



2023-2024

BUDGET AND

FINANCE OVERVIEW

THE BUDGET PROCESS

How does the City of Plano determine how your tax dollars are used? Much like a budget you'd use at home, the City plans for known expenses and also saves for future and unexpected expenses. There's a four-step process that the City undergoes each year to ensure that departments get the funds they need to operate, that employees are compensated fairly for the work they do, that future capital projects are funded and that reserve funds are adequate in case of emergency. All budgetary estimates are derived from industry best practices and work through a number of channels before being finalized.

Ultimately, budget decisions are based upon the City Council's Strategic Goals for Excellence. These goals help outline and manage daily operations while remaining focused on challenges and opportunities for the future. Goals are assessed and reworked annually.



JANUARY – JUNE (PREPARING THE BUDGET)

- Budget Department produces three major budgetary items:
 - **Three-Year Financial Forecast,**
 - **Revenue Estimates,** and
 - **Proposed City Budget and Capital Budget.**
- At the same time, departments produce two items that are due to the Deputy City Managers and Budget Department for review:
 - **Operating Budget requests** (updated annually), and
 - **Community Investment Program (CIP).**
- With these items, the Budget Department prepares **salary and benefit forecasts.**
- The City Manager takes this information and meets with each department before developing the **City Manager Recommended Budget.**



JULY – SEPTEMBER (APPROVING THE BUDGET)

- The City Manager Recommended Budget is given to City Council (late July).
- Changes are made to the budget as directed by City Council (July - August).
- Once the budget is approved in mid September, it become the "Operating Budget." City Council also approves the Community Investment Program (CIP) in September.
- The last item City Council adopts in September is the Tax Rate.



THE BUDGET PROCESS



STAGE 3

OCTOBER – DECEMBER (EXECUTING THE NEW BUDGET)

- The new budget year begins October 1. The Budget Department monitors the new adopted budget regularly.
- The City publishes the **Adopted Budget** and **Community Investment Program (CIP)** on the website, and it is available in all city libraries. The Budget is also evaluated by the Government Finance Officers Association for the Distinguished Budget Award Program.



STAGE 4

JANUARY (AUDITING FINANCIAL STATEMENTS)

- The City's **Annual Audit** is completed in January by an outside CPA firm. This ensures financial statements have been presented fairly. In January, the budgeting process begins yet again.

CITY COUNCIL'S STRATEGIC VISION

Plano is a global economic leader bonded by a shared sense of community where residents experience unparalleled quality of life.

CRITICAL SUCCESS FACTORS



TYPES OF BUDGETS

Many types of budgets are prepared during the budget process. Because we live in a complex world, the City Budget is monitored year round and is revised as needed to adjust to real world circumstances. For instance, at your home, an unexpected cost might arise if your roof begins to leak or a pipe in your kitchen bursts. Because you cannot wait to fix these problems, you have to adjust your budget accordingly. At the same time, there are items that need to be paid for on a regular basis, such as groceries and utilities, along with long-range planned items such as home improvements or renovations.

Here are some of the various budgets that the City uses each year:



PLANNING FOR THE FUTURE

- The **Operating Budget** is the financial plan for the entire year. The process begins with the **Proposed Operating Budget**, which is the initial budget developed from January to June by departments to support their needs before it is accepted by City Council. The **Adopted Operating Budget** is the budget after it is approved by City Council.
- The **Community Investment Program (CIP)** is the five-year financial plan for infrastructure and facility projects. This is sometimes referred to as the “Capital Improvement Plan.” While some new projects still occur, Plano's main focus is on the renovation, expansion or upgrades to existing streets, utilities and buildings.



BUDGETING FOR EVOLVING SITUATIONS

- The **Proposed Operating Budget** is the budget recommended by each department's director, after it has been approved by the City Manager. This is the recommended budget that is sent to City Council for adoption in September.
- The **Council Budget** is a limit on expenditures adopted by City Council in September after the City Manager has presented the budget and changes have been made.
- The **Current Budget** is the Council Budget, plus any encumbrances and/or multi-year contractual commitments, which are orders with vendors and any budget adjustments that departments may make during the year.
- The **Re-Estimate Budget** is an adjustment to the Current Budget which occurs mid-year. The Re-Estimate Budget allows departments to re-evaluate the actual amount of money they need to operate until the end of current fiscal year.

