

The City of Sunset Valley's Long Range Financial Plan

# 2024 Report

Prepared by the Long-range Financial Planning  
Ad-hoc Committee

Approved by City Council 04-16-2024

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## PROJECT HISTORY

In June 2011, the Long-Range Financial Planning Committee was appointed for the purpose of reviewing historical financial data and developing a long-range financial plan to assist the Mayor and City Council in financial decision making for the City of Sunset Valley. The Committee held its first meeting in July 2011 and developed the following mission statement:

*The mission of the Long-Range Financial Planning Committee is to:*

- *Review existing and five years of historical financial data using Generally Accepted Accounting Principles (GAAP) standards*
- *Coordinate with city staff in compiling any additional financial data*
- *Provide direction to city staff in preparing and analyzing financial projections*
- *Prepare a financial projection through 2020 for city revenues and expenditures*
- *Identify any potential shortfalls or financial issues for further City Council consideration*
- *Set a goal to achieve these projections by June 2012*

As a small government that relies heavily on sales taxes to support government operations, the City has had a history of ensuring adequate reserves to protect against the volatility of this revenue source; however, projecting both revenue and expenditures into the future has been an area of concern. The City also operates a number of programs as well as utility operations that would benefit from long range planning to ensure stability and continuity of service for residents and commercial customers.

The first report of the Committee was adopted by the [City Council in July 2012](#). The report was [revised in 2016](#). In 2023, the City Council reappointed the Ad hoc Committee to update the plan.

In previous publications of the City's Long-range Financial Plan, only the General Fund was analyzed. This plan still only looks at the General Fund, however, it does consider the Utility Fund's operational subsidy as an expenditure category.

### Financial Health

The City of Sunset Valley is currently in sound financial condition, with robust fund balances. Sales tax collections have been strong post-pandemic. The retail centers are managed well, are in good condition, and continue to have a high occupancy rate. However, as sales tax remains the city's chief source of income, due to its volatile nature, long-term financial planning for the City is advised.

### Reserve Funds

In 2019 the new Police Department and Public Works facilities were completed. The City elected not to borrow funds for the facilities project, and instead drew down from reserves, coupled with the creation of the Crime Control and Prevention District Tax Fund, which saw 0.125% increase in sales taxes. Since the completion of the facilities project, the City has built back its reserves and maintains healthy fund balances.

The City currently maintains a 12-month operating reserve in the General Fund and has approximately \$2.5 million in non-Committed General Funds.

### Operating Budget Expenditures

The operating budgets for the Administrative, Public Safety, and Public Works Departments have increased since the austere budget cuts during the COVID-19 Pandemic but saw a decrease between the Fiscal Year 2023 and 2024 Budgets. Since there is not a significant amount of residential or commercial growth that can occur, there does not seem to be a need for further significant increases in operating expenses beyond annual CPI.

### Capital Expenditures

The City is currently utilizing a 5-year Capital Improvement Plan, which began in Fiscal Year 2021. Already several major projects have been completed, and more are set to be completed by the end of Fiscal Year 2024. In addition to the 5-year CIP Plan, in 2023 the City adopted a Parks and Open Space Plan. The City Council has continued to fund parks and other greenspace improvement projects and has created a special revenue fund in order to commit funds to those projects.

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## **FINANCIAL PROJECTIONS**

The projections in the 2016 report showed a projection of both Revenues and Expenditures through 2024. This updated report begins with Fiscal Year 2022-2023 Actuals and shows projections through Fiscal Year 2029-2030.

