



MEMORANDUM

TO: Mayor and City Council Members

FROM: Bryan Langley, City Manager

DATE: July 26, 2025

SUBJECT: City Manager's Budget Message for Fiscal Year 2025-2026

I am pleased to present the City Manager's proposed operating and capital budgets for Fiscal Year 2025–26. The proposed budget has been developed over the last several months and is a reflection of city councils' strategic priorities supported by official plans, community input, and data-driven objectives. This budget not only addresses immediate priorities but also lays the foundation for long-term progress in infrastructure, public safety, quality of life, and operational excellence.

In collaboration with City Council and supported by resident feedback, this year's budget continues to move the City of Kyle forward - ensuring that the city is well-equipped to meet the demands of its rapidly growing population while remaining fiscally responsible and community-focused.

STRATEGIC PLANNING & COMMUNITY ALIGNMENT

The proposed FY 2025–26 budget is shaped by the Strategic Plan, City Council's vision and strategic goals/priorities. Most importantly, the operating and capital budgets for the upcoming fiscal year address all five (5) of the following strategic goals established by the City Council:

Strategic Focus Areas:

1. Excellent & Accountable City Government
2. Sustainable & Resilient Infrastructure
3. Safe & Welcoming Community
4. Vibrant & Fun Destination
5. Thriving & Prosperous Economy

Additionally, the proposed FY 2025–26 budget advances the City's commitment to the 2022 Road Bond Program and reflects the priorities voiced by our residents. Guided by public input collected through the Spring 2025 Community Satisfaction Survey, this budget focuses on the community's top concerns:

- Streets and Transportation
- Police and Public Safety

- Water and Wastewater Infrastructure

Below are highlights of the City's proposed budget for all City Funds for Fiscal Year 2025-26:

- \$603.5 million total proposed budget for all City Funds
- \$460.4 million in planned CIP spending in Fiscal Year 2026
- \$1.3 billion 5-year CIP spending plan
- 24.0 new positions proposed for a total of 470.0 positions
- Property tax rates: awaiting certified tax rate calculations from HCTAC
 - Detailed property tax rate presentation scheduled on August 19, 2025
- Rate increase for water and wastewater service in FY 2025-26
 - Rate increase varies for inside-City and outside-City customer classes
- Change in storm drainage fees
- 2.5% increase in solid waste service rates per contract terms with Texas Disposal System (TDS)
- Proposed increase to Water and Wastewater Impact Fees to reflect 10-year infrastructure demands. The new rate of \$19,670 per LUE is an increase of \$7,156.

The following provides a description of the major elements included in the budget according to each of the Strategic Focus Areas.

EXCELLENT & ACCOUNTABLE CITY GOVERNMENT

To ensure services are delivered in the most cost-effective and efficient manner, the City of Kyle continues to implement cost containment initiatives and operational strategies aimed at maximizing impact while minimizing unnecessary expenditures. Below are specific improvements that have been implemented.

Operational Excellence:

- 3-1-1 System launched in March of 2025, creating a centralized customer service platform (phone, app, web), improving responsiveness and eliminating service duplication.
- Administrative Services standardized job classifications, updated compensation, and launched position control, enhancing hiring equity and efficiency.
- The Parks and Recreation Department underwent a reorganization, realigning staffing, implementing Standard Operating Protocols, and reallocating equipment to improve maintenance without increasing headcount.
- Administrative Services and IT centralized procurement by implementing OpenGov software to streamline contracts and increase transparency via a data portal on OpenGov.
- Water Utilities deployed the new SCADA System, enabling remote monitoring of water and wastewater systems, and improving operational oversight.
- Installed generator docking station infrastructure for faster emergency power deployment at critical utility sites.
- Overhauled Plan Review Process, updating procedures to accelerate and improve development reviews.
- Water Utilities adopted a strategic phased model for the Wastewater Treatment Plant expansion, accelerating construction timeline by nearly two years.

