

**FY 2021 PROPOSED BUDGET  
FY 2021-2025 LONG RANGE FINANCIAL FORECAST**

**Overview**

This Long Range Financial Forecast (the forecast) is presented to show the effects of the current trends and environmental limitations on the City of Galveston's fiscal performance. This includes the projected effects of:

1. The two to five-year recovery from the economic recession caused by the pandemic that began in the spring of 2020;
2. The new limitation placed on property tax revenue growth and its effect in combination with Galveston's tax rate limitations and requirements;
3. The loss of sales and hotel occupancy tax revenue on city programs directly or closely tied to the General Fund, including Island Transit, the Convention Center Surplus Fund, the Debt Service Fund and the Infrastructure and Debt Service set aside fund.

**Summary of Results**

1. The General Fund is projected to have between \$1.5 million and \$2.3 million in natural revenue growth in sales and property tax revenue between FY 2022 and FY 2025. This is sufficient to afford:
  - a. A two percent cost of living adjustment for all employees each year;
  - b. The natural increase in the Infrastructure and Debt Service Fund Set Aside equal to eight percent of the increase in total revenue;
  - c. An increase in health benefit costs annually including the employees' share; and
  - d. Return to pre-pandemic funding subsidy for Island Transit by FY 2024.
2. The Convention Center Surplus Fund will be severely impacted by a prolonged recovery for Hotel Occupancy Tax revenue causing annual trickle-down revenue to the City to fall below \$1.7 million. This forecast shows just that and the following steps need to be taken.
  - a. Move the cost of police protection for the special Seawall District to the General Fund beginning in FY 2022;
  - b. Maintain HOT funding for Island Transit's trolley and Seawall service in the \$800,000 to \$900,000 range for the duration of the forecast, reducing this if necessary should HOT revenue fall below the current \$1.5 million level; and
  - c. Prevail upon the Convention Center operator and Board to minimize capital renewal and equipment (less than \$500,000 per year) at the Convention Center until HOT revenue nears the \$20 million mark again. (This forecast assumes that will occur in FY 2025.)
3. The Island Transit Special Revenue Fund is receiving \$4,676,000 in CARES Act funding and saving the normal annual Federal Transit Administration. The City receives urban transit system funding equal to \$1.6 million per year, giving the City some options with respect to the use of General Fund monies for matching funds, as well as methods of funding necessary transit system fleet replacement over the next five years. The following steps need to be considered:
  - a. Use FTA grant funds for the grant funded portion (up to fifty percent) of fleet vehicle replacement;
  - b. Utilize the Island Transit capital reserve, currently \$1.5 million, and make it available for vehicle replacement matching funds which must equal fifty percent of the cost of replacement;
  - c. Use FTA operating funds to cover, in part, rail trolley system operating costs beginning in FY2021.

4. Adopt a policy that can govern the use of Infrastructure and Debt Service set aside funds that includes more potential purposes in the face of no other available funding source save perhaps the city's General Fund. In the FY 2021-2025 forecast period, it may be necessary to replace fire apparatus and transit vehicles potentially requiring set aside funding.
5. Other points to cover in narrative to come with each page that follows:
  - a. Long-term effect on General Fund services under new property tax law of a dropping tax rate with a fixed portion reserved by Charter for the Library;
  - b. The need to clearly define the purpose, annual cost and annual ongoing funding for any kind of new initiative, including public safety employees' pay adjustments other than COLAs, tax cutting initiatives, and extensive economic development incentive programs; and
  - c. Potential effect of a return to rural transit funding which could cost the city \$1 million per year in federal dollars.

## Major Assumptions

1. Recovery from the recession will occur slowly, with the region reaching pre-pandemic employment levels by March 2022. This will directly affect sales tax revenue through FY 2025.
2. Real Estate prices will be affected by the lingering effects of the pandemic-generated recession flattening in calendar 2021 and/or 2022. This will directly affect the value of existing taxable property and new construction for FY 2022 and/or FY 2023.
3. Prices and interest rates will remain low and rise slightly throughout the forecast period, keeping municipal bond interest rates low and non-personnel operating costs affordable.