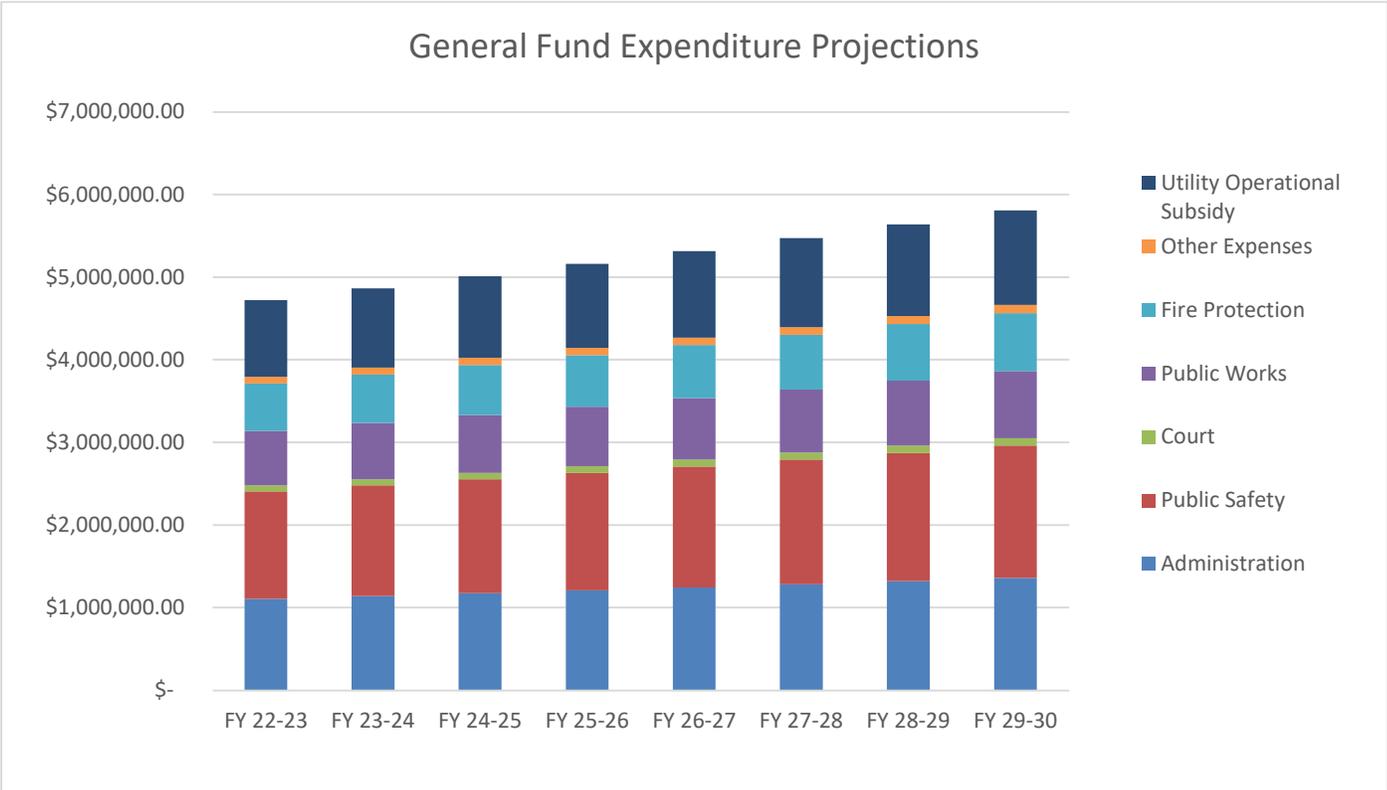
## **EXPENDITURES**

For expenditure analysis and projections, this report continues to utilize the same categories of operational expenses as the previous reports, and only examines the General Fund. Additionally, Capital Expenditures or Transfers from the General Fund are not included in this report. The expenditure categories are as follows:

- **Administration** this category includes personnel, contractual, community programs, and other operational expenses for the Administration Department, including finance, human resources, and planning and development.

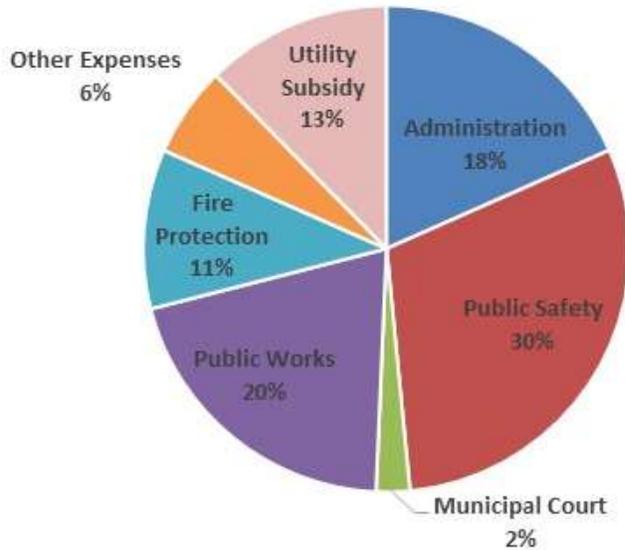
- **Public Safety** this category includes personnel, contractual, community programs, and other operational expenses of the Sunset Valley Police Department. However, the Police Department is not fully funded by the General Fund, as 20% of expenses are part of the Crime Control and Prevention District Tax Fund.
- **Municipal Court** this category includes personnel, contractual, and other operational expenses for the Sunset Valley Municipal Court
- **Public Works** this category includes personnel, contractual, community programs, and other operational expenses for the Public Works and Environmental Services Department. However, the Public Works Department has operational expenses across multiple City Funds, including the Utility, Street Repair and Replacement, Venue (Green), and Drainage Utility Funds.
- **Fire Protection** this category represents the contractual amount the City pays for Fire and Emergency Services protection to the City of Austin. This is a 5-year contract, and it is up for renewal in 2024.
- **Other Expenses** this category represents community programs and other operating expenses in the General Government Department, which includes expenses related to Committees, Commissions, and the City Council.
- **Utility Operational Subsidy** this category represents the only Transfer that is included in the report and is the transfer from the General Fund to the Utility Fund to balance the Utility Fund’s operational budget. This does not include any transfers made for Utility Fund Infrastructure or CIP projects.

