



FY 2018–19 to FY 2022-23 FINANCIAL FORECAST

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Executive Summary

The City's annual budget process begins with the publication of the annual Five-Year Forecast in the spring of each year. A Five-Year Forecast is a planning tool to aid the City Council and Executive Management Team in maintaining consistent service delivery to the community within available resources. The financial forecasts presented in this document represent one of many tools employed by staff to support the provision of services in the community through sound management of the City's financial resources. City staff access a variety of costing models, plans and analyses, and use assumptions to project anticipated Citywide revenues and expenditures for the current year and the five-year forecast period.

The purpose of this forecast is to identify key trends in revenues and expenditures and to provide information about the City's financial position and impacts on the City's financial position considering spending patterns and anticipated projects. The identification and description of strategic issues is also designed to assist Council in policy and priority setting. The forecasts are developed within the framework of City Council goals, fiscal responsibility and most importantly considers the impact New Braunfels' tremendous growth on service delivery.

Speaking of growth, this week New Braunfels was declared the second fastest growing City in the country, with an 8% growth rate from 2016-2017. Growth is the single biggest factor affecting the City's finances, service delivery and ability to respond to the community. In the past year, the City has been reviewing its services and looking for alternative funding sources, such as impact fees, development fees, park user fees, and funding agreements with community partners. All of these strategies help take pressure off the City's General Fund and distributes more of the City's costs to users of a specific service. This forecast does not recognize all of these new revenues since we do not yet have experience from which to forecast.

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

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Five Year Forecast - Definition and Purpose

The forecast is an assessment of four funds' (General Fund, Debt Service Fund, Equipment Replacement Fund and Self Insurance Fund) financial position should the assumptions used in creating projections materialize. *A forecast is not a prediction.* A forecast is a result based on assumptions; if the assumptions change, the financial position and projections change as well. Moreover, the projections for FY 2018-19 are not representative of the proposed budget or recommendation. However, the results of the five-year forecast do impact budget policy.

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

Economic Benchmark & Outlook

The Economic Benchmarks and Outlook section highlights national, state and regional economic trends and how those trends could affect the underlying economic considerations 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. Overall, 2017 was another year of steady growth for the U.S. economy and was similar to growth seen in 2015. On balance, it appears that overall employment growth has continued to support increased domestic household spending nationally. Regionally, job growth has continued a steady climb despite the energy sector's contraction in 2015 and continued slide in 2016. Strong local primary job growth and regional population shifts have translated into a steadily increasing population, which has driven further increases in building activity and permits, sales and property tax revenue growth, and increasing city service demands.

Strategic Issues

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

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

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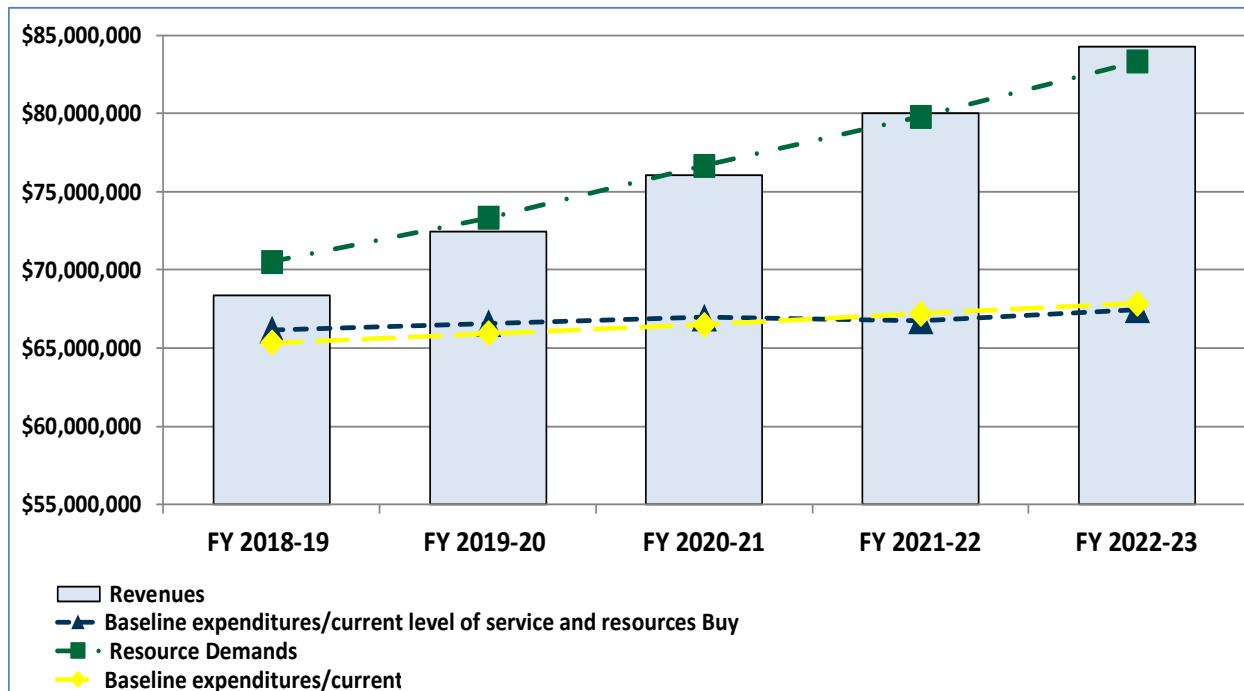
In addition to the narrative of each issue, some strategic issues, mainly those that City Council has provided some direction and/or indicated an interest in the initiative moving forward, have been quantified and incorporated into the financial forecast. Moreover, action items that will help or have helped to address the strategic issue are now included in this section as well as references to the 2017 National Citizen Survey for New Braunfels (where applicable). This information is 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 revenues grow throughout the period, but that expenditures remain fairly flat, growing only to reflect inflationary pressures. This perspective does not take into account the increased demands on services resulting from population growth and is referred to as the "Baseline Expenditures". The baseline forecast also includes any financial impacts from future commitments such as the operating revenues and expenditures of Das Rec. The second forecast schedule illustrates the impact of costs associated with identified resource needs, program enhancements, compensation adjustments to the General Fund and is called the "Resource Demands". The revenue projections are the same on both schedules; only the expenditures change. Overall, General Fund revenue is projected to increase, on average, 5.4 percent annually throughout the forecast period.

The Baseline Expenditures General Fund forecast shows a surplus (over the 30 percent target fund balance) throughout the forecast period. In FY 2018-19, the surplus is \$2.2 million and grows to \$46.9 million by the end of the fifth year. The current resource demands forecast shows a different result. In FY 2018-19, the General Fund forecast shows a deficit of \$2.9 million and grows to a deficit of \$7.0 million by the end of the five-year forecast period. The assumptions used to develop these forecasts are described in detail in the General Fund section of this document.

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



Debt Service Fund

The City of New Braunfels issues general obligation bonds (voter approved), certificates of obligation and tax notes to fund needed capital improvement projects such as streets and drainage improvements, park improvements, facility improvements and other major projects. The Debt Service Fund is used to account for the principal and interest payments for all of the City's outstanding debt.

The Debt Service Fund forecast includes all existing debt, \$28,060,000 remaining from \$86 million in voter approved general obligation bonds and an additional \$112,500,000 of general obligation debt related to the proposed 2019 Bond Program. The City lowered the overall tax rate in FY 2017-18 by 1.001 cents as a result of the rollback calculation required by the State. The forecast assumes that the debt stemming from the recent golf course renovation continues to be supported by the Debt Service Fund via the I&S rate portion of the tax rate.

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

Executive Summary

property growth, the revised estimated impact of the bond program shows that a tax rate increase may not be necessary. This new estimate is based on projections of property tax revenue growth of 10 percent in FY 2018-19 and FY 2019-20 and 7 percent throughout the remainder of the forecast period.

In addition, \$112,500,000 related to the 2019 bond program has been included in the forecast. The current tax rate is anticipated to support the additional debt service from the planned debt issuances as a result of growth in existing and new property values. The forecast also shows that the I&S rate of 20.986 per \$100 of valuation may be sufficient to support the proposed 2019 GO Bond program up to \$112,500,000.

If property values and borrowing rates differ from what is projected in this forecast, the tax rate needed to fund any new debt commitment(s) will be different than the latest projection.

Equipment Replacement Fund

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

In FY 2013-14, the equipment replacement program was suspended as a budget balancing strategy that was necessary to develop a structurally balanced budget. Therefore, no contributions occurred into the fund in FY 2013-14, and only select vehicles and computers were replaced. In FY 2014-15, the program was partially reinstated and again, only a small number of vehicles were replaced. In FY 2015-16 and FY 2016-17, the planned transfer into the fund was diverted to the City's Self Insurance Fund. In FY 2017-18, only a \$120,000 transfer is budgeted. In the past, the forecast assumed that vehicles were replaced on a set schedule based on age and mileage thresholds. However, the forecast now assumes replacement based on a more in-depth analysis of age, mileage and maintenance costs. The restricted funding in recent years, has led to a situation where a large majority of the fleet have met and/or exceeded replacement criteria. The forecast shows two different equipment replacement scenarios to address the high priority vehicles that need to be replaced, within the financial constraints of the fund. One scenario involves purchasing and the other involves leasing vehicles.

Self Insurance Fund

The Self Insurance Fund was added to the forecast document three years ago, after the second year of dramatic increases in health insurance related costs. The sustainability of this fund is critical to providing a quality health care plan to the employees of this organization, which directly impacts

Executive Summary

the recruitment and retention of employees. From the beginning of FY 2014-15 thru FY 2016-17, the City experienced a dramatic increase in claim and administrative expenditures. During this period, significant plan design changes were implemented, employee premiums were increased, employer contributions were increased and approximately \$2,000,000 in interfund transfers were necessary to keep the fund solvent. As a result, beginning in February of 2017, claim expenditures started leveling out. We have begun rebuilding our reserves and align recurring revenues to recurring expenditures.

The City issued an RFP for health care administration services and is evaluating the proposals. As we move further along in the RFP and FY 2018-19 budget process, we continue to think strategically about what our health insurance offering(s) look like next fiscal year. There are several key objectives that we are focused on achieving when developing the FY 2018-19 Self Insurance Fund budget and the accompanying health insurance plans that will be offered to our employees. Those objectives are described in detail in the Self Insurance Fund section of the document.

Conclusion

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

Economic Benchmarks and Outlook

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

National

According to the Federal Reserve Board Real Gross Domestic Product (GDP) grew 2.5 percent in the fourth quarter of 2017. A rise in consumer spending and increase in business and personal investment helped drive the GDP growth in 2017. But a decrease in net exports coupled with businesses decreasing their inventories held back further growth. Slowed consumer spending and a drop-in retail sales in the early part of the year does cause concern for the first quarter of 2018. Consumer survey data does show confidence is up to some of the highest levels seen since before the recent recessions. This has led to a rise in the manufacturing composite index as well. When considering all factors GDP is expected to continue its steady growth in 2018 at an estimated pace of 2.8 percent.

U.S. unemployment rate fell to 3.9 percent in April 2018, the lowest since 2000. According to its most recent policy statement, the Federal Reserve believes the outlook for growth in 2018 is slightly improved from 2017. Inflation will see a slight uptick to 2%. Housing investment increased by 2% in 2017 matching the growth from 2016. Housing starts were at .88 million units in January of 2018, an increase from January 2017, but is still well below the 20-year average of roughly 1.32 million starts.

In January of 2018 the Federal Reserve Board kept the target rate range unchanged. This follows increases in three raises in the target rate in 2017. The decision was based on the rate of economic activity and a strengthening labor market. Inflation increased in recent quarters and is now moving closer to the Federal Reserve's stated goal of achieving two percent inflation.

Texas

The Dallas branch of the Federal Reserve Bank projects Texas is expected to exceed 2017 growth rate in 2018. Employment grew by 2.1 percent in 2017. The Dallas Fed suggests jobs will grow 3.4 percent in 2018. The Texas Business Outlook Surveys (TBOS) showed expansion in manufacturing and service sectors. However, the biggest take away from the latest TBOS was the growing percentage (68.4%) of respondents reporting difficulty filling positions due to lack of applicants. The lack of available workforce presents a real challenge to future economic growth.

San Antonio-New Braunfels MSA

Economic Benchmarks and Outlook

Job growth in the local metropolitan area is closely correlated with statewide job growth. The unemployment rate in the San Antonio area continues to remain below the State and National averages. The April 2018 rate was 3.5% compared to Texas' 4.0% and the Nation's 4.1%. Economic indicators in the first quarter of 2018 were weak with the local labor force falling slightly in March. However, the first quarter numbers showed growth was an annualized 2.8 percent, well above last year's 1.7 percent.

Across industries, mining continued to post the strongest job gains, while manufacturing also accelerated sharply compared with last year. Trade, transportation and utilities employment picked up due to an 8.7 percent rise in retail jobs, while government hiring increased due to growth in local government. Conversely, leisure and hospitality shed jobs at a sharp 6.8 percent rate after a strong fourth-quarter increase last year. The surge and decline were likely due to a temporary increase in demand from displaced victims of Hurricane Harvey. Professional and business services, health care and financial services also fell after growing in 2017.

Of concern is the San Antonio-New Braunfels Metro areas inability to keep pace with the rest of the states metro areas in terms of job growth. Austin leads all metros with near 5% growth in the first quarter of 2018. Hurricane ravaged Houston began the year at 4%. Dallas and Fort Worth have remained steady. Meanwhile San Antonio saw a slight decline in job numbers for the first quarter.

The housing market continues its growth with state wide housing start continuing their steady growth towards post-recession high. However, the San Antonio-New Braunfels Metro area saw a decline to their lowest number in over a year.

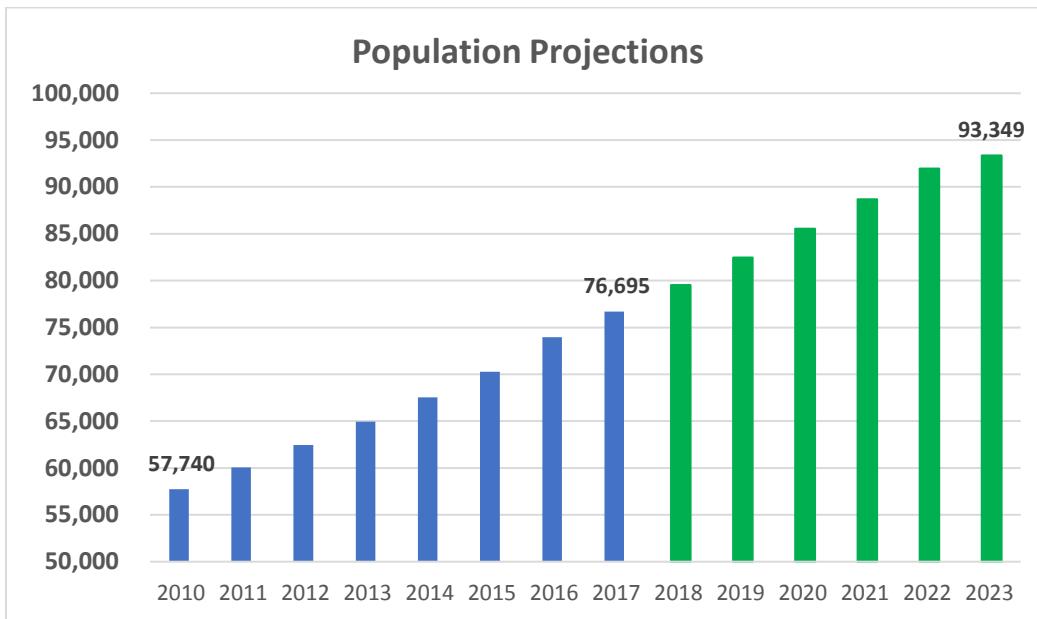
New Braunfels

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 increasing 85 percent since the Great Recession (2008). Median household income has risen 81 percent in New Braunfels since 2001, which is higher than the state and metro-area averages. Continued investments in business development and primary job recruitment have resulted in an average of 1,192 new primary jobs each year between 2010 and 2017. 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 2011 and 2017, the City's population grew from 57,740 to nearly 77,000, a 33% increase. Between 2016 and 2017 we saw an increase of 4.8%.

Economic Benchmarks and Outlook

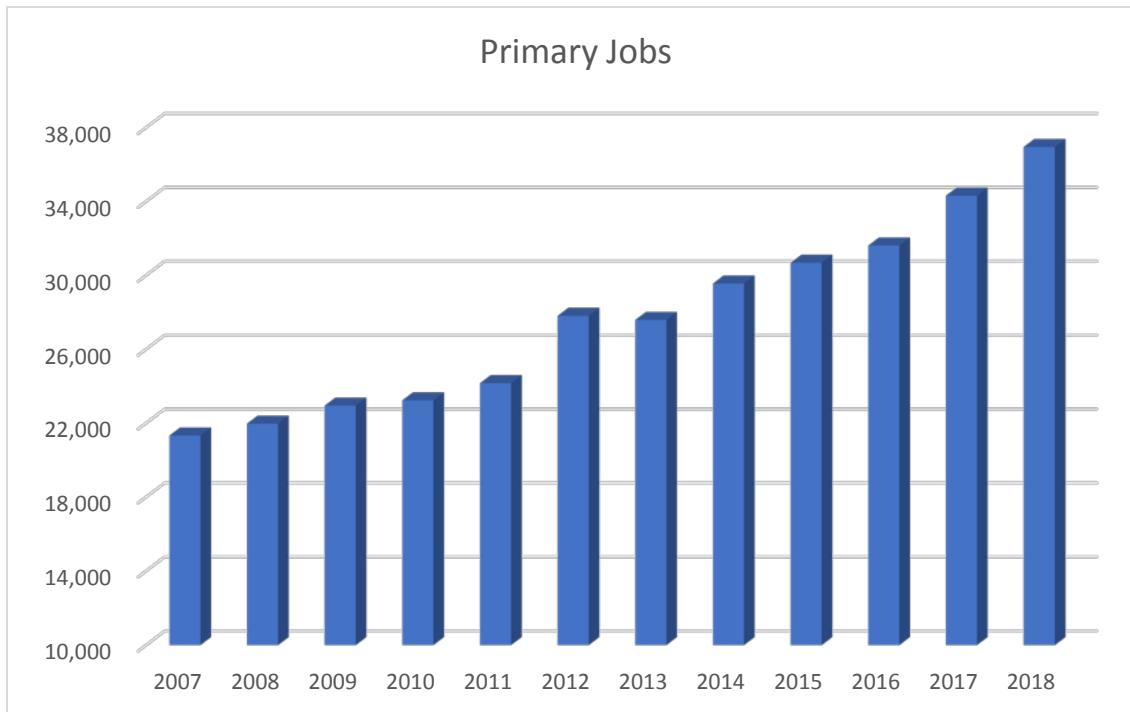


The office of the State of Texas' official demographer released its January 1, 2016 population estimate for New Braunfels at 72,095. This latest estimate represents a compounded growth rate of 3.7 percent annually since 2010. For the purposes of projecting to 2023, staff is presenting a single population estimate that assumes this 3.7 percent annual growth rate will hold through 2023. This would put New Braunfels population at 93,349 by that time.

