	<u>2014</u>	<u>2017</u>	<u>2019</u>
	68%	71%	78%	73%	Similar	Similar	Similar	Similar

B. Police Work from a Programmatic Definition of Service Level

As the demand for New Braunfels Police Department (NBPD) services continues to grow, the approach to the provision of services and the resources needed to effectively provide those services should be looked at programmatically. Prioritizing the services that the NBPD currently provides as well as the expanded services they have identified as needed in the community followed by determining what resources would be required to provide those services is a strategic issue. There are several opportunities to enhance the service level of the New Braunfels Police Department. The following are potential programs and the estimated resources required to deliver them.

- 1. School Resource Officer Program** – The NBPD has evaluated the resources needed to implement school resource officers in the New Braunfels Independent School District. The Police Department and NBISD are working on a proposal to place 14 officers in schools, one at each campus. Our first 4 officers started in the schools in the Fall of 2018. Placing officers in all the schools will improve rapport between the students, staff, faculty, and police. Additionally, the level of interaction between the aforementioned groups would grow exponentially, resulting in an increased level of trust. The end result would be a reduction in crime incidents, bullying, and reckless driving around the schools, all resulting in a safer learning environment and school experience.

Action Items completed/to be completed

- We will continue to work with NBISD and maximize safety in our schools. We would look to continue to add School Resource Officers at the request of NBISD if funding was available for both agencies.
- 2. Family Violence Initiatives-** New Braunfels has a significant family violence problem. NBPD and the District Attorney have developed initiatives to reach out to victims while holding offenders accountable. A domestic violence investigator grant was funded in FY 2017-18. Also, in FY2015-16 a Victim Advocate position was added, and in 2017-18 grant funding for a second position was obtained. Unfortunately, most of our serious assaults and homicides are family violence related. NBPD has added 2 Crime Scene Technicians to enhance our evidence processing capabilities, increasing the likelihood of

conviction. NBPD will continue to engineer ways to improve our process in solving this serious issue in our community.

Action Items completed/to be completed

- In FY 2019-20 NBPD will request the addition of 2 additional Crime Scene Technicians. Currently, there are several hours per day where a CSI must be called in on overtime to process crime scenes.

- 3. Enhanced Gang and Narcotics Enforcement** – Gang activity continues to be a concern in New Braunfels. The Comal County Sheriff, District Attorney and NBPD have formed a partnership to both gather intelligence on local gang and narcotic sales activity and aggressively enforce the law to help to reduce this issue in our community.

Action Items completed/to be completed

- In FY 2015-16, a gang and narcotics task force was created. This partnership with the Sheriff's Office will continue and the possibility of supplementing the Gang Offender Narcotic Enforcement (GONE) Unit with additional staffing will be considered.
- In FY 2016-17 a Crime Analyst position was added to the NBPD list of unmet needs. This position remains unbudgeted.

- 4. Mental Health Unit-** NBPD has been participating in a multidisciplinary committee, charged with analyzing mental health issues in Comal County and developing solutions. In 2017, NBPD responded to 707 mental health calls. Of these, 378 required transporting the patient to a facility. The facility is sometimes as far away as Kerrville. This places a burden on our Patrol Division, as these calls take several hours. The Multidisciplinary Team has recommended the forming of a Mental Health Unit. This would be a multijurisdictional unit, consisting of NBPD Officers, Comal County Deputies, medical/EMS and social workers.

Action Items completed/to be completed

- In FY 2019/20, if budgeted, NBPD will contribute 2 full time police officers to a Countywide Mental Health Unit. The Comal County Sheriff's Office will do the same. In future years, additional staffing for this unit will be considered based on call load.

C. Police Recruitment and Retention Strategies

Over the last few years, the Police Department has seen a decline in the quantity and quality of applicants to fill vacancies. This challenge is not unique to New Braunfels and is felt across Texas. NBPD recruitment is also impacted by the demands on the police force during

the summer season. One factor in this challenge could be the perception of policing as a career – whether individuals see it as a profession rather than a job.

After difficulty in finding enough qualified candidates with TCOLE certification, NBPD has decided to hire non-certified candidates and send them through the academy. Our first non-certified civil service exam was in March 2019.

The City continues to explore a variety of programs to improve recruitment, such as the \$3,000 signing bonus for new recruits. We also benchmark against our surrounding cities so that we can monitor successful programs, including pay rates so that we can maintain competitiveness. We have also started an Explorer program, which establishes relationships with high school students who are considering a career in law enforcement.

Action Items completed/to be completed

- An Explorer Troop was established in 2018-19 with the goal of building positive relationships with high school students who may be interested in a career in law enforcement.
- In March of 2019 NBPD initiated a pre-certified hiring process with the goal of expanding our pool of quality applicants. This requires that we hire a non TCOLE certified candidate and send them to the academy. This will be more expensive and will take longer but will solve the issues of continuous vacancies among our ranks because of a lack of qualified candidates.

D. The Evolution of the Fire Department

The demand for the diversity of New Braunfels Fire Department's (NBFD) services continues to rise as our population increases. Those demands include responding to and mitigating incidents involving hazardous materials, swift water rescues, dive team responses, motor vehicle accidents with entrapments, technical rescues, fires in the Wildland-Urban Interface (WUI) environment, and the provision of enhanced medical services, to include community paramedicine. About 20 percent of the Fire Department's calls are for fire response; the remaining 80 percent are emergency medical service calls. Shaping the Fire Department's future service provision role and meeting service expectations is a strategic issue.

The Fire Department adopted a comprehensive five-year plan to address the resource needs to meet customer expectations and maintain our Public Protection Classification Class 1 Rating (ISO), which affects residential and commercial properties.

Reference to the 2012-2019 New Braunfels National Citizen Survey

	Percent Rating Positively				Comparison to Benchmark Cities			
	2012	2014	2017	2019	2012	2014	2017	2019
Ambulance/EMS	93%	90%	96%	92%	Higher	Similar	Similar	Similar
Fire Prevention	78%	79%	83%	82%	Similar	Similar	Similar	Similar
Emergency Preparedness	66%	71%	74%	73%	Similar	Similar	Similar	Similar

E. Planning for the Future Needs of the Fire Department

The Center for Public Safety Management study (CPSM) identified a strategy for NBFD that will guide the department in keeping up with the community growth over the next several years. One of the identified needs was the construction of Station 7 in the area of FM 306 and I-35, where the population is growing to meet the demand for service. The City Council adopted the CPSM study in 2017.

In 2016 the NBFD achieved an ISO 1 rating. This is a rare accomplishment for fire departments in Texas and the rating helps lower both residents' and businesses' insurance costs. However, in order to remain an ISO 1, the department will need to continuously invest in its apparatus, facilities, personnel and training.

The citizens of New Braunfels overwhelmingly approved the 2019 bond package, including the public safety proposition, which secured the funding to replace fire stations 2 and 3. A location for Station 7 and the training facility has been identified on property already owned by the City of New Braunfels and it has been included in the Creekside TIRZ, which will allow the TIRZ to fund those projects. Funding construction of fire department facilities and adequately staffing Station 7 is a strategic issue for the City Council.

The Fire Department's apparatus must be periodically and systematically replaced. Ambulances have an 8-10-year life expectancy, with a new ambulance costing about \$275,000. Fire engines and ladder trucks have a twelve to fifteen-year useful life and cost between \$750,000 and \$1,500,000. The department has developed a fire and ambulance replacement program that will permit the regular replacement of these apparatus utilizing non-general fund financing. Planning for these major acquisitions – structures and equipment – is a strategic issue for the City.

The successful delivery of enhanced emergency medical care to our community requires that we balance the needs of the community with expected regulatory and budgetary challenges. Those challenges include high operating costs, overburdened emergency departments, and the need to partner with local health care providers to reduce improper EMS utilization. Innovative programs that provide treatment-without-transport, transport to alternate locations, and Mobile Integrated Health / Community Paramedicine (MIH/CP) can help address community needs while managing regulatory and budgetary challenges. The

deployment of on-shift EMS officers that can fulfill those requirements is a strategic issue for the City.

In order to adequately plan for the future, the Fire Department must forthrightly and critically evaluate past practices, analyze current data, and effectively assess the needs of those it serves. The Commission on Fire Accreditation International (CFAI) provides an accreditation model that provides the necessary framework to ensure those actions occur, which will lead to continuous improvement through data and community driven fire service planning. Engaging in a forthright and critical self-analysis of fire department operations and service needs analysis is a strategic issue for the City

Action Items completed/to be completed

- Begin construction of Fire Station #2, #3 and #7 and the Fire Training Field. Hire additional firefighters in year two of the Station #77 construction project.
- Order apparatus for Fire Station #7 at least one year prior to the fire station opening.
- Reassign existing staff from across the department to Station #7.
- Reassign existing officers to permit the deployment of EMS officers while maintaining the benefits of all existing programs.
- Begin the 24 to 36 month CFAI Fire Accreditation process.
- Ongoing program of replacing FD Bunker Gear (PPE). Bunker gear has a NFPA mandated lifespan of 10 yrs.

F. Fire Prevention

The Fire Marshal's Office is responsible for fire prevention. The Fire Marshal's Office is meant to fight the fire before it starts. Fire prevention is directly tied to the reduction in the loss of life and property and therefore is a strategic issue. There are various methods that the NBFD can implement to enhance and maintain fire prevention efforts and outreach, all of which are summarized below.

Action Items completed/to be completed

- The majority of fire deaths occur in the home. Implementation of a voluntarily home inspection program will reduce deaths, injuries and property loss from fires.
- Continuation of and expansion of our smoke detector program will aid fire prevention efforts. Expansion of this program can be done by creating partnerships with local businesses, community organizations, and affected stakeholders.
- Community outreach and education to groups such as the elderly, low income and children will assist our efforts. Increased public service announcements as well as

encouraging participation in the Citizen's Fire Academy and Citizens Fire Academy Alumni Association should be continued.

Strategic Issue: EFFECTIVE MANAGEMENT

A. Reacting to Advances in Technology

Technology continues to improve at a rapid pace and is a significant investment for municipalities. Moreover, opportunities exist for the City to implement technology enhancements that will increase efficiency and improve overall quality of service. The City will need to continue to acquire technology to respond to customer behavior and demand. Yet, how the organization adapts to new technology and effectively manages that investment is a strategic issue.

Managing employees and citizens expectations as to what technology should be made available to them is a large component of this issue. A second challenge is that it is easier to add new technology in layers rather than to reassess and replace existing system(s) or equipment. However, up-to-date and effective technology infrastructure plays a critical role in *promoting and encouraging a sustainable high-performing workforce and environment* as well as *maintaining an ongoing program to provide exemplary service*, which are both strategic priorities adopted by City Council.

A process needs to be in place which begins with the definition of the business problem requiring additional and/or replacement technology, followed by identification of the specific needs a potential technology enhancement would need to address and ending with an analysis of all available products. Implementation of this process will allow for consistency and a neutral approach to determining when and how technology enhancements should be recommended and implemented. Without consistent application of this type of process for prioritization and selection of technology enhancements, the City bears some risk as to the standardization and success of initiatives.

Action Items completed/to be completed

- Upgraded/replaced network infrastructure throughout the organization increasing network connectivity in most locations by a factor of 10.
- Upgraded the city-wide phone system providing enhanced redundancy and additional functionality to support department's needs.
- In 2018, the decision was made to leave Accela and implement Cityworks software. The Cityworks software will provide a comprehensive electronic process for the development community and City Departments involved in the development process.

This will include online permit/inspection requests and online payments, including electronic plan review and online payments.

- Developing a plan to implement electronic forms and workflow system to enhance staff efficiency and enhance electronic public forms submission.
- Completed data center refresh; added redundancy to all hardware and virtual servers, increased performance, and provided for future expansion.
- Research and evaluate opportunities to increase availability of city technology resources through implementing redundant services.

B. Securing and Protecting Citizen Information

The city collects and stores tens of thousands of pieces public information each year through our interactions with citizens and other customers. Almost every city department collects some form of Personally Identifiable Information (PII) through their day to day operations; name, address, social security number, driver's license numbers, credit card numbers. Some of this data by itself can pose a risk to individuals if accessed by the wrong person. Additionally, the exposure of multiple pieces of information can place individuals at a higher risk of identity theft and the city at higher risk of liability.

In addition to the data we have within our systems, we must also be concerned with the third parties we work with. We must analyze the type of data we share with them, how we share it, and ensure they are doing everything possible to protect our citizens' personal information.

Properly securing data is an ongoing process. An information technology data governance process needs to be established that identifies the data we have, the value of the data stored and where the data is stored. From there, we can begin to design and prioritize a layered approach to securing the data in an appropriate, cost-effective manner.

There is not a single solution that will protect our data, rather we must evaluate and utilize a combination of hardware and software solutions along with appropriate policies and staff training. By managing the risks of data loss and developing a layered approach to securing our data, we can help maintain the fiscal stability of City operations and help promote positive growth, development, and quality of life by keeping the City out of the headlines.

Action Items Completed/to be completed

- Modernized firewalls at all city internet connections.
- Added employee security awareness training for all staff.
- Developed data security and classification policy.
- Deployed an email encryption service to protect employee and public data in transit.
- Developed and implemented end-user cyber security awareness training.

- Review and implement as appropriate the Center for Internet Security's (CIS) critical security controls.

C. Empowering a Mobile Workforce and Community

Empowering a mobile workforce is a strategic issue, not just from the logistics and security of IT, but from a staff productivity and job satisfaction perspective. Developing a strategy to evaluate the various groups of mobile workers and identifying the resources and systems they need in the field will help us effectively target where we can increase productivity which should directly impact our citizen satisfaction.

Additionally, our community is growing increasingly mobile and clamors to handle their interactions with the city through a mobile device or online with their personal computer; rarely does someone want to come to City Hall and conduct their business in person, but today we leave the public with little choice.

Providing solutions that allow the public to interact with the City systems online or through a mobile device will *ensure community connectivity and mobility, improve our customer service and encourage a high-performing workforce*, all of which are Council strategic priorities.

Action Items Completed/to be completed

- Will be enhancing the development process by allowing citizens to submit and pay for permits and inspection requests online and through mobile devices.
- Implemented online and mobile friendly system for registering for events and activities for Parks and Rec programming.
- Evaluate mobile application options to bring city services directly to the citizens.

D. Capital Improvement Plan Update and Debt Service Capacity

Prior to FY 2004-05, there had been minimal debt issuances and capital investment in the City's streets, drainage, parks and facilities infrastructure. In addition, the City had not completed a Capital Improvement Plan (CIP). Since that time, five/ten year capital improvement plans were developed that identified the full gamut of projects needed to effectively service the community's needs. In FY 2004-05, the City began issuing certificates of obligation to address the wide array of needed capital improvements. During that time, over \$135 million has been invested in various capital projects. In addition, the 2013 bond program in the amount \$86 million continues to address projects identified in the CIP plan.

When combined with the 2013 bond program, the capital investment by the City of New Braunfels from 2004-2020 will total over \$220 million. With the recent approval of the 2019 bond program, this level of investment will continue over the next 5-6 years. However, there remains over \$500 million in identified projects that are currently unfunded.

The Debt Service Fund section of this document includes information on the timing of the bond issuances stemming from the 2019 bond program. Among other findings, the forecast projects that the next opportunity for a bond program or other major capital investment opportunities supported by property taxes does not occur until approximately 2025-2028. Therefore, alternative funding strategies and sources should be thoroughly evaluated to support any critical capital investments that may arise prior to the next bond program opportunity. Because the Capital investment needs have been so vast, the City has been able to utilize the 2012 Adopted CIP and various master plans, studies, etc. as the primary resources for selecting projects for the 2013 and 2019 bond programs. However, a formal CIP should be developed prior to the next bond program (2025-2028). This resource will provide elected and appointed officials with an official framework for prioritizing projects and creating bonding scenarios.

E. Increased Operating and Maintenance Costs Associated with Capital Projects

As capital improvement/bond projects are completed, the City needs to evaluate the service demands that are required to effectively operate and maintain the new and/or improved assets. Service and maintenance demands will have an impact on resource needs. How the City evaluates and provides service and maintenance resource requirements associated with capital improvement/bond projects is a strategic issue.

In some instances, such as street projects, the level of services and resources required to maintain the asset will initially decrease after a project is completed. Other projects include landscaping, and other amenities that require upkeep, maintenance and repair. Still others require staff to provide services to the citizens taking advantage of the new infrastructure. The City will need to evaluate and work to provide the resources needed to meet all these demands. Establishing the resource requirements associated with new capital assets will be important to developing an *ongoing program of infrastructure construction, operations and maintenance*, a strategic priority adopted by City Council.

Resource and service requirements/needs should be prioritized and evaluated to determine, based on financial feasibility, what services and maintenance efforts will be incorporated into the operation of new capital infrastructure. Moreover, the City should evaluate alternative service delivery opportunities to ensure that efficiency is maximized, and service quality is maintained when adding resources. If adequate resources are not provided to

maintain new infrastructure, the City runs the risk of the capital investment not meeting its useful life or the expectations of the citizens.

Action Items completed/to be completed

- The forecast recognizes the potential operating cost impact of all capital improvement projects that may impact the General Fund.

F. Adjusting User Fees to Market Rates

The City charges user fees for various services provided to the citizens. User fees are intended to generate sufficient revenue to offset the cost of providing the service. They are put in place in areas where it is appropriate for the user to pay for the service rather than using general tax revenue (such as sales tax or property tax) and may mitigate property tax as an alternate form of revenue.

Many of the City's current fees have been in place for an extended period of time and have remained at the same level for years. Evaluation of the existing user fees and looking for appropriate areas to initiate new user fees, is a strategic issue for the City. The City needs to continue to evaluate fees in all areas to ensure they are cost based and that they are in line with market factors. Fees also need to take into consideration affordability for the citizens and their ability to access the services. User fees should be analyzed and opportunities for new fees, where appropriate, should be presented for City Council consideration.