For expenditure projections, the report begins with actual expenses from Fiscal Year 2022-2023, and then increases expenditures in each category by 3% every Fiscal Year through 2029-2030.

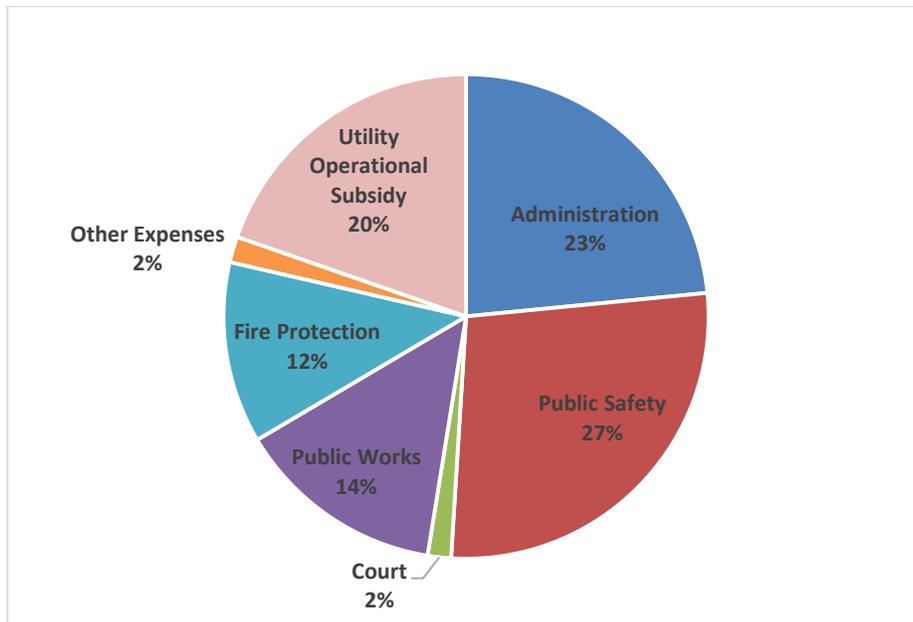


### Expenditures based on 2016 Projections vs. Actuals for Fiscal Year 2022-2023

The 2016 Long-range Financial Planning report projected total FY 22-23 General Fund expenditures, without Capital Outlay, to be \$5.68 million. The actual expenses, without Capital Outlay, in FY 22-23 were only \$4.72 million, nearly a one-million-dollar difference.



