

FY 2015-16 TO FY 2019-20 FINANCIAL FORECAST



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Five Year Forecast - Definition and Purpose

The five year forecast provides current and long range financial projections for the General Fund, Debt Service Fund and Equipment Replacement Fund. The financial performance and solvency of these three funds is critical to the City's ability to provide services to citizens as well as meet existing and anticipated debt commitments. The forecast document also includes a description of strategic issues that will impact the City and may require City Council direction over the next five years. Economic benchmark and outlook information is also included in an effort to provide an overview of the New Braunfels economy.

The forecast is an assessment of three funds' (General Fund, Debt Service Fund and Equipment Replacement 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 2015-16 are not representative of the proposed budget or recommendation.

The forecast is a tool to assist the City Council in setting policy direction and priorities to use in developing the proposed budget and capital project planning. It also assists the City Council by providing a longer term look at the financial impact various programs could have, should the program be funded. The identification and description of strategic issues is also designed to assist Council in policy and priority setting.

Economic Benchmark & Outlook

The Economic Benchmarks and Outlook section highlights national, state and regional economic trends and how those trends could affect the underlying economic conditions of the local New Braunfels economy. The growth in the City's two primary sources of revenue (sales and property tax) is often correlated with broader national economic conditions. Continued growth in jobs and income in the San Antonio-New Braunfels region have contributed to steady increases in revenue over time, especially during the period between 2011-2014. The sustainability of such increases is often tempered or bolstered by macro forces in the national and statewide economy, and many expect Texas' growth to be more subdued in the coming year. The section contends that New Braunfels will continue to see growth and increased tax revenues in 2015 and beyond, but growth will be tempered by an emerging statewide slowdown. The historical data suggest that the economic output of the greater New Braunfels region (including San Antonio) will grow about 35 percent faster than the national economy. Overall, the economic analysis suggests that the San Antonio region, including New Braunfels, has historically outperformed and recovered at a faster rate than the national economy. This is a positive sign moving forward, unless another economic downturn was to occur.

Strategic Issues

In FY 2013-14, staff developed a list of strategic issues that the organization should address during the forecast period. The forecast document summarizes each issue in an effort to define the specific problem facing the City, explain the factors that make the issues a fundamental challenge or opportunity and provide a brief description of options that are available 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. Below are examples of the strategic priorities that are included in this section

Infrastructure – Stormwater management

Public Safety – Planning for the future needs of the Fire Department

Effective Management – Attracting and retaining a highly qualified workforce

Quality of Life – Improving Health and Wellness in the Community

Growth and Development – Mobility and Connectivity

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 help to address the strategic issue are now included in this section as well as references to the 2014 National Citizen Survey for New Braunfels (where applicable). In total, 35 are included in the forecast. While these strategic issues were identified and developed for inclusion in the forecast document, this information could be beneficial for the City Council in developing and modifying the City-wide Strategic Plan.

General Fund

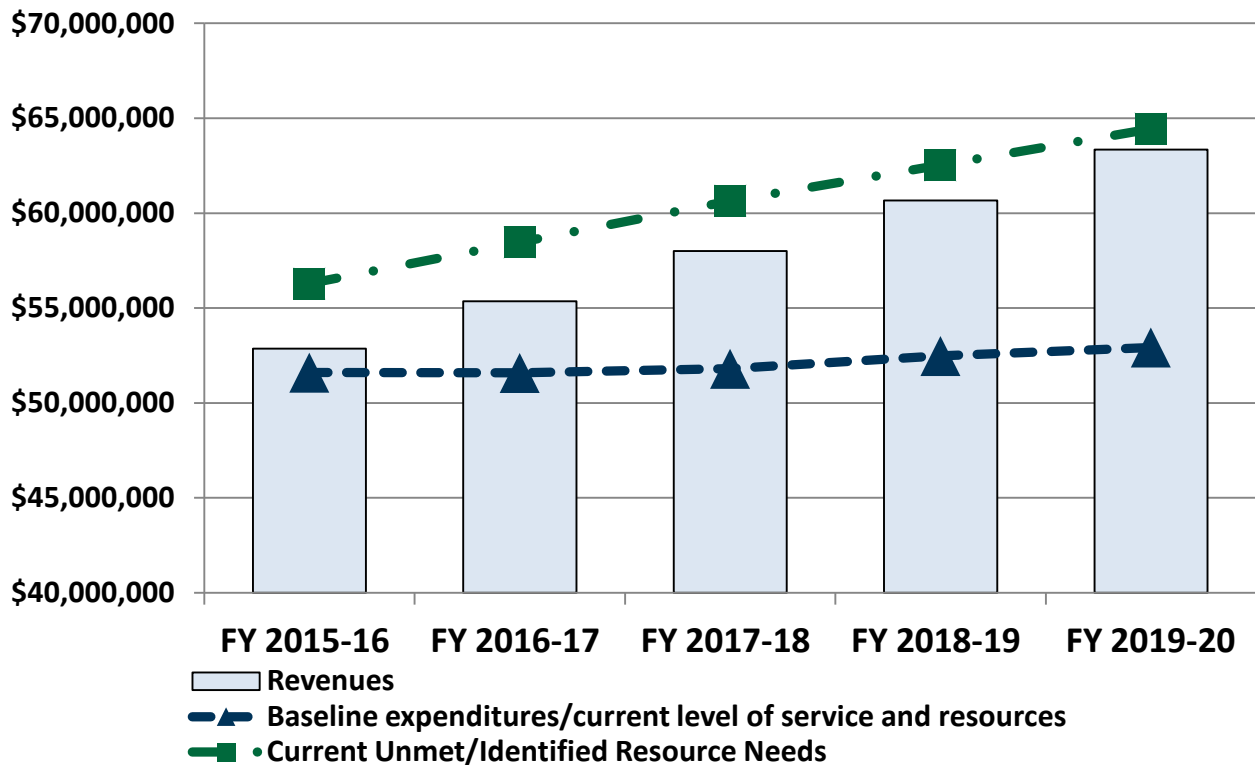
The General Fund is the City's main operating fund. The General Fund forecast includes two schedules. The first looks at the financial position of the General Fund assuming that revenues grow throughout the period but that expenditures remain fairly flat, growing only to reflect inflationary pressures. This perspective assumes that ***the current levels of service are maintained throughout the organization*** and is referred to as the "Baseline Expenditures". On average, General Fund baseline expenditures are projected to grow .76 percent annually throughout the forecast period. The second schedule and information shows the impact to the General Fund of costs associated with identified resource needs/program enhancements/compensation adjustments and is called the "Unmet/Identified Resource Needs". The revenue projections are the same on both schedules; only the expenditures change. Overall,

General Fund revenue is projected to increase, on average, 4.95 percent annually throughout the forecast period.

The Baseline Expenditures General Fund forecast, again, which represents current resources supporting current service levels, shows a surplus in fund balance throughout the forecast period. In FY 2015-16, the surplus is \$2,042,000 and grows to \$30,216,000 by the end of the fifth year.

It is important to remember that any commitment of funds made in FY 2015-16 will reduce the fund balance and surplus throughout the remainder of the forecast period. The second forecast, which includes the Unmet/Identified Resource Needs, shows a very different result. In FY 2015-16, the General Fund forecast shows a deficit of \$4,066,000 which grows to \$15,229,000 by the end of the five year forecast period. The factors driving each of these forecasts are explained below. The assumptions used to develop these forecasts are described in detail in the General Fund section of this document. As stated, if these assumptions change, the forecast results will change.

The current unmet/identified resource needs 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 be identified. Those needs will be recognized in the forecast and budget development process as they are identified. The forecast, as illustrated by the graph on the following page, shows that the City should be able to fund the existing service levels without increases in fees or property tax rates throughout the forecast period. In fact, funding is projected to be available to pay for some ***but not nearly all*** of the identified unmet needs – personnel, compensation adjustments and capital/equipment.



Additional information and detail concerning General Fund revenue projections as well as expenditure projections for both forecast schedules can be found on pages 51-64.

Debt Service Fund

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 the general obligation bonds once issued. The full debt service commitment for the \$86 million in voter approved general obligation bonds and certificates of obligation for the City Hall renovation project is expected to occur during the forecast period. At the current debt service tax rate of 22.0151 cents, some but not all of the additional debt service from the general obligation bonds can be met by growth in existing and new property values. The forecast also shows that the Debt Service Fund at the current tax rate, and assuming the remaining general obligation bonds are issued, cannot support the issuance of any other type of debt instrument to fund capital improvement projects.

During the development of the 2013 bond program, the tax rate increase needed to support the \$86 million dollars in debt issuances was estimated to be 8.8 cents over a five year period. This assumed annual average growth in property values of 3.0 percent. Since that time, the City has benefited from higher taxable valuation growth and lower borrowing rates than originally

estimated. As additional information has become available, the tax rate projection has been updated. Based on more current data regarding property values and on updated projections for property growth, the revised estimated impact of the bond program is **4.250 cents**. This tax rate impact includes the additional certificates of obligation authorized in FY 2014-15 to renovate the City Hall Complex. *This updated figure is an estimate based on a set of assumptions.* This new estimate is based on projections of property growth of 6.7 percent in FY 2015-16 and 4.6 percent annually for the remainder of the forecast period. Property growth projections are explained in detail in several sections of the document, specifically on pages 11 and 54. If property values and borrowing rates fluctuate at a different rate than what is projected in this forecast, the tax rate change needed to fund the new debt commitment(s) will be different than the latest projection

The following table shows the estimated tax rate increase each year to reach 4.250 cents. The Debt Service Fund forecast section also shows the City will develop some capacity to issue debt without changing the tax rate in FY 2019-20.

Tax rate requirement projections - 2013 Bond Program and \$5.5M City Hall CO's						
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	Total
Projected Incremental Tax Increase	0.0 ¢	0.21 ¢	2.679 ¢	1.258 ¢	0.103 ¢	4.25 ¢
Issuance Assumptions	\$14,500,000	\$20,790,000	\$28,150,000	\$18,271,000	\$9,789,000	\$91,500,000

Equipment Replacement Fund

The equipment replacement program was created by City Council in FY 2005-06. Revenue or contributions are made into the Equipment Replacement Fund to account for anticipated equipment replacement. 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. The total value of equipment supported by the program is approximately \$8,040,000.

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. In FY 2014-15, the program was partially reinstated and again, only a small number of vehicles were replaced. As a result, a large portion of the fleet will be eligible for replacement in FY 2015-16. While the forecast assumes that all vehicles are replaced when first eligible, the Fleet Manager and Finance staff will continue to evaluate the potential to keep vehicles in service if mileage and service records warrant. If the program is not fully reinstated, there is a risk associated with allowing the fleet and technology inventory to age beyond the recommended useful life, increasing maintenance costs and reducing reliability and effecting efficiency.

The forecast assumes that the program is reinstated in FY 2015-16 with full year funding. The cost to fully reinstate the program in FY 2015-16 is \$600,000 increasing for inflation throughout the forecast period to \$1,053,000 by FY 2019-20. Over the five year forecast period under this program, 155 light vehicles will be eligible for replacement (\$5.36 million cost) as well as \$1.4 million in technology and \$950,000 in critical life/safety equipment for the Fire Department.

Forecast Summary

The forecast shows the City's General Fund in a positive position throughout the forecast period, *assuming no increase in service levels*. However, the City currently has \$10.7 million in unmet needs to meet current service demands. The forecast that includes these costs shows a negative financial position for the General Fund. As mentioned earlier, additional funding sources will be needed in the Debt Service Fund to pay the debt service associated with the remaining voter approved general obligation bonds.

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 growth in the City's two primary sources of revenue (sales and property tax) is often correlated with broader economic trends, as evidenced in particular during the recession of 2009-2011. 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

Overall, 2014 was a year of steady growth for the U.S. economy and continued low inflation of 1.6 percent. The latest estimates for 2014 real Gross Domestic Product (GDP) indicate an increase of 2.4 percent and was the best full year of growth since 2010. However, recent growth returns delivered by the Bureau of Economic Analysis (BEA) were below expectations and add uncertainty surrounding the outlook for the U.S. economy in 2015. The latest estimates from the BEA estimate the national gross domestic product in the first quarter of 2015 increased at a .2 percent annualized rate. According to its most recent policy statement, the Federal Reserve believes the factors contributing to slowing growth were transitory and indicated that it would delay any action to raise the key US interest rate until September.¹ The slow growth was attributed to multiple factors, including decreased exports due to global growth slowdowns, a historically harsh winter, a West Coast ports strike and declining investment in mining and energy exploration. Conversely, some believe that various tailwinds including increased personal consumption expenditures, rising home equity, and a strengthening labor market will support some continued growth during 2015 and that the slowdown is only temporary.² For example, the most recent personal savings rate saw an increase that is at the 90th percentile of historic increases and suggests continued improvement in households' financial situation.³ These factors and others support the idea that the economy will rebound and resume growing at an average annual rate of 2.3 percent as seen in previous years.

Texas

The Texas economy will continue to expand in 2015, albeit at a slower pace. This slowing growth is likely to moderate economic expansion over the next six months. Keith Phillips, Senior Economist and Research Officer at the San Antonio Branch of the Federal Reserve Bank of Dallas, expects employment growth in Texas to be around 2-2.5 percent compared to 3.6 percent in 2014. In fact, March 2015 saw an overall loss of jobs in Texas as the state shed about 25,000 jobs. This was the first time in 53 months that the state saw a loss of jobs and is mostly attributed to the recent drop in oil prices.

¹ Shock stalling of US economy hits chances of early Fed rate rise, <http://www.theguardian.com/business/2015/apr/29/shock-stalling-us-economy-fed-rate-rise-borrowing-costs-growth-slows>

² Labor Market Improves While Inflation Slumps. March 18, 2015. <http://www.dallasfed.org/assets/documents/research/update/us/2015/1502.pdf>, Accessed April 27, 2015

³ Advance Estimate of GDP for the First Quarter of 2015. Council of Economic Advisors. <https://www.whitehouse.gov/blog/2015/04/29/advance-estimate-gdp-first-quarter-2015>. Accessed May 3, 2015

Declines in oil prices affect states in different ways, but a 2013 study found these price drops would adversely affect employment in eight states, with Texas being one of those states.⁴ Though the Texas economy is more diverse than in previous decades, the state's economic outlook has weakened over the past six months due to these recent price declines. BBVA Compass recently revised its forecast for Texas' economic growth downward for 2015 and expects growth to be close to 2 to 3 percent, which is half of the 5 percent annual growth over the past several years. There will also be beneficiaries from the oil price downturn that include transportation, and healthcare.⁵

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 has steadily declined through 2014, with current unemployment at 3 percent in New Braunfels. Total nonfarm employment growth in the first quarter of 2015 has held constant an annualized growth rate of 3.4 percent, but the region may see negative effects from the decline in oil prices. These impacts, however, could be mixed. Despite the oil and gas sector's continued job losses throughout the state, the San Antonio-New Braunfels Metropolitan Statistical Area (MSA) experienced job gains of 11,700 and a drop in the unemployment rate during the most recent reporting period. Leisure and hospitality led the charge, with government, education and health services following. The mining and logging industry which includes the Oil and Gas subsector did not report any job losses over the most recent reporting period (March 2015).⁶ However, job growth in the natural resources and mining sector had already slowed in 2014 and is expected to cool significantly in 2015. With slowing job growth, housing markets will temper as well.

Total housing starts increased by nearly 25 percent in San Antonio in 2014, and house price appreciation in San Antonio continued to outpace the national average. As of March 2015, the San Antonio market has fewer inventories than the same time last year, with the region seeing average asking prices up 7 percent over the previous year. This trend is not without downside risks, however, as Fitch Ratings considered the San Antonio real estate market the fourth most overvalued market in the country, with housing prices 16 percent more than actual worth.⁷ Some feel these fears are overstated and argue that housing prices and activity are simply reflective of Texas' overall outsized gains in employment, income and overall prosperity when compared to the rest of the nation.

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, with property appraisals

⁴ "Plunging Oil Prices: A Boost for U.S. Economy, a Jolt for Texas. Murphy, Anthony, Michael Plante and Mine Yucel, <http://www.dallasfed.org/assets/documents/research/eclett/2015/el1503.pdf>, Accessed 04/27/15

⁵ Lower Oil Prices May Cut Texas' Economic Growth By Half In 2015 <http://www.houstonpublicmedia.org/news/lower-oil-prices-may-cut-texas-economic-growth-by-half-in-2015/>

⁶ Job Growth Continues in SA Metro Region. . .By A Lot! <http://www.workforcesolutionsalamo.org/lmi/sanantoniomsa/monthlyjobreports.asp>

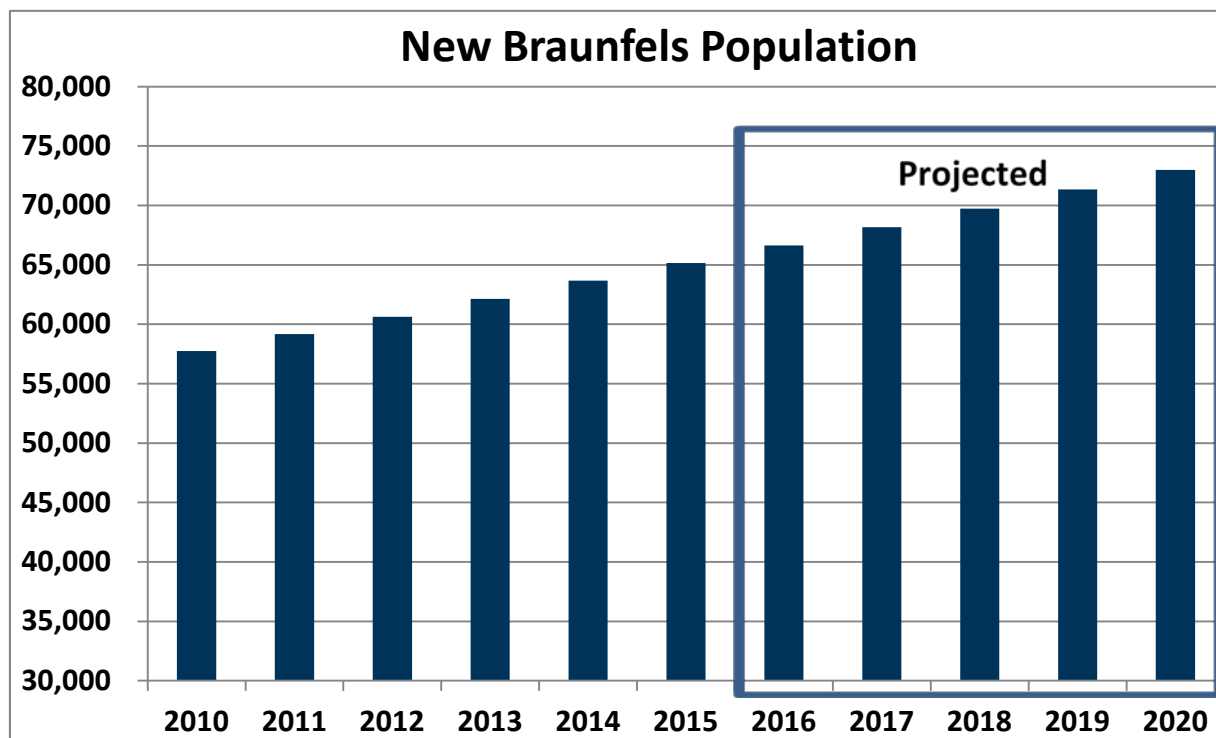
⁷ San Antonio has 4th most overvalued housing market. <http://www.mysanantonio.com/news/local/article/San-Antonio-has-4th-most-overvalued-housing-market-5975575.php>

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increasing 110 percent since 2003. Most of this growth occurred prior to the economic downturn in 2008. Median household income has risen 71 percent in New Braunfels since 2004, 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 966 new New Braunfels jobs each year since 2004. This continued job growth, especially in the health care sector, should continue to drive new housing and commercial developments, along with moderate to strong growth in sales tax collections.

