

FY 2016-17 to FY 2020-21 Financial Forecast



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Five Year Forecast - Definition and Purpose

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

The forecast is an assessment of 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 2016-17 are not representative of the proposed budget or recommendation.

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

Economic Benchmark & Outlook

The Economic Benchmarks and Outlook section highlights national, state and regional economic trends and how those trends could affect the underlying economic 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, 2015 was another year of steady growth for the U.S. economy and was similar to growth seen in 2014. 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. The 2015 economic outlook predicted a more pronounced slowdown, but the Texas and regional economies have fared better than other states with significant energy sectors. 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. These effects are expected to continue through the forecast period as long as national and statewide growth trends continue.

Strategic Issues

In FY 2013-14, staff developed a list of strategic issues that the organization should address during the forecast period. The forecast document summarizes each issue in an effort to define the specific problem facing the City, explain the factors that make the issues a fundamental challenge or opportunity and provide a brief description of options that are available to address the issue. Issues have been added to the section as identified or removed if no longer thought to be an issue.

The strategic issues are grouped by the five City Council adopted strategic priorities: Infrastructure, Public Safety, Effective Management, Growth and Development and Quality of Life. Below are examples of the strategic priorities that are included in this section

Infrastructure – Streets, Traffic Stormwater management

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

Effective Management – Attracting and retaining a highly qualified workforce

Quality of Life – Improving Health and Wellness in the Community, Library Growth

Growth and Development – Mobility and Connectivity

In addition to the narrative of each issue, some strategic issues, mainly those that City Council has provided some direction and/or indicated an interest in the initiative moving forward, have been quantified and incorporated into the financial forecast. Moreover, action items that will help or have helped to address the strategic issue are now included in this section as well as references to the 2014 National Citizen Survey for New Braunfels (where applicable). While these strategic issues were identified and developed for inclusion in the forecast document, this information could be beneficial for the City Council in developing and modifying the City-wide Strategic Plan. New to this section is the recognition of a critical strategic issue, the redevelopment of the Castell/Garden area (the current City Hall property). There are various components to the successful redevelopment of this property. This section summarizes the various issues and options in an effort to lay the groundwork for the process to move forward.

General Fund

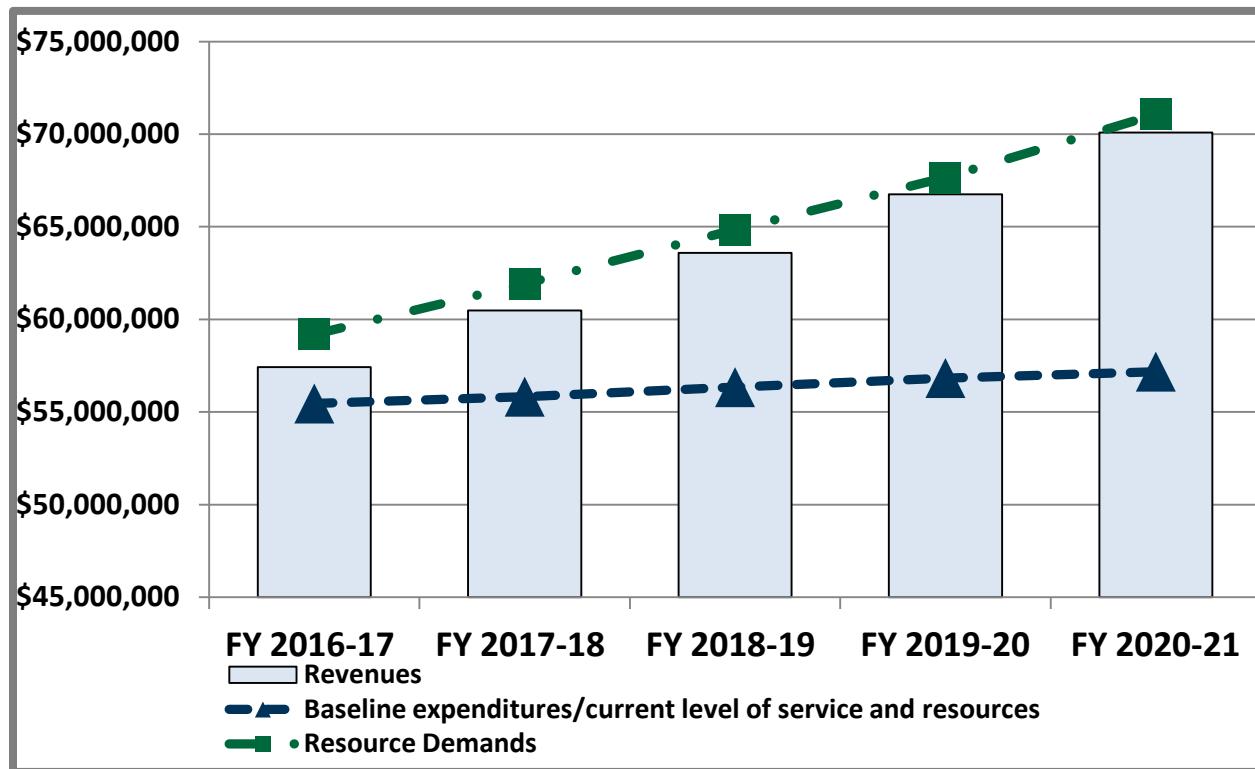
The General Fund is the City's main operating fund. The General Fund forecast includes two schedules. The first looks at the financial position of the General Fund assuming that revenues grow throughout the period but that expenditures remain fairly flat, growing only to reflect inflationary pressures. This perspective assumes that ***the current levels of service are maintained throughout the organization*** and is referred to as the "Baseline Expenditures". On average, General Fund baseline expenditures are projected to grow .67 percent annually throughout the forecast period. The second schedule and information shows the impact to the

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General Fund of costs associated with identified resource needs/program enhancements/compensation adjustments 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, 5.2 percent annually throughout the forecast period.

The Baseline Expenditures General Fund forecast, again, which represents current resources supporting current service levels, shows a surplus in fund balance throughout the forecast period. In FY 2016-17, the surplus is \$1.92 million and grows to \$36.14 million by the end of the fifth year. ***It is important to remember that any commitment of funds made in FY 2016-17 will reduce the fund balance and surplus throughout the remainder of the forecast period.*** The second forecast, which includes all current resource demands, shows a different result. In FY 2016-17, the General Fund forecast shows a deficit of \$2.57 million which grows to \$10.69 million by the end of the five year forecast period. The factors driving each of these forecasts are explained below. The assumptions used to develop these forecasts are described in detail in the General Fund section of this document. As stated, if these assumptions change, the forecast results will change.

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



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

Debt Service Fund

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

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

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updated. Based on more current data regarding property values and on updated projections for property growth, the revised estimated impact of the bond program is **2.407 cents**. This tax rate impact includes the additional certificates of obligation authorized in FY 2014-15 to renovate the City Hall Complex. *This updated figure is an estimate based on a set of assumptions.* This new estimate is based on projections of property growth of 5.9 percent throughout the forecast period. Property growth projections are explained in detail in several sections of the document, specifically on pages 14-15 and 60. If property values and borrowing rates fluctuate at a different rate than what is projected in this forecast, the tax rate change needed to fund the new debt commitment(s) will be different than the latest projection

The following table shows the estimated tax rate increase each year to reach 2.407 cents. The Debt Service Fund forecast section also shows the City will develop some capacity to issue debt without changing the tax rate in FY 2019-20.

Tax rate requirement projections						
2013 Bond Program	City Hall CO's		2015 Tax Notes			
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	Total
Projected Incremental Tax Increase	0.0 ¢	0.00 ¢	1.584¢	.823 ¢	0.0 ¢	2.407 ¢
Issuance Assumptions	\$14,500,000	\$22,080,000	\$28,150,000	\$18,271,000	\$9,789,000	\$92,790,000

Equipment Replacement Fund

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

In FY 2013-14, the equipment replacement program was suspended as a budget balancing strategy that was necessary to develop a structurally balanced budget, therefore no contributions occurred into the fund in FY 2013-14 and only select vehicles and computers were replaced. In FY 2014-15, the program was partially reinstated and again, only a small number of vehicles were replaced. As a result, a large portion of the fleet will be eligible for replacement in FY 2016-17. While the forecast assumes that all vehicles are replaced when first eligible, the Fleet Manager and Finance staff will continue to evaluate the potential to keep vehicles in service if mileage and service records warrant. If the program is not fully reinstated, there is a risk associated with allowing the fleet and technology inventory to age beyond the recommended useful life, increasing maintenance costs and reducing reliability and effecting efficiency.

The forecast assumes that the program is reinstated in FY 2016-17 with full year funding. The cost to fully reinstate the program in FY 2016-17 is \$400,000 increasing for inflation throughout the forecast period to \$894,000 by FY 2020-21. Over the five year forecast period under this program, 136 light vehicles will be eligible for replacement (\$5.01 million cost) as well as \$1.4 million in technology.

Self Insurance Fund

The Self Insurance Fund has been added to the forecast document this year. The sustainability of this fund is critical to providing an attractive health care plan to the employees of this organization, which directly impacts the recruitment and retention of employees. In FY 2014-15 claim expenditures spiked, driven by a higher frequency of large individual claims and overall increased utilization of the plan. In FY 2015-16, expenditures were projected to decrease. However, FY 2015-16 costs are running consistent with the prior year. Including the Self Insurance Fund in the five year forecast will help to develop long range strategies for controlling increases to premiums and claim expenditures.

Forecast Summary

The forecast shows the City's General Fund in a positive position throughout the forecast period, ***assuming no increase in service levels***. However, the City currently has \$9.6 million in unmet needs to meet current service demands. The forecast that includes these costs shows a negative financial position for the General Fund. As mentioned earlier, additional funding sources will be needed in the Debt Service Fund to pay the debt service associated with the remaining voter approved general obligation bonds.

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

Economic Benchmarks and Outlook

The following section provides a discussion of national and regional economic trends and how those trends could affect the underlying economic conditions of the local New Braunfels economy. The growth (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

Overall, 2015 was another year of steady growth for the U.S. economy and was similar to growth seen in 2014. Average real Gross Domestic Product (GDP) growth of 2.4 percent in 2015 was the same as in 2014. At the end of the first quarter of 2016, the U.S. unemployment rate hovered at 5.0 percent. Employment grew by 2.3 million jobs, which was below the pace of job growth in 2014 but still showed an improvement over other post-recession years. According to its most recent policy statement, the Federal Reserve believes the outlook for growth in 2016 is generally positive but some risks remain. While the labor market continued to add an average of almost 230,000 jobs a month over the last quarter and consumer spending appears to be increasing at a moderate pace, manufacturing and net exports have been severely tempered by slower global growth and significant appreciation of the dollar since 2014. Domestic drags on the economy include the slowdown in sales of durable goods like cars and appliances, the collapse in oil prices and subsequent layoffs in the energy sector. On balance, however, it appears that overall employment growth has continued to support increased domestic household spending which has, in part, been sufficiently strong to offset these larger global and domestic concerns. As the nation moves towards full employment, workers typically also begin to see wage increases. While there is some evidence this has occurred in the early part of 2016, it is too early to make a definitive claim as to its continued march. If further wage gains are seen, the national economy could see additional consumer spending, but these increases could be mitigated by continued drags elsewhere such as declining exports and an increase to overall interest rates. An apparent slackening of the pace of rate increases to the Federal Funds Rate, however, has tempered longer-term interest rates (and mortgage rates) to likely support further consumer spending.

In December 2015, the Federal Reserve raised its target funds rate by 25 basis points, which was the first time the rate increased in almost a decade. The Federal Reserve expects that future rate hikes will be gradual and will be more likely as labor market conditions improve and inflation moves closer to the fed's 2 percent target. The Fed's outlook and adjustments to these rates, however, will be dependent upon the evolving outlooks for economic activity and inflation. Projections for the rates at the end of 2016 and 2017 have been reduced by $\frac{1}{2}$ of a percentage point below the projections from December 2015. The Fed will likely continue an accommodative monetary policy until it determines the dual objectives of maximum employment and 2 percent inflation are achieved. Taken together, these factors support the idea the economy will continue growth of 2 percent per annum during 2016.

Economic Benchmarks and Outlook

Texas

The oil price collapse of late 2014 and continued slide into 2015 resulted in declined output and reduced employment in industries that support energy production. From 2010 to 2015, growth in the energy, construction and export markets provided a strong stimulus to the Texas economy. In 2015, lower oil prices, a strong dollar and labor market tightness reduced overall job growth. Health care and the leisure and hospitality industries slightly offset some of the weakness in energy and manufacturing. In 2015, jobs grew about 1.3 percent, which was a drop from 3.6 percent in 2014. If oil prices remain near \$40-\$50 per barrel, growth will be around 1.4 percent. While the Texas unemployment rate (4.4%) is below the nation's (5.0%), it has been trending upwards in recent months. Declines in oil prices affect states in different ways, but a 2013 study found these price drops would adversely affect employment in eight states, with Texas being one of those states. The Texas economy is more diverse than in previous decades that experienced oil price declines, but the state ranked 32nd in job growth in 2015 (down from 3rd in 2014). Texas did have stronger economic growth than most other energy states however (Oklahoma, Louisiana, North Dakota, Wyoming).

The 2015 five year forecast cited an outlook that stated Texas' economic growth would be between 2 to 3 percent, which was half of the 5 percent growth seen in previous years. Recent analysis suggests that Texas' real GDP grew at 2.1 percent in 2015. This growth will increase slightly to around 2.5 percent in 2016 and will be buttressed by a number of factors. First, the construction sector is still strong and housing inventories remain near historically low levels (though demand has shown some signs of slowing and is now behind the nation's growth rate). Inventory should continue to remain low and additional housing supply has been restricted due to limited lot inventory and construction labor shortages. Rising Texas home prices, which have increased more rapidly than the rest of the nation, reflect the low inventories.

Though the Texas economy is more diverse and not as heavily reliant on the energy sector than in previous decades, the state's economic outlook is still mixed in 2016. The most recent projections forecast a Texas GDP decline in the first quarter of 2016, which could be attributed to contracting activity in the energy and manufacturing sectors. Houston has seen job declines recently. San Antonio saw steady gains while Austin and Dallas are showing significantly weaker gains than in 2015. Conversely, the service sector and migration to the state are two bright spots looking forward. The Dallas Fed projects employment growth of .5-1 percent in 2016.

San Antonio-New Braunfels MSA

Job growth in the local metropolitan area is closely correlated with statewide job growth. The unemployment rate in the San Antonio area steadily declined through 2015, with February 2016 registering a post-recession low of 3.5 percent. Over the first quarter of 2016, job growth annualized at 3.2 percent and March 2016 unemployment hovers at 2.8 percent in New Braunfels. A rebound in the retail sector helped drive hiring in the trade, transportation and utilities sector. Continued strong growth in health care, leisure and hospitality, professional and business services also helped buttress the region's employment growth. The size of a metro area's energy sector explains much about annualized job growth in 2015, and is likely a solid

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indicator looking forward. San Antonio still saw 3.6 percent annualized job growth through the end of November 2015, which was near the top of job growth in Texas metro areas.

The regional housing market saw a 10 percent increase in home sales during the first quarter of 2016. The San Antonio Board of Realtors reports that the average sales price rose three percent to \$227,971, while the median sales price increased four percent to \$192,900. The annual rate of housing unit starts was up 3.1 percent compared to 2014 and the annual rate of new home closings increased 8.6 percent compared to 2014. There has been a decline in production and lot supply of homes below \$200,000, which could constrain overall new home growth. Average home values in New Braunfels have increased 8 percent over the same period last year to \$208,900.

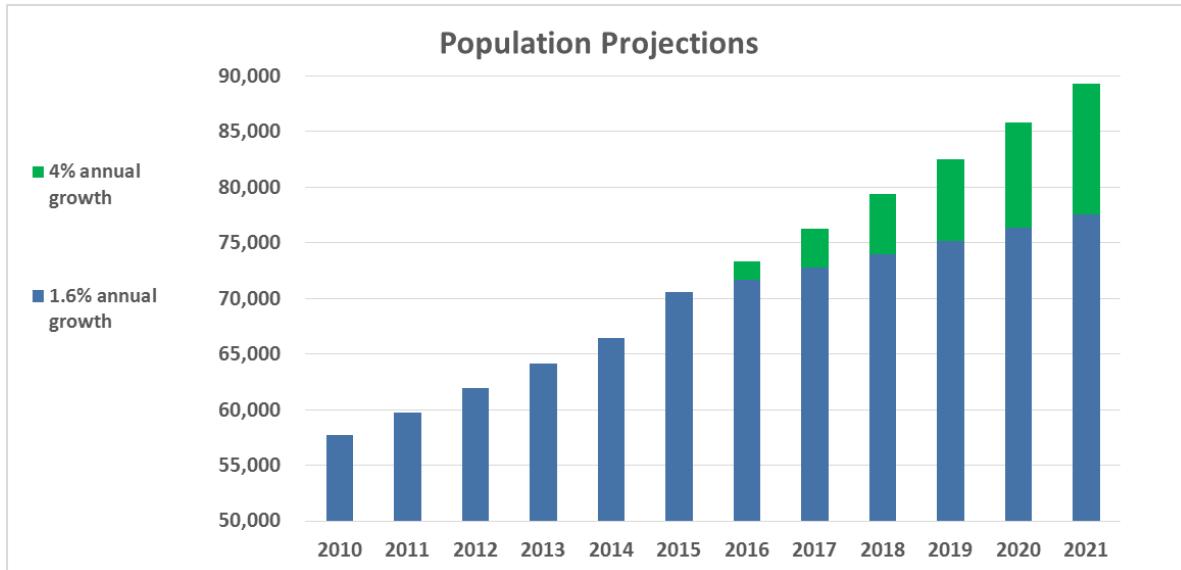
New Braunfels

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 139 percent since 2006. Median household income has risen 71 percent in New Braunfels since 2004, which is higher than the state and metro-area averages. Continued investments in business development and primary job recruitment have resulted in an average of 982 new primary jobs each year since 2005. This continued job growth, especially in the health care sector, should continue to drive new housing and commercial developments, along with moderate to strong growth in sales tax collections.