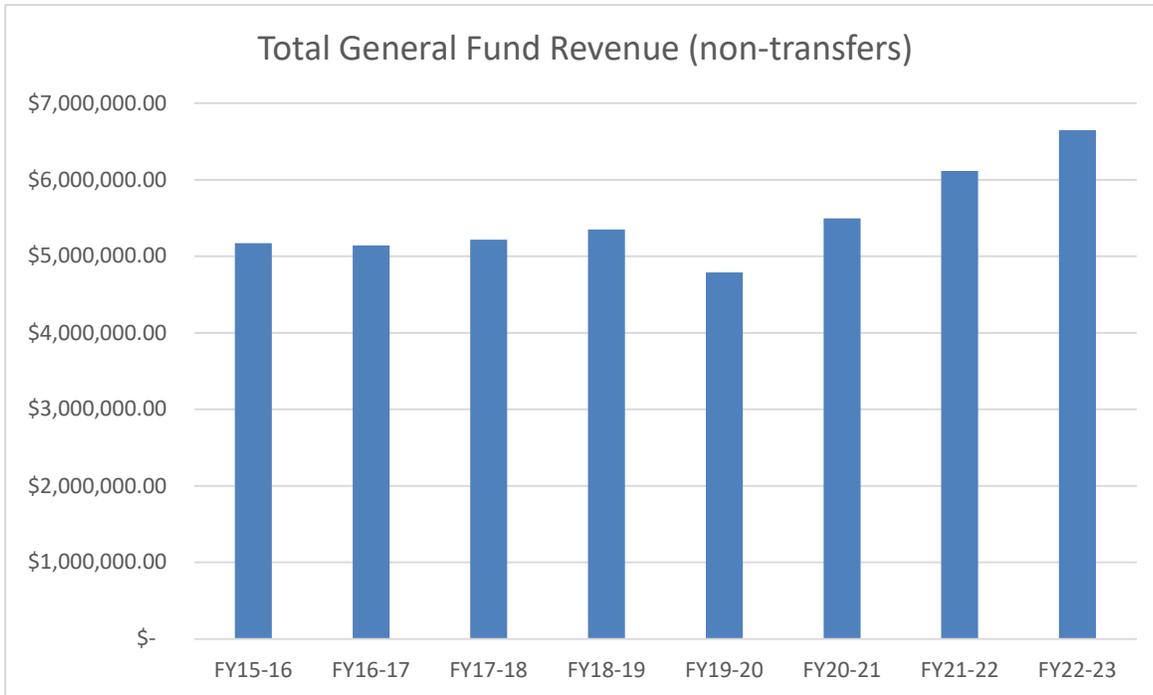
**2016 Projected FY 22-23 Total Expenses \$5.68 million**



**Actual FY 22-23 Total Expenses \$4.72 million**

## REVENUE

Since the last report was published in 2016, the City has seen a fluctuation in sales tax revenue due to macroeconomic factors, chiefly the COVID-19 pandemic. Sales tax revenues were effectively flat from 2016 until the pandemic, which saw a 9% decrease in sales tax revenues in FY 19-20. However, since the pandemic, the City has seen a rebound in sales tax, with a 15% increase in FY 20-21, a 12% increase in FY 21-22, and the highest sales tax received in FY 22-23 for a total of \$7.67 million received across all funds.<sup>1</sup>



This report considers all external revenue (non-transfers) for the General Fund, including sales tax which constitutes about 90% of the revenue. The majority of sales tax feeds into the General Fund, however, the Street Repair and Replacement, Venue (Green), and Crime Control and Prevention District Funds also receive sales tax revenues. The other 10% of General Fund revenue includes franchise and right-of-way fees, permit and development fees, court fines and fees, and other miscellaneous revenue.

Five different Revenue Scenarios are included in the projections:

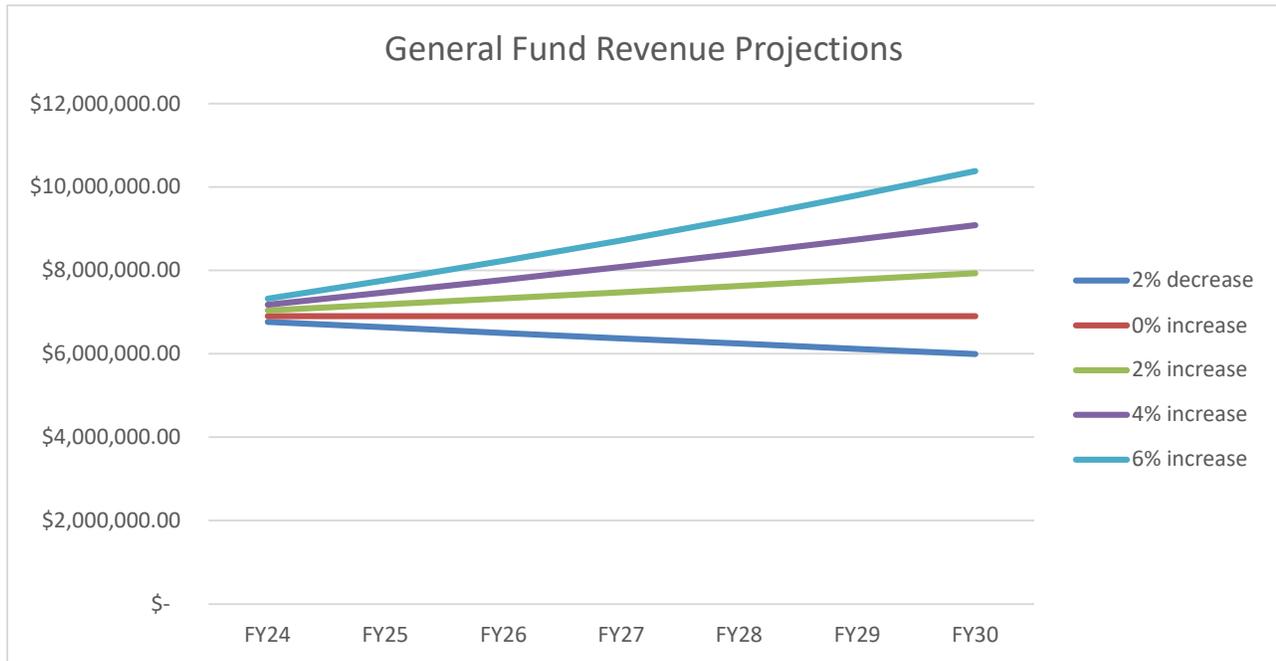
- Scenario 1: 2% annual decrease in General Fund Revenue
- Scenario 2: no change in annual General Fund Revenue
- Scenario 3: 2% annual increase in General Fund Revenue
- Scenario 4: 4% annual increase in General Fund Revenue