Population

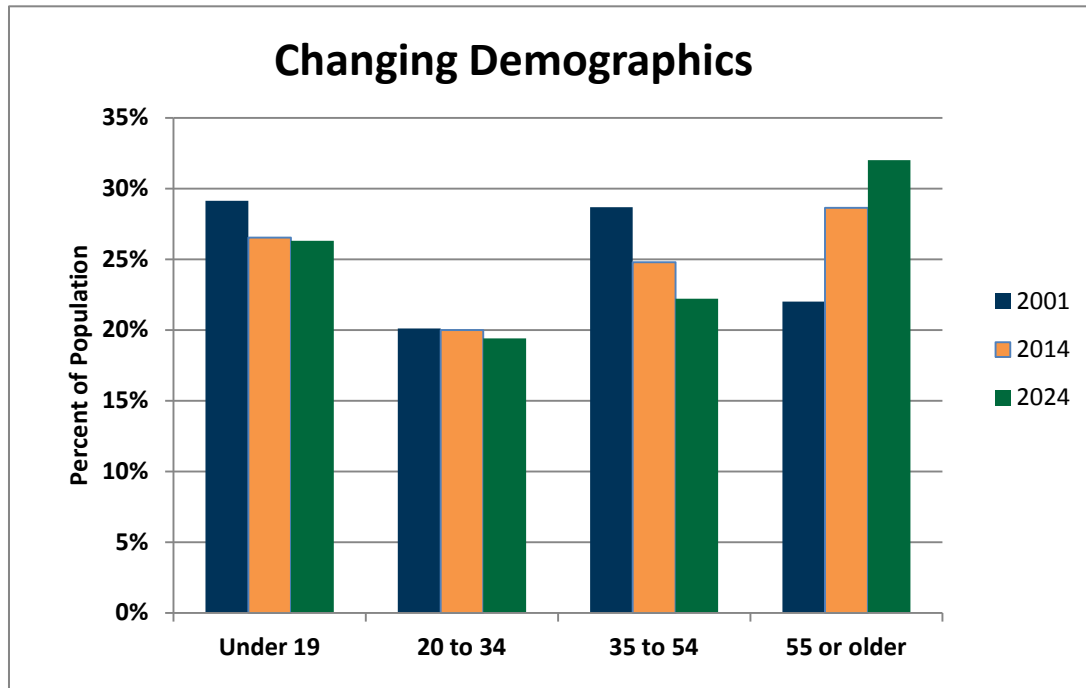
Like other communities in the San Antonio-New Braunfels MSA, the City of New Braunfels saw significant population growth over the last decade. Between the years 2000 and 2010, the City's population grew from 36,594 to nearly 58,000. This represents a 58 percent increase in population or a compounded annual growth rate of 5 percent.



The Texas State Data Center (TSDC) released the 2013 preliminary population estimates in April 2015. The TSDC estimates that, as of January 2014, New Braunfels had added another ten percent (10 percent) to its population since the 2010 census. This latest estimate places the population at 63,675, which represents a compounded growth rate of 2.48 percent since 2010. For the purposes of projecting to 2020, staff used the Texas Water Development Board's (TWDB) growth projections, which are based upon the TSDC's methodology. Population projections from 2014 through 2020 show a slightly slower population growth of 2.3 percent annually, which will bring the City's population to 72,983 by 2020.

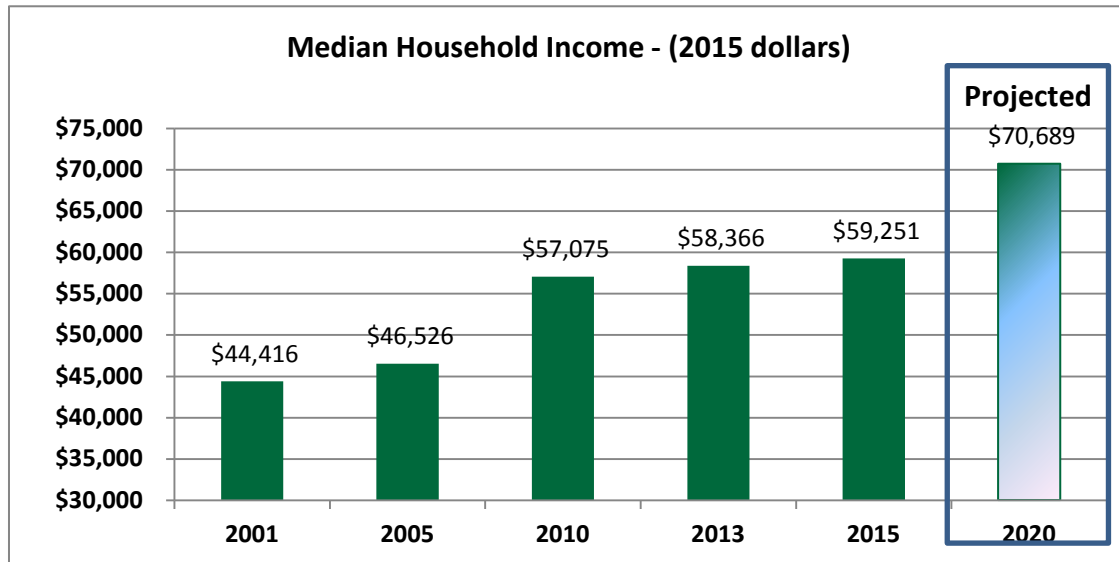
The median age has trended down over the past two decades (36.9 in 1990 to 35.6 in 2010). However, the segment of the population over 45 will continue to increase throughout the forecast

period. Note that the population age projections for 2024 apply to the 78130 zip code specifically and not to New Braunfels city limits. It is worth noting the increase in the population 55 years of age and older. For example, in 2024 nearly one-third the population will be 55 or older. Overall, population growth is important to recognize as the City plans for meeting increased service demands resulting from this growth. However, changing demographics – particularly in certain age groups as seen in the chart below – also can impact demands for services. The young and the “mature” citizens have a different demand on the City’s services, which should be taken into consideration when tailoring service provision.



Household Income

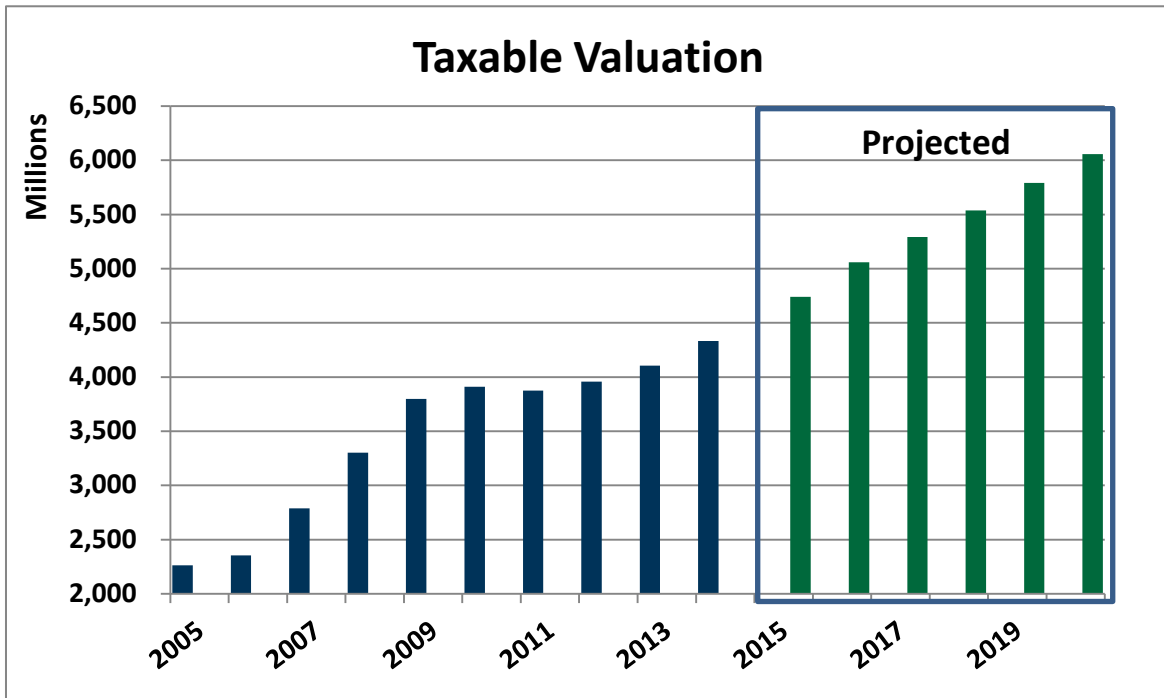
New Braunfels saw tremendous growth in median household incomes from 2001 to 2010 (2.8 percent annually). In recent years, household income growth seems to have leveled off, which can partially be explained by lagging effects of the recession and the loss of one of the community’s major employers in 2013. Projections estimate, however, that income growth will pick up again between 2015 to 2020 with annual increases around 3.6 percent. This should translate most directly into steady sales tax collections through the forecast period.



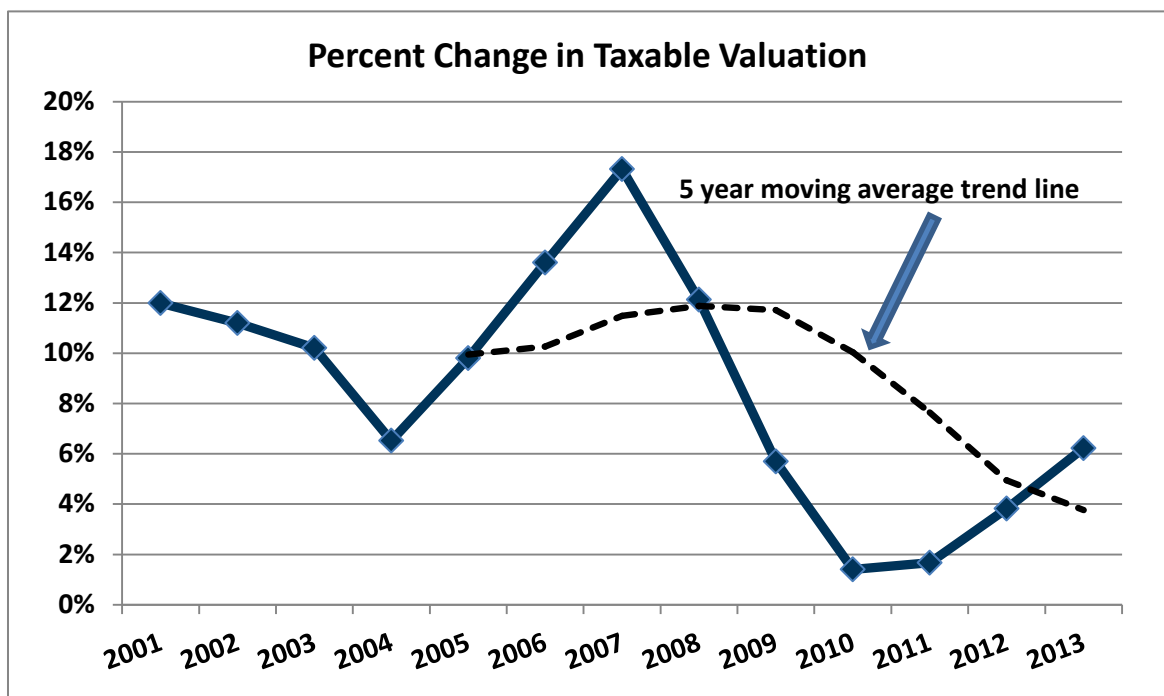
Source: Economic Benchmarks, Greater New Braunfels Chamber of Commerce & ESRI

Property Valuation

Similar to 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 following. The effects of the recession during this time resulted in a two year period where the City's total appraised values did not increase as had been customary in the decade prior. From 2001 to 2009, property values saw a compounded annual growth rate of 13 percent. From 2010 to 2014, the compounded annual growth rate was 2.6 percent. Early figures from the appraisal districts indicate significant growth in values for 2015 some of which is driven by the Creekside development (most notably the new hospital as well as new retail). The five year projection assumes that appraised values will continue to increase 6.72 percent in fiscal year 2015-16 and 4.6 percent every year thereafter.



The chart below provides a historical examination of the percentage change in valuations on an annual basis and demonstrates how difficult it is to predict whether property values will see a relatively small or large increase (or decrease) from year to year. The dashed line is a simple moving average of the previous five year period, which is a technique to help smooth out fluctuations in a given dataset. A moving average is considered a “smoothed” data version and helps identify trends for a particular series of data.

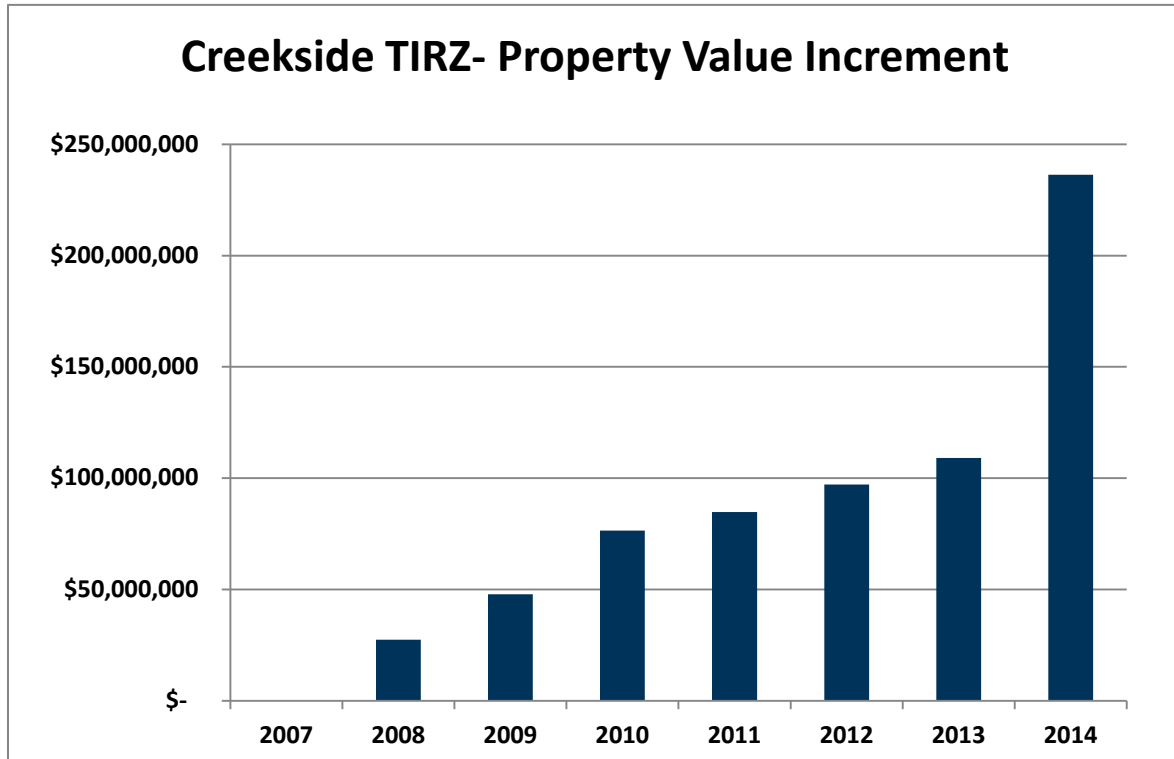


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Staff believes that given the undulating nature of the trend line the City can expect a continued increase in the percentage change over the previous year but may begin to see a decline in the annual percentage change of property valuations.

Creekside Tax Increment Reinvestment Zone (TIRZ)

The last few years have seen significant commercial permitting activity due to the continued expansion of the Town Center at Creekside development along Interstate 35 and FM 306. The development utilizes an economic development tool called tax increment financing. The Tax Increment Reinvestment Zone (TIRZ), as it is referred in state statute, allows the City to designate an area whereby incremental increases in property and sales taxes can be utilized to pay debt service for public improvements in that area. The Creekside TIRZ was created in 2007 and has seen significant increases in property and sales tax revenue since that time. In 2014, the TIRZ saw its largest percentage increase in property value from the previous year with a 117 percent adjustment upward.