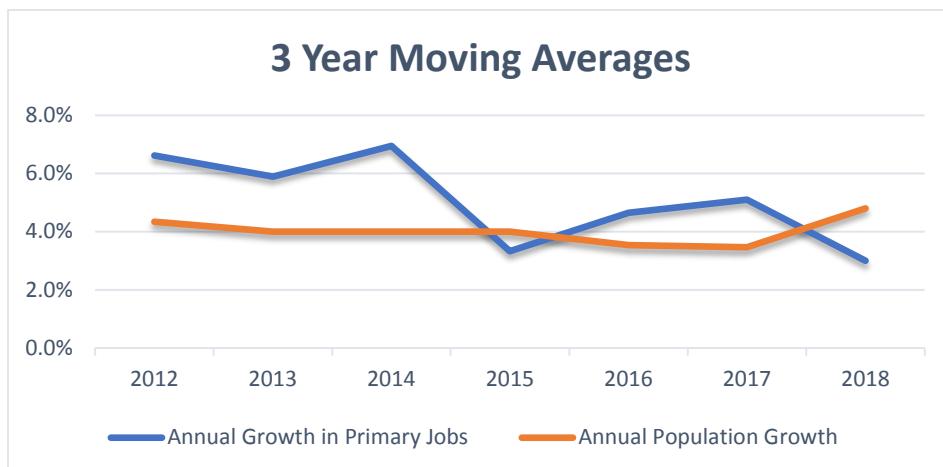
Job Growth

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

Economic Benchmarks and Outlook



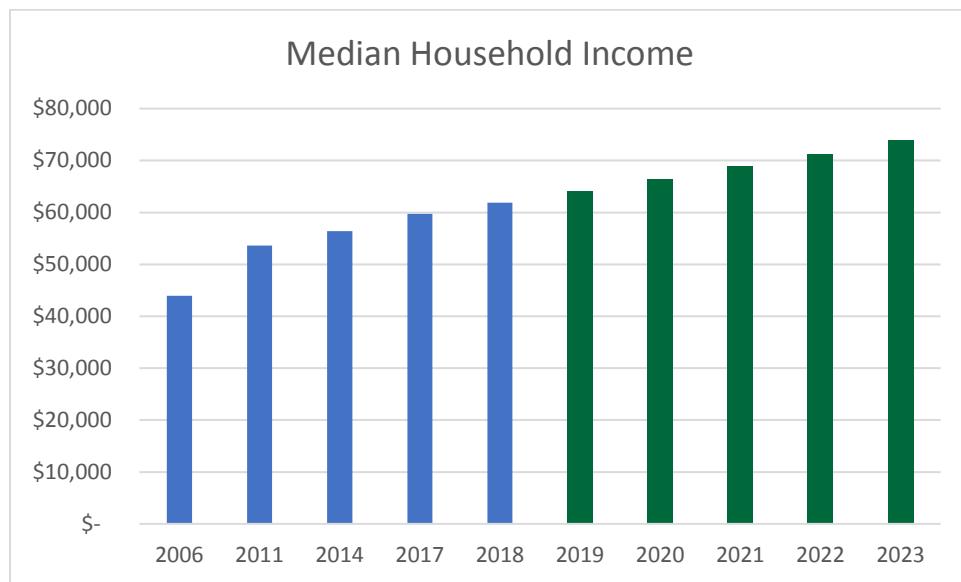
From 2002-2008, New Braunfels saw primary jobs increase at a compounded annual growth rate of 1.8%. Since 2009, this growth rate has increased by almost 200 percent to 5.2 percent annually. The community averages around 960 new primary jobs annually since 2006. Population growth outpaced growth in jobs in 2017. The change may have led to the slowdown in housing starts. The table below is a simple moving average of three-year periods back to 2009 in primary job and population growth. A moving average is considered a “smoothed” data version and helps identify trends for a series of data:



Economic Benchmarks and Outlook

Household Income

New Braunfels saw significant 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. There was a slight drop in median income between 2016 and 2017. Projections estimate, however, that income growth will pick up again between 2018 to 2023 with annual increases around 3.6 percent. This should translate most directly into steady sales tax collections through the forecast period.

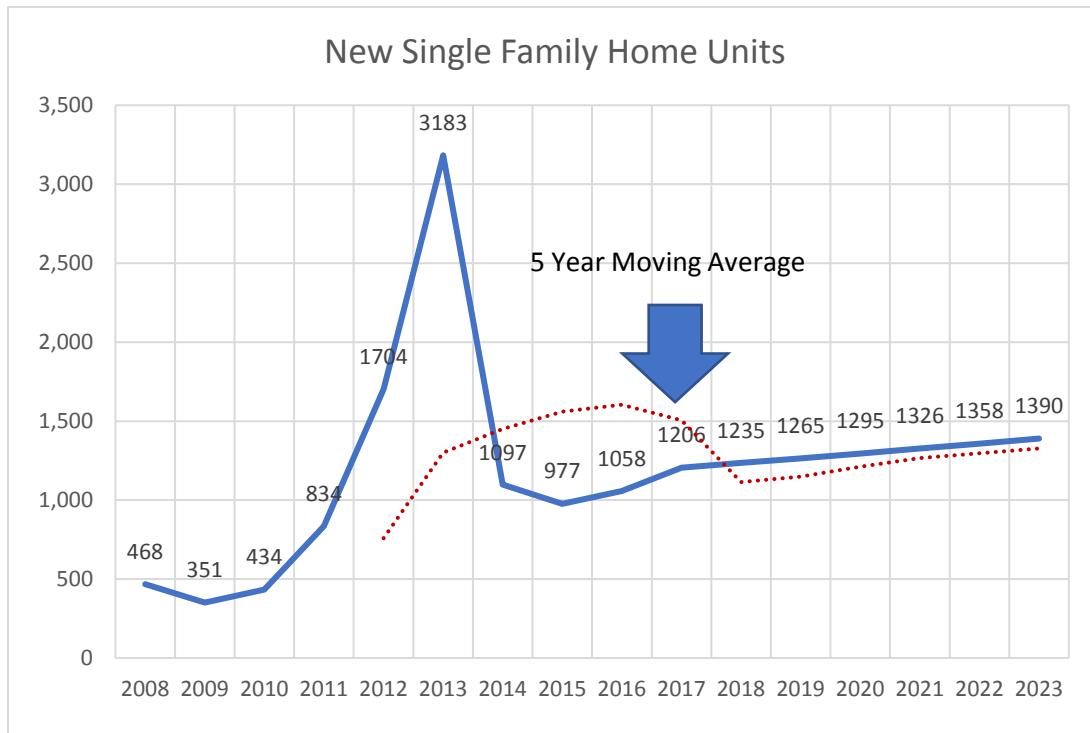


Source: ESRI, Chamber of Commerce

Building Activity

Housing and jobs are strongly connected. When the economy is expanding, job creation promotes household formation, which in turn increases demand for rental and owner-occupied housing. Other economic drivers of housing include population growth, the need to replace or improve existing housing stock and regional population changes. At least three of these four factors are driving new housing demand in New Braunfels and will continue to do so as long as job growth and regional population changes continue on their recent trajectory. New Braunfels had approximately 1,300 new single-family homes constructed each year in 2008-2017 with a compounded annual growth rate of 2.4%. The 2013 housing starts were an outlier that skewed the rate. To help get a more realistic projection we show in the chart below a Five Year moving average, which is an average of average change.

Economic Benchmarks and Outlook



Over the last 8 years, New Braunfels has added, on average, 62 multi-family units and 1,311 single-family homes annually. In the New Braunfels area, the Four Rivers Association of Realtors reports that the volume of home sales decreased to 10.1% for March 2018, down from 11% in March 2017. The median price for a home increased 1.8 percent (\$235,500). Inventory has remained under three and a half months since 2015.

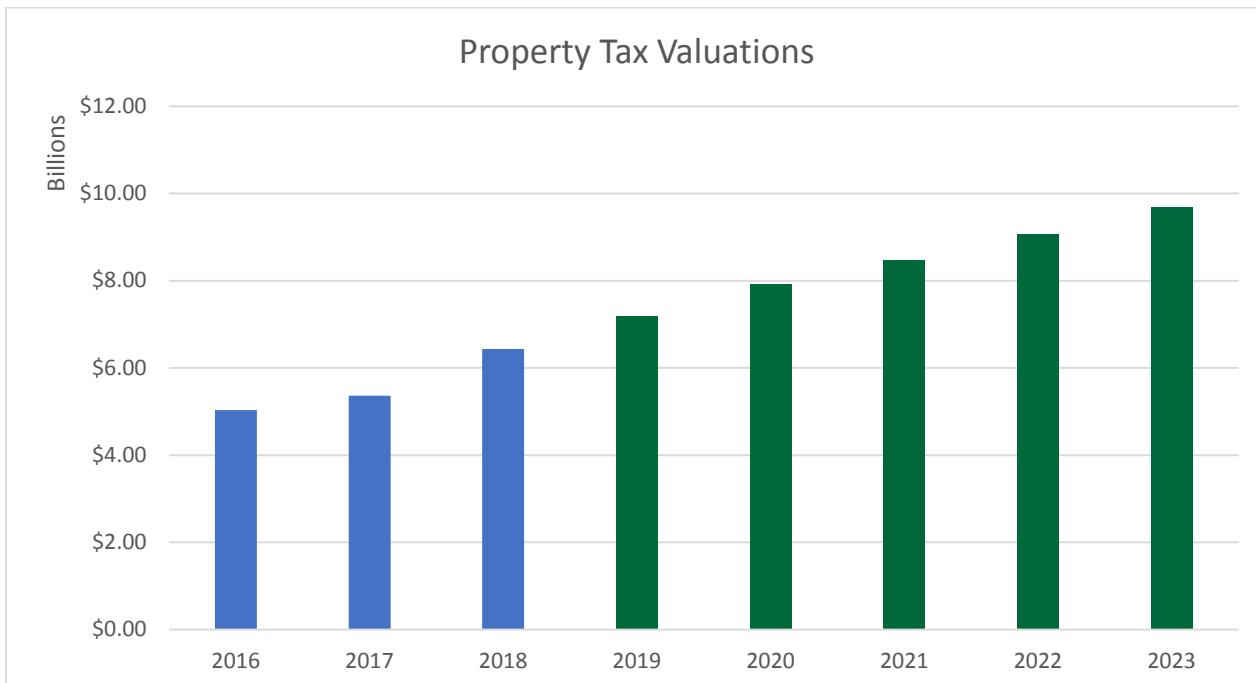
Sixty-two percent (2,585 out of 4,164) of the community's multi-family units have been added since 2000. In first quarter of 2018, the apartment community occupancy rates dropped to 93.4% compared to 95.3% in Q1 2017. Effective Rents increased to \$983 from \$933.

Property Valuation

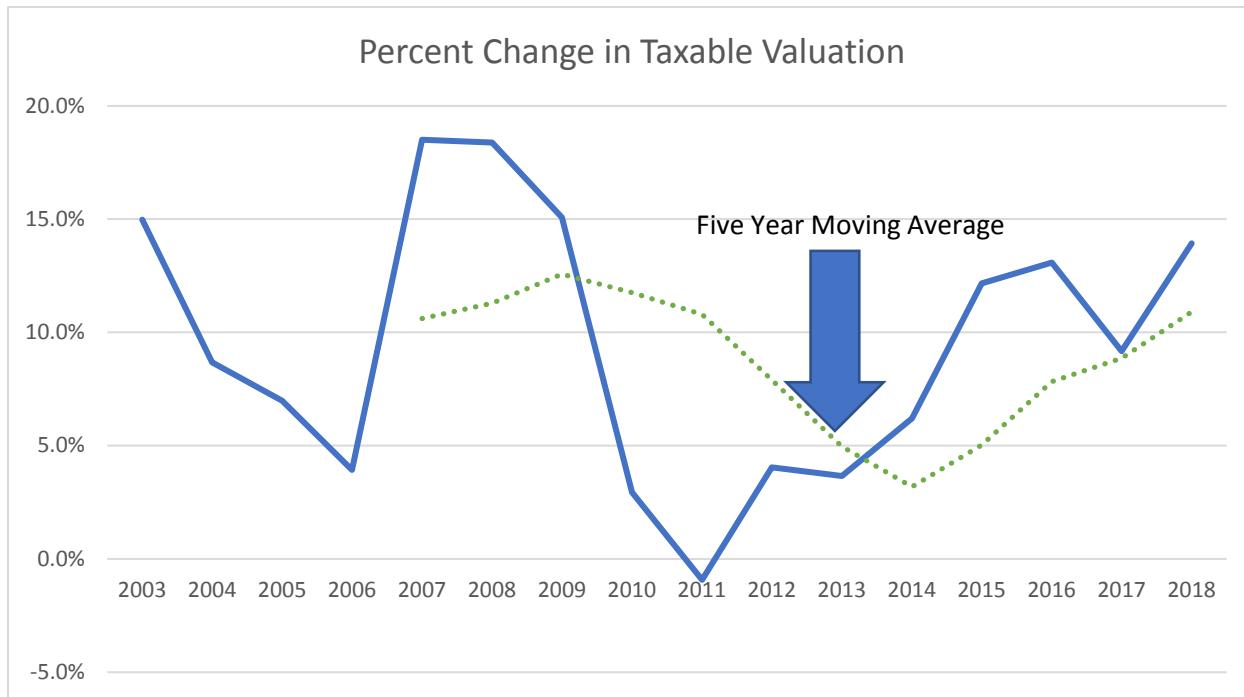
Like many parts of the country, New Braunfels was not immune to the effects of the housing market downtown during 2008-2009 as evidenced by the graphs above. The effects of the recession during this time resulted in a two-year period where the City's total appraised values did not increase as had been customary in the decade prior. From 2001 to 2009, property values saw a compounded annual growth rate of 12 percent. From 2011 to 2015, the compounded annual growth rate was 6.5 percent. Early figures from the appraisal districts indicate significant growth in values for 2018. The five-year projection assumes that appraised values (net of protests, exemptions and collection rates) will increase 10 percent in fiscal years 2018-19 and 2019-2020 with 7 percent through the rest of the forecast period.

Economic Benchmarks and Outlook

The following chart 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 green line is a simple moving average of previous five-year periods. This line highlights longer term trends and helps smooth out fluctuations that occur on an annual basis. New Braunfels has recently been on a steady upward trend of increases in taxable valuation from year to year.

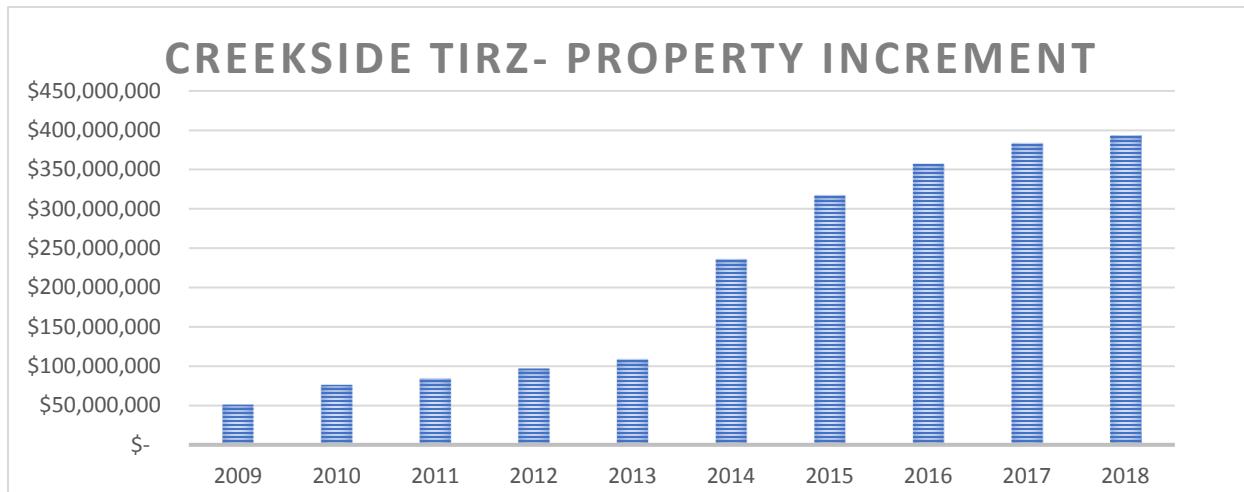


Economic Benchmarks and Outlook



Creekside Tax Increment Reinvestment Zone (TIRZ)

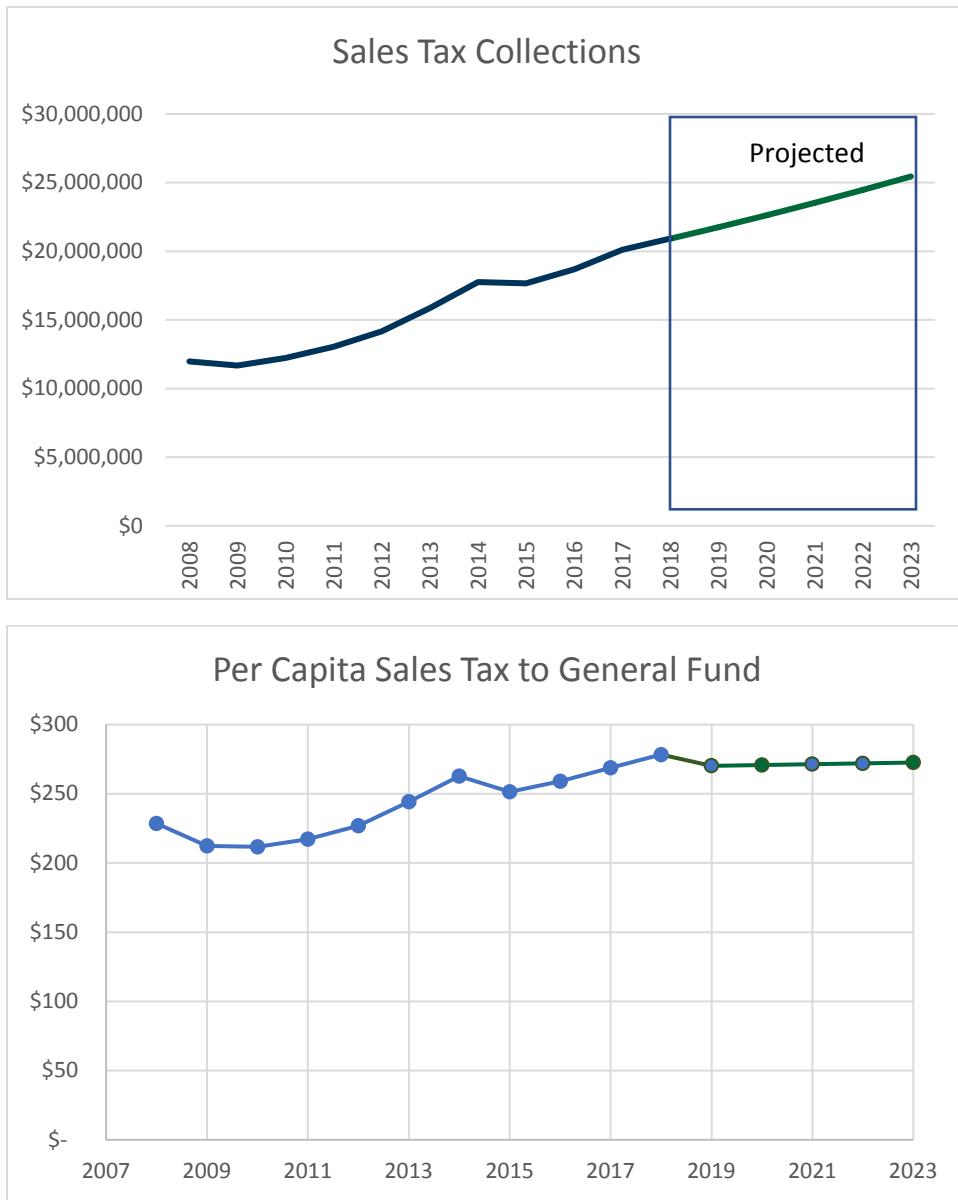
Since 2011, the Town Center at Creekside development along Interstate 35 and FM 306 has seen significant growth. The development utilizes an economic development tool called tax increment financing. The Tax Increment Reinvestment Zone (TIRZ), as it is referred in state statute, allows the City to designate 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. In 2017-2018, valuations inside the TIRZ increased by \$29 million (8%). This fund is now generating revenue in surplus of what is needed to support the annual debt service associated with public infrastructure improvements financed by the TIRZ.



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 (2/3rd) 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 many sales tax sharing commitments with companies through Chapter 380 agreements and the Economic Development Agreement associated with the Creekside TIRZ. Adjusting the percent of gross sales tax collections that are rebated can have a significant impact on the amount of revenue this source contributes to the general fund. The table below is a representation of the net sales tax collections after rebating the required amounts (from these tax sharing agreements) in each year. These net sales tax collections have enjoyed relatively consistent growth except for the recession from 2008-2010. From 2008-2016, net sales tax collections to the general fund saw a compounded annual growth rate of 5.9 percent. The forecast assumes 4 percent growth in 2018-2019 and through the end of the projection period.

Economic Benchmarks and Outlook



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

Economic Benchmarks and Outlook

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 because of migration to the area. 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.

Industry Change Summary

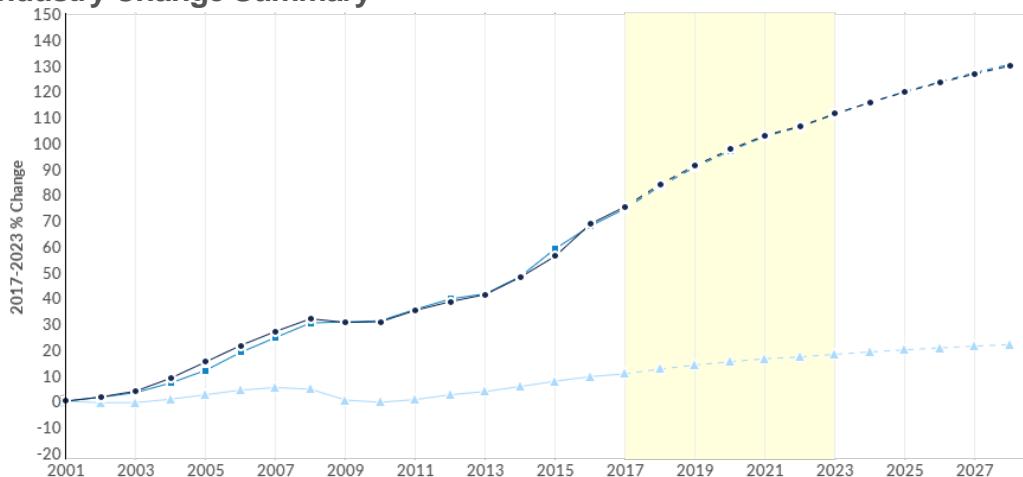


Chart Symbol	Region	2017 Jobs	2023 Jobs	Change	% Change	2017 Average Earnings	2017 Establishments
A	Comal and Guadalupe	106,668	128,528	21,860	20%	\$47,923	5,688
B	Texas	60,721	73,448	12,727	21%	\$48,099	3,574
C	United States	160,157,543	171,104,368	10,946,825	7%	\$63,519	9,829,776

Source: EMSI, Courtesy of Chamber of Commerce

Industry Growth through 2023

The next table highlights the leading 10 industry sectors in terms of job growth in the New Braunfels area through 2023. Continued growth in the health care, retail trade and public sectors should lead to strong wage growth through the projection period.

