

City of Commerce Budget in Brief FY 2023



YOUR CITY COUNCIL



**Mayor
Teddy Reel**
Teddy.Reel@commercetx.org



**Mayor Pro Tempore Place 1
Anthony Henry**
Place1@commercetx.org



**Place 2
Beckey Thompson**
Place2@commercetx.org



**Place 3
Stephanie Muller**
Place3@commercetx.org



**Place 4
Jim Ayres**
Place4@commercetx.org

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COUNCIL PRIORITIES ISSUES

Early in the FY23 Budget process, City Staff met with the City Council to discuss priorities & issues that they wanted to be addressed with the budget. The following outlines those items that are in the FY23 Budget in response, in no specific order.



Develop long-term strategic plan



Improve communication



Review & Improve process & procedures for Community Services



Build youth sports program



Increase new investment & economic development



Diversify & Evaluate possible revenue streams



Create an infrastructure improvement plan



Retain & Attract public safety staff with competitive pay



Removal of surplus equipment

FY 2023 PROPERTY TAX SUMMARY

Commerce Property Tax Rate (per \$100 Taxable Value)

	FY 2022	FY 2023	Difference
Operating Rate	\$0.602703	\$0.552469	\$-0.050234
Debt Rate	\$0.217297	\$0.216857	\$-0.000440
Total Tax Rate	\$0.820000	\$0.769326	\$-0.050674

Total Taxable Valuation

$$\$510,963,460 \times \$0.769326 / \$100 = \$3,930,974$$

Estimated Collection Rate of 98%

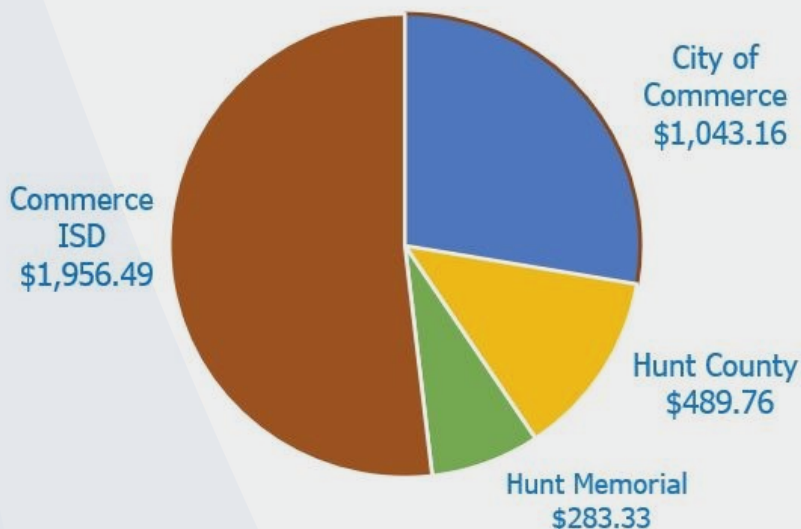
Budgeted Revenue for all Property Tax
\$3,852,249