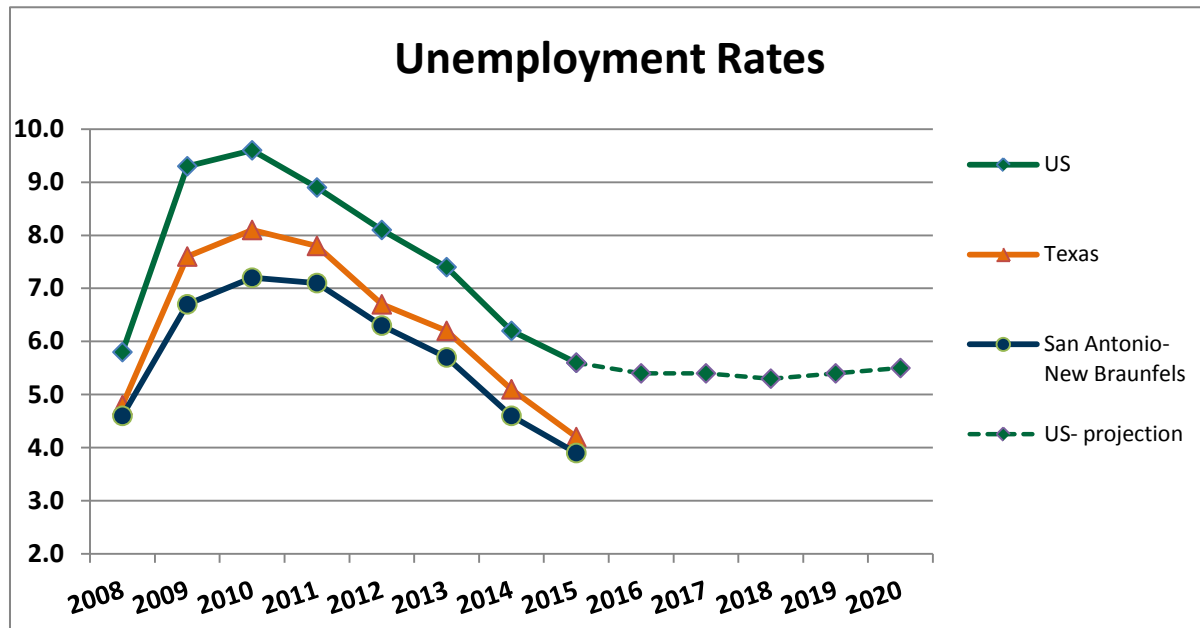


Unemployment

The unemployment rate represents the number of unemployed persons as a percent of the labor force. An unemployed person is defined as someone who is 16 years and older and has been looking for employment for at least four weeks. New Braunfels has consistently seen lower unemployment than that experienced in the nation and San Antonio MSA. Workforce Solutions Alamo recently reported that New Braunfels' unemployment rate fell to 3 percent in March 2015. It is reasonable to assume New Braunfels unemployment rates will continue to closely

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track that of the broader MSA, which has historically been below the nation's unemployment rate. The following graph shows the projected unemployment rates for the United States through 2020. The Texas and San Antonio-New Braunfels unemployment rates can expect to see a similar leveling off and stabilization at or below 4 percent.

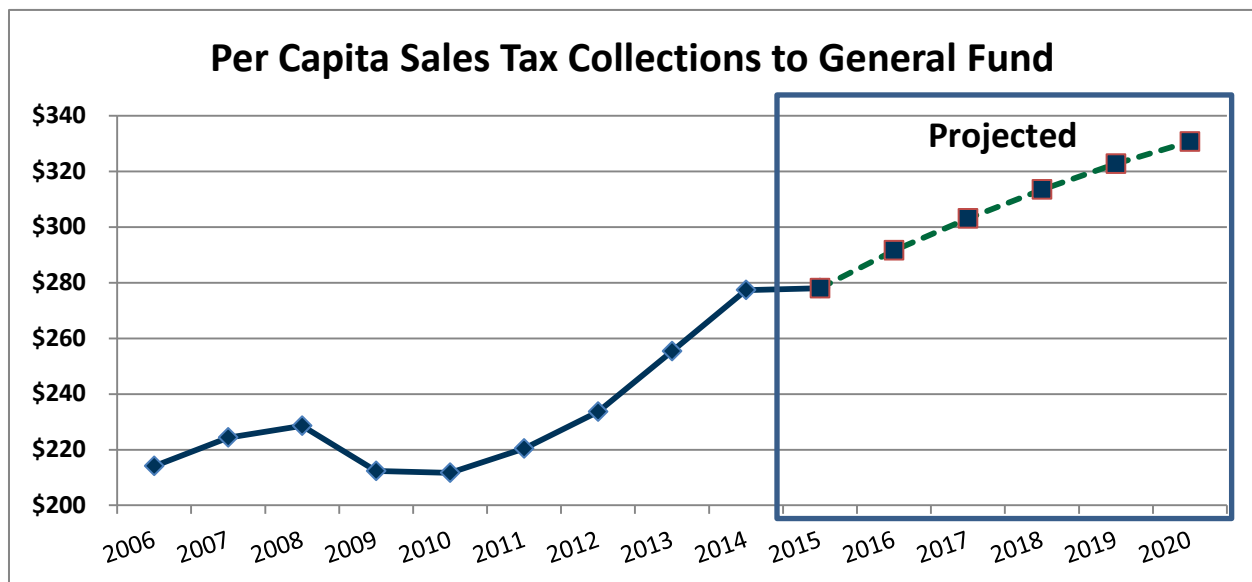
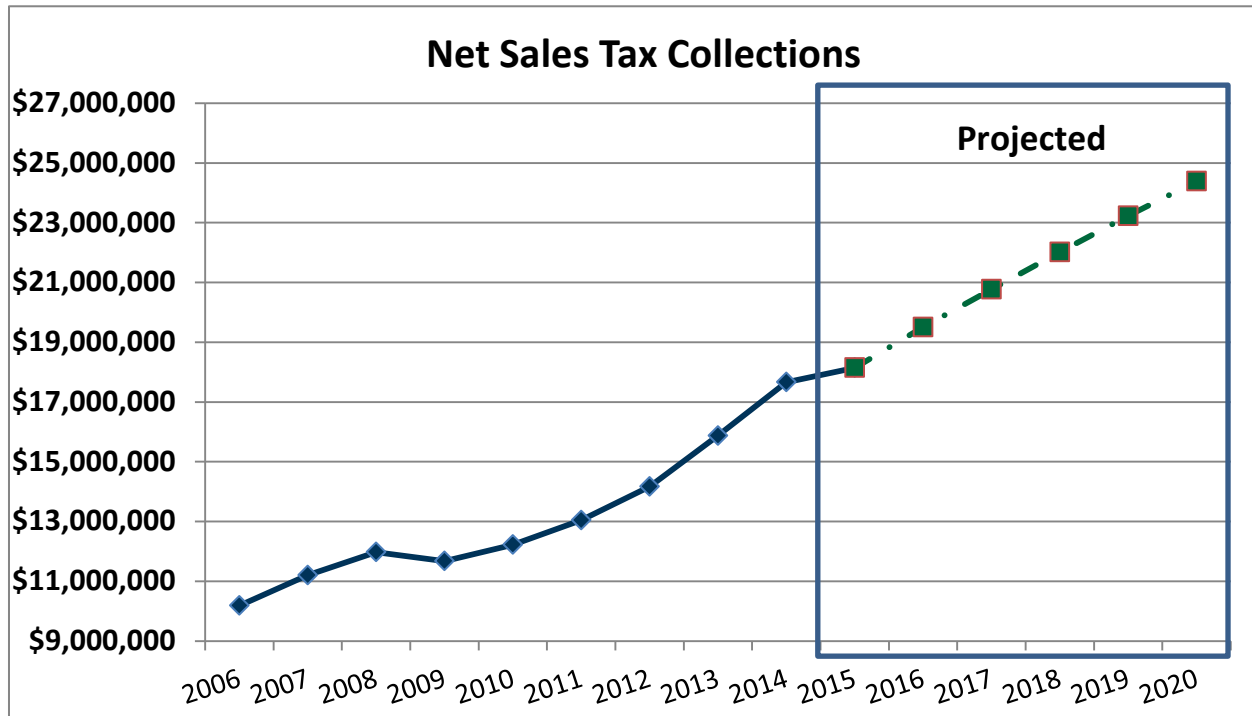


Source: Bureau of Economic Analysis, Texas Workforce Commission

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 ($2/3^{\text{rd}}$) 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 that food 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 a number of 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 a given year. These net sales tax collections have enjoyed relatively consistent growth except for the recession from 2008-2010. From 2006-2014, net sales tax collections saw a compounded annual growth rate of 7.1 percent. The forecast assumes 7 percent growth in FY 2015-16 with slower growth (one-half percent per year) through the end of the projection period (stabilizing at 5 percent annual growth by FY 2019-20).

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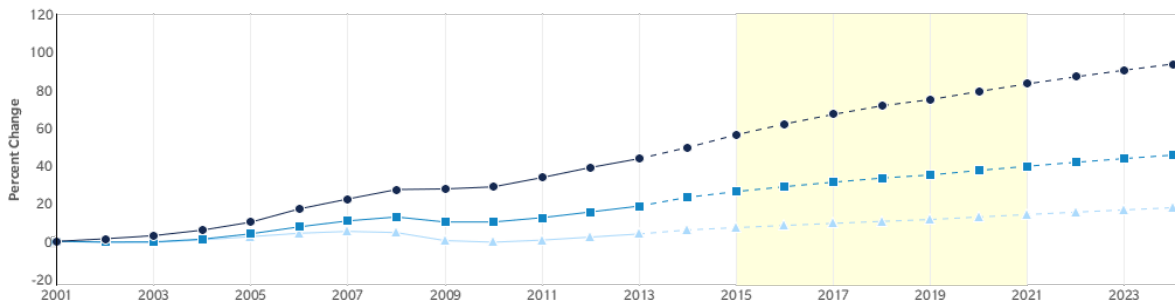


The chart above reflects the sales tax per capita collected in the General Fund for general governmental operations. Sales tax collections have historically increased at a rate faster than the annual population increase and CPI, which means that the community is reducing sales tax leakage. Sales tax 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. The most recent leveling of the rate per capita reflects the effects of state legislation that resulted in a New Braunfels area business to no longer report sales tax to the City.

Industry and Job Growth

Increases in job growth can be attributed to job creation from within the area or the migration of jobs to the region. In the New Braunfels region, job growth is expected to outpace that in the state and rest of the nation. The figure below provides projected data on the region's and New Braunfels percent change in total employment using 2015 as a baseline. Based on this data, New Braunfels should see an increase of approximately 2.7 percent in total jobs projections annually.

Regional Trends



	Region	2015 Jobs	2021 Jobs	% Change
●	Region	37,692	44,179	17.2%
■	State	13,250,802	14,655,750	10.6%
▲	Nation	155,566,488	165,589,625	6.4%

Source: EMSI, Courtesy of Chamber of Commerce

Industry Growth through 2021

The next table highlights the leading five industry sectors in terms of overall job creation in the New Braunfels area through 2021. Continued growth in the health care, retail trade and governmental sectors should lead to strong wage growth through the projection period.

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Description	2014 Jobs	2021 Jobs	Change	Change
Health Care and Social Assistance	5,166	6,893	1,727	33%
Public Sector	5,755	7,357	1,602	28%
Accommodation and Food Services	4,959	5,947	988	20%
Retail Trade	5,822	6,689	867	15%
Administrative and Support and Waste Management and Remediation Services	1,660	2,275	615	37%

Occupation Growth through 2021

The following table helps illustrate which occupations will have the largest increases through 2021. The table projects occupational growth in real terms and not those occupations with the largest percentage increases.

Description	2014 Jobs	2021 Jobs	Change	Change	2013 Average Hourly Earnings
Office and Administrative Support Occupations	5,561	6,771	1,210	22%	\$14.20
Food Preparation and Serving Related Occupations	4,871	5,953	1,082	22%	\$9.21
Education, Training and Library Occupations	2,718	3,627	909	33%	\$20.73
Healthcare Practitioners and Technical Occupations	1,943	2,583	640	33%	\$32.53
Personal Care and Service Occupations	2,108	2,633	525	25%	\$10.09
Building and Grounds Cleaning and Maintenance Occupations	1,628	2,037	409	25%	\$10.66
Healthcare Support Occupations	1,114	1,511	397	36%	\$12.37
Management Occupations	1,652	2,002	350	21%	\$38.69
Installation, Maintenance and Repair Occupations	1,639	1,978	339	21%	\$18.18
Business and Financial Operations Occupations	1,235	1,571	336	27%	\$28.92
Source: QCEW Employees - EMSI 2015.1 Class of Worker, Courtesy of Chamber of Commerce					

Summary

Over the five year forecast period, all the economic indicators evaluated show positive trends for New Braunfels with continued, albeit slower, growth in population, property values, commercial/business activity and spending power. It is important to note that these projections assume that the national and state economies remain in a growth mode without any recessionary forces. Analysis of the San Antonio New Braunfels-MSA relative to the national economy shows that the annual percentage change in regional GDP is, on average, 1.5 percent greater than the national GDP. It also demonstrates that the MSA's growth closely tracks the growth of the state. As long as the national and state economies shows signs of growth, this suggests that New Braunfels could project its economic growth to continue at a rate that is about 35 percent greater than the underlying trends in the national economy. However, we should continue to monitor economic trends as the economy is cyclical.

Infrastructure

Streets and Traffic

Aging streets infrastructure, accompanied by significant growth in the community, presents challenges for the City of New Braunfels (City). The maintenance and repair of the existing road infrastructure and expansion and construction of new transportation networks is important to the continued flow of people, goods and services in the community. Existing traffic and that generated by new development places added demands on the existing road and transportation network, which can result in the more rapid deterioration of streets and roadways and compound challenges in how traffic flows efficiently throughout the City. As the citizens have communicated, street maintenance and improvements and traffic are critical strategic issues and important to the city's quality of life.

There are approximately 323 centerline miles (measures the street length from the middle of the street) of streets currently maintained by the City. Street pavement surfaces typically have a design life of 20 to 25 years. Streets built in developments in the 1990's are now reaching the point where significant restoration is needed to maintain acceptable drivability. Many city streets and drainage facilities are much older, compounding the need for street restoration. In addition, there are streets across the City less than 20 years old that are in serious need of restoration.

In 2009, the City completed a comprehensive street assessment and survey. The rating of existing streets has been updated yearly and street repair projects are completed based in part on the findings of this data. For Fiscal Year 2014-15, the General Fund adopted budget has included \$1.7 million in funding to address Tier 1 projects which include routine street maintenance. Tier 2 projects are more intensive and generally require seal coatings or a mill and overlay treatment. The voters approved \$10 million in bond funds over 5 years (\$2 million annually) to address Tier 2 projects throughout the City. Tier 3 projects are full construction and/or reconstruction of existing or planned roadways. Tier 3 projects include – Walnut Avenue Widening project, Goodwin Lane, Morningside Drive and the Walnut Avenue extension to Klein Road - have been funded through debt issuances. With voter approval of \$37.5 million in general obligation bonds for street improvements in 2013, Tier 3 street improvement projects will be completed and include – Klein Road reconstruction, and Solms/Morningside/Rueckle Road. Even with this level of effort and funding, the current ten year capital improvement plan shows additional needs of \$118 million in all tiers to address current street and roadway needs.

Action Items completed/to be completed in FY 2014-15

- Completed a two year street maintenance and repair plan/schedule for yearly City-wide street improvement projects.
- Procurement of a new pavement management software program and an update to the street condition survey.
- All proposition one 2013 bond projects began full design development during FY 2014-15.

Reference to the 2014 National Citizens Survey for New Braunfels

	Percent Rating Positively		Comparison to Benchmark Cities	
	2012	2014	2012	2014
Street Repair	17%	25%	Much Lower	Lower

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 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.

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 program and watershed protection planning for the Dry Comal Creek and Comal River.

Under federal regulation, the City is required to address stormwater runoff that might affect water quality in its rivers and streams. These new federally mandated Municipal Separate Storm Sewer System (MS4) regulations became effective for New Braunfels in December 2014 and are

enforced by the U.S. Environmental Protection Agency (EPA) through the Texas Commission on Environmental Quality (TCEQ). The TCEQ approved the stormwater management program (SWMP), which was developed to implement specific control measures to regulate and address stormwater runoff. To meet the obligations of the MS4 regulations during the first year of implementation of the SWMP, the City is required to develop education/training programs for maintenance staff and inspectors, implement a public outreach program for community awareness, provide an inspection program for regulatory compliance and develop tracking and reporting processes to document compliance with state and federal regulations. The City is also required to improve treatment of stormwater runoff from both new developments and the redevelopment of existing properties. Throughout the program, City resources (existing and/or new) will need to be dedicated to this effort to effectively implement the required activities of the permit.

Action Items completed/to be completed in FY 2014-15

- Resources were included in the FY 2014-15 Operating Budget and Plan of Municipal Services to comply with MS4 requirements.

Flood Control

As evidenced by the flood of 2010 and other previous high water events, issues related to flood control continue to challenge the community. Currently the City is responsible for maintaining approximately 188 acres of drainage ways and associated appurtenances. 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.

It should be noted the City has augmented current resources, to abide by all MS4 regulations and/or assume the maintenance responsibilities of new City sponsored stormwater facilities. Current service levels as well as augmenting existing staff resources will continue to be evaluated as additional tasks come online.

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. Again, 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. The City should evaluate a comprehensive funding strategy to address drainage and flooding matters throughout the City. The continued reliance on the General Fund as the sole funding source, supplemented with debt, is difficult to sustain. Furthermore, utilization of General Fund and the City's debt capacity leaves little capacity for other high priority infrastructure projects.