The revenue cap legislation that is likely to be implemented will force our organization, as well as all municipalities, counties, etc. to focus more efforts on the proper setting and establishment of user based fees (at this time this document was finalized, the bills had not been put into law). Steady property tax growth from new and existing values is one of the main contributing factors to the service and program enhancements that we have been able to fund over the past several years. To continue those service and program enhancements as well as protect the base level services provided today, user fees will likely need to be evaluated on a more regular and intensive basis.

Action Items completed/to be completed

- In FY 2017-18, the City Council approved adjustments to development fees to be used to pay professional services as well as training costs, allowing staff to keep up with the growth. It is more efficient to use consultants to perform various services during our growth period, thus eliminating the need to reduce staff when the growth levels off.
- In FY 2017-18, the City Council approved adjustments to various parks and recreation fees to address maintenance issues throughout Landa Park and the Landa Park Aquatics Center.

- In FY 2017-18, the City Council approved an increase to parking fees at Prince Solms Park and established parking fees at Elizabeth Street to reduce the dependency on the General Fund.
- A comprehensive market analysis of all user based fees should be completed FY 2019-20. Moreover, a council retreat should be dedicated to recommendations for fee increases and establishment as a means of mitigating future impact from the property tax revenue capping legislation.

G. Talent Attraction, Retention and Development – Remaining Competitive in the Market for Talent

With historically low unemployment rates, coupled with employment and job creation projections, the competition for talent will continue to intensify and strain employers of all types. This may be especially true for the City as we compete for talent against other industries and between two major metropolitan areas: Austin and San Antonio. Studies show that establishing competitive salaries and benefits are basic requirements of attracting and retaining talent. The consequences for those that fail to demonstrate employee value include increased turnover rates, increased training costs, and knowledge gaps, as well as degraded levels of customer service. The City's turnover rate for fiscal year 2018 was 6.54%, a 13% decrease since 2016. A review of the City's 2018 exit interview data showed that 55% of those employees leaving the organization left for "a better professional opportunity and/or compensation." As outlined by the mission statement, *to be responsive for those we serve*, investment in recruiting initiatives, competitive pay programs, leadership development, succession planning and career path programs are critical for the City to maintain and attract a talented workforce to serve internal and external customers. Therefore, how the City plans and implements these types of programs to attract, retain and develop our workforce is a strategic issue.

A comprehensive program for talent sourcing, career development and recognition, and skills training must be implemented to attract, retain and develop a highly qualified workforce. While there are several essential employee retention factors, the following are the most influential: a productive relationship with direct supervisor/manager; skill development and advancement opportunities; flexible work arrangements; quality of work-life; recognition and rewards programs; and competitive market-level wages and health and wellness benefits. Therefore, our employee-focused program should take these factors into consideration. To remain competitive in the market for talent, the City will continue its focus on the following three areas:

1. Attracting/Sourcing Talent

Since 2014, the City has added three additional facilities (Fire Station #4, Fischer Park, and Das Rec) requiring us to implement progressive recruiting strategies to set ourselves apart from other municipalities to compete effectively for top talent. Recruiting for 98 FTE part-time day staff positions for Das Rec was a new challenge the organization had not previously experienced at this level, and demanded recruiting efforts tailored to meet the magnitude of hiring required. Human Resources and the Police Department partnered to begin hiring non-certified candidates for Police Officer, significantly increasing the number of entry-level testing applicants. Staff has engaged in focused discussions to explore creating an apprenticeship program for CDL positions such as Solid Waste Operator and Equipment Operator for Streets and Drainage. Sponsoring certifications for these positions demonstrates the City's investment in employee development, thereby creating longevity and buy-in for the employee to the organization.

As the City continues to grow and undertake multi-year organizational initiatives, we will continue to be challenged with specific recruiting requirements for various positions to support current and increased demands for City services. We have challenged ourselves with building a reputation for setting trends in the recruiting and retention spaces. These efforts have begun to payoff, as evidenced in our increasing ability to attract new talent and retain existing talent. However, the competition for talent will continue to be a challenge for employers across both the public and private sectors in the coming years. As we look to the future we will mature our existing efforts and continue to think creatively and proactively to develop additional initiatives to successfully attract talent for the organization.

Action Items completed/to be completed

- Develop educational, outreach and partnership opportunities with local high schools, colleges/universities and associations to promote the various careers available in municipal government, as a means of expanding our sourcing channels and creating additional pipelines for talent.
- Position the City as an “Employer of Choice”, i.e. “*The City of New Braunfels, a great place to serve*” by identifying initiatives or strategies to attract candidates of varying dimensions of diversity (i.e. minority ethnicities, mid-career professionals, persons differently abled, Millennials, etc.) to a career with the City of New Braunfels.
- Partner with the City's Webmaster to create employee branding and an engaging online presence, i.e. LinkedIn, Facebook, etc., to attract candidates.
- Update our Applicant Tracking Tool (ATS) to modernize the hiring experience.
- Create a 12-month new employee onboarding program to support new employee integration and retention.

2. Developing Talent at all Levels

As an organization, we will continue to focus on how we can better develop and challenge our workforce at all levels in the organization to maintain job satisfaction and engagement. Strategies implemented in the last few fiscal years are aiding in employee retention, with full-time employee turnover reduced from 7.55% in 2016 to 6.54% in 2017 and 2018. In 2018, the City began to formalize leadership development programming, aimed at developing talent at all levels, building a pipeline for succession. These initiatives are outlined below with the potential to expand.

Action Items completed/to be completed

- The New Braunfels Leadership Academy was initiated in 2018 and focuses on retaining and growing our next generation of talent from within the organization. This program is inclusive to employees at all levels in the organization, with or without supervisory responsibility, focusing on the concept that employees in all roles in the organization are leaders. This program will be held annually and expanded based on participant feedback and best practices in leadership development, i.e. 360 assessments, a formal mentoring program and individual development plans.
- New Braunfels Impact Committee (NBIC) was initiated in 2018. The goal of the NBIC is to encourage open communication, a positive work culture, and an engaged organization while also allowing employees to develop and contribute outside their normal scope of work. NBIC is tasked with matters of organizational significance from the City Manager's Office as well as soliciting topics and input from co-workers for discussion.
- Beginning in 2018, the City has committed to sending two employees annually to the University of Virginia's Weldon Cooper School for Public Service LEAD (Learning, Educating and Developing) program.
- Develop a talent review process and succession plan for key/critical leadership roles.

Career pathing and other Strategies to grow and development employees throughout the City:

The City has begun to add organizational stratification to departments to allow for additional career pathing within divisions and job families. The first implementation of this strategy was in 2018 at the Library with the addition of Librarian I, II and III positions. These positions have requirements, that when met, bring the employee to the next level of the position within the same job family, giving the employee additional responsibilities and a corresponding pay increase. With this stratification strategy, the employee does not have to wait for a vacancy and the responsibility for growth is placed in the hands of the employee, thereby giving them more ownership over their careers. The future of this program would be to expand stratification to multiple positions across the City to create opportunities for a larger number of employees to grow into different roles. The program will also provide an avenue for departments to develop succession plans, pooling from their own internal pipelines. A formal reclassification process was also developed in 2019 for departments to

request reclassifications prior to the formal budget process. This works to align positions across the organization appropriately to the pay scale, which also assists with department productivity and recruitment. Having a dedicated process for reclassifications gives it the focus and attention needed to assist in appropriately compensating our employees and setting career pathing across the organization.

Programming and initiatives to increase communication and teamwork throughout the organization will continue to be explored. These types of programs help to communicate to employees the major issues and opportunities within the organization as well as create a connection for employees of the work we do to a higher purpose, which is also a factor of employee retention.

Action Items completed/to be completed

- Continue reclassification process annually
- Expand stratification to other job families throughout the City
- Develop a common Administrative Assistant job family and structure/stratification for use throughout the City
- Administer an employee engagement survey and use the results to inform other development and retention strategies

3. Paying Market Competitive Compensation

The City has invested and continues to invest in establishing pay ranges and step plans in line with our benchmark comparison municipalities. Our focus has included the incorporation of merit-based increases as well as ensuring that all certification, assignment, shift-differential, education pays, etc. are in line with market/best practices. In FY 2017-18 an analysis of all additional pays (certifications, assignment, specialty, etc.) was conducted. In FY 2018-19 merit increases (with a combination of COLAs) were implemented, based on a scale from the annual employee evaluation scores. To continue our investment in establishing competitive and equitable pay, we must continue to evaluate compensation in FY 2019-20 and beyond.

Action Items completed/to be completed

- An updated market study will be completed in the Fall of 2019, updating our last market study data from 2016. During this process, we will compare data to reclassify positions appropriately within our pay scales using the comparable data collected from our benchmark comparison cities. Additionally, we will create a plan to implement the increases associated with the appropriate pay scale shifts.
- Funding permitted, merit increases (with a combination of COLAs) will be implemented in FY 2019-20. Projected increases will be based on a scale from the annual employee evaluation scores.

H. Benefits – Sustainability of the Self Insurance Fund

Competitive health and wellness benefit programs are essential employee attraction and retention factors. At the same time, effectively managing and reducing healthcare costs is a critical aspect of being fiscally responsible. City leadership has an ongoing challenge of striking the right balance of these objectives to maintain the sustainability of the self-insurance fund. To remain competitive in the market for talent while demonstrating sound stewardship the City will continue its focus on the follow two areas:

1. Providing Market Competitive Benefits

When looking at FY 2019-20 and beyond, the impact to employee attraction and retention should be considered when creating various types of new benefits, evaluating plan design and employee premium increases. The City's healthcare consultant will continue assisting City staff in ensuring that our full suite of benefit offerings remain competitive and affordable.

2. Reducing Healthcare Costs

Although healthcare continues to rise along with the aggressively rising pharmaceutical cost, the City's expenditures to the Self Insurance Fund came in underbudget for the FY 2017-2018. We attribute the savings to favorable pharmacy contract negotiations along with innovative plan designs by our consultants. During the RFP process we will continue to negotiate pharmaceutical costs as it has proven to be effective and create plan benefit plan designs that encourage disease management and wellness. We continue to educate our employees on how to be better consumers of healthcare and recently began providing them with onsite access to our healthcare company account manager, onsite customer service by the HR Traveling Help Desk, and healthcare concierge services. In 2018 with the opening of Das Rec, employees were offered discounts on their memberships in order to promote activity and healthy habits, which is the beginning of a formal wellness program. Human Resources staff will continue to work with its health insurance consultants to develop innovative savings designs and cost controls (i.e. a Wellness Program) that will assist in ensuring the sustainability of the Self Insurance Fund while offering market competitive benefits to attract and retain talent.

I. Risk and Safety – Establishing a Safety Culture

In November 2018, the U.S. Bureau of Labor Statistic published the 2017 Survey of Occupational Injuries & Illnesses, specifically the nonfatal occupational injury and illnesses

incident rates by case type and ownership. In this survey, incident rates are compared between the private industry, state government, and local government. The Total Recordable Case (TRC) rate of local governments was much higher at 5.0, as compared to the private industry at 2.8, and state government at 3.6. This data suggests a lack of safety culture and safety programs in the local government sector. During FY 2017-2018, Human Resources hired a Safety & Training Coordinator to develop and implement a City-Wide Safety Program. An effective occupational safety and health program will include the following main elements: Management commitment and employee involvement, worksite analysis, hazard prevention and control, safety and training, and program evaluation and improvement. These elements provide the City and employees with a sound, flexible framework for addressing safety and health issues in a growing workplace. Traditional approaches are often reactive - that is, problems are addressed only after a worker is injured, a new standard or regulation is published, or an outside inspection finds a problem that must be fixed. The City-wide Safety Program elements recognize that finding and fixing hazards before they cause injury or illness is a far more effective approach. An effective Safety Program also serves to help mitigate the risk of increased Worker's Compensation costs due to avoidable accidents as well as a decrease in potential liability to the City. To mature our safety culture and safety programs, HR and City leaders will continue to develop and implement industry best practices in safety.

Action Items completed/to be completed

- Establish a City-wide Safety Committee to implement recommendations from the Safety Program.
- Develop a uniform set of safety policies, procedures, and best practices.

Strategic Issue: QUALITY OF LIFE

A. Conservation of Natural Resources

As New Braunfels continues to grow, the city will need to focus on continuing to develop as a livable city through stewardship of land, water and natural resources. Protection of these resources makes the city more attractive to industry, tourists and homeowners. Parks and green spaces improve the health and economy of the city. Ensuring that conservation and preservation of natural resources is a component of growth-related decisions is a strategic issue.

New Braunfels is known for its natural beauty including clean rivers, abundant urban forest, and green spaces. The care and preservation of these environmental features is paramount to the quality of life and economy of the city. Parks and public lands serve an essential role in

preserving natural resources and wildlife habitat, protecting clean water and clean air, and providing open space for current and future generations. In addition, *protecting and improving our open space*, and *community connectivity and mobility* (through trails) are strategic priorities adopted by City Council.

Conservation of natural resources requires a multifaceted approach. Parks staff will need to be trained to implement sustainable maintenance practices. A system-wide needs analysis and development of criteria for acquisition of new land and facilities was completed as a part of the 2017 Parks and Recreation Strategic Plan. Implementation of a devoted water source, even in time of drought, to irrigate parks will assist with sustainability of open space. Riparian zones should be established, where appropriate, for sediment filtration along waterways. As the city continues to grow and develop neighborhoods promoting connectivity between existing parks and neighborhoods through a trail system as well as the increased acquisition of parkland will be important.

Action Items completed/to be completed

- Parkland Dedication Ordinance updates were adopted in May of 2018 by Council.
- Parks, Recreation and Open Space Strategic Master Plan completed and approved by City Council January 2018. The plan identifies levels of service for the community as well as standard operating procedures for maintenance and operations.
- Riparian areas were established in Landa Park continue to be expanded through the Edwards Aquifer Authority Habitat Conservation Plan in FY2018-19.
- Riparian areas were established on Landa Park Golf Course during course renovation.
- Market Plaza Master Plan completed in FY 2015-16. New Braunfels Parks Foundation currently raising funds for implementation with Phase one to be completed in 2019.
- Guadalupe River Properties Master Plan completed and approved by City Council March 2017.
- Landa Park Master Plan developed and adopted by City Council August 2017.
- Mission Hill Park Master Plan completed and approved by City Council August 2016.
- Joint effort with NBU to implement future Aquifer Storage Recovery (ASR) on airport property.
- Joint effort with NBU and Cemex to provide dedicated water for park irrigation year-round.

B. Improving Health and Wellness in the Community

As is the rest of the nation, New Braunfels is facing growing health and wellness challenges. The cost of sedentary lifestyles and related health issues can affect an entire community. The annual health care costs in the United States associated with obesity currently total \$190

billion. If trends do not change, the annual cost could increase to over \$250 billion by 2030. Parks and Recreation is uniquely situated to provide affordable programming to the community and has well trained and educated staff for program delivery. However, developing a programming strategy targeted specifically at improving health and wellness is a strategic issue.

Inactive lifestyles result in obesity, poor nutrition, poor grades and chronic disease. These result in poor quality of life, reduced mental health, lack of productivity and risk of death. Public parks and recreation programs can contribute significantly to healthy communities and play a fundamental role in enhancing the physical environments. Through recreational facilities, outdoor settings, and programming services provided, they support good health for people of all abilities, ages, socio-economic backgrounds, and ethnicities.

Increased participation in active programs can be achieved by facilitating programs that are easy to find, register and afford. Developing partnerships with health institutions to align health and wellness strategies and school districts to promote youth/teen alternatives to varsity sports and fostering an appreciation of the outdoor environment are important programming initiatives. Programming at the Fischer Park Nature Center, Das Rec and Landa Recreation Center will contribute to this. The departmental registration software was updated to allow for online registrations. This on-line service greatly enhances the convenience for families. The recently formed Mayor's Fitness Council will be able to work with community partners to address health and wellness issues.

Action Items completed/to be completed

- Parks and Recreation staff sit on the Mayors Fitness Council and will participate in community-wide fitness initiatives.
- Cycloviva, an on-street event, was held in March 2019 with positive reviews. The event is slated to become an annual activity.
- The 2017 Parks and Recreation Strategic Master Plan sets a goal of 10 acres for every 1,000 population. To achieve this additional park land will need to be added to the system.
- Das Rec, New Braunfels Recreation Center opened in July 2018 providing abundant opportunities for improving health and fitness.
- The 2017 Parks and Recreation Strategic Master Plan sets a goal of 10 acres for every 1,000 population. To achieve this additional park land will need to be added to the system.
- A Sports Complex Feasibility Study and an Athletic Complex Master Plan was completed and adopted by City Council November 2016 and land for a future complex was purchased in 2017.
- New registration software was installed and went live April 2017.

- The Fischer Park Nature Center continues to implement additional grant funded programs for youth in FY 2017-18.
- Recreation staff will incorporate outdoor recreation programming into offerings due to the high demand in the Parks Strategic Master Plan and the Citizen Survey.

Reference to the 2012-2019 New Braunfels National Citizen Survey

	Percent Rating Positively				Comparison to Benchmark Cities			
	2012	2014	2017	2019	2012	2014	2017	2019
Health and Wellness	N/A	76%	81%	78%	N/A	Similar	Similar	Similar
Recreational Opportunities	74%	72%	80%	79%	Much Higher	Similar	Similar	Similar
Fitness Opportunities	N/A	64%	77%	72%	N/A	Similar	Similar	Similar

C. Parks Infrastructure

The parks system in New Braunfels is aging, much like other city facilities. 15 of the 31 parks in the city were developed prior to 1975. This equates to over 200 acres of parkland that is 40 years old or more. Facilities including Landa Haus are past or nearing life expectancies for their equipment and systems. The Landa Haus was last updated in 1998 and has various structural deficiencies. Meeting the public's expectation for the upkeep of existing parkland and infrastructure as well as maintaining safe facilities is a strategic issue.