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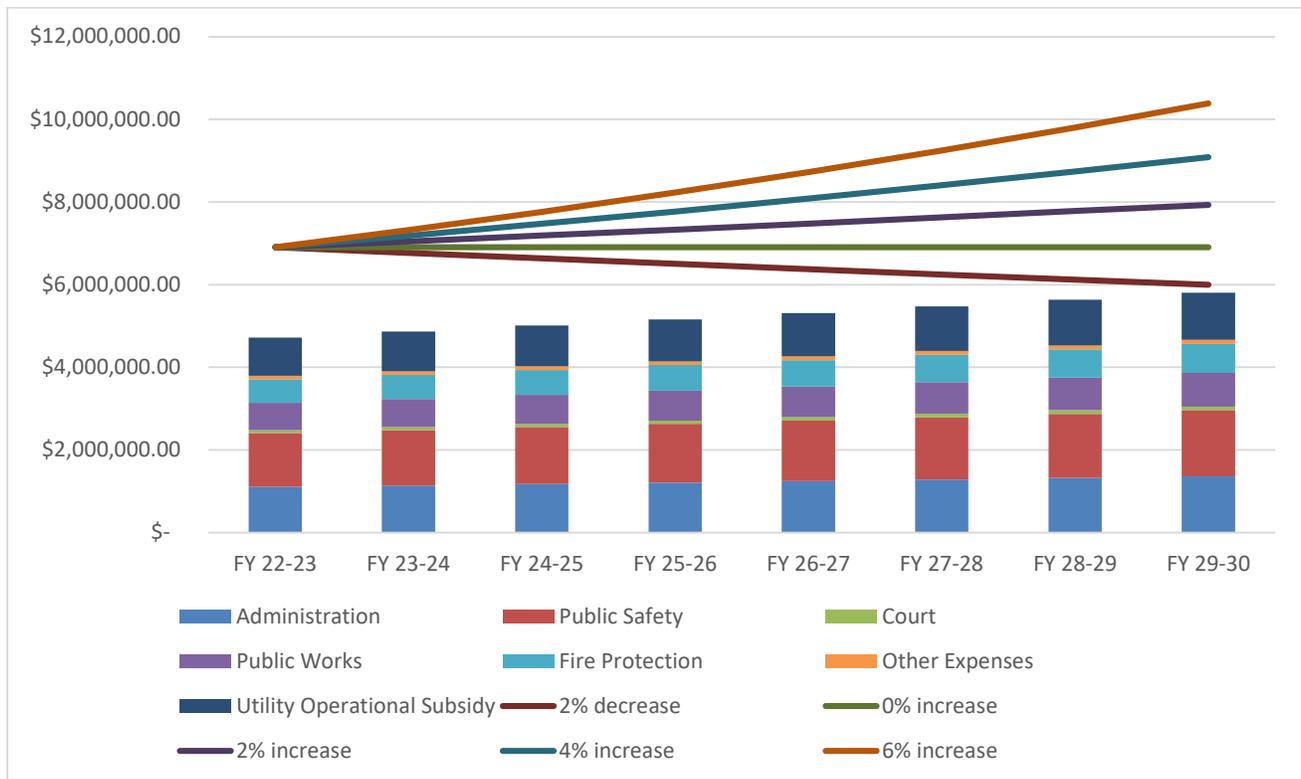
<sup>1</sup> Sales Tax revenues for FY 23-24 have seen a slight decline, the latest sales tax reports are included in Appendix A of this report from March 2024

Scenario 5: 6% increase in General Fund Revenue

The following chart depicts the five revenue scenarios:



The following chart overlays the four revenue scenarios with the expenditure projection:<sup>2</sup>



<sup>2</sup> Appendix B contains the numerical data for this chart

## 2024 RECOMMENDATIONS

Implementing and maintaining these recommendations will help to ensure consistency in the budgeting process and in turn will address the future financial needs of the city. There have been updates to the recommendations from the 2012 and 2016 reports.