### BASELINE ECONOMIC CHANGE ASSUMPTIONS

Area/Indicator	FY 2020 Est.	FY 2021 Forecast	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast	FY 2025 Forecast
<b>National</b>						
National Inflation Rate (1)	0.6%	0.9%	1.6%	2.0%	2.2%	2.2%
U.S. Real Gross Domestic Product (1)	-5.9%	4.8%	2.2%	2.2%	2.2%	2.1%
Ten Year Treasury Note (1)	2.1%	0.9%	0.9%	1.1%	1.5%	2.6%
3-month Treasury Bill (1)	2.1%	0.4%	0.2%	0.2%	0.2%	1.0%
<b>Metropolitan Area</b>						
Employment Annual Growth (000's) (2)	(83.2)	40.5	103.5	92.5	81.9	78.6
Inflation Rate (3)	-0.2%	0.9%	1.6%	2.0%	2.2%	2.2%
Fuel Prices (3)	\$2.11	\$2.23	\$2.35	\$2.45	\$2.65	\$2.75
Health Care Cost Trend (Inflation & Utilization) (4)	4.1%	8.0%	8.0%	8.0%	8.0%	8.0%
<b>City of Galveston</b>						
Population Growth Rate (4)	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Population (4)	50,497	50,648	50,800	50,953	51,106	51,259
City Water Customers Growth Rate (4)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Investment Pool Earnings Rate (4)	1.0%	0.6%	0.2%	0.3%	0.4%	0.5%
New Construction (\$Millions - Prior CalYr) (4)	\$72.6	\$111.0	\$60.0	\$60.0	\$60.0	\$60.0

#### SOURCES:

- (1) Congressional Budget Office, adjusted using Kiplinger, Trading Economics
- (2) Dr. Robert Gilmer, Bauer College of Business, University of Houston, May 2020 presentation, calendar year change
- (3) U.S. Energy Information Administration for 2020-2021 and City of Galveston Finance Department thereafter.
- (4) City of Galveston Finance Department

4. Hotel occupancies have dropped to 2014 levels as a result of the pandemic, and the continuing risk of cancelled events has caused the Park Board to reduce their FY 2021 revenue estimate for HOT revenue.
5. The City's health care plan costs will resume their upward path of annual increases after stabilizing in FY 2020 as a result of changing third party administration to Blue Cross Blue Shield.

6. Island Transit funding from the CARES act transportation grant will be expended by the end of FY 2021. As a result, Island Transit will be able to save whatever federal and state operating grants are awarded In FY 2020 and 2021 through the ongoing annual FTA and TxDOT funding cycles. While this will allow the City to minimize its General Fund subsidy for Island Transit for some period of time, the City must phase the General Fund subsidy back into the budget at the previous level (\$800,000) so as not to experience fiscal shock from a one-time increase.
7. Hotel Occupancy Tax revenue to 2014 levels as well. When a vaccine is found, marking the beginning of the end for the effects of the pandemic, the recession itself will likely continue to slow the recovery of tourism and HOT revenue to pre-pandemic levels.
8. Employees and employee groups will receive annual cost-of-living-adjustments equal to 2 percent per year.
9. Health benefits costs will rise 8 percent per year and the City will endeavor to absorb this cost without increasing employee premiums or reducing benefits.