Action Items completed/to be completed in FY 2014-15

- All proposition 2 capital projects are in various stages of design development.

Reference to the 2014 National Citizen Survey for New Braunfels

	Percent Rating Positively*		Comparison to Benchmark Cities	
	2012	2014	2012	2014
Storm Drainage	45%	53%	Much Lower	Similar

***Percent rating good or excellent**

Public Safety

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, officers would need to be utilized much differently. Rather than responding to every call for service from the public, other measures such as online reporting or self filing of minor offense reports could be implemented to allow personnel and resources to be directed towards proactive strategies which get to the root of the crime problems themselves. These types of measures may be looked upon unfavorably by some citizens who may believe that in-person response is appropriate regardless of the circumstances. Implementing measures that increase efficiency will enhance efforts towards proactive policing. However, the Police Department has indicated that 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 2014 National Citizen Survey for New Braunfels

	Percent Rating Positively		Comparison to Benchmark Cities	
	2012	2014	2012	2014
Crime Prevention	68%	71%	Similar	Similar

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 then 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.

Enhanced Gang and Narcotics Enforcement - We have noticed a dramatic increase in gang activity in New Braunfels. In partnership with the Comal County Sheriff and District Attorney, a partnership could be formed with these agencies 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.

School Resource Officer Program – School Resource Officer Program – The NBPD has evaluated the resources needed to implement school resource officers in the New Braunfels Independent School District. Placing five officers in the schools will improve rapport between the students, staff, faculty, and police. Additionally, the level of interaction between the aforementioned group would grow exponentially, resulting in a 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.

Comal County Auto Theft Task Force – NBPD has identified car burglaries (theft from contents, not necessarily the vehicle itself) as an activity that should have targeted intervention. A partnership with the Comal County task force would allow NBPD to aggressively patrol for those who are stealing from cars in the City. NBPD estimates that two additional officers would be required to implement this program.

Crime Free Multi-Housing – This program would create a partnership between the landlords of New Braunfels and the Police Department. The concept is that all renters in New Braunfels adopt a zero tolerance philosophy and share information on problem tenants. This program has been very successful in other Texas cities. Experience in other cities indicates that an active and successful crime free multi-housing program has the potential to reduce crime occurrences by up to 20 percent annually. It is estimated that three additional officers would be required to implement this program.

Other programmatic approaches may be identified as NBPD moves through the next five years. These provide high priority examples of the proposed programmatic approach to police resources. This approach also enhances the City Council and citizens' ability to connect changes in crime statistics to additional policing resources.

Using data to drive police policy decisions

The New Braunfels Police Department as a general practice has used calls for service and crime related data only on a limited basis in making decisions in deployment of resources. This was mainly driven by the limited data analysis tools provided by the previous dispatch software. The City has recently completed the implementation of new and upgraded dispatch software. The new system creates the opportunity for enhanced data analysis. In the future, the Police Department will utilize the data generated from the new system in an effort to deploy police resources more efficiently.

As stated, the New Braunfels Police Department has implemented a major technology enhancement and additional functionality continues to be added. In the past, the records management system had very limited capabilities. Legacy data was managed using citizen

volunteers, which resulted in inconsistent data entry and standards. Therefore, the older system is unable to generate accurate reports. This problem has been solved with the installation of upgraded system- known as Spillman, which went live in October of 2013. While the system is just beginning to collect data, the Police Department will eventually be able to track crime trends and patterns and deploy resources based on these trends and patterns. The new system will also provide analysis of the investigation progress. It could generate productivity reports on investigators to see what types of cases should be assigned to what detectives to maximize efficiency of Criminal Investigation Division resources.

Once a sufficient data set is established, police officers can be scheduled based on the forecast of the busiest days or weeks throughout the year. In addition, the traffic unit could have current and precise reports that determine the most appropriate areas of enforcement. Prioritizing cases could reduce the backlog of detectives' cases, speeding up the investigation process. All of these changes also present organizational and cultural challenges in the Police Department as the organization looks to establish and monitor data standards to ensure data integrity. The importance of data collection and maintaining its integrity becomes an even more important component of police work and will need to be instilled into all police personnel. Implementing these various strategies not only provides an opportunity to utilize existing resources more efficiently, but helps to preserve the \$1.2 million investment in the new system. Data driven deployment is a strategic issue that the Police Department will work to implement over the next several years.

Police - developing and enhancing partnerships

The New Braunfels Police Department (NBPD) has found that partnering with various local, state and federal agencies is helpful in providing law enforcement and education within the community. In fact, developing partnerships is one of the four priorities of NBPD. There are currently seven police officers assigned full time to various task forces such as the Comal County Narcotics Team and the FBI Safe Streets Task Force. However, there are opportunities with other City departments as well as additional outside agencies to develop partnerships that need to be explored. Communicating with these other groups and determining the most effective method of partnering is a strategy NBPD will use over the next several years.

Access to additional resources as well as increased levels of compliance are two potential outcomes of partnerships. For example, NBPD continues to pursue the establishment of a school resource officer program. A car burglaries partnership with Comal County could prevent much of this specific crime that is occurring by jailing the small number of offenders who are responsible for a significant portion of these crimes. Regional data sharing is another partnership that needs to be pursued. By sharing local data with neighboring jurisdictions like Schertz and San Marcos, any participating jurisdiction could take advantage of information in each other's

data systems that are currently not accessible. This will help to enhance safety for patrol officers and help to solve more crimes, as most criminals don't respect jurisdictional boundaries.

Grants are a potential source of funding for additional staffing resources to establish partnerships. Staff will continue to seek grant funding as a means of providing resources for new partnerships. However, staff will also coordinate and collaborate with entities such as the school district(s), Comal County as well as other City departments to determine what other partnership opportunities could be crafted with the use of existing resources.

Action Items completed/to be completed in FY 2014-15

- A Police Communications Coordinator was hired in FY 2014-15. This position will cultivate partnerships with various local and neighboring agencies.

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. New Braunfels Police Department (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.

The NBPD has now set an objective to hire individuals already certified as police officers. This reduces significantly the cost of training new employees. An individual not yet certified, once hired, faces six months of police academy training (\$35,000 cost for the academy plus salary and benefits during that time), then five months of on-the-job training (working with a field training officer) before becoming independent on patrol. This is a major investment in the new recruit. An already certified peace officer becomes independent on patrol in five months.

This emphasis on hiring certified police officers as well as searching for well qualified candidates makes recruitment even more challenging. The NBPD is exploring expanding its recruitment efforts to other states and other parts of Texas. In the past we have only recruited in our region, but we need to cast a wider net to get the best candidates. Other incentives to encourage certified police officers to choose New Braunfels could also be explored.

Action Items completed/to be completed in FY 2014-15

- The FY 2014-15 Adopted Budget includes a 40 percent implementation of a new pay plan based on current market data.
- In FY 2014-15, the new pay plan includes a \$3,000 signing/retention bonus for all new Police Officers.

- In FY 2014-15, a Police Officer referral program was implemented.

The Evolution of the Fire Department

The demand for New Braunfels Fire Department (NBFD) services continues to rise. The general public continues to evolve into a “911 society”. Currently, the Police Department handles all 911 calls that require law enforcement intervention; the Fire Department has the responsibility to respond to **all other** emergency calls. Responding to the myriad of emergencies has changed the focus and service provision of the Fire Department. 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 different types of calls outside the “traditional” responsibilities of providing fire/emergency medical (EMS) services include responding to and mitigating incidents involving hazardous materials, swift water rescues, dive team responses, motor vehicle accidents with entrapments, confined spaces and vertical rescues. Responding to all non-law enforcement emergency calls has changed the preparedness and resource needs of the Fire Department.

Currently, the Fire Department is developing a comprehensive three to five year plan to address and communicate community roles and expectations for service response. Specifically, this plan will address resource needs to meet the customer expectations as well as steps that need to be taken to maintain our Public Protection Classification Rating (ISO). The City of New Braunfels current ISO rating is a two which provides some of the lowest insurance premiums for property insurance. This rating affects residential and commercial properties.

Reference to the 2014 National Citizen Survey for New Braunfels

	Percent Rating Positively		Comparison to Benchmark Cities	
	2012	2014	2012	2014
Ambulance/EMS	93%	90%	Higher	Similar
Fire Prevention	78%	79%	Similar	Similar
Emergency Preparedness	66%	71%	Similar	Similar

Planning for the future capital needs of the Fire Department

Currently, the New Braunfels Fire Department (NBFD) serves the public from six fire stations. Over the last ten years, two new stations have been constructed and become operational. The ten year capital improvements plan calls for construction of one additional station as well as replacement of two existing, aged stations. Fire Station #2 and #3 are currently inadequate to meet the needs of the staff and the service demands from the citizens. In addition, a new station

is planned to be built in the Creekside shopping area. Both existing stations need to be demolished and new stations constructed. The estimated cost of constructing a new fire station is between \$2.5 million and \$3 million depending on the number of apparatus and staff to be housed. A strategy for funding construction of stations and staff (for the additional station) is an important issue for the City Council and community.

In addition to fire stations, the Fire Department's apparatus needs to be periodically replaced. Ambulances have a five year rotation for replacement of the "box" (where the equipment is housed and treatment is given) and ten years for the chassis. A completely new ambulance costs about \$205,000 currently. Fire engines and ladder trucks have a ten to fifteen year useful life and a cost between \$750,000 and over \$1 million. Currently, neither the ambulances nor the fire apparatus are part of the City's equipment replacement program, meaning the full funding needs to be identified to purchase any additional/replacement piece of fire equipment. Planning for these major acquisitions – structures and equipment – is a significant strategic issue for the City.

Action Items completed/to be completed in FY 2014-15

- An architect has been selected to assess fire station #1 structurally and provide recommendations to renovate the facility.
- An ISO Consultant performed an evaluation of the Fire Department, maintaining the City's ISO rating of 2 and provided a comprehensive report with recommendations on how to improve the rating.

Juvenile crime prevention

Municipal Court currently has a juvenile case manager and a robust teen court program, both providing services to the juveniles that interact with the court. The opportunity exists to expand the program to include assessments and other services described under the juvenile case manager statute to help courts rehabilitate juveniles and assist their families in dealing with troubled teens. The New Braunfels Municipal Court, to be a proactive, problem solving court for the community, needs to continue to develop the procedures and programs to help the youth in the community, provide them better information and help detect and prevent abuse, exploitation and neglect of juveniles, which leads to juvenile crime.

These types of programs and resources will aide in assisting the juvenile defendants in the following areas: be successful in completing court orders; change criminal behavior; participate in programs that provide life skills; be safer drivers; and have access to resources and programs that they might not otherwise experience. These programs will help the court to partner with the county juvenile probation department, county juvenile case manager and local schools to better assess and help the juvenile defendants seen by the New Braunfels Municipal Court.

As stated, the court is currently providing some resources; however, these services need to be expanded to adequately address the identified needs. The court needs to have the ability to more easily and effectively work with county juvenile criminal justice agencies. This can be achieved through improved technology, relationship building and communication. The Municipal Court judge and staff have also begun to work with the school districts to present information and programs to students of all ages – *before* they commit an act that brings them to the court. This program is in its infancy and needs to continue and grow. Also needed is the ability to develop programs that will rehabilitate juveniles and assist their families. Partnering with other City departments, particularly Police, Parks and Recreation and the Library, will leverage existing resources to increase services to this group of at-risk youth. The Municipal Court's initial efforts need to expand to continue the focus on prevention and reducing recidivism (committing another offense).

Integrating Municipal Court into the larger law enforcement system

Generally, courts are viewed only as the entity that punishes offenders. However, courts are an integral part of the community and, by their nature, have the ability to help solve community problems. They have various tools at their disposal including: case management practices and procedures; imposition of sanctions that will help rehabilitate defendants; coordinating with other criminal justice and law enforcement agencies to increase compliance with court orders and deter future crime; and providing services to individuals who are unable to afford or otherwise obtain a particular needed service. The New Braunfels Municipal Court needs to more fully participate with the county criminal justice system, and more effectively share information with the objective of preventing future criminal activity.

Technology can play a key role in supporting this effort. Sharing information among the various law enforcement agencies through technology will improve integration significantly. The New Braunfels Municipal Court may need to expand and/or update its technology to facilitate integration and provide accurate and more timely information to other criminal justice and law enforcement agencies as well as other court users.

The website is an important part of the court managing its cases because it will provide a means for jurors, witnesses and other law enforcement agencies to check on pending trials; for bonding companies to determine when their clients are required to appear in court; and for defendants to check appearance dates and obtain forms to help them comply with court orders. The enhancement of technology including the website, the continued cultivation of necessary relationships, and the development of new programs are essential to the court becoming a problem solving court and an active partner with other law enforcement agencies.

Action Items completed/to be completed in FY 2014-15

- The Municipal Court began conducting quarterly warrant round ups in FY 2014-15. These events are a collaborative effort between the NBPd and Comal County judicial system.
- Implemented on-line payment system (TrafficPayments.com).

Effective Management

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 that begins with the definition of the business problem that requires additional and/or replacement technology, followed by identification of the specific needs, a potential technology enhancement would need to address, ending with an analysis of all available products. Consistent 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.

The provision of voice services – and the accompanying opportunity for data services through cellular technology – also poses a challenge as the City's workforce continues to grow. The City's current land line infrastructure provides convenient customer service to the citizens. However, the hardware and software supporting that system is outdated and in need of a significant upgrade which also translates into a significant cost. The City needs to determine if

this is a wise investment given the rapid changes in the technology serving voice communication, the opportunities in cellular service, and the cost and the impact on customer service. This is also a significant technology strategic issue.

Action Items completed/to be completed in FY 2014-15

- The City has created an IT Director position (reclassification of an existing vacant position) who will be responsible for developing strategies for technology implementation.

Capital improvement program 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 (CIP) plan. 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 recently passed \$86 million bond program 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. As mentioned earlier, there had been minimal capital investment in the City's infrastructure prior to FY 2004-05, and even with the consistent investment over the past ten years, \$350-\$400 million dollars in identified, unfunded capital projects remain.

The City's Capital Improvement Program was last updated in FY 2011-12. In FY 2015-16, this planning document should be updated to confirm the existing project estimates and add any projects that have been identified since FY 2011-12.

Debt service capacity is created when debt is completely repaid, allowing the entity to issue additional debt without the need for additional tax revenue. Under the City's current debt structure and annual requirements, no significant debt service capacity is gained until FY 2019-20. Therefore, money for additional capital improvements will have to come from new tax revenue, alternative funding sources and partnership opportunities.

Updating the current capital improvement program and addressing unfunded, high priority capital projects is a strategic issue.

Address current unmet needs

With the rapid growth that occurred in New Braunfels from 2000 to 2010 (a population increase occurred during that period of 58 percent or 36,594 citizens), the City of New Braunfels as an organization concurrently added resources and expanded service delivery to meet the accompanying increased demand for services. However, since the economic downturn in 2008, additional staffing, operating and capital resources have only been added in service critical areas. Since 2010, the City's unmet needs list has grown to over \$10.7 million dollars and 50 positions. Working to address current and newly identified unmet needs to ensure services are maintained within continued financial constraints is a strategic issue.

The majority of current unmet needs are driven by increased demand for services. Adequate resources are a critical component of *promoting and encouraging a sustainable high-performing workforce and environment* as well as *maintaining an ongoing program to provide exemplary customer service*, which are both strategic priorities adopted by City Council.

Additional analysis needs to occur with all identified unmet needs that begin with a definition of the problem that requires additional and/or replacement resources, followed by identification of the services that would be negatively impacted should resources not be added. Moreover, management should evaluate alternative service delivery opportunities to ensure that efficiency is maximized when adding resources. If addressing unmet needs is not financially feasible, the City must analyze and evaluate potential service level reductions so that customer expectations can be established and met by existing resources.

Action Items completed/to be completed in FY 2014-15

- The FY 2014-15 Operating Budget and Plan of Municipal Services addressed various unmet needs (page 29-32 of the FY 2014-15 Adopted Budget Document).

Increased services 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 (such as the new

recreation center). 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 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 in FY 2014-15

- The FY 2014-15 Operating Budget and Plan of Municipal Service allocated resources in anticipation of maintaining the landscaping along Walnut Avenue and the operation and maintenance of Fischer Park.
- The forecast recognizes the potential operating cost impact of two projects: The Community Recreation Center and the development of a Sports Complex.

Adjusting fees to market rates

The City charges user fees for various services provided to the citizens. These run the gamut from alarm permit fees to pool entry fees to building permits and plans review to name just a few. The fees are intended to recover a portion – up to all – of the cost of providing the service. 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. Evaluating the existing fees and looking for appropriate areas to initiate new user fees is a strategic issue for the City.

As stated, many of the City's fees have been in place without change or reevaluation for many years. 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) to offset the cost of the service. Fees can be influenced by market factors as well as cost factors. They also represent an opportunity to mitigate property taxes as they serve as an alternative form of revenue.

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. Over the next several years, all the City's fees

should be analyzed and opportunities for new fees, where appropriate, should be presented for City Council consideration.

Action Items completed/to be completed in FY 2014-15

- In FY 2014-15, planning and community development user fees and processes will be analyzed and benchmarked.

Attracting and retaining a highly qualified workforce

In today's workplace, employees are staying with organizations that demonstrate *employee value* through actions. The consequences for those that fail to demonstrate employee value could be many, including such things as increased turnover, training costs, knowledge gaps as well as degraded levels of customer service delivery. As outlined by the mission statement, *to be responsive for those we serve*, investment in human capital programs is critical for the City to maintain and attract a talented workforce to serve internal and external customers. Therefore, how the City plans and implements competitive human capital programs in an effort to attract and retain a highly qualified workforce is a strategic issue.

A comprehensive program for rewarding employees, one with multiple strategies, not just salary adjustments, is a possible approach to attracting and retaining a highly qualified workforce. The foundation of the approach leverages five elements: (1) compensation, (2) benefits, (3) work-life balance, (4) performance and recognition, and (5) development and career opportunities. For the City of New Braunfels, the first step in a more comprehensive approach has begun with a salary survey process to identify the current market pay rate that exists among all City jobs, followed by the development and/or updating of the City's compensation philosophy and policies and procedures.