Population

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

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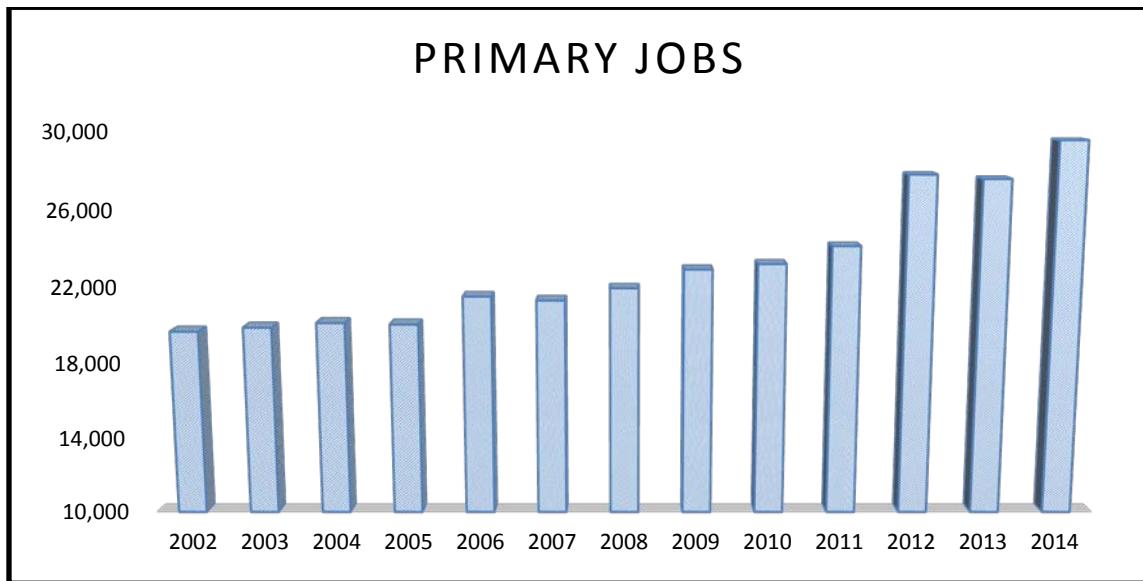


The US Census Bureau released its July 1, 2015 population estimates. The Census Bureau estimates that, as of July 2015, New Braunfels had a population of 70,543. This latest estimate represents a compounded growth rate of 4.1 percent annually since 2010. For the purposes of projecting to 2021, staff is presenting two population estimates. The baseline uses the Texas Water Development Board's (TWDB) growth projections. According to the TWDB projections, New Braunfels will grow 1.6 percent annually, which will bring the City's population to 77,546 by 2021. In the faster growth scenario, staff projected that New Braunfels continued the same 4 percent annual compounded rate, which brings the population to around 89,000 in 2021.

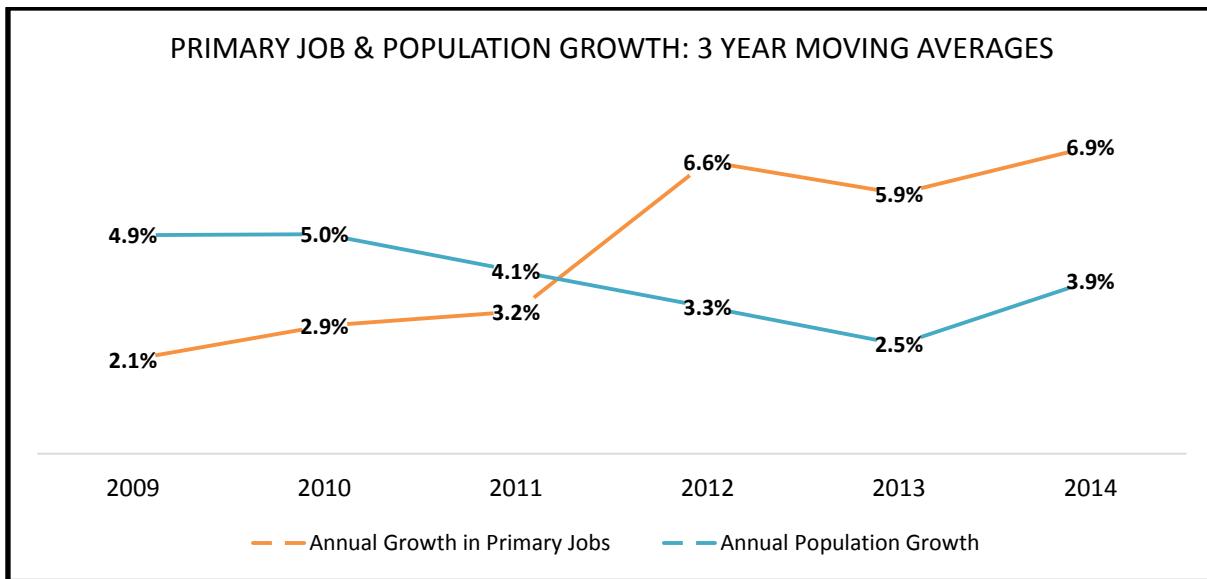
Job Growth

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 2009:

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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. Around 2012, primary job growth started to exceed the annual growth rate of the local population. This portends a relatively optimistic economic outlook for the community, and continued job growth typically is a leading indicator of continued residential development. 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 particular series of data.

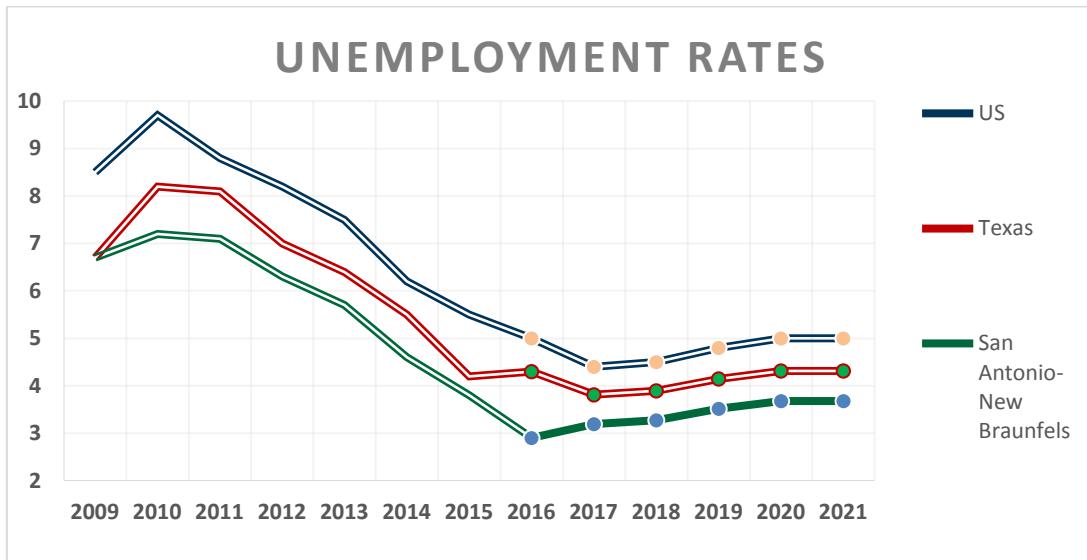


Unemployment

The unemployment rate represents the number of unemployed persons as a percent of the labor force. An unemployed person is defined as someone who is 16 years and older and has been

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looking for employment for at least four weeks. New Braunfels has consistently seen lower unemployment than that experienced in the nation and San Antonio MSA. Workforce Solutions Alamo recently reported that New Braunfels' unemployment rate fell to 3 percent in March 2015. It is reasonable to assume New Braunfels unemployment rates will continue to closely track that of the broader MSA, which has historically been below the nation's unemployment rate. The following graph shows the projected unemployment rates for the United States through 2020. The Texas and San Antonio-New Braunfels unemployment rates can expect to see a similar leveling off and stabilization at or below 4 percent.

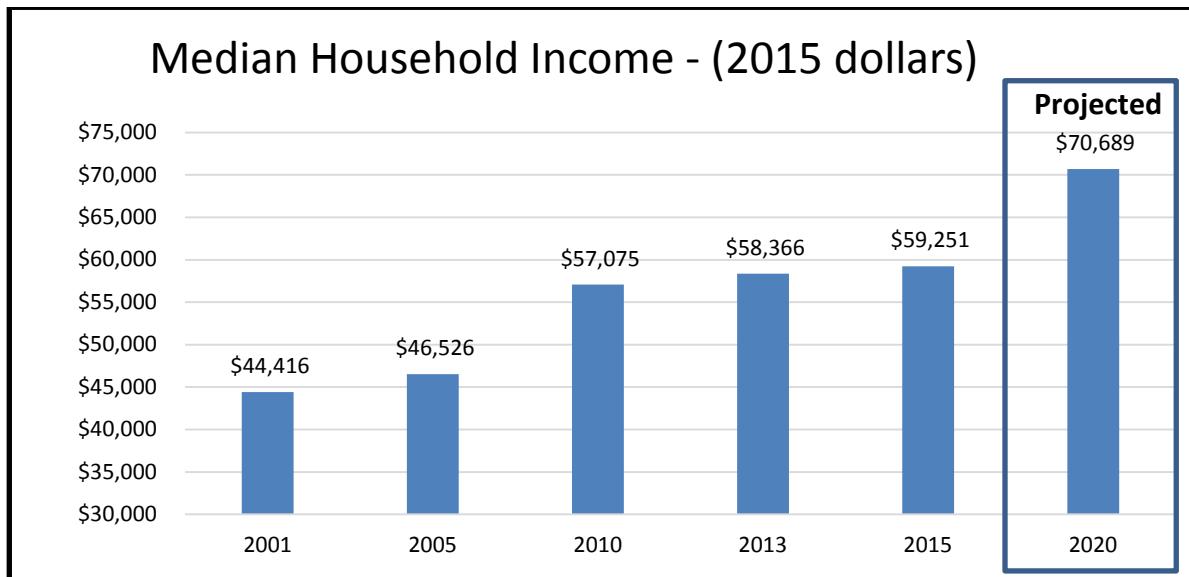


Source: Bureau of Economic Analysis, Texas Workforce Commission

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. Projections estimate, however, that income growth will pick up again between 2015 to 2020 with annual increases around 3.6 percent. This should translate most directly into steady sales tax collections through the forecast period.

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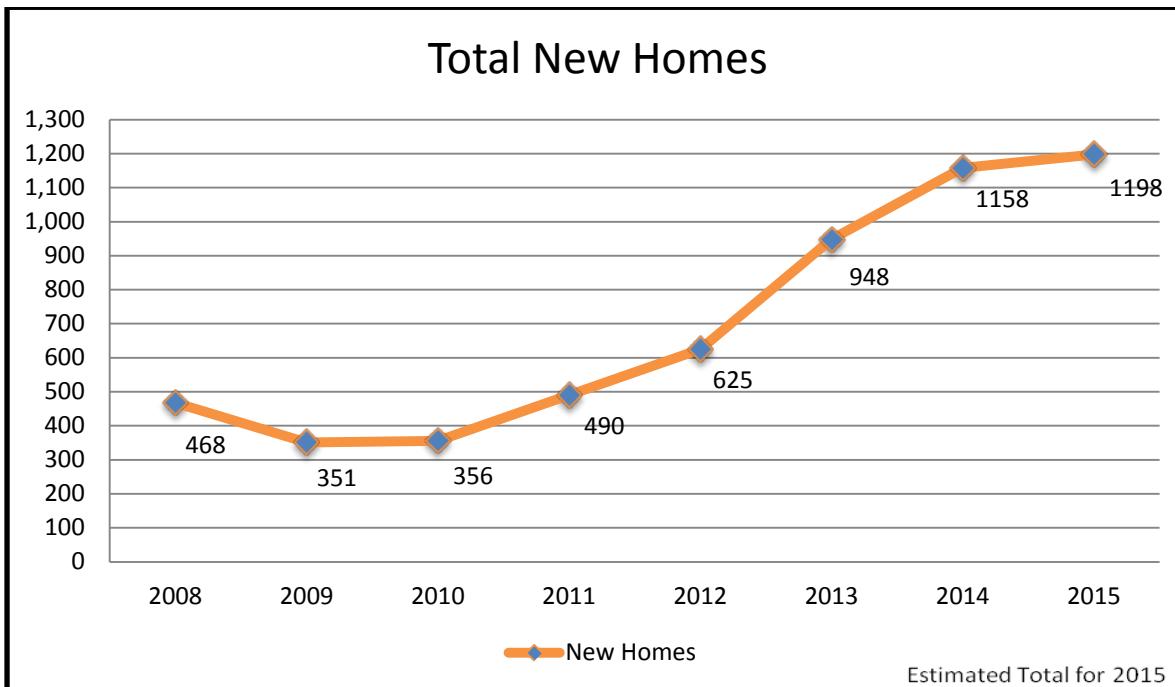


Source: *Economic Benchmarks, Greater New Braunfels Chamber of Commerce & ESRI*

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 1,200 new single family homes constructed each year in 2014 and 2015. For October 2015 through mid-May 2016, builders have applied for approximately 665 single family permits. This continues a trend of residential growth in single family homes nearly equivalent to the last two fiscal years.

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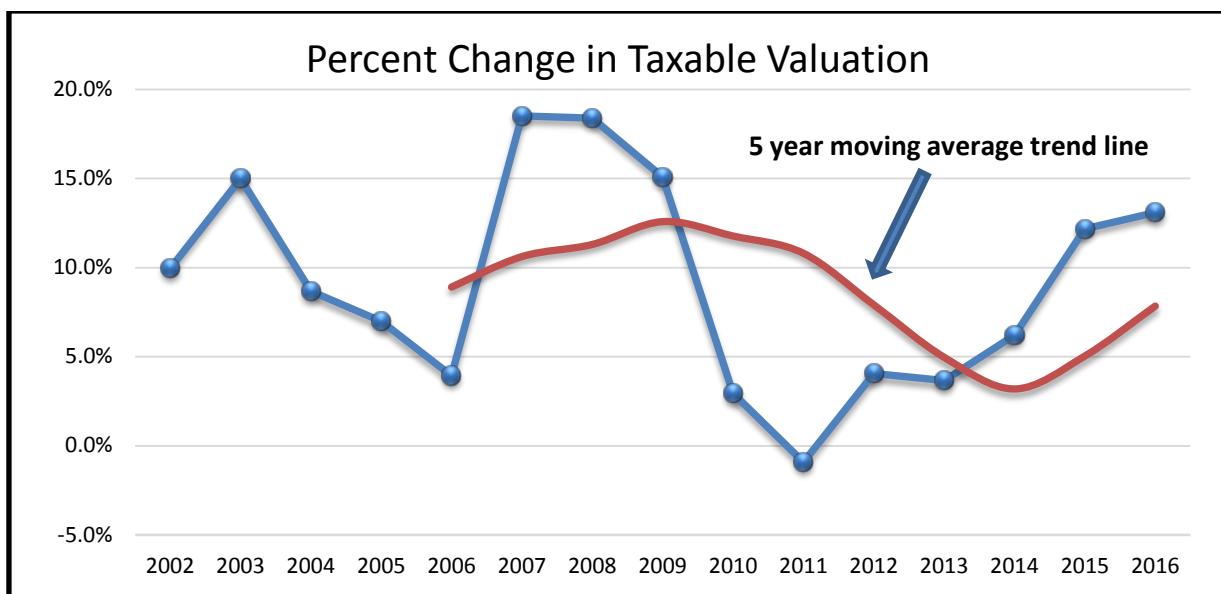
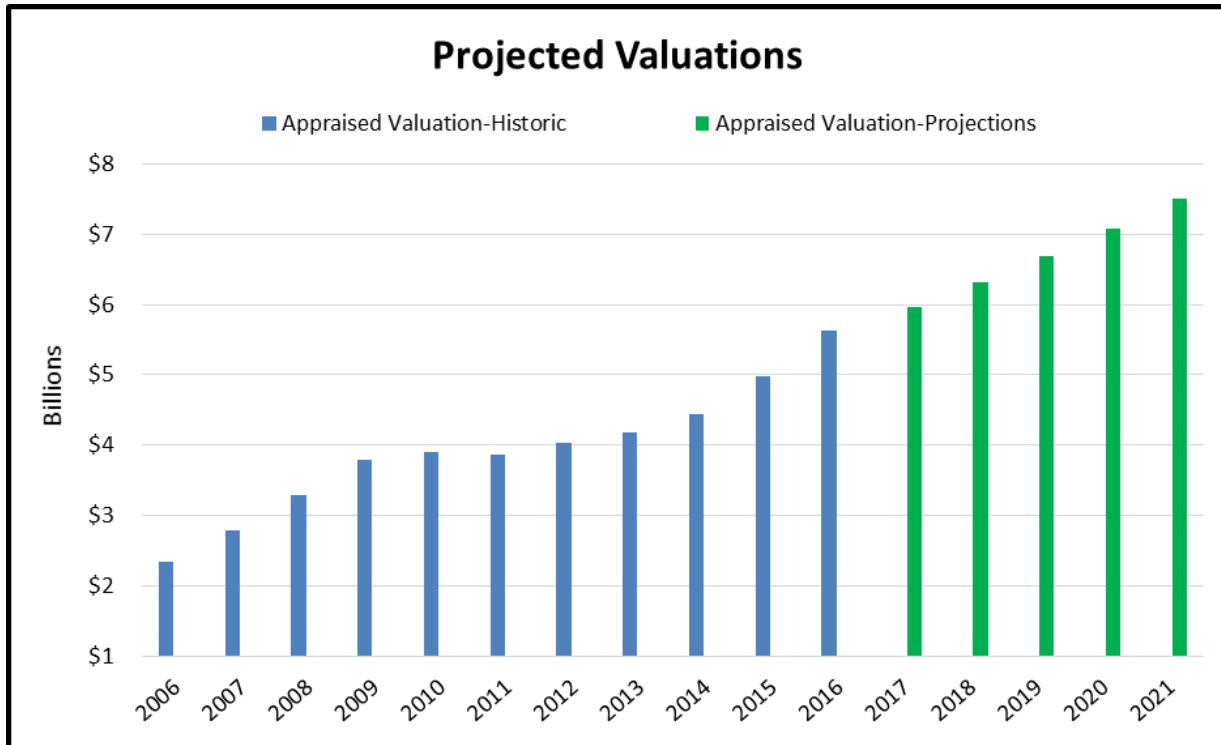


Property Valuation

Similar to 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 below. 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 2016. The five year projection assumes that appraised values will continue to increase 5.9 percent in fiscal year 2016-17 and throughout the forecast period.