Revenue to cover Operating Expenses
\$2,766,456

Revenue to cover Debt Payments
\$1,085,793

The average single family home appraisal
\$135,594

TOTAL TAX PAID ON AVG. HOME \$3,772.73

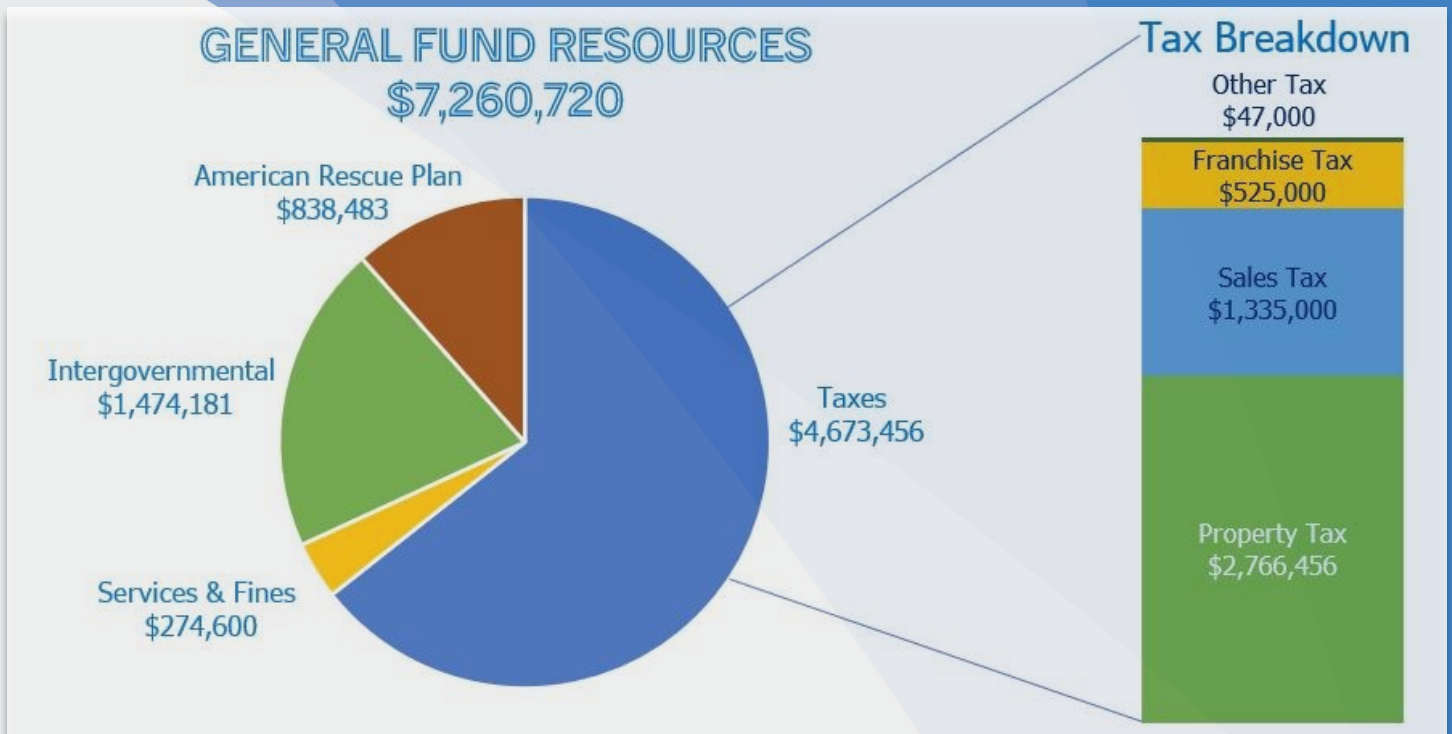


What does this mean?

In order for Commerce to get \$500K more in revenue, we would need to increase our property tax rate by \$0.10 compared to our surrounding cities.

Regional Cities	2020 Population	Tax Value per Capita	2022 Net Taxable Value	\$0.01 Tax Rate	\$500,000 Revenue
Commerce	9,090	\$ 56,211	\$ 510,963,463	\$ 51,963.46	\$ 0.10
Greenville	28,164	\$ 94,996	\$ 2,675,487,860	\$ 267,548.79	\$ 0.02
Sulphur Springs	15,941	\$ 77,964	\$ 1,242,818,631	\$ 124,281.86	\$ 0.04
Paris	24,476	\$ 99,014	\$ 2,423,466,605	\$ 242,346.66	\$ 0.02
Melissa	13,901	\$ 149,626	\$ 2,079,961,830	\$ 207,996.18	\$ 0.02
Princeton	17,027	\$ 127,707	\$ 2,174,479,673	\$ 217,447.97	\$ 0.02