GOVERNMENTAL ACCOUNTING

There are four main fund types within the Plano budget: **Governmental, Enterprise, Trust and Agency Funds** and **Component Units**. Some funds are restricted, which means money can only be used as allocated, and some are unrestricted, which can be used for whatever purpose deemed necessary. Restricted budgets are similar to a Health Savings Account you might receive from your employer and can only use on health-related expenses. Unrestricted funds are similar to your monthly allowance — you may use it however you wish.

1. Governmental Funds

SPECIAL REVENUE FUND (restricted funds)

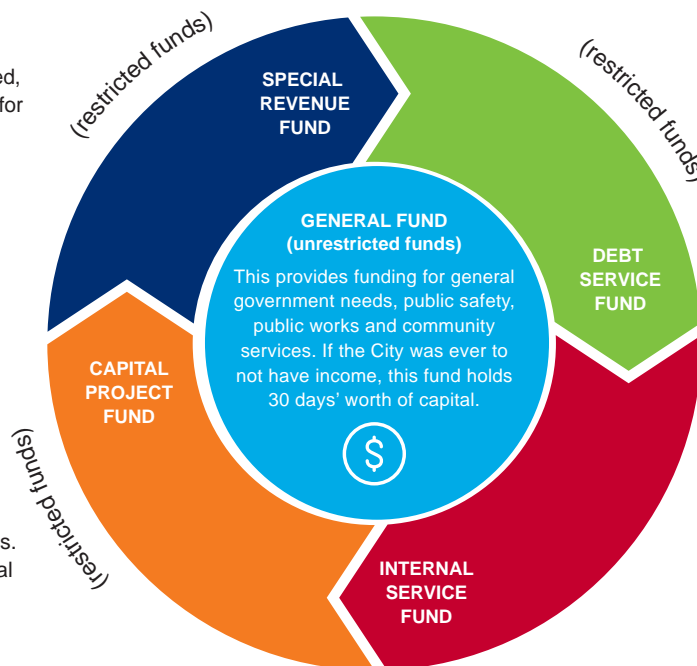
The money in this fund is restricted, which means it can only be used for what it was allotted for. Plano's Special Revenue Fund includes:

- Economic Development incentives
- Criminal investigations
- Grants
- Library grant funds
- Plano Television (PTV)
- City court technology
- Seized assets
- Animal shelter donations

CAPITAL PROJECTS FUND (restricted funds)

Money from this fund is used to pay for or build large costly assets. Some examples of Plano's Capital Projects Fund includes:

- Street improvements
- Park improvements
- Municipal facilities
- Capital maintenance



DEBT SERVICE FUND (restricted funds)

This fund is set aside to pay interest and finance bonds, the sale of which pays for long-term capital improvements such as:

- Streets and drainage
- Parks
- City facilities

INTERNAL SERVICE FUND

These funds are provided by one department for another. For example:

- Risk Management
- Health claims
- Technology Services
- Municipal Warehouse
- Equipment Maintenance Fund

2. Enterprise Funds

Enterprise funds are similar to business transactions in that the City provides a service and the user pays for it (no taxes are involved). For example, the City provides water to residents and businesses and in turn, they pay for what they use. Examples include:

- Water and Sewer
- Municipal Drainage
- Environmental Waste Services
- Golf Course Fund

3. Trust and Agency Funds

Trust funds account for assets held by the government in a trustee capacity. Agency funds account for assets held by the government as an agent. Examples include:

- Escrow fees
- Unclaimed property
- Retirement and Securities Plan
- Post-Employment Benefits Trust

4. Component Units

Component Units are organizations that receive funding from the City in order to operate and provide a benefit to the City. For example, historic downtown Plano is a Public Improvement District (PID). PIDs levy additional taxes to provide funding to help revitalize and beautify the area in order to jumpstart economic development. Examples include:

- Eastside TIF
- Transportation Management Association
- Public Improvement Corporation

PROPERTY TAX BASICS

A property tax (or Ad Valorem) is a revenue based on the value of a property. This value is determined by the Central Appraisal District, which is an outside agency that acts independently of the City. Plano spans over two counties, Denton and Collin, so two Central Appraisal Districts work to determine property values in their respective territories. The Appraisal District determines a property's value, but not the tax rate.

Property owners can only have one homestead property, no matter how many homes they own. The City of Plano's Homestead Tax Exemption is 20%. Homestead properties fall under the State of Texas' 10% Appraised Tax Value Limit. This means the appraised tax value can only increase by 10% each year.