The chart below provides a historical examination of the percentage change in valuations on an annual basis and demonstrates how difficult it is to predict whether property values will see a relatively small or large increase (or decrease) from year to year. The red 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.

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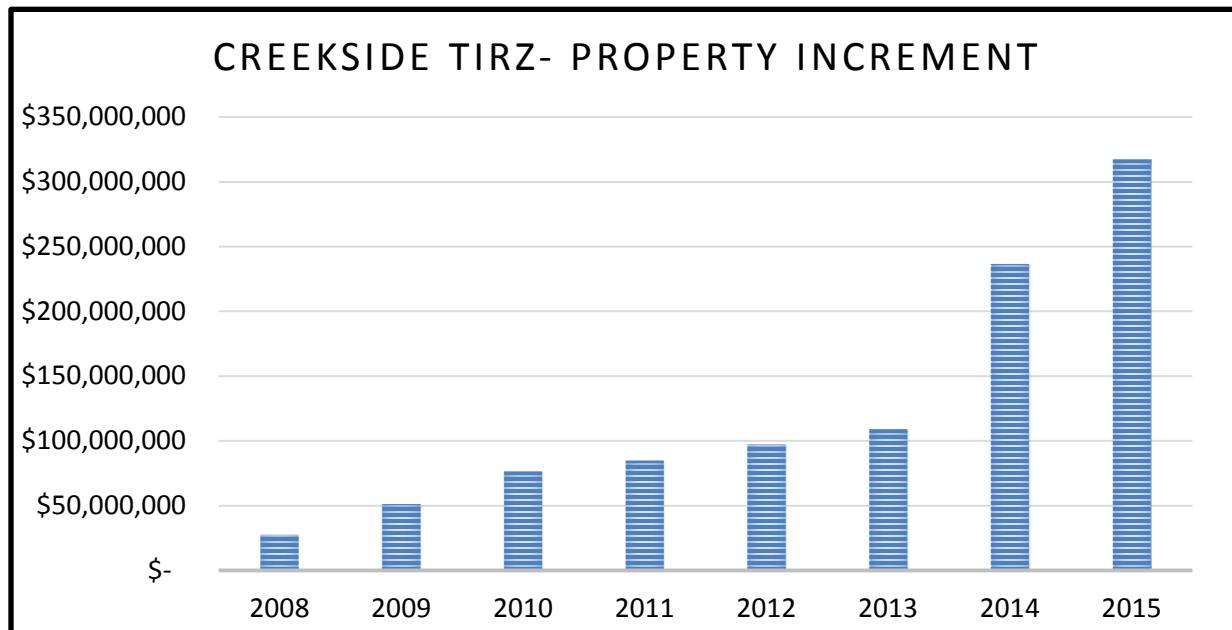


Creekside Tax Increment Reinvestment Zone (TIRZ)

The last few years have seen significant commercial permitting activity due to the continued expansion of the Town Center at Creekside development along Interstate 35 and FM 306. The development utilizes an economic development tool called tax increment financing. The Tax Increment Reinvestment Zone (TIRZ), as it is referred in state statute, allows the City to designate an area whereby incremental increases in property and sales taxes can be utilized to

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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. 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.

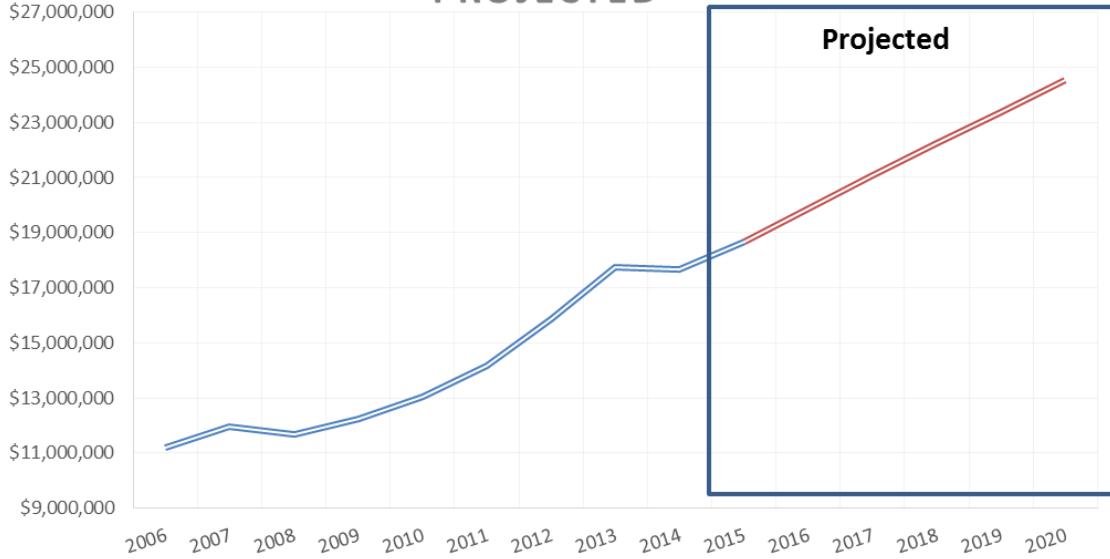


Sales Tax

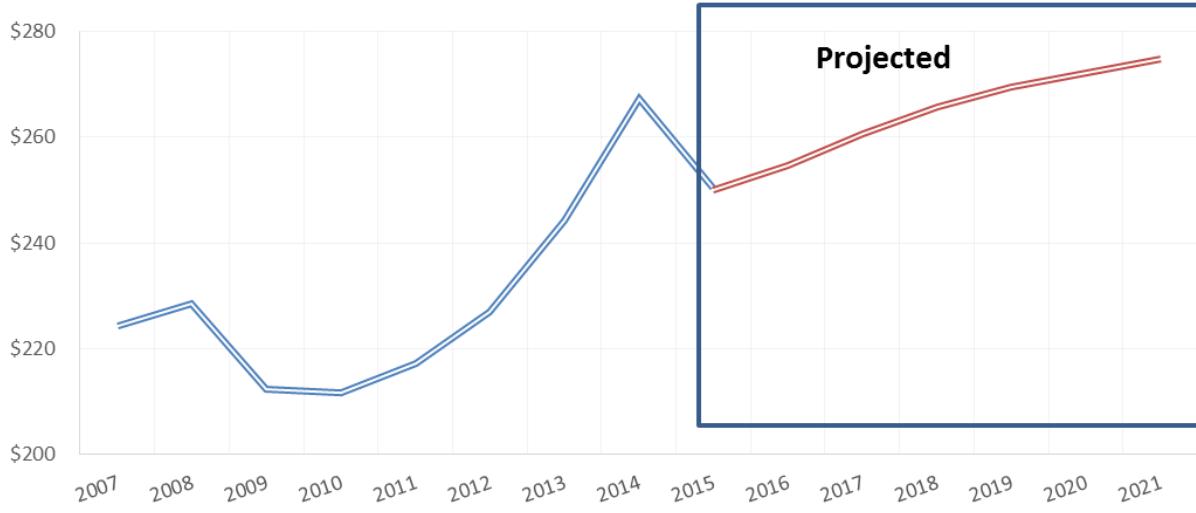
Data from the Texas Comptroller on retail sales are one of the best indicators of economic activity in New Braunfels. Retail sales are a good barometer of economic activity because consumer spending represents more than two-thirds (2/3rd) of gross domestic product. The rebates generally reflect a two 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 a number of sales tax sharing commitments with companies through Chapter 380 agreements and the Economic Development Agreement associated with the Creekside TIRZ. Adjusting the percent of gross sales tax collections that are rebated can have a significant impact on the amount of revenue this source contributes to the general fund. The table below is a representation of the net sales tax collections after rebating the required amounts (from these tax sharing agreements) in a given year. These net sales tax collections have enjoyed relatively consistent growth except for the recession from 2008-2010. From 2007-2015, net sales tax collections saw a compounded annual growth rate of 5.8 percent. The forecast assumes 6 percent growth in FY 2016-17 with slower growth (one-half percent per year) through the end of the projection period (stabilizing at 5 percent annual growth by FY 2020-21).

Economic Benchmarks and Outlook

SALES TAX COLLECTIONS- HISTORIC & PROJECTED



PER CAPITA SALES TAX COLLECTIONS TO GENERAL FUND- HISTORIC & PROJECTED



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

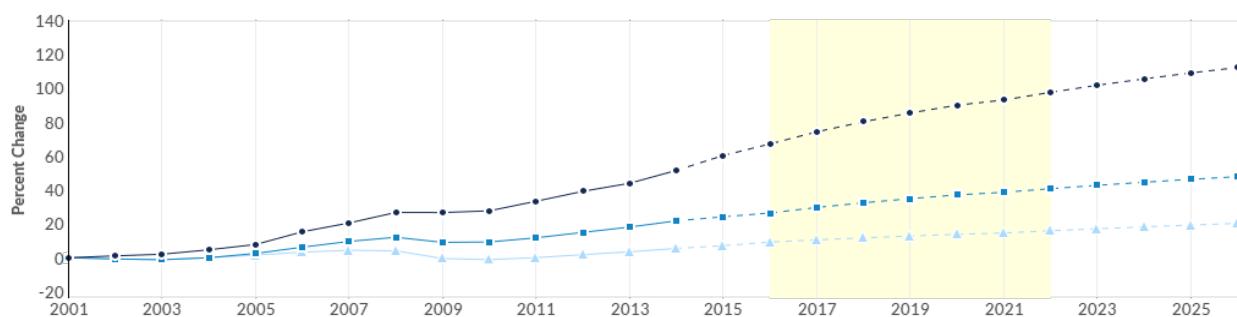
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legislation that resulted in a New Braunfels area business to no longer report sales tax to the City. On a per capita basis, the community will achieve the same sales tax collection in the 2016-2017 fiscal year as it did in the 2013-2014 year.

Industry and Job Growth

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

Regional Trends



Region	2016 Jobs	2022 Jobs	Change	% Change
Region	37,092	43,850	6,758	18.2%
State	12,332,197	13,732,054	1,399,857	11.4%
Nation	148,092,204	157,132,291	9,040,087	6.1%

Source: EMSI, Courtesy of Chamber of Commerce

Industry Growth through 2022

The next table highlights the leading five industry sectors in terms of overall job creation in the New Braunfels area through 2022. Continued growth in the health care, retail trade and governmental sectors should lead to strong wage growth through the projection period.

Description	2016 Jobs	2022 Jobs	Change	% Change
Health Care and Social Assistance	5,557	6,977	1,420	26%
Retail Trade	5,971	6,700	729	12%
Accommodation and Food Services	5,139	5,971	832	16%

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Public Sector	3,524	4,242	718	20%
Construction	2,567	2,887	320	12%

Occupation Growth through 2022

The following table helps illustrate which occupations will have the largest increases through 2022. The table projects occupational growth in real terms and not those occupations with the largest percentage increases.

Description	2016 Jobs	2022 Jobs	Change	% Change	Avg. Hourly Earnings
Office and Administrative Support Occupations	5,651	6,510	859	15%	\$14.85
Food Preparation and Serving Related Occupations	5,172	6,086	914	18%	\$9.32
Sales and Related Occupations	4,843	5,599	756	16%	\$16.05
Transportation and Material Moving Occupations	2,854	3,262	408	14%	\$14.87
Healthcare Practitioners and Technical Occupations	2,208	2,768	560	25%	\$31.10
Personal Care and Service Occupations	2,098	2,533	435	21%	\$10.03
Education, Training, and Library Occupations	1,940	2,429	489	25%	\$21.44
Management Occupations	1,339	1,602	263	20%	\$47.95
Healthcare Support Occupations	1,169	1,505	336	29%	\$12.86

Summary

Over the five year forecast period, all the economic indicators evaluated show positive trends for New Braunfels with continued growth in population, property values, commercial/business activity and spending power. 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. Analysis of the San Antonio New Braunfels-MSA relative to the national economy shows that the annual percentage change in

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regional GDP is, on average, 1.5 percent greater than the national GDP. It also demonstrates that the MSA's growth closely tracks the growth of the state. As long as the national and state economies shows signs of growth, this suggests that New Braunfels could project its economic growth to continue at a rate that is about 35 percent greater than the underlying trends in the national economy.

Critical Strategic Issue: Castell-Garden Street Area Redevelopment

City Hall Master Plan

Redeveloping the current 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 has the opportunity to 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. As the master planning process has evolved, multiple questions have arisen that require serious discussion and consideration from the City Council. These issues are interrelated to some degree, but if they can be resolved in a timely and successful manner, they can each contribute individually to the likelihood the project can proceed towards construction and make a significant contribution to the community.

Issue 1: Completion of Public Works and Fire Training Facility

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

Background

The acquisition and renovation of the Albertson's building on Landa Street was a significant step towards redevelopment of the current city hall site. This facility will accommodate the staff needed to manage the City's growth for some time, and it removes a large number of municipal personnel and operations from the Castell Avenue site. However, once current staff relocates to the Landa Street property, many public works divisions (streets and drainage, fleet maintenance, facilities and solid waste) and fire training operations will begin to occupy the Castell Avenue property until facilities are built or acquired to accommodate them. Fire training will be relocated from the leased facility on Industrial Drive and the existing portables currently housing solid waste and streets will be removed from the Castell site. In 2010, the City purchased land and began preliminary design on the 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 million in 2013.

Facility Needs

Approximately 100 current staff members and 120 vehicles will office/occupy the existing City Hall facilities on Castell Avenue once the Landa Street property is operational. The new facility, after concluding schematic design in 2013, was estimated at approximately \$15 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.

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

Design/Construction Timelines

If given a notice to proceed during the 2016-2017 fiscal year, the earliest remaining city staff could relocate to this facility would be in the summer of 2019. This is an aggressive schedule to complete design, bidding and construction but accurately describes the challenges left to develop the current City Hall site. The City would need to approve funding for final design of the building and utilities, complete design and bid the project by the fall of 2017. Staff recommends utilizing the Construction Manager at Risk method to expedite the project schedule and control construction costs. Construction would take approximately 18 months and could be completed in the summer of 2019.

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.

Issue 2: Acquisition of Union Pacific Tract

Issue: Reaching agreement on the need to acquire the site, understanding its bottom-line contribution to the final development project, and developing a funding strategy for acquisition.

The addition of the Union Pacific property behind City Hall would be a significant benefit to the development project from a quantitative and qualitative perspective. First, the project adds another 3-4 acres of developable land to the project, which could allow for an additional 200,000 square feet of uses (residential, office and retail). This increased density leads to higher tax revenue and other benefits to the City (in addition to drawbacks such as traffic). Secondly, if the

City can mitigate the visual and environmental blight caused by an active railroad fueling and maintenance yard, the project will be more attractive to a greater number of potential developers. The presence of an active yard could present too much risk to potential investors and they could demand higher returns, thereby making the project more expensive. 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. Initial conversations indicate a willingness to evaluate the potential for a sale sometime in the summer of 2016. From that point, the railroad would conduct 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. The challenge in this situation is understanding what the property contributes to the development's potential and assessing whether and to what degree a relocated railroad operation would benefit the ultimate marketability, investment attractiveness and costs of the development opportunity.

Issue 3: Castell Avenue Right of Way Improvements

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

Castell Avenue is an important component of the master 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 City's planning consultants strongly believe that improvement to the ROW will be an important and necessary contribution prior to the private sector investing in a major development project in the downtown area. To that extent, the master plan envisions 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. At the first public forum on March 29, the consultant established a dedicated station to solicit feedback on three potential designs. Though the idea will undergo additional refinement, the public indicated their preference towards a particular design treatment of Castell Avenue. While it may not be possible to implement that particular design throughout Castell Avenue, it has illustrated the public and private sector's desire to see this space transformed to benefit the project and link it to the rest of the downtown area. The urgency of a decision on this issue is compounded by NBU's and the City's planned replacement of water and wastewater lines and mill and overlay projects scheduled in 2017. If there was a desire to coordinate additional improvements and enhancements, undertaking them during these construction projects would be the most appropriate time.

Issue 4: Future of Convention/Civic Center

Issue: Determining a strategic direction for the proposed hotel facility and integrating into the final Master Plan will likely drive a conversation about the future ownership of the Convention Center.