**LONG RANGE FINANCIAL FORECAST  
FY 2021-2025  
GENERAL FUND SUMMARY**

CATEGORY	FY20 Estimated	FY21 Estimated	FY22 Estimated	FY23 Estimated	FY24 Estimated	FY25 Estimated
<b>REVENUE</b>						
Property Tax	\$29,015	\$31,382	\$32,642	\$33,950	\$35,292	\$36,756
Sales Tax	\$15,500	\$16,300	\$17,400	\$18,200	\$19,000	\$19,800
Other Tax	\$6,117	\$6,117	\$5,917	\$5,917	\$5,917	\$5,917
Non-Tax Revenue	\$6,908	\$7,172	\$7,172	\$7,172	\$7,172	\$7,172
<b>TOTAL REVENUE</b>	<b>\$57,540</b>	<b>\$60,971</b>	<b>\$63,131</b>	<b>\$65,239</b>	<b>\$67,381</b>	<b>\$69,645</b>
<b>Annual Revenue Increase</b>	<b>\$645</b>	<b>\$3,431</b>	<b>\$2,160</b>	<b>\$2,108</b>	<b>\$2,142</b>	<b>\$2,264</b>
Category/Program	FY20 Estimated	FY21 Estimated	FY22 Estimated	FY23 Estimated	FY24 Estimated	FY25 Estimated
<b>BASE EXPENDITURES (TOTAL TO START FY)</b>	<b>\$55,896</b>	<b>\$57,055</b>	<b>\$60,971</b>	<b>\$63,039</b>	<b>\$64,601</b>	<b>\$66,263</b>
<b>ANNUAL SPENDING Priorities I(ncremental changes)</b>						
Transfer to Infrastructure and Debt Service Fund	\$834	\$274	\$173	\$169	\$171	\$181
Police Pension to 18%	\$395	\$165	\$0	\$0	\$0	\$0
Police Pay and COLAs	\$567	\$508	\$283	\$289	\$295	\$301
Police Staffing Cost (Prior Reimbursables)	\$0	\$316	\$584	\$0	\$0	\$0
Fire Pay and COLAs	\$292	\$516	\$171	\$175	\$179	\$183
Emergency Medical Service (County Health Dept)	\$0	\$115	\$25	\$25	\$25	\$25
Municipal Employee COLAs	\$285	\$278	\$282	\$288	\$294	\$300
Health Benefits	\$1,240	\$0	\$423	\$457	\$494	\$533
Economic Development Programs Subtotal	\$0	\$88	\$4	\$4	\$4	\$4
Island Transit Operating Subsidy	(\$600)	\$0	\$220	\$230	\$200	(\$50)
Facilities Maintenance Allocation	\$0	\$382	\$0	\$0	\$0	\$0
Fleet Replacement	\$0	\$422	\$0	\$0	\$0	\$0
COVID and Related Spending Adjustments	(\$1,854)	\$852	(\$98)	(\$75)	\$0	\$0
<b>NET SPENDING CHANGES</b>	<b>\$1,159</b>	<b>\$3,916</b>	<b>\$2,068</b>	<b>\$1,562</b>	<b>\$1,662</b>	<b>\$1,477</b>
<b>TOTAL ADJUSTED SPENDING</b>	<b>\$57,055</b>	<b>\$60,971</b>	<b>\$63,039</b>	<b>\$64,601</b>	<b>\$66,263</b>	<b>\$67,740</b>
<b>REVENUE OVER/(UNDER) TOTAL EXPENDITURES</b>	<b>\$485</b>	<b>\$0</b>	<b>\$92</b>	<b>\$638</b>	<b>\$1,118</b>	<b>\$1,905</b>
<b>Beginning Fund Balance</b>	<b>\$16,402</b>	<b>\$16,791</b>	<b>\$16,791</b>	<b>\$16,883</b>	<b>\$17,521</b>	<b>\$18,639</b>
<b>Less One Time costs</b>	<b>\$96</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Ending Fund Balance</b>	<b>\$16,791</b>	<b>\$16,791</b>	<b>\$16,883</b>	<b>\$17,521</b>	<b>\$18,639</b>	<b>\$20,544</b>
<b>90 Day Reserve</b>	<b>\$14,385</b>	<b>\$15,243</b>	<b>\$15,783</b>	<b>\$16,310</b>	<b>\$16,845</b>	<b>\$17,411</b>
<b>Excess/(Shortage) of Ending Fund Balance</b>	<b>\$2,406</b>	<b>\$1,548</b>	<b>\$1,100</b>	<b>\$1,211</b>	<b>\$1,794</b>	<b>\$3,133</b>

**General Fund**

1. Revenue growth comes strictly from property and sales taxes. Property tax growth is limited to the new 3.5 percent limit on new revenue growth and one percent in new construction.
2. The FY 21 Estimated property tax revenue total included the benefit from closing Tax Increment Reinvestment Zones 12 and 14. By virtue of this action, \$1.02 million in property taxes previously allocated to the TIRZ areas is now available for General Fund citywide services. There is no similar opportunity in the remaining years of the forecast.
3. Sales tax revenues are based on the sales tax model discussed in the Citywide Revenue summary.

4. The General Fund is required by ordinance to maintain an ending fund balance equal to ninety days of operating cost.
5. There are no major service enhancements in the above expenditure forecast for any General Fund departments. The entire property and sales tax revenue increase is needed to fund employee COLAs at 2 percent, health benefit costs and the annual increase in the transfer to the Infrastructure and Debt Service Fund.