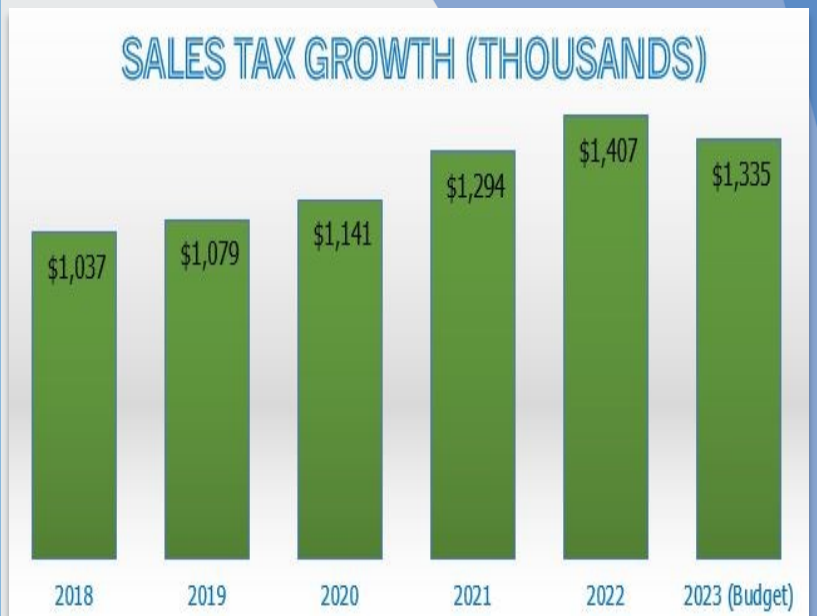
FY 2023 GENERAL FUND RESOURCES



American Rescue Plan & Commerce

- ⇒ A portion of funds will be used to replace lost Revenue. Based on a calculation provided within the Final Rule.
- ⇒ The largest portion of funds will be used to provide a "Premium Pay" for public safety staff for a second year. The City has decreased this amount by about a third and increased base wages. The City will do the same in FY 2024 with the intention of having base wages absorb all premium pay by FY 2025.

Over the last 5 years, the City has seen an average of an 8% increase in the Sales Tax it receives from local stores and online purchases.



To learn more about the American Rescue Plan (Coronavirus State & Local Fiscal Recovery Funds) visit:
www.treasury.gov/SLFRP

FY 2023 GENERAL FUND EXPENDITURES

The General Fund Operating Budget is used to pay for a multitude of city services and its employees. The breakdown per department is demonstrated below.

2022 Budget

\$6,661,645

2023 Budget

\$7,151,524

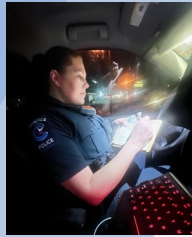
7.4% Overall Budget Increase

Police & Dispatch Services/ Court

2022 Budget	2023 Budget
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\$2,247,263	\$2,413,362
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34% of operating budget



Fire & Emergency Services

2022 Budget	2023 Budget
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\$1,302,678	\$1,430,552
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20% of operating budget



Administration/ Finance

2022 Budget	2023 Budget
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\$845,766	\$952,971
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13% of operating budget



Government Affairs/ City Council

2022 Budget	2023 Budget
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\$600,750	\$629,089
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9% of operating budget



Public Works Department

2022 Budget	2023 Budget
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\$612,930	\$633,981
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9% of operating budget

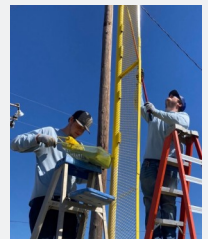


Parks & Recreation/ Library

2022 Budget	2023 Budget
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\$464,755	\$498,134
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7% of operating budget



Community Development

2022 Budget	2023 Budget
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\$404,600	\$393,838
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6% of operating budget



Animal Control

2022 Budget	2023 Budget
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\$182,902	\$199,592
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3% of operating budget



FY 2023 GENERAL FUND BALANCES

Fund balance is **an accumulation of revenues minus expenditures**. Fund balance can be used in future years for purposes determined by City Council. Per the City's Fund Balance Policy, the General Fund Unassigned Fund Balance shall strive to maintain an amount equal to a minimum of 25% and a target of 35% of the general operating budget to avoid cash-flow interruptions. Unassigned fund balances shall be used only for emergencies, non-recurring expenditures, major capital purchases that cannot be accommodated through current year savings, and as designated by the City Council. Standard practice is to have 90 days of reserves on hand.

As of FY 2021 (which is the most recently completed audit) the fund balance was 40.77% of the operating budget, or 160 days of reserves on hand.

⇒ Unassigned: Includes all spendable amounts

⇒ Assigned: Represents an amount the City intends to use for a specific purpose but is not restricted by law or existing contract