As a neighboring property and major downtown facility, the Civic/Convention Center (C/CC) will play a key role in the quality and scope of the development plan. There are two primary options for consideration that the city needs to evaluate during the master planning of the property: Option A) the hotel as a stand-alone facility or Option B) an Integrated Convention/Conference Center Hotel.

Option A): Hotel as a stand-alone facility

This is a simple and clean approach that keeps the operation of the hotel and the convention center independent of each other from a physical and operational stand point. The hotel benefits from its close proximity to the facility and the C/CC has the opportunity to advertise that rooms are located near the facility. The type of hotel would likely be a limited service hotel, which typically appeals more to leisure travelers, as opposed to conference and business-type travelers. There may be an opportunity to include additional meeting space to facilitate conference attraction, but the hotel owner/operator would likely need a commitment from the C/CC on preferred dates on bookings. The revenue stream for this hotel would be primarily through booked rooms. The strengths of this approach are that the City can maintain control over the operation of the C/CC and the community likely sees little to no interruption in the C/CC service delivery. This option limits the development potential by not allowing the developer to program, design and operate the conference facility. In addition, there is a higher level of risk and attraction of needed capital because the development is dependent on the performance of the C/CC, which it does not control. Current use since the remodeled facility opened is approximately 70 percent local use and 30 percent out of town/overnight use. Room tax is used exclusively to service the debt as well as cover many other operational expenses. Room tax occupancy law requires the majority of use be provided for out of town bookings. With a growing community, local use continues to grow at the C/CC.

Financial Performance Summary

From a purely fiscal impact perspective, this hotel (and adjacent retail) will likely have an annual taxable value of between \$30 million dollars. The project is not as financially robust and represents a greater risk profile for the operator than Option B. The projected construction costs of the entire program in this scenario (hotel, housing, retail and garage) is \$102-\$111 million.



Above: Examples of hotel location in option A

Option B): Hotel as an integrated facility

This option integrates the Convention Center with the new hotel, ideally being located on the current C/CC property, or directly adjacent and possibly sharing some streetscape elements. The primary advantage to this approach is an enhanced facility that could be marketed as a complete full-service convention/conference center. A good example nearby can be found at the Embassy Suites in San Marcos. This approach has numerous other benefits. Based on regional trends, the growth potential and ability to attract a higher level convention business could be significant. The City would likely be in a stronger position to attract a full-service hotel that caters to business and convention users. In addition, the Convention Center facility could be privatized, removing the operational responsibility of the facility away from the City, to a new operator with proven success in the convention and hospitality business. The City could establish goals and requirements for the redevelopment and work closely with the developer to define the details of the arrangement. Most importantly, the scale of this approach and type of operation could be very attractive to developer groups who have the investors and capital to put such deals together.

The integrated approach helps to mitigate risk, as the developer has control over both the development and operations. As a micro aspect of the macro development plan, this approach helps to strengthen the other program elements of the larger development. In addition, by building the hotel on the convention center site, the City would gain a more active street-scape, with zero lot line infill and the City would be able to increase the development program by freeing up more land. Revenue for the facility would be more complex than simply room bookings and would include a more integrated program approach as it pertains to meeting space, catering and added amenities like dining, concierge services and a fitness center. The advantage to this option is that if a quality developer/ operator is selected, the ability for New Braunfels to attract higher end conferences and grow its convention business could be significant. In addition and unique to New Braunfels, this facility would have the opportunity to leverage its already existing downtown amenities. Currently, properties like the Hyatt Hill Country, Hyatt Lost Pines and Marriott Hill Country, perform at some of the highest occupancy levels in the state. These facilities offer rooms and integrated conference centers tied to the amenities of lazy rivers,

culinary experiences, spa and golf. Downtown New Braunfels, as an authentic, historic, urban town experience, could offer similar experiences in much the same way.

The challenges of this approach are the loss of responsibility of a civic venue that the community has come to enjoy and appreciate over time for local uses. The transition to a quasi-private operation would likely mean the City would lose its control over facility pricing and booking. This option highlights the potential need for a dedicated and separate facility dedicated to purely civic and community bookings. Conversely, the loss of the property as a place for civic events would likely benefit the various private venues in the area.

Financial Performance Summary

From a purely fiscal impact perspective, this hotel (and adjacent retail) will likely have a taxable value of \$34 million dollars. The project performs stronger financially and represents a lower risk profile for the operator than Option A. While the overall development cost is more, the projected economic impact is greater. The projected construction costs of the entire program in this scenario (hotel, housing, office, retail and garage) is \$129 million. Since the hotel occupies currently undeveloped land, the development scenario allows for additional development.



Above: Examples of hotel configuration in option B and example of integrated complex

Infrastructure

Streets and Traffic

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

There are over 325 centerline miles (measures the street length from the middle of the street) of streets currently maintained by the City. Street pavement surfaces typically have a design life of 20 to 25 years. Streets built in developments in the 1990's are now reaching the point where significant restoration is needed to maintain acceptable drivability. Many city streets and drainage facilities are much older, compounding the need for street restoration. In addition, there are already streets across the City less than 20 years old that are in serious need of restoration and repair.

In 2015, the City updated the comprehensive street assessment and survey. The updated assessment provides street ratings which are utilized in creating the work plan for street repair and restoration. For Fiscal Year 2015-16, the General Fund adopted budget has included \$1.7 million in funding to address Tier 1 projects which include routine street maintenance. Tier 2 projects are more intensive and generally require seal coatings or a mill and overlay treatment. The voters approved \$10 million in bond funds over 5 years (\$2 million annually) to address Tier 2 projects throughout the City. Tier 3 projects are full construction and/or reconstruction of existing or planned roadways. Tier 3 projects include – Walnut Avenue Widening project, Goodwin Lane, Morningside Drive and the Walnut Avenue extension to Klein Road - have been funded through debt issuances. With voter approval of \$37.5 million in general obligation bonds for street improvements in 2013, Tier 3 street improvement projects will be completed and include – Klein Road reconstruction, and Solms/Morningside/Rueckle Road. Even with this level of effort and funding, well over \$100 million in unfunded various tiers of street projects have been identified..

Action Items completed/to be completed

- Completed a two year street maintenance and repair plan/schedule for yearly City-wide street improvement projects.

- New pavement management software program and an update to the street condition survey implemented in FY 2014-15.
- All proposition one 2013 bond projects began full design development during FY 2014-15.

Reference to the 2014 National Citizens Survey for New Braunfels

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

Stormwater Management

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

Environmental Stewardship

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

Under federal regulation, the City is required to address stormwater runoff that might affect water quality in its rivers and streams. These new federally mandated Municipal Separate Storm Sewer System (MS4) regulations became effective for New Braunfels in December 2014 and are enforced by the U.S. Environmental Protection Agency (EPA) through the Texas Commission on Environmental Quality (TCEQ). The TCEQ approved the stormwater management program (SWMP), which was developed to implement specific control measures to regulate and address stormwater runoff. To meet the obligations of the MS4 regulations during the first year of implementation of the SWMP, the City is required to develop education/training programs for

maintenance staff and inspectors, implement a public outreach program for community awareness, provide an inspection program for regulatory compliance and develop tracking and reporting processes to document compliance with state and federal regulations. The City is also required to improve treatment of stormwater runoff from both new developments and the redevelopment of existing properties. Throughout the program, City resources (existing and/or new) will need to be dedicated to this effort to effectively implement the required activities of the permit.

Action Items completed/to be completed

- Resources are currently allocated in the Annual Budget and Plan of Municipal Services to comply with MS4 requirements.
- Implementation of a watershed protection plan began in FY 2015-16.

Flood Control

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

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

Improvements to drainage facilities and construction of new drainage structures are also a critical issue for the City. Citizens have expressed that flood control and drainage improvements are a

key issue for them. As with streets, the May 2013 general obligation bonds passed by the voters includes significant funding for drainage improvement - \$24.5 million for improvements at Alves Lane, Blieders Creek/German Creek Watershed, Panther Canyon, Live Oak/Katy Street and preliminary design at Wood/Landa Streets. Again, the capital improvement plan includes an additional \$94 million in identified drainage improvements. The Watershed Advisory Committee will continue to work with the City Council and staff to plan for additional drainage improvements. The City should evaluate a comprehensive funding strategy to address drainage and flooding matters throughout the City. The continued reliance on the General Fund as the sole funding source, supplemented with debt, is difficult to sustain. Furthermore, utilization of General Fund and the City's debt capacity leaves little capacity for other high priority infrastructure projects.

Action Items completed/to be completed

- All proposition 2 capital projects are in various stages of design development.
- In FY 2015-16, the City began the acquisition of priority one drainage easements.

Reference to the 2014 National Citizen Survey for New Braunfels

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

*Percent rating good or excellent

Public Safety

Proactive Versus Reactive Policing

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

To be more effective and proactive regarding crime prevention, we have implemented an online reporting system, saving time for both the victim of a minor crime, and the patrol officers. Implementing measures that increase efficiency will enhance efforts towards proactive policing. However, the Police Department has indicated that additional uniform officers would have the largest impact as it will immediately provide more opportunities for random patrols and other proactive strategies. Additional officers could be used to meet the objectives described here of

increased crime prevention activities to reduce the occurrence of crimes. A more cost effective way to achieve the addition of more officers is to implement a Police Reserve program. City Ordinance allows the addition of 15 Reserve Officers to the Police Force.

Action Items completed/to be completed

- In FY 2015-16, the City Council authorized the creation of a Police Reserve program.

Reference to the 2014 National Citizen Survey for New Braunfels

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

Police work from a programmatic definition of service level

As the demand for New Braunfels Police Department (NBPD) services continues to grow, the approach to the provision of services and the resources needed to effectively provide those services should be looked at programmatically. Prioritizing the services that the NBPD currently provides as well as the expanded services they have identified as needed in the community 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.

School Resource Officer Program – The NBPD has evaluated the resources needed to implement school resource officers in the New Braunfels Independent School District. Placing seven 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.

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

Crime Free Multi-Housing – This program would create a partnership between the landlords of New Braunfels and the Police Department. The concept is that all renters in New Braunfels adopt a zero tolerance philosophy and share information on problem tenants. This program has

been very successful in other Texas cities. Experience in other cities indicates that an active and successful crime free multi-housing program has the potential to reduce crime occurrences by up to 20 percent annually. It is estimated that three additional officers would be required to implement this program.

Enhanced Gang and Narcotics Enforcement - We have noticed a dramatic increase in gang activity in New Braunfels. In partnership with the Comal County Sheriff and District Attorney, a partnership has been formed with these agencies to both gather intelligence on local gang and narcotic sales activity and aggressively enforce the law to help to reduce this issue in our community. We expect to add additional personnel to this unit as our staffing levels allow.

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

Action Items completed/to be completed

- In FY 2015-16, a gang and narcotics task force was created.

Using data to drive police policy decisions

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

As stated, the New Braunfels Police Department has implemented a major technology enhancement and additional functionality continues to be added. In the past, the records management system had very limited capabilities. Legacy data was managed using citizen volunteers, which resulted in inconsistent data entry and standards. Therefore, the older system was unable to generate accurate reports. This problem has been solved with the installation of upgraded system known as Spillman, which went live in October of 2013. The Police Department is now able to track crime trends and patterns. The new system will also provide analysis of the investigation progress. It could generate productivity reports on investigators to see what types of cases should be assigned to what detectives to maximize efficiency of Criminal Investigation Division resources.

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

Police - developing and enhancing partnerships

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

Access to additional resources as well as increased levels of compliance are two potential outcomes of partnerships. For example, NBPD continues to pursue the establishment of a school resource officer program. A car burglaries partnership with Comal County could prevent much of this specific crime that is occurring by jailing the small number of offenders who are responsible for a significant portion of these crimes. Regional data sharing is another partnership that needs to be pursued. By sharing local data with neighboring jurisdictions like Schertz and San Marcos, any participating jurisdiction could take advantage of information in each other's data systems that are currently not accessible. This will help to enhance safety for patrol officers and help to solve more crimes, as most criminals don't respect jurisdictional boundaries.

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

Action Items completed/to be completed

- A Police Communications Coordinator was hired in FY 2014-15. This position will continue to cultivate partnerships with various local and neighboring agencies and increase overall outreach efforts.

Police recruitment and retention strategies

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

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

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

Action Items completed/to be completed

- With the funding included in the FY 2015-16, 90 percent of the cost of the new pay plan has been implemented.
- In FY 2014-15, the new pay plan includes a \$3,000 signing/retention bonus for all new Police Officers.
- In FY 2014-15, a Police Officer referral program was implemented.

The Evolution of the Fire Department

The demand for New Braunfels Fire Department (NBFD) services continues to rise. The general public continues to evolve into a “911 society”. Currently, the Police Department handles all 911 calls that require law enforcement intervention; the Fire Department has the responsibility to respond to ***all other*** emergency calls. Responding to the myriad of emergencies has changed the

focus and service provision of the Fire Department. About 20 percent of the Fire Department's calls are for fire response; the remaining 80 percent are emergency/medical service calls. Shaping the Fire Department's future service provision role and meeting service expectations is a strategic issue.

The different types of calls outside the "traditional" responsibilities of providing fire/emergency medical (EMS) services include responding to and mitigating incidents involving hazardous materials, swift water rescues, dive team responses, motor vehicle accidents with entrapments, confined spaces and vertical rescues. Responding to all non-law enforcement emergency calls has changed the preparedness and resource needs of the Fire Department.

Currently, the Fire Department is developing a comprehensive five year plan to address and communicate community roles and expectations for service response. Specifically, this plan will address resource needs to meet the customer expectations as well as steps that need to be taken to maintain our Public Protection Classification Rating (ISO). The City of New Braunfels current ISO 1 rating provides the lowest insurance premiums for property insurance. This rating affects residential and commercial properties.

Reference to the 2014 National Citizen Survey for New Braunfels

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

Planning for the future needs of the Fire Department

Currently, the New Braunfels Fire Department (NBFD) serves the public from six fire stations. Over the last ten years, two new stations have been constructed. The current capital improvements plan calls for construction of one additional station as well as replacement of two existing, aged stations. Fire Station #2 and #3 are currently inadequate to meet the needs of the staff and service demands of the citizens. Both existing stations need to be demolished, with Station 2 being relocated to Water Ln. & 35 and Station 3 being rebuilt at its current location on Hanz Dr. In addition, a new station 7 is planned to be built on Creekside Crossing in the Creekside shopping area. Also, a major need for our department is the development and construction of a Fire Training Facility. This training facility is necessary for our personnel to have a readily accessible, high quality facility that will allow the department to keep pace with the increased training needs associated with explosive community growth and the maintenance of an ISO 1 rated department. The estimated cost of constructing a new fire station is between \$3 million to \$4 million depending on the number of apparatus and staff to be housed. The cost of

constructing a Fire Training Facility is approx. \$3 million to \$4 million depending on size. A strategy for funding construction of Fire Dept. facilities and staff (for the additional station) is a strategic issue for the City Council.

In addition to fire stations, the Fire Department's apparatus needs to be periodically and systematically replaced. Ambulances have an 8 yr. rotation schedule. A completely new ambulance costs about \$220,000. Fire engines and ladder trucks have a twelve to fifteen year useful life and a cost between \$750,000 and over \$1,000,000. Currently, neither the ambulances nor the fire apparatus are part of the City's equipment replacement program, meaning the full funding needs to be identified to purchase any additional/replacement piece of fire equipment. Planning for these major acquisitions – structures and equipment – is a significant strategic issue for the City.

Action Items completed/to be completed

- An architect has been selected to assess fire station #1 structurally and provide recommendations to renovate the facility based on limited funds.
- After receiving our preliminary evaluation from our ISO consultant and making the recommended changes, the department received a rating of 1 from the Insurance Service Office (ISO).
- The Self Contained Breathing Apparatus (SCBA's) were replaced in FY 2015-16.

Juvenile crime prevention

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

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

As stated, the court is currently providing some resources; however, these services need to be expanded to adequately address the identified needs. The court needs to have the ability to more

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

Integrating Municipal Court into the larger law enforcement system

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

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

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

Action Items completed/to be completed

- The Municipal Court began conducting monthly warrant round ups in FY 2015-16. These events are a collaborative effort between the NBPD and Comal County judicial system.

- Implemented on-line payment system.

Effective Management

Reacting to advances in technology

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

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

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

The city has previously invested in several pieces of technology to provide a higher level of service; however these systems are sitting in silos among departments, were not deployed properly across the organization and were not maintained/updated resulting in very inefficient usage. The city needs to strategically determine if these solutions are the right fit for the organization and if upgrading and re-deploying them are a wise investment of city resources.

Action Items completed/to be completed

- The City has created an IT Director position (reclassification of an existing vacant position) that will be responsible for developing strategies for technology implementation.
- Upgraded/replaced network infrastructure throughout the organization increasing network connectivity in most location by a factor of 10.

- Upgraded the city-wide phone system providing enhanced redundancy and additional functionality to support department's needs.

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

- Replaced 10 year old firewalls at primary internet connections in FY 2015-16

Empowering a mobile workforce and community

Work isn't just a place anymore, it's something people do, wherever and whenever the need arises. The City has an amazing staff dedicated to this community. Approximately 50% of the City's staff is considered a mobile worker and they are looking for the ability to move beyond the traditional brick and mortar walls and have the access to their traditional resources. They want to do anything, anywhere and on devices that are most convenient to them.

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.

Capital improvement program update and debt service capacity

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

When combined with the 2013 bond program, the capital investment by the City of New Braunfels from 2004-2020 will total over \$220 million. As mentioned earlier, there had been minimal capital investment in the City's infrastructure prior to FY 2004-05, and even with the consistent investment over the past ten years, \$350-\$400 million dollars in identified, unfunded capital projects remain.