Cost Containment:

The departments have delivered approximately \$21.5 million in savings and avoided costs in FY 2024-25 through internal process improvements and targeted resource management.

Outlined below are the major items that have realized savings.

- The City shifted from external contractors to in-house electricians for park and facility infrastructure, delivering flexible, on-demand support and avoiding \$765,000 in contract costs.
- Procurement processes were centralized under Administrative Services, improving oversight and contract negotiations—resulting in \$436,000 in savings, including \$340,000 in commodity and contract costs and \$96,000 in administrative overhead.
- The Utility Billing division was integrated into the 3-1-1 customer service system, eliminating redundancies, streamlining personnel, and improving service delivery—achieving \$355,000 in cost savings.
- Through strategic legislative outreach, the City accelerated approvals for a major water infrastructure project, preventing delays and saving an estimated \$1 million in avoided costs.
- A new credit card processing contract based on transaction volume was negotiated, generating \$780,000 in near-term savings and projecting up to \$2 million in annual savings moving forward.
- Road bond projects were carefully managed to control costs and improve efficiency, resulting in \$8 million in savings and increasing capacity for additional infrastructure improvements.
- The City secured a \$1.32 million federal grant to fund critical water utility generator installations, significantly improving system resilience during power outages.
- A new sludge hauling contract with vendor K3BMI was implemented at the wastewater treatment plant, enhancing service performance and reliability while saving \$300,000.
- The rollout of automated meter infrastructure (AMI) citywide improved water tracking, leak detection, and billing accuracy, and is expected to yield \$5–6 million in long-term operational savings.
- Plan review and inspections were consolidated, streamlining development processes and improving internal coordination—resulting in \$160,000 in efficiency savings.
- The City eliminated reliance on outsourced inspections, building in-house capacity that improved service consistency and avoided an estimated \$2.2 million in vendor costs.

Planned Cost Containment for FY 2025–26:

- The city is implementing an in-house design team to manage capital projects, reducing reliance on consultants. This transition replaces \$888,450 in contract design costs with \$235,512 in internal staffing, resulting in \$652,938 in savings.
- A new Capital Project Management Team will support the City's \$460.3 million Capital Improvement Program in FY 2025–26. The team is expected to offset at least \$950,146 in contractual service costs, with additional savings redirected to enhance public safety, parks, and administrative services.
- The city has proposed updating water and wastewater impact fees to reflect 10-year infrastructure demands. The new rate of \$19,670 per LUE—an increase of \$7,156—is projected to generate approximately \$7.38 million in added revenue, helping to relieve financial pressure on existing ratepayers.

These outcomes demonstrate the City's commitment to continuous improvement and responsible governance. To further strengthen service delivery and accountability, the following three (3) FTEs are included for FY 2025-26:

- Procurement Specialist* - \$119,237
- Safety Compliance Officer* - \$140,801
- Assistant City Attorney* - \$127,200

* Note: All positions are shown at their full annual cost for transparency and planning purposes. However, all new positions are funded at 50% in the budget based on hiring by departments no earlier than April 1, 2026, for each position.

SUSTAINABLE AND RESILIENT INFRASTRUCTURE

The city is committed to building sustainable, resilient infrastructure through strategic investments in streets, sidewalks, drainage, and utility systems. FY 2024-25 was about setting the foundation that will shape how we grow, invest, and serve the residents of Kyle.

Completed initiatives include:

- Water Master Plan - Adopted our first-ever Water Master Plan to guide \$387 million in infrastructure improvements and additions
- Sidewalk Master Plan - Provides a prioritized, citywide inventory and investment strategy for pedestrian connectivity.
- Water & Wastewater Impact Fee Study - Updated fee structures to ensure that new development contributes its fair share to the expansion of utility systems.
- Cost of Service and Rate Study (Water & Wastewater) - Refined our rate models to ensure financial sustainability of utility services.