Taxes & the Average Home: 2023-2024 Adopted Tax Rates

	Tax Rate	\$ Amount	%
City of Plano	.4176	\$1,885	23.4%
PISD	1.0779	\$5,003	62.1%
Collin County	.1493	\$800	9.9%
Collin College	.0812	\$366	4.6%
TOTAL TAXES/YEAR	1.7260	\$8,054	100.0%

*Using the 2023-24 Adopted Tax Rates and the 2023 Average Home Value, this assumes that the General Homestead Exemptions were taken for the City of Plano (20%), for PISD (\$100,000), Collin County (greater of \$5,000 or 5%), and Collin College (greater of \$5,000 or 20%).

.4176

PROPERTY TAX RATE

\$564,112

AVERAGE HOME VALUE



The City of Plano offers a couple of options to offer a tax break to its residents. For example:

- **\$40,000 Senior/Disability Exemption** is available to residents over 65 years old or those presently disabled.
- **Over-65 Tax Freeze** holds the tax rate once a resident turns 65. If you are a 65-year-old resident and apply for this exemption, your tax rate will stay the same or decrease, depending on property values. For instance, if your property value decreases, you will pay a lower tax. If your property value increases, you will keep the same, steady tax. Residents can apply for this break with the Central Appraisal District at any time during the year.

HOW TO DETERMINE AMOUNT OF TAXES OWED:

- Let's say your homesteaded house was valued at \$320,000 when you purchased it. Over the course of your first year living there, your neighborhood experienced great popularity and your home's value increased. Your home is now valued at \$400,000, which is a 25% increase. In the State of Texas, your home's tax value increase is limited to 10%. However, the exemption is applied to the market value.
- The 20% homestead exemption is applied to \$400,000, which is the market value of your home, for a total of \$80,000.
- To figure out what taxes you owe if you're a resident of Plano:
 - $\$320,000 \times 10\%$ increased value limit = \$352,000 (value of your home upon purchase) - \$80,000 (20% of the market value of your home) = \$272,000
 - Then, take \$272,000 and divide by 100 = \$2,720
 - Next, multiply by the property tax rate determined by the City of Plano: $\$2,720 \times .4176$, for a total of \$1,135.87.

VALUE OF HOME

-

20% MARKET VALUE

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100

x

TAX RATE

=

TAXES OWED



PROPERTY TAX BASICS



SENIOR PROPERTY TAX CALCULATION

Seniors have a bit of relief when it comes to taxes. Once they have filed for exemption after turning 65, they may calculate their taxes by following the steps below:

- $\$400,000$ (market value of the home) \times 20% (relief provided by exemption) = $\$80,000$
- $\$400,000$ (market value of home) - $\$80,000$ (20% relief in dollar amount) = $\$320,000$
- $\$320,000$ (new value of home) - $\$40,000$ (flat-rate senior exemption) = $\$280,000$
- Take $\$280,000$ and divide by 100 = $\$2,800$, and multiply by the tax rate: $\$2,800 \times .4176 = \$1,169.28$ = the tax amount you are frozen at if you are over the age of 65.
- Seniors may see a difference in their tax bill if they move, or if they make any new improvements to their home.

$$\text{VALUE OF HOME} - 20\% \text{ RELIEF} - \text{SENIOR EXEMPTION} \div 100 \times \text{TAX RATE} = \text{OVER-65 FREEZE}$$

SALES TAX CAP PROJECTION POLICY

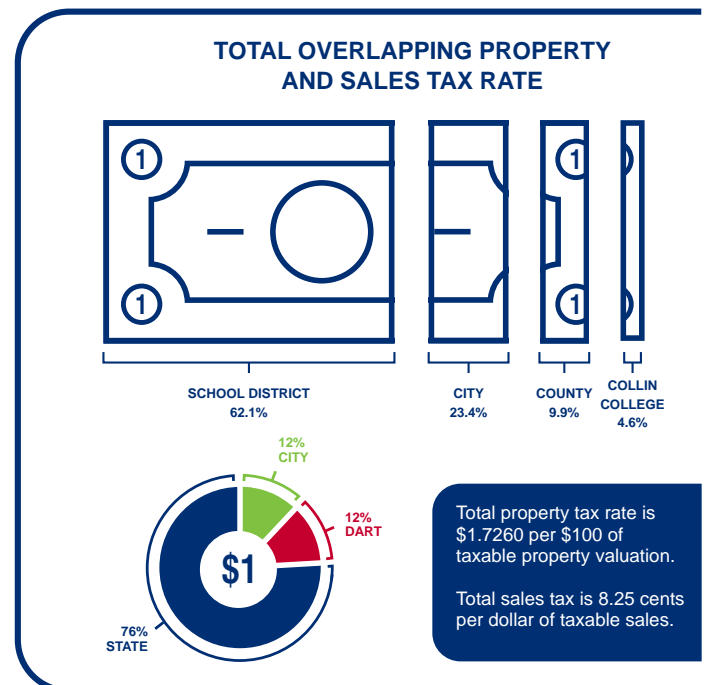
WHAT IS THE SALES TAX CAP?