**LONG RANGE FINANCIAL FORECAST  
FY 2021-2025  
PROPERTY TAX SUMMARY**

DESCRIPTION	FY21 CERTIFIED	FY22 ESTIMATED	FY23 ESTIMATED	FY24 ESTIMATED	FY25 ESTIMATED
<b>NET PROPERTY TAX LEVY</b>					
Total Taxable Value (\$millions)	\$7,324.0	\$7,800.1	\$8,307.1	\$8,847.1	\$9,422.2
Less TIRZ	(\$106.2)	(\$114.8)	(\$124.1)	(\$134.2)	(\$145.1)
Less 60% MUD Value	(\$75.8)	(\$64.7)	(\$64.7)	(\$64.7)	(\$64.7)
Net Taxable Value	\$7,142.0	\$7,620.6	\$8,118.3	\$8,648.2	\$9,212.4
Times Tax Rate per \$100 of Taxable Value	\$0.560000	\$0.549000	\$0.540000	\$0.531000	\$0.523000
<b>Total Tax Levy (\$Thousands Revenue)</b>	<b>\$41,014.4</b>	<b>\$42,822.5</b>	<b>\$44,858.3</b>	<b>\$46,978.1</b>	<b>\$49,278.1</b>
Less: Freeze Acct Total Value Revenue Equivalent (Over 65 and Disabled)	(\$4,569.5)	(\$4,935.1)	(\$5,329.9)	(\$5,756.3)	(\$6,216.8)
Plus: Freeze Acct collectible Revenue (Over 65 & Disabled)	\$3,154.3	\$3,359.3	\$3,577.7	\$3,810.3	\$4,058.0
<b>Less: Taxes Lost to Tax Freeze</b>	<b>(\$1,415.2)</b>	<b>(\$1,575.8)</b>	<b>(\$1,752.2)</b>	<b>(\$1,946.0)</b>	<b>(\$2,158.8)</b>
<b>Net Current Year Tax Levy (\$000's Revenue)</b>	<b>\$39,599.2</b>	<b>\$41,246.7</b>	<b>\$43,106.1</b>	<b>\$45,032.1</b>	<b>\$47,119.3</b>
Effective Taxable Value	\$7,071.3	\$7,513.1	\$7,982.6	\$8,480.6	\$9,009.4
<b>Effective Freeze Accounts Taxable Value</b>	<b>\$1,262.7</b>	<b>\$1,363.7</b>	<b>\$1,472.8</b>	<b>\$1,590.6</b>	<b>\$1,717.8</b>
Less TIRZ Incremental Values	(\$106.2)	(\$114.8)	(\$124.1)	(\$134.2)	(\$145.1)
<b>Effective Taxable Value Retained by City</b>	<b>\$6,965.1</b>	<b>\$7,398.3</b>	<b>\$7,858.5</b>	<b>\$8,346.4</b>	<b>\$8,864.3</b>
<b>DISTRIBUTION OF NET LEVY (\$ THOUSANDS)</b>					
Net Current Year Levy (\$000's)	\$39,599.2	\$41,246.7	\$43,106.1	\$45,032.1	\$47,119.3
<b>Less TIRZ Increment</b>	<b>(\$594.7)</b>	<b>(\$630.3)</b>	<b>(\$670.1)</b>	<b>(\$712.6)</b>	<b>(\$758.9)</b>
Net Current Year Levy Retained by the City	\$39,004.5	\$40,616.4	\$42,436.0	\$44,319.5	\$46,360.4
General Fund Share (including MUD 30) of NCL	\$31,865.3	\$33,033.2	\$34,381.0	\$35,764.4	\$37,274.5
Debt Service Share of NCL	\$3,656.7	\$3,884.1	\$4,125.7	\$4,381.9	\$4,653.8
Library Fund Share of NCL	\$3,482.5	\$3,699.1	\$3,929.3	\$4,173.2	\$4,432.2
<b>Net Current Year Levy Retained by the City</b>	<b>\$39,004.5</b>	<b>\$40,616.4</b>	<b>\$42,436.0</b>	<b>\$44,319.5</b>	<b>\$46,360.5</b>
<b>COLLECTION OF TAXES (\$ THOUSANDS)</b>					
<b>Estimated/Actual Collections</b>	<b>FY21 CERTIFIED</b>	<b>FY22 ESTIMATED</b>	<b>FY23 ESTIMATED</b>	<b>FY24 ESTIMATED</b>	<b>FY25 ESTIMATED</b>
General Fund Current Collection Total	\$31,681.0	\$32,990.2	\$34,350.1	\$35,747.5	\$37,272.7
General Fund Delinquent Taxes	\$390.0	\$390.0	\$390.0	\$390.0	\$390.0
General Fund Penalty & Interest	\$330.0	\$330.0	\$330.0	\$330.0	\$330.0
Less TIRZ Increment	(\$594.7)	(\$643.0)	(\$695.0)	(\$751.0)	(\$812.0)
Less MUD 30 Rebate	(\$424.7)	(\$424.7)	(\$424.7)	(\$424.7)	(\$424.7)
<b>General Fund Total</b>	<b>\$31,381.6</b>	<b>\$32,642.5</b>	<b>\$33,950.4</b>	<b>\$35,291.8</b>	<b>\$36,756.0</b>
Debt Service Net Current Levy Total	\$3,568.9	\$3,806.4	\$4,043.2	\$4,294.3	\$4,560.7
Debt Service Delinquent Taxes	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0
<b>Debt Service Fund Total</b>	<b>\$3,608.9</b>	<b>\$3,846.4</b>	<b>\$4,083.2</b>	<b>\$4,334.3</b>	<b>\$4,600.7</b>
Library Net Current Levy Total	\$3,398.9	\$3,625.1	\$3,850.7	\$4,089.7	\$4,343.6
Library Delinquent Taxes	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0
<b>Library Fund Total</b>	<b>\$3,438.9</b>	<b>\$3,665.1</b>	<b>\$3,890.7</b>	<b>\$4,129.7</b>	<b>\$4,383.6</b>
<b>GRAND TOTAL COLLECTIONS</b>	<b>\$38,429.4</b>	<b>\$40,154.0</b>	<b>\$41,924.3</b>	<b>\$43,755.8</b>	<b>\$45,740.3</b>
Estimated Current Collection Rate (of Gross Taxes)	97.6%	98.0%	98.0%	98.0%	98.0%
Estimated Total Collection Rate (of gross taxes)	99.6%	99.9%	99.9%	99.8%	99.7%
Percent Change in Grand Total Collections	8.95%	4.5%	4.4%	4.4%	4.5%
<b>Tax Rate</b>					
General Fund Operations and Maintenance	\$0.457500	\$0.446500	\$0.437500	\$0.428500	\$0.420500
Debt Service Fund Interest and Sinking	\$0.052500	\$0.052500	\$0.052500	\$0.052500	\$0.052500
Library Fund	\$0.050000	\$0.050000	\$0.050000	\$0.050000	\$0.050000
<b>Total Rate</b>	<b>\$0.560000</b>	<b>\$0.549000</b>	<b>\$0.540000</b>	<b>\$0.531000</b>	<b>\$0.523000</b>
	<b>ESTIMATE</b>	<b>ESTIMATE</b>	<b>ESTIMATE</b>	<b>ESTIMATE</b>	<b>ESTIMATE</b>
Estimated Current Taxes Collection rate	97.60%	98.00%	98.00%	98.00%	98.00%
<b>TOTAL COLLECTIONS</b>	<b>\$39,448.8</b>	<b>\$41,221.7</b>	<b>\$43,044.0</b>	<b>\$44,931.5</b>	<b>\$46,977.0</b>