### **1. Review the Long-range plan as part of the annual budget process**

As a part of the annual budget review, a comparison of the proposed budget to the long-range financial plan should be prepared. Review the plan and projections at the beginning of the budget process with staff, City Council, and the Budget and Finance Committee. Review of the long-range plan should be included in the initial budget work session.

### **2. Reduce the percentage of sales tax that flows into the Street Fund, while maintaining the current 2% local sales tax**

The General Fund is the “work horse” fund for the City, and there are no restrictions placed on what General Funds can be used for, ranging from personnel expenses, contractual, operating, and capital. Currently, local sales tax flows into four funds, the General, Street Repair and Maintenance, Watershed Protection Venue (Green Tax), and the Crime Control and Prevention District.

The City Council should explore reducing the percentage of local sales tax that flows into the Street Fund. The Street Fund especially has built up a very large fund balance, however, potentially these funds will be utilized in the upcoming proposed Reimagine Brodie project.

### **3. Reduce the number of funds.**

The City could explore reducing the number of funds in order to simplify the City’s finances. The City currently has nine funds: General, Utility, Street Repair and Replacement, Hotel Occupancy Tax, Watershed Protection Venue, Drainage Utility, Crime Control and Prevention, Repair and Replacement, and CIP Funds. Staff recommends making the Drainage Utility Fund a department within the Utility Enterprise Fund.

### **4. Develop a policy to guide how reserve funds could be used.**

There is no policy that governs how and when reserve funds should be utilized. A policy should be developed which guides the Council in the utilization of reserve funds.

### **5. Long-term maintenance and operating expenses should be modeled and accounted for when new Capital Improvement Projects are considered**

When approving new CIP projects, including new parks and open space projects, City Council should work with staff and consultants to account for long-term maintenance and operating expenses, such as staffing, that will increase the City’s overall annual operating expenses.

# APPENDIX A

Date	Sales for the month of		PROJECTED Monthly Collections (Budget) FY24	ACTUAL Monthly Collections FY24	Monthly Overage/ (Shortfall)	% Above or (Below) Monthly Budget	Total Collections FY24	% of Total Projected Budget	% Above or (Below) Total Budget	ACTUAL Monthly Collections FY23	Increase/ (Decrease) from previous year	% Above or (Below) from previous year
Oct	August	2023	\$555,120.73	<b>\$579,557.81</b>	\$24,437.08	4.4%	\$579,557.81	8.0%	4.4%	<b>\$589,452.38</b>	-\$9,894.57	-1.7%
Nov	September	2023	\$623,495.93	<b>\$599,069.95</b>	-\$24,425.98	-3.9%	\$1,178,627.76	16.3%	0.0%	<b>\$662,056.27</b>	-\$62,986.32	-9.5%
Dec	October	2023	\$588,515.37	<b>\$601,269.94</b>	\$12,754.57	2.2%	\$1,779,897.70	24.7%	0.7%	<b>\$624,912.32</b>	-\$23,642.38	-3.8%
Jan	November	2023	\$606,074.40	<b>\$621,173.42</b>	\$15,099.02	2.5%	\$2,401,071.12	33.3%	1.2%	<b>\$643,557.30</b>	-\$22,383.88	-3.5%
Feb	December	2023	\$750,502.87	<b>\$792,925.95</b>	\$42,423.08	5.7%	\$3,193,997.07	44.2%	2.3%	<b>\$796,918.00</b>	-\$3,992.05	-0.5%
Mar	January	2024	\$523,163.46	<b>\$528,161.91</b>	\$4,998.45	1.0%	\$3,722,158.98	51.6%	2.1%	<b>\$555,518.70</b>	-\$27,356.79	-4.9%
Apr	February	2024	\$505,758.51	<b>\$0.00</b>		0.0%		0.0%		<b>\$537,037.34</b>		0.0%
May	March	2024	\$617,265.15	<b>\$0.00</b>		0.0%		0.0%		<b>\$655,440.15</b>		0.0%
Jun	April	2024	\$575,903.05	<b>\$0.00</b>		0.0%		0.0%		<b>\$611,519.99</b>		0.0%
Jul	May	2024	\$608,669.53	<b>\$0.00</b>		0.0%		0.0%		<b>\$646,312.93</b>		0.0%
Aug	June	2024	\$646,048.18	<b>\$0.00</b>		0.0%		0.0%		<b>\$686,003.27</b>		0.0%
Sep	July	2024	\$619,482.81	<b>\$0.00</b>		0.0%		0.0%		<b>\$657,794.96</b>		0.0%
			\$7,220,000.00	<b>\$3,722,158.98</b>						\$7,666,523.61	-\$150,255.99	-2.0%