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

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

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

Action Items Completed/to be completed

- The Capital Improvement Plan update will be completed by the end of FY 2015-16

Address current unmet needs

With the rapid growth that occurred in New Braunfels from 2000 to 2014 (a population increase occurred during that period of 72 percent or 27,800 citizens), the City of New Braunfels as an organization concurrently added resources and expanded service delivery to meet the accompanying increased demand for services. The City's unmet needs list has grown to over \$9.6 million dollars and over 60 positions. Working to address current and newly identified unmet needs to ensure services are maintained within continued financial constraints is a strategic issue.

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

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

Action Items completed/to be completed

- The FY 2015-16 Operating Budget and Plan of Municipal Services addressed various unmet needs (page 26-32 of the FY 2015-16 Adopted Budget Document).

Increased services associated with capital projects

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

In some instances, such as street projects, the level of services and resources required to maintain the asset will initially decrease after a project is completed. Other projects include landscaping, and other amenities that require upkeep, maintenance and repair. Still others require staff to

provide services to the citizens taking advantage of the new infrastructure (such as the new recreation center). The City will need to evaluate and work to provide the resources needed to meet all these demands. Establishing the resource requirements associated with new capital assets will be important to developing an *ongoing program of infrastructure construction and maintenance*, a strategic priority adopted by City Council.

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

Action Items completed/to be completed

- The FY 2015-16 Operating Budget and Plan of Municipal Service allocated resources in anticipation of maintaining the landscaping along Walnut Avenue and the operation and maintenance of Fischer Park.
- The forecast recognizes the potential operating cost impact of two projects: The Community Recreation Center and the development of a Sports Complex.

Adjusting fees to market rates

The City charges user fees for various services provided to the citizens. These run the gamut from alarm permit fees to pool entry fees to building permits and plans review to name just a few. The fees are intended to recover a portion – up to all – of the cost of providing the service. Many of the City’s current fees have been in place for an extended period of time and have remained at the same level for years. Evaluating the existing fees and looking for appropriate areas to initiate new user fees is a strategic issue for the City.

As stated, many of the City’s fees have been in place without change or reevaluation for many years. User fees are intended to generate sufficient revenue to offset the cost of providing the service. They are put in place in areas where it is appropriate for the user to pay for the service rather than using general tax revenue (such as sales tax or property tax) to offset the cost of the service. Fees can be influenced by market factors as well as cost factors. They also represent an opportunity to mitigate property taxes as they serve as an alternative form of revenue.

The City needs to continue to evaluate fees in all areas to ensure they are cost based and that they are in line with market factors. Fees also need to take into consideration affordability for the citizens and their ability to access the services. Over the next several years, all the City’s fees

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

Action Items completed/to be completed

- In FY 2014-15, planning and community development user fees and processes will be analyzed and benchmarked.
- Development of the FY 2016-17 Proposed Budget will include evaluation of existing fees and processes.

Attracting and retaining a highly qualified workforce

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

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

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

Action Items completed/to be completed

- 90 percent phase-in of the new compensation plan, based on market data, is funded as of October 1, 2015.

- Updating and implementing the City's compensation philosophy, policies and procedures is an on-going task.
- Implementation of several alternative employee recognition programs is an on-going effort in FY 2015-16.

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

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

In FY 2014-15 and FY 2015-16, health insurance costs have increased significantly. Along with plan design and premium costs, the City can consider other programs that can reduce overall health care costs. Programs to consider include: wellness initiatives, smoking cessation assistance, and employer provided health screenings.

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

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

Space assessment - facilities

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

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

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

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

Action Items completed/to be completed

- The New City Hall Complex is currently under construction. and estimated to be completed in the fall of 2016.

Quality of Life

Conservation of Natural Resources

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

New Braunfels is known for its natural beauty including clean rivers, abundant urban forest, and green spaces. The care and preservation of these environmental features is paramount to the quality of life and economy of the city. Parks and public lands serve an essential role in preserving natural resources and wildlife habitat, protecting clean water and clean air, and providing open space for current and future generations. In addition, *protecting and improving our open space, and community connectivity and mobility* (through trails) are strategic priorities adopted by City Council.

Conservation of natural resources requires a multifaceted approach. Parks staff will need to be trained to implement sustainable maintenance practices. A system-wide needs analysis and development of criteria for acquisition of new land and facilities should be developed. Implementation of a reuse water system to irrigate parks will assist with sustainability of open space. Riparian zones should be established, where appropriate, for sediment filtration along waterways. In addition, continued acquisition of parkland will be important as the city continues to grow and develop neighborhoods.

Action Items completed/to be completed

- Preliminary Engineering Report for Reuse Water Irrigation System for Parks completed FY 2014-15. NBU will begin construction drawings on reuse watering system to serve parks in FY 2015-16
- Riparian areas will be established in Landa Park as part of Landa Park River Front Rehabilitation Project FY 2014-15.
- Riparian areas were established on Landa Park Golf Course during course renovation
- Landa Park Master Plan development scheduled to begin in FY 2015-16.
- Market Plaza Master Plan development scheduled to begin FY 2015-16.
- Parkland Dedication Ordinance will be updated for Neighborhood/Community Parks in FY 2015-16.
- Mission Hill Park Master Plan to be completed in FY 2015-16.
- River Properties Master Plan to begin in FY 2015-16.
- Joint effort with NBU to implement future Aquifer Storage Recovery (ASR) on airport property.

Reference to the 2014 National Citizen Survey for New Braunfels

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

Improving Health and Wellness in the Community

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

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

Increased participation in active programs can be achieved by facilitating programs that are easy to find, register and afford. Developing partnerships with school districts to promote youth/teen alternatives to varsity sports and fostering an appreciation of the outdoor environment are important programming initiatives. Programming at the Fischer Park Nature Center and the new Recreation Center will contribute to this. The departmental registration software should be updated to allow for online registrations that will greatly enhance the convenience for families.

Action Items completed/to be completed

- Fischer Park Nature Center opened in FY 2014-15.
- Planning for a new Recreation Center began in FY 2014-15
- New registration software will be installed in the fourth quarter of FY2015-16 allowing for on line registrations.
- The Fischer Park Nature Center will implement additional grant funded programs for youth in FY 2015-16.
- A Sports Complex Feasibility Study and an Athletic Complex Master Plan will be completed in FY 2015-16.
- The Parks and Recreation Strategic Plan will begin in FY 2015-16 and will include a programs assessment.

Reference to the 2014 National Citizen Survey Results for New Braunfels

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

Parks infrastructure

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

The high amount of usage in the parks and facilities makes the continued evaluation, repair and replacement of structures, equipment and mechanical systems a challenge. As facilities and other infrastructure age, preventative and on-going maintenance becomes critical to providing access

to citizens and park visitors. If aging infrastructure is not inspected, maintained, and replaced in accordance with a recommended schedule, there are various safety and liability issues that arise.

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

Action Items completed/to be completed in FY 2015-16

- The Landa Park Master Plan will be completed in FY2015-16 and will include an ADA inspection/recommendation and operations analysis.
- The Parks and Recreation Strategic Plan will begin in FY2015-16 and will include recommendations for park operations and maintenance.

Reference to the 2014 National Citizen Survey for New Braunfels

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

Library – developing and maintaining partnerships

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

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

Over the five year forecast period, the Library will explore various options and opportunities to meet these service challenges. Additional staff training could be facilitated by moving more staff

from part time (30 hours per week) to full time, allowing for some additional hours for training. The addition of mobile services may also help address the outstanding service needs. The Library Foundation has raised enough money to purchase a bookmobile, and it will be deployed in June of 2016. In the longer term, additional library facilities will be needed to maintain/enhance service levels.

Managing the shift in literacy

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

The library as an industry is also moving into other literacy areas in addition to traditional reading, printed materials and technology. Cultural literacy is becoming a part of the services provided by libraries. Cultural literacy includes, but is not limited to: assisting individuals to utilize technology effectively, understanding what resources are available in a given community, 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 2014 National Citizen Survey for New Braunfels

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

Library infrastructure positioning and development

Current library facilities are inadequate to serve the library needs of the community as it grows. The 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 recently completed Library Master Plan addresses the short and long term infrastructure needs to provide ongoing library services. The challenge is also to predict the future usage patterns for the facilities and plan facilities that are able to be repurposed easily and effectively as the types of library services asked for and provided changes. Stand alone facilities are also no longer necessary. City services are increasingly overlapping, and library services can be provided from other City facilities for some economy of staffing.

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

The Library Master Plan includes recommendations for new and expanded library facilities. The plan includes construction of new stand alone facilities in 2 locations in strategic locations throughout the City over the next twenty years. The total financial impact is estimated at \$17 million. The plan also describes the need to expand the existing library facility at an estimated cost of \$16 million. The third opportunity to expand library facilities is to provide space for limited library services in future City non-library facilities. The cost would vary with the size of area provided and range of services offered. Mobile library services through a bookmobile are another cost-effective way to expand library "facilities."

Action Items completed/to be completed

- New Braunfels Public Library Foundation (NBPLF) has raised the funds for a bookmobile which will be deployed in June, 2016. Staffing was accomplished through a position reclassification. Optimizing the services delivered through the bookmobile will be a priority for the 2016-17 budget year.
- Developing 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.

Growth and Development

Growth and New Development

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 and code compliance are all experiencing significant increases. Additionally, in the next five years, we will experience an increase in demand for services associated with the Veramendi Development, a 2,400 acre master planned community. The 1900 acre General Land Office property is expected to develop in the next six to ten years and will have the same impact. Ensuring effective development services for community growth while maintaining the same level of service delivery is a strategic issue.

The City expects to experience multiple impacts from Veramendi within the next five years. These include but are not limited to increases in building permits and inspections, platting and land use planning review, traffic analysis and code compliance. Moreover, development standards with Veramendi have been set higher than what exists within the City; therefore, review processes will require more focused attention. While development associated with the General Land Office property is not currently scheduled to begin within the next five years, staff will need to dedicate resources for negotiation, review and development of design standards. All the while, growth in the community overall will increase its pace as well and turn-around times will be expected to improve.

Preparing for the increased demand for development services will require a multi-faceted approach. These strategies will involve establishing open dialogue with the development community; establishing additional performance measures with targets and goals for specific improvement; and identifying opportunities for efficiencies and alternative service delivery approaches such as avoiding any duplication of services, elimination of outdated and unnecessary steps and procedures, formalizing and documenting operating procedures, implementing the “one-stop shop” concept in the new city hall (see below) and potential privatization of certain procedures and tasks. Based on the review of impact and efficiency opportunities, augmenting the existing staff that plays a role in the development function should be evaluated. This comprehensive review of process and staffing resources, with input from customers, will allow staff to develop a strategy to prepare for the increased service demand associated with new development.

Transforming the Customer Experience for Development Services

In the development process, facility limitations have historically created inefficiencies with regard to customer service and the effective utilization of existing staff resources. Engineering,

planning, building inspections, environmental health, fire inspections and others all play a role in the development process. These functions are currently located in three different buildings and offices often creating internal and external confusion and difficulty for tracking and completing development related transactions. Co-locating and streamlining the development process for the customer is a strategic issue in concert with addressing citizen needs generated by growth and new development.

With construction of the new City Hall, consolidating the development related functions should improve the speed of service delivery, improve overall responsiveness, and integrate functions that are currently segregated. To realize the expected streamlining of operations, consolidating these functions will necessitate new policies and operational procedures to ensure full implementation and should create cost savings/avoidance.

Action Items completed/to be completed

- Establish regularly scheduled meetings with the development community/customers
- Transition operation into new City Hall facility.
- Develop customer service procedures
- Document and formalize all procedures and processes
- Establish new and additional performance measures and goals

Community Vision for Long Term Development and Land Use Planning

The development of long term, community wide planning is critical for all municipalities, especially those that are growing at the current pace of New Braunfels. Departmental or initiative specific planning and strategizing does occur within the organization. However, the development and periodic update – with active 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.

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

Defining and documenting a community vision for development and growth would allow residents and elected officials to identify and respond to the changing community needs and desires using a cohesive resource for making development and land use related policy decisions. A potential strategy to develop a resource of this magnitude should include various efforts:

establishment of committees; updating of the profile and inventory of New Braunfels including history, culture, population, demographics, transportation, housing, environment and other resources; developing community surveys; completing a SWOT analysis (strengths, weaknesses, opportunities and threats); conducting visual surveys; holding public input meetings; with the result being a new Comprehensive Plan.

Action Items completed/to be completed

- One-half of the funding was allocated in FY 2015-16 to begin the update to the City's Comprehensive Plan. A multi-disciplinary evaluation committee interviewed and recommended a consultant with an action plan to proceed before the end of FY 2015-16.
- Continue with adopted work plan and second half of funding for Comprehensive Plan development.

Reference to the 2014 National Citizen Survey for New Braunfels

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

Mobility and Connectivity

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

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

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

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

Action Items completed/to be completed

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

Reference to the 2014 National Citizen Survey for New Braunfels

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

Airport Infrastructure Improvements

Over the last five six, 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 Industrial Development Corporation has also worked with the City to invest in Airport business development and infrastructure improvements. The U.S. military is now actively using the Airport facilities and their presence and use is expected to grow. With the acquisition of the New Braunfels Aero property, the Airport took on a significant amount of new infrastructure. The property has various hangars and buildings that require structural enhancements. The Airport's maintenance facilities have various structural and operational deficiencies. Managing the Airport's growth and associated need for new infrastructure and maintenance of existing infrastructure is a strategic priority.

Significant investment has been applied to the existing hangars and others buildings that compose the entire NB Aero leasehold. The Airport is in 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 and buildings are in the process of being renovated
- New apron space for future construction of hangars has been completed
- The Airport entered into two new leases for the construction of hangars
- The Airport has started a project to extend utilities to two new hangar sites

TxDot transfer of road maintenance

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

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

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

Affordable housing

A long term, community wide strategic plan for affordable housing is critical for all municipalities, especially those that are growing at the current pace of New Braunfels. Currently, the City lacks a City-wide focused plan of promoting, attaining and increasing the affordable housing stock. Some initiatives have been implemented to promote affordable housing but an overall consensus of a strategic plan with specific action items has yet to be completed.

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

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

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

Action Items completed

- The New Braunfels Industrial Development Corporation and City Council approved a conduit loan to a developer for an allocation of Low Income Housing Tax Credits (LIHTCs). LIHTCs are a viable and affordable method for communities to encourage the development of quality rental housing in their jurisdictions. The project is under construction and, when completed, these 96 units will fill a need in the community. Unfortunately, demand for quality affordable housing still outstrips supply.

Reference to the 2014 National Citizen Survey for New Braunfels

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

General Fund Forecast

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: property tax, sales tax, franchise taxes (including payments from New Braunfels Utilities), licenses and building permits, charges for ambulance services, fines and forfeitures and parks and recreation revenue among others.

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

The General Fund forecast includes two schedules that show revenues, expenditures and fund balances over the next five years in two scenarios. The revenue projections are the same for both schedules; only the expenditures change. The first, referred to as "Baseline Expenditures Forecast," looks at the financial position of the General Fund and assumes that revenues grow throughout the period and that expenses increase only to reflect inflationary pressures. This scenario assumes 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 (including the Equipment Replacement Program). The second schedule is called the "Resource Demands Forecast" and shows the impact to the General Fund of costs associated with identified resource needs, program enhancements, and compensation adjustments. These projections are the results of the assumptions used to build the General Fund forecast. If the assumptions change, the forecast results change as well.

The Baseline Expenditures Forecast in the schedule on the following page are broken down by strategic priority. The following lists what General Fund departments/divisions make up each strategic priority.

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

General Fund Forecast

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

	FY 2016-17 Projected	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected
Beginning Fund Balance	16,595,052	18,563,642	23,213,147	30,462,333	40,385,006
Revenues					
Property Taxes	15,142,434	16,035,838	16,981,953	17,983,888	19,044,937
Sales Taxes	20,135,051	21,343,154	22,517,027	23,642,879	24,825,023
Other Taxes and Franchise Fees	9,251,042	9,556,326	9,871,685	10,197,450	10,533,966
Licenses and Permits	3,409,289	3,607,028	3,816,236	4,037,578	4,271,757
Fines and Forfeitures	1,383,488	1,441,595	1,502,142	1,565,232	1,630,972
Charges for Services	3,810,351	4,035,161	4,273,236	4,525,357	4,792,353
Parks and Recreation	1,284,344	1,342,139	1,402,535	1,465,650	1,531,604
Interfund Transfers	775,723	787,359	799,169	811,157	823,324
Miscellaneous	2,229,119	2,322,742	2,420,297	2,521,950	2,627,872
Total General Fund Revenue	57,420,841	60,471,343	63,584,280	66,751,139	70,081,807
Total Available Funds	74,015,894	79,034,985	86,797,427	97,213,472	110,466,813
Baseline Expenditures					
Infrastructure	6,298,829	6,404,228	6,508,311	6,606,652	6,715,985
Public Safety	30,991,363	31,176,795	31,363,888	31,548,155	31,647,797
Effective Management	7,262,619	7,352,037	7,440,266	7,523,491	7,519,313
Quality of Life	7,086,049	7,171,618	7,256,484	7,337,358	7,426,731
Growth and Development	3,013,390	2,893,161	2,918,663	2,943,547	2,970,593
Equipment Replacement Program	800,000	824,000	847,484	869,264	893,799
Total General Fund Baseline Expenditures	\$ 55,452,251	\$ 55,821,838	\$ 56,335,095	\$ 56,828,466	\$ 57,174,218
Ending Fund Balance	\$ 18,563,642	\$ 23,213,147	\$ 30,462,333	\$ 40,385,006	\$ 53,292,595
Target Fund Balance - 30%	\$ 16,635,675	\$ 16,746,551	\$ 16,900,528	\$ 17,048,540	\$ 17,152,265

General Fund Forecast

Baseline Expenditures Forecast- Discussion and Analysis

General Fund- Revenue Projections

The average annual growth in General Fund revenues during the forecast period is 5.2 percent (up from 4.95% in last year's forecast). The table below reflects the projected annual growth in total General Fund revenues for each year during the forecast period. The minimal slowdown in growth is based entirely on a conservative leveling off of projected sales tax growth. The major revenue sources included in this projection are addressed individually in this section.