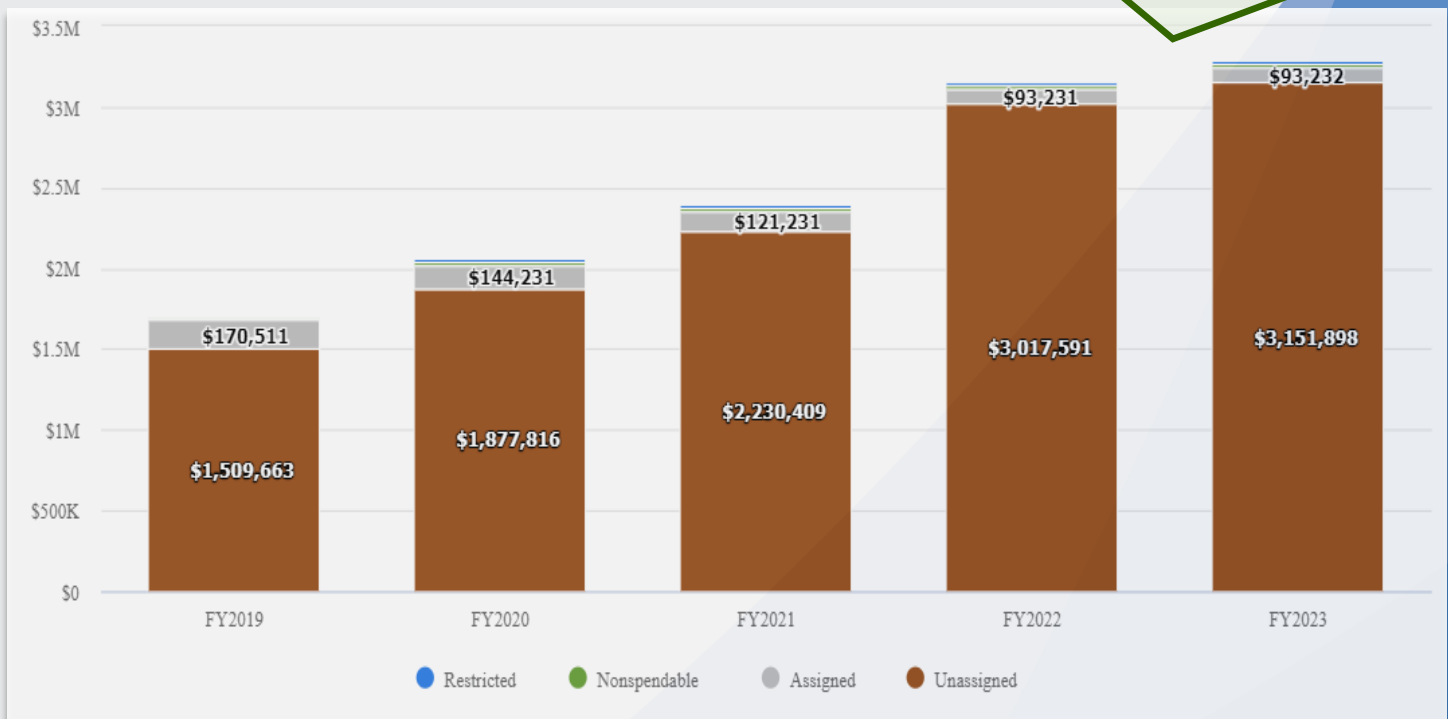
⇒ Restricted: Amount restricted in use by law or existing contract

⇒ Non-Spendable: Amount invested in assets or inventory

What does this mean?

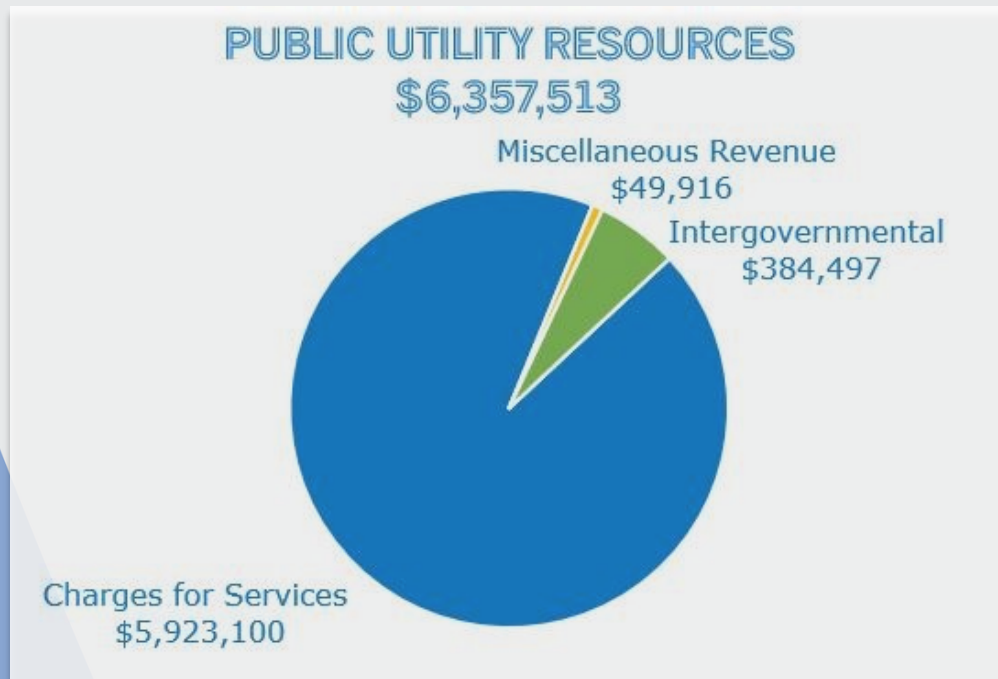
The City is **projecting** FY 2022 to have an unassigned fund balance of \$3,017,591; which is 49% of the projected expenses. The audit has not been completed so these amounts may change. The Council has the ability to reallocate some funds to Capital Improvements or Equipment Replacement Funds if they so choose.