Due to the economic downturn in 2008 and the volatility of sales tax revenue, a cap was placed on sales tax projections in order to limit the amount of money to be used to cover existing operational costs.

Now, any amount collected over the three-year rolling average can be transferred to the Capital Maintenance Fund and used for one-time expenditures or to offset next year's budget.

WHAT FACTORS IMPACT SALES TAX?

Sales tax projections are reviewed monthly and factors impacting sales tax collection include competition from surrounding cities, economic conditions, audit adjustments and sales tax holidays such as "tax-free weekend."



COMMUNITY INVESTMENT PROGRAM

The Community Investment Program is a five-year financial plan which directs development and improvement projects such as:

- Streets
- Parks
- City facilities, such as fire stations and libraries
- Water and sewer utility
- Municipal drainage utility
- Technology and Public Safety radio system upgrades

WHERE DOES THE MONEY IN THE CIP COME FROM?

1. Current Revenues

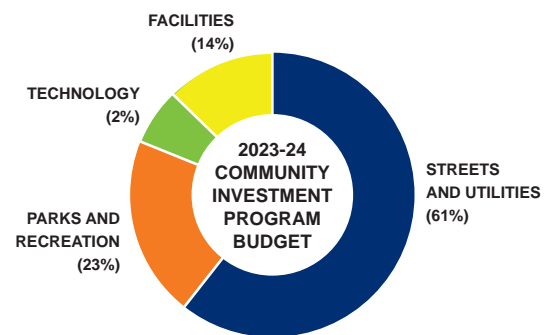
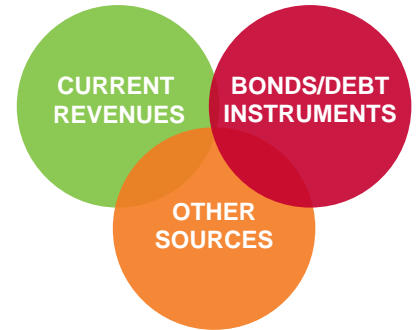
- General Fund revenues
- Water and Sewer revenues
- Other Operating Fund revenues
- Revenue bonds

3. Other sources

- State funding
- County funding
- Developers' fees
- Other cities

2. Bonds/Debt Instruments

- General Obligation (G.O.)
- Certificates of Obligation (C.O.'s)
- Tax Notes



WHAT IS THE HISTORY OF THE CITY OF PLANO CAPITAL MAINTENANCE FUND?

In 1985 the Plano City Council established a fund – now called the Capital Maintenance Fund – to make significant repairs, renovations and replacements in the future to city streets, buildings, parks and other infrastructure after they were first constructed. Since then, the City has regularly set aside money every year to fund projects that extend the useful life of city infrastructure by at least ten years.

Street projects make up a majority of the Capital Maintenance Fund's expenditures and include improvements to existing arterial and residential streets, sidewalks, alleyways, screening walls, traffic signals and signs, and guardrails. Plano's Park and Recreation Department also utilizes this fund for landscaping, as well as for renovating and repairing outdoor recreation areas, athletic fields, medians, trail systems, irrigation systems and playground equipment. When a city facility needs to replace its roof, heating and air conditioning equipment or emergency generator it is paid for by the Capital Maintenance Fund, as are more specialized projects that are unique to a fire station, library branch or recreation center.



WHY DOES THE CITY ISSUE DEBT?

Sometimes there are good reasons for going into debt. Some of these may include:

- Financing projects over time, with a variety of repayment options and revenue streams.
- Minimizing impact on property taxes.
- Ensuring that future stakeholders will pay for their share of public improvements and services.
- Taking advantage of tax-exemptions that provide low cost, long-term financing.



WHAT DOES IT COST THE CITY IF WE LOSE OUR AAA BOND RATING?