Plans and Studies Currently underway:

- Kyle Mobility Plan is currently underway and is anticipated to be complete in Spring 2026
- Facilities Master Plan is currently under way and a preliminary report is expected to go to council in September 2025
- Unified Development Code Update is currently underway and is anticipated to be complete in Summer 2026
- Fleet Management Study contract is expected to go to council August 2025. Results and implementation plan to come to council at a later date.

WATER AND WASTEWATER UTILITIES PROJECTS

Completed and ongoing projects:

- Alliance Water Supply – First delivery was in May 2025 and provided 1.73 million gallons per day (MGD) and increased the city's water capacity by 26.7%, with further expansion expected to reach 3 million gallons per day by 2027.
- GVSUD Agreement - Contract, approved in March 2025, will lease 0.652 MGD of water annually to the City of Kyle from its share of the Alliance Water Phase 1B water supply. Upon the completion of Alliance Water's Phase 1C and 1D, the lease will increase to a total cumulative volume of 1.42 MGDs per year.

- FM 1626 Take Point - Site expansion including an additional pump station, meter station, and associated equipment will continue to the end of 2026.
- AMI Water Meter Change-out - The AMI Water Meter Change-out is a citywide smart-meter installation project slated for completion by late 2025. The initiative deploys smart water meters to enable modern, real-time tracking of water usage, resulting in improved leak detection, more accurate billing, and reduced reliance on manual labor.
- GBRA WaterSECURE Partnership – A major regional water supply project designed to ensure long-term water security across Central and South Texas. MOU approved in July 2025. Expected to bring up to 10 MGD of additional supply by 2035.

Planned Projects:

- Aquifer Storage & Recovery Early Works Program - Contract approved in June 2025. Once fully developed, the ASR system will be capable of storing over 2 million gallons per day (MGD) of the City's existing water supply.
- SCADA System Upgrades/Replacement - Deploy a new Supervisory Control and Data Acquisition (SCADA) system to enable remote monitoring and control of critical water and wastewater infrastructure.
- Wastewater Treatment Plant:
 - Expansion - anticipated to increase treatment capacity to 6 MGD by August 2026 & 9 MGD by August 2028
 - Masonry wall and Beatification Plan with landscaping buffer
 - Access Road
 - Reclaimed Water Fill Station
- Alliance Water 3rd Take-point - This third Alliance Water take-point will include a new pump station and ground storage tank and will provide transmission capacity to the west side of the City's water system to support current and future demands.
- Indirect/Direct Potable Re-use - Kyle plans to build an advanced potable-reuse facility that will turn highly treated wastewater into a new water source, adding 3 MGD by 2036, expandable to 6 MGD by 2041.
- Generators for Wastewater Lift Station Sites - Docking stations enable quick generator deployment during outages, boosting system resilience. A \$1.32M federal grant supports this \$4.2M critical infrastructure project.

To support the ongoing investments in Water and Wastewater projects, seven (7) additional FTEs are included in FY 2025-26:

- Wastewater Treatment Plant Operator* - \$93,490
- Assistant Wastewater Treatment Plant Operator* - \$80,002
- Lead Water Production Operator* - \$109,842
- Backflow Technician* - \$101,284
- Division Manager – Water Quality* - \$169,950
- Instrument & Control Technician* - \$93,481
- Water/Wastewater Lab Technician* - \$86,423

* Note: All positions are shown at their full annual cost for transparency and planning purposes. However, all new positions are funded at 50% in the budget based on hiring by departments no earlier than April 1, 2026, for each position.

PUBLIC WORKS AND TRANSPORTATION

Completed and ongoing projects:

- Implemented Pavement Management Program which includes resurfacing, rehabilitating, and/or reconstructing approximately 39 lane miles across the city. The goal is to maintain the network of roads at a score of 82.5 or higher on the Pavement Condition Index scale.
- Kohlers Roundabouts (Benner, Sanders, Cromwell) are projected to go under construction in December 2025.
- 2022 Road Bonds:
 - Bebee West / Kohlers to Seton groundbreaking was held July 17, 2025, and construction will be starting soon.
 - Marketplace Avenue broke ground in January 2025 and is the first completed Road Bond project. The city will officially open this road to the public July 31, 2025.