1. Taxable value increases 6.5 percent annually or the average amount for Galveston since Hurricane Ike in 2008.
2. Grand Total Collections equals 4.5 percent annually, and General Fund tax rate is reduced each year to keep total revenue growth to 4.5 percent.

**AS TAX RATE DROPS,  
SO DOES THE SHARE OF TAX COLLECTIONS TO THE GENERAL FUND  
AS THE LIBRARY TAX RATE STAYS AT \$0.05  
THE LIBRARY'S SHARE OF TOTAL TAX COLLECTIONS INCREASES**

Basis of Comparison	FY21 CERTIFIED	FY22 ESTIMATED	FY23 ESTIMATED	FY24 ESTIMATED	FY25 ESTIMATED
Library Property Tax Share	\$3,438.9	\$3,665.1	\$3,890.7	\$4,129.7	\$4,383.6
Library Percent of Total Collections	8.7%	8.9%	9.0%	9.2%	9.3%
General Fund Property Tax Share	\$31,381.6	\$32,642.5	\$33,950.4	\$35,291.8	\$36,756.0
General Fund Percent of Total Collections	79.6%	79.2%	78.9%	78.5%	78.2%

**LONG RANGE FINANCIAL FORECAST  
FY 2021-2025  
DEBT SERVICE FUND SUMMARY**

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
<b>REVENUE</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Property Taxes	\$3,193	\$3,609	\$3,879	\$4,152	\$4,449	\$4,767
Infrastructure & Debt Service Fund Transfer	\$1,829	\$1,521	\$1,395	\$1,271	\$2,086	\$1,744
Interest Income	\$40	\$48	\$3	\$3	\$4	\$9
<b>TOTAL REVENUE</b>	<b>\$5,062</b>	<b>\$5,178</b>	<b>\$5,277</b>	<b>\$5,426</b>	<b>\$6,539</b>	<b>\$6,520</b>
<b>EXPENSE</b>						
<b>Current Debt Service</b>						
Principal	\$3,114	\$2,645	\$2,848	\$3,075	\$2,513	\$2,624
Interest	\$1,943	\$2,528	\$2,424	\$2,299	\$2,165	\$2,048
Paying Agent Fees	\$7	\$5	\$5	\$5	\$5	\$5
<b>Subtotal Current Debt Service</b>	<b>\$5,064</b>	<b>\$5,178</b>	<b>\$5,277</b>	<b>\$5,379</b>	<b>\$4,683</b>	<b>\$4,677</b>
<b>Projected Future Bonds Debt Service</b>						
Principal	\$0	\$0	\$0	\$0	\$1,090	\$1,105
Interest	\$0	\$0	\$0	\$0	\$764	\$738
<b>Subtotal Future Bonds Debt Service</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,854</b>	<b>\$1,843</b>
<b>TOTAL EXPENSE</b>	<b>\$5,064</b>	<b>\$5,178</b>	<b>\$5,277</b>	<b>\$5,379</b>	<b>\$6,537</b>	<b>\$6,520</b>
<b>Revenue Over/(Under) Expense</b>	<b>(\$2)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$47</b>	<b>\$2</b>	<b>\$0</b>
<b>Beginning Fund Balance</b>	<b>\$1,729</b>	<b>\$1,727</b>	<b>\$1,727</b>	<b>\$1,727</b>	<b>\$1,774</b>	<b>\$1,776</b>
<b>Ending Fund Balance</b>	<b>\$1,727</b>	<b>\$1,727</b>	<b>\$1,727</b>	<b>\$1,774</b>	<b>\$1,776</b>	<b>\$1,776</b>
	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
Effective Taxable Value (\$millions)	\$6,120.9	\$6,733.5	\$6,996.1	\$7,268.9	\$7,552.4	\$7,846.9
Debt Service Tax Rate	\$0.052500	\$0.052500	\$0.052500	\$0.052500	\$0.052500	\$0.052500
Property Tax Revenue Growth	4.6%	3.9%	3.9%	3.9%	3.9%	3.9%
Investment Pool Earnings Rate	2.0%	0.2%	0.2%	0.2%	0.2%	0.5%
General Fund Transfer to Infrastructure & Debt Service Fund	\$4,728.2	\$4,877.7	\$5,050.5	\$5,219.1	\$5,390.5	\$5,571.6
Future Bond Issue (\$000's) NOTE	\$37,000	\$0	\$0	\$0	\$25,000	\$0
Outstanding Principal (\$000's) FY End	\$56,866	\$54,221	\$51,373	\$48,298	\$69,695	\$65,966
Overall Interest Rate	3.34%	3.84%	4.09%	4.09%	4.09%	4.09%
Interest Rate Diff with FY19 Rates	0.25%	0.75%	1.00%	1.00%	1.00%	1.00%