The City of Plano currently holds an AAA bond rating, which is the highest rating assigned to a borrowing entity, on general obligation bonds, certificates of obligation and tax notes from three rating agencies: Moody's Investment Services, Standard and Poor's and Fitch Ratings. Bond ratings measure credit worthiness. The higher the bond rating, the lower the interest rate paid by the City. Losing the AAA bond rating would result in the City paying more interest on bonds issued.

COMMON DEBT INSTRUMENTS AVAILABLE TO BE USED BY THE CITY

	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	TAX NOTES	REVENUE BONDS
APPROVAL PROCESS	Bond election (Voter Authorization in May and November)	Elected officials' approval of Notice of Intent	Elected officials	Elected officials
SECURITY/PLEDGE	Taxes only	Taxes and/or revenue	Taxes and/or revenue	Revenues of the System
OTHER CONSIDERATIONS	If the election fails, how does the city address needs?	Subject to petition by 5% of registered voters	Maximum maturity of 7 years	Coverage requirements, additional bonds test, debt service reserve fund requirements
TYPICAL PROJECTS	Any public purpose	Any public purpose Including enterprise projects	Any public purp	Water, sewer and drainage Infrastructure
RATINGS	Highest rated credit based on ad valorem tax pledge			Typically 1 to 2 notches lower than a city's tax credit

INVESTMENT PROGRAM

The City of Plano, like other cities, counties, Independent School Districts and other government entities, must comply with the Public Funds Investment Act (PFIA), which focuses on Safety, Liquidity and Yield (SLY). The PFIA dictates the types of investments the City can invest in. Funds subject to the PFIA cannot be invested in the stock market.

TEXAS PROPERTY LAWS – TRUTH IN TAXATION

Truth-in-taxation requires the City to make taxpayers aware of tax rate proposals and to afford taxpayers the opportunity to roll back or limit tax increases. There are four guiding principles:

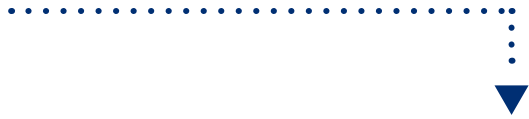
1. Property owners have the right to know about increases in their properties' appraised value and to be notified of the estimated taxes that could result from the new value.
2. The taxing unit must publish its No-New-Revenue and Voter-Approval tax rates before adopting an actual tax rate.
3. A taxing unit must publish special notices and hold two public hearings before adopting a tax rate that exceeds the lower of the Voter-Approval rate or the No-New-Revenue tax rate.
4. If a taxing unit adopts a rate that exceeds the Voter-Approval rate, voters may petition for an election to limit the rate to the Voter-Approval rate.

NO-NEW-REVENUE TAX RATE

The No-New-Revenue Tax Rate is a tax rate that the City would pass to collect the same tax revenue as the previous year using the current year's appraised values. If the proposed tax rate is equal or less than the No-New-Revenue Rate, no action is required prior to adoption. If the proposed tax rate is greater than the No-New-Revenue Rate, notices and public hearings are required.

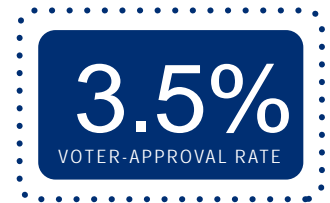


TEXAS PROPERTY LAWS – TRUTH IN TAXATION



VOTER-APPROVAL RATE

The Voter-Approval Rate allows a taxing unit to raise the same amount for operations as in the prior year, plus provides for an additional 3.5% cushion. The 3.5% cushion calculation does not include debt, only operations. The debt service portion of the overall rate may rise as high as necessary.



Taxpayers may petition for a voter approval tax election if the City proposes a tax increase over the Voter-Approval rate. The Voter-Approval rate equals the sum of a 3.5% increase over the effective Operations and Maintenance tax rate.

A mandatory election in November is required if the City adopts a tax rate over the Voter-Approval rate.

ECONOMIC DEVELOPMENT FUNDS

The City has two available economic incentive programs:

1. Local property tax incentives (also called Chapter 380 Agreements), which mean cities may provide funding, loans, city personnel and city services for promotion and encouragement of economic development. Because Plano is a DART member city, Council sets aside 2 cents of property taxes to fund economic development incentives.
2. A property tax abatement is an agreement in which a city abates tax revenue and an entity promises to contribute to the economic development in the city. The abatements are based on new improvements to the property, such as adding levels to existing buildings or constructing a new building.