# MARCH 2024

Note: this report does not include Crime Control District Revenues

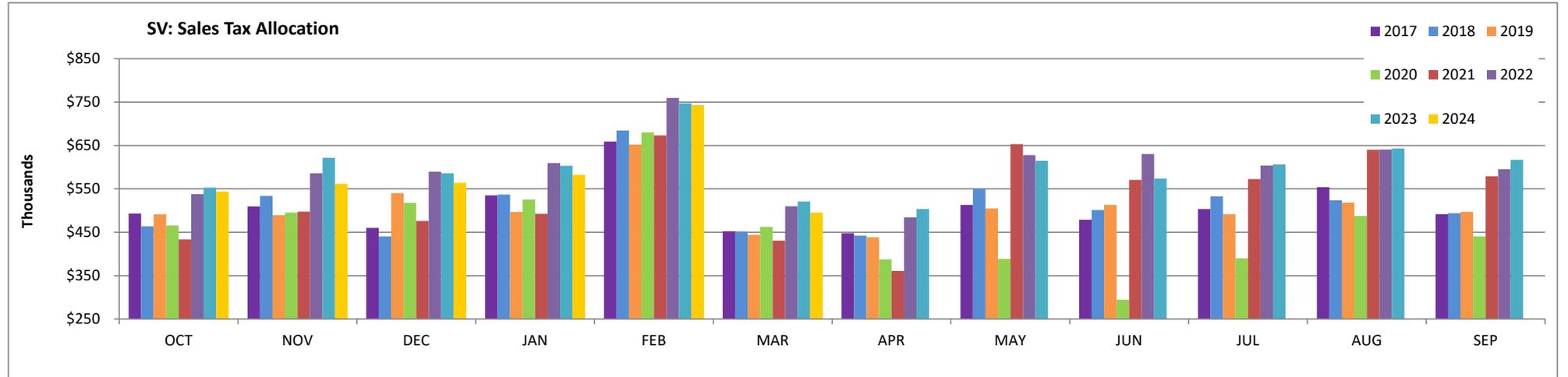
## FISCAL YEAR

	2017	2018	2019	2020	2021	2022	2023	2024
OCT	\$ 493,183	\$ 463,808	\$ 491,236	\$ 465,420	\$ 433,705	\$ 537,953	\$ 552,771	\$ 543,595
NOV	\$ 509,333	\$ 533,899	\$ 489,434	\$ 495,228	\$ 497,739	\$ 586,084	\$ 621,465	\$ 561,738
DEC	\$ 459,870	\$ 440,419	\$ 540,146	\$ 517,793	\$ 476,091	\$ 589,742	\$ 585,977	\$ 563,843
JAN	\$ 535,108	\$ 536,750	\$ 496,433	\$ 525,321	\$ 492,702	\$ 609,517	\$ 603,435	\$ 582,438
FEB	\$ 659,119	\$ 684,587	\$ 652,244	\$ 679,963	\$ 673,293	\$ 759,867	\$ 747,299	\$ 743,466
MAR	\$ 452,440	\$ 451,270	\$ 444,118	\$ 462,568	\$ 430,956	\$ 509,905	\$ 520,917	\$ 495,223
APR	\$ 447,500	\$ 442,078	\$ 438,610	\$ 387,192	\$ 360,765	\$ 484,118	\$ 503,574	
MAY	\$ 513,096	\$ 549,709	\$ 504,872	\$ 388,573	\$ 652,949	\$ 627,823	\$ 614,551	
JUN	\$ 478,966	\$ 501,082	\$ 512,957	\$ 294,578	\$ 570,943	\$ 630,171	\$ 573,414	
JUL	\$ 503,723	\$ 533,027	\$ 491,551	\$ 390,053	\$ 572,801	\$ 603,494	\$ 606,565	
AUG	\$ 553,650	\$ 523,730	\$ 518,181	\$ 487,412	\$ 640,545	\$ 640,808	\$ 643,280	
SEP	\$ 491,445	\$ 493,832	\$ 497,138	\$ 440,434	\$ 579,028	\$ 595,393	\$ 616,762	
<b>YEAR</b>	<b>\$ 6,097,434</b>	<b>\$ 6,154,191</b>	<b>\$ 6,076,919</b>	<b>\$ 5,534,535</b>	<b>\$ 6,381,516</b>	<b>\$ 7,174,874</b>	<b>\$ 7,190,010</b>	<b>\$ 3,490,304</b>