**Debt Service Fund**

1. Debt service property tax rate held at \$0.0525 throughout forecast period.
2. Transfer from Infrastructure and Debt Service set aside fund is sufficient to keep Debt Service fund balance at \$1.7M.
3. New bonds scheduled for FY 2024 and FY 2026 (not shown) assuming a successful bond election for drainage projects (see CIP).

**LONG RANGE FINANCIAL FORECAST  
HOTEL OCCUPANCY TAX PROJECTIONS  
FY 2021-2025 (\$000'S)**

Category	FY 2020 Estimate	FY 2021 Forecast	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast	FY 2025 Forecast
<b>SOURCES</b>						
Local Hotel Occupancy Taxes	\$15,300	\$13,500	\$14,175	\$14,884	\$15,628	\$16,409
State Hotel Occupancy Taxes (Local Share)	\$3,637	\$3,209	\$3,370	\$3,538	\$3,715	\$3,901
<b>TOTAL SOURCES</b>	<b>\$18,937</b>	<b>\$16,709</b>	<b>\$17,545</b>	<b>\$18,422</b>	<b>\$19,343</b>	<b>\$20,310</b>
<b>USES</b>						
<b>Park Board</b>						
Advertising (1)	\$5,100	\$4,500	\$4,725	\$4,961	\$5,209	\$5,470
Beach Maintenance/Patrol (2)	\$5,337	\$4,709	\$4,945	\$5,192	\$5,451	\$5,724
<b>Subtotal Parks Board</b>	<b>\$10,437</b>	<b>\$9,209</b>	<b>\$9,670</b>	<b>\$10,153</b>	<b>\$10,661</b>	<b>\$11,194</b>
<b>Convention Center</b>						
Convention Center Operations (3)	\$480	\$480	\$480	\$480	\$480	\$480
CC Operator and Developer Fees (4)	\$125	\$125	\$125	\$125	\$125	\$125
CC Capital Improvements(5)	\$650	\$650	\$650	\$650	\$650	\$650
CC Budget for Arts (6)	\$213	\$188	\$197	\$207	\$217	\$228
CC Surplus Allocation (7)	\$1,904	\$1,490	\$1,640	\$1,775	\$1,924	\$2,087
<b>Subtotal CC Operator</b>	<b>\$3,372</b>	<b>\$2,932</b>	<b>\$3,091</b>	<b>\$3,236</b>	<b>\$3,396</b>	<b>\$3,570</b>
<b>City</b>						
Arts Council (8)	\$1,275	\$1,125	\$1,181	\$1,240	\$1,302	\$1,367
Transfer to Historical Bldgs Special Fund (9)	\$213	\$188	\$197	\$207	\$217	\$228
CC HOT Debt Service (10)	\$1,837	\$1,866	\$1,866	\$1,911	\$1,943	\$1,963
City Surplus Allocation (11)	\$1,804	\$1,390	\$1,540	\$1,675	\$1,824	\$1,987
<b>Subtotal City</b>	<b>\$5,129</b>	<b>\$4,568</b>	<b>\$4,784</b>	<b>\$5,033</b>	<b>\$5,286</b>	<b>\$5,546</b>
<b>TOTAL USES</b>	<b>\$18,937</b>	<b>\$16,709</b>	<b>\$17,545</b>	<b>\$18,422</b>	<b>\$19,343</b>	<b>\$20,310</b>
<b>HOT Growth Assumption</b>	-17.5%	-10.0%	5.0%	5.0%	5.0%	5.0%
<b>City Surplus Allocation Growth Percentage</b>	-32.3%	-23.0%	10.8%	8.8%	8.9%	9.0%
<b>HOT Allocation to Convention Center M&amp;O and Debt Service</b>	<b>\$5,209</b>	<b>\$4,798</b>	<b>\$4,957</b>	<b>\$5,147</b>	<b>\$5,339</b>	<b>\$5,533</b>