The City is **budgeting** for FY 2023 to have an unassigned fund balance of \$3,151,898; which is 44% of the projected expenses.



FY 2023 PUBLIC UTILITY SUMMARY

The Public Utility Fund is a self-supporting municipal water, wastewater and solid waste service fund. The services are rendered on a user charged basis. These revenues are used to fund the many services provided to the City and its employees. Revenues also cover ongoing maintenance needed for infrastructure and the payments required for debt. The breakdown of revenue and department expenses is demonstrated below.



2022 Budget

\$5,704,043

2023 Budget

\$6,347,179

11.3% Overall Budget Increase

Water Production

2022 Budget	2023 Budget
\$1,617,924	\$2,009,586

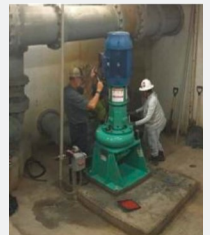
32% of operating budget



Wastewater Treatment

2022 Budget	2023 Budget
\$1,453,998	\$1,584,244

25% of operating budget



Water Distribution/ Collection

2022 Budget	2023 Budget
\$1,308,693	\$1,429,921

22% of operating budget



Solid Waste

2022 Budget	2023 Budget
\$1,323,428	\$1,323,428

21% of operating budget



FY 2023 PUBLIC UTILITY FUND BALANCES

Fund balance is **an accumulation of revenues minus expenditures**. Per the Fund Balance Policy, the City will strive to have an unassigned fund balance at an amount equal to a minimum of 25% and a target of 45%. The unassigned fund balance shall be used only for emergencies, non-recurring expenditures, major capital purchases that cannot be accommodated through current year savings, and as designated by the City Council. It is a best practice to have at least 90 days of reserves built up to avoid any cash shortfalls.

As of FY 2021 (which is the most recent completed audit) the unassigned fund balance was at 18%, or 66 days of reserves. Because the City is under the minimum requirement for Fund Balance in FY 2022 the City put in place new water rates to help improve water revenue. With this increase, the City hopes to improve the reserve ratio.



The City evaluates the charges for service to determine if they are sufficient to provide for both the maintenance and operation of the system as well as provide improvements. Based on its evaluation, the City is proposing a minimal adjustment to the rates for water and sewer.

What does this mean?

The City is **projecting** FY 2022 to have an unassigned fund balance of \$1,466,415; which is 25% of the projected expenses. The audit has not been completed so these amounts may change.

The City is **budgeting** for FY 2023 to have an unassigned fund balance of \$1,479,369; which is 23% of the projected expenses.

Residential					
gallons	Approved	Current	Change	% Δ	
4,000	\$ 72.00	\$ 71.00	\$ 1.00	1%	
6,000	\$ 96.00	\$ 93.00	\$ 3.00	3%	
10,000	\$ 144.00	\$ 137.00	\$ 7.00	5%	
Commercial					
gallons	Approved	Current	Change	% Δ	
4,000	\$ 82.00	\$ 77.00	\$ 5.00	6%	
25,000	\$ 349.00	\$ 323.00	\$ 26.00	8%	
125,000	\$ 1,919.00	\$ 1,658.00	\$ 261.00	16%	
Ind/Inst					
gallons	Approved	Current	Change	% Δ	
425,000	\$ 5,994.00	\$ 5,558.00	\$ 436.00	8%	

STREET MAINTENANCE UTILITY FUND

This Fund was established to account for the operations of a NEW street maintenance program. FY 2023 is the first year this fund is being established. The funds in it are considered 100% restricted to be used for Street Maintenance projects and equipment. The fees charged recover the costs of providing these services to the public.