Economic Benchmarks and Outlook

NAICS	Description	2017 Jobs	2023 Jobs	2017 - 2023 Change	2017 - 2023 % Change	Avg. Earnings Per Job
621111	Offices of Physicians (except Mental Health Specialists)	768	1,007	239	31%	\$91,245
551114	Corporate, Subsidiary, and Regional Managing Offices	634	809	175	28%	\$138,315
713110	Amusement and Theme Parks	1,095	1,359	264	24%	\$18,304
444110	Home Centers	598	720	122	20%	\$24,579
722511	Full-Service Restaurants	2,617	3,119	502	19%	\$20,273
722513	Limited-Service Restaurants	1,694	2,024	330	19%	\$17,476
622110	General Medical and Surgical Hospitals	978	1,123	145	15%	\$60,810
903999	Local Government, Excluding Education and Hospitals	921	1,052	131	14%	\$77,681
903611	Elementary and Secondary Schools (Local Government)	3,771	4,256	485	13%	\$61,076
493110	General Warehousing and Storage	978	1,048	70	7%	\$44,682

Occupation Growth through 2023

The following table helps illustrate which occupations will have the largest increases through 2023. The table projects occupational growth with the largest percentage increases.

SOC	Description	2017 Jobs	2023 Jobs	2017 - 2023 Change	2017 - 2023 % Change	Avg. Hourly Earnings
53-3032	Heavy and Tractor-Trailer Truck Drivers	774	1,004	230	30%	\$22.90
29-1141	Registered Nurses	606	764	158	26%	\$30.91
43-4051	Customer Service Representatives	747	923	176	24%	\$14.80
37-2011	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	703	869	166	24%	\$11.07
41-2011	Cashiers	1,191	1,465	274	23%	\$9.45
35-3021	Combined Food Preparation and Serving Workers, Including Fast Food	1,315	1,599	284	22%	\$8.89
41-2031	Retail Salespersons	1,674	2,022	348	21%	\$12.79
35-3031	Waiters and Waitresses	1,141	1,352	211	18%	\$10.25
43-9061	Office Clerks, General	917	1,078	161	18%	\$16.42
39-9021	Personal Care Aides	868	1,015	147	17%	\$9.82

Summary

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

I. Strategic Issue: INFRASTRUCTURE

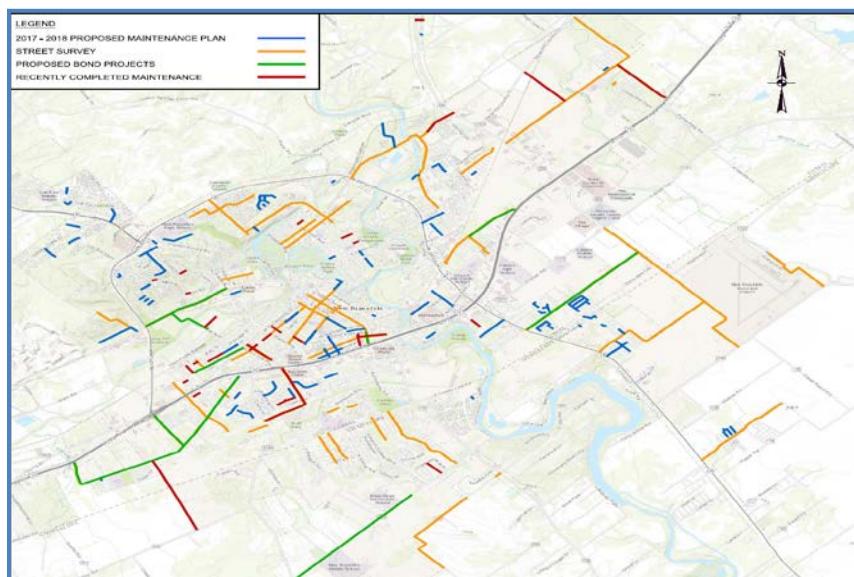
A. Streets and Traffic

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

There are over 354 lane miles of streets currently maintained by the City. Street pavement surfaces typically have a design life of 20 to 25 years. Many city streets and drainage facilities are much older, compounding the need for street restoration. The City has made significant increases in the annual funding committed to street repair and maintenance. Over the past four years, we have been able to address 153 of those lane miles with some level of maintenance, repair or reconstruction. In addition, \$37,500,000 for street improvements was included in the 2013 Bond Program. \$12.9 million has been spent to date.

A new 4-person street crew was added in the FY 2017-18 budget, allowing street maintenance to be performed in house at a lower cost. As a result, staff anticipates completing approximately 14 lane miles in FY 17-18.

The following map shows the 2017-18 maintenance plan, street survey, 2013 bond projects and recently completed maintenance:



The City of New Braunfels also maintains over 40 signals on City and State roadways within the City limits. The City has been awarded funds through AAMPO to supplement the City's efforts to upgrade traffic communications systems.

Action Items completed/to be completed

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

B. Stormwater Management

Successful stewardship of the natural environment to preserve and improve the City's resources for future generations while addressing the community's current and diverse needs requires a comprehensive approach to watershed management. The natural beauty of the City and its economic dependence upon river flows of the Comal and the Guadalupe Rivers presents a challenge in striking a balance between managing stormwater runoff and protecting property from flood damage. Therefore, implementing policy and procedures that ensure *environmental stewardship* of water resources as well managing *flood control* is a strategic issue.

1. Environmental Stewardship

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

- Sufficient allocation in the annual budget to comply with MS4 requirements.
- Implementation of a watershed protection plan for the Dry Comal Creek and the Comal River.

2. Flood Control

From the past flooding and other previous high-water events, issues related to drainage control continue to challenge the community. Currently the City is responsible for maintaining approximately nearly 200 acres of drainage ways and associated debris/trimmings. Mitigation measures to minimize flood damage include construction of detention/retention ponds, improved drainage facilities, property acquisition in flood prone areas and the promotion of on-site stormwater quality enhancement to address initial flows from a runoff event. Low impact development (LID) methods are also encouraged and are becoming an accepted option for new and redevelopment to effectively reduce stormwater runoff and enhance water quality. Incorporating LID methods into City projects and new development can be a cost-effective alternative to conventional design.

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

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

Action Items completed/to be completed

- Develop prioritized Citywide Master Drainage Plan

Reference to the 2017 National Citizen Survey for New Braunfels

	Percent Rating Positively			Comparison to Benchmark Cities		
	2012	2014	2017	2012	2014	2017
Storm Drainage	45%	53%	53%	Much Lower	Similar	Similar

II. Strategic Issue: PUBLIC SAFETY

A. Proactive Versus Reactive Policing

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

To be more effective and proactive regarding crime prevention, we have implemented an online reporting system, saving time for both the victim of a minor crime, and the patrol officers. The City recently contracted with the Center for Public Safety Management to conduct a staffing study. Based on call load and other data, it has been determined that the Patrol Division is short 16 Officers and 2 Sergeants. Once these additional personnel are hired and trained, NBPD will have adequate personnel to respond to incoming calls based on

2016 call load data. CPSM also recommended adding a ‘Community Response Unit, which would be 8 additional sworn personnel. Additional uniform officers would have the largest impact as it will immediately provide more opportunities for random patrols and other proactive strategies. Additional officers could be used to meet the objectives described here of increased crime prevention activities to reduce the occurrence of crimes.

Reference to the 2017 National Citizen Survey for New Braunfels

	Percent Rating Positively			Comparison to Benchmark Cities		
	2012	2014	2017	2012	2014	2017
Crime Prevention	68%	71%	78%	Similar	Similar	Similar

B. Police Work from a Programmatic Definition of Service Level

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

- 1. School Resource Officer Program** – The NBPD has evaluated the resources needed to implement school resource officers in the New Braunfels Independent School District. The Police Department and NBISD are working on a proposal to place 14 officers in schools, one at each campus. The first year, up to four officers will be placed at NBISD with the rest being phased in until 2020-21. The forecast the addition of 4 SRO’s funded at 25% (which would be the City’s portion). Placing officers in the schools will improve rapport between the students, staff, faculty, and police. Additionally, the level of interaction between the aforementioned groups would grow exponentially, resulting in an increased level of trust. The end result would be a reduction in crime incidents, bullying, and reckless driving around the schools, all resulting in a safer learning environment and school experience.
- 2. Enhanced Gang and Narcotics Enforcement** – Gang activity continues to be a concern in New Braunfels. The Comal County Sheriff, District Attorney and NBPD have formed a partnership to both gather intelligence on local gang and narcotic sales activity and

aggressively enforce the law to help to reduce this issue in our community. We expect to add additional personnel to this unit as our staffing levels allow.

Action Items completed/to be completed

- In FY 2015-16, a gang and narcotics task force was created. This partnership with the Sheriff's Office will continue and the possibility of supplementing the GONE Unit with additional staffing will be considered.

C. Police Recruitment and Retention Strategies

Over the last few years, the Police Department has seen a decline in the quantity and quality of applicants to fill vacancies. This challenge is not unique to New Braunfels and is felt across Texas. NBPD recruitment is also impacted by the demands on the police force during the summer season. One factor in this challenge could be the perception of policing as a career – whether individuals see it as a profession rather than a job.

The NBPD has now set an objective to hire individuals 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. An already certified peace officer becomes independent on patrol in five months.

The City continues to explore a variety of programs to improve recruitment, such as the \$3,000 signing bonus for new recruits. We also benchmark against our surrounding cities so that we can monitor successful programs, including pay rates so that we can maintain competitiveness.

Action Items completed/to be completed

- A new pay plan was implemented in 2014-15 and phased in over three years. The pay plan was updated in 2017 and is being phased in. Keeping our pay competitive by continuously reviewing salary and benefits will aid recruitment.

D. Police Building Issues

The Police Department Building was purchased as a lumber yard in the 1990's. Two decades later, the Police Department is more than double the size, and has outgrown the building. Hurricane Harvey damaged the roof to the point that major renovation and remediation was necessary. Evidence and the 911 Center remains. The majority of Police Employees are temporarily working from City Hall.

Action Items completed/to be completed

- In FY 2017-18 The current Police Building will be repaired so that it can be re-occupied by the Police Department.
- The 2019 Bond Advisory Committee has identified the need for a new police facility to replace the existing building.

E. The Evolution of the Fire Department

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

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

Reference to the 2017 National Citizen Survey for New Braunfels

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

F. Planning for the Future Needs of the Fire Department

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

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

The 2019 Bond Committee has identified the need to replace stations 2 and 3. Station 7 can be funded through the Creekside TIRZ once a location has been selected. A strategy for funding construction of Fire Dept. facilities and staff (for the additional station) is a strategic issue for the City Council.

The Fire Department's apparatus must be periodically and systematically replaced. Ambulances have an 8-year life expectancy, with a new ambulance costing about \$265,000. Fire engines and ladder trucks have a twelve to fifteen-year useful life and cost between \$750,000 and \$1,200,000. The department has developed a fire and ambulance replacement program that will permit the regular replacement of these apparatus utilizing non-general fund financing. Planning for these major acquisitions – structures and equipment – is a significant strategic issue for the City.

Action Items completed/to be completed

- Begin construction of Fire Station #2, #3 and #7 and the Fire Training Field. Hire four (4) firefighters in year two of the station construction project.
- Order Quint and ambulance for Fire Station #7 one year prior to the fire station opening.
- Relocate Truck 1 staff from Station #1 to Station #7 to staff Paramedic Quint.
- Ongoing program of replacing FD Bunker Gear (PPE). These purchases are funded through the cities equipment replacement fund. Bunker gear has a NFPA mandated lifespan of 10 yrs.

G. Fire Prevention

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

Action Items completed/to be completed

- The majority of fire deaths occur in the home. Implementation of a voluntarily home inspection program will reduce deaths, injuries and property loss from fires.

- Continuation of and expansion of our smoke detector program will aid fire prevention efforts. Expansion of this program can be done by creating partnerships with local businesses, community organizations, and affected stakeholders.
- Community outreach and education to groups such as the elderly, low income and children will assist our efforts. Increased public service announcements as well as a Citizen's Fire Academy and Citizens Fire Academy Alumni Association should also be developed.

III. Strategic Issue: EFFECTIVE MANAGEMENT

A. South Castell Avenue Visioning Plan

Redeveloping the previous city hall site is a strategic issue because its success aligns closely with various long-term objectives adopted by the City Council and other stakeholders to include: ensuring sustainable quality development, promoting premium mixed-use development within the community, developing year-round tourism, and expanding recreational, arts and cultural enrichment opportunities. The project also can fulfill multiple goals outlined in the Downtown Implementation Plan and will provide a significant catalyst for continued economic vitality in the downtown area. Catalytic projects are important because they bring renewed vitality to the area through greater urban density and enhanced civic and public space. The City Council has conducted multiple public meetings on the project and the final plan has evolved to recognize that public input.

As currently envisioned, the project will have a positive fiscal impact for our community.

a. *Challenge 1: Vacating the Old City Hall site*

Providing a date certain as to when the Castell Avenue properties will no longer house any city operations or personnel.

The acquisition, renovation and occupation of the Albertson's building on Landa Street was a significant step towards redevelopment of the previous city hall site. However, many public works divisions (streets and drainage, fleet maintenance, facilities and solid waste) and fire training operations continue to occupy the Castell Avenue property until facilities are built or acquired to accommodate them. In 2010, the City purchased land and began preliminary design on a public works/fire training facility, which is located on FM 1102 and Orion Road. These plans are in the design development phase and the estimated cost to develop the facility (excluding utilities) was \$15-\$20 million in 2013.

Facility Needs

Approximately 100 staff members and 120 vehicles occupy the existing City Hall facilities on Castell Avenue. The new facility, after concluding schematic design in 2013, was estimated at \$15-\$20 million. An appropriate budgeting number to complete the project is likely closer to \$20 million, given cost increases and the need to bring utilities to the project site. The facility will house the divisions listed above, which includes service bays for the city's vehicle and heavy equipment fleet, materials storage for solid waste and streets, and an administration and training building for the public works division and fire department. The project as currently scoped also includes a fire training tower and a fire apparatus maneuvering field. This portion of the project could be funded as phase two component, which would lower the initial capital investment to approximately \$16 million.

Division/Function	Personnel to New Facility	Vehicles/Equipment to New Facility
Solid Waste	45	39
Fleet	8	4
Streets and Drainage	28	68
Facilities	7	6
Fire Training	10	5
Totals	98	122

Castell Avenue- Project Phasing

If the City can deliver a date certain as to when the site will be available for redevelopment, a phasing plan could be developed to construct around the occupied facilities. A more accurate timeline could be developed once bidding for the project was completed. Until the City commences negotiations with a master developer with a date certain as to the eventual site vacancy, it would be difficult to speculate on an exact phasing of the Castell Avenue project.

b. Challenge 2: Acquisition of Union Pacific Tract

Gaining control of the Union Pacific rail yard by the City or related entity or, at a minimum, securing an option to purchase.

The addition of the Union Pacific property behind City Hall is a critical piece of the overall development program. First, the project adds another 4 acres of developable land to the project. This increased density leads to higher tax revenue per capita. Secondly, the mitigation of the visual and environmental blight from an active railroad fueling and maintenance yard will make the project more attractive to a greater number of potential

developers. At this stage, the current master plan provides for some conceptual ideas and data related to how the project could be phased onto the railroad property over time.

The first challenge in this potential acquisition is reaching an agreement with Union Pacific to sell the property. The railroad is currently conducting a cost/benefit analysis to determine how much the property and improvements are worth. In addition to the price of the real estate and improvements, a relocation assistance package would be included in any final agreement.

c. Challenge 3: Castell Avenue Right of Way Improvements

Determining the extent of Castell Avenue and other area improvements and establishing a schedule and funding sources to undertake those improvements.

Castell Avenue is an important component of the visioning plan because it links the site to the rest of the downtown area and provides an opportunity to frame the right-of-way (ROW) and accompanying public space. The visioning plan recommends improvements to the ROW as an important and necessary contribution for the private sector investing in a major development project in the downtown area. To that extent, the visioning plan contemplates improvements along the street in front of the site to include expanded sidewalks, street landscaping, angled parking and an overall improvement of the pedestrian experience to link the convention center project to the rest of the downtown area vis-à-vis Castell Avenue. The planning efforts have also identified a project to realign and extend Hill Avenue. The next step for the City is to determine the appropriate scope of improvements for the project. At a minimum, it likely includes underground utility work that would coincide with NBU's and the City's planned replacement of water and wastewater lines and mill and overlay projects. The improvements will be needed for this project to succeed. Some improvements such as street improvements may not be able to wait until the project. Others such as underground utilities and sidewalks and curbs could become the City or EDC contributions to the project. Direction will be needed in the near term as funding opportunities arise.

B. 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.

Action Items completed/to be completed

- Upgraded/replaced network infrastructure throughout the organization increasing network connectivity in most locations by a factor of 10.
- Upgraded the city-wide phone system providing enhanced redundancy and additional functionality to support department's needs.
- Funding was included in the 2017-18 budget to rebuild and relaunch Accela in order to utilize the advanced functionalities including electronic plan review, online permit/inspection requests and online payments.
- Developing plan to implement electronic forms and workflow system to enhance staff efficiency and enhance electronic public forms submission
- Completed data center refresh; added redundancy to all hardware and virtual servers, increased performance, and provided for future expansion.
- Research and evaluate opportunities to increase availability of city technology resources through implementing redundant services.
- Evaluate the internet of things and how it has an impact on the city's transition towards a "Smart City".

C. Securing and Protecting Citizen Information

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

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

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

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

Action Items Completed/to be completed

- Modernized firewalls at all city internet connections
- Added employee security awareness training for all staff.
- Developed data security and classification policy.
- Deployed an email encryption service to protect employee and public data in transit.
- Developed and implemented end-user cyber security awareness training.
- Review and implement as appropriate the Center for Internet Security's (CIS) critical security controls.

D. Empowering a Mobile Workforce and Community

Empowering a mobile workforce is a strategic issue, not just from the logistics and security of IT, but from a staff productivity and job satisfaction perspective. Developing a strategy to evaluate the various groups of mobile workers and identifying the resources and systems

they need in the field will help us effectively target where we can increase productivity which should directly impact our citizen satisfaction.

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

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

Action Items Completed/to be completed

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

E. Capital Improvement Plan Update and Debt Service Capacity

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

When combined with the 2013 bond program, the capital investment by the City of New Braunfels from 2004-2020 will total over \$220 million. 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, \$750 million dollars in identified, unfunded capital projects remain.

The City recently began an update to the CIP in FY 2017-18 in preparation for a potential 2019 Bond program. During various City Council retreats, additional capital investment needs have been identified. The Debt Service Fund section of this document includes

information relating to the proposed 2019 bond program. That timeline was developed with consideration given to the completion of the existing 2013 bond projects, the South Castell redevelopment project (which includes the construction of the Public Works – Fire Training facility) as well as projected debt capacity. This process is discussed in the debt service section of this document.

F. Increased Operating and Maintenance Costs Associated with Capital Projects

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

In some instances, such as street projects, the level of services and resources required to maintain the asset will initially decrease after a project is completed. Other projects include landscaping, and other amenities that require upkeep, maintenance and repair. Still others require staff to provide services to the citizens taking advantage of the new infrastructure (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, operations and maintenance*, a strategic priority adopted by City Council.

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

Action Items completed/to be completed

- The forecast recognizes the potential operating cost impact of Das Rec and the proposed operation of fire station #7.

G. Adjusting User Fees to Market Rates

The City charges user fees for various services provided to the citizens. User fees are intended to generate sufficient revenue to offset the cost of providing the service. They are put in place in areas where it is appropriate for the user to pay for the service rather than

using general tax revenue (such as sales tax or property tax) and may mitigate property tax as an alternate form of revenue.

Many of the City's current fees have been in place for an extended period of time and have remained at the same level for years. Evaluating the existing user fees and looking for appropriate areas to initiate new user fees is a strategic issue for the City.