More than \$359M for 23 planned road projects over the next 5 years:

- \$89M for 15 CIP road projects
 - \$25.2M for Kohlers Crossing Roundabouts at Cromwell, Sanders and Benner.
 - \$12M for Kyle Crossing/Marketplace Roundabouts at Kohlers
 - \$7.1M for Kohlers railroad overpass
 - \$7.7M for Downing/Dacy Roundabout
 - \$15.4M for roundabouts at Dacy/Bunton Creek and Spring Branch/Burleson
- \$271.3M in 2022 Road Bond projects (\$130.8M in FY 2025-26). Under construction in FY 2025-26:
 - Bebee Road West
 - Kohlers Crossing to Seton (Off-System)
 - Old Stagecoach Road
 - Kyle Parkway/Lehman Road
 - Bunton Creek Road
 - Windy Hill Road
 - Center Street (Off-System)

To support the ongoing investments in Public Works and Transportation projects, seven (7) additional FTEs are included in FY 2025-26.

- Facilities Maintenance Supervisor* - \$93,490

The positions listed below are part of the capital project management team funded through contract savings:

- Two (2) Project Managers* - \$259,174
- Two (2) Project Coordinators* - \$219,684
- Engineer* - \$147,937
- CAD and Design Engineering Technician* - \$82,145

* Note: All positions are shown at their full annual cost for transparency and planning purposes. However, all new positions are funded at 50% in the budget based on hiring by departments no earlier than April 1, 2026, for each position.

VYBE TRAIL SYSTEM

Currently the Vybe Trail system has 16.07 existing miles of connected trails throughout the city. Over the next 5 years, an additional 29.28 miles of trail will be added to the system for a total of 45.35 miles of trail.

In FY 2025-26, 8.98 miles will be under construction as outlined below.

Under Construction FY 2025-26:

- St. David's Segment - 0.3 mi
- Spring Branch Segment - 0.5 mi
- Waterleaf Segment -1.57 mi
- Retail Roads - 0.27 mi
- Kohler's Off-System - 1.2 mi
- Bunton Creek Road - 1.28 mi
- W. Center Street and Jack C. Hays Trail (On-System) - 0.5 mi
- Kohler's to Seton - 1.18 mi
- Old Stagecoach North - 0.49 mi
- Old Stagecoach (Middle) 1.13 mi
- Old Stagecoach (W. Center) 0.56 mi

Looking ahead, significant future connections include:

- Lake Kensington/Seton Park
- Lake Park District
- Center Street
- Old Stagecoach Road
- Project Two-Step
- FM 150 Bypass
- Six Creeks Blvd Loop
- Plum Creek East Trail

SAFE & WELCOMING COMMUNITY

The city remains committed to public safety and community wellbeing. Recognizing that a safe, inclusive environment is foundational to a prosperous city, we continue to invest in strategic personnel, tools, and technology to strengthen emergency response, enhance community engagement, and support long-term resilience.

Key initiatives completed in FY 2024-25:

- MATRIX Staffing Study completed in 2024 guides staffing recommendations presented in FY 2025-26.
- 2025-28 Meet and Confer Agreement was approved in June 2025.
- A new Mental Health Dashboard was created in 2025 to analyze all calls and ensure people are receiving the right care when there is a Mental Health related concern.
- The average police response time in FY 2024-25 for priority 1 calls was 5.76 minutes, well below the 10-minute target. This consistent performance reflects strong emergency response operations and timely service.