Notes:

- (1) Equal to 3% of the 9% local tax.
- (2) Equal to 1% of the 9% local tax and includes the State tax allocation to the City (2% of the 6% total).
- (3) Monthly transfer in the aggregate amount of \$40k. (distributed from 4% referenced in #9)
- (4) Annual allocation to developer. (distributed from 4% referenced in #9)
- (5) Convention Center Capital Improvements paid by operator and reimbursed from reserves that are then replenished with current year HOT revenue.
- (6) Equal to 0.125% of the 9% local tax.
- (7) Unexpended balance comprises the majority of the surplus.
- (8) Equal to 0.75% of the 9% local tax.
- (9) Equal to 0.125% of the 9% local tax.
- (10) Bond covenant allocates 4% of the 9% to Debt Service and related reserves. (See last line of chart above.) Debt Service expense is actually less and runs thru FY34.
- (11) Unexpended balance comprises the majority of the surplus.

**Hotel Occupancy Tax**

1. A collections agreement with Short Term rental Organizations would improve overall collections by as much as ten percent. This would help the City by adding \$300,000 to the “trickle down” amount after all other expenses are paid.
2. The wild card here is the amount the Convention Center operator spends on capital renewal.

**LONG RANGE FINANCIAL FORECAST  
CONVENTION CENTER SURPLUS FUND FORECAST  
FY 2021-2025, (\$000'S)**

Category	FY 2020 Estimate	FY 2021 Forecast	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast	FY 2025 Forecast
<b>REVENUE</b>						
Convention Center Surplus (Hotel Occupancy Taxes)	\$1,804	\$1,590	\$1,540	\$1,675	\$1,824	\$1,987
<b>SUBTOTAL - HOT REVENUE</b>	<b>\$1,804</b>	<b>\$1,590</b>	<b>\$1,540</b>	<b>\$1,675</b>	<b>\$1,824</b>	<b>\$1,987</b>
<b>EXPENDITURES</b>						
<b>Special Events (City)</b>	<b>\$313</b>	<b>\$339</b>	<b>\$344</b>	<b>\$349</b>	<b>\$354</b>	<b>\$359</b>
<b>Seawall Police Service</b>	<b>\$512</b>	<b>\$573</b>	<b>\$584</b>	<b>\$596</b>	<b>\$608</b>	<b>\$620</b>
<b>Park Board Contract Activities</b>	<b>\$200</b>	<b>\$200</b>	<b>\$200</b>	<b>\$200</b>	<b>\$200</b>	<b>\$200</b>
<b>Island Transit</b>						
Rail Trolley System Operations	\$0	\$601	\$613	\$625	\$638	\$651
Rail Trolley System Maintenance	\$50	\$50	\$50	\$50	\$50	\$50
Bus Trolley System Operations	\$423	\$423	\$431	\$440	\$449	\$458
<b>Subtotal - Trolley System</b>	<b>\$473</b>	<b>\$1,074</b>	<b>\$1,094</b>	<b>\$1,115</b>	<b>\$1,137</b>	<b>\$1,158</b>
<b>Historic Preservation</b>						
Historic Broadway Lighting Improvements	\$17	\$0	\$0	\$0	\$0	\$0
Galveston Causeway/Murals	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal - Historic Preservation</b>	<b>\$17</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>SUBTOTAL - EXPENDITURES</b>	<b>\$1,515</b>	<b>\$2,186</b>	<b>\$2,222</b>	<b>\$2,260</b>	<b>\$2,299</b>	<b>\$2,337</b>
<b>REVENUE OVER/ (UNDER) EXPENDITURES</b>	<b>\$289</b>	<b>(\$596)</b>	<b>(\$683)</b>	<b>(\$586)</b>	<b>(\$475)</b>	<b>(\$350)</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$2,495</b>	<b>\$2,784</b>	<b>\$2,188</b>	<b>\$1,505</b>	<b>\$919</b>	<b>\$444</b>
<b>ENDING FUND BALANCE</b>	<b>\$2,784</b>	<b>\$2,188</b>	<b>\$1,505</b>	<b>\$919</b>	<b>\$444</b>	<b>\$94</b>

**Convention Center Surplus Fund**

1. The “trickle down” fund appears to have just enough cash flow given reduced HOT revenue levels to support existing costs through the end of the forecast period. However, the fund balance is steadily drawn down by \$350,000 to \$683,000 per fiscal year.
2. True cost of operating the rail trolley is not yet known. But the cost can be made to vary depending on the amount of HOT revenue available for operation.