The City needs to continue to evaluate fees in all areas to ensure they are cost based and that they are in line with market factors. Fees also need to take into consideration affordability for the citizens and their ability to access the services. User fees should be analyzed and opportunities for new fees, where appropriate, should be presented for City Council consideration.

Action Items completed/to be completed

- In FY 2017-18, the City Council approved adjustments to development fees to be used to pay professional services as well as training costs to allow staff to keep up with the growth. It is more efficient to use consultants to perform various services during our growth period, thus eliminating the need to reduce staff when the growth levels off.
- In FY 2017-18, the City Council approved adjustments to various parks and recreation fees to address maintenance issues throughout Landa Park and Landa Park Aquatics Center.
- In FY 2017-18, the City Council approved an increase to parking fees at Prince Solms Park and established parking fees at Elizabeth Street to reduce the dependency on the General Fund.

H. Talent Attraction, Retention and Growth – The Challenge of Developing Future Leaders/Managers

Studies show that establishing competitive salaries and benefits are basic requirements of attracting and retaining talent. The consequences for those that fail to demonstrate employee value 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 leadership development, succession planning and career path programs are critical for the City to maintain and attract a talented workforce to serve internal and external customers. Therefore, how the City plans and implements these types of programs to attract, retain and grow our workforce is a strategic issue.

A comprehensive program for career development and recognition, one with multiple strategies must be implemented to attract, retain and grow a highly qualified workforce.

Three of the most influential factors of retention include: a productive relationship with direct supervisor/manager; skill development opportunities; flexible work arrangements. Therefore, leadership development programs, employee engagements efforts and employee benefits policies/initiatives should take the previously mentioned factors into consideration.

From a compensation standpoint, the City has invested and continues to invest in establishing pay ranges and step plans in line with our benchmark comparison municipalities. To continue our investment in establishing competitive and equitable pay, we must evaluate compensation at a deeper level in FY 2018-19 and beyond. This could include the incorporation of merit-based increases as well as ensuring that all certification, assignment, shift-differential, education pays, etc. are in line with market/ best practices.

In 2018, the City has begun to formalize leadership development programming. These initiatives are outlined below. However, the program has the potential to expand. Programming and initiatives to increase communication and teamwork throughout the organization should also be explored. These types of programs help to communicate to employees the major issues and opportunities within the organization as well as create a connection for employees of the work we do to a higher purpose, which is also a factor of employee retention.

Action Items completed/to be completed

- The New Braunfels Leadership Academy was initiated in 2018. This program will be held annually.
- NB Think Tank will kick off in late 2018.
- Beginning in 2018, the City has committed to sending two employees annually to the ICMA/University of Virginia LEAD program.
- In FY 2017-18, an analysis of all additional pays (certification, assignment, specialty, etc.) is being conducted.

I. Health Care: Sustainability of the Self Insurance Fund

Cost of Health Care continues to increase due to various factors. This has presented a challenge to the City since FY 2014-15. The City has made adjustments to health plan designs as well as increased employer contributions and employee premiums and yet the sustainability of the Self Insurance Fund is still at risk. In FY 2016-17 costs began to track in the right direction; however, mid-year adjustments as well an interfund transfer were still necessary to cover costs. Those strategies also allowed our fund balance to begin to rebuild. The Fund balance at the end of FY 2016-17 was over \$600,000, although the ideal fund balance target is approximately \$1,750,000.

The City's health insurance consultants have been tasked with developing innovative controls that will provide assistance with the sustainability of the Self Insurance Fund. The first of the controls were implemented in mid FY 2016-17 with the elimination of Out of Network benefits for non-emergency claims. The consultant also negotiated favorable pharmacy contracts with Aetna, resulting in a significant cost savings. Increased Educational Sessions and cost transparency tools have provided employees with increased knowledge of their healthcare benefits so that they are able to obtain quality healthcare services at a lower cost. In spring 2018, we released an RFP for health care administrative services. We are hopeful that through the procurement process, we can evaluate best practices for cost control and plan value. Below are some of the market mechanisms that are being evaluated during the selection process.

- Referenced based pricing
- Separate Pharmacy Benefit Manager
- Direct contracting with area providers
- Direct contracting with telemedicine provider
- Plan design to mitigate emergency room usage
- Plan design to better encourage preventative procedures and care

When looking at FY 2018-19 and beyond, the impact to employee attraction and retention should be considered when evaluating plan design and employee premiums increases. The consultant will assist City staff in ensuring that our plan remains competitive.

IV. Strategic Issue: QUALITY OF LIFE

A. Conservation of Natural Resources

As New Braunfels continues to grow, the city will need to focus on continuing to develop as a livable city through 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 health and economy of the city. Ensuring that conservation and preservation of natural resources is a component of growth related decisions is a strategic issue.

New Braunfels is known for its natural beauty including clean rivers, abundant urban forest, and green spaces. The care and preservation of these environmental features is paramount to the quality of life and economy of the city. Parks and public lands serve an essential role in preserving natural resources and wildlife habitat, protecting clean water and clean air, and providing open space for current and future generations. In addition, *protecting and*

improving our open space, and community connectivity and mobility (through trails) are strategic priorities adopted by City Council.

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

Action Items completed/to be completed

- Riparian areas were established in Landa Park as part of Landa Park River Front Rehabilitation Project FY 2014-15 and through the Edwards Aquifer Authority Habitat Conservation Plan in FY2017-18.
- Riparian areas were established on Landa Park Golf Course during course renovation
- Landa Park Master Plan developed and adopted by City Council August 2017.
- Market Plaza Master Plan completed in FY 2015-16. New Braunfels Parks Foundation currently raising funds for implementation.
- Parkland Dedication Ordinance updates started in FY 2015-16 for Neighborhood/Community and Regional Parks and were adopted in May of 2018 by Council.
- Mission Hill Park Master Plan completed and approved by City Council August 2016.
- Guadalupe River Properties Master Plan completed and approved by City Council March 2017.
- Joint effort with NBU to implement future Aquifer Storage Recovery (ASR) on airport property.
- Parks, Recreation and Open Space Strategic Master Plan completed and approved by City Council January 2018. The plan identifies levels of service for the community as well as standard operating procedures for maintenance and operations.

Reference to the 2017 National Citizen Survey for New Braunfels

	Percent Rating Positively			Comparison to Benchmark Cities		
	2012	2014	2017	2012	2014	2017
Natural areas preservation	52%	54%	67%	Much Lower	Similar	Similar

B. Improving Health and Wellness in the Community

As is the rest of the nation, New Braunfels is facing growing health and wellness challenges. The cost of sedentary lifestyles and related health issues can affect an entire community. The annual health care costs in the United States associated with obesity currently total \$190 billion. If trends do not change, the annual cost could increase to over \$250 billion by 2030. Parks and Recreation is uniquely situated to provide affordable programming to the community and has well trained and educated staff for program delivery. However, developing a programming strategy targeted specifically at improving health and wellness is a strategic issue.

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

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

Action Items completed/to be completed

- Fischer Park Nature Center opened in FY 2014-15.
- New registration software was installed and went live April 2017.
- The Fischer Park Nature Center continues to implement additional grant funded programs for youth in FY 2017-18.

- A Sports Complex Feasibility Study and an Athletic Complex Master Plan was completed and adopted by City Council November 2016.
- The Parks and Recreation Strategic Master Plan was adopted by City Council in January 2018 and included a programs assessment.
- Das Rec, New Braunfels Recreation Center will open in July 2018 providing abundant opportunities to all ages for improving health and fitness.

Reference to the 2017 National Citizen Survey Results for New Braunfels

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

C. Parks Infrastructure

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

The high 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.

Action Items completed/to be completed

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

Reference to the 2017 National Citizen Survey for New Braunfels

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

D. Library – Developing and Maintaining Partnerships

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

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

Over the five-year forecast period, the Library will explore various options and opportunities to meet these service challenges. Additional staff training has been facilitated by moving more staff from part time (30 hours per week) to full time, allowing for some additional hours for training. The addition of mobile services is helping to address the outstanding service needs. The bookmobile was deployed in July of 2016 and is currently serving seven senior facilities, five schools and six general population stops over a two-week period. Over 500 people are checking out over 1500 items each month. Most of the service is to underserved populations. In the longer term, additional library facilities will be needed to maintain/enhance service levels. Currently, two library projects are under consideration for

inclusion in the 2019 city bond election – a branch in the south-east quadrant of the city and a renovation/new facility on the Westside Community Center site. These locations will expand the ability of the library to serve the growing community.

E. Managing the Shift in Literacy

Lifelong learning – a key component of the library's mission and service paradigm – used to be defined as the ability to read and access to books as physical units. Now, it is shifting to the ability to obtain and use information via a variety of formats and devices with technology a major driver. Online learning, especially secondary education opportunities, also creates additional library service demands. The pace of development of the formats and the complexity of the technology-based devices creates a need for additional staff competency and training. The number and complexity of the literacy components are difficult for staff to keep current on. Customer service suffers when only a small subset of library staff can assist a patron.

The library as an industry is also moving into other literacy areas in addition to traditional reading, printed materials and technology. Cultural 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, bringing an awareness of the arts opportunities in the community and empowering people to make educated lifestyle and financial decisions.

As library services expand from the traditional role, the resources needed by the Library will change. Computers now compete with bookshelves 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 2017 National Citizen Survey for New Braunfels

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

F. Library Infrastructure Positioning and Development

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

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."

Action Items completed/to be completed

- Through a partnership with the Friends of the New Braunfels Public Library, expand the services to the school age youth in the community through online education enhancements. Currently, adding an online live tutoring service, online career assistance and additional computer training, including computer coding classes.
- Development of a Master Plan for the Westside Community Center site. The church building is now vacant and will need additional development or will need to be demolished. A master plan for future site usage will assist in making the optimal decision for this site.
- Expand partnerships with the Chamber of Commerce and other local non-profit organizations to serve the homeschooling and job seeking community members.

V. Strategic Issue: GROWTH AND DEVELOPMENT

A. Sustainable and Efficient Tax Production

Since 2010 New Braunfels has continued to see 3.7% annual growth rate in population. Job growth rate has kept pace and even with the Great Recession managed sustained growth. Housing starts saw unprecedented growth as well with a peak of over 3,000 permits in 2013. Previous 5-year forecasts have noted this growth and adjusted accordingly. However, such growth is unlikely to continue into the long term. The costs to the City associated with such growth are driven by demands in services from infrastructure to police and fire.

Balanced growth requires recognizing the costs of growth and attempting to balance them with increased tax revenue generation. Commercial and industrial developments provide more revenue generation per acre than homesites. The City has recognized these differences and approaches development with a goal of managed growth. This is evidenced by the Economic Development Strategy's priority in encouraging office growth and partnering in the quality of life projects. On the other side changes to the land development code highlighted by an increase in Development fees are an attempt to assess the true cost of increased development.

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

B. Development Services

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

As the ninth fastest growing city in the nation (U.S. Census Bureau estimate, 2017), New Braunfels has and expects to continue to experience multiple impacts from the growth. Additionally, development of Veramendi, the 2,400 acre master planned community in the ETJ, has begun and will bring with it requirements for development services not typically

conducted outside the city limits (land entitlements, building permitting, plan review and inspections).

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

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

C. Physical Contributors

Movement to the new City Hall in 2016 facilitated a new collaborative process with the various departments involved in development review: Building, Engineering, Planning, Fire, Health, etc. Staff are now able to assist customers together at a shared customer counter providing more transparency and rapid issue resolution.

Updating standard operating procedures is a continuous improvement effort providing for more streamlining and operation integration. Much can be gained from identifying inefficiencies in existing processes, or “kinks in the pipe”. Such inefficiencies might include duplication of services, and outdated or unnecessary steps and procedures. Comprehensive review and flow-charting of the processes is necessary to identify and eliminate inefficiencies. Participation and input from customers is key.

Augmenting the existing staff through various third party/privatization of the review process, is underway to increase the speed of customer service delivery without jeopardizing safety or thorough review and inspection.

D. Technology Enhancements

Customers expect immediate answers to application status inquiries. With so many different reviewing entities involved in the plan review and permitting process, cities often implement software programs to track progress and monitor stage progression. The City’s permitting and plan review software, Accela, was implemented in 2009. Additional investments have been allocated this fiscal year, and revisions to the program system are underway. It is being implemented across all divisions responsible for plan review. This will allow realization of

the full capability of a digital plan review, permitting and tracking system, including online functionality as well as the much-demanded online payment capability.

Many cities have implemented electronic plan review to accommodate digital submittal of building plans and permit applications. With this technology, plans are submitted by customers digitally and reviewed on computers rather than via large rolled sets of plans. Physical/paper plan and comment routing constitutes unnecessary additional time in the development process. Digital plan sets will allow for simultaneous reviews as paper plans would no longer have to be physically routed. Comments could be integrated into the digital system for automatic “push” to applicants, saving customers time and money.

E. Adjusting Development Application Fees to Market Rates

The City conducted a benchmark study of development related fees in 2016. The study recommended increases in existing fees that were much lower than the comparable comparison cities. Such fees include those for zoning verification letters, re-inspections, and sign permit applications, just to name a few.

Coupled with the benchmark study, it was identified that to improve turn-around time for reviews, in consideration of existing capacity, 3rd parties, i.e. private engineering firms, consultants, etc. should be utilized. In order to implement, staff discussed with its development community customers and brought forth for City Council consideration increases to development related fees, some of which had not been increased for inflation in 20 years or more. Staff compared against the two most comparable regional cities with similar growth rates (Georgetown and San Marcos) and identified application and review fees that would provide the resources necessary to increase the speed of development review. Implementation of the new fees and continuous evaluation of efficiencies gained is a critical issue for the coming year and beyond.

Action Items completed/to be completed

- Implementation of new fees including development of new SOPs, contract services, process revisions, performance metrics and annual review.
- In FY 2017-2018 began full assessment and reconfiguration of permitting/plan review software.
- Implement online payment system.
- Implement digital plan submission; begin exploring needed tools for full electronic plan review.

F. Code Compliance

Increased population and aging of the built environment typically results in increased code violations. The City's adopted codes are intended to achieve overall public health and safety with a goal to work with property owners to come into compliance. When compliance is not achievable, or property owners do not cooperate, the City works within the court system and, with adequate funding and authorization from the courts, the City can abate.

Three code enforcement officers respond to complaints, investigate, and address any confirmed violations accordingly. This has historically been confined to "nuisance" code issues (junk cars, weedy lots, bandit signs, etc.) Increased reports of violations of the zoning ordinance, conditions in SUPs, building codes and summer river/tourism related violations, led City Council to approve a 4th code enforcement officer to focus on these codes and ordinances. As this workload increases, staff will analyze the current organizational structure and staff capacity to address all of the reported violations/complaints.

Action Items completed/to be completed

- Increased and continuous training and certification for all officers.
- Added education element for internal staff in other departments, as well as a new component to the City University department presentation.
- Post informational videos to the City website regarding bandit signs and other FAQs.
- Create and initiate new programs for improved abatement and compliance in cooperation with neighborhoods.
- Implementation of 3rd party assistance with identification of short term rentals, compliance monitoring, online registration, rental activity monitoring, and 24-hour hotline for citizen complaints.

G. Long Range Planning

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

A broad, community-driven comprehensive plan is effective in assisting with: zoning case decision making; future public facility and park locations; capital improvement and bond project prioritization; establishment of policies for economic development, corridor redevelopment, and housing strategies; annexation; mobility improvements; urban design;

historic preservation; and improved community health. With an updated comprehensive plan, staff recommendations and eventual decisions rendered by elected and appointed officials can be made in the context of a cohesive, community-driven strategy that addresses all components of development.

The current comprehensive plan, Envision New Braunfels, is nearing completion. A steering committee and nine subcommittees or Plan Element Advisory Groups made up of over 280 citizen volunteers are finalizing individual elements or chapters in the plan. In addition, extensive innovative outreach resulted in input about the future of New Braunfels from community residents. These efforts will result in a community vision for development and growth allowing residents and elected officials to identify and respond to changing community needs and desires through policy decisions based on plan goals and objectives.

Envision New Braunfels will include an implementation matrix for the goals, strategies and actions identified by the community. This could include smaller scale neighborhood plans, corridor plans, or reinvestment plans to implement the unique goals of specific areas. It could also include new policies or ordinances to address affordable housing, economic strategies, or regulations such as a new sign ordinance.

H. Code Amendments

City Council has directed Planning staff to vigorously identify and bring forward improvements to local zoning and platting ordinances. Some improvements are being identified via Envision New Braunfels, while others are being identified through issues that arise during the implementation of existing rules. Two strategic issues are contributing to improved capacity to follow-through with these projects:

1. Adoption of the New Fees Identified Above

will allow staff to hire 3rd party plan reviewers, freeing up staff to focus on code amendments and other planning assignments;

2. Completion of Envision New Braunfels

will result in direct guidance on specific projects, and staff attention can turn from working on the plan itself, to implementation.

Action Items completed/to be completed

- Consultant, staff and citizenry collaborated via extensive, innovative community outreach.
- After final review and edits are complete, public hearing and adoption process will follow.

- Upon adoption of the plan, which will include an implementation component, strategies will be developed to implement all goals according to the timeline parameters and partnership identification in the plan.

Reference to the 2017 National Citizen Survey for New Braunfels

	Percent Rating Positively			Comparison to Benchmark Cities		
	2012	2014	2017	2012	2014	2017
Land use, Planning and Zoning	42%	47%	52%	Lower	Similar	Similar

I. 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 commuter rail alternatives. 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 period of time. 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

- There are several ongoing projects that will address mobility and connectivity as well an update to the City's Thoroughfare plan.

Reference to the 2017 National Citizen Survey for New Braunfels

	Percent Rating Positively			Comparison to Benchmark Cities		
	2012	2014	2017	2012	2014	2017
Paths and walking trails	35%	44%	56%	Much Lower	Similar	Similar
Travel by bicycle	25%	29%	32%	Much Lower	Lower	Lower
Public transportation	N/A	14%	18%	N/A	Much Lower	Much Lower

J. Airport Infrastructure Improvements

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

Significant investment has been applied to the existing hangars and other buildings that compose the entire NB Aero leasehold. The Airport is completing the process of renovating 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 hangar 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

- Runway 13-31 extension was completed
- The North Ramp hangars 1806 and 1654 have been renovated. Hangar 1746 is in process of being renovated.
- New apron space for future construction of hangars has been completed
- Construction of Hangar 2613 and 2281 was completed the end of 2016.
- Construction of Hangar 2337 was completed early 2016.
- The Airport entered into a new lease for the construction of hangar on the NE side.
- Canyon Aviation is currently constructing two new hangars.
- Negotiations underway for projected construction of two new hangars along new taxi-lane extension.
- Taxi-lane extension out for bid; projected start date for construction is April 2018.
- Airport terminal and control tower repairs under construction.
- NBU ASR project lease for property being drafted.
- New point of sale system installed at self-serve fuel farm.

K. Workforce/Affordable Housing

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

Reference to the 2017 National Citizen Survey for New Braunfels

	Percent Rating Positively			Comparison to Benchmark Cities		
	2012	2014	2017	2012	2014	2017
Housing options	58%	59%	60%	Similar	Similar	Similar
Affordable Quality Housing	43%	45%	40%	Higher	Similar	Similar

General Fund -Baseline Expenditures and Resource Demand Forecasts

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

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

The General Fund forecast section includes four schedules that include revenues, expenditures and fund balances over the next five years in four scenarios. The revenue projections are the same for all schedules; only the expenditures change. The first two schedules, referred to as "Baseline Expenditures Forecasts" look at the financial position of the General Fund and assume that revenues grow throughout the period and that expenses increase only to reflect inflationary pressures as well as anticipated expenditure adjustments, such as the costs associated with operating Das Rec, New Braunfels Recreation Center. These scenarios assume that no additional programs or resources are added to the budget and that all current programs are fully funded at the current level of service. The first schedule on page 54 shows the transfer to the Equipment Replacement Fund adequate to purchase all vehicle replacements along with the annual savings for the future purchase of Mobile Data Terminals (MDT's) (\$120,000) and Self Contained Breathing Apparatus (SCBA) equipment (\$65,000). The second schedule on page 55 reflects the same assumptions, however, the transfer to the Equipment Replacement Fund is the amount necessary to lease vehicle replacements as opposed to purchasing.

The second set of schedules on pages 62 and 63 are called the "Resource Demands Forecasts" and show the impact to the General Fund of costs associated with identified resource needs, program enhancements, and compensation adjustments. These projections are the results of the assumptions used to build the General Fund forecast. If the assumptions change, the forecast results change as well.