Planned initiatives for FY 2025-26:

- The Drone Safety Program is designed to enhance public safety by providing law enforcement and other emergency responders with rapid aerial support, providing real-time situational awareness, and reducing response times.
- Develop a K-9 Unit trained to assist first responders with various tasks, including criminal apprehension, searching for evidence, detecting narcotics or explosives, tracking suspects or missing persons, and providing support during high-risk situations.
- Enhanced Emergency Management Capabilities through the addition of an Emergency Management Planner along with installation of an emergency alert siren system.
- Improve Fleet Management to ensure the Kyle Police Department's fleet is reliable, secure, and efficiently maintained. Investing in a Fleet Technician to manage vehicle maintenance, repairs, and readiness, will reduce downtime and extend vehicle life.
- In the coming year, we will onboard a new Animal Services Director, complete the Animal Care Facility design and begin construction, establish an Animal Services Advisory Board, and initiate detailed policy development, outline programming, and solidify key partnerships.

Additional Investments for FY 2025-26

- Drone Safety Program for aerial support - \$150,000
- Implement Meet & Confer Agreement - \$1.2 million
- Emergency Alert Sirens Installation - \$150,000
- Police K-9 Officer (including support costs)* - \$136,502
- Emergency Management Planner* - \$81,515
- Fleet Technician* - \$50,617
- Animal Services Director* - \$152,992

* Note: All positions are shown at their full annual cost for transparency and planning purposes. However, all new positions are funded at 50% in the budget based on hiring by departments no earlier than April 1, 2026, for each position.

VIBRANT AND FUN DESTINATION

Kyle is a vibrant and inclusive destination where culture, events, and innovation enhance quality of life and attract residents, visitors, and business growth.

Completed and ongoing Master Plans:

- Parks, Recreation and Open Spaces Master Plan was recently completed and adopted in June 2025.
- Sportsplex Master Plan was recently completed and adopted in July 2025.
- Public Art Master Plan is currently underway and is anticipated to be complete Fall 2025.
- Library Master Plan is currently underway and is anticipated to be complete Fall 2025.
- Lake Kensington Master Plan is currently underway and is anticipated to be complete Spring 2026.

Completed and ongoing projects:

- The Kyle Mobile Library launched in May 2025 and brings library resources and services directly to the community, ensuring access for all.
- The city completed renovations to the Republic Drive Facility in June 2025, providing Parks and Communication staff with appropriate office space to serve the residents of Kyle.

- Lake Kyle Fitness Court was recently completed, and a ribbon cutting was held in July 2025. This new amenity offers residents ages 14+ the opportunity to workout in the park at their own pace and fitness level.
- Gregg-Clarke All-Wheels Skatepark completed design in July 2025, and a groundbreaking is expected to take place in Fall 2025.
- 1500 Dacy Lane Facility Design was completed June 2025 and construction is set to begin September 2025. The facility is expected to open in January 2026.
- Steeplechase and Waterleaf playground replacements are underway, and both are expected to be complete late Summer or early Fall 2025.
- The Vybe Trail is expanding with 6.9 miles of trail currently in design and 8.98 miles headed to construction in FY 2025-26.

Additional planned projects and initiatives for FY 2025-26 include:

- Preliminary Park design for:
 - Steeplechase Park
 - Waterleaf Park
 - Lake Kyle Park
 - Mary Kyle Hartson includes bathroom design and the Krug Center Feasibility Study.
- Parking lot construction and improvements at:
 - Steeplechase Park
 - Waterleaf Park
- Plum Creek East Trail Construction

To support ongoing quality of life enhancements, three (3) additional FTE's and resources are included in FY 2025-26:

- Parks Special Events Coordinator* - \$75,985
- Parks Recreation Services Supervisor* - \$109,518
- Youth Services Librarian* - \$101,286
- Library technology upgrades - \$70,721

* Note: All positions are shown at their full annual cost for transparency and planning purposes. However, all new positions are funded at 50% in the budget based on hiring by departments no earlier than April 1, 2026, for each position.

THRIVING AND PROSPEROUS ECONOMY

The city continues to solidify its role as Hays County's economic hub - an innovative, business-friendly city where workforce growth, technology, and sustainability drive long-term prosperity. Over the last 3 years the City of Kyle has secured \$543,615,048 in private development investment, creating 2,985 jobs in Kyle.