The City completed a market study in FY 2013-14 and created new pay plans based upon the data and recommendations by various employee committees. Fully funding this plan will require a multiyear strategy. However, compensation must always be evaluated on a number of variables, to include internal equity, benefits costs, legal and regulatory issues, merit increases for performance, and/or cost-of-living adjustments. An effective, comprehensive strategy should result in satisfied, engaged and productive employees, who in turn create desired business performance and results.

Action Items completed/to be completed in FY 2014-15

- A 40 percent phase-in of the new compensation plan, based on market data, was included and funded in FY 2014-15.

- Updating and implementing the City's compensation philosophy, policies and procedures is an on-going task in FY 2014-15.
- Identifying and implementing alternative employee recognition programs is an on-going effort in FY 2014-15.

Health Care: Impacts to health care legislation and managing rising costs

The Affordable Care Act (ACA) will play a significant role in the overall design and cost of the healthcare benefits package for the next few years. Starting in 2014, employers have been required to pay ACA fees over the course of a year and will continue to pay these fees annually. Additionally, there are IRS reporting requirements starting in 2015 which could create an additional cost to the city either by the need to purchase a new system and / or increase personnel in order to fulfill this requirement. Finally, in 2018, there is a Cadillac tax on benefits which the City will need to monitor in order to avoid paying this tax based on the overall cost of the benefit plan. The City needs to continue to evaluate the current health plan and adjust as necessary to avoid penalties and conform to all the ACA regulations.

Medical claims costs are also projected to continually increase. With the exception of one year, the City's claims cost experiences have not escalated as rapidly as the national average. The City has been managing health care costs through a combination of premium increases, plan adjustments and one-time contributions into the fund.

Along with plan design and premium costs, the City can consider other programs that can impact health care costs. Programs to consider include: wellness initiatives, smoking cessation assistance, and employer provided health screenings.

Retiree health care claims costs should also be closely monitored in the next several years. The City's retiree population is expected to grow and health benefits for this group will remain an important issue. Historically, retiree premiums have not fully paid the cost of retiree claims.

All these aspects of health care will remain important strategic issues to be addressed throughout the five year forecast period.

Space assessment - facilities

In 2008, the City completed a comprehensive assessment of the City's current facilities and the expected needs for the next twenty years. By and large, all the current facilities were judged by the outside consultants to be inadequate for current needs and unable to support expected future growth. This creates a need for new/expanded facilities as well as having an impact on current maintenance and repair costs.

The City Council has purchased a building for a new city hall and the process for renovation has begun. This will meet one important need. However, the public works/fire training facility that is currently under design does not have funding identified for construction which is currently estimated at \$15,000,000.

As City buildings and other facilities age, maintenance is also critical in providing a sustainable work environment that is safe, secure and cost effective. Federal, state and local regulations require defined levels of continued maintenance for mechanical building systems and accessibility.

As City staff is added to meet the demands of community growth, additional buildings and facilities will be needed. Funding these needs will remain a challenge and strategic issue over the next five to ten years.

Action Items completed/to be completed in FY 2014-15

- The New City Hall Complex is currently in full design development. Construction is estimated to be completed in the fall of 2016.

Airport Tower Funding

The Federal Aviation Administration announced plans last spring to close 149 contract air traffic control towers nationwide, including the New Braunfels Regional Airport, in an attempt to manage budget cuts caused by sequestration. Community leaders argued vigorously against the FAA's plans given the very serious impact that closing federal contract towers would have on aviation safety across the country. As a response to the outcry from all the communities affected by the possible closure of their towers, Congress approved and the President signed legislation to fund the contract tower program through September 30, 2014.

The New Braunfels Regional Airport faces the possibility that the federal government will not fund the contract towers beyond September 30, 2014. If federal funding dries up, the City will have to make a decision whether to continue to fund the tower operation with local resources or cease tower operations. Closing the tower would prove detrimental to the safety and the continued growth in operations of the airport. Aircraft operators could decide to utilize airports with a control tower, such as San Antonio International Airport. The annual cost to operate the tower is estimated at \$408,000, and could not be supported by existing airport revenues if federal funding were removed.

In the past, the City New Braunfels Industrial Development Corporation (NBIDC) funded the operating costs at the tower for a defined period of time. While the NBIDC is one option that could be pursued should federal tower funding be reduced or eliminated in the future, the City

should consider multiple funding strategies, both long term and short term in an effort to ensure the tower remain in operation.

Self supporting Airport Operations

The New Braunfels Regional Airport has experienced significant growth over the past five years. In addition, staff has made various efforts to increase the level and range of service provision at the Airport. As a result, aviation businesses in the region have shown interest in headquartering their businesses and increasing operations at the New Braunfels Regional Airport. This has increased both revenue to the Airport and expenditures as service levels have increased to meet demand. The Airport's business plan set the objective of the Airport achieving full financial independence – meaning that the Airport's revenues fully fund all operating, capital improvement and debt service costs. Over the last five years, the Airport had made great strides in achieving that objective; however, revenues are not currently sufficient to cover capital improvements or debt service costs.

Recent initiatives and infrastructure improvements have put the Airport in a position to generate enough business activity to financially support operations in the next three to five years. Yet, achieving financially solvent airport operations, while concurrently maintaining service levels and ensuring that existing and new infrastructure is properly maintained is a strategic issue.

As mentioned earlier, the Airport has experienced rapid growth in operations, and has benefited from several initiatives such as the construction of the National Flight Services Hangar and Sweetwater Aviation Hangar, runway lighting system replacement as well as the runway extension and overlay projects.

The Airport is now the sole provider of fuel, generating significant revenue to the Airport. New businesses generate lease revenue and or commercial activities fees. As the Airport continues to develop, the impact on revenues and expenditures must be explored for each new business. The Texas Department of Transportation (TxDOT) has been a very good partner with the Airport, funding major infrastructure improvements on the runways, taxiways and aprons. This relationship must be fostered to maintain TxDOT's active participation in Airport projects. The New Braunfels Industrial Development Corporation (NBIDC) has also been a great partner to the Airport, helping fund improvements and economic incentives to attract businesses. These partnerships are important to the Airport's future financial performance and business development. Attracting aircraft activity, fuel purchases and new business to the Airport are also critical factors in meeting the Airport's objective of being financially self sustaining.

Action Items completed/to be completed in FY 2014-15

- In FY 2013-14, the Airport did not require any funds to cover operations. The same outcome is anticipated for FY 2014-15.

Quality of Life

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 conservation and 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 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 should be developed. Implementation of a reuse water system to irrigate parks will assist with sustainability of open space. Riparian zones should be established, where appropriate, for sediment filtration along waterways. In addition, continued acquisition of parkland will be important as the city continues to grow and develop neighborhoods.

Action Items completed/to be completed in FY 2014-15

- Preliminary Engineering Report for Reuse Water Irrigation System for Parks completed FY 2014-15.
- Riparian areas will be established in Landa Park as part of Landa Park River Front Rehabilitation Project FY 2014-15.
- Riparian areas were established on Landa Park Golf Course during course renovation
- Landa Park Master Plan development scheduled to begin in FY 2014-15.
- Market Plaza Master Plan development scheduled to begin FY 2014-15.

Reference to the 2014 National Citizen Survey for New Braunfels

	Percent Rating Positively		Comparison to Benchmark Cities	
	2012	2014	2012	2014
Natural areas preservation	52%	54%	Much Lower	Similar

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 a 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. All of 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 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 and the new Recreation Center will contribute to this. The departmental registration software should be updated to allow for online registrations that will greatly enhance the convenience for families.

Action Items completed/to be completed in FY 2014-15

- Fischer Park Nature Center will open in FY 2014-15.
- Planning for a new Recreation Center is underway in FY 2014-15.
- Morningside Park construction will begin summer 2015.

Reference to the 2014 National Citizen Survey Results for New Braunfels

	Percent Rating Positively		Comparison to Benchmark Cities	
	2012	2014	2012	2014
Health and wellness	N/A	76%	N/A	Similar
Recreational opportunities	74%	72%	Much Higher	Similar
Fitness opportunities	N/A	64%	N/A	Similar

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 amount of usage in the 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.

Reference to the 2014 National Citizen Survey for New Braunfels

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

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 could be facilitated by moving more staff from part time (30 hours per week) to full time, allowing for some additional hours for training. Given the changes in health care laws that will require the City to provide medical insurance to employees working 23 hours per week or more, the cost to move to full time may be minimal. The addition of mobile services may also help address the outstanding service needs. The Library Foundation is working with the library to fundraise enough money to purchase a bookmobile. In the longer term, additional library facilities will be needed to maintain/enhance service levels.

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 literacy is becoming a part of the services provided by libraries. Cultural literacy includes, but is not limited to: assisting individuals to

utilize technology effectively, understanding what resources are available in a given community as well as 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 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 2014 National Citizen Survey for New Braunfels

	Percent Rating Positively		Comparison to Benchmark Cities	
	2012	2014	2012	2014
Public Libraries	90%	88%	Much Higher	Similar
Adult education	N/A	42%	N/A	Lower

Library infrastructure positioning and development

Current library facilities are inadequate to serve the library needs of the community as it grows. The recently completed 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 are 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.

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 \$17 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.” The estimated cost of this option is \$250,000 plus annual operating expenses.

Action Items completed/to be completed in FY 2014-15

- New Braunfels Public Library Foundation (NBPLF) is fundraising for a bookmobile. Operating costs are proposed to be funded by a Texas State Library and Archives grant which is renewable for two years after the initial year. The NBPLF has accomplished 66% of their \$230,000 fundraising goal.

Growth and Development

Major New Developments - Veramendi and the General Land Office Property

Growth in the community has rebounded significantly since the end of the recession. Specifically, in the next five years, staff expects an increase in demand for services associated with the Veramendi Development, a 2,400 acre master planned community. In addition, the 1900 acre General Land Office property is expected to develop in the next six to ten years. Developing a plan to ensure that the City can effectively provide development services for community growth generally, and Veramendi and the General Land Office property specifically, is a strategic issue.

The City expects to experience multiple impacts from Veramendi within the next five years. These include but are not limited to increases in building permits and inspections, platting and land use planning review, traffic analysis and code compliance. Moreover, development standards with Veramendi have been set higher than what exists within the City; therefore, review processes will require additional attention. In addition, the City’s contract with ESD #7 could be impacted based on increased services provided to the area. While development associated with the General Land Office property is not currently scheduled to begin within the next five years, staff will need to dedicate resources for negotiation, review and development of design standards.

Preparing for the increased demand for development services will likely require a multi-pronged approach. The first step will involve developing a detailed analysis of the actual impact to development services. Secondly, staff will look for opportunities for efficiencies and alternative service delivery such as avoiding any duplication of services, creation of a “one-stop shop” in the new city hall and privatization of certain procedures and tasks. Based on the review of impact and efficiency opportunities, augmenting the existing staff that plays a role in the development function should be evaluated. This comprehensive review of process and staffing resources will

allow staff to develop a plan to prepare for the increased service demand associated with major new developments.

Transforming the Customer Experience for Development Services

In the development process, facility limitations create inefficiencies with regard to customer service and the effective utilization of existing staff resources. Engineering, planning, building inspections, environmental health, and fire inspections all play a role in the development process. These five functions are currently located in three different locations. This creates internal and external confusion and difficulty at times for tracking and completing development related transactions. While the implementation of the citizen access portal through the land management software and the City's website will help to track development related information, co-locating and streamlining the development process for the customer is a strategic issue.

As the design process begins to develop the new city hall, staff and the design firm will need to pay close attention to co-location of development services. Consolidating the development related functions should improve the speed of service delivery, improve overall responsiveness, and integrate functions that are currently segregated. Moreover, consolidating these functions should create cost savings/avoidance due to the streamlining of operations.

Action Items completed/to be completed in FY 2014-15

- The New City Hall Complex is currently in full design development which will take into consideration proper and efficient customer service and interaction with the development community.

Community Vision for Development and Land Use 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. Departmental or initiative specific planning and strategizing does occur within the organization. However, the development and periodic update – with active community participation – of a long term, community vision for growth that specifically addresses the needs of the citizens and direction of elected officials is a strategic issue.

The City currently does not have a cohesive plan which can then be used to assist in: determining future zoning cases; park locations; capital improvement project prioritization; and establishment of policies for economic development and housing strategies. Currently, staff recommendations and eventual decisions made by elected officials are done individually and not in the context of a cohesive strategy that addresses all components of development.

Defining and documenting a community vision for development and growth would allow residents and elected officials to identify and respond to the changing community needs and desires using a cohesive resource for making development and land use related policy decisions. A potential strategy to develop a resource of this magnitude should include various efforts: establishment of a planning committee; updating of the profile and inventory of New Braunfels including history, culture, population, transportation, housing, environment and other resources; developing community surveys; completing a SWOT analysis (strengths, weaknesses, opportunities and threats); conducting visual surveys; and holding public input meetings.

Action Items completed/to be completed in FY 2014-15

- Funding was allocated in FY 2014-15 to begin the update to the City's Comprehensive Plan. Land use planning will be a component to the Comprehensive Plan update.

Reference to the 2014 National Citizen Survey for New Braunfels

	Percent Rating Positively		Comparison to Benchmark Cities	
	2012	2014	2012	2014
Land use, Planning and Zoning	42%	47%	Lower	Similar

Mobility and Connectivity

The City continues to see significant increases in commercial and residential development which in turn leads to increased transportation needs to allow citizens and visitors to move throughout the community and the region safely and efficiently. As existing infrastructure ages and development continues to occur, developing a plan to ensure mobility and connectivity is a strategic issue.

The City's population has increased at a greater pace than traffic and mobility improvements. The City currently lacks adequate traffic capacities, city-wide bicycle and pedestrian accessibility/connectivity as well as alternative modes of transportation from fixed route transit, commuter transit, facilitating park and ride options, and light rail alternatives (such as Lone Star Rail). Without developing new/expanded mobility alternatives to address the current and future needs of the community, there could be negative impacts to quality of life for citizens as well as a detrimental economic impact regarding potential business relocations and tourism.

Mobility and connectivity infrastructure enhancements require a significant investment over a long time period. Creating a sound plan as well as building joint funding partnerships plays a critical role in the development of mobility and connectivity enhancements. Existing ordinances

and development agreements should be evaluated to ensure that improved connectivity infrastructure is built into new developments as they occur as well as to foster the development of major density centers that promote new businesses. A phased plan for addressing public transportation opportunities, whether on demand or a fix route system should be developed that is based on the identified needs for New Braunfels residents and visitors regarding public transportation. Through a consistent and continuous review of the regional transportation plan, the City should plan and develop a unified roadway system of thoroughfares based on function and relative importance, providing a proper balance of arterials, collectors, and local streets. This is done through consistent and continuous review of the regional transportation plan and proposed development.

Action Items completed/to be completed in FY 2014-15

- There are several ongoing projects that will address mobility and connectivity such as the downtown pedestrian improvements (construction to begin in 2015) and the Landa Street Transportation Enhancement project (construction to begin in 2016).

Reference to the 2014 National Citizen Survey for New Braunfels

	Percent Rating Positively		Comparison to Benchmark Cities	
	2012	2014	2012	2014
Paths and walking trails	45%	53%	Much Lower	Similar
Travel by bicycle	25%	29%	Much Lower	Lower
Public transportation	N/A	14%	N/A	Much Lower

Airport Infrastructure Improvements

Over the last five years, 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, overlay of the second runway, as well as additional aprons and taxiways. With TxDOT, the City invests only \$1 for every \$9 contributed by TxDOT. The New Braunfels Industrial 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. With the acquisition of the New Braunfels Aero property, the Airport will take on a significant amount of new infrastructure. The property has various hangers and buildings that will require structural enhancements. The Airport's maintenance facilities have various structural and operational deficiencies. Managing the Airport's growth and associated need for new infrastructure and maintenance of existing infrastructure is a strategic priority.

Significant investment will be required to the existing hangars and others buildings that compose the entire NB Aero leasehold. The Airport will have to renovate these facilities to bring them to par with other Airport facilities that are available for lease. Maintained, safe and aesthetically pleasing facilities are essential to marketing hanger space at the Airport. If 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 resources 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 in FY 2014-15

- Runway 13-31 extension was completed
- The North Ramp hangars and buildings will be renovated
- New apron space for future construction of hangars will be completed
- The Airport entered into two new leases for the construction of hangars

TxDot transfer of road maintenance

TxDOT has proposed, state-wide, a “turn back” program where some state highways within a City could be turned over to the City for maintenance and operations. In the opinion of TxDot, benefits of a turn back program the ability to control driveway access, speed limits, on-street parking, road closures, and the ability to control maintenance scheduling that is more responsive to the needs of local residents and businesses. If the turn back program is implemented, there will be a significant increase in the number of lane miles of collector and arterial roadways becoming the maintenance responsibility of the City. This would, of course, have a significant impact on City resources as the cost of that maintenance is significant. Currently, this program is voluntary. However, TxDOT has brought up the program multiple times in the context of their investment in new/expanded roadways. The impacts if this program became mandatory are a strategic issue.

The City of New Braunfels currently invests about \$1.7 million annually in road maintenance and repair. This investment has to be prioritized across the existing 310 center lane miles of roadway for which the City is now responsible. If and when the program is implemented, it

would likely be a phased in approach. However, as roads are added to the City's inventory, additional resources would be required to meet the increase in responsibility.

Affordable housing

A long term, community wide strategic plan for affordable housing is critical for all municipalities, especially those that are growing at the current pace of New Braunfels. Currently, the City lacks a City-wide focused plan of promoting, attaining and increasing the affordable housing stock. Some initiatives have been implemented to promote affordable housing but an overall consensus of a strategic plan with specific action items has yet to be completed. The City recently obtained an affordable housing assessment grant and, as a result, created an Affordable Housing Task Force to address the issues through this formal assessment process.

