

**All Up In Your Budget | Episode-4: Capital Projects & Debt**  
**Jay Socol, Mary Ellen Leonard**  
**July 12, 2021**

Jay Socol:

Welcome back to All Up in Your Business. I'm Jay Socol, with Finance Director Mary Ellen Leonard. This is episode four, the season finale of our All Up in Your Budget mini-series about the city's proposed fiscal year 2022 budget. So, let's talk about capital projects first, and then we'll talk a little bit about debt. Mary Ellen, what are some of the capital projects or maybe phases of capital projects that appear in this draft budget that we really need to pay attention to?

Mary Ellen Leonard:

So, the capital piece is a little bit harder to understand just because there's multiple terms, and what we actually finance through the debt piece might not be what we actually expend, which is part of the budget, or appropriate, which is get permission to be able to spend.

Mary Ellen Leonard:

For FY22 -- man, I can't believe we're there -- for FY22, one of the big things that'll be finished is the new city hall. So, if you've driven down Texas Avenue at any time, you really can't miss it. That building is in FY22's budget for us to be able to expend the rest of the money and finish out the city hall and hopefully move in before Christmas.

Mary Ellen Leonard:

And then the other big project that we've been working on for a while is the Lick Creek Wastewater Treatment Plant Extension...EXPANSION! Ugh...

Jay Socol:

You almost got that.

Mary Ellen Leonard:

I know. I never get that right. Anyway, we are going to be finishing that up. We're not issuing any more debt for either of these two really large projects, but we will be able to finish up the construction on both of them this year.

Mary Ellen Leonard:

The third big one that everybody would see in town, I believe, is off of Rock Prairie Road. There's a new water tower going up. We're not issuing any more debt to finish that water tower, but we will be expending money in order to be able to finish that debt. And all of those have expenses in the FY22 budget.

Mary Ellen Leonard:

There is some upgrades in electric to some substations, and there are some additional roads that were actually approved from a 2015 Citizens Committee that, finally, Union Pacific has told us we can move forward with doing what was requested back in 2015. So, those projects actually have expenses, as well as some debt, because we didn't know when we were going to be able to move forward with them, so why issue the debt if you can't move forward with the project?

Jay Socol:

And then there's a little bit of street work, I think, around Thomas Park, that's built into this as well.

Mary Ellen Leonard:

Yes. There's some street work. I think we had some in FY21 and we'll be continuing that in '22.

Jay Socol:

I know every year when we're around budget time and we're talking about things like this, I see comments on social media and so forth where people are expressing some concern about the amount of debt that the city carries. And I wonder if you could kind of help break that down a little bit or explain how that works, and how we're not overextended, that actually we're just fine in that regard.

Mary Ellen Leonard:

We are just fine. We can do all of these projects within our existing debt rate, and we do a lot. And by a lot, I mean a lot of math for out 10 years, at a minimum, to make sure that when a project gets put on what's called the funded list, that we're going to be able to sustain that debt within the existing tax rate. And unless council tells us to up the tax rate, which they only did for the new police station, and what we up the tax rate for was the debt that was needed for that building. Not for anything else.

Mary Ellen Leonard:

When we go forward with that project or any project we look at, "Do we have enough money in our existing tax rate? Where does it fall? And when can we start that project?" And it's kind of like a Rubik's Cube where you're twisting everything around until you get all the colors matched up and say, "Okay, we can do it if this project might've been requested in 2015, but we can't start it until 2017." Then we know we'll have the money to be able to do that project because this other thing will be done. And so that's kind of how we manage through what we issue and what we don't.

Jay Socol:

Yeah, and we are routinely retiring debt along the way.

Mary Ellen Leonard:

We do. We routinely retire it. And then we use that money for the additional projects that have been approved by the Citizens Committee. Now, we're just about out of the projects that the Citizens Committee in 2015 have requested, and city council has requested that we go through the process to get another G.O. authorization, which is a general obligation bond authorization, from the citizens.

Mary Ellen Leonard:

So, that process has already started where we're looking at what unfunded projects that we still have that are requested. There'll be a group of citizens, I believe, that council will form and then ask for the citizens' input. Then council will have input into what actually goes on that election.

Jay Socol:

So, you hinted at this before I could ask you. You had mentioned a funded projects list. There has to be an unfunded projects list. Does anything come to mind that may still be on that unfunded list?

Mary Ellen Leonard:

On the unfunded list?

Jay Socol:

Yeah, just as an example.

Mary Ellen Leonard:

Yeah. The Bachmann restrooms.

Jay Socol:

Okay.

Mary Ellen Leonard:

Out in the Bachmann Park, the restrooms and the concession stand are in need of repair, and it's been on that unfunded list as long as I've been here, which is five years. That's one that I know we talk about every year.

Jay Socol:

Okay. So, a new Citizen Committee may decide that some of these on the unfunded list should be recommended for funding.

Mary Ellen Leonard:

Yes, they could.