The Baseline Expenditures Forecasts in the schedule on the pages 54 and 55 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 and Fire Department*
- Effective Management – *City Council, City Administration, City Attorney's Office, Human Resources, Municipal Court, Finance, Information Technology and Non-Departmental*
- Quality of Life – *Parks and Recreation and Library Services*
- Growth and Development – *Planning and Community Development*

General Fund Forecast

General Fund Forecast - Baseline Expenditures/Current Level of Service and Programs Reflecting Purchase of All Vehicle Replacements							
	FY 2017-18 Budget	FY 2017-18 Estimate	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected
Beginning Fund Balance	\$ 18,195,037	\$ 18,650,097	\$ 19,899,575	\$ 22,093,048	\$ 27,990,901	\$ 37,078,739	\$ 50,353,595
Revenues							
Property Taxes	18,138,200	18,138,200	19,252,020	21,177,222	22,659,628	24,245,801	25,943,008
Sales Taxes	21,069,270	21,056,947	21,899,225	22,775,194	23,686,202	24,633,650	25,618,996
Other Taxes and Franchise Fees	10,097,632	10,097,632	10,501,537	10,921,599	11,249,247	11,699,217	12,167,185
Licenses and Permits	4,122,895	4,122,895	4,535,185	4,943,351	5,338,819	5,712,537	6,112,414
Fines and Forfeitures	1,785,125	1,785,125	1,874,381	1,968,100	2,066,505	2,169,831	2,278,322
Charges for Services	3,976,568	3,976,568	4,099,796	4,199,786	4,273,276	4,486,939	4,711,286
Parks and Recreation	2,028,800	2,028,800	2,853,702	2,967,850	3,086,564	3,210,027	3,338,428
Interfund Transfers	875,087	875,087	888,213	901,537	915,060	928,785	942,717
Miscellaneous	2,278,400	2,850,200	2,460,813	2,618,305	2,785,876	2,964,172	3,153,879
Total General Fund Revenue	\$ 64,371,977	\$ 64,931,454	\$ 68,364,872	\$ 72,472,944	\$ 76,061,176	\$ 80,050,959	\$ 84,266,235
Total Available Funds	\$ 82,567,014	\$ 83,581,551	\$ 88,264,447	\$ 94,565,992	\$ 104,052,076	\$ 117,129,698	\$ 134,619,830
Baseline Expenditures							
Infrastructure	7,040,834	7,040,834	7,085,352	7,204,018	7,312,719	7,409,489	7,529,855
Public Safety	35,970,474	35,970,474	35,926,277	36,172,120	36,313,979	36,547,838	36,813,868
Effective Management	8,604,920	8,604,920	8,599,055	8,607,327	8,604,194	8,687,821	8,791,938
Quality of Life	8,880,293	8,880,293	10,234,013	10,382,105	10,517,551	10,637,869	10,787,859
Growth and Development	3,065,455	3,065,455	2,973,096	3,004,053	3,034,102	3,062,972	3,096,183
Equipment Replacement Program	120,000	120,000	1,353,606	1,205,467	1,190,793	430,114	465,265
Total General Fund Baseline Expenditures	\$ 63,681,976	\$ 63,681,976	\$ 66,171,400	\$ 66,575,091	\$ 66,973,338	\$ 66,776,103	\$ 67,484,967
Ending Fund Balance	\$ 18,885,038	\$ 19,899,575	\$ 22,093,048	\$ 27,990,901	\$ 37,078,739	\$ 50,353,595	\$ 67,134,863
Target Fund Balance - 30%			\$ 19,851,420	\$ 19,972,527	\$ 20,092,001	\$ 20,032,831	\$ 20,245,490
Fund Balance Surplus			\$ 2,241,628	\$ 8,018,373	\$ 16,986,738	\$ 30,320,764	\$ 46,889,373

General Fund Forecast

General Fund Forecast - Baseline Expenditures/Current Level of Service and Programs Reflecting Lease of All Vehicle Replacements							
	FY 2017-18	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
	Budget	Estimate	Projected	Projected	Projected	Projected	Projected
Beginning Fund Balance	\$ 18,195,037	\$ 18,650,097	\$ 19,899,575	\$ 22,920,397	\$ 29,465,530	\$ 39,023,511	\$ 51,883,839
Revenues							
Property Taxes	18,138,200	18,138,200	19,252,020	21,177,222	22,659,628	24,245,801	25,943,008
Sales Taxes	21,069,270	21,056,947	21,899,225	22,775,194	23,686,202	24,633,650	25,618,996
Other Taxes and Franchise Fees	10,097,632	10,097,632	10,501,537	10,921,599	11,249,247	11,699,217	12,167,185
Licenses and Permits	4,122,895	4,122,895	4,535,185	4,943,351	5,338,819	5,712,537	6,112,414
Fines and Forfeitures	1,785,125	1,785,125	1,874,381	1,968,100	2,066,505	2,169,831	2,278,322
Charges for Services	3,976,568	3,976,568	4,099,796	4,199,786	4,273,276	4,486,939	4,711,286
Parks and Recreation	2,028,800	2,028,800	2,853,702	2,967,850	3,086,564	3,210,027	3,338,428
Interfund Transfers	875,087	875,087	888,213	901,537	915,060	928,785	942,717
Miscellaneous	2,278,400	2,850,200	2,460,813	2,618,305	2,785,876	2,964,172	3,153,879
Total General Fund Revenue	\$ 64,371,977	\$ 64,931,454	\$ 68,364,872	\$ 72,472,944	\$ 76,061,176	\$ 80,050,959	\$ 84,266,235
Total Available Funds	\$ 82,567,014	\$ 83,581,551	\$ 88,264,447	\$ 95,393,341	\$ 105,526,705	\$ 119,074,470	\$ 136,150,074
Baseline Expenditures							
Infrastructure	7,040,834	7,040,834	7,085,352	7,204,018	7,312,719	7,409,489	7,529,855
Public Safety	35,970,474	35,970,474	35,926,277	36,172,120	36,313,979	36,547,838	36,813,868
Effective Management	8,604,920	8,604,920	8,599,055	8,607,327	8,604,194	8,687,821	8,791,938
Quality of Life	8,880,293	8,880,293	10,234,013	10,382,105	10,517,551	10,637,869	10,787,859
Growth and Development	3,065,455	3,065,455	2,973,096	3,004,053	3,034,102	3,062,972	3,096,183
Equipment Replacement Program	120,000	120,000	526,257	558,187	720,650	844,642	845,776
Total General Fund Baseline Expenditures	\$ 63,681,976	\$ 63,681,976	\$ 65,344,051	\$ 65,927,811	\$ 66,503,195	\$ 67,190,631	\$ 67,865,478
Ending Fund Balance	\$ 18,885,038	\$ 19,899,575	\$ 22,920,397	\$ 29,465,530	\$ 39,023,511	\$ 51,883,839	\$ 68,284,596
Target Fund Balance - 30%			\$ 19,603,215	\$ 19,778,343	\$ 19,950,958	\$ 20,157,189	\$ 20,359,643
Fund Balance Surplus			\$ 3,317,182	\$ 9,687,186	\$ 19,072,553	\$ 31,726,649	\$ 47,924,953

Baseline Expenditures Forecast- Discussion and Analysis

General Fund- Revenue Projections

The average annual growth in General Fund revenues during the forecast period is 5.4 percent. The table below reflects the projected annual growth in total General Fund revenues for each year during the forecast period. The variation in growth is impacted by multiple factors, such as the impact to property tax revenue from the postponement of a debt issuance in FY 2016-17, a projected leveling off of licenses and permit revenue growth as well as the inclusion of revenue stemming from Das Rec, the New Braunfels Recreation Center.

Projected Total General Fund Revenues					
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Growth Rate	5.3%	6.0%	5.0%	5.3%	5.3%

Property Tax Revenue

Property tax revenue currently makes up 28 percent of all General Fund revenue. The chart below details the growth projections included in this document.

Projected Property Tax Revenue Growth					
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Growth Rate	10%	10%	7.0%	7.0%	7.0%

The FY 2018-19 projection of 10 percent is based on the preliminary roll data provided by the Guadalupe and Comal appraisal districts. While the preliminary tax rolls for FY 2018-19 indicate potential growth of over 19 percent, a portion of that growth will not be realized due to protests, the over 65 tax ceiling, as well as the Creekside TIRZ. Typically, a drop of approximately 6 percent is seen from the preliminary rolls to the certified rolls. Therefore, 10 percent is a conservative approach regarding actual anticipated revenue growth within this source for FY 2018-19. The 10 percent figure is based on a 4-year historical compounded annual growth rate (spanning from 2013-2017). During that time frame, the City experienced a steady period averaging 9.5 percent annually. The projection factors in this steady growth trend.

In addition to the 10 percent growth rate projected in FY 2018-19, property tax revenue was reduced in the General Fund by \$700,000 in FY 2018-19. The I&S rate was reduced by one cent in FY 2017-18 due to the fact that no debt was issued. This one cent was allocated to the General Fund for Das

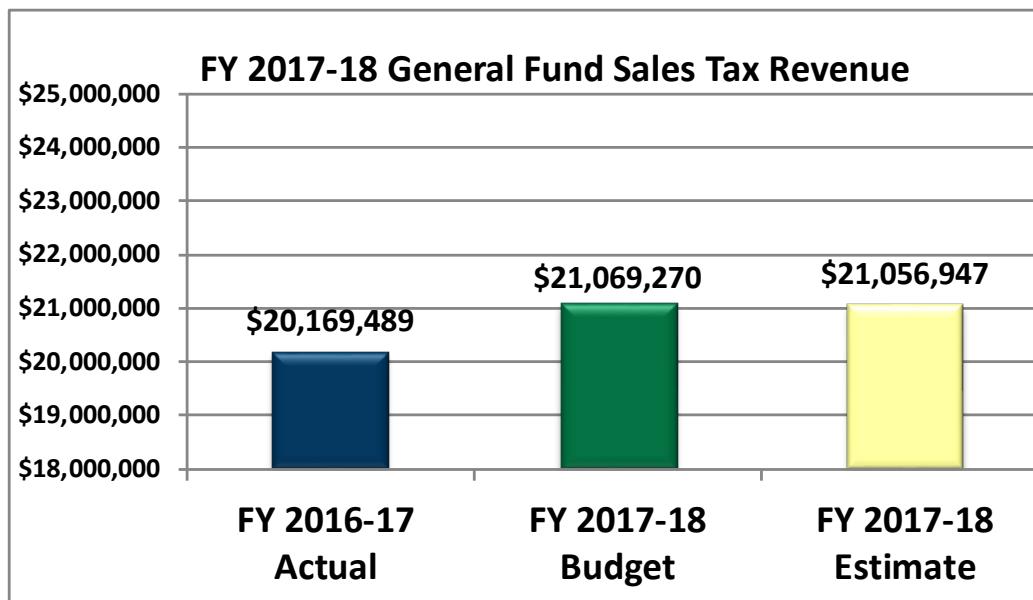
General Fund Forecast

Rec start up costs. It is now necessary to shift these funds back to the Debt Service Fund and associated rate in FY 2018-19 to support the remaining 2013 bond issuance.

Sales Tax Revenue

In FY 2017-18, sales taxes are projected to account for 32 percent of the General Fund's total revenue (down from 35-37 percent in prior years). It is the largest source of revenue to the General Fund. Strong sales tax revenues allow the City of New Braunfels to reduce reliance on property taxes, however it can create challenges in carrying out budgeted initiatives. Sales tax revenue can be volatile in relation to economic conditions and consumer spending patterns. While we may see some volatility month to month, our annual growth estimates have been consistently positive and meeting budget projections.

The General Fund has experienced consistent and often very strong growth in sales tax revenue from FY 2009-10 to FY 2017-18. In FY 2017-18, the current estimate reflects 4.4 percent growth in revenue (as shown below).



The table below reflects the sales tax growth rates included the General Fund forecast. Four percent growth is currently reflected throughout the forecast period. During the last 12 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 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. This is a conservative approach; however, staff feels that the historical growth rates that the City experienced are not likely to continue throughout the forecast period. Therefore, the FY 2018-19 budget process may project sales tax revenue more conservatively to ensure that the initiatives and programs included in the adopted budget can be implemented as planned and approved by City Council.

General Fund Forecast

Projected Sales Tax Growth Projections – General Fund					
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Growth Rate	4%	4%	4%	4%	4%

Franchise Taxes

The majority of Franchise tax revenue comes from New Braunfels Utilities (NBU). NBU's payment to the City is based on a rolling 3-year average of gross revenue collections. From FY 2004-05 to FY 2016-17, franchise taxes grew at a compounded annual growth rate of 5.5 percent. Recent history (FY 2013-14 to FY 2016-17) shows that growth rate declining slightly. However, to be conservative and consider the projected decrease of franchise fees in the future, a growth rate ranging from 3 - 4 percent was utilized for projecting franchise tax revenue throughout the forecast period.

All other General Fund Revenues

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

General Fund - Revenue Growth Rate Projections	
Licenses and Permits	10.0%-7.0%
Fines and Forfeitures	5.0%
Charges for Services	5.0%
Parks and Recreation	4.0%
Interfund Transfers	1.5%
Miscellaneous	6.4%

Licenses and Permits – to account for a projected leveling off in the later years of this forecast, licenses and permit growth during the forecast period ranges from 10 percent in FY 2018-19 to 7 percent in FY 2021-22 and FY 2022-23.

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

uninsured and on Medicaid. The funding level of this program is anticipated to decrease over the next couple of years; therefore, the revenue has been adjusted to account for that reduction.

Parks and Recreation revenue - the growth projection of 4 percent has been applied to the base revenue. In FY 2018-19, this revenue source has been adjusted to account for the additional revenue stemming from the opening of Das Rec. The facility is anticipated to be opened in July 2018. Therefore, projected revenue from the facility is included in the forecast.

In 2018 the City Council adopted a variety of new fees and adjusted fees for development services and parks and recreation. The revenues have not been accounted for in this forecast and will be included in future plans when we have some experience from which we can analyze trends.

General Fund- Expenditure Projections

Employee Expenditures - Current Service Levels

In the Baseline Expenditures General Fund forecast, no change in service levels, staffing, compensation or operating expenditure levels are included throughout the forecast period. To further clarify, no cost of living, merit or market adjustment compensation changes are included in the Baseline Expenditures during the forecast period. However, full funding of new positions from the previous year is included. In addition, Quality of Life expenditures have been adjusted to account for the opening of Das Rec.

No increases in health insurance costs were included in this forecast period. As we move forward with selecting a new health care provider over the next several months, better projections will be available and included in the 2018-2019 budget proposal.

Operating Expenditures – Current Service Levels

Operating expenditures include costs such as: utilities, office supplies, professional services, software licenses, fuel, landscaping services, automotive repair, janitorial supplies etc. Training related expenditures are also a component of the operating expenditure budget. In the Baseline Expenditures, operating costs are adjusted for inflation (between 2.0 and 3.0 percent throughout the forecast period). Therefore, the projections reflect FY 2017-18 service levels. The annual inflation rates built into the forecast are the same that the City of San Antonio currently utilizes in the development of their 5-year financial forecast.

Operating expenditures are adjusted for any one time or known changes to expenditures, such as the completion of the comprehensive plan funding in FY 2017-18 as well as the beginning and/or ending of capital leases (Police, Fire and Information Technology). In FY 2017-18, one-time equipment and initiatives were allocated in the budget; those funds were either removed prior to adjusting operating expenses for inflation throughout the forecast period.

Equipment Replacement Program

To deliver a structurally balanced budget in FY 2013-14 (recurring operating expenditures equal to recurring revenues), the equipment replacement program was suspended. In FY 2014-15, the program was only partially reinstated by allocating a \$300,000 contribution to the fund and only replacing those vehicles which were in dire need of replacement. The reinstatement was budgeted in FY 2015-16 and FY 2016-17, increasing the contribution to \$400,000. However, in both years, the transfer was reallocated to the Self Insurance Fund to ensure solvency of the fund. In FY 2017-18, a \$120,000 contribution was included in the budget.

In the Baseline Expenditures forecast on page 54, the transfer from the General Fund is the amount necessary to cover the annual transfer for the MDT's and the SCBA's and the amount necessary to purchase all vehicle replacements throughout the forecast period. While the forecast on page 55 reflects a scenario that leases all replacement vehicles throughout the forecast period.

Capital Expenditures

There are no capital expenditures included throughout the forecast period.

Interfund Transfers

In the baseline expenditures, interfund transfer funding remains at the current budgeted level (FY 2017-18). General Fund transfers to other funds are to cover initiatives such as the support of the River Activities Fund and cash match for grants.

Baseline Expenditures Summary

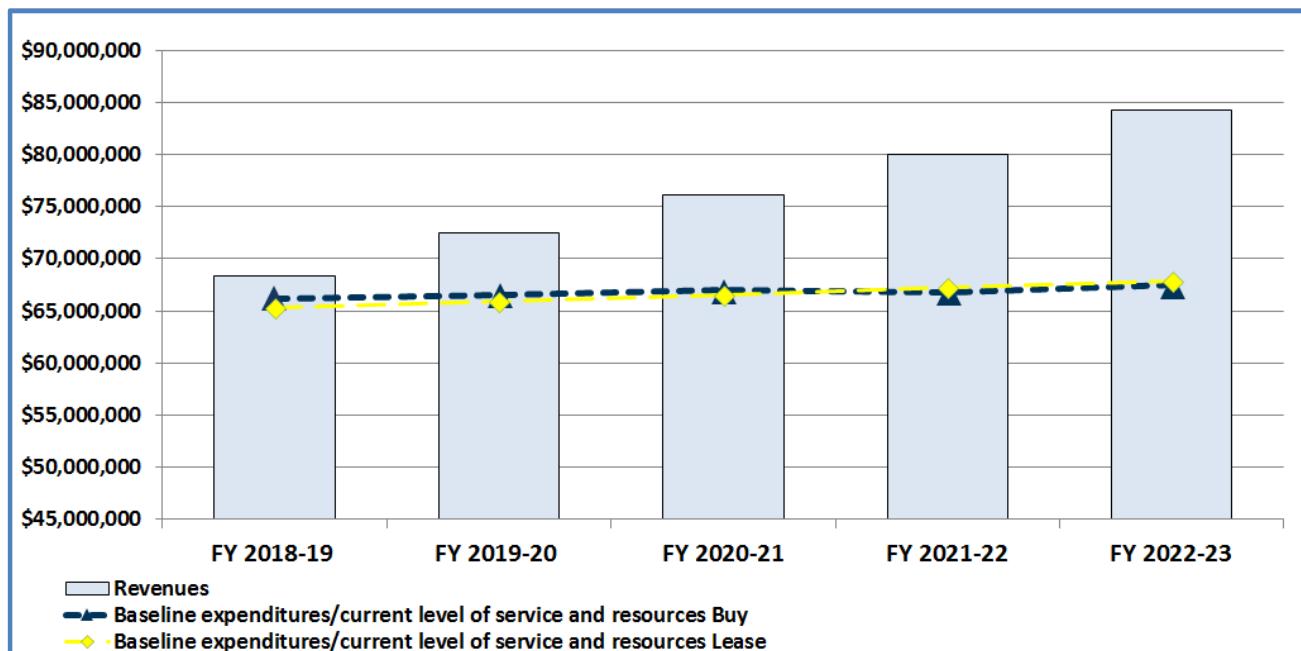
The baseline forecasts demonstrate the City's ability to fund current resources at the FY 2017-18 service level, as well as support a full year's expenditures for Das Rec. It also shows that the City has funding available for some identified resource demands to meet the current and increasing demand for municipal services. The following table reflects available funding (revenue minus expenditures) that could be allocated for additional resources and meeting reserve requirements throughout the forecast period.

The figures in the table and graph below represent the funds available throughout the forecast period each year after expenditures are subtracted from revenues. 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. However, the City Council currently has a fund balance target of 30 percent of recurring expenditures to protect both the City's financial stability and bond ratings (which determine the City's interest rate opportunities for debt issued).

General Fund Forecast

Available Funding for Additional Resources and Reserve Requirement						
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	
Available Recurring Funding For Expenditures and Fund Balance –Annual Surplus- Purchase	\$ 2,193,000	\$ 5,897,000	\$ 9,087,000	\$ 13,274,000	\$ 16,781,000	
Available Recurring Funding For Expenditures and Fund Balance –Annual Surplus - Lease	\$ 3,020,000	\$ 6,545,000	\$ 9,557,000	\$ 12,860,000	\$ 16,400,000	



Fund Balance Considerations

Both Baseline Expenditures Forecasts show a surplus in fund balance throughout the forecast period. ***It is important to remember that any commitment of funds made in FY 2018-19 will reduce the fund balance and surplus throughout the remainder of the forecast period.*** In fact, every dollar committed for new recurring expenditures in FY 2018-19 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 forecasts that include funding for all current resource demands (Resource Demands Forecasts) show different results. These forecasts on pages 62 and 63 show deficits ranging from \$1.8 million and grows to over \$7 million by the end of the five-year forecast period.

Resource Demands Forecasts

The “Resource Demands Forecast” shows the impact of adding costs associated with new positions, compensation adjustments and other expenditures. It is important to note that these programs/resources/compensation adjustments have not been approved by City Council or recommended by City Management. The purpose of this schedule is to forecast the impact to the

General Fund Forecast

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.