The City Council has adopted strategic priorities that include fostering opportunities for affordable housing as a high priority under the long-term objective of quality of life. There needs to be a coordinated effort to determine the best practices and action steps needed to fully address the issue and meet this strategic priority. Affordable housing is an issue that impacts the entire community. Without affordable housing for those in the low to moderate income range, New Braunfels will either lose those seeking employment in the area or will force low to moderate income workers into other communities who will then either seek jobs in another community or be forced to commute for employment.

Defining and documenting a community vision and strategic plan for affordable housing will allow the City to increase affordable housing while directing the development of the community. A comparison of other municipalities' housing development plans offers insight into how a municipality can successfully promote certain types of housing in certain areas.

The preliminary plan forming through the Affordable Housing Task Force is to support efforts to enhance and increase affordable housing, advocate and provide input on affordable housing issues and initiatives, increase the inventory of affordable rentals, increase awareness for the issue, increase awareness of homeless issues and expand affordable housing options for special needs populations. These goals then need to be translated into action items that should be implemented to begin to address the affordable housing issue in New Braunfels.

Action Items completed/to be completed in FY 2014-15

- The New Braunfels Industrial Development Corporation and City Council supported three applications with resolutions of support and commitments of development funding during the last fiscal year. These applications compete against each other and others in the region for an allocation of Low Income Housing Tax Credits (LIHTCs). LIHTCs are a viable and

affordable method for communities to encourage the development of quality rental housing in their jurisdictions.

Reference to the 2014 National Citizen Survey for New Braunfels

	Percent Rating Positively		Comparison to Benchmark Cities	
	2012	2014	2012	2014
Housing options	58%	59%	Similar	Similar

Downtown hotel development

The presence of a convention center hotel has been identified as an unrealized opportunity for the community. The Downtown Implementation Plan and associated planning efforts corroborate the need to facilitate a hotel and mixed use development that could enhance the community's ability to recruit and serve multi-day conferences that would have a significant economic impact to the downtown area. Most of the city property will be available for such a development in the near future, but a question remains as to what exactly the community would like to see on the site and how it should engage with a development group to bring the project to fruition. A dedicated planning process to build support around a cohesive vision could result in a public/private partnership that would maximize the community benefit and revenue potential of the property long-term. Pursuing a public/private partnership for the site's redevelopment would combine the resources and expertise of the parties to make the project financially feasible, politically acceptable and to appropriately share in the risks and rewards of the project.

The City has received inquiries from groups interested in developing the property, and the thoughtful deployment of a public/private development partnership could yield exciting and transformative prospects for the entire community. Engaging with a development group before building consensus and understanding the risks and rewards of the project could result in the City not understanding the project enough to negotiate a fair and reasonable sharing of the risks, responsibilities, costs and economic return.

A clear vision and expectations for the development partner would allow the community to influence the project in a significant way and enhance the community's returns. In an effort to forge support for this project amongst all the stakeholders (Council, downtown, residents, etc.), the City and its partners should develop a comprehensive plan to redevelop the site. This would involve engaging the various stakeholders to understand the community's vision, evaluate the development and financing options, and formulate those ideas into a cohesive document that becomes the roadmap for what the City expects of its development partners. Once this planning

effort has been completed, the City can solicit proposals from developers with the capacity to undertake the project.

Action Items completed/to be completed in FY 2014-15

- The NBIDC will be asked to engage a firm in 2015 to complete a master plan for the current city hall property as a part of their strategic budget initiatives. This plan will serve as the framework for the development of a hotel on the property.

General Fund Expenditures

Baseline Expenditures/Current Level of Service and Programs

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: property tax, sales 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 others.

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 includes two schedules. The first looks at the financial position of the General Fund assuming that revenues grow throughout the period but that no additional programs or resources are added to the budget, growing only to reflect inflationary pressures. This schedule also assumes that all current programs are fully funded i.e. Equipment Replacement Program. This perspective assumes that ***the current levels of service are maintained throughout the organization and current programs are fully funded*** and is referred to as the "Baseline Expenditures". The second schedule and information shows the impact to the General Fund of costs associated with identified resource needs, program enhancements, compensation adjustments and is called the "Current Unmet/Identified Resource Demands". The revenue projections are the same on both schedules; only the expenditures change. The schedules show revenues, expenditures and fund balances for the General Fund over the next five years. 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.

Assumptions about the major revenue sources and expenditure growth (both from inflation and the identified needs for additional resources/funding) are explained in greater detail on the following pages. The following is a summary of major assumptions used to develop the Baseline Expenditures forecast. The Unmet/Increased Resource Demands forecast uses the same revenue assumptions described below. However, this schedule shows the impact of adding costs associated with new positions, compensation adjustments and other expenditures. These additional costs are also explained in greater detail in that portion of this document. It is important to note that these programs/resources/compensation adjustments have not been approved by City Council or officially 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.

Fund Balance

- The General Fund fund balance requirement (target fund balance) remains at the current target of 30 percent of operating expenditures.

The Baseline Expenditures General Fund forecast, the first schedule shows a surplus in fund balance throughout the forecast period. In FY 2015-16, the surplus is approximately \$2,042,000 and grows to \$30,216,000 by the end of the fifth year. ***It is important to remember that any commitment of funds made in FY 2015-16 will reduce the fund balance and surplus throughout the remainder of the forecast period.*** In fact, every dollar committed for recurring expenditures in FY 2015-16 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). In addition, that additional dollar must be spent each year thereafter, reducing available funds in all those years as well. The forecast that includes the Unmet Needs/Increased Demand of Municipal Services shows a different result. In FY 2015-16, the General Fund forecast shows a deficit of approximately \$4,066,000 which grows to \$15,229,000 by the end of the five year forecast period. The factors driving each of these forecasts are explained in this section.

The baseline expenditures in the schedule on the following page are 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, Fire Department and Municipal Court*
- Effective Management – *City Council, City Administration, City Attorney's Office, Human Resources, 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 Service and Programs

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
	Estimate	Projected	Projected	Projected	Projected	Projected
Beginning Fund Balance	17,468,894	16,261,271	17,521,791	21,289,937	27,484,526	35,673,907
Revenues						
Property Taxes	12,962,460	13,830,945	14,347,168	15,007,138	15,697,466	16,419,550
Sales Taxes	18,224,881	19,500,623	20,768,163	22,014,253	23,225,037	24,386,289
Other Taxes and Franchise Fees	8,162,200	8,472,364	8,794,313	9,128,497	9,475,380	9,835,445
Licenses and Permits	2,690,200	2,811,259	2,937,766	3,069,965	3,208,113	3,352,479
Fines and Forfeitures	1,041,075	1,065,019	1,089,515	1,114,574	1,140,209	1,166,434
Charges for Services	3,087,600	3,158,615	3,231,263	3,305,582	3,381,610	3,459,387
Parks and Recreation	1,296,350	1,326,166	1,356,668	1,387,871	1,419,792	1,452,447
Interfund Transfers	799,714	811,710	823,885	836,244	848,787	861,519
Miscellaneous	1,489,350	1,884,136	2,003,807	2,133,982	2,270,145	2,413,572
Total General Fund Revenue	49,753,830	52,860,836	55,352,548	57,998,106	60,666,541	63,347,121
Total Available Funds	67,222,724	69,122,107	72,874,340	79,288,043	88,151,067	99,021,028
Baseline Expenditures						
Infrastructure	5,762,305	5,657,941	5,749,205	5,845,962	5,939,507	6,039,638
Public Safety	27,486,997	27,764,499	27,458,198	27,457,938	27,821,353	27,940,738
Effective Management	6,206,577	6,269,135	6,350,062	6,431,296	6,510,020	6,594,206
Quality of Life	6,593,768	6,399,036	6,477,562	6,556,544	6,633,407	6,715,464
Growth and Development	2,742,506	2,740,406	2,744,075	2,669,037	2,691,195	2,714,649
Compensation Plan Implementation	1,869,300	1,869,300	1,869,300	1,869,300	1,869,300	1,869,300
Equipment Replacement Program	300,000	900,000	936,000	973,440	1,012,378	1,052,873
Total General Fund Baseline Expenditures	\$50,961,453	\$ 51,600,316	\$ 51,584,402	\$51,803,517	\$52,477,160	\$52,926,869
Ending Fund Balance	16,261,271	\$ 17,521,791	\$ 21,289,937	\$27,484,526	\$35,673,907	\$ 46,094,160
Target Fund Balance - 30%		\$ 15,480,095	\$ 15,475,321	\$15,541,055	\$15,743,148	\$ 15,878,061

General Fund Revenue Projections

The average annual growth in General Fund revenues during the forecast period is 4.95 percent. The table below reflects the projected annual growth in total General Fund revenues for each year during the forecast period. The higher revenue growth projection in FY 2015-16 is driven mainly by the property value growth projections as well as the impact from the revised non-annexation agreement with CEMEX. The major revenue sources included in this projection are addressed individually in this section.

Projected Total General Fund Revenues					
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Growth Rate	6.2%	4.7%	4.8%	4.6%	4.4%

Property Tax Revenue

Property tax revenue currently makes up 26 percent of all General Fund revenue. For the forecast, a 6.7 percent growth rate in property values is assumed for FY 2015-16. The growth rate is projected to be 4.6 percent for the remainder of the forecast period. This two part projection is based on an evaluation of recent (post economic downturn) net taxable growth. In addition, recent valuation of issued commercial and residential permits was analyzed. Additional analysis on projected valuation growth can be found in the economic benchmarks and outlook section of the document on pages 7-13. Property could grow at a higher or lower rate in any given year. However, the projections included in the forecast represent a conservative outlook for the next five years regarding net taxable growth.

Sales Tax Revenue

Sales tax currently accounts for 37 percent of the General Fund's revenue. It is the largest source of revenue to the fund and very dependent on economic conditions and consumer spending patterns.

With the exception of FY 2008-09, which was impacted significantly by the economic downturn, the General Fund has experienced consistent and often very strong growth in sales tax revenue from FY 2004-05 to FY 2013-14. This is a result of many factors including continued strong tourism and new development(s) such as the Town Center at Creekside.

The compounded annual growth rate in net sales tax revenue in the General Fund over the past ten years has been 8.5 percent. Net sales tax revenue represents the actual sales tax revenue that is deposited into the General Fund after any funds associated with economic incentive agreement(s) are removed.

General Fund Forecast

The table below reflects the sales tax growth rates included the General Fund forecast. During the last ten years, sales tax growth rates have varied significantly sometimes exceeding 10 percent (“double digits”) and in others dipping as low as -1.8 percent. The forecast projections regarding sales tax are designed to reflect steady growth, yet anticipating that the overall increase will begin to level out as there are no significant new developments in progress (construction). Developments such as Veramendi or others could impact sales tax growth during the forecast period if they were to begin generating economic activity.

Projected Sales Tax Growth Projections – General Fund					
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Growth Rate	7.0%	6.5%	6.0%	5.5%	5.0%

Franchise Taxes

Franchise taxes currently make up 18 percent of total General Fund revenue, the majority of which comes from New Braunfels Utilities (NBU). From FY 2004-05 to FY 2013-14 franchise taxes grew at a compounded annual growth rate of 5.6 percent. However, in recent history, FY 2009-10 to FY 2013-14, franchise tax growth has slowed to some extent to 3.8 percent. Therefore, the recent growth rate of 3.8 percent was utilized for projecting franchise tax revenue throughout the forecast period. NBU’s payment to the City is based on 16 percent of income net of all purchased power and debt service associated with the hydroelectric plant. Therefore, a significant portion of the revenue is dependent on water and wastewater activities. Water revenue is more volatile as it is driven by weather/rain. In FY 2014-15, the NBU franchise payment actually decreased from the prior year, directly resulting from drought conditions.

All other General Fund Revenues

The table below reflects growth rates for the 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. However, as a result of various policy decisions and recent fluctuations/variables that impact revenue collection figures, the long term growth rate history for fines and forfeitures, charges for services and parks and recreation did not provide a useful projection method. These revenues are, however, driven by citizens’ demand for the services. Therefore, these three specific revenue sources are projected to increase at 2.3 percent annually, which is the anticipated annual growth in population from FY 2015-16 to FY 2019-20. 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	4.5%
Fines and Forfeitures	2.3%
Charges for Services	2.3%
Parks and Recreation	2.3%
Interfund Transfers	1.5%
Miscellaneous*	4.2%

*Miscellaneous revenues have been updated to account for the revised non annexation agreement between the City and Cemex.

General Fund Baseline Expenditures

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. However, in FY 2013-14, most new positions were only authorized and funded for 75 percent of the fiscal year; therefore, employee expenditures were updated in FY 2015-16 to fully fund all new positions. To further clarify, no cost of living, merit or market adjustment compensation changes are included in the Baseline Expenditures during the forecast period. Employee Resources are assumed to remain at a level that supports current service levels only. The only increase in employee related expenditures included in the forecast relates to health insurance costs, which are adjusted for projected market increases in these costs (4 percent annually throughout the forecast period). It should be noted that as health care costs continue to rise and other provisions of the Affordable Health Care Act impact the City, the City will continue to evaluate plan design changes as well as opportunities for a shared approach to funding the increased costs between the employer and employee.

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 throughout the forecast period (between 2.57 and 2.68 percent throughout the forecast period). Therefore, the projections reflect current 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 five year financial forecast. In FY 2014-15, various 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. In addition, the allocated funds associated with leasing office space have been removed beginning in FY 2016-17.

Equipment Replacement Program

To deliver a structurally balanced budget in FY 2013-14 (recurring expenditures equal to recurring revenues), the equipment replacement program was suspended. The equipment replacement program provides funding for major equipment purchases (light vehicles, computer equipment and self contained breathing apparatus for the Fire Department) on a routine, consistent basis so that the funds are available when the purchase needs to be made. Annual contributions are made into a separate fund and then used to purchase the equipment when replacement is appropriate. 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.

In the Baseline Expenditures forecast, the program is assumed to be fully reinstated in FY 2015-16 and remains active throughout the forecast period. Full reinstatement of the program requires an additional \$600,000 in expenses to the budget in FY 2015-16. Additional information on the Equipment Replacement Fund and program can be found on pages 71-75.

Capital Expenditures

The only capital costs included in the Baseline Expenditures are those associated with current, approved initiatives such as the capital lease-purchase of a new fire engine and those associated with the equipment replacement program. For example, when police pursuit vehicles are replaced, equipment that is not permanently attached to the vehicle typically requires replacement such as the camera system and radar. Therefore, the cost of purchasing these capital items associated with vehicle replacement is included in the baseline expenditures. These costs have a notable impact on the baseline expenditures throughout the forecast, especially in FY 2015-16 (\$300,000). This is due entirely to the suspension of the program over the past two fiscal years, which has resulted in a large number of Police Pursuit vehicles that are eligible for replacement.

Interfund Transfers

In the baseline expenditures, interfund transfer funding remains at the current budgeted level (FY 2014-15). General Fund transfers to other funds to cover initiatives such as the support of the River Activities Fund and cash match for grants.

Baseline Expenditures General Fund Forecast Analysis

The baseline forecast demonstrates the City's ability to fund current resources at the current service level. It also shows that the City has some funding available for identified unmet/identified resource needs to meet the current and increasing demand for municipal

General Fund Forecast

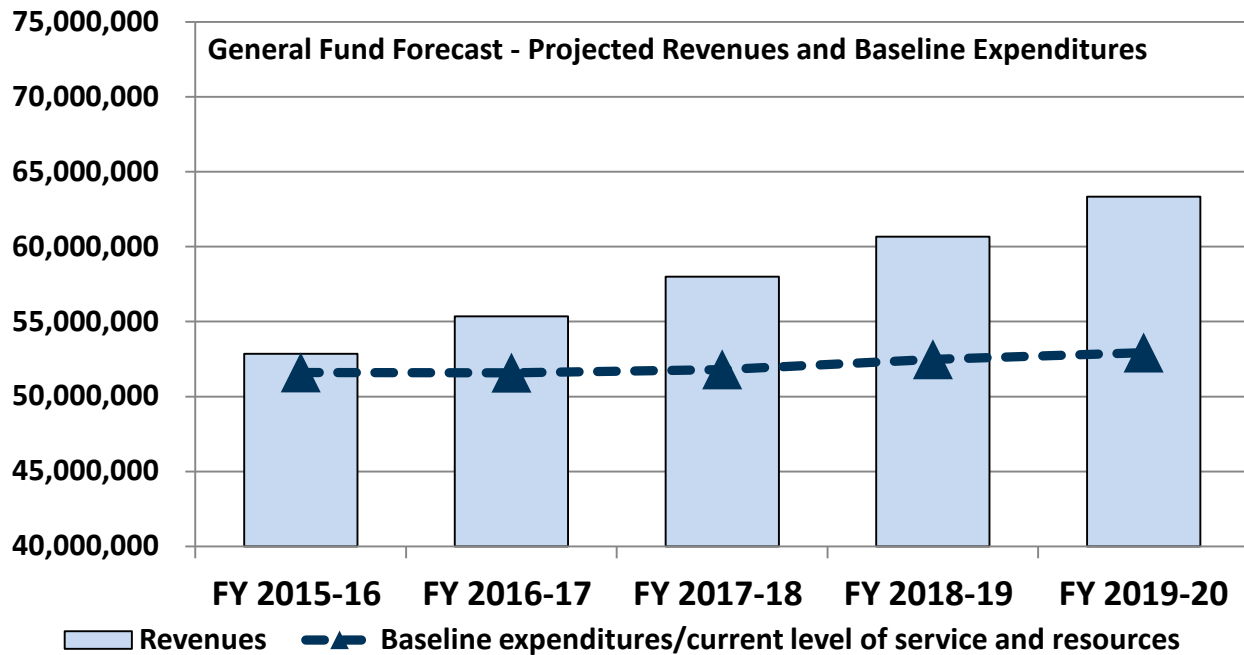
services. The table below reflects available funding (revenue minus expenditures) that could be allocated for additional resources and meeting reserve requirements throughout the forecast period. In addition, the table differentiates between available one-time funds (from carry forward fund balance in comparison to funds from recurring revenues. Both can be utilized when developing the FY 2015-16 budget; however, one-time revenues are recommended to be used only for one-time expenditures such as capital equipment purchases.