Projected Total General Fund Revenues					
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Growth Rate	5.5%	5.3%	5.2%	5.0%	5.0%

Property Tax Revenue

Property tax revenue currently makes up 26 percent of all General Fund revenue. For the forecast, 5.9 percent annual growth in property values is assumed for the forecast period. This projection is based upon the historical compounded annual growth rate (spanning from 2004-2015). During that time frame, the City experienced extreme periods of growth, stagnation and decline in property values as a result of the recession and finally, growth stemming from the economic recovery (2012-2015). Therefore, the projection factors in several different economic climates conditions. Additional analysis on projected valuation growth can be found in the economic benchmarks and outlook section of the document on pages 14-15. Property values could grow at a higher or lower rate in any given year. However, the projections included in the forecast represent a conservative outlook for the next five years regarding net revenue growth stemming from the increase taxable assessed valuations.

Sales Tax Revenue

Sales tax currently accounts for 35 percent of the General Fund's total revenue (down from 37 percent in prior years). It is the largest source of revenue to the General Fund. Sales tax is volatile in relation to economic conditions and consumer spending patterns.

With the exception of FY 2008-09, which was impacted significantly by the economic downturn and FY 2014-15, impacted heavily by the point of sale vs. point of distribution legislation, the General Fund has experienced consistent and often very strong growth in sales tax revenue from FY 2004-05 to FY 2014-15. In addition, sales taxes in FY 2015-16 are trending positively as well. This is a result of many factors including continued strong tourism and new development(s) such as the Town Center at Creekside. Construction also impacts sales tax significantly as there are opportunities to purchase building materials (residential and commercial) locally.

General Fund Forecast

The compounded annual growth rate in net sales tax revenue in the General Fund over the past eleven years has been 7.6 percent. Net sales tax revenue represents the actual sales tax revenue that is deposited into the General Fund after any funds associated with economic incentive agreement(s) are removed. **The Buccees 380 sales tax sharing agreement was fulfilled in FY 2015-16, therefore, effective January 1, 2016, the City is no longer rebating any sales tax revenue stemming from Buccees.**

The table below reflects the sales tax growth rates included the General Fund forecast. The forecast is currently projecting a 7 percent growth rate in revenue for FY 2015-16. During the last eleven years, sales tax growth rates have varied significantly sometimes exceeding 10 percent (“double digits”) and in others dipping as low as -1.8 percent. The forecast projections regarding sales tax are designed to reflect steady growth, yet anticipating that the overall increase will begin to level out as there are no significant new developments in progress (construction). Developments such as Veramendi or others could impact sales tax growth during the forecast period if they were to begin generating economic activity.

Projected Sales Tax Growth Projections – General Fund					
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Growth Rate	6.5%	6.0%	5.5%	5.0%	5.0%

Franchise Taxes

Franchise taxes currently make up 17.5 percent of total General Fund revenue, the majority of which comes from New Braunfels Utilities (NBU). From FY 2004-05 to FY 2014-15 franchise taxes grew at a compounded annual growth rate of 5.8 percent. However, in recent history, FY 2009-10 to FY 2014-15, franchise tax growth has slowed to some extent to 3.3 percent. Therefore, the recent growth rate of 3.3 percent was utilized for projecting franchise tax revenue throughout the forecast period. NBU’s payment to the City is based on 16 percent of income net of all purchased power and debt service associated with the hydroelectric plant. Therefore, a significant portion of the revenue is dependent on water and wastewater activities. Water revenue is more volatile as it is driven by weather/rain. In FY 2014-15, the NBU franchise payment actually decreased from the prior year, directly resulting from drought conditions/water restrictions.

All other General Fund Revenues

The table below reflects growth rates for the all remaining General Fund revenue categories. The majority of the remaining General Fund revenue sources are projected based on an analysis of historical compounded annual growth rates. 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	5.8%
Fines and Forfeitures	4.2%
Charges for Services	5.9%
Parks and Recreation	4.5%
Interfund Transfers	1.5%
Miscellaneous	4.2%

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, in FY 2015-16, most new positions were only authorized and funded for 75 percent of the fiscal year; therefore, employee expenditures were updated in FY 2016-17 to fully fund all new positions. Employee Resources are assumed to remain at a level that supports current service levels only. The only increase in employee related expenditures included in the forecast relates to health insurance costs, which are adjusted for projected increases in these costs (4 percent annually throughout the forecast period).

The Self Insurance was added to the five year forecast this year. Within that forecast, a fund balance deficit is currently projected at the end of FY 2015-16 for the Self Insurance Fund. The baseline General Fund forecast does not assume that additional funds are transferred to the Self Insurance Fund to address that potential deficit.

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 2.57 and 3.00 percent throughout the forecast period). Therefore, the projections reflect current service levels. The annual inflation rates built into the forecast are the same that the City of San Antonio currently utilizes in the development of their five year financial forecast.

The City entered into two capital lease agreements for technology/network equipment and in-car cameras for the Police vehicle fleet in FY 2015-16. Therefore, the recurring payments for

General Fund Forecast

associated with those lease agreements have been allocated accordingly throughout the forecast period.

In FY 2015-16, one time equipment and initiatives were allocated in the budget; those funds have been removed prior to adjusting operating expenses for inflation throughout the forecast period. In addition, the allocated funds associated with leasing office space (portables) have been removed beginning in FY 2016-17. At last, funding to complete the update to the comprehensive plan is removed beginning in FY 2017-18.

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. The equipment replacement program provides funding for major equipment purchases (light vehicles, computer equipment and self contained breathing apparatus for the Fire Department) on a routine, consistent basis so that the funds are available when the purchase needs to be made. Annual contributions are made into a separate fund and then used to purchase the equipment when replacement is appropriate. In FY 2014-15, the program was only partially reinstated by allocating a \$300,000 contribution to the fund and only replacing those vehicles which were in dire need of replacement. The reinstatement continued in FY 2015-16, increasing the contribution to \$400,000

In the Baseline Expenditures forecast, the program is assumed to be fully reinstated in FY 2016-17 and remains active throughout the forecast period. At this point, full reinstatement of the program requires an additional \$400,000 (estimate) in expenses to the budget in FY 2016-17 – a total of \$800,000 annually. The contribution is adjusted for inflation throughout the forecast period. Additional information on the Equipment Replacement Fund and program can be found on pages 79-83.

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 2015-16) with the exception of the \$500,000 transfer to the Self Insurance Fund. This was removed as it was considered a onetime expenditure with the adoption of the FY 2015-16 Budget. General Fund transfers to other funds to cover initiatives such as the support of the River Activities Fund and cash match for grants.

General Fund Forecast

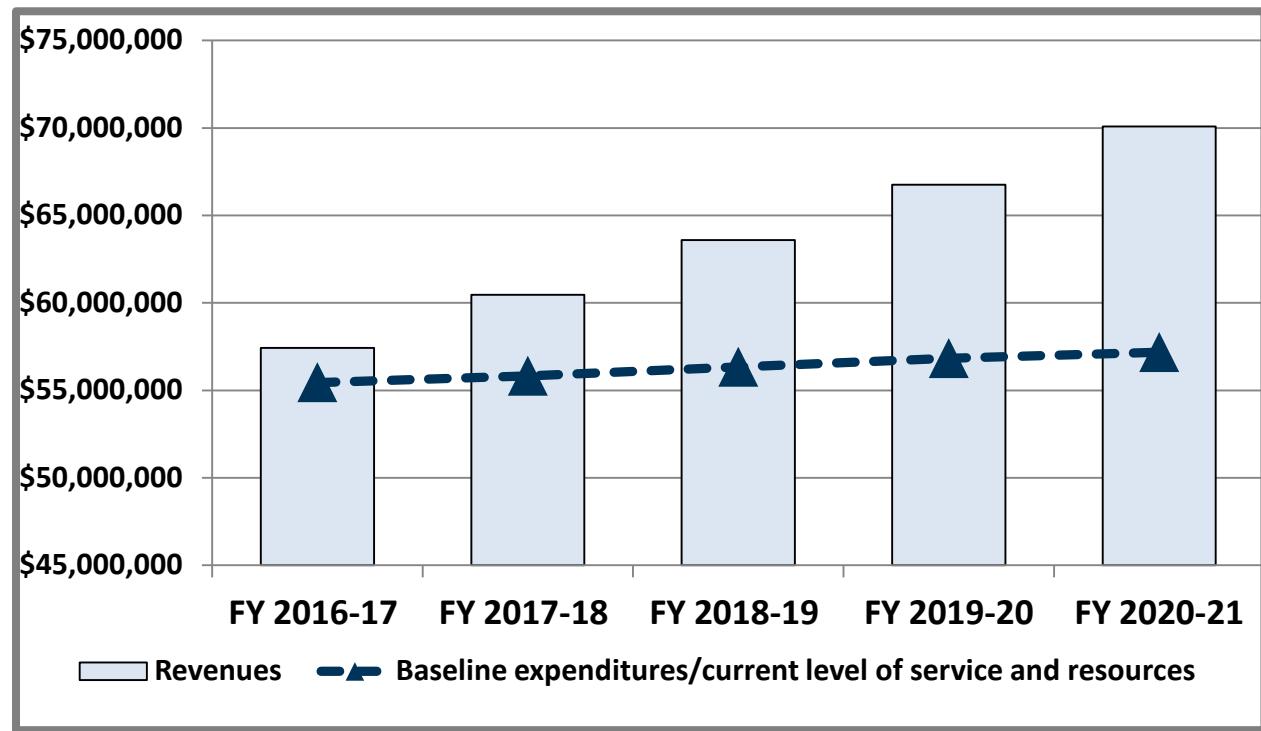
The baseline forecast demonstrates the City's ability to fund current resources at the current service level. It also shows that the City has funding available for some identified unmet/identified resource needs to meet the current and increasing demand for municipal services. The table below reflects available funding (revenue minus expenditures) that could be allocated for additional resources and meeting reserve requirements throughout the forecast period. In addition, the table differentiates between available one-time funds (from carry forward fund balance in comparison to funds from recurring revenues). Both can be utilized when developing the FY 2016-17 budget; however, one-time revenues are recommended to be used only for one-time expenditures such as capital equipment purchases.

The figures in the table and graph below represent the funds available throughout the forecast period each year after revenue projections are subtracted from the baseline expenditures. It is imperative to recognize that if additional recurring expenditures such as new positions or compensation increases are added, it reduces the available funding by that amount in the year that it was appropriated as well as every year thereafter.

Reserve Requirement: The financial policies currently adopted by City Council require a minimum of 25 percent as the fund balance requirement in the General Fund. The 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). This means, in actuality, that every \$1.00 in recurring expenditure(s) added to the General Fund requires \$1.30 in funding to satisfy the current reserve requirement.

Available Funding for Additional Resources and Reserve Requirement					
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Available Recurring Funding For Expenditures and Fund Balance – Annual Surplus					
	\$1,968,590	\$4,649,505	\$7,249,185	\$9,922,673	\$12,907,589

General Fund Forecast



Fund Balance Considerations

The Baseline Expenditures Forecast shows a surplus in fund balance throughout the forecast period. In FY 2016-17, the surplus is approximately \$1.92 million and grows to \$36.14 million by the end of the fifth year. *It is important to remember that any commitment of funds made in FY 2016-17 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 2016-17 reduces the funds by a \$1.30 in the year it's spent (\$1 for the expenditure and 30 cents for the fund balance requirement). In addition, that additional dollar must be spent each year thereafter, reducing available funds in all those years as well. The forecast that includes funding for all current resource demands shows a different result. This second General Fund forecast shows a deficit of approximately \$2.57 million which grows to \$10.69 million by the end of the five year forecast period.

Resource Demands Forecast

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 officially recommended by City Management. The purpose of this schedule is to forecast the impact to the General Fund should these programs move forward at some point during the forecast period. However, the programs included in the forecast schedule are those where the City Council has provided some direction and/or indicated an interest in the initiative moving forward should funding become available.

General Fund Forecast

General Fund Forecast -Resource Demands

	FY 2016-17 Projected	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected
Beginning Fund Balance (adjusted)	16,595,052	14,824,820	13,376,435	12,123,486	11,219,995
Total General Fund Revenue	57,420,841	60,471,343	63,584,280	66,751,139	70,081,807
Total Available Funds	74,015,894	75,296,162	76,960,715	78,874,625	81,301,802
Total <u>Baseline</u> General Fund Expenditures	55,452,251	55,821,838	56,335,095	56,828,466	57,174,218
Adjusted baseline expenditures - Includes impact from <u>RECURRING</u> additional expenditures	55,452,251	58,367,140	61,203,658	64,066,238	67,126,770
Additional Annual Expenditures					
Compensation Plan Implementation					
Uniformed Employees	280,000				
Non-Uniform Employees	115,000				
Uniformed Personnel					
Step Plan/Maintaining Market Competitiveness	828,910	833,778	838,791	843,955	869,273
Non Uniform Personnel					
Pay for Performance increases/Maintaining Market Competitiveness	423,157	439,302	452,481	466,055	480,037
Police Officers Staffing Equipment	350,422	360,935	371,763	382,916	394,403
	389,520	401,206	412,640	423,245	435,191
Address current unmet needs - positions	547,813	564,247	581,175	598,610	616,568
Operating expenditures from CIP/Bond projects					
Community Recreation Center		125,000	125,000		
Sports Complex				250,000	
Address current unmet needs - One time capital and initiatives	804,001	828,121	851,722	873,612	898,269
Total - Additional Annual Expenditures	3,738,823	3,552,588	3,633,571	3,588,392	3,943,741
Total Expenditures - Adjusted for Additional Expenditures	59,191,074	61,919,728	64,837,229	67,654,630	71,070,511
Ending Fund Balance	14,824,820	13,376,435	12,123,486	11,219,995	10,231,291
Target Fund Balance - 30%	17,399,266	18,207,120	19,071,860	19,907,332	20,921,115
Fund Balance deficit	(2,574,446)	(4,830,686)	(6,948,374)	(8,687,336)	(10,689,824)

Resource Demands Forecast- Discussion and Analysis

The previous forecast projected baseline expenditures and assumed no change in service levels or resources throughout the forecast period. The Resource Demands forecast on the previous page reflects the cost of current identified resource needs to provide existing levels of service during the next five years. This forecast does not account for increased demands on municipal services, only those resources and needs that have been identified and quantified to an extent to meet current service levels.

During the forecast period, additional needs will be identified as service demands continue to increase. Once those needs are identified, they will begin to be recognized in the forecast and budget development process. *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 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 includes all the baseline expenditures included in that forecast and schedule (described above). In addition, expenditures associated with these resource needs are estimated and added into the forecast to assess the impact these activities could have on the General Fund's financial position. Following the forecast schedule, each of the included expenditures is described in greater detail. Many of these initiatives are also described in the Strategic Issues section of this document.

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

Fund Balance – The financial policies currently adopted by City Council require a minimum of 25 percent as the fund balance requirement in the General Fund. The 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).

The current unmet/identified resource needs, shown in the schedule on the previous page, shows a deficit in fund balance throughout the forecast period. In FY 2015-16, the fund balance deficit is \$2,575,000 and it grows to \$10,689,000 by the end of the fifth year. This deficit is driven

General Fund Forecast

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.

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

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

Market Adjustments Implementation

In FY 2013-14, three employee committees (Fire, Police, and non-uniform) along with other City staff conducted a compensation evaluation and development of pay plans using a market survey. The study and data is made up of salary survey results from the list of City Council approved benchmark comparable Cities. The data from this study was utilized to develop an updated step plan for Fire and Police uniformed employees as well as an updated pay plan for all non-uniform employees. The total fiscal impact of the plan was approximately \$4,000,000. In FY 2014-15, a 40% funding strategy was implemented. In FY 2015-16, an additional 50% was funded. The forecast assumes the remaining 10% implementation would occur in FY 2016-17. The data collected to create the new pay plans (100% implementation) stems from the active pay plans from the comparable cities in October of 2013. The plans have not been adjusted for CPI or revisions made by the comparator cities during the implementation. Therefore, in FY 2016-17 a new survey will be necessary to gauge whether or not the market has moved from 2013-2016.

Step Plan/Performance Pay Increases/Maintaining Market Competitiveness

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

General Fund Forecast

Police Staffing – Current Identified Unmet Need

During the budget development process for the past three years, the Police Department has submitted a request for twenty-one additional patrol officers to meet current service demands. This is the number of officers that the Police Department could hire and train in one year. Determining appropriate staffing is based on many different variables, such as population, calls for service as well as the expected level of service. **Properly evaluating the number of additional officers this community needs is a strategic issue for FY 2016-17.** Therefore, a staffing analysis will be proposed to be conducted by a third party to determine a long term staffing plan. Eleven officers have been authorized since FY 2012-13. For the forecast, an additional twenty-five officers are projected to be added over the forecast period (five hired each year), from FY 2016-17 to FY 2020-21.

Strategies for addressing Police staffing can be developed from a programmatic/definition of service perspective, an opportunity described in a strategic issue included in this document (see pages 31-32). This approach could provide a way to determine what service levels and programs should be prioritized and/or added.