Key initiatives completed in FY 2024-25:

- The City established one new Tax Increment Reinvestment Zones with TIRZ #6 and expanded TIRZ #4 in partnership with Hays County, strategically funding major infrastructure and redevelopment priorities.

- Launched the Small Business Kickstart Program to support and empower local entrepreneurs. The city hosted Kickstart Your Business in October 2024 and Small Biz, Big Voice: Marketing in Today's World was held July 2025.
- Improved project tracking and performance monitoring. Expanded internal inspection capacity by hiring certified inspectors, allowing 98–100% of inspections to be completed by City staff—reducing delays and improving the customer experience.
- Major Milestones:
 - Sprouts and Retail Shops held a groundbreaking on October 30, 2024, and are expected to host a Grand Opening October 2025
 - Nitro Swim held a Ribbon Cutting held on May 16, 2025
 - Plum Creek Technology Park held a Groundbreaking on May 29, 2025
- Public-Private development continued with the issuance of several solicitations for bids on critical developments:
 - A restaurant at Heroes Memorial Park
 - A hotel within the Lake Park District
 - An office development in the Brick and Mortar District

Current and ongoing initiatives:

- Kyle Park, a major mixed-use development, will break ground in Fall 2025.
- Sportsplex site master plan was adopted in July 2025, supporting regional recreation and economic goals.
- A comprehensive update to zoning, subdivision, utility, and building regulations is underway. This Unified Development Code (UDC) update promotes sustainable growth, safeguards public safety, and ensures alignment with the City's long-term vision.
- Home Repair Program Expansion includes increased funding of \$25,000 to better meet community housing needs.
- In FY 2025-26, the City will complete a formal Housing Study to guide future housing policies and decision-making. The city will work with the newly appointed Housing Authority Board to align our efforts in support of a coordinated, forward-looking approach to housing in Kyle.

DOWNTOWN DEVELOPMENT

From 2003 to present, the city has invested approximately \$23.8 million (\$11 million this year) in downtown improvements including Mary Kyle Hartson Park, utility undergrounding and property acquisitions.

Current priorities include:

- \$1.5M planned annually in downtown investments
- During the council visioning workshop in Spring 2025, staff presented redevelopment opportunities on a block by block basis which provided guidance for future investment and planning efforts for Downtown.
 - Short term Improvements:
 - Beautification and Landscaping: A linear park and Center Street entry way improvements will be brought before council Fall 2025.
 - Krug Center and Mary Kyle Hartson Park improvements final recommendations are expected to go to council in late 2025.

- Long term Improvements:
 - Downtown Parking Solutions - Assembling properties to build a parking solution to support broader downtown area improvements
 - Engaging with development partners to transform key properties into vibrant mixed-use destinations featuring retail, office, and residential components
 - Expansion and redevelopment of City Hall and municipal offices

The proposed FY 2025–26 budget continues our shift from planning to progress. The work accomplished in the past year demonstrates proactive planning reflected in the investment in infrastructure, public safety, quality of life, and operational excellence. Together with the Council and the community, we are ensuring that Kyle is prepared to manage sustainable growth for years to come.

The following sections will provide a detailed look at the proposed Operating and Capital Budgets that support these efforts.

OVERVIEW OF PROPOSED OPERATING & CAPITAL BUDGETS FOR FY 2025-26

The overall recommended budget for Fiscal Year 2025-26 totals \$603.5 million for all City Funds. A comprehensive detailed All Fund Summary and line-item budget for revenues and expenditures is included in the accompanying proposed budget document.