The high use of parks and facilities makes the continued evaluation, repair and replacement of structures, equipment and mechanical systems a challenge. As facilities and other infrastructure age, preventative and on-going maintenance becomes critical to providing access to citizens and park visitors. If aging infrastructure is not inspected, maintained, and replaced in accordance with a recommended schedule, there are various safety and liability issues that arise.

The Parks and Recreation Department has over \$49 million in identified improvements to existing park infrastructure. The list of identified improvements needs to be updated and evaluated annually. Resources should be evaluated to determine if they are appropriate to provide ongoing maintenance and repair of existing infrastructure. This evaluation should take into consideration strategies such as contracting opportunities, existing staffing levels, as well as an analysis of the efficiency of maintenance equipment – i.e. hours of use, technology advances and repair costs.

Action Items completed/to be completed

- The Parks and Recreation Strategic Master Plan was adopted by City Council in January 2018 and includes recommendations for park operations and maintenance.
- In 2018 the City Council approved adjustments to certain park and pool user fees which will be utilized for maintenance for those park and pool facilities.
- Landa Park Master Plan developed and adopted by City Council August 2017 and includes an ADA inspection/recommendation and operations analysis.

Reference to the 2012-2019 New Braunfels National Citizen Survey

City Parks	Percent Rating Positively				Comparison to Benchmark Cities			
	2012	2014	2017	2019	2012	2014	2017	2019
	84%	83%	93%	89%	Much Higher	Similar	Higher	Similar

D. Library – Developing and Maintaining Partnerships

Library services are increasingly overlapping with other service areas including many that are not currently provided by the City. For example, a patron comes to the library to use the computer for job seeking, and in the process of assisting the patron, it becomes obvious that this person is in need of additional computer training, an email account, clothing for an interview, and possibly even food and shelter. The library is also experiencing an increase in the diversity of the service population as well as a decrease in the average age of library patrons needing services.

Library staff is not currently trained to assist with all the patrons' needs. The influx of younger patrons and families also challenges the existing staff to provide all the services needed, not just from a skills perspective but from adequate staffing levels. As a result, to effectively provide services, the Library is referring patrons to other programs that may charge a fee to provide services.

Over the five-year forecast period, the Library will explore various options and opportunities to meet these service challenges. Additional staff training has been facilitated by moving more staff from part time (30 hours per week) to full time, allowing for some additional hours for training. The addition of mobile services is helping to address the outstanding service needs. The bookmobile was deployed in July of 2016 and is currently serving seven senior facilities, five schools and six general population stops over a two-week period. Over 600 people are checking out over 1500 items each month. Most of the service is to underserved populations. In the longer term, additional library facilities will be needed to maintain/enhance service levels. Currently, a library project is under consideration in the 2019 city bond election – a 8,800 square foot new facility on the Westside Community Center site. This location will expand the ability of the library to serve the growing community.

E. Managing the Shift in Literacy

Lifelong learning – a key component of the library's mission and service paradigm – used to be defined as the ability to read and access to books as physical units. Now, it is shifting to the ability to obtain and use information via a variety of formats and devices with technology a major driver. Online learning, especially secondary education opportunities, also creates additional library service demands. The pace of development of the formats and the complexity of the technology-based devices creates a need for additional staff competency

and training. The number and complexity of the literacy components are difficult for staff to keep current on. Customer service suffers when only a small subset of library staff can assist a patron.

The library as an industry is also moving into other literacy areas in addition to traditional reading, printed materials and technology. Cultural, financial and health literacy are becoming a part of the services provided by libraries. Literacy education in these areas include but is not limited to: assisting individuals to utilize technology effectively, understanding what resources are available in a given community, bringing an awareness of the arts opportunities in the community, education about and hands on learning opportunities for fitness and nutrition, and empowering people to make educated lifestyle and financial decisions.

As library services expand from the traditional role, the resources needed by the Library will change. Computers now compete with bookshelves and for library space. Program/activity areas are needed along with reading corners. Staff needs to be competent in different areas and arenas – for example computer technology and software and how to access community resources for various assistance programs. The changing resource requirements impact the Library in their planning for the next five years. The Library needs to evaluate their staffing requirements and the skills needed from staff as they work to meet the patrons' service demands and implement the Library Master Plan recommendations.

Reference to the 2012-2019 New Braunfels National Citizen Survey

	Percent Rating Positively				Comparison to Benchmark Cities			
	2012	2014	2017	2019	2012	2014	2017	2019
Public Libraries	90%	88%	90%	89%	Much Higher	Similar	Similar	Similar
Adult Education	N/A	42%	54%	48%	N/A	Lower	Similar	Similar

F. Library Infrastructure Positioning and Development

Current library facilities are inadequate to serve the library needs of the community as it grows. The library system is now a zero-growth system, meaning that the maximum number of physical items that can be housed in existing facilities has been reached. The Library Master Plan addresses the short and long-term infrastructure needs to provide ongoing library services. The challenge is also to predict the future usage patterns for the facilities and plan facilities that will be able to be repurposed easily and effectively as the types of library services asked for and provided changes. Stand-alone facilities are also no longer necessary. City services are increasingly overlapping, and library services can be provided from other City facilities for some economy of staffing, as has happened with the RIOmobile visiting other city locations and the new library kiosk located in the lobby of the city recreation center – Das Rec.

The trend in library infrastructure is away from large collections of physical volumes and toward electronic collections and collaborative working and meeting spaces. The total square footage needs remain constant, but the usage has and will continue to change over time. A key component of the library's mission is to "provide equal access to physical and virtual environment."

The Library Master Plan includes recommendations for new and expanded library facilities. The plan includes construction of new stand-alone facilities in 2 locations in strategic locations throughout the City over the next twenty years. The total financial impact is estimated at \$21 million. The plan also describes the need to expand the existing library facility at an estimated cost of \$16 million. The third opportunity to expand library facilities is to provide space for limited library services in future City non-library facilities. The cost would vary with the size of area provided and range of services offered. Mobile library services through a bookmobile are another cost-effective way to expand library "facilities."

Action Items completed/to be completed

- Expand partnerships with the Chamber of Commerce and other local non-profit organizations to serve the homeschooling and job seeking community members.
- Convert library circulation systems to RFID (Radio Frequency Identification) to enable effective self-check in and checkout for library customers and increase inventory management and shelf maintenance.
- Continue career path establishment for paraprofessional library work groups to increase employee retention. As library work becomes increasingly complex, there is an increased training and onboarding cost for each new staff member.
- Re-evaluate the Library Master Plan to account for faster than anticipated community growth and library environment changes.

Strategic Issue: GROWTH AND DEVELOPMENT

A. Sustainable and Efficient Tax Production

Since 2015 New Braunfels has averaged a 6.4% annual growth rate in population and has been in the top 10 fastest growing cities in the nation, with two of those years in the top 2. The job growth rate has kept pace with a continuous split of 1/3 of our residents working locally, and the remainder commuting to San Antonio, Austin and other surrounding communities. Permits for new homes have been on a steady increase over the same period with 961 in 2015 compared to 1,381 in 2018. This does not include new homes outside the city limits, in the extraterritorial jurisdiction (ETJ). Previous 5-year forecasts have noted this growth and adjusted accordingly. However, such growth is unlikely to continue into the long term due in part to the natural cyclical nature of growth, continuously changing trends

in where people want to live, and limitations on annexation the state has and will likely continue to impose on Texas cities. The costs to the City associated with growth are driven by demands in services from infrastructure and code enforcement to police and fire.

Balanced growth requires recognizing the costs of growth and attempting to balance them with corresponding revenue generation. Commercial and industrial developments generate more revenue per acre than homesites. The City has recognized these differences and approaches development with a goal of managed growth. This is evidenced by the Comprehensive Plan's emphasis on maintaining quality of life for citizens and guidance regarding redevelopment and densification. And further evidenced by the Economic Development Strategic Plan's priority in encouraging office growth and partnering in quality of life projects. On the other side, changes to the land development codes including an increase in development-related fees, are an attempt to assess the true cost of increased development and ensure that development is paying for itself rather than being subsidized by the existing taxpayer.

The City needs a development and growth model that creates more value out of its places. Ultimately, the City should deploy an investment model that leverages the most private investment relative to the public's and considers the actual long-term costs of owning and maintaining the various infrastructure (physical and human) in its development process. The City should maintain this approach and continue to reevaluate priorities and practices with the cost of growth in mind.

B. Development Services

Population growth in the region is driving tremendous increases in commercial and residential development in the city and ETJ. Subdivision platting, rezoning requests, building and sign permitting, building inspections, health inspections, animal service calls, and code compliance have all experienced significant increases. Ensuring effective and efficient development services while continuously improving service delivery is a strategic issue.

As the second fastest growing city in the nation (U.S. Census Bureau estimate, 2018), New Braunfels has and expects to continue to experience multiple impacts from the growth. Additionally, development of Veramendi, the 2,400 acre master planned community in the ETJ, has begun and is bringing with it requirements for development services not typically conducted outside the city limits: land entitlements, building permitting, plan review, zoning review against the development agreement and special requirements of Veramendi's own development code, and street and building inspections.

Increased development submittals result in more dedicated staff review time, increased construction results in increased numbers of building inspection requests, and increased population is resulting in larger numbers code violation reports and increased pet/animal related issues. Additionally, two competing interest groups drive the conversation in development services: the building and development community expect continued rapid turn-around times and limits to regulation, while the citizens demand compliance with building, safety, drainage and zoning codes. Staff must balance these competing customer expectations while ensuring quality, consistency, safety and customer service excellence.

Continuous improvement is a goal of any quality organization and improving the development process is a multi-faceted endeavor. In addition to coordination of functions across multiple departments and divisions, resources and capacity ultimately dictate the ability to modify, and the timeline within which it can be accomplished.

C. Physical Contributors

Movement to the new City Hall in 2016 facilitated a new collaborative process with the various departments involved in development review: Building, Engineering, Planning, Fire, Health, Parks, etc. Staff are now able to assist customers together at a shared customer counter providing more transparency and rapid issue resolution. The environment has resulted in not only improved service delivery, but also an internal staff morale boost as there is better internal communication between departments and divisions that used to be “silo-ed” in the former City Hall.

Updating standard operating procedures is a continuous improvement effort providing for more streamlining and operation integration. Much can be gained from identifying inefficiencies in existing processes, or “kinks in the pipe”. Such inefficiencies might include duplication of services, and unnecessary steps and procedures that might have proven beneficial when New Braunfels was a smaller, slower growing community, but are often outdated by current standards. Comprehensive review and flow-charting of the processes is necessary to identify and eliminate inefficiencies. Participation and input from customers is key.

Action Items completed/to be completed

- In 2018-2019, hired Freese & Nichols to review the platting process in Engineering and Planning to assist in identifying inefficiencies.
- In 2017-2018, the Planning and Community Development Department implemented a new initiative to inform customers of process changes and improvements: the Customer Bulletin.

- In 2018-2019, the Planning and Community Development Department implemented a new initiative to ensure code interpretations are consistent, formal, informative to customers, and result in recommended ordinance edits to codify.

D. Implementing Development Process Improvements

The City conducted a benchmark study of development related fees in 2016. The study recommended increases in existing fees that were much lower than the comparable comparison cities. Such fees include those for zoning verification letters, re-inspections, and building permit applications, just to name a few. Some fees had not been increased even for inflation in over 20 years, nor had the building permit cost multiplier included in the International codes ever been updated.

City Council approved changes to the development related fees in 2018. Utilization of the new fees for process improvements through new staff, third-party consultant assistance, new equipment and enhanced technology is a strategic issue for the coming year and beyond. Continuous evaluation of efficiencies gained and the capacity to track those efficiencies is critical to the effort's success.

Action Items completed/to be completed

- Implementation of new fees including development of new SOPs, contract services, process revisions, performance metrics and annual review.
- In FY 2018-2019 began training and implementation of the new permitting/plan review software CityWorks.
- Implement an online payment system as part of CityWorks.
- Implement digital plan submission, electronic plan review, and comments digitally “pushed” to applicants to eliminate paper, saving the taxpayers and customers time and money.
- Create more opportunities for citizens to access information on their own through enhancements to the online portal and public, self-service computers at the front counter.

E. Code Compliance

Code Enforcement in New Braunfels was initially established as a unit in the late 1990s to address nuisance code issues (junk cars, weedy lots, bandit signs, etc.). It began and continues to function mostly complaint-driven. However, increased population and the aging of the built environment is increasing calls for more code enforcement to ensure compliance with regulations and improved community appearance.

The City's adopted codes are intended to achieve overall public health and safety with a goal to work with property owners to come into compliance. When compliance is not achievable, or property owners do not cooperate, the City works within the court system. With adequate funding and authorization from the courts, the City can abate in some instances.

Four code enforcement officers respond to complaints, investigate, and address any confirmed violations accordingly. Increased reports of violations of the zoning ordinance, conditions in SUPs, building codes and summer river/tourism related violations, led City Council to approve the fourth code enforcement officer in FY 2017-2018 to expand staff capacity in these areas..

While there are citizens on both sides of the short-term rental issue, there are adopted standards in New Braunfels' Zoning Ordinance to address neighborhood concerns. Tracking the location of short-term rentals has proven difficult for all cities across the country due to the method of marketing, i.e. online platforms that do not include addresses. Two issues New Braunfels experiences with short-term rentals include remittance of hotel occupancy tax (HOT), and violations of the Zoning Ordinance. The City has contracted with a third-party consultant who assists with both components, as well as identifies short-term rentals via the scouring of the various marketing websites. This initiative will increase the workload of city staff as more violations are anticipated to be identified but will result in more compliance with adopted standards.

Action Items completed/to be completed

- Increased and continuous training and certification for all officers outside of their traditional focus on nuisance codes.
- Added education element for internal staff in other departments, including potential City-wide employee assistance with bandit sign abatement.
- Post informational documents and videos to the City website regarding bandit signs, short-term rentals and other FAQs.
- Create and initiate new programs for improved abatement and compliance in cooperation with neighborhoods.
- In 2018, following completion of Downtown sidewalk project, re-instituted Downtown 2-hour parking enforcement.
- In summer 2019, enhance pro-active enforcement of illegal commercial parking in the neighborhood between Common Street and Union Avenue.
- Identify needed amendments to local ordinances to better address issues of concern from our citizens.

F. Animal Control

The City contracts with the New Braunfels Humane Society for use of the animal shelter. The agreement includes monetary contributions to assist with building costs, administrative use, and payment for each animal delivered to the shelter by City Animal Control Officers, citizens and others. This partnership ensures efficient use of taxpayer dollars for a service needed in most, if not all communities.

The agreement with the Humane Society was amended in FY 2018-2019 to increase the amount paid per animal. The increases were intended to address rising costs in humane animal care as well as increased efforts by the Humane Society to control disease outbreak and improve safety. The Humane Society also has agreements with Comal County and the City of Marion.

The City sees the financial health of the Humane Society as critical and is committed to collaborating with the Humane Society to ensure the partnership's long term success.

Action Items completed/to be completed

- Quarterly financial meetings with the Humane Society and Animal Shelter Director

G. Long Range Planning

The development of long term, community-wide planning is critical for all municipalities, especially those that are growing at the current pace of New Braunfels. Department or initiative specific planning and strategizing occurs within the organization. However, the development and periodic update – with active and robust community participation – of a long range community vision for growth that specifically addresses the needs and desires of the citizens, which in-turn guides the direction of elected officials, is a strategic issue.

A broad, community-driven comprehensive plan is effective in assisting with: zoning case decision making; future public facility and park locations; capital improvement and bond project prioritization; establishment of policies for economic development, corridor redevelopment; housing strategies; annexation; mobility improvements; urban design; historic preservation; and improved community health. Using our updated comprehensive plan, Envision New Braunfels, staff in all departments can provide recommendations and elected and appointed officials can render decisions in the context of a cohesive, community-driven strategy that addresses all components of development.

Envision New Braunfels won the 2018 award for best comprehensive plan in the state of Texas. This was due in large part to the amount of community outreach and innovative methods used to gather that public input from a large cross-section of the community, including traditionally under-represented populations. That input resulted in almost 300

individual realistically achievable goals and actions over the plan's horizon. As Envision New Braunfels is a true *community* plan, entities outside of the City will be part of the implementation. Cross-department/agency/organization implementation tracking is a strategic issue for the community.

Action Items completed/to be completed

- Interactive annual report on Comprehensive Plan implementation published online by December 2019.
- Zoning, Platting and Sign ordinance amendments that were pending completion of Envision New Braunfels.
- Project outline for future sub-area and/or corridor plans to drill down to goals of specific areas.
- Annexation policies pending outcome of state legislation.

H. Response to new Legislation

Many bills filed and being considered during the 2019 Legislative Session will impact cities. In this atmosphere, cities must be nimble and prepared to address frequently changing authority, state mandates and diminishing resources.

Depending on the outcome of the session, New Braunfels might need to edit various ordinances, including but not limited to:

1. Short-term rentals
2. Masonry fence and building façade standards
3. Platting and permitting procedures
4. Development rules in the ETJ

Additionally, and as alluded to in sections above, the annexation statutes may once again change. The City will need to prepare for not only new procedures for annexation, but also less annexation and ways to address development in the ETJ.

Action Items completed/to be completed

- Code amendments as needed to address outcomes of direction by the State following the 2019 Legislative Session.