Other Departments Staffing – Current Identified Unmet Needs

Forty-one positions were requested to meet current service demands during the FY 2015-16 budget process, all of which are currently unfunded. These positions were requested across all General Fund departments and include positions such as but not limited to: Volunteer Coordinator, Emergency Dispatcher, Capital Project Manager, Traffic Signal Technician, Assistant City Manager, Library Technical Services Clerk, Lead Accounting Technician, and a Sanitarian. For planning purposes, the addition of these forty positions are projected to occur over a five year period (8 hired each year), from FY 2016-17 to FY 2020-21. A complete list of unmet needs can be found on pages 75-85 of the FY 2015-16 Adopted Budget document.

Fire Station #7 – There are currently no costs associated with the opening of fire station #7 recognized in the forecast period. Staff is evaluating the strategy and potential timeline in relation to the opening of this station.

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

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

In FY 2017-18, the Community Recreation Center is projected to be completed. Staff anticipates the need for additional resources to operate and maintain the facility. The additional resources are based on the City Council's recent 85 percent recapture rate target (revenues should equal 85

General Fund Forecast

percent of operating costs). In addition, the projected costs of the recreation center take into consideration potential existing resources that might be moved to the new recreation center. \$250,000 is included in the forecast for this effort – phased in over FY 2017-18 and FY 2018-19; actual costs will be refined as the project moved towards completion.

The 2013 Bond Program included land acquisition for a future sports complex. The NBIDC is moving forward with a strategy to fund various capital improvement projects that are tied to economic development and quality of life. The NBIDC highest ranked project is the construction of the sports complex. While the details surrounding operation and maintenance and fiscal impact of a sports complex have not been developed, \$250,000 has been added to the forecast in FY 2020-21 to serve as a placeholder while analysis/feasibility continues on the project.

One-time Costs – Current Identified Unmet Needs

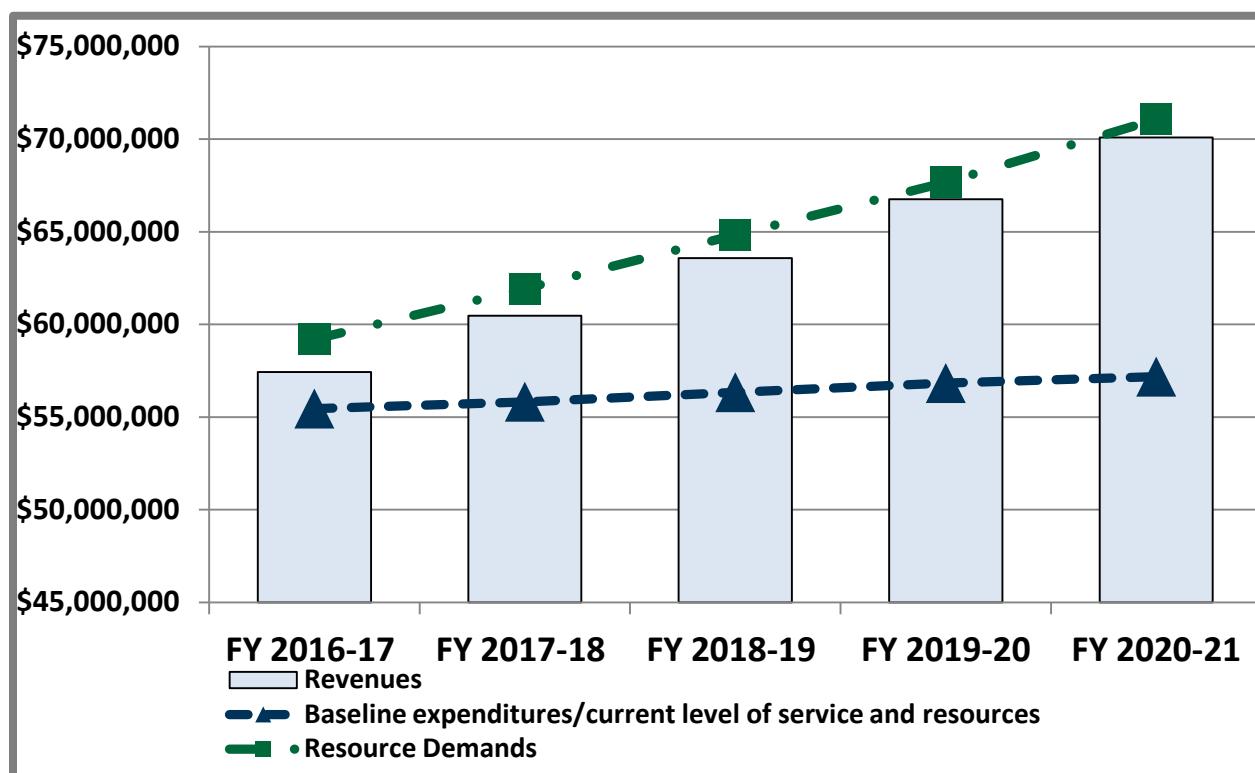
Various non-personnel, non-equipment initiatives were identified by General Fund departments during the FY 2015-16 Budget process. These initiatives include, but are not limited to: traffic signal bucket truck, Dry Comal FEMA mapping, air cascade systems, electronic ticket writers, gym floor replacement at the Westside Community Center, paddleboat replacements. A complete list of unmet needs can be found on pages 75-83 of the FY 2015-16 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 Forecast

General Fund –Baseline and Resource Demands Forecast Projections

The graph below compares the two General Fund forecasts – the one that reflects only baseline expenditures (current service levels), and the projected fiscal impact of including all additional expenditures described in this section. The forecast illustrates that the City should be able to fund the existing resources that provide current service levels without increases in fees or property tax rates throughout the forecast period. In fact, funding is projected to be available to pay for some ***but not nearly all*** of the identified unmet needs – personnel, compensation adjustments and capital/equipment.

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



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

Debt Service Fund Forecast

The City of New Braunfels issues bonds and certificates of obligation to fund needed capital improvement projects such as streets and drainage improvements, park improvements, library and fire station construction and other major projects included in the 2013 bond projects. The Debt Service Fund is used to account for expenditures related to the principal and interest payments for all of the City's outstanding debt – tax notes, certificates of obligation and general obligation bonds.

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

- The property tax rate to support debt service remains at the current rate of 22.0151 cents per \$100 of valuation throughout the forecast period
- Property values grow 5.9 percent throughout the forecast period (FY 2016-17 to FY 2020-21) and 5.0 percent every year after.
- Other funds' support of debt service (Solid Waste, Airport, Golf Course, Hotel/Motel Tax and New Braunfels Industrial Development Corporation) remains at the current levels.
- No debt refundings occur that would reduce the annual debt service requirement.
- No additional certificates of obligation are issued during the forecast period
- The full remaining debt service commitment for the \$86 million in voter approved general obligation bonds will occur during the forecast based on the original projected cash flow requirements.

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

- The remaining general obligation bonds are assumed to have a 20 year term with interest rates starting at 3.5 percent in FY 2015-16 and growing incrementally to 4.5 percent by FY 2017-18.

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

As shown in the forecast schedule that assumes the tax rate remains the same (on the following page), the Debt Service Fund is projected to be in a deficit spending position in FY 2016-17 and would have a negative fund balance by the end of FY 2017-18. The graph following the schedule illustrates the projected revenue in the Debt Service Fund as well as the anticipated debt service

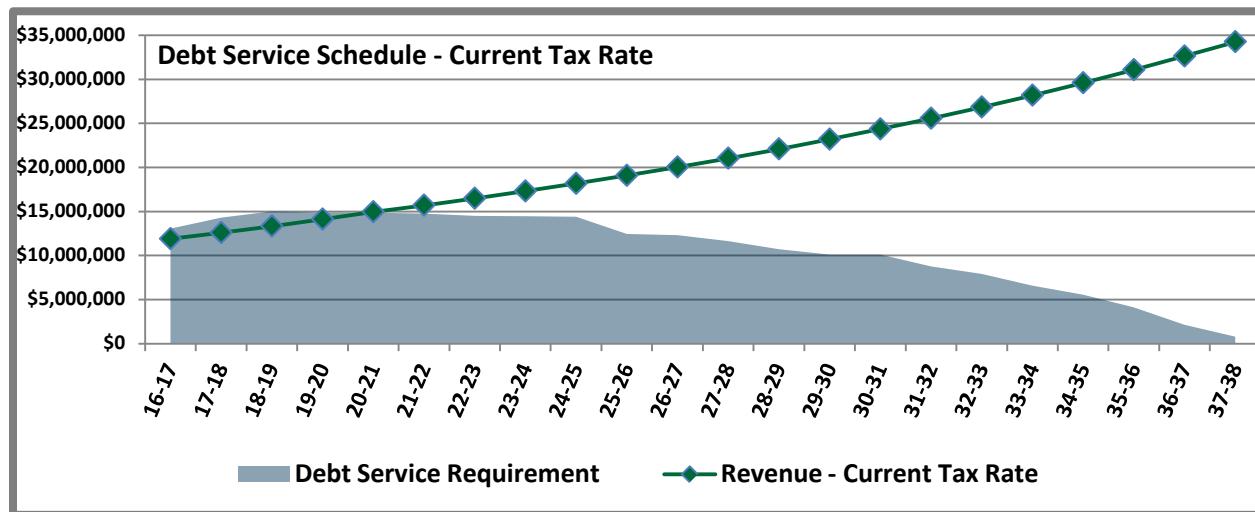
Debt Service Fund Forecast

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

Debt Service Fund Forecast - Current Tax Rate

Available Funds	FY 2016-17 Projected	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected
Beginning Fund Balance	\$ 1,486,427	\$ 353,359	\$ (1,327,259)	\$ (2,973,700)	\$ (3,694,000)
Revenue					
Taxes	\$ 11,882,696	\$ 12,583,775	\$ 13,326,218	\$ 14,112,465	\$ 14,945,100
Interest Income	-	-	-	-	-
Contributions	1,683,078	1,384,115	1,140,188	1,145,388	1,153,563
Interfund Transfers	1,501,858	1,447,311	1,464,957	1,462,801	1,470,151
Total Revenue	\$ 15,067,632	\$ 15,415,201	\$ 15,931,363	\$ 16,720,654	\$ 17,568,814
TOTAL AVAILABLE FUNDS	\$ 16,554,059	\$ 15,768,560	\$ 14,604,103	\$ 13,746,954	\$ 13,874,814
APPROPRIATIONS					
Existing Debt Service	\$ 11,568,518	\$ 11,115,593	\$ 10,847,695	\$ 10,708,171	\$ 10,719,117
2013 Bond/New Debt Service	4,632,182	5,980,226	6,730,108	6,732,783	6,733,026
TOTAL OPERATING APPROPRIATIONS	\$ 16,200,700	\$ 17,095,819	\$ 17,577,803	\$ 17,440,954	\$ 17,452,143
Ending Fund Balance	\$ 353,359	\$ (1,327,259)	\$ (2,973,700)	\$ (3,694,000)	\$ (3,577,329)
TOTAL APPROPRIATIONS	\$ 16,554,059	\$ 15,768,560	\$ 14,604,103	\$ 13,746,954	\$ 13,874,814

Debt Service Fund Forecast



The debt service portion of the City's property tax rate in FY 2015-16 is 22.0151 cents. This rate is established to meet the City's annual debt service commitment that is supported by property taxes (principal and interest payments on outstanding debt) for the current fiscal year. As the graph above illustrates, from FY 2016-17 to FY 2019-20, the current tax rate is not sufficient to fund the projected annual debt service requirements for existing debt as well as the remaining planned debt issuances. However, beginning in FY 2025-26, the City gains some significant "debt capacity." Debt service capacity is created when a debt issue (one year's certificates of obligation for example) is completely repaid, allowing the City to issue additional debt without requiring a tax rate increase or an increase in valuation. Until capacity becomes available, funds for additional capital improvement projects will have to come from new tax revenue and/or alternative funding sources.

During the development of the 2013 bond program, the Citizens Bond Committee, City Council and the citizens were informed that the tax rate increase needed to support the \$86 million dollars in debt issuances was estimated to be 8.8 cents over a five year period. This assumed annual average growth in property values of 3.0 percent. In FY 2014-15, the City Council authorized an additional \$5.5 million in Certificates of Obligation to proceed with the renovation of the City Hall complex. At that time, staff presented Council with an updated tax rate projection of 6.02 cents inclusive of City Hall renovation funds. 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 by City staff and the 2013 Bond Committee, 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 properties. This is the sole reason that the tax rate projection continues to decrease year after year.

Debt Service Fund Forecast

Based on more current data regarding property values and updated projections for property growth, the revised estimated impact of the bond program is 2.407 cents. *This updated figure is an estimate based on a set of assumptions, the actual impact will change based on actual net taxable assessed property valuation figures as well as projected collections rate(s).* This new estimate is based on projections of net taxable property growth of 5.9 percent throughout the remainder of the forecast period. If property values increase at a different rate than what is projected in this forecast, the tax rate change needed to fund the \$86 million dollars in general obligation bonds as well as the City Hall related debt obligation and the tax note annual payment(s) will be different than 2.407 cents.

Tax rate requirement projections					
2013 Bond Program	City Hall CO's	2015 Tax Notes			
FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	Total
Projected Incremental Tax Increase	0.0 ¢	0.21 ¢	1.584¢	.823 ¢	0.0 ¢ 2.407 ¢
Issuance Assumptions	\$14,500,000	\$22,080,000	\$28,150,000	\$18,271,000	\$9,789,000 \$92,790,000

The schedule below represents the financial position of the Debt Service Fund if the tax rate is adjusted throughout the forecast period as the bonds are issued. The table that follows the schedule reflects the projected incremental tax increase requirements needed to support additional debt service as the bonds are issued throughout the forecast period, again based on a property growth of 5.9 percent throughout the remainder of the forecast period.

Debt Service Fund Forecast

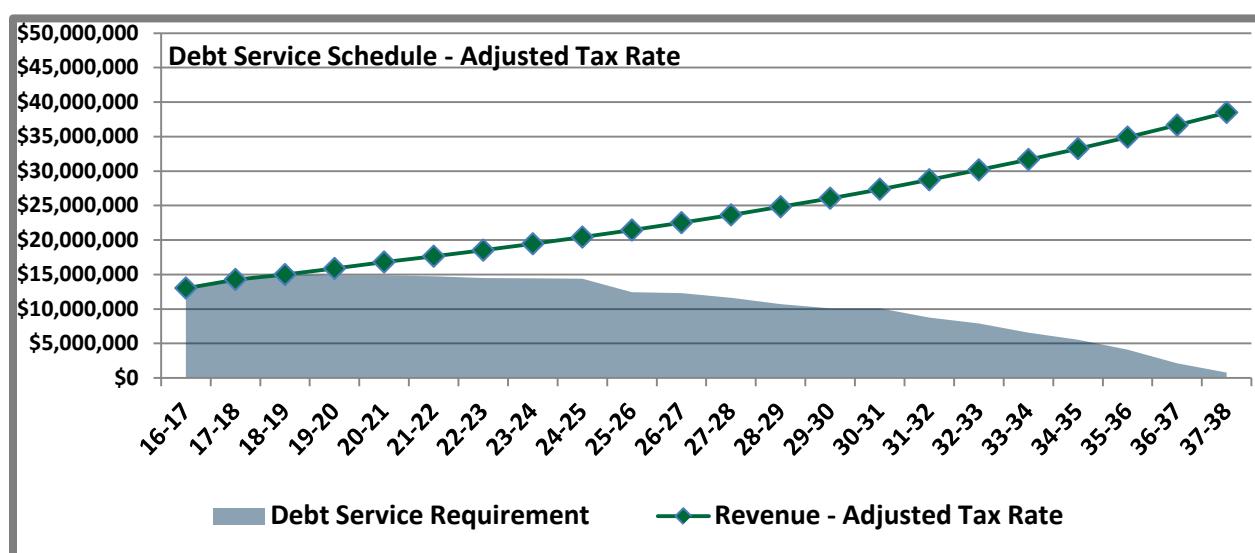
Debt Service Fund Forecast - Adjusted Property Tax

Available Funds	FY 2016-17 Projected	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected
Beginning Fund Balance	\$ 1,417,917	\$ 1,420,753	\$ 1,425,007	\$ 1,430,679	\$ 2,463,606
Revenue					
Taxes	\$ 13,015,764	\$ 14,264,393	\$ 14,972,658	\$ 15,856,045	\$ 16,791,551
Interest Income	2,836	4,254	5,672	9,648	20,536
Contributions	1,683,078	1,384,115	1,140,188	1,145,388	1,153,563
Interfund Transfers	1,501,858	1,447,311	1,464,957	1,462,801	1,470,151
Total Revenue	\$ 16,203,536	\$ 17,100,073	\$ 17,583,475	\$ 18,473,882	\$ 19,435,801
TOTAL AVAILABLE FUNDS	\$ 17,621,453	\$ 18,520,826	\$ 19,008,482	\$ 19,904,561	\$ 21,899,408
APPROPRIATIONS					
Existing Debt Service	\$ 11,568,518	\$ 11,115,593	\$ 10,847,695	\$ 10,708,171	\$ 10,719,117
2013 Bond/New Debt Service	4,632,182	5,980,226	6,730,108	6,732,783	6,733,026
TOTAL OPERATING APPROPRIATIONS	\$ 16,200,700	\$ 17,095,819	\$ 17,577,803	\$ 17,440,954	\$ 17,452,143
Ending Fund Balance	\$ 1,420,753	\$ 1,425,007	\$ 1,430,679	\$ 2,463,606	\$ 4,447,265
TOTAL APPROPRIATIONS	\$ 17,621,453	\$ 18,520,826	\$ 19,008,482	\$ 19,904,561	\$ 21,899,408

Debt Service Fund Forecast

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

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



Debt Capacity/Capital Improvement Plan

Staff has completed separate and more in depth analysis regarding the debt capacity that begins in FY 2019-20. The amount of capacity (based on the current tax rate) ranged from approximately \$47.3 million to \$84.2 million. The capacity increases based on the assumptions for the increase in taxable assessed valuation. For example, if values were to increase at 5 percent annually, \$47,300,000 in new capital projects could be supported from FY 2019-20 to FY 2022-23. However, if property values increase at a higher rate, such as 9 percent annually; \$84,200,000 in new projects could be supported. Moreover, if a Stormwater Utility Fee was implemented to support new capital infrastructure, an additional \$27,500,000 in drainage related projects could be supported.