Below are highlights of the City’s proposed budget for all City Funds for Fiscal Year 2025-2026:

- \$603.5 million total proposed budget for all City Funds
- \$460.4 million in planned CIP spending in Fiscal Year 2026
- \$1.3 billion 5-year CIP spending plan
- 24.0 new positions proposed for a total of 470.0 positions
- Property tax rates: awaiting certified tax rate calculations from HCTAC
 - Detailed property tax rate presentation scheduled on August 19, 2025
- Rate increase for water and wastewater service in FY 2026
 - Rate increase varies for inside-City and outside-City customer classes
- Change in storm drainage fees
- 2.5% increase in solid waste service rates per contract terms with Texas Disposal System (TDS)
- Proposed increase to Water and Wastewater Impact Fees to reflect 10-year infrastructure demands. The new rate of \$19,670 per LUE is an increase of \$7,156.

Provided below is a high-level summary of the proposed budget for each of the City’s four major operating Funds. A complete line-item detail for all revenues and expenditures pertaining to each City Fund is provided in the accompanying budget document.

General Fund

- \$78.5 million total revenues and transfers-in
- \$77.5 million total expenditures and transfers-out
- \$20.3 million in estimated ending fund balance

- \$1.2 million included for meet and confer for sworn police officers
- 16.3 total new positions proposed
 - A complete list of new positions provided in the proposed budget document

Water Utility Fund

- \$28.6 million total revenues and transfers-in
- \$32.8 million total expenditures and transfers-out
 - \$2.1 million equity transfer to General Fund
 - \$2.2 million indirect support cost reimbursement to General Fund
- \$11.4 million in estimated ending fund balance
- 2.7 total new positions proposed
 - Complete list of new positions provided in the proposed budget document
- Rate increase for water service rates in FY 2025-26
 - Rate increase varies by inside-City and outside-City customer classes
- Rate increase for inside-City water customers:
 - 20% rate increase for minimum monthly charge for all customer classes
 - 20% rate increase for volumetric charges for all customer classes
 - Average monthly inside-City residential water bill increase of \$15.35 or 20% from \$76.73 to \$92.07
- Rate increase for outside-City water customers:
 - 77% rate increase for minimum monthly charge for all outside-City customer classes
 - 77% rate increase for volumetric charge for residential customers
 - 222% rate increase for volumetric charge for commercial customers
 - 143% rate increase for volumetric charge for irrigation customers
 - Average monthly outside-City residential water bill increase of \$71.27 or 77% from \$92.77 to \$164.04

Wastewater Utility Fund

- \$15.8 million total revenues and transfers-in
- \$13.7 million total expenditures and transfers-out
 - \$1.2 million equity transfer to General Fund
 - \$1.4 million indirect support cost reimbursement to General Fund
- \$17.3 million in estimated ending fund balance
- 5.0 total new positions proposed
 - Complete list of new positions provided in the proposed budget document
- Rate increase for wastewater service rates in FY 2025-26
 - Rate increase varies by inside-City and outside-City customer classes
- Rate increase for inside-City wastewater customers:
 - 6% rate increase for minimum monthly charge for all customer class
 - 6% rate increase for volumetric charges for all customer class
 - Average monthly inside-City residential wastewater bill increase of \$2.72 or 6% from \$45.36 to \$48.08
- Rate increase for outside-City wastewater customers:

- 35% rate increase for minimum monthly charge for all customer class
- 27% rate increase for volumetric charge for residential customers
- 53% rate increase for volumetric charge for non-residential customers
- Average monthly outside-City residential wastewater bill increase of \$22.57 or 30% from \$74.90 to \$97.47

INSIDE-CITY RESIDENTIAL				
Monthly Bill*	Existing	Proposed	\$ Increase	% Increase
Water	\$76.73	\$92.07	\$15.35	20%
Wastewater	\$45.36	\$48.08	\$2.72	6%
Total	\$122.08	\$140.15	\$18.07	15%

OUTSIDE-CITY RESIDENTIAL				
Monthly Bill*	Existing	Proposed	\$ Increase	% Increase
Water	\$92.77	\$164.04	\$71.27	77%
Wastewater	\$74.90	\$97.47	\$22.57	30%
Total	\$167.67	\$261.51	\$93.84	56%