General Fund Forecast -Resource Demands Reflecting Purchase of All Vehicle Replacements						
	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected	
Beginning Fund Balance (adjusted)	\$ 19,899,575	\$ 17,749,691	\$ 16,895,684	\$ 16,290,155	\$ 16,553,359	
Total General Fund Revenue	68,364,872	72,472,944	76,061,176	80,050,959	84,266,235	
Total Available Funds	88,264,447	90,222,635	92,956,860	96,341,114	100,819,595	
Total <u>Baseline</u> General Fund Expenditures	\$ 66,171,400	\$ 66,575,091	\$ 66,973,338	\$ 66,776,103	\$ 67,484,967	
Adjusted baseline expenditures - Includes impact from RECURRING additional expenditures	\$ 66,171,400	\$ 69,171,844	\$ 72,028,676	\$ 74,650,870	\$ 78,739,535	
Additional Annual Expenditures						
Market Adjustments						
Non-Uniform Employees						
Uniformed Personnel	\$ 1,100,000	\$ -	\$ -	\$ -	\$ -	
Uniformed Personnel						
Step Plan/Cost of Living Adjustments	100,000	891,615	918,364	952,915	981,502	
Non Uniform Personnel						
Pay for Performance increases/Cost of Living Adjustments	399,663	491,586	506,334	521,524	537,169	
Police Officers	Staffing Equipment	397,503	292,924	397,503	292,924	-
		445,570	356,456	445,570	356,456	-
4 School Resource Officers 25%		121,668	90,204	90,204	90,204	90,204
Address current unmet needs - positions	477,919	492,256	507,024	522,235	537,902	
Operating expenditures from CIP/Bond projects						
Fire Station #7 Operations	-	200,000	400,000	1,000,000	1,000,000	
2019 Bond - TBD	-	-	-	-	-	
Address current unmet needs - One time capital and initiatives	1,301,034	1,340,065	1,373,030	1,400,628	1,437,185	
Total - Additional Annual Expenditures	\$ 4,343,357	\$ 4,155,106	\$ 4,638,029	\$ 5,136,885	\$ 4,583,962	
Total Expenditures - Adjusted for Additional Expenditures	\$ 70,514,757	\$ 73,326,950	\$ 76,666,705	\$ 79,787,755	\$ 83,323,496	
Ending Fund Balance	\$ 17,749,691	\$ 16,895,684	\$ 16,290,155	\$ 16,553,359	\$ 17,496,098	
Target Fund Balance - 30%	20,630,446	21,489,129	22,454,431	23,409,201	24,565,893	
Fund Balance deficit	\$ (2,880,755)	\$ (4,593,445)	\$ (6,164,276)	\$ (6,855,842)	\$ (7,069,795)	

General Fund Forecast

General Fund Forecast -Resource Demands Reflecting Lease of All Vehicle Replacements						
	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected	
Beginning Fund Balance (adjusted)	\$ 19,899,575	\$ 18,577,040	\$ 18,370,313	\$ 18,234,927	\$ 18,083,603	
Total General Fund Revenue	68,364,872	72,472,944	76,061,176	80,050,959	84,266,235	
Total Available Funds	88,264,447	91,049,984	94,431,489	98,285,886	102,349,839	
Total <u>Baseline</u> General Fund Expenditures	\$ 65,344,051	\$ 65,927,811	\$ 66,503,195	\$ 67,190,631	\$ 67,865,478	
Adjusted baseline expenditures - Includes impact from <u>RECURRING</u> additional expenditures	\$ 65,344,051	\$ 68,524,564	\$ 71,558,533	\$ 75,065,398	\$ 79,120,046	
Additional Annual Expenditures						
Market Adjustments						
Non-Uniform Employees						
Uniformed Personnel	\$ 1,100,000	\$ -	\$ -	\$ -	\$ -	
Uniformed Personnel						
Step Plan/Cost of Living Adjustments	100,000	891,615	918,364	952,915	981,502	
Non Uniform Personnel						
Pay for Performance increases/Cost of Living Adjustments	399,663	491,586	506,334	521,524	537,169	
Police Officers	Staffing Equipment	397,503 445,570	292,924 356,456	397,503 445,570	292,924 356,456	- -
4 School Resource Officers 25%		121,668	90,204	90,204	90,204	90,204
Address current unmet needs - positions		477,919	492,256	507,024	522,235	537,902
Operating expenditures from CIP/Bond projects						
Fire Station #7 Operations	-	200,000	400,000	1,000,000	1,000,000	
2019 Bond - TBD	-	-	-	-	-	
Address current unmet needs - One time capital and initiatives		1,301,034	1,340,065	1,373,030	1,400,628	1,437,185
Total - Additional Annual Expenditures	\$ 4,343,357	\$ 4,155,106	\$ 4,638,029	\$ 5,136,885	\$ 4,583,962	
Total Expenditures - Adjusted for Additional Expenditures	\$ 69,687,408	\$ 72,679,670	\$ 76,196,562	\$ 80,202,283	\$ 83,704,007	
Ending Fund Balance	\$ 18,577,040	\$ 18,370,313	\$ 18,234,927	\$ 18,083,603	\$ 18,645,831	
Target Fund Balance - 30%	20,382,241	21,294,945	22,313,388	23,533,560	24,680,047	
Fund Balance deficit	\$ (1,805,201)	\$ (2,924,632)	\$ (4,078,461)	\$ (5,449,956)	\$ (6,034,216)	

Resource Demands Forecast- Discussion and Analysis

The Resource Demands forecast above includes the costs of resource needs or unmet needs that have been identified as a priority by the City Council or staff.

During the forecast period, additional needs will be identified as service demands increase. Once those needs are identified, they will be recognized in the forecast and budget development process. ***This forecast is 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

General Fund Forecast

priorities/issues previously recognized by City Council. The forecast below is based on the following assumptions.

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

Projected Expenditures - The Resource Demands forecast recognizes all the baseline expenditures included in that forecast and schedule (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.

- Market Adjustments/maintaining market competitiveness
- Step plan/ cost of living adjustments
- Police and Fire staffing
- All other departments staffing – current identified unmet needs
- Resources to staff and operate completed capital improvement projects
- Initiatives with one-time costs – current identified unmet needs

Fund Balance – The current unmet/identified resource needs, shown in the schedule on the previous page, shows a deficit in fund balance throughout the forecast period. This deficit is driven entirely by the additional expenditures projected for staffing, salary adjustments, equipment and other capital expenditures. Each of these initiatives are described in more detail below.

The following paragraphs briefly explain the assumptions and nature of the additional expenditures included in the Resource Demands forecast.

Market Adjustments

A market salary analysis was originally completed in FY 2013-14 utilizing the Council approved benchmark cities. Staff conducted an update to that study in FY 2016-17. The results of that analysis are summarized below as well as a comparison to the results from FY 2013-14:

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

The implementation of the compensation adjustments stemming from the FY 2013-14 study and updated pay plans were implemented over a three-year period as the total cost exceeded \$4,000,000. The projected costs for both uniform and non-uniform compensation adjustments are included in the schedule.

Maintaining Market Competitiveness

Annual step plan implementation, and potential cost of living compensation increases 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 step up costs are only deferrable (as long as the current plan is in place), not avoidable as they are based on time in position. There is no cost of living adjustment included for uniform personnel until the market adjustments are fully implemented (FY 2019-20). A 3% cost of living adjustment for non-uniform employees is included throughout the model

Police Staffing – Current Identified Unmet Need

The Center for Public Safety Management's (CPSM) staffing and deployment analysis recommended the addition of 18 new officers over the next 4 years. This would include adding 5 officers each of the first 2 years and 4 officers each of the next 2 years of the forecast period. At its December 4, 2017 retreat, staff presented three implementation options. Council directed staff to pursue implementation of Option C, which includes:

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

The forecast also includes the addition of 4 School Resource Officers and their related equipment, funded at 25% (which would be the City's portion).

Fire Staffing – Current Identified Unmet Need

Funding is recognized in the forecast schedule to staff and operate Fire Station #7. The study by CPSM has recommended multiple funding and deployment options for this new station. The forecast schedule builds in a conservatively staffed station with the addition of two firefighters in FY 2019-20, and the addition of two the following year. The timing of hiring these firefighters is dependent upon the actual construction schedules. Once it is opened in FY 2021-22, the station cost is projected to be \$1,000,000 annually, with this staffing model.

Other Departments Staffing – Current Identified Unmet Needs

There were 44.5 positions requested to meet current service demands during the FY 2017-18 budget process, all of which are currently unfunded. These positions were requested across all General Fund departments. For planning purposes, the addition of these 44.5 positions are projected to occur over a

General Fund Forecast

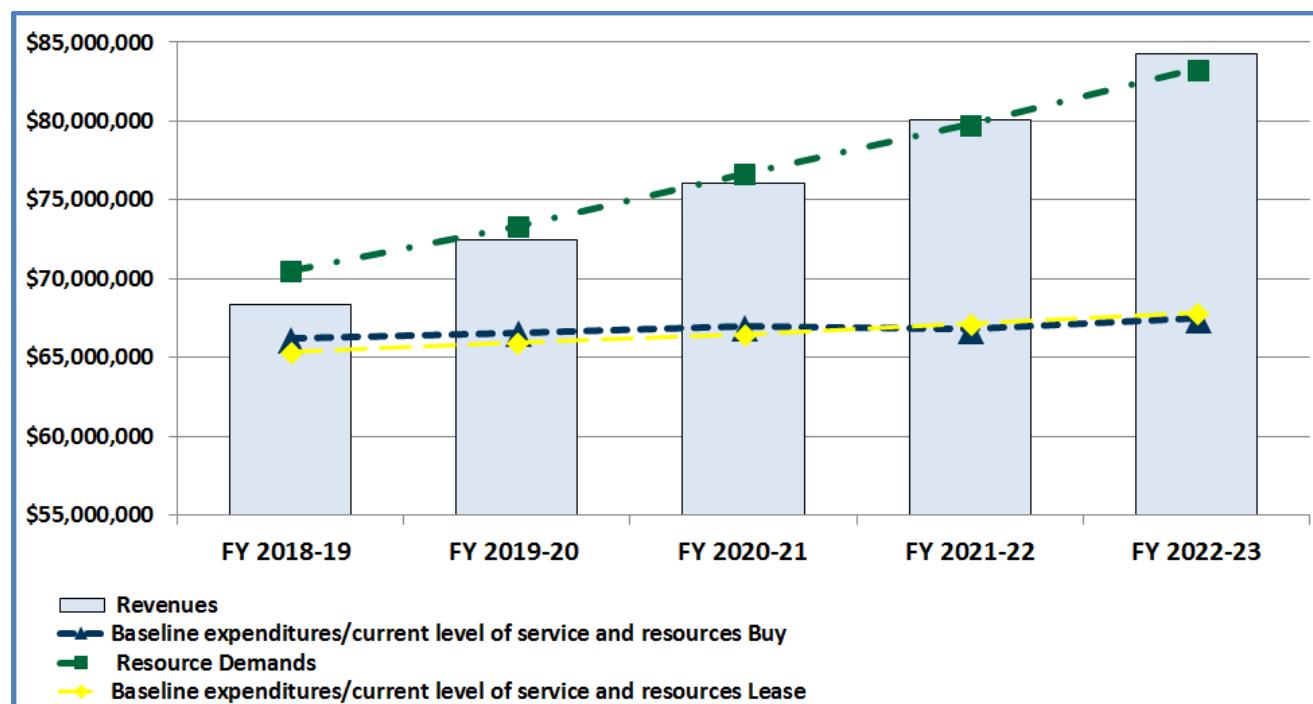
five-year period (approximately 9 hired each year), from FY 2018-19 to FY 2022-23. A complete list of unmet needs can be found on pages 384-393 of the FY 2017-18 Adopted Budget document.

One-time Costs – Current Identified Unmet Needs

Various non-personnel, non-equipment initiatives were identified by General Fund departments during the FY 2017-18 Budget process. A complete list of unmet needs can be found on pages 384-393 of the FY 2017-18 Adopted Budget document. Again, as a reminder, these costs are only those associated with current needs. Increased service demands and new programs will impact one-time equipment and initiative needs.

General Fund –Baseline and Resource Demands Forecast Projections

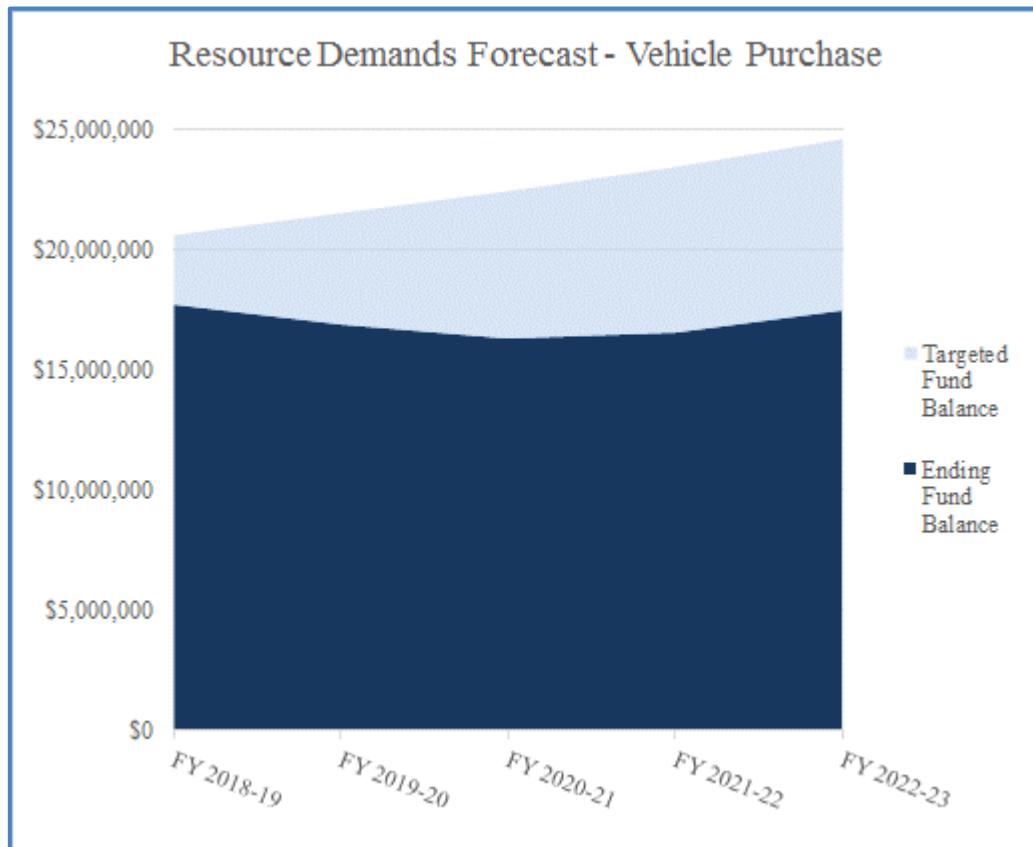
The following graph compares the General Fund forecasts and the projected fiscal impact of additional expenditures described in this section. The green line reflects the resource demands or the unmet needs included in the forecast. The blue line reflects baseline expenditures with the purchase of all vehicle replacements and the yellow line reflects baseline expenditures with the lease of all vehicle replacements. 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, under both the purchase or the lease of replacement vehicles. Funding is projected to be available to pay for some, ***but not all***, of the identified, unmet needs – personnel, compensation adjustments and capital/equipment.



General Fund Forecast

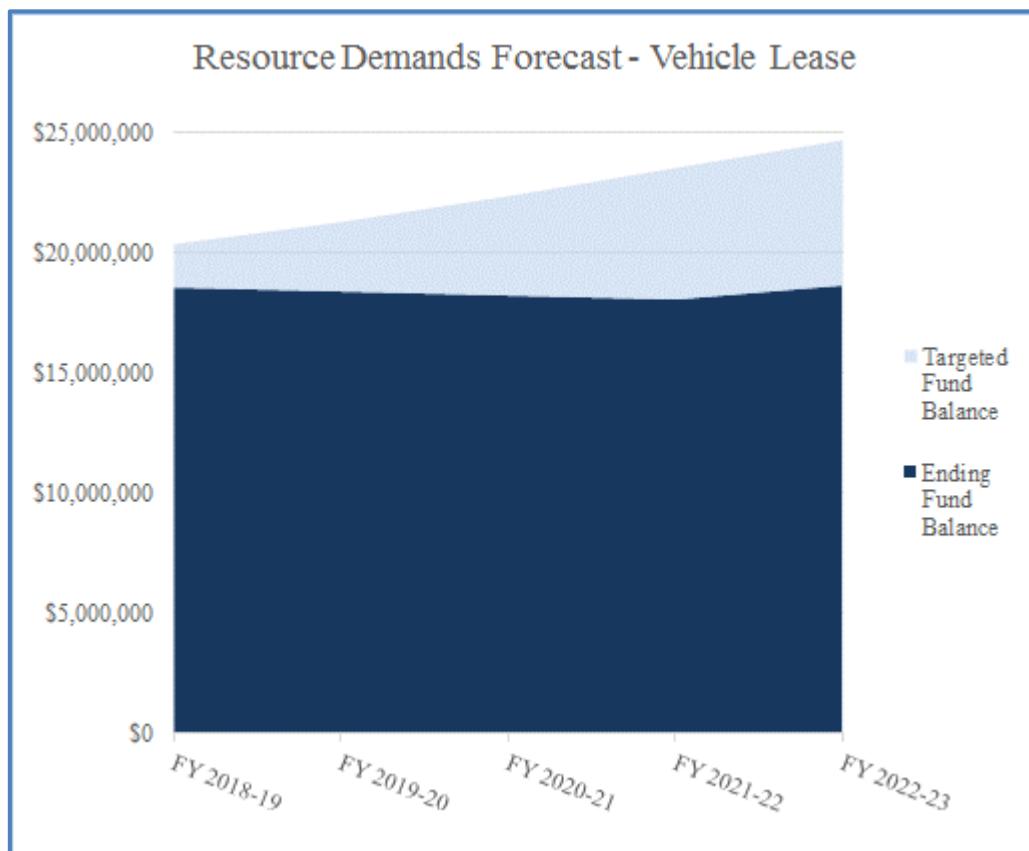
The following graphs however, show the resulting fund balance from the projected revenue levels and resource demands compared to the targeted 30% fund balance. The graphs show that while revenues can cover resource demands by FY 2021-22, at those levels, there is a resulting fund balance deficit for all 5 years in the forecast period. The first graph shows the resulting fund balance with the purchase of all vehicle replacements and the second graph shows the option to lease of all vehicle replacements.

	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected
Ending Fund Balance	\$ 17,749,691	\$ 16,895,684	\$ 16,290,155	\$ 16,553,359	\$ 17,496,098
Target Fund Balance - 30%	20,630,446	21,489,129	22,454,431	23,409,201	24,565,893
Fund Balance deficit	\$ (2,880,755)	\$ (4,593,445)	\$ (6,164,276)	\$ (6,855,842)	\$ (7,069,795)



General Fund Forecast

	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected
Ending Fund Balance	\$ 18,577,040	\$ 18,370,313	\$ 18,234,927	\$ 18,083,603	\$ 18,645,831
Target Fund Balance - 30%	20,382,241	21,294,945	22,313,388	23,533,560	24,680,047
Fund Balance deficit	\$ (1,805,201)	\$ (2,924,632)	\$ (4,078,461)	\$ (5,449,956)	\$ (6,034,216)



Debt Service Fund Forecast

The City of New Braunfels issues voter approved general obligation bonds, certificates of obligation and tax notes to fund needed capital improvement projects such as streets and drainage improvements, facility improvements 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 New Braunfels City Council called a bond election which was held on May 11, 2013. Four propositions were included on the ballot and all four were approved. The propositions are as follows:

- Proposition 1 – Street Improvements
- Proposition 2 – Drainage and Flood Control Improvements
- Proposition 3 – Parks, Recreation and Open Space Improvements
- Proposition 4 – Economic Development

During the FY 2017-18 budget development a cash flow analysis of the remaining 2013 bond program expenditures and proceeds available was prepared. The City has sufficient bond proceeds to cover anticipated project costs. Therefore, the issuance of bonds in FY 2016-17 was deferred to FY 2017-18, when the funds were needed. The first debt payment on this issuance will be in FY 2018-19. This strategy of issuing debt only when needed is considered a best practice in municipal financial management. As a result, a portion of the total rate not needed to support the debt was shifted to the General Fund to support one-time expenditures, such as the start-up costs for Das Rec and fund balance requirements. The FY 2018-19 forecast includes shifting the one cent back to the I&S portion of the tax rate to support the final issuance of the debt for the 2013 bond program.