I. Airport Infrastructure Improvements

The New Braunfels Regional Airport has experienced rapid growth and development. The Texas Department of Transportation (TxDOT) has partnered with the City of New Braunfels to complete major improvements such as a runway extension, runway overlay and weight

capacity increase, as well as additional aprons and taxiways. With TxDOT, the City invests only \$1 for every \$9 contributed by TxDOT. The New Braunfels Economic Development Corporation has also worked with the City to invest in Airport business development and infrastructure improvements. The U.S. military is now actively using the Airport facilities and their presence and use is expected to grow. Managing the Airport's growth and associated need for new infrastructure and maintenance of existing infrastructure is a strategic priority.

Significant investment has been applied to the existing hangars and other buildings that compose the entire NB Aero leasehold. The Airport has completed renovation of these hangars to bring them to par with other Airport facilities that are available for lease. Maintained, safe, and aesthetically pleasing facilities are essential to marketing hangar space at the Airport. If the airport infrastructure is not maintained and held to a certain standard, liability and operational issues will arise, negatively impacting the financial position and solvency of the Airport.

The Airport is a significant resource and economic development opportunity for the City. Providing and maintaining infrastructure is key to continued Airport growth. Maintaining the City's current excellent relationship with TxDOT is an important component of that growth. Attracting and retaining businesses located at the Airport is another key factor as those tenants and users generate revenue. The objective for the Airport is to become completely self-supporting with revenue paying all operating costs as well as all debt service associated with Airport improvements. Growth is the key to meeting this objective.

Action Items completed/to be completed

- Runway 13-31 extension has been completed.
- The North Ramp hangars 1806, 1746, and 1654 have been renovated. Hangar 1746 renovations were completed fall 2018
- New apron space for future construction of hangars was completed.
- Construction of Hangar 2613 and 2281 was completed the end of 2016.
- Construction of Hangar 2337 was completed early 2016.
- Canyon Aviation completed construction of an additional two new 11,000 sf hangars bringing their complex to three.
- Taxi-lane extension is 95% complete. Expected opening April 2019.
- A new 7,000 sf hangar was completed March 2019 along the East Ramp near the National Flight hangar.
- Negotiations underway for projected construction of a new 12,000 sf hangar along new taxi-lane extension.

- Airport terminal and control tower post-Hurricane Harvey repairs were completed Fall 2018.
- NBU ASR project lease for property has been drafted and waiting for execution.
- New point of sale system installed at self-serve fuel farm 2018.

J. **Workforce/Affordable Housing**

A long term, community wide strategic plan for workforce/affordable housing is critical for all municipalities, especially those that are growing at the current pace of New Braunfels. The City Council has adopted strategic priorities that include fostering opportunities for workforce/affordable housing as a high priority under the long-term objective of quality of life. Defining and documenting a community vision and strategic plan for workforce/affordable housing will allow the City to increase the supply of workforce/affordable housing while directing the development of the community. Initiatives have been implemented to promote workforce/affordable housing expansion, but an overall consensus of a working plan with specific action items has yet to be completed.

Reference to the 2012-2019 New Braunfels National Citizen Survey

	Percent Rating Positively				Comparison to Benchmark Cities			
	<u>2012</u>	<u>2014</u>	<u>2017</u>	<u>2019</u>	<u>2012</u>	<u>2014</u>	<u>2017</u>	<u>2019</u>
Housing Options	58%	59%	60%	48%	Similar	Similar	Similar	Similar
Affordable Quality Housing	43%	45%	40%	37%	Higher	Similar	Similar	Similar

General Fund -Baseline Expenditures and Resource Demands Forecast

The General Fund is the City's main operating fund. All revenues and expenditures associated with the City's major services are accounted for in the General Fund. The major sources of revenues for the General Fund include: sales tax, property tax, franchise taxes (including payments from New Braunfels Utilities), licenses and building permits, charges for ambulance services, fines and forfeitures and parks and recreation revenue among other sources.

Departments and services funded within the General Fund include: Public Works, City Administration, City Attorney's Office, Human Resources, Support Services, Police, Fire, Planning and Community Development, Parks and Recreation and Library Services.

The General Fund forecast section includes 2 schedules that include revenues, expenditures and fund balances over the next 5 years in 4 scenarios. The revenue projections are the same for both schedules; only the expenditures change. The first two schedules, referred to as "Baseline Expenditures Forecasts" look at the financial position of the General Fund and assume that revenues grow throughout the period and that expenses increase only to reflect inflationary pressures as well as anticipated expenditure adjustments, such as the costs associated with operating Das Rec, New Braunfels Recreation Center. These scenarios assume that no additional programs or resources are added to the budget and that all current programs are fully funded at the current level of service. The contribution to the Equipment Replacement Fund is broken out separately and is set at an amount needed to support the minimum vehicle and replacement requirements over the forecast period. Additional detail on this program can be found in Equipment Replacement Fund section of the document.

The second schedule is referred to as the "Resource Demands Forecasts" and shows the impact to the General Fund of costs associated with identified resource needs, program enhancements, and compensation adjustments. These projections are the results of the assumptions used to build the General Fund forecast. If the assumptions change, the forecast results change as well.

The Baseline Expenditures Forecast is broken down by strategic priority. The following lists what General Fund departments/divisions make up each strategic priority.

- Infrastructure – *Public Works*
- Public Safety – *Police Department and Fire Department*
- Effective Management – *City Council, City Administration, City Attorney's Office, Human Resources, Municipal Court, Finance, Information Technology and Non-Departmental*
- Quality of Life – *Parks and Recreation and Library Services*
- Growth and Development – *Planning and Community Development*

General Fund Forecast

General Fund Forecast - Baseline Expenditures/Current Level of Resources and Programs

	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected	FY 2023-24 Projected
Beginning Fund Balance	\$ 21,014,484	\$ 25,121,964	\$ 32,884,156	\$ 43,544,801	\$ 57,046,167
Revenues					
Property Taxes	21,171,614	22,910,023	24,594,348	26,186,035	27,889,141
Sales Taxes	22,692,977	23,600,696	24,544,724	25,526,513	26,547,574
Other Taxes and Franchise Fees	10,421,784	11,219,957	11,516,018	11,811,080	12,049,936
Licenses and Permits	4,337,234	4,467,351	4,556,698	4,647,832	4,740,788
Fines and Forfeitures	1,592,866	1,624,723	1,657,217	1,690,362	1,724,169
Charges for Services	4,314,024	4,486,585	4,666,048	4,852,690	5,046,798
Parks and Recreation	1,604,741	1,668,930	1,735,688	1,805,115	1,877,320
Das Rec	2,657,433	2,716,348	2,776,749	2,838,680	2,902,190
Interfund Transfers	879,509	892,701	906,092	919,683	933,478
Miscellaneous	2,929,961	2,988,560	3,048,332	3,109,298	3,171,484
Total General Fund Revenue	\$ 72,602,142	\$ 76,575,875	\$ 80,001,914	\$ 83,387,289	\$ 86,882,878
Total Available Funds	\$ 93,616,626	\$ 101,697,839	\$ 112,886,069	\$ 126,932,089	\$ 143,929,044
Baseline Expenditures					
Infrastructure	7,404,397	7,509,088	7,616,033	7,726,282	7,839,955
Public Safety	37,285,226	37,257,322	37,332,900	37,414,303	37,582,976
Effective Management	9,610,049	9,617,847	9,724,999	9,835,419	9,949,220
Quality of Life	7,692,261	7,730,404	7,769,156	7,809,437	7,848,318
Das Rec	2,349,544	2,413,549	2,479,360	2,547,028	2,619,607
Growth and Development	3,483,185	3,515,473	3,548,820	3,583,454	3,619,429
Equipment Replacement Program	670,000	770,000	870,000	970,000	970,000
Total General Fund Baseline Expenditures	\$ 68,494,662	\$ 68,813,683	\$ 69,341,268	\$ 69,885,923	\$ 70,429,504
Ending Fund Balance	\$ 25,121,964	\$ 32,884,156	\$ 43,544,801	\$ 57,046,167	\$ 73,499,540
Target Fund Balance - 30%	\$ 20,548,399	\$ 20,644,105	\$ 20,802,380	\$ 20,965,777	\$ 21,128,851
Fund Balance Surplus	\$ 4,573,566	\$ 12,240,051	\$ 22,742,420	\$ 36,080,390	\$ 52,370,689

Baseline Expenditures Forecast- Discussion and Analysis

General Fund- Revenue Projections

The average annual growth in General Fund revenues during the forecast period is 4.6 percent. The table below reflects the projected annual growth in total General Fund revenues for each year during the forecast period. The variation in growth is impacted by multiple factors, such as a projected leveling off of growth in property tax (and assessed valuations), projected increase in the annual franchise payment from New Braunfels Utilities (NBU) and conservative licenses and permit growth projections throughout the forecast period.

Projected Total General Fund Revenues					
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Growth Rate	4.8%	5.5%	4.5%	4.2%	4.2%

Property Tax Revenue

In FY 2018-19, property tax revenue is estimated to make up 28 percent of all General Fund revenue. By the end of the forecast period, property tax is projected to account for 32 percent of all General Fund revenues. The chart below details the growth projections included in this document. The actual growth rate in the forecast schedule differs slightly from the figures below as those include the impact of property tax revenue from frozen values as well as flat estimates for delinquent taxes and penalties.

Projected Property Tax Revenue Growth					
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Growth Rate	10%	9%	8%	7%	7%

The FY 2019-20 projection of 10 percent is based on the preliminary roll data provided by the Guadalupe and Comal appraisal districts. While the preliminary tax rolls for FY 2018-19 indicate potential growth of approximately 14-16 percent, a portion of that growth will not be realized due to protests, the over 65 tax ceiling, as well as the Creekside TIRZ. Moreover, a significant portion of the projected growth comes from existing values, meaning there is a higher chance of hitting our rollback rate (8 percent for O&M). Therefore, 10 percent is a conservative approach regarding actual anticipated revenue growth within this source for FY 2019-20. The average annual growth rate in property values from FY 2003-04 to FY 2018-19 was approximately 9 percent. This average includes a span of years that includes 2 periods of high growth, a recession and a period of economic recovery. However, staff believes the projection above more accurately reflects how property values will increase over the

General Fund Forecast

forecast period. This is based on several factors such as a qualitative assessment of the available undeveloped land in the incorporated boundaries of New Braunfels as well as economic data provided to our City Staff from the City's investment/financial advisory firm(s).

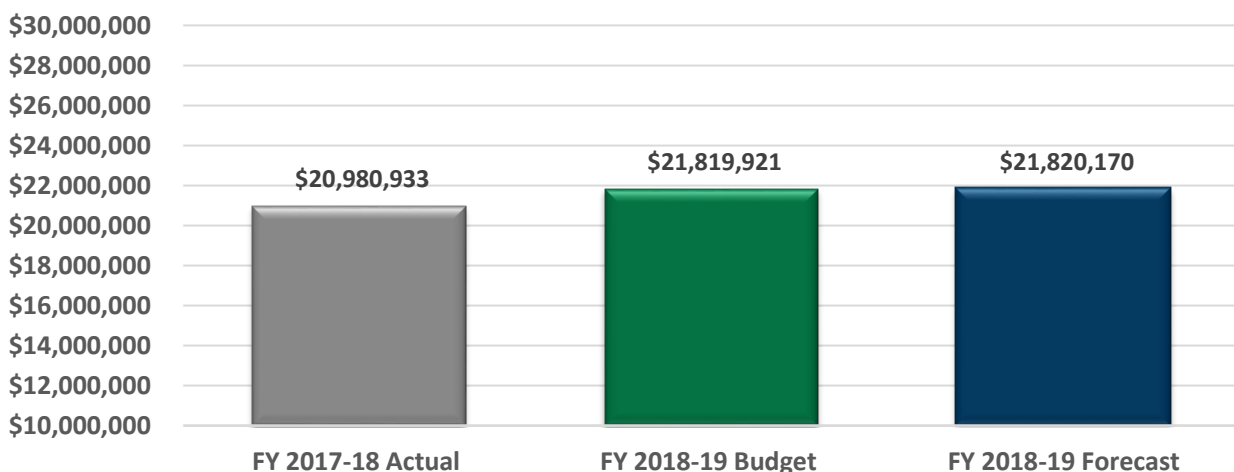
HB2/SB2 – The house and senate bills currently aimed at reducing the rollback percentage rate from 8 percent are not currently factored into the five year forecast. At the time this report was written, the current legislation had been adjusted to 3.5 percent. If approved, this will impact the forecast and eventual General Fund budget(s) significantly. Had the 3.5 percent revenue cap been in place over the previous 5 years, the General Fund would have received approximately \$10 million less in revenue. As a reminder, the current and proposed legislation does not affect the I&S (debt service) portion of the tax rate and the calculation does not incorporate “new value” added in any year.

Sales Tax Revenue

In FY 2018-19, sales taxes are estimated to account for 32 percent of the General Fund's total revenue (down from 35-37 percent in prior years). It is currently the largest source of revenue to the General Fund. Strong sales tax revenues allow the City of New Braunfels to reduce reliance on property taxes, however it can create challenges in carrying out budgeted initiatives. Sales tax revenue can be volatile in relation to economic conditions and consumer spending patterns.

In FY 2018-19, the forecast reflects 4.0 percent growth in revenue (as shown below). The City has developed a sales tax model to project current year sales tax projections during the budget process. The model takes into account: gross sales taxes, the impact of sales tax sharing agreements as well as factoring for the seasonality of collections. As a reminder, staff discovered during FY 2018-19 that we were receiving sales tax from a company outside the City Limits of New Braunfels. The sales tax model has considered the anticipated impact to our net sales tax collections from the payments that we should not have received.

FY 2018-19 General Fund Sales Tax Revenue



General Fund Forecast

The forecast assumes 4 percent growth in annual sales tax revenue. Developments such as Veramendi or others could impact sales tax growth during the forecast period if they were to begin generating economic activity. Staff feels that the historical double digit growth rates that the City has experienced in the past are not likely to continue throughout the forecast period.

Franchise Taxes

The majority of Franchise tax revenue comes from New Braunfels Utilities (NBU). NBU's current payment to the City is based on a rolling 3-year average of gross revenue collections. Weather has the ability to impact gross NBU revenue collections. The table below reflects the projected NBU franchise payment over the forecast period. The other franchise payments have fluctuated in recent years, but more or less continue to grow overall. Conservatively, they are projected to grow 2 percent annually. These payments don't reflect any adjustments that could result from potential partnerships between the City and NBU.

Fiscal Year	Projected Payment
FY 2018-19 (estimate)	\$8,129,829
FY 2019-20	\$8,273,583
FY 2020-21	\$9,028,792
FY 2021-22	\$9,281,030
FY 2022-23	\$9,531,392
FY 2023-24	\$9,724,655

All other General Fund Revenues

The table below reflects growth rates for all remaining General Fund revenue categories. The majority of the remaining General Fund revenue sources are projected based on an analysis of historical compounded annual growth rates. The following chart shows the average annual growth rate for each of the remaining revenue categories in the General Fund.

General Fund - Revenue Growth Rate Projections	
Licenses and Permits	4-2%
Fines and Forfeitures	2.0%
Charges for Services	4.0%
Parks and Recreation	4.0%
Das Rec	2.0%
Interfund Transfers	1.5%
Miscellaneous	2.0%

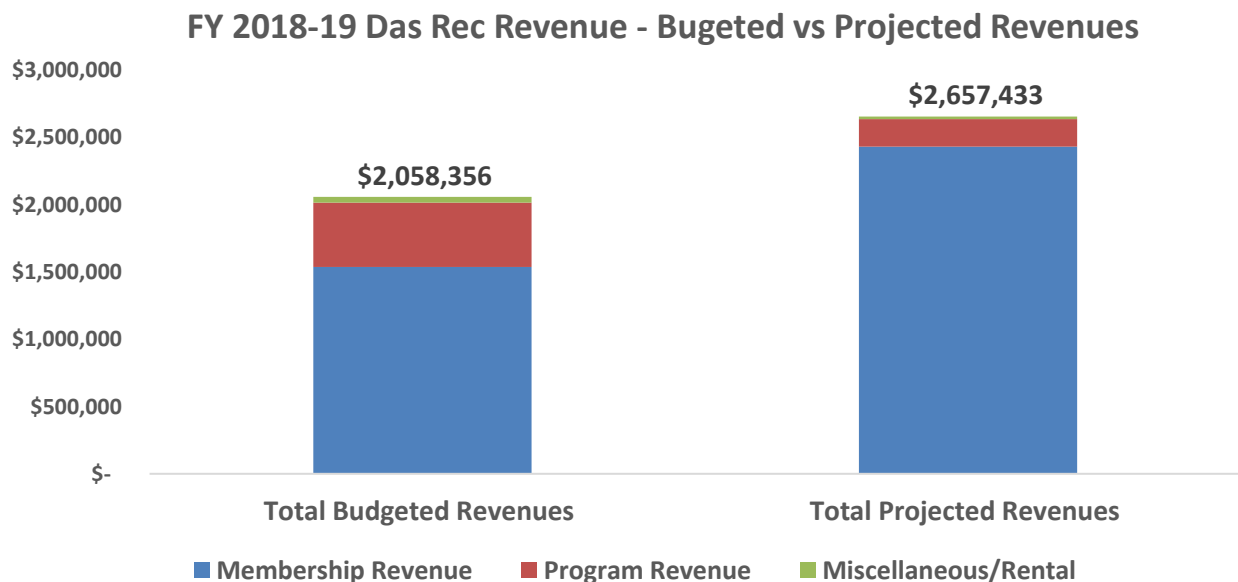
General Fund Forecast

Licenses and Permits – to account for a projected leveling off in the later years of this forecast, licenses and permit growth during the forecast period ranges from 4 percent in FY 2019-20 to 2 percent by FY 2023-24.