Storm Drainage Utility Fund

- \$2.1 million total revenues and transfers-in
- \$3.0 million total expenditures and transfers-out
 - \$0.24 million indirect support cost reimbursement to General Fund
- \$0.7 million in estimated ending fund balance
- Fee adjustment for storm drainage fees in FY 2025-26
- Drainage fee study completed in July 2025
 - Study found that cost responsibility has slightly shifted between residential and commercial customers
 - Recommended drainage fee adjustments:
 - Residential: \$1.00 monthly fee increase from \$5.00 per month to \$6.00 per month (20.0%)
 - Commercial: \$68.72 average monthly fee decrease from \$237.12 per month to \$168.40 per month (29.0%)
 - Fee adjustment designed to minimize fee increase by drawdown of fund balance
 - Annual review of storm drainage fees recommended

5-Year Capital Improvements Spending Plan

The City's 5-year Capital Improvements Spending Plan (CIP) covers Fiscal Years 2026 through 2030 and totals \$1,271.1 million for the 5-year period. Below are highlights of the City's proposed budget for all City Funds for Fiscal Year 2025-2026:

1. 5-Year CIP Spending Plan Covers: FY 2026 to FY 2030
2. Number of Proposed Projects: 125
3. Proposed CIP Spending in FY 2025-26: \$460.4 Million
4. Proposed 5-Year CIP Spending Plan: \$1,271.1 Million
 - Tax-Supported CIPs: \$490.1 Million or 38.6%
 - Non-Tax Supported CIPs: \$781.0 Million or 61.4%

A comprehensive detailed 5-Year CIP Spending Plan showing estimated planned capital expenditures for all 125 capital projects is included in the accompanying proposed budget document.

Debt Service & Debt Levy for Fiscal Year 2025-26

A total of \$30,616,542 in combined debt service (principal and interest) will be due in Fiscal Year 2025-26 for both tax-supported and non tax-supported outstanding debt. The debt service amount for tax-supported debt includes approximately \$8,000,000 for prepayment of principal in FY 2025-26 as City Council directed staff on April 1, 2025 in order to manage the property tax rate at approximately \$0.62 per \$100 of taxable assessed valuation.

The table below provides the breakdown by funding source of the total \$30,616,542 in combined debt service payment due in Fiscal Year 2025-26:

Source of Debt Repayment	Principal Payment	Interest Payment	Total Payment	% of Total
Property Tax - I&S Debt Levy	\$ 15,667,548	\$ 7,104,337	\$ 22,771,885	74.4%
Water Rates - Water Utility System	1,087,914	1,958,812	3,046,726	9.9%
Wastewater Rates - Wastewater Utility System	912,334	1,753,776	2,666,110	8.7%
Tax Increment Reinvestment Zone No. 1	680,791	300,155	980,946	3.2%
Tax Increment Reinvestment Zone No. 2	331,413	819,462	1,150,875	3.8%
Total Principal & Interest Payment in FY 2025-26:	<u>\$ 18,680,000</u>	<u>\$ 11,936,542</u>	<u>\$ 30,616,542</u>	<u>100.0%</u>
	61.0%	39.0%	100.0%	

In Closing

The input, prioritization, and direction that I have received from the City Council in the visioning workshop and throughout the budget process has been invaluable in the development of the recommended budget for Fiscal Year 2025-26.

I also appreciate the assistance from my Assistant City Managers, Department Directors, and their staff in the development of the City Manager's recommended budget for Fiscal Year 2025-26. Specifically, I want to recognize the dedication and extended workdays put in by the City's Budget & Accounting team in the preparation, development, compilation, and analysis of the recommended budget.

With the City Council's continued support, and the dedication of our city employees, I'm confident that we can continue to deliver outstanding services to the community and support our strategic goals moving forward. I look forward to discussing the details of the recommended budget with you in the coming days and weeks ahead.

Best regards,

A handwritten signature in black ink, appearing to read 'B Langley', is written over a horizontal line.

Bryan Langley City Manager