YoY Chng      0.3%      0.9%      -1.3%      -8.9%      15.3%      12.4%      0.2%

## Change from FY 2022-2023

	Month		Year-to-Date	
	\$	%	\$	YTD %
OCT	\$ (9,176)	-1.7%	\$ (9,176)	-1.7%
NOV	\$ (59,727)	-9.6%	\$ (68,903)	-5.9%
DEC	\$ (22,134)	-3.8%	\$ (91,037)	-5.2%
JAN	\$ (20,997)	-3.5%	\$ (112,034)	-4.7%
FEB	\$ (3,833)	-0.5%	\$ (115,866)	-3.7%
MAR	\$ (25,694)	-4.9%	\$ (141,560)	-3.9%
APR				
MAY				
JUN				
JUL				
AUG				
SEP				



# APPENDIX B

## 2024 Long-range Financial Plan Projections

	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Administration	\$ 1,106,788.31	\$ 1,139,991.96	\$ 1,174,191.72	\$ 1,209,417.47	\$ 1,245,699.99	\$ 1,283,070.99	\$ 1,321,563.12	\$ 1,361,210.02
Public Safety	\$ 1,300,421.80	\$ 1,339,434.45	\$ 1,379,617.49	\$ 1,421,006.01	\$ 1,463,636.19	\$ 1,507,545.28	\$ 1,552,771.64	\$ 1,599,354.79
Court	\$ 73,266.32	\$ 75,464.31	\$ 77,728.24	\$ 80,060.09	\$ 82,461.89	\$ 84,935.75	\$ 87,483.82	\$ 90,108.33
Public Works	\$ 659,017.82	\$ 678,788.35	\$ 699,152.01	\$ 720,126.57	\$ 741,730.36	\$ 763,982.27	\$ 786,901.74	\$ 810,508.79
Fire Protection	\$ 571,104.00	\$ 588,237.12	\$ 605,884.23	\$ 624,060.76	\$ 642,782.58	\$ 662,066.06	\$ 681,928.04	\$ 702,385.88
Other Expenses	\$ 81,125.81	\$ 83,559.58	\$ 86,066.37	\$ 88,648.36	\$ 91,307.81	\$ 94,047.05	\$ 96,868.46	\$ 99,774.51
Utility Operational Subsidy	\$ 929,160.00	\$ 957,034.80	\$ 985,745.84	\$ 1,015,318.22	\$ 1,045,777.77	\$ 1,077,151.10	\$ 1,109,465.63	\$ 1,142,749.60
2% decrease	\$ 6,907,902.00	\$ 6,769,743.96	\$ 6,634,349.08	\$ 6,501,662.10	\$ 6,371,628.86	\$ 6,244,196.28	\$ 6,119,312.35	\$ 5,996,926.11
0% increase	\$ 6,907,902.00	\$ 6,907,902.00	\$ 6,907,902.00	\$ 6,907,902.00	\$ 6,907,902.00	\$ 6,907,902.00	\$ 6,907,902.00	\$ 6,907,902.00
2% increase	\$ 6,907,902.00	\$ 7,046,060.04	\$ 7,186,981.24	\$ 7,330,720.87	\$ 7,477,335.28	\$ 7,626,881.99	\$ 7,779,419.63	\$ 7,935,008.02
4% increase	\$ 6,907,902.00	\$ 7,184,218.08	\$ 7,471,586.80	\$ 7,770,450.28	\$ 8,081,268.29	\$ 8,404,519.02	\$ 8,740,699.78	\$ 9,090,327.77
6% increase	\$ 6,907,902.00	\$ 7,322,376.12	\$ 7,761,718.69	\$ 8,227,421.81	\$ 8,721,067.12	\$ 9,244,331.14	\$ 9,798,991.01	\$ 10,386,930.47