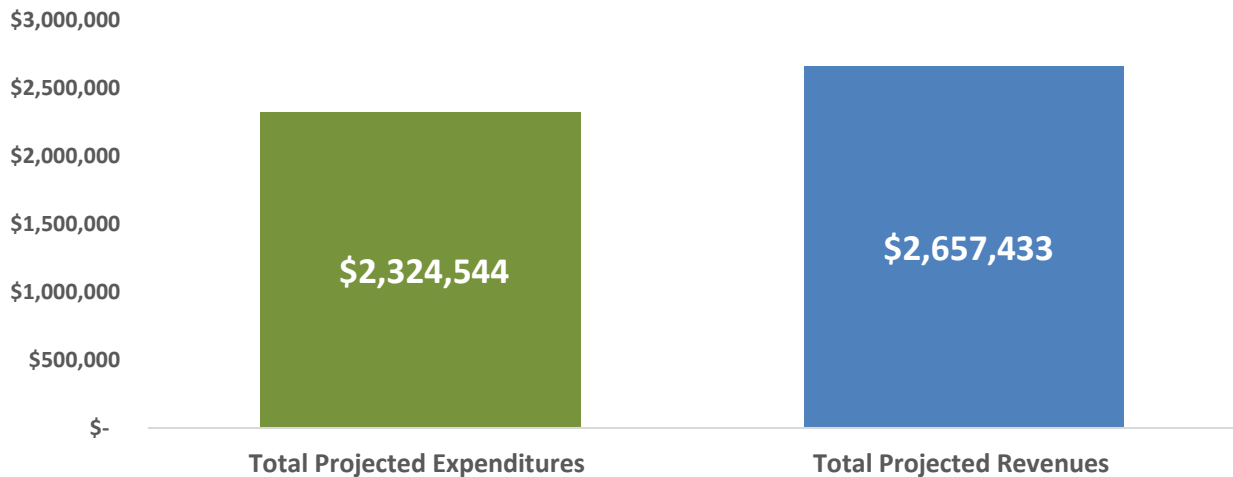
Charges for services – this revenue source is driven primarily by ambulance charge related collections. A portion of that revenue includes the payment from the state for ambulance services provided to the uninsured and on Medicaid.

Parks and Recreation revenue - the growth projection of 4 percent has been applied to the base revenue. This is consistent with the long term compounded annual growth rate of this revenue source.

Das Rec – The FY 2018-19 budget for das rec was based on a 90 percent cost recovery. As reported throughout the fiscal year, membership figures have far exceeded expectations. The graph(s) below illustrate where revenues are projected by year end.



FY 2018-19 Projected Das Rec Expenditures and Revenues



With the increased membership revenues, cost recovery is currently projected at approximately 115 percent. These projections include actual facility revenue data through March. The revenue projections for April – September are conservative, incorporating a potential leveling off/reduction in memberships. Therefore, these revenue figures (and cost recovery) will improve if membership remains or increases for the remainder of the fiscal year. The projected revenues only include direct revenues, meaning that the scholarship and natatorium operating contribution(s) are not included. The forecast assumes flat revenue in FY 2019-20 and annual growth rate of 2 percent thereafter.

General Fund- Expenditure Projections

Employee Expenditures - Current Service Levels

In the Baseline Expenditures General Fund forecast, no change in service levels, staffing, compensation or operating expenditure levels are included throughout the forecast period. To further clarify, no cost of living, merit or market adjustment compensation changes are included in the Baseline Expenditures during the forecast period. However, full funding of new positions from the previous year is included.

During the forecast period, health insurance costs (employer portion) are held flat in FY 2019-20 and increase five percent annually thereafter. The Self Insurance Fund section of the document will go into further detail; however, it seems there may be possible to hold employer/employee contributions for health insurance flat in FY 2019-20. As a reminder, the City switched to United Healthcare as our plan administrator at the beginning of FY 2018-19 and we have found them to be a great partner to this point.

Operating Expenditures – Current Service Levels

Operating expenditures include costs such as: utilities, office supplies, professional services, software licenses, fuel, landscaping services, automotive repair, janitorial supplies etc. Training related

expenditures are also a component of the operating expenditure budget. In the Baseline Expenditures, operating costs are adjusted for inflation (between 2.3 and 2.5 percent throughout the forecast period). Therefore, the projections reflect FY 2018-19 service levels. The annual inflation rates built into the forecast are the same that the City of San Antonio currently utilizes in the development of their 5-year financial forecast.

Operating expenditures are adjusted for any one time or known changes to expenditures, such as the beginning and/or ending of capital leases (Police, Fire and Information Technology). In FY 2018-19, one-time equipment and initiatives were allocated in the budget; those funds were removed prior to adjusting operating expenses for inflation throughout the forecast period.

Equipment Replacement Program

To deliver a structurally balanced budget in FY 2013-14 (recurring operating expenditures equal to recurring revenues), the equipment replacement program was suspended. In FY 2014-15, the program was only partially reinstated by allocating a \$300,000 contribution to the fund and only replacing those vehicles which were in dire need of replacement. The reinstatement was budgeted in FY 2015-16 and FY 2016-17, increasing the contribution to \$400,000. However, in both years, the transfer was reallocated to the Self Insurance Fund to ensure solvency of the fund. In FY 2017-18, a \$120,000 transfer was budgeted. In FY 2018-19, the transfer was increased to \$570,000 – however much of that transfer is utilized to support the capital lease payment(s) for recently completed network upgrade(s), as well as the tax note issued this fiscal year to support vehicle replacements.

During the forecast period, the transfer increases to the level necessary (\$670,000-\$970,000) to support minimum technology and vehicle replacement requirements. Additional information on the Equipment Replacement Fund and program can be found on pages 73-78.

Capital Expenditures

There are no capital expenditures included throughout the forecast period.

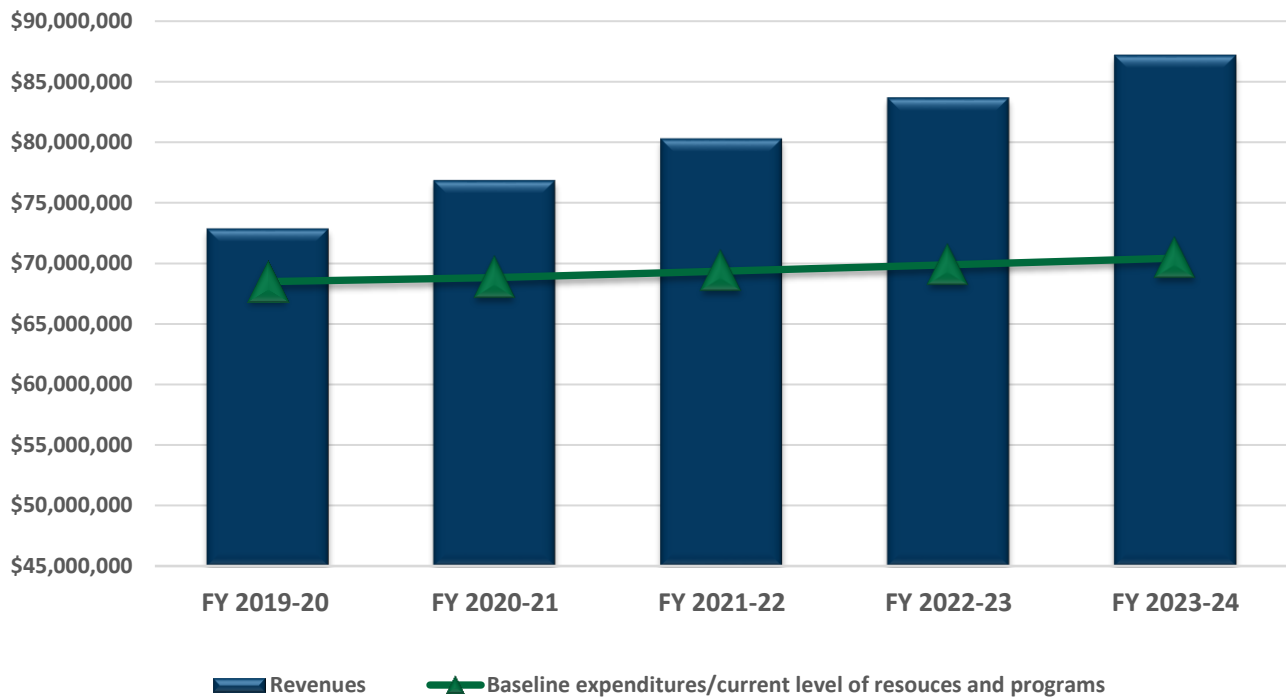
Interfund Transfers

In the baseline expenditures, interfund transfer funding remains at the current budgeted level (FY 2018-19). General Fund transfers to other funds are to cover initiatives such as the support of the River Activities Fund, administrative costs associated with the EAHCP/WPP program(s) and cash match for grants.

Baseline Expenditures Summary and Policy Considerations

The baseline forecast demonstrates the City's ability to fund current resources at the FY 2018-19 service level. It also shows that the City has funding available for some identified resource demands to meet the current and increasing demand for municipal services.

General Fund Forecast



Das Rec - the forecast also includes updated revenue and expenditure projections for *Das Rec*. If the facility continues to operate at the previously discussed level, transitioning this operation to an enterprise fund could be a consideration of City Council. This will add more clarity as it relates to establishing proper reserves for the long term sustainability of the equipment, facility and operation of the facility (fund balance). Staff recommends waiting at least an additional fiscal year before considering the Enterprise Fund conversion to ensure that the membership revenue can sustain current levels past the first and second years of operation.

HB2/SB2 – As mentioned earlier, the forecast does not assume the implementation of a revenue cap of 3.5 percent. If the legislation passes as currently designed, it will certainly affect the baseline budget and our subsequent ability to maintain services and implement the initiatives and goals previously set by City Management and the City Council. Listed below are various strategies we would recommend exploring, if and when the revenue cap legislation is put into law. These are in no particular order.

- Extension and/or deferment of multi-year budget initiatives
- Evaluate service levels
- Market based fee increases
- Market/user based fee implementation
- Expand pursuit of partnership/contract opportunities

The figures in the table and graph below represent the funds available throughout the forecast period each year after annual expenditures are subtracted from annual revenues. It is imperative to recognize

General Fund Forecast

that if additional recurring expenditures such as new positions or compensation increases are added, it reduces the available funding by that amount in the year that it was appropriated as well as every year thereafter.

Available funding for Additional Resources and Reserve Requirement					
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Compounded Annual Surplus	\$4,110,000	\$7,760,000	\$10,660,000	\$13,500,000	\$16,450,000

Reserve Requirement: The financial policies currently adopted by City Council require a minimum of 25 percent as the fund balance requirement in the General Fund. However, the City Council currently has a fund balance target of 30 percent of recurring expenditures to protect both the City's financial stability and bond ratings (which determine the City's interest rate opportunities for debt issued).

Fund Balance Considerations

The Baseline Expenditures Forecast show a surplus in fund balance throughout the forecast period. ***It is important to remember that any commitment of funds made in FY 2019-20 will reduce the fund balance and surplus throughout the remainder of the forecast period.*** In fact, every dollar committed for new recurring expenditures in FY 2019-20 reduces the funds by a \$1.30 in the year it's spent (\$1 for the expenditure and 30 cents for the fund balance requirement). Moreover, that additional dollar must be spent each year thereafter, reducing available funds in all those years as well. The forecasts that include funding for all current resource demands (Resource Demands Forecast) show a different result. The resource demands forecast shows a deficit of \$500,000 which grows to over \$8.6 million by the end of the 5 year forecast period.

Resource Demands Forecast- Discussion and Analysis

The "Resource Demands Forecast" shows the impact of adding costs associated with new positions, compensation adjustments and other expenditures. It is important to note that these programs/resources/compensation adjustments have not been approved by City Council or recommended by City Management. The purpose of this schedule is to forecast the impact to the General Fund should these programs move forward at some point during the forecast period. However, the programs included in the forecast schedule are those where the City Council has provided some direction and/or indicated an interest in the initiative moving forward, should funding become available

During the forecast period, additional needs will be identified as service demands increase. Once those needs are identified, they will be recognized in the forecast and budget development process. This forecast is designed to demonstrate the fiscal impact associated with current unmet needs, City Council/voter approved capital projects, and other priorities/issues previously recognized by City Council. The forecast below is based on the following assumptions.

Revenue Projections - The revenue projections in this schedule are the same as those used in the Baseline Expenditures forecast.

Projected Expenditures - The Resource Demands forecast recognizes all the baseline expenditures included in that forecast and schedule. In addition, expenditures associated with these resource needs are estimated and added into the forecast to assess the impact these activities could have on the General Fund's financial position. Following the forecast schedule, each of the included expenditures is described in greater detail. Many of these initiatives are also described in the Strategic Issues section of this document.

- Market Adjustments/maintaining market competitiveness
- Step plan/ cost of living adjustments
- Police and Fire staffing
- All other departments staffing – current identified unmet needs
- Increased transfer for equipment replacement program
- Re-establishment of Facilities Maintenance Fund
- Resources to staff and operate completed capital improvement projects
- Initiatives with one-time costs – current identified unmet needs

Fund Balance – The resource demands forecast shows a deficit in fund balance throughout the forecast period. This deficit is driven entirely by the additional expenditures projected for staffing, salary adjustments, equipment and other capital expenditures. Each of these initiatives are described in more detail later in this section.

General Fund Forecast

General Fund Forecast -Resource Demands					
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
	Projected	Projected	Projected	Projected	Projected
Beginning Fund Balance (adjusted)	\$ 21,014,484	\$ 20,907,554	\$ 20,506,565	\$ 19,688,149	\$ 18,487,172
Total General Fund Revenue	72,602,142	76,575,875	80,001,914	83,387,289	86,882,878
Total Available Funds	93,616,626	97,483,429	100,508,478	103,075,437	105,370,050
Total <u>Baseline</u> General Fund Expenditures	\$ 68,494,662	\$ 68,813,683	\$ 69,341,268	\$ 69,885,923	\$ 70,429,504
Adjusted baseline expenditures - Includes impact from <u>RECURRING</u> additional expenditures	\$ 68,494,662	\$ 71,737,621	\$ 76,106,193	\$ 80,029,057	\$ 84,113,252
Additional Annual Expenditures					
Uniformed Personnel					
Step Plan/Cost of Living					
Adjustments/Market Adjustments	1,018,857	1,378,086	1,437,993	1,143,596	1,168,213
Non Uniform Personnel					
Pay for Performance increases/Cost of					
Living Adjustments/Market Adjustments	629,587	744,712	774,500	704,795	729,463
Continued Implementation of Power Shift					-
Staff Additions - 12 Officers and 1 Sergeant	304,740	424,313	323,024		
Equipment	340,720	425,900	340,720		-
Address current unmet needs - positions	770,754	793,876	817,693	842,223	867,490
Operating expenditures from CIP/Bond projects					
Fire Station #7 Operations	-	300,000	25,000		
Sports Complex				500,000	
Westside Community Center Branch Library				250,000	
Police Department Headquarters	-	-	-	100,000	-
Increase Equipment Replacement Fund					
Interfund Transfer	100,000	100,000			
Re-establishment of Facilities Maintenance Fund	100,000	100,000			
Address current unmet needs - One time capital and initiatives	949,752	972,356	995,207	1,018,594	1,042,531
Total - Additional Annual Expenditures	\$ 4,214,410	\$ 5,239,243	\$ 4,714,136	\$ 4,559,208	\$ 3,807,697
Total Expenditures - Adjusted for Additional Expenditures	\$ 72,709,072	\$ 76,976,864	\$ 80,820,329	\$ 84,588,266	\$ 87,920,949
Ending Fund Balance	\$ 20,907,554	\$ 20,506,565	\$ 19,688,149	\$ 18,487,172	\$ 17,449,101
Target Fund Balance - 30%	21,425,580	22,673,582	23,845,321	25,070,901	26,063,525
Fund Balance deficit	\$ (518,025)	\$ (2,167,018)	\$ (4,157,172)	\$ (6,583,730)	\$ (8,614,425)

Compensation Adjustments

As discussed during the March 2019 retreat, talent recruitment and retention has been and continues to be a priority for City Management and City council. The City has invested heavily in market based compensation increases over the past five years. However, 55 percent of full-time employee departures are driven by compensation, benefit, and professional opportunity factors. Therefore, the resource demands forecast includes a continuation of compensation related investments.

Market study – staff has already begun collecting data to update our market compensation study. We have committed to updating this study every 2-3 years. The table below illustrates the results of the last two studies completed by staff. The forecast includes an estimated 8 percent in market-based increases, which would be implemented in a 2 year time period (FY 2020-21 - FY 2021-22). This is consistent with the implementation of the FY 2016-17 study. The compensation increases in the other years of the forecast are set at 3 percent – to be allocated towards cost of living increases, merit based increases or a combination of both, as we did in FY 2018-19. Step plan increases for public safety personnel have also been incorporated into this forecast.

	Average % below market FY 2013-14	Average % below market FY 2016-17	Average % below market FY 2019-20
Non-Uniform Employees	14.8%	6.2%	TBD
Police – Uniform	17.6%	8.2%	TBD
Fire – Uniform	22.3%	6.5%	TBD

Police Staffing

The Center for Public Safety Management’s (CPSM) staffing and deployment analysis recommended the implementation of an additional shift or “power shift.” This shift would be scheduled to overlap with existing schedules during peak times. At its December 2017 retreat, staff presented three implementation options. Council directed staff to pursue implementation of Option C, which began in FY 2018-19 (year 1) and includes:

- Year 1 and 3: 4 Patrol Officers, 1 Sergeant
- Year 2 and 4: 4 Patrol Officers

Other Departments Staffing – Current Identified Unmet Needs

There were 50.5 positions requested to meet current service demands during the FY 2018-19 budget process, all of which are currently unfunded. These positions were requested across all General Fund departments. For planning purposes, the addition of these 50.5 positions are projected to occur over a

five-year period (approximately 10 hired each year), from FY 2019-20 to FY 2023-24. A complete list of unmet needs can be found in the FY 2018-19 Adopted Budget document.