	Adopted FY 2013-14	Adopted FY 2014-15	Adopted FY 2015-16	Adopted FY 2016-17	Preliminary FY 2017-18	Adopted FY 2017-18
Debt Rate	22.0151	22.0151	22.0151	22.0151	21.0141	19.985
General Fund	27.8079	27.8079	27.8079	27.8079	28.8089	28.837
Total Rate	49.8230	49.8230	49.8230	49.8230	49.8230	48.822

When developing the FY 2017-18 proposed budget, the July 2017 Certified Rolls showed an unexpected substantial increase in property tax values for both new and existing properties. Because of this growth, the I&S rate needed to support the debt was 19.985 cents per \$100 of valuation, 1.0291 cents less than the proposed amount of 21.0141 cents per \$100 of valuation. This resulted in a total decrease in the debt rate of over two cents from FY 2016-17 to FY 2017-18.

Embodied in the Texas Constitution are certain requirements that cities must follow when setting tax rates. Property owners should have the right to know when property values are increasing and to be notified of the estimated taxes that could result from the new value. In short, when property

Debt Service Fund Forecast

values increase and property tax rates remain the same, a property owner could see an increase in their tax bill as a result of the value increase. Texas Law requires that cities calculate and publish the following rates:

- Effective Tax Rate – The rate that would produce the same amount of taxes if applied to the same properties taxed in both years.
- Rollback Tax Rate – The maximum rate a city can adopt without a potential petition and election by the citizens to lower the rate.

In FY 2017-18, the rollback rate in the amount of 48.822 was lower than the FY 2016-17 of 49.822. City Council adopted the rollback rate in FY 2017-18.

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

- In the Debt Service Fund Forecast, the I&S rate fluctuates as bonds are issued and is based upon the amount needed to pay the annual debt service payment.
- The I&S portion of the tax rate remains at or below the FY 2016-17 debt rate in the amount of 22.0151 cents per \$100 of valuation.
- Property tax revenue grows at 10 percent in FY 2018-19 and FY 2019-2020 and 7 percent throughout the remainder of the forecast period (FY 2020-21- to FY 2022-23).
- Other funds' support of debt service (Solid Waste, Airport, Hotel/Motel Tax and New Braunfels Economic Development Corporation) remains at their current levels.
- The Golf Course Debt Service was absorbed by current I&S tax revenues beginning in FY 2017-18 and continuing throughout the forecast period.
- No debt refunds were included in the forecast.
- The full remaining debt service commitment from the 2013 Bond Program for the \$86 million in voter approved general obligation bonds will occur as follows:

FY 2013-14	\$14.50 million
FY 2014-15	\$15.29 million
FY 2015-16	\$28.15 million
FY 2016-17	N/A
<i>FY 2017-18</i>	<i>\$28.06 million</i>

- The remaining general obligation bonds are assumed to have a 20-year term with interest rates assumptions of 4 percent.
- In addition, the model includes the issuance of \$112,500,000 in General Obligation Bonds relating to the proposed 2019 Bond Program. For now, we have included the following schedule in order to consider its impact on the forecast. If the 2019 Bond Program is successfully approved by the voters, then more detailed schedules will be developed and

Debt Service Fund Forecast

reported to the City Council for consideration. The assumed interest rate is included for planning purposes as well.

Fiscal Year	Debt Issuance	Interest Rate
FY 2019-20	\$27.5 million	5.0%
FY 2021-22	\$45.00 million	5.25%
FY 2023-24	\$40.0 million	5.5%

Based on the assumptions above, the FY 2016-17 rate in the amount of 22.0151 per \$100 of valuation is anticipated to support the remaining issuance of the 2013 bond program as well as the 2019 GO Bond program up to \$112,500,000.

The Debt Service Fund Forecast schedule below assumes the tax rate is adjusted throughout the period as bonds are issued.

Debt Service Fund Forecast						
Available Funds	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected	
Beginning Fund Balance	\$ 1,572,000	\$ 1,575,352	\$ 1,579,039	\$ 1,583,094	\$ 1,587,555	
Revenue						
Taxes	\$ 14,262,068	\$ 15,574,142	\$ 16,588,866	\$ 17,623,400	\$ 18,913,817	
Interest Income	3,352	3,687	4,056	4,461	4,907	
Contributions	1,140,188	1,145,388	1,153,563	1,163,288	1,169,338	
Interfund Transfers	977,051	976,801	978,676	1,348,365	929,988	
Total Revenue	\$ 16,382,659	\$ 17,700,018	\$ 18,725,161	\$ 20,139,514	\$ 21,018,050	
TOTAL AVAILABLE FUNDS	\$ 17,954,659	\$ 19,275,369	\$ 20,304,199	\$ 21,722,608	\$ 22,605,605	
APPROPRIATIONS						
Debt Service	\$ 16,379,307	\$ 17,696,331	\$ 18,721,105	\$ 20,135,053	\$ 21,013,143	
TOTAL OPERATING APPROPRIATIONS	\$ 16,379,307	\$ 17,696,331	\$ 18,721,105	\$ 20,135,053	\$ 21,013,143	
Ending Fund Balance	\$ 1,575,352	\$ 1,579,039	\$ 1,583,094	\$ 1,587,555	\$ 1,592,462	
TOTAL APPROPRIATIONS	\$ 17,954,659	\$ 19,275,369	\$ 20,304,199	\$ 21,722,608	\$ 22,605,605	

Debt Service Fund Forecast

Beginning in FY 2020-21, the City begins to gain “debt service 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 tax rate increase or an increase in valuation (creating additional revenues to support new debt issuances). 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. Moreover, \$1.255 million in limited tax notes were issued at the end of FY 2014-15 to address various critical equipment and technology related needs (\$92.8 million in total). The initial 3.0 percent projection in property values was based on the pace of the economic recovery in 2012. Prior to that analysis the City had only seen property value increases of 2.2 percent (tax year 2011) and 3.7 percent (tax year 2012). Fortunately, property values have increased at a much higher rate than three percent - driven by increases in new property as well as increases in existing residential and commercial property assessed value. This is the sole reason that the tax rate projection continues to decrease year after year.

Based on more current data regarding property values and updated projections for property growth, the revised estimated impact of the 2013 bond program is **no tax rate increase**. *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 as well as projected collections rate(s).* This new estimate is based on projections of property tax revenue growth of ten percent in FY 2018-19 and FY 2019-20 and seven percent throughout the remainder of the forecast period. The forecast also reflects that the golf course debt service (\$485,000 annually) is absorbed by the I&S rate beginning in FY 2017-18 and continuing throughout the forecast period.

Proposed 2019 Bond Program

In late 2017 the Council appointed 2019 Bond Advisory Committee (BAC) to begin planning for a 2019 Bond Program to be taken to the voters. The BAC held several meetings from January through March of 2018 to allow public input and to identify projects and needs to be presented for Council approval.

The 24-member BAC was composed of:

- Mayor-appointed Committee Chair (non-voting): 1
- Mayor and Councilmembers each appoint one member: 7

Debt Service Fund Forecast

- Immediate past Chair or current Chair of the Chamber Board: 1
- Chair (or Chair's designee) of the following boards/commissions: 10
- Downtown Board
- Library Board
- NBIDC (4B)
- NBU Board
- Parks & Recreation Advisory Board
- Planning Commission
- River Advisory Committee
- Watershed Advisory Committee
- Historic Landmark Commission
- Arts Commission
- At- Large: 3
- Guadalupe County Commissioners Court
- Comal County Commissioners Court

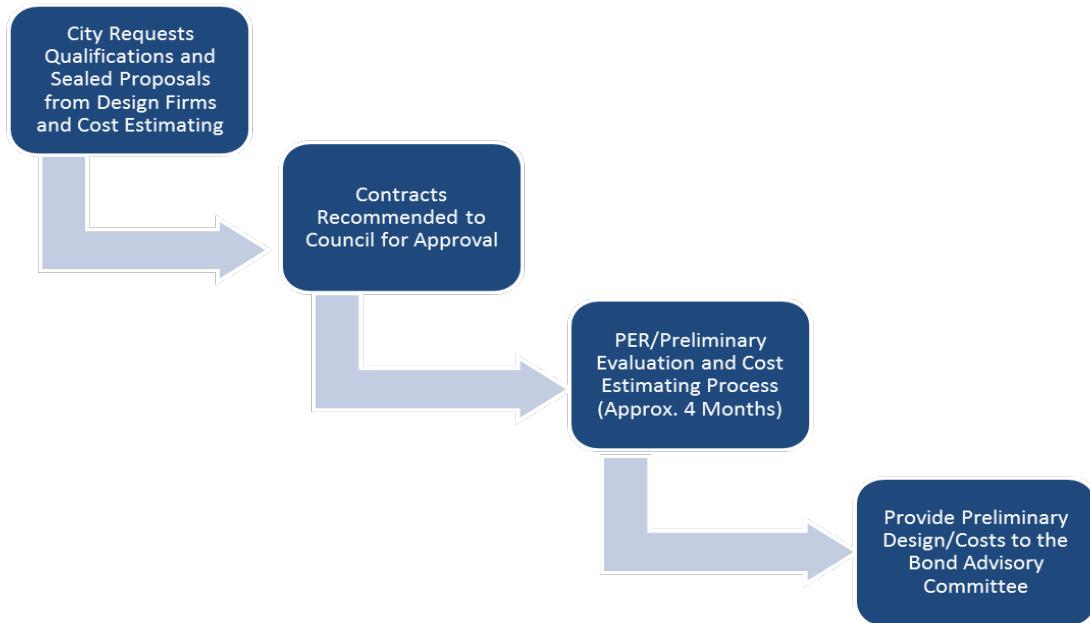
The chart on the following page identifies the projects recommended to be taken to preliminary analysis phase by the BAC:

Debt Service Fund Forecast

STREETS/MOBILITY	CONCEPTUAL COSTS
City-Wide Streets & Sidewalks Improvements	\$ 20,000,000
Klein Road Phase 2	\$ 12,000,000
Transportation Matching Funds (ex. MPO Projects)	\$ 2,000,000
STREETS/MOBILITY TOTAL	\$ 34,000,000
DRAINAGE	
Wood Road/Landa Street Drainage Area Improvements	\$ 2,000,000
DRAINAGE TOTAL	\$ 2,000,000
PARKS & RECREATION	
Callen's Castle All Abilities Park	\$ 6,000,000
Comal Cemetery Wall Stabilization	\$ 4,000,000
Comal River Improvements (Last Tubers Exit, Tube Chute, Stinky Falls)	\$ 8,000,000
Dry Comal Hike and Bike Trail	\$ 2,000,000
Kerlick Ave Park	\$ 400,000
Landa Park - Pedestrian Improvements	\$ 2,500,000
Mission Hill Park	\$ 6,000,000
Sports Fields Complex	\$ 25,000,000
Veteran's Memorial	\$ 500,000
PARKS & RECREATION TOTAL	\$ 54,400,000
OTHER MUNICIPAL IMPROVEMENTS	
Fire Station No. 2 Replacement	\$ 6,000,000
Fire Station No. 3 Replacement	\$ 6,000,000
Fire Training Facility	\$ 6,000,000
Public Works Municipal Service Center	\$ 10,000,000
Police Department Facility	\$ 15,000,000
Solid Waste Recycling Center	\$ 5,000,000
Southeast Library Branch	\$ 6,000,000
Westside Community Center Expansion	\$ 2,000,000
OTHER MUNICIPAL IMPROVEMENTS TOTAL	\$ 56,000,000
TOTAL	\$ 146,400,000

For the 2019 Bond Program, the Council directed staff to complete preliminary analysis on these projects before the election to determine project options and estimated costs. The chart below lines out the process:

Debt Service Fund Forecast



City Council gave staff direction to issue request for qualifications (RFQ) relating to the projects recommended by the BAC as well as two additional projects, the North/South Connector and the Guadalupe River Properties Park for a total of 23 projects. Some of the projects did not require issuing RFQ's due to the scope or status of the project. The process for the proposed 2019 Bond program is summarized below:

- RFQ's were issued April 4, 2018 for preliminary design/up to 30% design.
- 17 RFQ's were received in April 27, 2018.
- Ranking and scoping meetings held for each project.
- Staff plans on going to City Council in June of 2018 with a list of projects and estimated costs for approval to proceed.
- BAC should receive the project PER/preliminary evaluations and finalizes the 2019 Bond recommendations for City Council in September/October of 2018.
- The City Council will finalize the 2019 Bond project list and call for an election no later than February of 2019.

Alternative Funding Sources

City staff continuously looks for and evaluates opportunities for alternative funding sources, whether through community partnerships or alternative revenue sources. The following chart summarizes the variety of sources that can be available for the City's projects:

Debt Service Fund Forecast

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

Equipment Replacement Fund

Equipment Replacement Program

The Equipment Replacement Fund is used to fund and purchase light vehicles and computer equipment for any function/fund that is supported by the General Fund. City Council established the equipment replacement program in FY 2005-06 to create a funding source for light vehicle and certain technology equipment replacements that would smooth out the funding requirements for this equipment while ensuring replacement according to established criteria. The program also supports the Fire Department's self-contained breathing apparatus (SCBA). Heavy equipment such as fire apparatus, ambulances, street sweepers and loaders, are not included in the program. The City's enterprise funds' equipment replacement programs are accounted for in a separate fund. The criteria were set to provide reliable equipment for staff use and to 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 occurred first) for all vehicles. This formula was originally established with the intent of re-evaluating the criteria once sufficient data was available. In FY 2011-12, the criteria for replacement changed to 85,000 miles or *8 years* with one exception. Police pursuit vehicles are replaced at either *6, 7 or 8 years* due to intensive use specific to these vehicles. This change was based on the positive experience the City has had with the newer fleet, actual mileage accumulations and the recommendations of the City's Fleet Manager as a result of the improved maintenance program. However, the equipment replacement program was suspended in FY 2013-14 as a part of a budget balancing strategy, and has only been partially reinstated since then. The amount budgeted for FY 2017-18 is only \$120,000, below what is necessary to sustain the fund. This has led to a situation where a large majority of the fleet have met and/or exceeded replacement criteria. Through this experience, the City has been required to push vehicles beyond the age and mileage thresholds with great success. As a result, the Fleet Manager and Finance Department utilize a calculation that considers age, mileage and maintenance costs. Staff then utilizes those calculations to determine minimum replacement requirements in the next fiscal year. The 5-year forecast utilizes this analysis to project replacement needs over the forecast period for all vehicles except public safety vehicles

Technology equipment – specifically computers – had an original replacement schedule of three years, which was then increased to 4 years. This is, again, based on the actual experience and useful life of the computers being purchased. However, since FY 2013-14, we have only been replacing computer equipment on an as needed basis, due to the suspension of the program. Even with full reinstatement of the program, staff will continue to evaluate the potential to keep equipment in service beyond the 4-year replacement criteria, as well as alternative hardware solutions that may decrease overall replacement costs. Also included in this forecast are the lease payments in the amount of \$169,303 per year to upgrade/replace the City's data center infrastructure. These lease payments will continue through FY 2021-22.

Equipment Replacement Fund

In FY 2015-16 and FY 2016-17, no transfers were made to the fund as they were diverted to the Self Insurance Fund, and in FY 2017-18, a \$120,000 transfer has been made. If the program is not fully reinstated at some point, there are risks associated with allowing the fleet and technology inventory to age beyond the recommended useful life. Continuing to replace vehicles without allocating appropriate reserves replacement also challenges the ongoing sustainability of the fund. Therefore we are analyzing an alternate strategy to lease replacement vehicles and that analysis is provided in the following pages for Council's discussion.

The Fire Department's self-contained breathing apparatus (SCBA) contribution has remained over the past three fiscal years. This equipment was replaced in FY 2015-16. Replacement of this equipment is only required every 15 years.

Equipment Replacement Fund Forecast

The forecasts on page 80 and 81 reflect the projected revenue, expenditures, and fund balance in the Equipment Replacement Fund. For FY 2018-19, the contribution is assumed to cover the equipment replacement needs and lease commitments.

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

- Vehicle replacements are projected based on a calculation of three factors: age, mileage, maintenance costs
- Computer equipment is replaced at four years for desktops/laptops and seven years for network equipment (servers, switches, etc.)
- Salvage value estimated at 10 percent of purchase price.
- Annual contributions into the fund continue throughout the forecast period.
- Two separate analysis scenarios were prepared:
 - Purchase
 - Lease
- The lease option presents a savings over the purchase option cost over the forecast period. Lease payments are made over seven years.
- However, when considering financing costs, the lease option results in a higher total cost per vehicle when compared to the purchase option.

Forecast Analysis

The forecast on page 80 and 81 shows the effects on the fund with the **purchase** or **lease** of the following vehicles:

Equipment Replacement Fund

Vehicle Replacement Schedule				
Fiscal Year	Number of Vehicles	Purchase Option	Lease Option	
Engineering	1	29,150		4,857
Facilities	1	29,150		4,857
Public Safety (Non-Patrol)	6	174,900		29,139
Public Safety (Patrol)	15	701,250		116,835
Parks (Rangers)	2	58,300		9,713
Total FY 2018-19	25	\$ 992,750	\$	165,401
Engineering	1	29,150		4,857
Facilities	1	29,150		4,857
Public Safety (Non-Patrol)	7	204,050		33,996
Public Safety (Patrol)	14	654,500		109,046
Parks (Maintenance)	2	58,300		9,713
Lease Carryover				165,401
Total FY 2019-20	25	\$ 975,150	\$	327,870
Public Safety (Non-Patrol)	7	204,050		33,996
Public Safety (Patrol)	13	607,750		101,257
Parks (Maintenance)	3	87,450		14,570
Code Enforcement	1	29,150		4,857
Animal Control	1	29,150		4,857
Lease Carryover				327,870
Total FY 2020-21	25	\$ 957,550	\$	487,407
Parks (Maintenance)	1	29,150		4,857
Code Enforcement	1	29,150		4,857
Streets	1	29,150		4,857
Lease Carryover				487,407
Total FY 2021-22	3	87,450	\$	501,978
Facilities	2	58,300		9,713
Parks (Maintenance)	2	58,300		9,713
Animal Control	1	29,150		4,857
Lease Carryover				501,978
Total FY 2022-23	5	\$ 145,750	\$	526,261
Remaining Lease Payments				\$ 1,674,910
5 Year Forecast Total	83	\$ 3,158,650	\$	2,008,917
Total Vehicle Cost		\$ 3,158,650	\$	3,683,827

Equipment Replacement Fund

The following charts show the effect to the fund's fund balance and the contribution necessary from the General Fund. Based on this analysis, the lease option requires the lowest contribution from the General Fund.

Equipment Replacement Fund Forecast - Purchase						
Available Funds	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
	Estimate	Projected	Projected	Projected	Projected	Projected
Beginning Balance	\$ 1,358,619	\$ 496,619	\$ 643,606	\$ 659,303	\$ 675,000	\$ 260,000
Revenue						
Interfund Transfers	\$ 120,000	\$ 1,353,606	\$ 1,205,467	\$ 1,190,793	\$ 430,114	\$ 465,265
Miscellaneous	25,000	99,275	97,515	95,755	8,745	14,575
Interest Income	10,000	6,159	7,168	6,002	2,894	910
Total Revenue	\$ 155,000	\$ 1,459,040	\$ 1,310,150	\$ 1,292,550	\$ 441,753	\$ 480,750
TOTAL AVAILABLE FUNDS	\$ 1,513,619	\$ 1,955,659	\$ 1,953,756	\$ 1,951,853	\$ 1,116,753	\$ 740,750
APPROPRIATIONS						
Technology Enhancements/Replacement	\$ 200,000	\$ 319,303	\$ 319,303	\$ 319,303	\$ 769,303	\$ 150,000
Vehicles						
Infrastructure	86,000	58,300	29,150	-	29,150	58,300
Public Safety	633,000	876,150	858,550	811,800	-	-
Quality of Life	98,000	58,300	58,300	87,450	29,150	58,300
Growth and Development		-	29,150	58,300	29,150	29,150
TOTAL OPERATING APPROPRIATIONS	\$ 1,017,000	\$ 1,312,053	\$ 1,294,453	\$ 1,276,853	\$ 856,753	\$ 295,750
Ending Fund Balance	\$ 496,619	\$ 643,606	\$ 659,303	\$ 675,000	\$ 260,000	\$ 445,000
TOTAL APPROPRIATIONS	\$ 1,513,619	\$ 1,955,659	\$ 1,953,756	\$ 1,951,853	\$ 1,116,753	\$ 740,750

Equipment Replacement Fund

Equipment Replacement Fund Forecast - 7 Year Lease - 4%							
Available Funds	FY 2017-18 Estimate	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected	
Beginning Balance	\$ 1,358,619	\$ 496,619	\$ 643,606	\$ 659,303	\$ 675,000	\$ 260,000	
Revenue							
Interfund Transfers	\$ 120,000	\$ 526,257	\$ 558,187	\$ 720,650	\$ 844,642	\$ 845,776	
Miscellaneous	25,000	99,275	97,515	95,755	8,745	14,575	
Interest Income	10,000	6,159	7,168	6,002	2,894	910	
Total Revenue	\$ 155,000	\$ 631,691	\$ 662,870	\$ 822,407	\$ 856,281	\$ 861,261	
TOTAL AVAILABLE FUNDS	\$ 1,513,619	\$ 1,128,310	\$ 1,306,476	\$ 1,481,710	\$ 1,531,281	\$ 1,121,261	
APPROPRIATIONS							
Technology Enhancements/Replacement	\$ 200,000	\$ 319,303	\$ 319,303	\$ 319,303	\$ 769,303	\$ 150,000	
Vehicles							
Infrastructure	86,000	9,714	19,428	19,428	24,285	33,998	
Public Safety	633,000	145,974	289,016	424,269	424,269	424,269	
Quality of Life	98,000	9,713	19,426	33,996	38,853	48,566	
Growth and Development	-	-	-	9,714	14,571	19,428	
TOTAL OPERATING APPROPRIATIONS	\$ 1,017,000	\$ 484,704	\$ 647,173	\$ 806,710	\$ 1,271,281	\$ 676,261	
Ending Fund Balance	\$ 496,619	\$ 643,606	\$ 659,303	\$ 675,000	\$ 260,000	\$ 445,000	
TOTAL APPROPRIATIONS	\$ 1,513,619	\$ 1,128,310	\$ 1,306,476	\$ 1,481,710	\$ 1,531,281	\$ 1,121,261	

Technology Equipment

The technology equipment supported by the replacement fund includes: desktop computers and laptops, servers, plotters, mobile data terminals for police pursuit vehicles and various other network equipment, along with a lease payment (through FY 2021-22) to upgrade/replace the City's data center infrastructure. 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 2016-17, the mobile data terminals (MDT's) that are installed in every police pursuit vehicle were replaced. MDT's have a useful life of 5 years. Therefore, the model includes a contribution in the amount of \$120,000 per year for 5 years beginning in FY 2017-18 to begin saving for the MDT purchase in FY 2021-22.