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

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. The FY 2014-15 Adopted Budget as well as the budget for several prior years has used a 30 percent fund balance requirement to protect both the City's financial stability and bond ratings (which determine the City's interest rate opportunities for debt issued). This means, in actuality, that every \$1.00 in expenditure added to the General Fund requires \$1.30 in funding to satisfy the current reserve requirement.

Available Funding for Additional Resources and Reserve Requirement					
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Available Recurring Funding For Expenditures and Fund Balance –Annual Surplus	\$1,260,000	\$3,770,000	\$6,190,000	\$8,190,000	\$10,420,000
One time Available Funds (from carry forward fund balance)	\$780,000				

General Fund Forecast



Current Unmet/Identified Resource Needs Forecast

The previous forecast projected baseline expenditures and assumed no change in service levels or resources throughout the forecast period. The Current Unmet/Identified Resource Needs forecast on the following pages reflects the cost of current identified resource needs to provide existing levels of service during the next five years. This forecast does not account for anticipated increased demands on municipal services, only those resources and needs that have been identified and quantified to an extent. During the forecast period, additional needs will be identified as service demands continue to increase. Once those needs are identified, they will begin to be recognized in the forecast and budget development process. ***The forecast on the following pages is not a policy or budget recommendation.*** It 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 Current Unmet/Identified Resource Needs forecast includes all the baseline expenditures included in that forecast and schedule (described above). 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.

- Compensation plan implementation/maintaining market competitiveness
- Step plan/performance pay increases
- Police staffing – current identified unmet needs
- All other departments staffing – current identified unmet needs
- Resources to staff and operate completed capital improvement projects (bond funded and others)
- Initiatives with one-time costs – current identified unmet needs

Fund Balance – The financial policies currently adopted by City Council require a minimum of 25 percent as the fund balance requirement in the General Fund. The FY 2014-15 Adopted Budget as well as the budget for several prior years has used a 30 percent fund balance requirement to protect both the City’s financial stability and bond ratings (which determine the City’s interest rate opportunities for debt issued).

The Current unmet/identified resource needs, shown in the schedule below, shows a deficit in fund balance throughout the forecast period. In FY 2015-16, the fund balance deficit is \$4,066,000 and it grows to \$15,229,000 by the end of the fifth year. 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 below.

General Fund Forecast

General Fund Forecast - Current unmet/identified resource needs

	FY 2015-16 Projected	FY 2016-17 Projected	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected
Beginning Fund Balance (adjusted)	16,261,271	12,823,556	9,713,188	7,062,799	5,198,748
Total General Fund Revenue	52,860,836	55,352,548	57,998,106	60,666,541	63,347,121
Total Available Funds	69,122,107	68,176,104	67,711,294	67,729,340	68,545,869
Total <u>Baseline</u> General Fund Expenditures	51,600,316	51,584,402	51,803,517	52,477,160	52,926,869
Adjusted baseline expenditures - Includes impact from <u>RECURRING</u> additional expenditures	51,600,316	55,098,601	57,464,367	60,070,987	62,184,366
Additional Annual Expenditures					
Compensation Plan Implementation					
Uniformed Employees	1,620,000				
Non-Uniform Employees	640,000				
Uniformed Personnel					
Step Plan/Maintaining Market Competitiveness	120,000	587,429	589,829	592,229	594,629
Non Uniform Personnel					
Pay for Performance increases/Maintaining Market Competitiveness	254,084	407,948	420,187	432,792	445,776
Police Staffing					
Officers	524,447	534,936	545,635		
Equipment	449,526	462,293	475,006		
Address current unmet needs - positions	355,668	366,338	377,328	388,648	400,307
Operating expenditures from CIP/Bond projects					
Community Recreation Center		250,000			
Sports Complex				250,000	
Address current unmet needs - One time capital and initiatives	734,511	755,371	776,144	795,936	817,247
Total - Additional Annual Expenditures	4,698,236	3,364,315	3,184,128	2,459,605	2,257,959
Total Expenditures - Adjusted for Additional Expenditures	56,298,551	58,462,916	60,648,495	62,530,592	64,442,325
Ending Fund Balance	12,823,556	9,713,188	7,062,799	5,198,748	4,103,544
Target Fund Balance - 30%	16,889,565	17,538,875	18,194,548	18,759,178	19,332,697
Fund Balance deficit	(4,066,010)	(7,825,686)	(11,131,749)	(13,560,430)	(15,229,153)

As stated, the forecast on the previous page is a recognition and inclusion of all costs associated with current/ identified resource needs by the organization, an estimated cost associated with market adjustment as well as annual step plan/performance pay increases, estimated staffing and other resources to operate/maintain capital improvement projects scheduled to come online during the forecast period and estimated one-time equipment/initiative resource needs associated with General Fund departments. This forecast is not a policy or budget recommendation. However, this section does represent the five year fiscal impact of the previously mentioned initiatives, should they be approved by City Council.

The following paragraphs briefly explain the assumptions and nature of the additional expenditures included in the Current Unmet Needs/Identified Resource Needs forecast.

Market Adjustments Implementation

In FY 2013-14, three employee committees (Fire, Police, and non-uniform) along with other City staff conducted a compensation evaluation and development of pay plans using a market survey. The study and data is made up of salary survey results from the list of City Council approved benchmark comparable Cities. The data from this study was utilized to develop an updated step plan for Fire and Police uniformed employees as well as an updated pay plan for all non-uniform employees. The total fiscal impact of the plan was approximately \$4,000,000. In FY 2014-15, a 40% funding strategy was implemented. The forecast assumes the remaining 60% implementation would occur in FY 2015-16. Actual implementation strategy will depend on a balance between available funding and other resource needs.

Step Plan/Performance Pay Increases/Maintaining Market Competitiveness

Annual step plan implementation, performance pay and potential cost of living compensation increases (maintaining market competitiveness) are also included in the forecast as additional expenditures throughout the forecast period. Uniform personnel are on an annual step plan. It is important to note that these costs are only deferrable (as long as the current plan is in place), not avoidable as they are based on time in position. The City has a pay for performance program for non-uniform personnel. However, funding has not been available for pay for performance increases since FY 2012-13.

Police Staffing – Current Identified Unmet Need

During the budget development process for the past three years, the Police Department has submitted a request for twenty-one additional patrol officers to meet current service demands. Eight additional officers have been authorized since FY 2012-13. The Police Department is working towards determining the total needed number of uniformed staff. For the forecast, an additional twenty-one officers are projected to be added over a three year period (seven hired each year), from FY 2015-16 to FY 2017-18. Strategies for meeting Police staffing can be developed from a programmatic/definition of service perspective, an opportunity described in a

strategic issue included in this document (see pages 23-24). This approach could provide a way to determine what service levels and programs should be prioritized and/or added.

Other Departments Staffing – Current Identified Unmet Needs

Thirty positions were requested to meet current service demands during the FY 2014-15 budget process, all of which are currently unfunded. These positions were requested across all General Fund departments and include positions such as: Volunteer Coordinator, Emergency Dispatcher, Quartermaster (Fire Department), Traffic Signal Technician, GIS Technician, Library Technical Services Clerk, Lead Accounting Technician, and a Sanitarian. For planning purposes, the addition of these thirty positions are projected to occur over a five year period (6 hired each year), from FY 2015-16 to FY 2019-20. A complete list of unmet needs can be found on pages 37-48 of the FY 2014-15 Adopted Budget document.

It is important to note that these position needs are required to meet current service levels. As mentioned earlier, increasing service demands will impact position needs throughout the forecast period as they are identified.

Resources to Staff and Operate Completed Capital Improvement Projects (bond funded and others)

In FY 2016-17, the Community Recreation Center is projected to be completed. Staff anticipates the need for additional resources to operate and maintain the facility. The additional resources are based on the City Council's recent 85 percent recapture rate target (revenues should equal 85 percent of operating costs). In addition, the projected costs of the recreation center take into consideration potential existing resources that might be moved to the new recreation center. \$250,000 is included in the forecast for this effort; actual costs will be refined as the project moved towards completion.

The 2013 Bond Program included land acquisition for a future sports complex. The NBIDC is moving forward with a strategy to fund various capital improvement projects that are tied to economic development and quality of life. The NBIDC highest ranked project is the construction of the sports complex. While the details surrounding operation and maintenance and fiscal impact of a sports complex have not been developed, \$250,000 has been added to the forecast in FY 2018-19 to serve as a placeholder while analysis/feasibility continues on the project.

One-time Costs – Current Identified Unmet Needs

Various non-personnel, non-equipment initiatives were identified by General Fund departments during the FY 2014-15 Budget process. These initiatives include, but are not limited to: Street sweeper and dump truck replacement, traffic signal preemption program, crime scene/evidence vehicle, strategic plan development for voice/data services, Dry Comal FEMA mapping services, a platform lift and storage enclosure at the library and various parks maintenance equipment. A

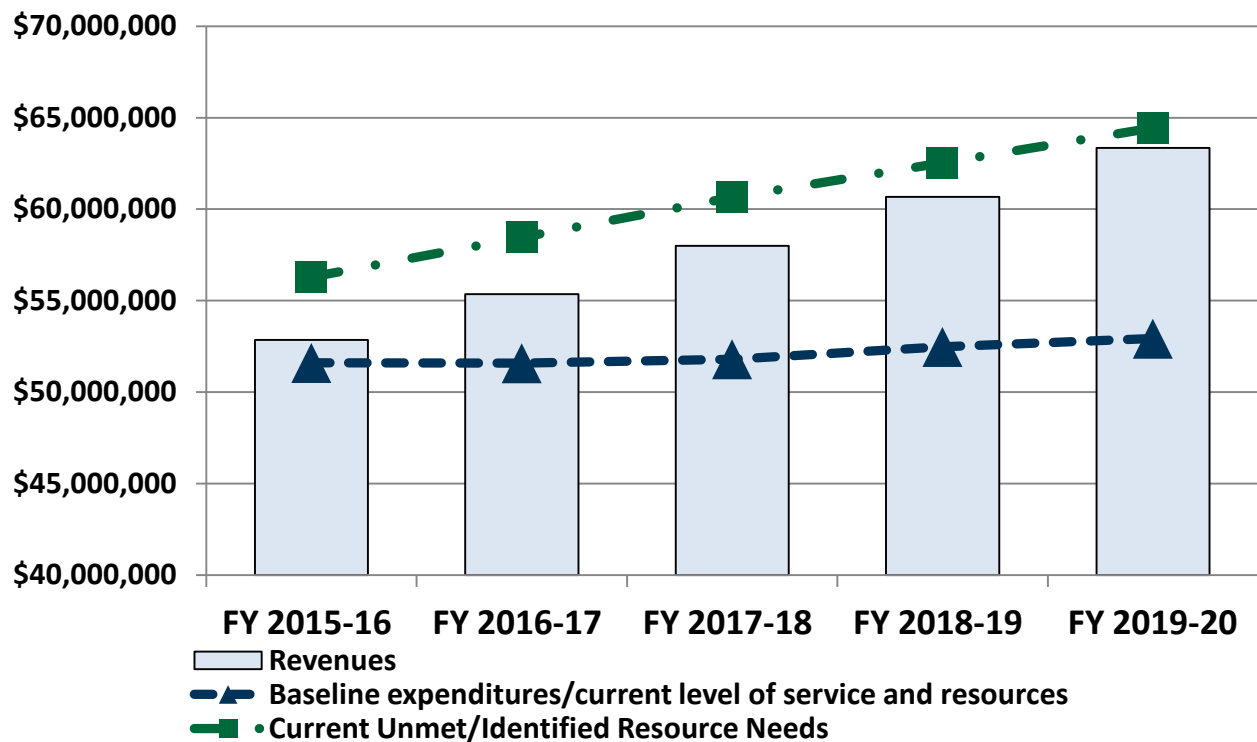
General Fund Forecast

complete list of unmet needs can be found on pages 37-48 of the FY 2014-15 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 – Current Unmet/Identified Resource Needs Forecast Analysis

The graph below compares the two General Fund forecasts – the one that reflects only baseline expenditures (current service levels), and the projected fiscal impact of including all additional expenditures described above. 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. In fact, funding is projected to be available to pay for some *but not nearly all* of the identified unmet needs – personnel, compensation adjustments and capital/equipment.

These unmet current needs, the compensation adjustments and the additional resources expected to be needed to meet current demands for service cannot be funded solely with growth from current revenue streams and sources.



Staff will continue to evaluate the service impact and justification of existing unmet needs as the proposed budget is developed annually.

Debt Service Fund Forecast

The City of New Braunfels issues bonds and certificates of obligation to fund needed capital improvement projects such as streets and drainage improvements, park improvements, library and fire station construction, civic/convention center renovations and additions, and other major projects. 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 below reflects the projected fiscal impact to the fund of the City's existing annual debt service expenditures (principal and interest on all outstanding debt) based on the following assumptions.

- The property tax rate to support debt service remains at the current rate of 22.0151 cents per \$100 of valuation throughout the forecast period
- Property values grow 6.7 percent in FY 2015-16 and 4.6 percent every year after.
- Other funds' support of debt service (Solid Waste, Airport, Golf Course, Hotel/Motel Tax and New Braunfels Industrial Development Corporation) remains at the current levels
- No debt refundings occur that would reduce the annual debt service requirement
- No additional certificates of obligation are issued during the forecast period
- The full remaining debt service commitment for the \$86 million in voter approved general obligation bonds will occur during the forecast based on the original projected cash flow requirements.

FY 2013-14	\$14.50 million
FY 2014-15	\$15.29 million
FY 2015-16	\$28.15 million
FY 2016-17	\$18.27 million
FY 2017-18	\$9.79 million

- The general obligation bonds are assumed to have a 20 year term with interest rates starting at 4.0 percent in FY 2016-17 and growing incrementally to 4.5 percent by FY 2018-19.

As the forecast shows, based on the assumptions delineated above, some but not all of the additional debt service from the planned debt issuances can be met by growth in existing and new property values. The forecast also shows that the Debt Service Fund at the current tax rate, cannot support the issuance of any other type of debt instrument to fund capital improvement projects.

As shown in the forecast schedule that assumes the tax rate remains the same (on the following page), the Debt Service Fund is projected to be in a deficit spending position in FY 2015-16 and would have a negative fund balance by FY 2016-17. The graph following the schedule illustrates the projected revenue in the Debt Service Fund as well as the anticipated debt service payments

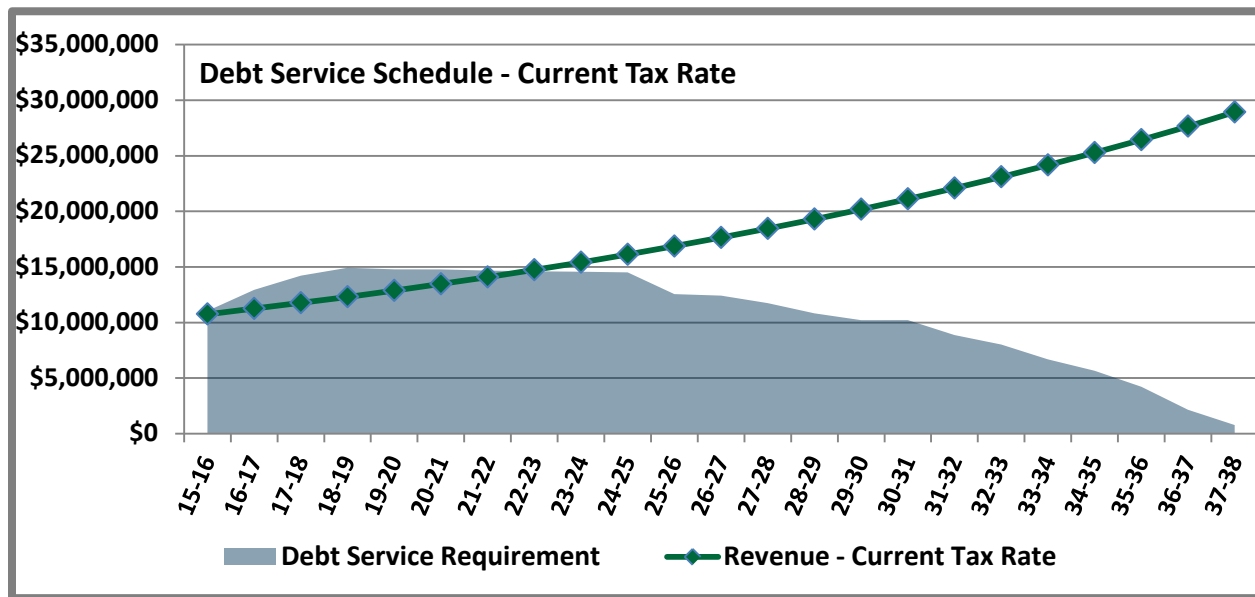
Debt Service Fund Forecast

(expenditures) over the forecast period should the debt service portion of the tax rate remain unchanged.