Operating expenditures stemming from CIP/2019 Bond Projects

Fire Station 7 - Funding is recognized in the forecast schedule to staff and operate Fire Station #7. The study by CPSM has recommended multiple funding and deployment options for this new station. The forecast schedule builds in a conservatively staffed station with the addition of 4 firefighters in FY 2020-21 (\$300,000). This staffing plan represents the minimum number of employees needed to open the station. Staff continues to evaluate staffing options for the new station. It is possible that it may require more than 4 firefighters to open station #7. The timing of hiring these firefighters is dependent upon the actual construction schedules. Once completed, the non-personnel related operating costs are projected to total \$25,000.

Sports Complex – Staff is working with the current engineer to partner with a company to complete a comprehensive business plan. However, we have reached out to various industry experts who felt that an estimate \$500,000 in net operating costs would be appropriate at this point in the process. After the business plan is completed, the forecast will be updated accordingly. Operation of the sports complex is a policy decision for the City Council to consider. While the City has the capability and expertise of maintaining and operating the sports complex, there are many cities that contract this function to a third party. An analysis should be completed that compares the quantitative and qualitative differences between internal and external provision of the future sports complex.

Police Department Headquarters - \$100,000 in annual operating expenditures has been included as a placeholder. This is a high level estimate. As the project begins construction, staff will develop more refined cost projections for net new costs. This could include but is not limited to increased and/or new: janitorial services, utilities, landscape services, security costs, telecommunication costs, etc.

Westside Community Center Branch Library – \$250,000 in annual operating expenditures associated with the new facility. This is a high level estimate based on projected net new staffing needs, materials, electronic subscriptions, utilities and other annual operating costs.

Increase Equipment Replacement Fund Annual Funding

As mentioned earlier, the baseline expenditures forecast only includes a transfer that supports minimum technology and vehicle replacement needs. There are many vehicles and technology equipment that will meet replacement criteria but will not be replaced if the transfer is not increased beyond what is reflected in the baseline forecast (\$570,000-\$970,000). Therefore, to recognize the need to increase this program to support more adequate levels of technology and vehicle replacements, \$200,000 has been added to the resource demands forecast.

Re-establish Facilities Maintenance Fund

Prior to the economic recession, the City had established a facilities maintenance fund. This fund supported a portion of the annual operating costs of the facilities division (fully supported by the General Fund currently), but really served as an emergency reserve in the event of major facility damage. This Fund was utilized to make critical repairs to infrastructure after floods, as well as to address unbudgeted facility repairs. The fund currently is inactive and does not have any funds. Had this fund been in place when the hurricane Harvey damage occurred at the Police Department Facility, it could have served as the funding source.

Currently, the only funding source we have available in the event of an emergency impacting our infrastructure/facilities is the General Fund reserves. As our inventory of facilities increases, re-establishment of the facilities maintenance fund should be a consideration of City Council.

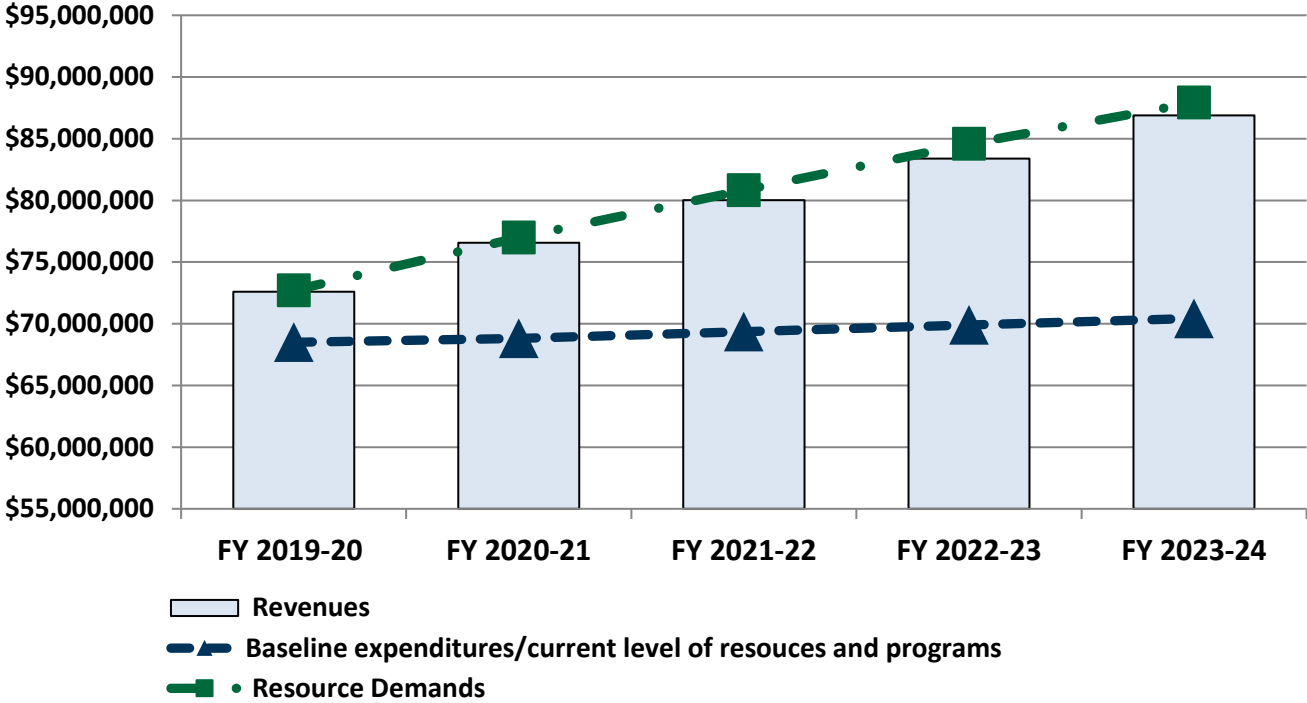
One-time Costs – Current Identified Unmet Needs

Various non-personnel, non-equipment initiatives were identified by General Fund departments during the FY 2018-19 Budget process. A complete list of unmet needs can be found in the FY 2018-19 Adopted Budget document. Again, as a reminder, these costs are only those associated with current needs. Increased service demands, and new programs will impact one-time equipment and initiative needs.

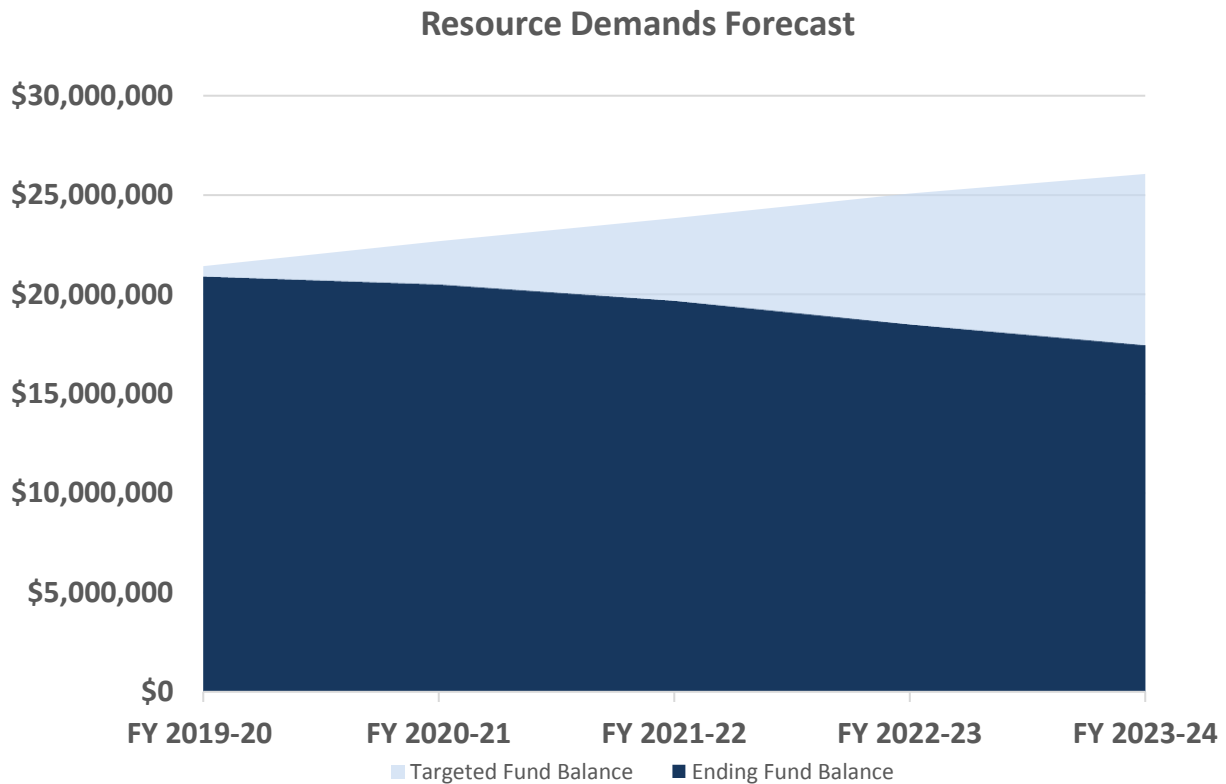
General Fund –Baseline and Resource Demands Forecast Projections

The following graph compares the General Fund forecasts and the projected fiscal impact of additional expenditures described in this section. The yellow line reflects the resource demands or the unmet needs included in the forecast. The forecast illustrates that the City should be able to fund the existing resources that provide current service levels without increases in fees or property tax rates throughout the forecast period. Funding is projected to be available to pay for some, **but not all**, of the identified, unmet needs – personnel, compensation adjustments, costs associated with CIP/Bond projects and capital/equipment.

General Fund Forecast



The following graph however, shows the resulting fund balance from the projected revenue levels and resource demands compared to the targeted 30% fund balance. The graph shows that our baseline revenues are not sufficient to cover our resource demands. Allocating for those expenditures would create an unstructured budget and fund balance deficit, as illustrated in the graph below.



Policy Consideration – Five Year Forecast

The resource demands forecast is not an exhaustive list of potential needs. One item to consider analyzing to a greater degree and recognizing in next year’s financial forecast is street improvement investments and their corresponding impact on the condition of our overall road network.

The City has invested greatly in street maintenance over the past 10-12 years. In the early 2000’s, the City was only investing 10%-20% annually in comparison to our current allocation between the General Fund and 2013/2019 bond programs. Part of that investment was the purchase of Cartegraph, an asset and pavement management software program. One of the functionalities of this system includes forecasting the impact to the overall road network pavement condition rating (PCR) based on various types and levels of street repairs/improvements. Staff has developed a high level model that shows the need to increase the General Fund allocation for street maintenance by 30% - 40% if we attempted to maintain the current rating of our road network.

If the City Council would like to dedicate more effort towards analyzing the impact of additional investments to address street repair and maintenance, staff recommends incorporating it into a retreat in FY 2019-20.

Debt Service Fund Forecast

Debt Service Fund Assumptions

The Debt Service Fund is used to account for expenditures related to the principal and interest payments for all of the City's outstanding debt – tax notes, certificates of obligation and general obligation bonds.

The Debt Service Fund forecast reflects the projected fiscal impact of the City's existing annual debt service expenditures (principal and interest on all outstanding debt) based on the following assumptions.

- The I&S portion of the tax rate remains at the current debt rate in the amount of 20.985 cents per \$100 of valuation.
- Property tax values grow at 10 percent in the first year of the forecast and normalize to 7 percent by FY 2023-24.
- Other funds' support of debt service (Solid Waste, Airport, Hotel/Motel Tax and New Braunfels Economic Development Corporation) remains at their current levels.
- No debt refundings/refinancing have been included in the forecast.
- Outstanding 2013 and 2019 bonds are issued in accordance with the following schedule:
 - FY 2018-19 - \$10,009,500
 - FY 2019-20 - \$39,000,000
 - FY 2020-21 – no planned issuance
 - FY 2021-22 – \$40,000,000
 - FY 2022-23 – no planned issuance
 - FY 2023-24 - \$33,060,000
- The remaining general obligation bonds are assumed to have a 20-year term with interest rates ranging from 3.5 percent in 2019 to 5.25 percent by 2024.

Debt Service Fund Forecast

Debt Service Fund - Baseline Expenditures

Available Funds	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected	FY 2023-24 Projected
Beginning Fund Balance	\$ 2,030,618	\$ 2,187,190	\$ 2,430,244	\$ 2,676,068	\$ 2,778,935
Revenue					
Taxes	\$ 15,940,411	\$ 17,243,484	\$ 18,506,017	\$ 19,699,110	\$ 20,975,720
Interest Income	75,000	75,000	75,000	75,000	75,000
Contributions	1,722,144	1,731,444	1,741,544	1,745,444	1,267,269
Interfund Transfers	1,026,690	1,032,403	916,613	929,988	926,588
Total Revenue	\$ 18,764,245	\$ 20,082,330	\$ 21,239,173	\$ 22,449,542	\$ 23,244,577
TOTAL AVAILABLE FUNDS	\$ 20,794,863	\$ 22,269,520	\$ 23,669,417	\$ 25,125,610	\$ 26,023,511
APPROPRIATIONS					
Debt Service	\$ 18,607,673	\$ 19,839,276	\$ 20,993,349	\$ 22,346,675	\$ 23,186,085
TOTAL OPERATING APPROPRIATIONS	\$ 18,607,673	\$ 19,839,276	\$ 20,993,349	\$ 22,346,675	\$ 23,186,085
Ending Fund Balance	\$ 2,187,190	\$ 2,430,244	\$ 2,676,068	\$ 2,778,935	\$ 2,837,426
TOTAL APPROPRIATIONS	\$ 20,794,863	\$ 22,269,520	\$ 23,669,417	\$ 25,125,610	\$ 26,023,511

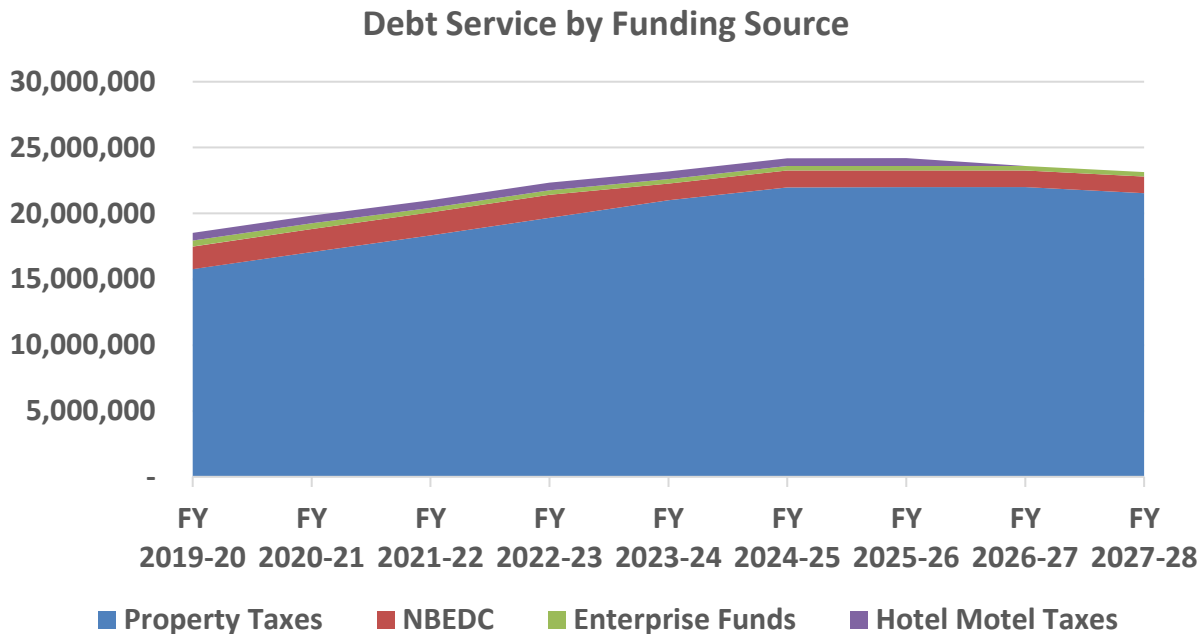
Forecast Analysis

The forecast above incorporates the debt service commitments with the first 3 planned 2019 bond issuances. The first debt service payment of the planned FY 2023-24 issuance of \$33,060,000 will not occur until FY 2024-25. The forecast illustrates that the fund balance target of 10 percent is maintained (or slightly above) through FY 2023-24.

Projected Debt Service Commitments

The majority of the annual debt service commitment is supported by property taxes. However, other sources have been committed to support debt service when statutorily allowable. The graph below illustrates the annual debt service commitment by funding source.