A detailed forecast of future replacement needs has not been developed. Therefore, \$150,000 annually is included in the forecast. This is likely a realistic and minimum investment that would need to be outlaid to meet replacement needs over the forecast period. Staff is also researching lease options for technology equipment.

Equipment Replacement Fund

Technology equipment that is in good working condition and capable of performing the necessary processes will likely be kept longer than the 4-year replacement criteria.

Self Contained Breath Apparatus (SCBA)

The Fire Department's self-contained breathing apparatus (SCBA) are supported by the equipment replacement program. The SCBA's were replaced in FY 2015-16 and have a useful life of 15 years. Therefore, the next potential SCBA complete replacement will likely not be necessary until FY 2030-31. The model includes a contribution in the amount of \$65,000 per year for 15 years beginning in FY 2018-19 to begin saving for the next SCBA purchase.

Expansion of the Equipment Replacement Program

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

Policy Consideration

The Equipment Replacement Fund has been partially suspended since FY 2013-14. Moreover, no contribution for vehicle and technology replacement occurred in FY 2015-16 and FY 2016-17 as those budgeted funds were redirected to the Self Insurance Fund to ensure its solvency. Only \$120,000 is budgeted to be contributed in FY 2017-18. If the program is not fully reinstated in FY 2018-19, the fund will very likely not be able to support the projected replacement needs in the forecast, as well as the technology lease payments. If the City were to dissolve the Equipment Replacement Program, this equipment would be competing annually in the General Fund with other unmet needs. Therefore, a review and discussion of the lease vs. purchase options is necessary to develop the FY 2018-19 proposed budget.

Self Insurance Fund

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

At the beginning of FY 2016-17, the City enlisted a new benefits consultant, Holmes Murphy. Immediately after the City executed a contract with Holmes Murphy, they were tasked with developing midyear modifications (as previously mentioned) to the plan in an effort to curb costs. Fortunately, claim expenditures started to trend positively in February 2017. Better claims experience, the mid-year modifications as well as a reallocation of the General Fund equipment replacement transfer (\$400,000) to the Self Insurance Fund allowed for a structurally balanced FY 2016-17. In fact, these initiatives resulted in a much faster establishment of the reserves of the Self Insurance Fund than originally anticipated.

In FY 2017-18, changes to plan design and premiums were also implemented. The most impactful change was the removal of dental coverage from the Self Insurance Fund. That benefit is now carved out of the medical premium and offered as a voluntary product with separate premiums. As the forecast shows, FY 2017-18 is projected to end the year approximately \$400,000 under budget. However, any new large claims that may arise that could impact these projections. These projections indicate that our changes to plan design and structure have curbed costs to a level well

within current employer contributions and employee premiums. In fact, the forecast shows that we may be able to hold premiums and employer contribution levels flat in FY 2018-19, which is the goal of the City Manager's Office.

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

- FY 2018-19 revenues (premiums) and expenditures are based on preliminary scenarios that have been developed by City staff and Holmes Murphy
- Beginning in FY 2019-20, claim expenditures and revenues (employee premiums and employer contributions) grow at a rate of 5 percent annually
- The forecast does not account for new employees being added throughout the forecast period
- From FY 2018-19 through FY 2022-23, modifications to the plan design and offering(s) are not incorporated into the projections

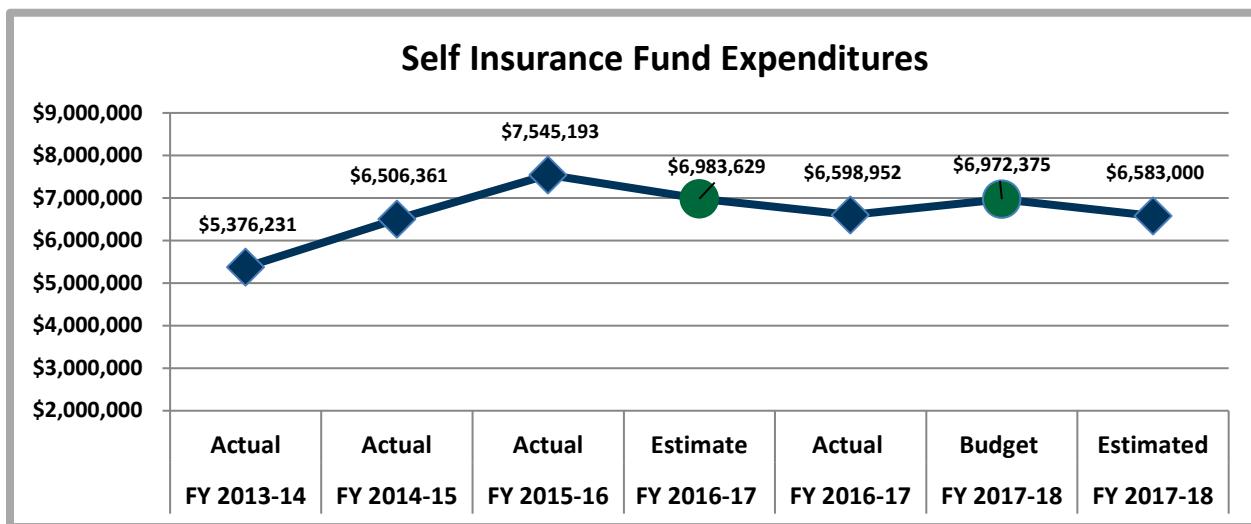
Self Insurance Fund

Self Insurance Fund Forecast - Baseline Expenditures

Available Funds	FY 2017-18 Estimated	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2022-23 Projected
Beginning Balance	\$ 1,008,947	\$ 1,328,447	\$ 1,319,297	\$ 1,310,040	\$ 1,300,644	\$ 1,291,079
Revenue						
Premiums - Active	\$ 6,725,000	\$ 6,725,000	\$ 7,061,250	\$ 7,414,313	\$ 7,785,028	\$ 8,174,280
Premiums - Retirees	175,000	175,000	183,750	192,938	202,584	212,714
Interest Income	2,500	3,000	3,500	4,000	4,500	5,000
Miscellaneous	-	-	-	-	-	-
Total Revenue	\$ 6,902,500	\$ 6,903,000	\$ 7,248,500	\$ 7,611,250	\$ 7,992,113	\$ 8,391,993
TOTAL AVAILABLE FUNDS	\$ 7,911,447	\$ 8,231,447	\$ 8,567,797	\$ 8,921,290	\$ 9,292,757	\$ 9,683,072
APPROPRIATIONS						
Premiums and Administrative Expenditures	\$ 6,583,000	\$ 6,912,150	\$ 7,257,758	\$ 7,620,645	\$ 8,001,678	\$ 8,401,762
TOTAL OPERATING APPROPRIATIONS	\$ 6,583,000	\$ 6,912,150	\$ 7,257,758	\$ 7,620,645	\$ 8,001,678	\$ 8,401,762
Ending Fund Balance	\$ 1,328,447	\$ 1,319,297	\$ 1,310,040	\$ 1,300,644	\$ 1,291,079	\$ 1,281,311
TOTAL APPROPRIATIONS	\$ 7,911,447	\$ 8,231,447	\$ 8,567,797	\$ 8,921,290	\$ 9,292,757	\$ 9,683,072

History – Health Insurance Costs

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



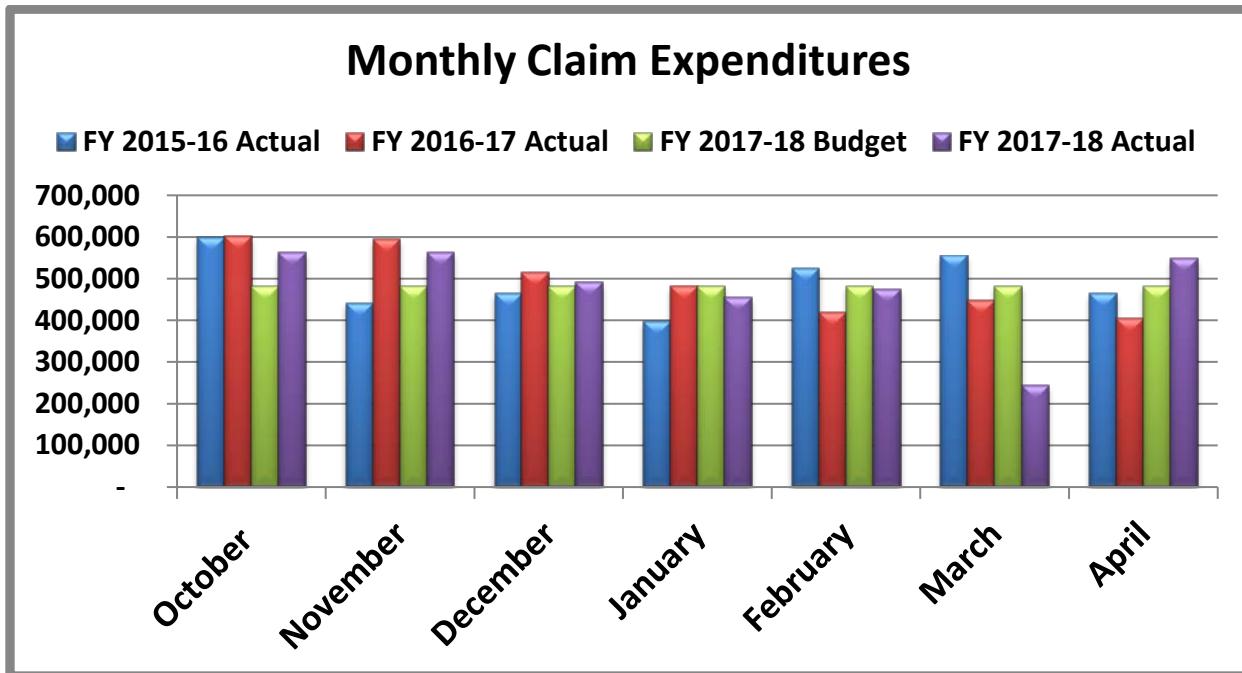
From FY 2010-11 to FY 2013-14, health insurance costs escalated at a very manageable rate. The increase was right in line with inflation and the impact of new employees added to the organization. The City was able to manage these minimal increases with minor plan design changes and incremental premium increases to the employee.

When developing the FY 2015-16 budget, the City was advised that the spike in FY 2014-15 was likely an anomaly and to expect costs to go down in FY 2015-16. Unfortunately, the opposite happened and costs grew at an even higher rate. Through interfund transfers, the City was able to balance the fund at the end of FY 2015-16. When developing the FY 2016-17 budget major changes were made to both premiums and plan design. The City increased the annual per employee contribution by approximately 15 percent. Employee premiums were increased by 20 percent across the board. In addition, plan design changes affecting co-pays, deductibles as well as adjustments to coverage for various medical procedures and prescriptions. These changes were projected to bring revenues and expenditures back in line in FY 2016-17.

As mentioned earlier, Oct-January claim expenditures in FY 2016-17 were much higher than anticipated. Even though our consultant and internal team felt that the claims would level out, we felt that mid-year modifications were necessary to ensure that we did not require transfers from the General Fund (like the prior two years). The mid-year modifications included the removal of out of network coverage, renegotiated prescription contracts as well as changing the date in which new employees start receiving health benefits. These Changes, along with the ones already incorporated into the plan year began to significantly curb costs. In fact, FY 2016-17 Self Insurance

Fund expenditures were approximately \$385,000 lower than our final estimates, which positively affected our fund balance, as discussed later in this section.

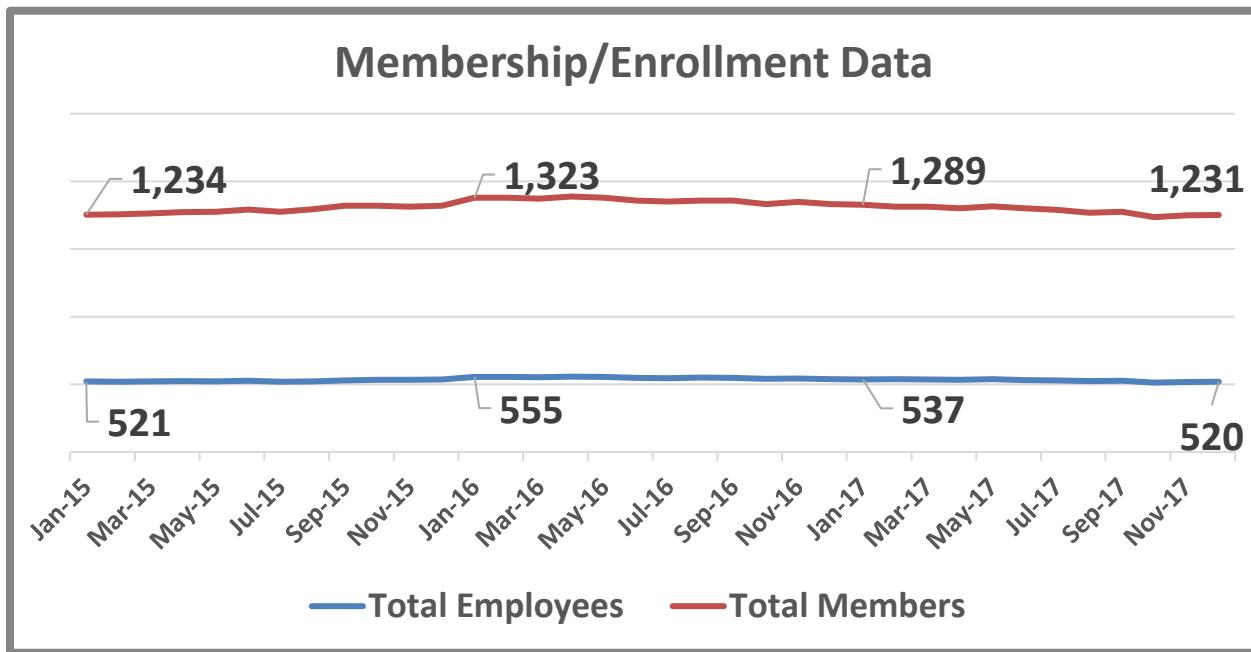
In FY 2017-18, expenditures have been essentially in line with budget. However, we are confident that claims are going to begin trending downward slightly over the next several months and that the Self Insurance Fund will end this fiscal year approximately \$400,000 under budget.



FY 2018-19

The City is currently finalizing an RFP for health care administration services. We have been partnered with Aetna for the last five years and feel strongly that it is time to go through a competitive solicitation and ensure that we are partnered with a progressive health insurance partner that can provide great value and service to our employees and their families in the most cost-effective way the market allows.

As mentioned earlier, costs are currently projecting positively. This is partially driven by the overall enrollment in the plan (see graph below). During this period in which premiums have been increasing and plan design changes occurring (increases to deductibles, co-pays, etc.), enrollment has decreased amongst employees and total members (employees and dependents). Our organization has been growing to meet service demands during this period. However, the data suggests that multiple employees, retirees and dependents feel they can attain a better value by procuring their health insurance needs elsewhere. While the decline in enrollment is providing much needed savings and ability to grow reserves in the Fund; there is concern that our health insurance benefits may begin to have a negative effect to our recruitment and retention efforts.



As we move further along in the RFP and FY 2018-19 budget process, we are thinking strategically about what our health insurance offering(s) look like next fiscal year. Listed below are several key objectives that we are focused on achieving when developing the FY 2018-19 Self Insurance Fund budget and the accompanying health insurance plans that will be offered to our employees.

Plan Value and Cost – Design plans and premiums to ensure that employee costs and value are equitable with FY 2017-18.

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

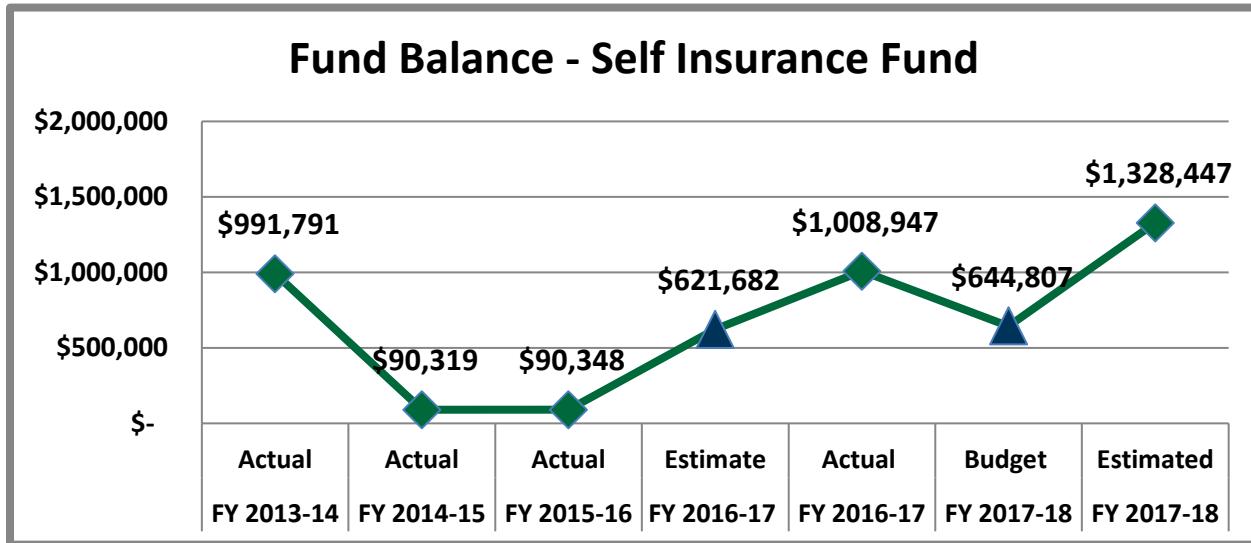
Pharmacy Costs – Based on benchmark data, we feel that the RFP may yield a partner that can provide much better value at a lower cost as it relates to pharmacy expenditures.

Stop Loss Premium – Again, based on benchmark data, our annual stop-loss premiums are higher than they should be for a group of our size. We feel that due to our recent positive medical expenditure trend, there is opportunity for a cost savings as it relates to our stop loss premiums.

Fund Balance Target – Ensure that revenue (employee premiums and employer contributions) and total budgeted expenditures allow the Self Insurance Fund to maintain and/or grow the current fund balance/reserves. This objective is explained in greater detail below.

Fund Balance

As mentioned before, interfund transfers have been necessary to keep the fund solvent in FY 2014-15 and FY 2015-16; therefore, there hadn't been an opportunity to rebuild reserves until recently.



The fund balance (reserves) should be anywhere from 60 to 90 days worth of claims, which equates to a range of \$1,000,000 to \$1,500,000. We have budgeted and estimated expenditures very conservatively in FY 2016-17 and FY 2017-18. Fortunately, we have been trending more positively than those estimates. Therefore, the fund balance had grown faster than originally anticipated. As can be seen in the forecast as the fund balance essentially remains flat throughout the entire period – approximately \$1,300,000.

Policy Consideration

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