Debt Service Fund Forecast - Current Tax Rate

	FY 2015-16 Projected	FY 2016-17 Projected	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected
Available Funds					
Beginning Fund Balance	\$ 1,478,979	\$ 1,220,240	\$ (443,066)	\$ (2,867,629)	\$ (5,467,442)
Revenue					
Taxes	\$ 10,754,628	\$ 11,249,341	\$ 11,766,811	\$ 12,308,084	\$ 12,874,256
Interest Income	5,376	2,275	-	-	-
Contributions	1,684,428	1,683,078	1,384,115	1,140,188	1,145,388
Interfund Transfers	1,542,519	1,504,257	1,451,532	1,465,732	1,465,982
Total Revenue	\$ 13,986,951	\$ 14,438,951	\$ 14,602,458	\$ 14,914,004	\$ 15,485,626
TOTAL AVAILABLE FUNDS	\$ 15,465,930	\$ 15,659,191	\$ 14,159,391	\$ 12,046,375	\$ 10,018,183
APPROPRIATIONS					
Existing Debt Service	\$ 11,790,498	\$ 11,570,917	\$ 11,119,814	\$ 10,853,795	\$ 10,705,727
2013 Bond/City Hall CO Debt Service	2,455,192	4,531,340	5,907,207	6,660,022	6,660,672
TOTAL OPERATING APPROPRIATIONS	\$ 14,245,690	\$ 16,102,257	\$ 17,027,021	\$ 17,513,817	\$ 17,366,400
Ending Fund Balance	\$ 1,220,240	\$ (443,066)	\$ (2,867,629)	\$ (5,467,442)	\$ (7,348,216)
TOTAL APPROPRIATIONS	\$ 15,465,930	\$ 15,659,191	\$ 14,159,391	\$ 12,046,375	\$ 10,018,183

Debt Service Fund Forecast



The debt service portion of the City’s property tax rate in FY 2014-15 is 22.0151 cents. This rate is established to meet the City’s annual debt service commitment that is supported by property taxes (principal and interest payments on outstanding debt) for the current fiscal year. As the graph above illustrates, from FY 2015-16 to FY 2022-23, the current tax rate is not sufficient to fund the projected annual debt service requirements for existing debt as well as the remaining planned debt issuances. However, beginning in FY 2025-26, the City gains some significant “debt capacity.” Debt service capacity is created when a debt issue (one year’s certificates of obligation for example) is completely repaid, allowing the City to issue additional debt without requiring a rate increase or an increase in valuation. Until capacity becomes available, funds for additional capital improvement projects will have to come from new tax revenue and/or alternative funding sources.

During the development of the 2013 bond program, the Citizens Bond Committee, City Council and the citizens were informed that the tax rate increase needed to support the \$86 million dollars in debt issuances was estimated to be 8.8 cents over a five year period. This assumed annual average growth in property values of 3.0 percent. In FY 2014-15, the City Council authorized an additional \$5.5 million in Certificates of Obligation to proceed with the renovation of the City Hall complex. At that time, staff presented Council with an updated tax rate projection of 6.02 cents inclusive of City Hall renovation funds (\$91.5 million in total). Based on more current data regarding property values and updated projections for property growth, the revised estimated impact of the bond program is 4.250 cents. *This updated figure is an estimate based on a set of assumptions, the actual impact will change based on actual net taxable assessed property valuation figures.* This new estimate is based on projections of net taxable property growth of 6.7 percent in FY 2015-16 and 4.6 percent throughout the remainder of the forecast period. If property values increase at a different rate than what is projected in this forecast, the

Debt Service Fund Forecast

tax rate change needed to fund the \$86 million dollars in general obligation bonds will be different than 4.25 cents.

The schedule below represents the financial position of the Debt Service Fund if the tax rate is adjusted throughout the forecast period as the bonds are issued. The table that follows the schedule reflects the projected incremental tax increase requirements needed to support additional debt service as the bonds are issued throughout the forecast period, again based on a property growth of 6.7 percent in FY 2015-16 and 4.6 percent throughout the remainder of the forecast period.

Debt Service Fund Forecast - Adjusted Property Tax

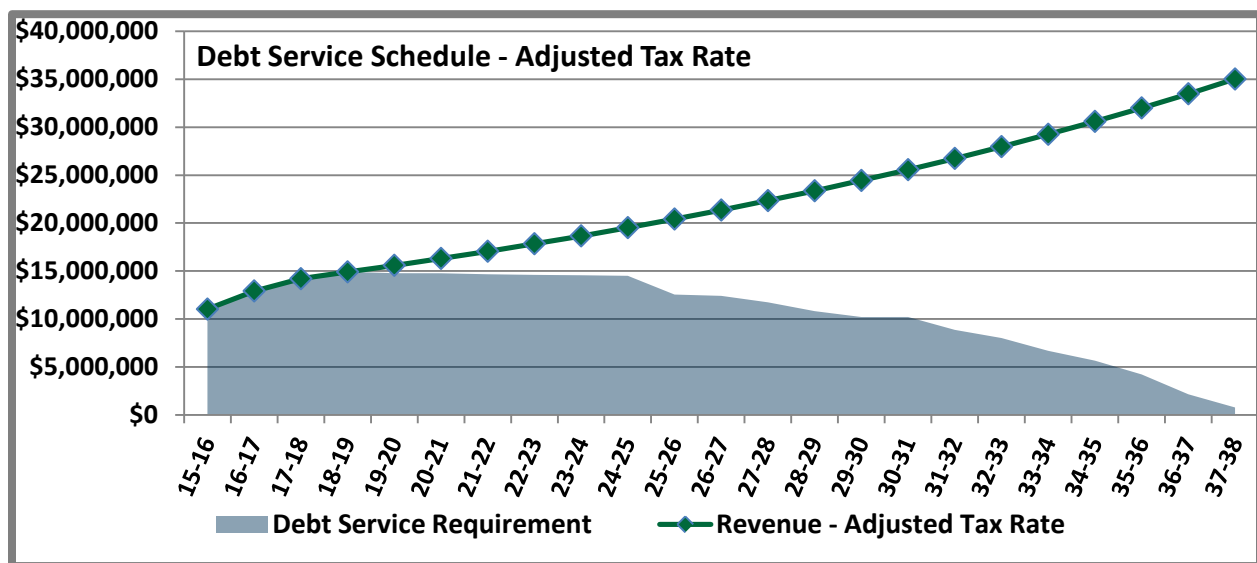
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Available Funds	Projected	Projected	Projected	Projected	Projected
Beginning Fund Balance	\$ 1,478,979	\$ 1,484,895	\$ 1,493,769	\$ 1,505,600	\$ 1,515,039
Revenue					
Taxes	\$ 11,018,743	\$ 12,914,922	\$ 14,191,374	\$ 14,902,572	\$ 15,588,091
Interest Income	5,916	8,874	11,832	14,763	22,682
Contributions	1,684,428	1,683,078	1,384,115	1,140,188	1,145,388
Interfund Transfers	1,542,519	1,504,257	1,451,532	1,465,732	1,465,982
Total Revenue	\$ 14,251,605	\$ 16,111,131	\$ 17,038,852	\$ 17,523,255	\$ 18,222,143
TOTAL AVAILABLE FUNDS	\$ 15,730,584	\$ 17,596,026	\$ 18,532,621	\$ 19,028,856	\$ 19,737,181
APPROPRIATIONS					
Existing Debt Service	\$ 11,790,498	\$ 11,570,917	\$ 11,119,814	\$ 10,853,795	\$ 10,705,727
2013 Bond/City Hall CO Debt Service	2,455,192	4,531,340	5,907,207	6,660,022	6,660,672
TOTAL OPERATING APPROPRIATIONS	\$ 14,245,690	\$ 16,102,257	\$ 17,027,021	\$ 17,513,817	\$ 17,366,400
Ending Fund Balance	\$ 1,484,895	\$ 1,493,769	\$ 1,505,600	\$ 1,515,039	\$ 2,370,782
TOTAL APPROPRIATIONS	\$ 15,730,584	\$ 17,596,026	\$ 18,532,621	\$ 19,028,856	\$ 19,737,181

Debt Service Fund Forecast

Tax rate requirement projections - 2013 Bond Program and \$5.5M City Hall CO's						
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	Total
Projected Incremental Tax Increase	0.0 ¢	0.21 ¢	2.679 ¢	1.258 ¢	0.103 ¢	4.25 ¢
Issuance Assumptions	\$14,500,000	\$20,790,000	\$28,150,000	\$18,271,000	\$9,789,000	\$91,500,000

The graph below illustrates the anticipated debt service payments (expenditures) as well as projected revenue in the Debt Service Fund over the forecast period should the debt service portion of the tax rate be increased at the rate the forecast shows would be needed to meet existing and general obligation bond debt service requirements. In addition, the graph below and table on the previous page illustrate, some debt capacity is available beginning in **FY 2019-20**. This capacity would provide City Council the option to issue debt at no tax rate impact to address unfunded capital improvement projects.

It is important to remember that none of the charts and graphs includes the issuance of any new debt during the forecast period other than the general obligation bonds. As discussed in the strategic issues section of this document, the City still has between \$350 million and \$400 million in unfunded identified capital improvement projects, even after the \$86 million in bond projects. These unfunded projects are not addressed in the forecast assumptions or analysis.



As can be seen in the graph above, in FY 2019-20, and increasing every year thereafter, debt capacity begins to develop. As mentioned earlier, debt capacity will provide the City Council the option to fund capital improvement projects without a tax rate increase. To fund new capital improvement projects earlier would require additional tax rate increases, higher property valuation than projected or alternative funding sources. There are several projects that are in various phases of development that require or may require some level of additional funding. The

following is not intended to be a complete list, but is recognition of several projects that have already been initiated to some extent by the organization.

Initiated projects that require additional funding

- Public works/fire training service center
- Fire station #2 design and construction
- Contribution to the water reuse project
- Westside pedestrian improvement project (matching requirement)
- Cemetery wall stabilization project
- Renovation of municipal court space for future use by the Police Department

Projects that may require additional funding

- Various proposition two projects (drainage)
- Repairs to North Tributary Flood Control Project
- Loop 337 expansion
- Land acquisition
- Transportation improvement projects

Equipment Replacement Fund

Equipment Replacement Program

City Council established the equipment replacement program in FY 2005-06 to create a funding source for light vehicle and computer equipment replacements that would smooth out the funding requirements for this equipment while ensuring replacement according to established criteria. Heavy equipment such as: fire apparatus, ambulances, street sweepers and loaders, etc are not included in the program. The criteria were set to provide reliable equipment for staff use and reduce the lifetime maintenance and repair costs. 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 occurs 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 because of the improved maintenance program. The staggered replacement also helped address the issue of the large percentage of the police fleet that was replaced in 2008 which would then all become eligible for replacement in one year. However, the equipment replacement program was suspended in FY 2013-14 and only partially reinstated in FY 2014-15; therefore the majority of the fleet will have met replacement criteria in FY 2015-16. The Fleet Manager and Finance Department will continue to evaluate the opportunity to keep vehicles in service past the eight year and/or 85,000 mile threshold if the condition and maintenance history warrants. This will help smooth out the **actual** vehicle replacement schedule and costs.

Technology equipment – specifically computers – had an original replacement schedule of three years which has now moved to four, again based on the actual experience of the computers being purchased. However, since FY 2013-14, Information Technology staff has only been replacing computer equipment on an as needed basis, due to the suspension of the program. Even with full reinstatement of the program, Information Technology staff will continue to evaluate the potential to keep equipment in service beyond the four year replacement criteria.

Contributions or revenue into this fund are determined by allocating one-eighth of the expected replacement costs (except for police vehicles being replaced at six or seven years) – less trade-in value (so that funding is available in the year the vehicle turns “eight”). The following equipment is currently supported by the equipment replacement program.

Approximate Current Value	
Light Vehicles	\$5,840,000
Self Contained Breathing Apparatus	950,000
Technology Equipment	1,250,000
Total	\$8,040,000

Equipment Replacement Fund

As mentioned earlier, In FY 2013-14, the equipment replacement program was suspended as a budget balancing strategy to develop a structurally balanced budget. This means that no contributions occurred in FY 2013-14 and only very select vehicles and computers were replaced. In FY 2014-15, the program was only partially reinstated. This allowed for a small number of vehicles to be replaced, all of which were above the age and mileage criteria of the program. If the program is not fully reinstated, there is a risk associated with allowing the fleet and technology inventory to age beyond the recommended useful life.

However, the Fire Department's self contained breathing apparatus (SCBA) contribution was made in FY 2013-14 and FY 2014-15. This equipment must be replaced in FY 2015-16, which is why this portion of the program was not suspended. This is critical life/safety equipment for the Fire Department.

Equipment Replacement Fund Forecast

The forecast below reflects the projected revenue, expenditures and fund balance in the Equipment Replacement Fund, assuming the program is fully reinstated in FY 2015-16 and remains active throughout the forecast period. The Equipment Replacement Fund is used to fund and purchase light vehicles, computer equipment and self contained breathing apparatus for any function/fund that is supported by the General Fund. The City's enterprise funds' equipment replacement program is accounted for in a separate fund. Currently, the equipment replacement program covers only light vehicles. Again, heavy equipment such as fire apparatus, ambulances, street sweepers and loaders, etc. are not included in the program due to funding constraints.

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

- Police pursuit vehicles remain on a staggered six, seven, eight year replacement schedule
- All other vehicles are replaced on an eight year replacement schedule
- Computer equipment is replaced at four years for desktops/laptops and seven years for network equipment (servers, switches, etc.)
- Full replacement of the Fire Department's self contained breathing apparatus is scheduled and accounted for in FY 2015-16.
- Annual contributions into the fund continue throughout the forecast period.
- Vehicles scheduled for replacement in FY 2013-14 and FY 2014-15 are all replaced in FY 2015-16.

Forecast Analysis

As stated, the forecast for the Equipment Replacement Fund assumes that the program is fully reinstated in FY 2015-16. If this occurs, the forecast shows that the fund will have sufficient resources available to purchase all equipment on schedule. Changes in the criteria for

Equipment Replacement Fund

replacement, low inflation and positive salvage values allow the contributions to only be adjusted for inflation to fund future purchases.

Equipment Replacement Fund Forecast

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Available Funds	Projected	Projected	Projected	Projected	Projected

Beginning Balance	\$ 4,362,723	\$ 1,568,906	\$ 1,559,030	\$ 2,330,629	\$ 2,343,908
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Revenue

Interfund Transfers	\$ 1,036,208	\$ 1,016,000	\$ 1,053,440	\$ 1,092,378	\$ 1,132,873
Sale of equipment	304,600	47,800	10,600	97,200	75,350
Interest Income	11,375	7,949	13,559	20,702	26,026

Total Revenue	\$ 1,352,183	\$ 1,071,749	\$ 1,077,599	\$ 1,210,279	\$ 1,234,249
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TOTAL AVAILABLE FUNDS	\$ 5,714,906	\$ 2,640,655	\$ 2,636,629	\$ 3,540,908	\$ 3,578,157
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APPROPRIATIONS

Technology Enhancements/Replacement	\$ 150,000	\$ 603,625	\$ 200,000	\$ 225,000	\$ 250,000
Vehicles					
Infrastructure	185,500		26,500		26,500
Public Safety	2,145,000	478,000		972,000	647,500
Quality of Life	477,000		53,000		26,500
Growth and Development	238,500		26,500		53,000
SCBA replacement	950,000				

TOTAL OPERATING APPROPRIATIONS	\$ 4,146,000	\$ 1,081,625	\$ 306,000	\$ 1,197,000	\$ 1,003,500
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Ending Fund Balance	\$ 1,568,906	\$ 1,559,030	\$ 2,330,629	\$ 2,343,908	\$ 2,574,657
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TOTAL APPROPRIATIONS	\$ 5,714,906	\$ 2,640,655	\$ 2,636,629	\$ 3,540,908	\$ 3,578,157
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Equipment Replacement Fund

Vehicle Replacement

The forecast assumes that all vehicles that were scheduled for replacement in FY 2013-14 and FY 2014-15 will be replaced in FY 2015-16. All other vehicles and the associated costs are reflected in the forecast period in the year they are scheduled for replacement. The table below reflects the number of vehicles that are scheduled for replacement and their approximate total cost.

Vehicle Replacement Schedule		
Fiscal Year	Number of Vehicles	Approximate Cost
FY 2015-16	92	\$3,046,000
FY 2016-17	12	478,000
FY 2017-18	4	106,000
FY 2018-19	24	972,000
FY 2019-20	23	753,500
Total	155	\$5,355,500

As the table shows, a large portion of the fleet is scheduled for replacement in FY 2015-16. This occurs for two reasons. First, only select replacement vehicles were purchased in FY 2013-14 and very few were replaced in FY 2014-15. Also, the program was initiated in 2006 and most of the City's fleet was replaced soon after in 2008. Prior to the equipment replacement program, there were departmental fleets that averaged over fifteen years old. Fleets of that age create significant maintenance issues and inefficiencies; they also impact the ability to provide services effectively and safely.

Policy Consideration

As mentioned earlier, the Fleet Manager and Finance Department will look for opportunities to keep vehicles beyond the age and mileage replacement criteria when developing the FY 2015-16 Budget. This will be necessary to try and level off the replacement schedule and associated costs.

Technology Equipment

The technology equipment supported by the replacement program includes: desktop computers and laptops, servers, plotters, mobile data terminals for police pursuit vehicles and various other network management related equipment. Like the vehicles, due to positive experience with the useful life of desktop computers, replacement criteria were extended from three to four years in FY 2011-12. In FY 2016-17, the mobile data terminals (MDT's) that are installed in every police pursuit vehicle are scheduled for replacement. This specialized equipment represents a significant technology investment for the City and is estimated to cost approximately \$429,000 when replaced.

Policy Consideration

As with the light vehicle fleet, the technology staff will evaluate the condition of all equipment prior to replacement. Technology equipment that is in good working condition and capable of performing the necessary processes will likely be kept longer than the four year replacement criteria as outlined in the policy.

Self Contained Breath Apparatus (SCBA)

As mentioned earlier, the Fire Department's self contained breathing apparatus (SCBA) are supported by the equipment replacement program. The SCBA's are scheduled for replacement in FY 2015-16 at an estimated cost of \$950,000. This critical Fire Department life/safety equipment (used by the staff when fighting fires) has a useful life of fifteen years. Therefore the next potential SCBA complete replacement will likely not be necessary until FY 2030-31.

Expansion of the Equipment Replacement Program

As stated, the equipment replacement program currently does not include heavy equipment – ambulances, fire trucks, Public Works street equipment, or Parks dump trucks. Funding has not been available to add this equipment to the program. The forecast assumes that this equipment does not become part of the program over the next five years. However, the equipment replacement program strategy is recommended to be applied to heavy equipment as well, as funding becomes available.