Debt Service Fund Forecast



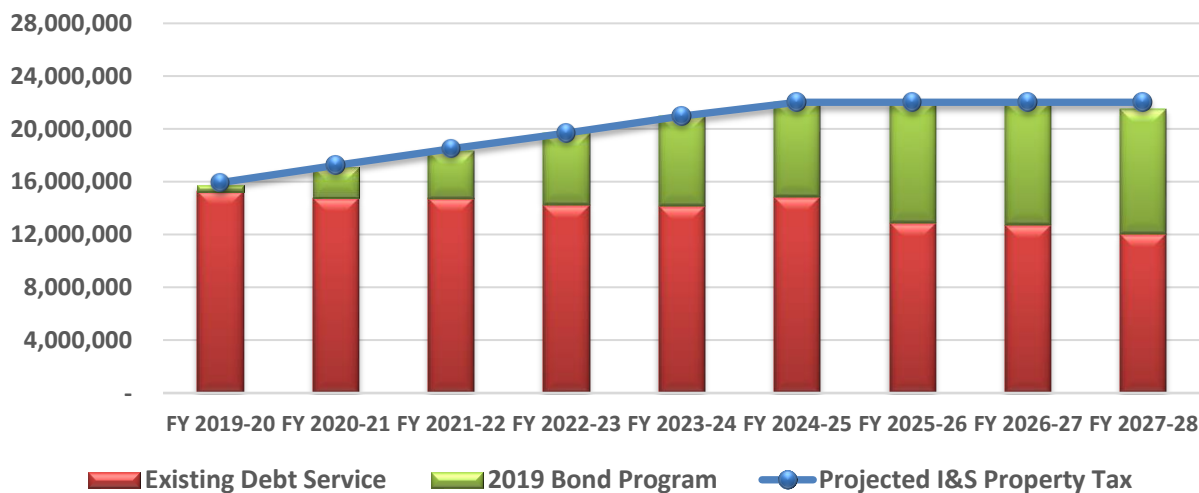
During the forecast period, approximately 87 percent of the annual debt service commitment is supported by property taxes. This could change however with several initiatives, such as the portion of the sports complex to be supported by the NBEDC (\$15 million). While a funding strategy has not been formally recommended to City Council, it is likely that some or all of that contribution will be supported by a debt issuance. The Public Works Service Center project is also a portion that could impact the proportionate share supported by the enterprise funds as well (Solid Waste).

Projected Debt Service Capacity

The 2019 bond program was sized to align with the projected growth in property tax values over the next 6 years as well as taking advantage of any debt capacity stemming from the repayment from previously issues bonds/certificates of obligation. The graph below illustrates how the projected annual debt service payments increase concurrently with the projected I&S property tax revenue.

Debt Service Fund Forecast

Property Tax Supported Debt Service - Detail



The projected I&S property tax revenue in the graph is based on the growth rates below. The actual growth rate in the forecast schedule differs slightly from the figures below as those include the impact of property tax revenue from frozen values as well as flat estimates for delinquent taxes and penalties.

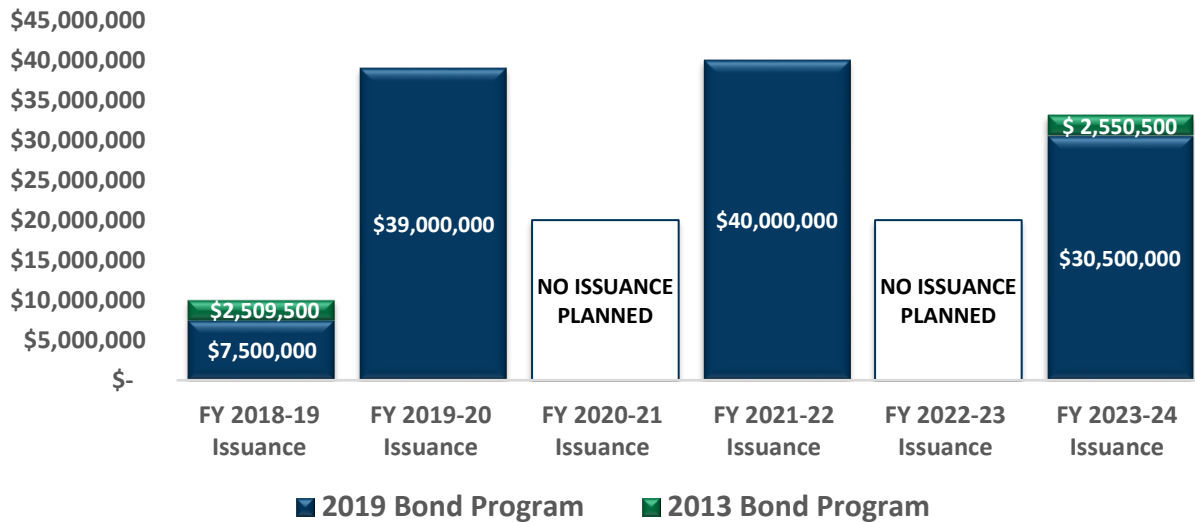
Fiscal Year	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Projected	10%	9%	8%	7%	7%	5%

Early on the 2019 bond development process, a 9 percent annual growth rate was utilized to determine the capacity for the 2019 bond program (at no impact to the current tax rate). The average annual growth rate in property values from FY 2003-04 to FY 2018-19 was approximately 9 percent. This average includes a span of years that includes two periods of high growth, a recession and a period of economic recovery. However, staff believes the projection above more accurately reflects how property values will increase over the next 5-6 years. This is based on several factors such as a qualitative assessment of the available undeveloped land in the incorporated boundaries of New Braunfels as well as economic forecast data provided to our City Staff from the City's investment/financial advisory firm(s).

Projected issuance detail/timeline – the graph below breaks down the projected future issuances stemming from the 2013 and 2019 bond programs.

Debt Service Fund Forecast

Projected Bond Issuance Timeline



As the graph illustrates, there are no planned issuances in FY 2020-21 and FY 2022-23. Our tax value projections and existing debt service commitments require the deferment of an issuance in these years so that the property tax revenue can grow to the level sufficient to support the additional issuance(s). Staff has worked with our financial advisors to maximize each issuance. However, unless property values increase significantly more than our projections, several of the 2019 Bond projects will not be able to begin construction until funding is available in the latter year issuances (FY 2021-22 and FY 2023-24). Staff is preparing multiple scenarios for the scheduling of the 2019 Bond projects that align to the issuance timeline (above) for City Council consideration.

Impact from SB2/HB2 – the current legislation on property tax revenue growth caps does not impact the Interest and Sinking (I&S) portion of the tax rate. The cap in growth is limited to the operations and maintenance (O&M) portion of the rate. However, if we continue to see significant increases in existing values, which would drive down the effective O&M rate, there could be an opportunity to expedite the issuance of the 2019 bond program.

As the graph shows, there are \$5.06 million in outstanding 2013 bonds. The \$2.509 issuance in FY 2018-19 will all go towards 2013 proposition 1 – streets. The \$2.55 million issuance in FY 2023-24 all stems from 2013 proposition 2 – drainage. It is possible that these funds may not need to be issued. Staff continues to work on potential drainage improvements/projects for City Council consideration. Once those policy decisions have been made, staff can determine the amount and timing necessary for this final 2013 bond program related issuance.

Future Capital Investment – As the forecast and capacity analysis shows, the opportunity for additional capital investment – whether through certificates of obligation, tax notes or another bond program doesn't occur until the 2025-2028 time frame. The debt service from 2025-2028 is

Debt Service Fund Forecast

essentially flat on an annual basis, meaning that the 2019 bond program continues to align to available capacity thru 2028. As a result, the only way that additional debt proceeds could be supported during this time frame is if there are sustained levels of growth in assessed valuation. Factors that could affect this timeline positively include higher than anticipated property values, opportunities for bond refunding(s), lower borrowing rates than projected, as well as the potential increase of the I&S rate because of a rollback tax rate calculation. Therefore, additional capital investment opportunities from 2019-2028 are likely to be limited to alternative funding sources and/or partnership opportunities. For reference, the table below illustrates the various funding sources that can be leveraged for certain capital investments.

Funding Source	Project Type and Restriction
Ad Valorem Property Tax Revenues	All Project types
NBEDC sales tax revenues	Quality of life, Economic Development
Roadway Impact Fees	Street Improvements – limited funding
Hotel/Motel Taxes	Very limited – direct connection to overnight visitation required
Tax Increment Reinvestment Zone	Economic Development and Public Infrastructure within the TIRZ boundary
Stormwater Utility Fee	Drainage and flood control related capital investments

Equipment Replacement Fund

Equipment Replacement Program

The Equipment Replacement Fund is used to fund and purchase light vehicles and computer equipment for any function/fund that is supported by the General Fund. City Council established the equipment replacement program in FY 2005-06 to create a funding source for light vehicle and certain technology equipment replacements that would smooth out the funding requirements for this equipment while ensuring replacement according to established criteria. The program also supports the Fire Department's self-contained breathing apparatus (SCBA). Heavy equipment such as fire apparatus, ambulances, street sweepers and loaders, are not included in the program. The City's enterprise funds' equipment replacement programs are accounted for in a separate fund. Until FY 2013-14, the City directed annual appropriations to the fund based on established standards for vehicles' and technology equipment's useful life. The Council initially set the standard of 85,000 miles or six years (whichever occurred first) for all vehicles. This formula was originally established with the intent of re-evaluating the criteria once sufficient data was available. In FY 2011-12, the criteria for replacement changed to 85,000 miles or 8 years with one exception. Police pursuit vehicles are replaced at either 6, 7 or 8 years due to intensive use specific to these vehicles. This change was based on the positive experience the City has had with the newer fleet, actual mileage accumulations and the recommendations of the City's Fleet Manager as a result of the improved and ongoing preventative maintenance program. However, the equipment replacement program was suspended in FY 2013-14 as a part of a budget balancing strategy and has only been partially reinstated since then. Moreover, no transfers were made in FY 2015-16 and FY 2016-17 as they were diverted to the Self Insurance Fund. In FY 2017-18, only \$120,000 was budgeted to be transferred. This led to a situation where a large majority of the fleet have met and/or exceeded replacement criteria. In FY 2018-19, the City Council authorized a \$2.3 million tax note to "catch up" replacements that were deferred over the past several years. A total of 50 vehicles were purchased. As a result, the Fleet Manager and Finance Department utilize a calculation that considers age, mileage and maintenance costs. The forecast utilizes this methodology to project **minimum** replacement requirements over the forecast period for all vehicles.

Technology equipment – specifically computers – had an original replacement schedule of three years, which was then increased to four years. This is, again, based on the actual experience and useful life of the computers being purchased. However, since FY 2013-14, we have only been replacing computer equipment on an as needed basis, due to the suspension of the program. Included in the forecast is the cost to replace all primary equipment every 5 years.

The Fire Department's self- contained breathing apparatus (SCBA) contribution has continued throughout the suspension of the program. This equipment was replaced in FY 2015-16. Replacement of this equipment is only required every 15 years.

Equipment Replacement Fund

Long term outlook - If the program is not fully reinstated at some point, there are risks associated with allowing the fleet and technology inventory to age beyond the recommended useful life. While utilization of tax notes provided the opportunity to replace a number of vehicles that had been deferred since FY 2013-14, short term borrowing may not be the best strategy for meeting long term vehicle and technology replacement needs. Therefore, to be conservative we have prepared the forecast assuming the minimum level of vehicle and technology replacements being paid for on a pay as you go basis.

Equipment Replacement Fund Forecast

The forecast on the following page reflects the projected revenue, expenditures, and fund balance in the Equipment Replacement Fund. For FY 2019-20, the contribution is assumed to cover the equipment replacement needs and lease commitments.

The following assumptions are built into the Equipment Replacement Fund forecast.

- Vehicle replacements are projected based on a calculation of three factors: age, mileage, maintenance costs
- Computer equipment is replaced at five years
- Salvage value estimated at ten percent of purchase price
- Annual contributions continue and increase throughout the forecast period to a level necessary for solvency of the Fund
- Capital Lease/Tax Note Obligations
 - Network Replacement – Thru FY 2021-22
 - FY 2018-19 Tax Note – Thru FY 2025-26

Equipment Replacement Fund

Equipment Replacement Fund Forecast

Available Funds	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected	FY 2023-24 Projected
Beginning Balance	\$ 932,969	\$ 605,950	\$ 249,282	\$ 154,782	\$ 303,237
Revenue					
Interfund Transfers	\$ 670,000	\$ 770,000	\$ 870,000	\$ 970,000	\$ 970,000
Miscellaneous	41,600	42,432	24,241	24,726	21,919
Interest Income	15,368	8,564	4,057	4,610	7,840
Total Revenue	\$ 726,968	\$ 820,996	\$ 898,298	\$ 999,336	\$ 999,759
TOTAL AVAILABLE FUNDS	\$ 1,659,937	\$ 1,426,947	\$ 1,147,580	\$ 1,154,118	\$ 1,302,997
APPROPRIATIONS					
Technology Enhancements/Replacement					
Network Replacement (Capital Lease)	\$ 148,366	\$ 148,366	\$ 148,366		
MDT Replacement - Public Safety		115,000	115,000	115,000	115,000
Replacements - Desktops, Laptops, etc.	125,000	125,000	125,000	125,000	125,000
Vehicles					
2018-19 Replacement Vehicles (Tax Note)	364,621	364,979	362,019	363,619	364,693
Infrastructure			46,818	23,877	146,128
Public Safety	371,000	424,320	78,550	127,876	48,709
Quality of Life	45,000		93,636	71,632	
Growth and Development			23,409	23,877	24,355
TOTAL OPERATING APPROPRIATIONS	\$ 1,053,987	\$ 1,177,665	\$ 992,798	\$ 850,880	\$ 823,886
Ending Fund Balance	\$ 605,950	\$ 249,282	\$ 154,782	\$ 303,237	\$ 479,111
TOTAL APPROPRIATIONS	\$ 1,659,937	\$ 1,426,947	\$ 1,147,580	\$ 1,154,118	\$ 1,302,997

Forecast Analysis

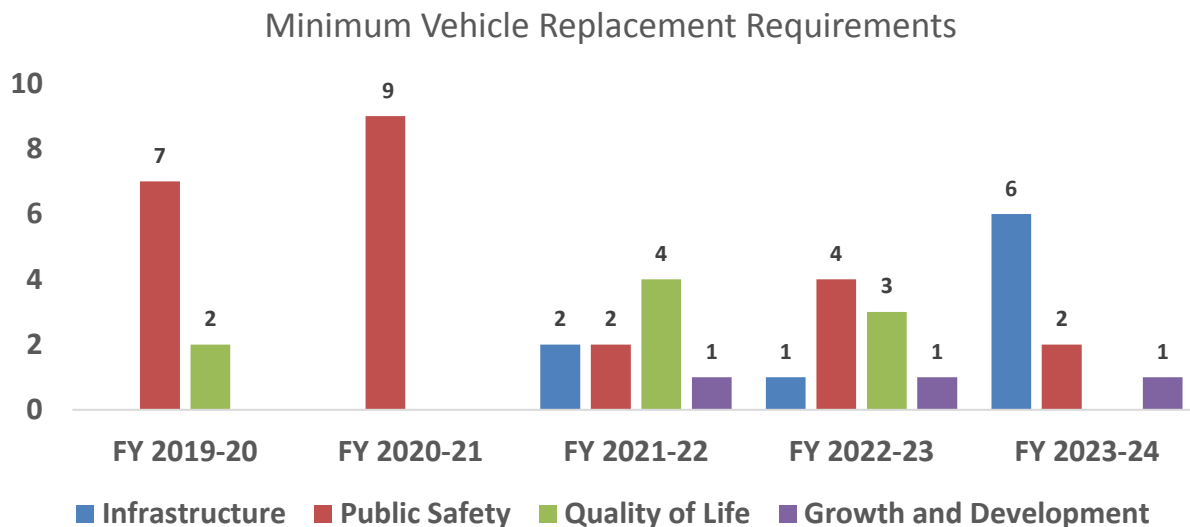
In FY 2018-19, \$570,000 is budgeted to be transferred to the Equipment Replacement Fund. Throughout the forecast period, the transfer is increased \$100,000 annually to FY 2022-23 (\$970,000). This funding level allows the program to support the current lease/tax note obligations as well as meet the minimum level of technology and vehicle replacement requirements without the additional issuance of short-term debt. Additional details on the vehicle/technology replacement schedule(s) are provided on the following pages.

The forecast was prepared to illustrate the necessary funding to support minimum replacement needs. Increasing the transfer \$100,000 annually over the next 4 fiscal years provides the opportunity to support replacements that must occur. We can expect our operating budgets to increase under this scenario as the aging fleet will require more repairs and preventative maintenance efforts.

Equipment Replacement Fund

Light Vehicles

As discussed, the forecast assumes minimum replacement needs thru FY 2023-24. The Fleet Manager provided the analysis that evaluates each vehicle based on the mileage, age and maintenance record(s). The graph below indicates the projected replacement vehicles by strategic priority. The majority of the public safety replacements are Police pursuit (patrol) rated vehicles.



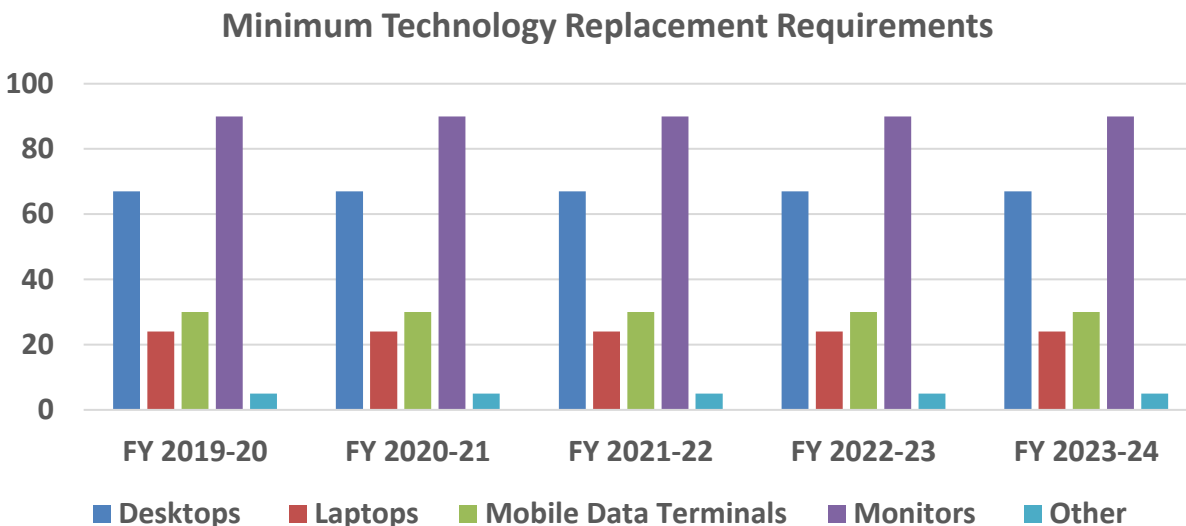
Technology Equipment

The technology equipment supported by the replacement fund includes: desktop computers and laptops, servers, plotters, and mobile data terminals (MDT's) for police pursuit vehicles. Various other network equipment is also included in the program however most was replaced recently through a capital lease. Like the vehicles, due to positive experience with the useful life of desktop computers, the replacement criteria has been extended to a maximum of five years.