Equipment Replacement Fund

Equipment Replacement Program

The Equipment Replacement Fund is used to fund and purchase light vehicles, computer equipment and self-contained breathing apparatus for any function/fund that is supported by the General Fund. 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 program is accounted for in a separate fund. The criteria were set to provide reliable equipment for staff use and reduce the lifetime maintenance and repair costs. Until FY 2013-14, the City directed annual appropriations to the fund based on established standards for vehicles' and technology equipment's useful life. The Council initially set the standard of 85,000 miles or six years (whichever 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 and only partially reinstated in FY 2014-15 and FY 2015-16. This has led to a situation where there is a large majority of the fleet that have met and/or exceeded replacement criteria. The Fleet Manager and Finance Department will continue to take advantage of the opportunity to keep vehicles in service past the eight year and/or 85,000 mile threshold if the condition and maintenance history warrants. This will continue to smooth out the **actual** vehicle replacement schedule as well as potentially reduce the cost to support the program.

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

As noted earlier, in FY 2013-14, the equipment replacement program was suspended as a strategy to develop a structurally balanced budget. This means that no contributions occurred in FY 2013-14 and only very select vehicles and computers were replaced. In FY 2014-15, the program was only partially reinstated. This allowed for a small number of vehicles to be replaced, all of which were above the age and mileage criteria of the program. In FY 2015-16,

Equipment Replacement Fund

the budgeting process determined that the fund had sufficient reserves to increase the number of vehicles replaced compared to FY 2014-2015. However, if the program is not fully reinstated, 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.

The Fire Department's self contained breathing apparatus (SCBA) contribution was not suspended over the past two 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 forecast below reflects the projected revenue, expenditures, and fund balance in the Equipment Replacement Fund, and assumes the program is fully reinstated in FY 2016-17 and is active throughout the forecast period. Currently, the equipment replacement program covers only light vehicles, computer equipment and does not include heavy equipment.

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

- Only vehicles replaced in FY 2016-17 are those that have been recommended by the Fleet Manager
- All other vehicles replaced at eight years
- 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.
- Remaining vehicles scheduled for replacement in FY 2013-14, FY 2014-15 and FY 2015-16 are all replaced in FY 2017-18.

Forecast Analysis

As stated, the forecast for the Equipment Replacement Fund assumes that the program is fully reinstated in FY 2016-17 and through the forecast period. If this occurs, the forecast shows that the fund will have sufficient resources available to purchase all equipment on schedule. If the city continues to take advantage of extending the useful life of the vehicles beyond eight years, less funding may be required. Changes in the criteria and methodology for replacement, low inflation and positive salvage values allow the contributions to only be adjusted for inflation to fund future purchases as opposed to contributing additional funds to makeup from the suspension of the contribution in FY 2013-14 and partial suspensions thereafter.

Equipment Replacement Fund

Equipment Replacement Fund Forecast

Available Funds	FY 2016-17 Projected	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected
Beginning Balance	\$ 2,931,370	\$ 2,530,041	\$ 1,085,548	\$ 777,477	\$ 711,516
Revenue					
Interfund Transfers	\$ 800,000	\$ 824,000	\$ 847,484	\$ 869,264	\$ 893,799
Sale of equipment	64,240	230,505	106,920	82,885	24,530
Interest Income	5,456	6,052	6,725	10,740	13,854
Total Revenue	\$ 869,696	\$ 1,060,557	\$ 961,129	\$ 962,889	\$ 932,183
TOTAL AVAILABLE FUNDS	\$ 3,801,066	\$ 3,590,598	\$ 2,046,677	\$ 1,740,366	\$ 1,643,699
APPROPRIATIONS					
Technology Enhancements/Replacement	\$ 628,625	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Vehicles					
Infrastructure	87,450	174,900		29,150	
Public Safety	496,650	1,430,550	1,069,200	712,250	245,300
Quality of Life		583,000		29,150	
Growth and Development	58,300	116,600		58,300	
SCBA replacement					
TOTAL OPERATING APPROPRIATIONS	\$ 1,271,025	\$ 2,505,050	\$ 1,269,200	\$ 1,028,850	\$ 445,300
Ending Fund Balance	\$ 2,530,041	\$ 1,085,548	\$ 777,477	\$ 711,516	\$ 1,198,399
TOTAL APPROPRIATIONS	\$ 3,801,066	\$ 3,590,598	\$ 2,046,677	\$ 1,740,366	\$ 1,643,699

Equipment Replacement Fund

Vehicle Replacement

Staff has already completed a first assessment of replacement needs for FY 2016-17. The Fleet Manager currently recommends 16 vehicles for replacement based on age, mileage and service record data; this figure may change prior to the completion of the proposed budget. As mentioned earlier, preventative maintenance efforts and low mileage on many vehicles is creating the opportunity for vehicles to extend beyond the 8 year and 85,000 mile threshold(s). However, the forecast conservatively assumes that all remaining vehicles that were scheduled for replacement in FY 2013-14-FY 2016-17 will be replaced in FY 2017-17. All other vehicles and the associated costs are reflected in the forecast period in the year they are scheduled for replacement. The table below reflects the number of vehicles that are scheduled for replacement and their approximate total cost.

Vehicle Replacement Schedule		
Fiscal Year	Number of Vehicles	Approximate Cost
FY 2016-17	16	\$642,400
FY 2017-18	67	2,305,050
FY 2018-19	24	1,069,200
FY 2019-20	23	828,850
FY 2020-21	6	245,300
Total	136	\$5,090,800

As the table shows, a large portion of the fleet is eligible for replacement in FY 2017-18. This mainly occurs because the program was initiated in 2006 and most of the City's fleet was replaced soon after in 2008. Prior to the equipment replacement program, there were departmental fleets that averaged over fifteen years old. Fleets of that age create significant maintenance issues and inefficiencies; they also impact the ability to provide services effectively and safely.

Technology Equipment

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

Equipment Replacement Fund

Policy Consideration

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

Self Contained Breath Apparatus (SCBA)

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

Expansion of the Equipment Replacement Program

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

Self Insurance Fund

The Self Insurance Fund is the City's only internal service fund. An internal service fund is utilized to account for the cost associated with providing an internal operation (expenditures) as well as the reimbursement of those costs (revenues).

The Self Insurance Fund of the City of New Braunfels accounts for the employee insurance benefits program. Revenue into the fund comes from contributions/premiums paid by the City, employees and retirees. Expenses include third-party administration, stop/loss insurance premiums and actual claims expenses paid for medical (to include prescription), dental and vision services. An employee's medical, vision, dental, accidental death and dismemberment and life insurance become effective the first day of full-time employment. Employees must contribute to the cost of coverage for themselves and their dependents for medical, dental and vision.

As mentioned above, the City is self insured for medical, dental and vision insurances provided to employees. This means that the City pays a per employee per month contribution. This contribution is expensed from the General Fund and enterprise funds. In addition, employees and retirees pay premiums into the Self Insurance Fund as well. The fund then uses that revenue to pay actual claims costs, administrative expenses and stop/loss insurance premiums. Stop/loss insurance provides the City limited exposure against individual large claims. Once a claim reaches the stop/loss level, currently \$125,000, the City's Self Insurance Fund no longer pays the claim costs; the stop/loss insurer pays the claim costs.

In FY 2014-15, the City experienced a sudden increase in claim expenditures. Several variables led to the increase. However, the increase is mainly driven by a high frequency of large individual health claims (over \$25,000) as well as overall increased utilization of the health care plan. City Staff and the City's benefits consultant all felt confident that the sudden increase in health care was an anomaly. However, in FY 2015-16 claim expenditures are consistent with FY 2014-15. If this continues, it is likely that the health care plan – both plan design and/or associated employer and employee contributions to the fund will require major changes in FY 2016-17 and beyond. For that reason, the Self Insurance Fund has been added to the forecast to better facilitate policy discussion in regard to this critical internal operation and benefit to City of New Braunfels employees and their dependants.

Self Insurance Fund

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

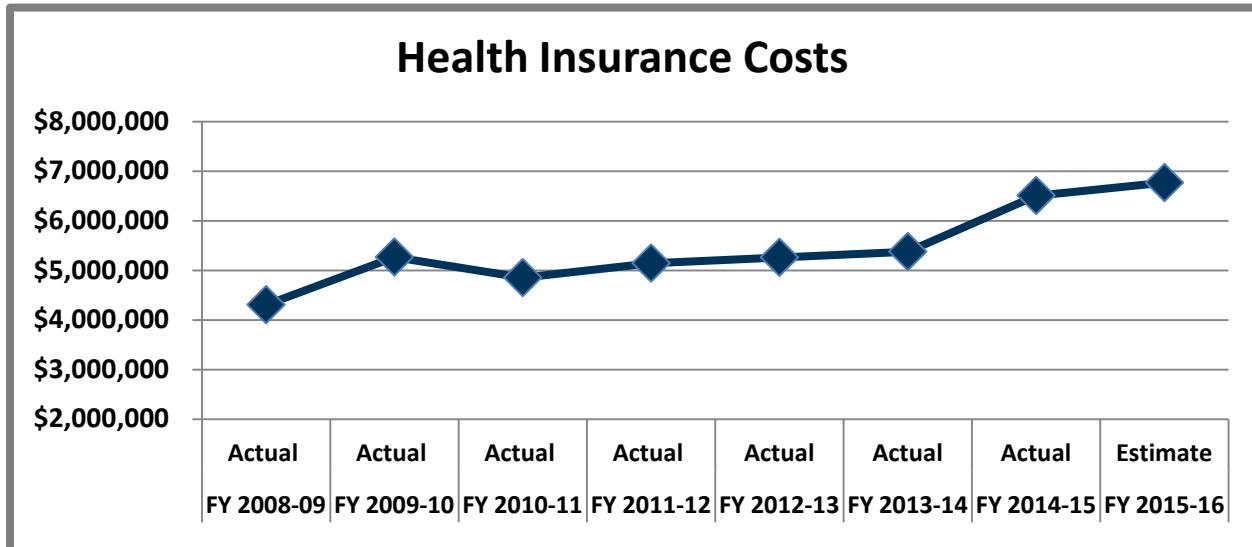
- Claim expenditures and revenues grow at a rate of 4 percent annually
- No additional employees are added to the organization
- Modifications to the plan design and offering(s) are not incorporated into the projections

Self Insurance Fund Forecast - Baseline Expenditures

Available Funds	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Actual	Actual	Estimate	Projected	Projected	Projected	Projected	Projected
Beginning Balance	\$ 814,422	\$ 991,791	\$ 90,319	\$ (293,715)	\$ (1,312,511)	\$ (2,372,659)	\$ (3,475,812)	\$ (4,623,692)
Revenue								
Premiums	\$ 5,383,599	\$ 5,588,778	\$ 5,772,581	\$ 6,003,484	\$ 6,243,624	\$ 6,493,369	\$ 6,753,103	\$ 7,023,227
Interest Income	169	285	-	-	-	-	-	-
Miscellaneous	169,832	15,826	25,000	15,000	15,000	15,000	15,000	15,000
Interfund Transfers			585,000	-	-	-	-	-
Total Revenue	\$ 5,553,600	\$ 5,604,889	\$ 6,382,581	\$ 6,018,484	\$ 6,258,624	\$ 6,508,369	\$ 6,768,103	\$ 7,038,227
TOTAL AVAILABLE FUNDS	\$ 6,368,022	\$ 6,596,680	\$ 6,472,900	\$ 5,724,769	\$ 4,946,112	\$ 4,135,710	\$ 3,292,291	\$ 2,414,535
APPROPRIATIONS								
Premiums and Administrative Expenditures	\$ 5,376,231	\$ 6,506,361	\$ 6,766,615	\$ 7,037,280	\$ 7,318,771	\$ 7,611,522	\$ 7,915,983	\$ 8,232,622
TOTAL OPERATING APPROPRIATIONS	\$ 5,376,231	\$ 6,506,361	\$ 6,766,615	\$ 7,037,280	\$ 7,318,771	\$ 7,611,522	\$ 7,915,983	\$ 8,232,622
Ending Fund Balance	\$ 991,791	\$ 90,319	\$ (293,715)	\$ (1,312,511)	\$ (2,372,659)	\$ (3,475,812)	\$ (4,623,692)	\$ (5,818,087)
TOTAL APPROPRIATIONS	\$ 6,368,022	\$ 6,596,680	\$ 6,472,900	\$ 5,724,769	\$ 4,946,112	\$ 4,135,710	\$ 3,292,291	\$ 2,414,535

History – Health Insurance Costs

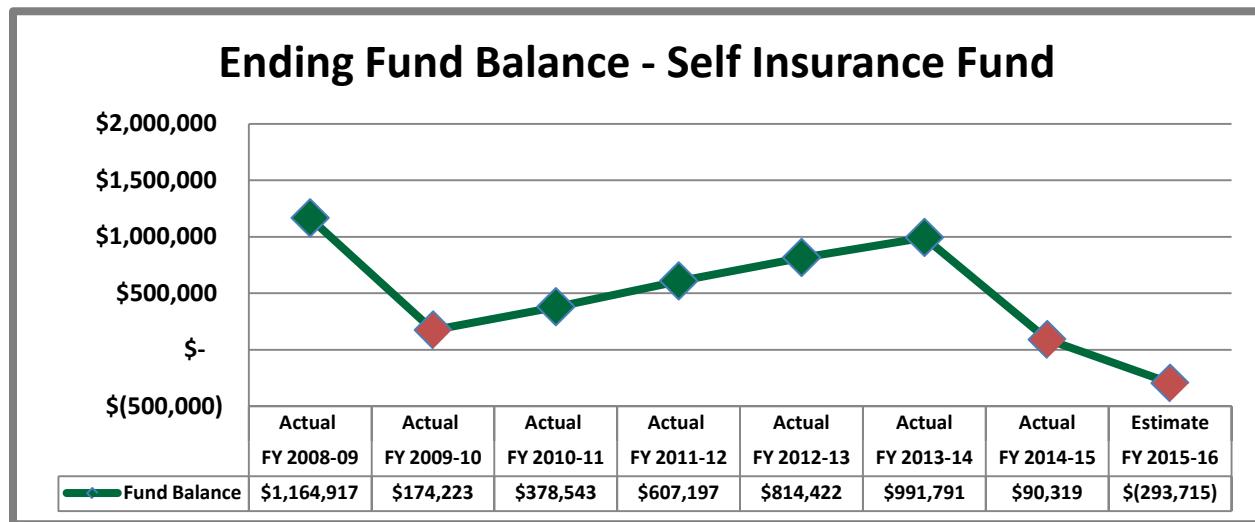
The graph below provides a more in depth look at how health insurance costs have fluctuated for the City of New Braunfels since FY 2008-09.



Recent history (FY 2010-11 to FY 2013-14) produced a time period of very manageable levels of health insurance costs. 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. The last time that the city increased the employer contribution to the fund was FY 2011-12.

Since FY 2008-09, the city has experienced two spikes in medical costs, FY 2009-10 and most recently, FY 2014-15. Both years were impacted by a sudden increase in large individual health claims. In FY 2010-11, the City saw a decrease in costs as there weren't as many large claims. However, in FY 2015-16, the City continues to experience a higher than average amount of large claims, several of which are carried over from FY 2014-15. In addition, there continues to be an increase in overall utilization of the plan.

As the graph above illustrates, health care costs are difficult to forecast. To fund these sudden increases in costs, a healthy fund balance (reserve) is critical. The graph on following page illustrates the fluctuation to the fund balance since FY 2008-09.



The fund balance was drawn down in response to the two years in which health costs spiked (FY 2009-10 and FY 2014-15). After FY 2009-10, the fund balance was reestablished both with interfund transfers from the General Fund in FY 2010-11 (\$500,000) and FY 2011-12 (\$400,000) as well as manageable health insurance costs in the following four fiscal years. In FY 2015-16, if current claim costs continue at the current trend, the fund balance will be in a negative position at the end of the fiscal year. This would necessitate interfund transfers from the General Fund and Enterprise Funds up and above what is already budgeted in FY 2015-16 (\$585,000).

Policy Consideration

To ensure sustainability of the Self Insurance Fund, the recent gap between revenues (premiums) and expenditures must be addressed during the development of the FY 2016-17 Proposed Budget. However, a multi-pronged strategy must be implemented. The solution cannot simply be to increase premiums, because the impact would be too costly to the employee, employer or both. Conversely, if plan design changes were implemented to a level necessary to reduce claim expenditures to the current level of resources (revenue), it would likely degrade the plan to a point that would prove difficult to market to employees (both from a retention and recruitment perspective). Therefore, staff is working with the City's benefit consultant and Aetna on how to offer a plan that is comparable with the market, while limiting the financial impact to employees and employers.

In addition to addressing the gap between revenue and expenditures, the fund balance needs to be restored. The Self Insurance Fund has a target fund balance of 25 percent. Therefore, the fund should have a reserve of approximately \$1.6 million dollars. This will take several years to

address as it will require additional one time injections of funds or modifications to the plan and premiums that allow for revenues to exceed expenditures.