Jay Socol:

Okay, okay. What else do we need to talk about or need to know related to capital projects or anything related to debt?

Mary Ellen Leonard:

The biggest thing that... And again, it's confusing because the capital piece is the hardest piece for people to get their arms around. But not all of our debt, as a matter of fact the majority of our debt, is not funded through the property tax rate. It's actually funded from the utility rates because it's very expensive to set up an electric substation or build a water tower or put in a sewer line that needs to go in. And those are funded through debt, and the debt actually makes it to where the people who are benefiting from that new sewer line or new water tower are people that will be here in the future.

Mary Ellen Leonard:

So, since they'll be paying their utility rates in the future, they're actually paying for the debt for the facility pieces that are used. The only pieces that are on the property tax rate, so what goes on your home tax rate, are streets and parks and facilities and technology, city facilities, and very expensive technology needs like fiber optics.

Jay Socol:

Right. You are so testing the limitations of this liberal arts brain.

Mary Ellen Leonard:

Sorry.

Jay Socol:

But I appreciate you talking about those different sides of capital, different sides of debt, because they actually appear in different sections of that budget book, right?

Mary Ellen Leonard:

Actually, we made a change to the budget book this year.

Jay Socol:

Oh, now you're throwing me off again.

Mary Ellen Leonard:

I'm so sorry, but you should know about some of these changes.

Jay Socol:

I haven't been doing the design work, so no, I haven't seen that yet.

Mary Ellen Leonard:

Well, we have put a lot of effort into this book to try and make it more readable for everybody. And your group had a huge hand in that. We came to you with an idea last October about, "Okay, what if we did something that was a little retro?" And your staff ran with it and gave us some really good graphics that we have turned into the infographic that hopefully will be all over town. The strategic plan is actually a two-page infographic they did for us, and all of the presentation work that I have to do, hopefully, that it'll make it much easier when people see those budget workshops.

Jay Socol:

Yeah, those look really good, and they're fun, but it all ties together. It is really nice. I have seen those improvements, but I didn't realize you had reorganized those particular sections.

Mary Ellen Leonard:

We did. We took all of the capital pieces that you used to have to flip through the book, and we put them all in one section that has a tab that says, "Capital."

Jay Socol:

I'm so glad. The reason why I thought they were still separate is because I was flipping through earlier today, the current budget book for this current budget year. And it's still separated, correct?

Mary Ellen Leonard:

Yep, yep. They're all over the place. We also took out in this budget book, there was some information at the front of the book that we have to have for what's called Government Financial Officers, accounting officers, I'm not sure. Oh, Distinguished Budget Award. And we've had it for 30 some odd years. But it's a bunch of words and it just explains a bunch of stuff. We took a bunch of that and put it in an appendix in the back and we turned to cut some of it into a flow chart and took out the words.

Jay Socol:

But we're still going to get our award, right?

Mary Ellen Leonard:

I think so because we're not going to not get it on my watch or I'm pretty sure Kersten will let me go.

Jay Socol:

Right, yeah. We're on a big-time streak, we cannot break that.

Mary Ellen Leonard:

Yeah.

Jay Socol:

Okay. Anything else that we need to address about this particular element? Since this is our finale, our season finale, is there anything else that you want to make sure that folks know, even if it's about some critical dates moving forward, as it relates to this FY22 budget process?

Mary Ellen Leonard:

As far as critical dates moving forward, the next big thing is the budget workshops. And those are July, which they're normally in August. So, it got moved up a month. July 19th, 20th and 21st. And they'll be in council chambers this year, not over it at the utility center.

Mary Ellen Leonard:

And then after that, the budget hearing is July 27th. Depending upon the direction that we get from city council, the tax rate hearing, we think will be August 12th. And they could pass the budget and the tax rate then, or they could do it on August 26th. We're not positive right now. We're shooting for August 12th for them to get the whole thing done. But it's highly dependent on when we get information from the tax assessor.

Jay Socol:

And then the fiscal year begins on October 1st.

Mary Ellen Leonard:

On October 1st.

Jay Socol:

And again, this proposed budget totals \$353.7 million. The proposed tax rate remains flat, no increase at 53.4618 cents per \$100 valuation, right?

Mary Ellen Leonard:

Yes.

Jay Socol:

No recommended rate increase for electric, for water, for wastewater, right?

Mary Ellen Leonard:

Correct.

Jay Socol:

That's pretty good. We've got some increases built in for police, fire, public works, parks and rec, information technology, and even as well for water, wastewater, and electric. And you can, again, check it all out online. [cstx.gov/budget](https://www.cstx.gov/budget). Look also online for this handy little infographic

that we put together because that's a great summary and cheat sheet. You can even get an idea of some of the capital projects that are in this budget as well. I think we did it.

Mary Ellen Leonard:

I think we did.

Jay Socol:

Thank you. And thank you for listening to, or watching us here, for All Up in Your Budget.