The monthly water bills distributed to the residents and business owners will include the set fee. The rate is determined based on data from the Institute of Transportation Engineers (ITE) and their published Trip Generation Manual. Non-residential utility accounts will fall within a four tiered rate structure based on the volume of traffic they generate, based on the ITE trip generation manual.

2023 Revenue

\$250,000

2023 Expenses

\$200,765

Projected Fund Balance

\$49,235

Street Maintenance Fee - Rate Schedule				
CUSTOMER CLASS				
CLASS TIER		FEE		NOTE
Residential Utility Accounts				
Single-Family		\$	5.00	per month
Multi-Family		\$	5.00	per unit per month
Non-Residential Accounts				
Tier 1		\$	15.00	per month
Tier 2		\$	25.00	per month
Tier 3		\$	35.00	per month
Tier 4		\$	45.00	per month
Non-Residential Tiers are determined by the trip generation factor as determined by the ITE Trip Generation Manual for the land use for each account.				

STREET MAINTENANCE FAQs

Maintenance Vs. Reconstruction

Street Maintenance is routine work to improve, preserve or repair the surface of a street section so that the street will have a longer expected life.

- These costs will be recovered by the Street Maintenance Fee within each annual operating budget

Street Reconstruction removes the existing street all the way down to the sub-grade and rebuilds the street

- These projects are funded by Bonds or Certificates of Obligation as available through the City's Interest & Sinking Property Tax

Why a Fee?

If the City is going to increase the investment in Street Maintenance, the resources for this must either come from cutting the budget from other Department/Services or from an additional resource base.

- These fees are **restricted**, and can only be used on streets. Future councils cannot reallocate these funds to other projects.
- The City's property tax is already high, and increasing it to begin this program is not feasible when the tax rate revenues can be spent on any general service.
- The fee calculated is based on the cost of providing the service.

Who Pays the Fee?

Residential & Multi-Family accounts will pay 60% of the annual cost recovery.

Commercial & Non-Residential accounts will pay 40% of the annual cost recovery.

The Non-Residential Accounts will fall into 1 of 4 tiers dependent on the amount of traffic they generate. The accounts that generate more traffic fall into a higher tier than those that generate less traffic.

Traffic generation is estimated based on data from the **Institute of Traffic Engineers (ITE) Trip Generation Manual** and the type of use for each property.

What Happens Next?

The City will work with the consulting engineers to develop a **Street Maintenance Toolbox** to decide which types of maintenance activities will be done by city staff with city equipment and which activities will use third-party contractors.

The City will work with the consulting engineers to **evaluate existing streets** within each City quadrant to determine which streets need maintenance and which streets need reconstruction.

The City will produce a **map** to visually communicate the multi-year plan for both reconstruction and maintenance activities.

**Serving our citizens by
being Responsive,
Effective & Accountable**

City of Commerce FY 2023-25 Capital Improvements Program

Total Cumulative Project Funding **\$23,840,000**

Multi-Year Street Improvements

\$10,640,000

- Current Streets moving into the Construction phase
 - Maintenance on Monroe St & Park St
 - Reconstruction Washington St (North)
 - Reconstruction Hickory St
- \$2.5M Street Improvements will begin Engineering and Construction phases in FY 2023
- \$6.0M Street Improvements will begin Engineering and Construction phases in FY 2024-2025



Utility Infrastructure

\$8,400,000



- Water Improvements
 - Filter Rehabilitation
 - Washington St. Clearwell Rehabilitation
 - Ground Storage Extension
 - Development of Water Master Plan
- Wastewater Improvements
 - Pump Rehabilitation
- Water Collection/ Distribution Improvements
 - East Oak Creek Utility Improvements
 - Pritchard Rd Utility Extensions
 - Washington St (N) Utility Rehabilitation
 - Bishop St Lift Station Rehabilitation

Community

- Improvements to the Public Library
- Expansion to existing Animal Shelter
- Park System Improvements, including the construction of new Splashpad
- Downtown Event Improvements



\$4,800,000

To view the entire FY 2023 Budget
visit our main page at
www.commercetx.org