



City Council Regular Meeting

DEPARTMENT: Financial Services

FROM: Perwez A. Moheet, CPA, Director of Finance

MEETING: July 26, 2025

SUBJECT:

Receive a presentation, hold a discussion, and provide staff direction regarding the City Manager's recommended operating and capital budgets totaling \$603,537,633 for all city funds for Fiscal Year 2025-26.

SUMMARY:

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 2025-26:

- \$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 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)

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 2025-26:

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 Payment & 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 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> 61.0%	<u>\$ 11,936,542</u> 39.0%	<u>\$ 30,616,542</u> 100.0%	<u>100.0%</u>

Next Steps & Key Dates For Budget:

Saturday, July 26, 2025

- City Manager's Presentation of Proposed Budget for Fiscal Year 2025-2026

Tuesday, August 19, 2025

- Property Tax Rate Calculations for M&O and I&S Tax Rates
- Resolution to Record City Council's Vote to Consider Property Tax Rate Increase

Tuesday, September 2, 2025

- Public Hearing on Budget, Fees, Utility Rates & Property Tax Rates
- 1st Reading of Ordinance to Adopt Budget
- 1st Reading of Ordinance to Adopt Property Tax Rates
- 1st Reading of Ordinance to Ratify Property Tax Rate Increase

Tuesday, September 16, 2025

- Public Hearing on Budget, Fees, Utility Rates & Property Tax Rates
- 2nd Reading of Ordinance to Adopt Budget
- 2nd Reading of Ordinance to Adopt Property Tax Rates
- 2nd Reading of Ordinance to Ratify Property Tax Rate Increase

Complete Budget Timeline Posted on City's Website:

<https://www.cityofkyle.com/finance/page/budget-development-fiscal-year-2025-2026>

OPTIONS:

- Provide feedback and direction to the City Manager.
- Other?

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