In FY 2016-17, the MDT's that are installed in every police pursuit vehicle and fire response vehicle were replaced. MDT's have a projected useful life of 5 years. Installation of these terminals is a very labor intensive process. To smooth this process and cost out, the forecast assumes that the units be replaced over a five year period from FY 2020-21 to FY 2024-25 – approximately \$115,000 annually or \$575,000 in total to replace the entire inventory.

Information Technology and Finance staff have developed a projection of all replacement needs over the forecast period. That information is incorporated into the graph below.

Equipment Replacement Fund



Self Contained Breath Apparatus (SCBA)

The Fire Department's self-contained breathing apparatus (SCBA) are supported by the equipment replacement program. The SCBA's were replaced in FY 2015-16 and have a useful life of 15 years. Therefore, the next potential SCBA complete replacement will likely not be necessary until FY 2030-31.

Expansion and Solvency of the Equipment Replacement Program

Expansion of the Program - The equipment replacement program currently does not include heavy equipment – ambulances, fire trucks, Public Works street equipment, Parks dump trucks and the like. Nor does it include smaller maintenance type equipment like riding lawnmowers and utility vehicles. Funding has not been available to add this equipment to the program; however, we have strategically replaced this type of equipment on an as-needed basis. The forecast assumes that this equipment does not become part of the program over the next five years and continues to be supported by the General Fund and other funding sources.

Program Solvency - As mentioned earlier, the Equipment Replacement Fund has been partially suspended since FY 2013-14. Moreover, no contribution for vehicle and technology replacement occurred in FY 2015-16 and FY 2016-17 as those budgeted funds were redirected to the Self Insurance Fund to ensure its solvency. As the forecast shows, if the program is not fully reinstated in the near future, the fund will very likely not be able to support the **minimum** replacement requirements in the forecast, as well as the technology lease payments. Legislative changes could impact our ability to utilize short term debt as a means of “catching up” on replacements should we fall further behind. However, even if we could issue debt to fund this type of equipment, it will be costlier to the organization as a result of interest and costs of issuance. If the City were to

Equipment Replacement Fund

dissolve the Equipment Replacement Program, this equipment would be competing annually in the General Fund with other unmet needs and City Council/City Manager priorities.

Self Insurance Fund

The Self Insurance Fund of the City of New Braunfels accounts for the employee health insurance program. Revenue into the fund comes from City contributions and premiums paid by employees, former employees (COBRA) and retirees. The contribution by the City is a per employee per month cost that is expensed from the General Fund, Enterprise Funds or any other fund that allows for allocated funds for employee expenditures (i.e. River Activities Fund). Because the City contribution alone is not sufficient to cover the set monthly premium, employees must offset the cost to insure themselves and their dependents. Retirees and former employees insured under Cobra pay a much higher premium into the Self Insurance Fund in comparison to active employees. Expenses to the account include administration fees, stop loss insurance fees and actual claims costs. Administration fees include a per month per employee fee to utilize the medical network as well as the cost of claims administration. Stop loss insurance provides the City limited exposure against both individual large claims and the aggregate cost of all claims. The current stop loss exposure amount is \$150,000, thus once an individual's total claims for the year exceeds that amount, the city stops funding the claims through the Self Insurance Fund and the Stop Loss carrier begins to pay the claims. From October 2014 thru January 2017, the City experienced a dramatic increase in claim and administrative expenditures. While the City had experienced 1 year spikes in the past, this most recent multiyear period of continued increases seemed to be more reflective of the total costs of providing health insurance benefits to the employees, former employees (Cobra), retirees and their dependents. Multiple variables led to the increase such as a high frequency of large individual health claims (over \$25,000), overall increased utilization of the health care plan, and a national increase in the cost of health procedures and prescription costs. Significant plan and premium changes were made during this most recent period of dramatic increases in cost. In fact, mid-year changes were implemented in FY 2016-17 to contain costs.

At the beginning of FY 2016-17, the City enlisted a new benefits consultant (Holmes Murphy), whom were initially tasked with developing mid-year modifications (as previously mentioned) to the plan in an effort to curb costs. Fortunately, claim expenditures started to trend positively in February 2017. Better claims experience, the mid-year modifications, as well as a reallocation of the General Fund equipment replacement transfer to the Self Insurance Fund, allowed for a structurally balanced FY 2016-17. In fact, these initiatives resulted in a much faster establishment of the reserves of the Self Insurance Fund than originally anticipated.

In FY 2017-18, changes to plan design and premiums were also implemented. The most impactful change was the removal of dental coverage from the Self Insurance Fund. That benefit is now carved out of the medical premium and offered as a voluntary product with separate premiums. In FY 2018-19, we switched to our new plan administrator, United Healthcare. We are very pleased with our new health insurance partner. For the FY 2018-19 plan year, we were able to hold the employer contribution and employee premium flat - the first time in several years. Additionally, plan design enhancements were implemented as well. Our current projections for the fiscal year

Self Insurance Fund

are trending in a positive direction. Additional detail on the current year fund/plan performance is provided later in this section.

The forecast on the following page reflects the projected fiscal impact to the Self Insurance Fund based on the following assumptions.

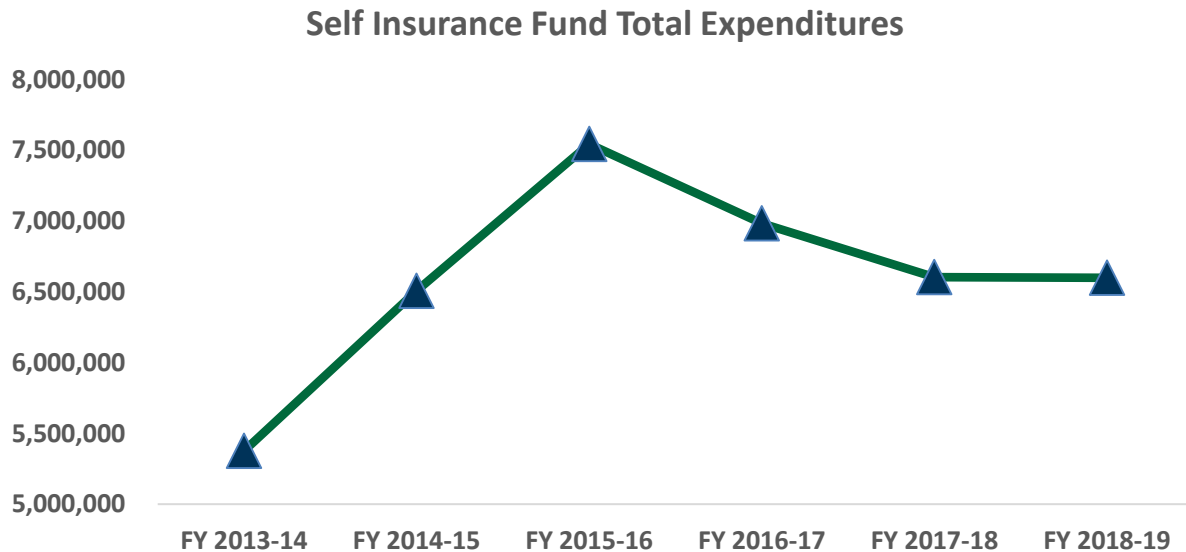
- FY 2018-19 revenues (premiums) and expenditures are based on conservative projections developed by staff, our benefits consultant and third party administrator.
- Beginning in FY 2020-21, claim expenditures and revenues (employee premiums and employer contributions) grow at a rate of 5 percent annually
- The forecast does not account for new employees being added throughout the forecast period
- From FY 2019-20 through FY 2023-24, modifications to the plan design and offering(s) are not incorporated into the projections.

Self Insurance Fund Forecast - Baseline Expenditures

Available Funds	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected	FY 2023-24 Projected
Beginning Balance	\$ 1,550,674	\$ 1,645,774	\$ 1,745,624	\$ 1,850,462	\$ 1,960,536
Revenue					
Premiums - Active	\$ 6,850,000	\$ 7,192,500	\$ 7,552,125	\$ 7,929,731	\$ 8,326,218
Premiums - Retirees	\$ 175,000	\$ 183,750	\$ 192,938	\$ 202,584	\$ 212,714
Interest Income	100	100	100	100	100
Miscellaneous	-	-	-	-	-
Interfund Transfers					
Total Revenue	\$ 7,025,100	\$ 7,376,350	\$ 7,745,163	\$ 8,132,416	\$ 8,539,031
TOTAL AVAILABLE FUNDS	\$ 8,575,774	\$ 9,022,124	\$ 9,490,787	\$ 9,982,877	\$ 10,499,567
APPROPRIATIONS					
Premiums and Administrative Expenditures	\$ 6,930,000	\$ 7,276,500	\$ 7,640,325	\$ 8,022,341	\$ 8,423,458
TOTAL OPERATING APPROPRIATIONS	\$ 6,930,000	\$ 7,276,500	\$ 7,640,325	\$ 8,022,341	\$ 8,423,458
Ending Fund Balance	\$ 1,645,774	\$ 1,745,624	\$ 1,850,462	\$ 1,960,536	\$ 2,076,109
TOTAL APPROPRIATIONS	\$ 8,575,774	\$ 9,022,124	\$ 9,490,787	\$ 9,982,877	\$ 10,499,567

Health Insurance Costs – Historical and Current Climate

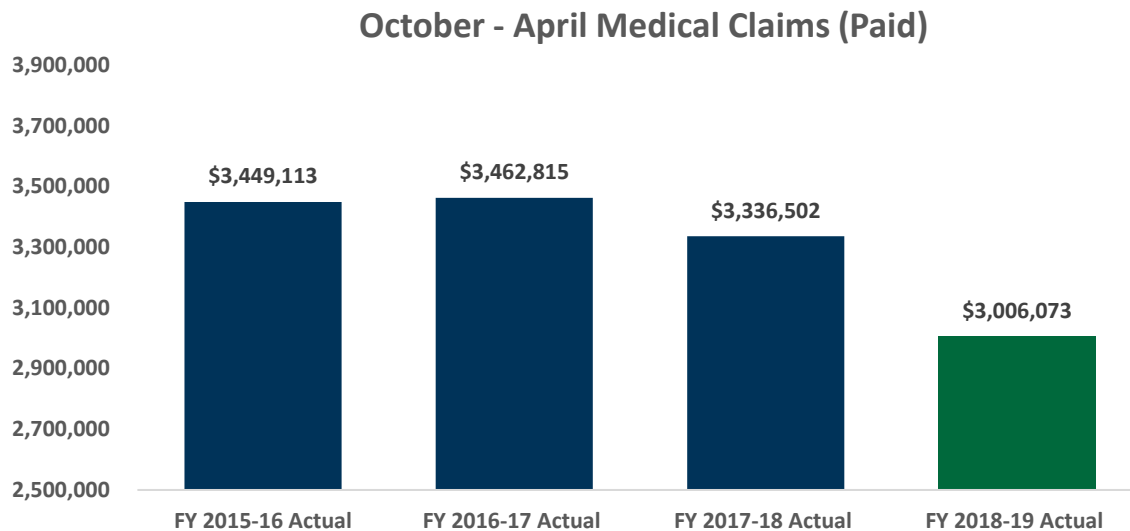
The graph below provides a more in depth look at how health insurance costs have fluctuated for the City of New Braunfels since FY 2013-14.



When developing the FY 2015-16 budget, the City was advised that the spike in FY 2014-15 was likely an anomaly and to expect costs to go down in FY 2015-16. Unfortunately, the opposite happened and costs grew at an even higher rate. Through interfund transfers, the City was able to balance the fund at the end of FY 2015-16. In FY 2016-17, the City increased the annual per employee contribution by approximately 15 percent. Employee premiums were increased by 20 percent across the board. In addition, FY 2016-17 included plan design changes affecting co-pays, deductibles as well as adjustments to coverage for various medical procedures and prescriptions were implemented as well. Unfortunately, October-January claim expenditures in FY 2016-17 were much higher than anticipated. Even though our consultant and internal team felt that the claims would level out, we felt that mid-year modifications were necessary to ensure that we did not require transfers from the General Fund (like the prior two years). The mid-year modifications included the removal of out of network coverage, renegotiated prescription contracts as well as changing the date in which new employees start receiving health benefits. These changes, along with the ones already incorporated at the beginning of the plan year began to significantly curb costs.

FY 2017-18 was the first year in which the fund was able to fully realize the changes that had been made in the previous 2 fiscal years. In addition, it seemed that plan utilization and the frequency of large claims had also normalized. As a result, we experienced a significant decrease in claim expenditures in comparison to the previous fiscal year. The positive financial performance served

as the foundation for forgoing employee/employer premium and contribution increases. In addition, by partnering with United Healthcare, we were able to take advantage of their network discounts and other tools that resulted in plan design enhancements. In FY 2018-19, the forecast illustrates projected total fund expenditures to be equal or lower in comparison to FY 2017-18. Staff is hopeful that could be a conservative projection at this point. The graph below illustrates the paid claim expenditures (Oct-April) from FY 2016-17 to FY 2018-19.



FY 2019-20 and Beyond Plan Development

As discussed during the March 2019 City Council retreat, competitive benefits remain a high priority for the organization as it relates to the recruitment and retention of talent. The strategic issues section of this document includes multiple references to the importance of competitive benefits and the solvency of the Self Insurance Fund. Listed below are several key objectives that continue to be the focus when developing the FY 2019-20 Self Insurance Fund budget and the accompanying health insurance plans that will be offered to our employees.

Plan Value and Cost – Design plans and premiums to ensure that employee costs and value are equitable with FY 2018-19.

Strategic Plan Design – As an example, plan design elements that mitigate emergency room usage while incentivizing lower cost and better outcome alternatives.

Pharmacy Costs – Continuing to evaluate prescription tier levels and ensure that step therapy and pre-authorization requirements are built into the plan.

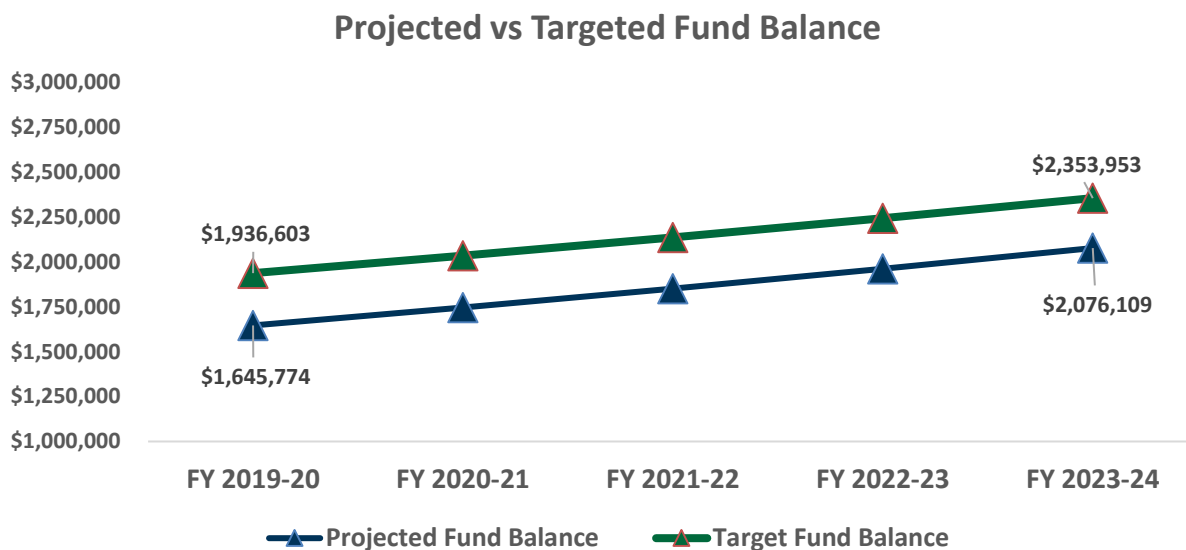
Fund Balance Target – Ensure that revenue (employee premiums and employer contributions) and total budgeted expenditures allow the Self Insurance Fund to maintain

and/or grow the current fund balance/reserves. This objective is explained in greater detail below.

Fund Balance

As mentioned before, interfund transfers have been necessary to keep the fund solvent in FY 2014-15 and FY 2015-16, resulting in no opportunity to rebuild reserves until recently.

The fund balance target has been set at 120 days of claim expenditures. This is an ambitious target but is based on a desire to avoid the situation experienced between FY 2014-15 and FY 2016-17. Staff has been very pleased with how quickly the fund has re-established its reserves, however we feel that hitting our target is likely to take longer than five years (as the graph illustrates below) without programmatic or premium changes specifically designed to speed up the process.



Policy Consideration

With health insurance costs increasing nationwide it can be assumed that many other employers, public and private have had to make similar changes to their health insurance offerings. However, balancing the City's total compensation package (salary, health insurance, retirements, etc.) is critical to retention and recruitment. Therefore, the quality and cost to the plan is something that we need to be very cognizant of to ensure that we don't adversely affect our ability to retain and recruit.