**LONG RANGE FINANCIAL FORECAST  
FY 2021-2025  
ISLAND TRANSIT SPECIAL FUND SUMMARY**

<b>CATEGORY</b>	<b>FY20 Estimated</b>	<b>FY21 Estimated</b>	<b>FY22 Estimated</b>	<b>FY23 Estimated</b>	<b>FY24 Estimated</b>	<b>FY25 Estimated</b>
<b>Revenues</b>						
Fare Box Revenues	\$183	\$270	\$270	\$270	\$270	\$270
FTA-Operating Grant	\$287	\$0	\$1,769	\$1,852	\$1,889	\$1,926
FTA Vehicle Replacement	\$0	\$0	\$595	\$0	\$169	\$0
FTA Rail Trolley Operations	\$0	\$200	\$300	\$300	\$300	\$200
FTA-CARES Act	\$2,180	\$2,296	\$200	\$0	\$0	\$0
FTA-E & D GRANT	\$150	\$170	\$150	\$150	\$150	\$150
State DOT Grants	\$340	\$353	\$445	\$400	\$400	\$400
General Fund	\$200	\$200	\$420	\$650	\$850	\$800
UTMB Shuttles	\$40	\$40	\$40	\$40	\$40	\$40
Port Cruise Shuttles	\$0	\$0	\$0	\$0	\$0	\$0
Parking Garage Revenue	\$26	\$26	\$26	\$26	\$26	\$26
HOT Transfer In	\$423	\$824	\$846	\$869	\$893	\$917
Other Revenue	\$38	\$28	\$28	\$28	\$28	\$28
Vehicle Replacement Local Match*	\$0	\$0	\$595	\$0	\$338	\$0
<b>Total Revenues</b>	<b>\$3,867</b>	<b>\$4,407</b>	<b>\$5,684</b>	<b>\$4,585</b>	<b>\$5,353</b>	<b>\$4,757</b>
<b>Expenditures</b>						
Administration	\$259	\$353	\$360	\$367	\$374	\$381
Transit System	\$1,804	\$1,875	\$1,913	\$1,951	\$1,990	\$2,030
Rail Trolley System	\$181	\$473	\$482	\$492	\$502	\$512
FTA Maintenance	\$1,140	\$1,053	\$1,074	\$1,095	\$1,117	\$1,139
Seawall Transportation Route	\$472	\$651	\$664	\$677	\$691	\$705
Vehicle Replacement	\$0	\$0	\$1,189	\$0	\$677	\$0
<b>Total Expenditures</b>	<b>\$3,856</b>	<b>\$4,405</b>	<b>\$5,682</b>	<b>\$4,582</b>	<b>\$5,351</b>	<b>\$4,767</b>
<b>Revenue over/ (Under) Expenditures</b>	<b>\$11</b>	<b>\$2</b>	<b>\$2</b>	<b>\$3</b>	<b>\$2</b>	<b>(\$10)</b>
<b>Urban FTA Operating Grant</b>						
Carryover Grant Balance	\$173	\$1,524	\$2,924	\$1,860	\$1,308	\$550
Annual Grant Amount	\$1,638	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600
Amount Spent on Operations	(\$287)	\$0	(\$1,769)	(\$1,852)	(\$1,889)	(\$1,926)
Amount spent on Vehicles	\$0	\$0	(\$595)	\$0	(\$169)	\$0
Amount spent on rail trolley	\$0	(\$200)	(\$300)	(\$300)	(\$300)	(\$200)
Yearendung Unspent Balance	\$1,524	\$2,924	\$1,860	\$1,308	\$550	\$24

**LONG RANGE FINANCIAL FORECAST**  
**FY 2021-2025**  
**HYPOTHETICAL INFRASTRUCTURE AND DEBT SERVICE FUND**

<b>Description</b>	<b>FY20 Estimated</b>	<b>FY21 Estimated</b>	<b>FY22 Estimated</b>	<b>FY23 Estimated</b>	<b>FY24 Estimated</b>	<b>FY25 Estimated</b>
General Fund Budget	\$59,102	\$60,971	\$63,131	\$65,239	\$67,381	\$69,645
Transfer from General Fund equal to eight percent of General Fund Budget	\$4,746	\$4,878	\$5,050	\$5,219	\$5,390	\$5,572
Interest Earned	\$45	\$40	\$40	\$40	\$40	\$40
<b>Subtotal Revenue</b>	<b>\$4,791</b>	<b>\$4,918</b>	<b>\$5,090</b>	<b>\$5,259</b>	<b>\$5,430</b>	<b>\$5,612</b>
<b>Expenses</b>						
Transfer to Debt Service Fund	\$1,794	\$1,511	\$1,428	\$1,293	\$2,200	\$1,910
<b>CIP Allocations</b>						
Street Mill & Overlay Program	\$1,440	\$1,505	\$1,505	\$1,505	\$1,505	\$1,505
Seawall paving project local match	\$1,060					
Street CIP Contingency		\$1,000				
City Hall Renovation	\$607					
Master Drainage Plan			\$346			
Central Garage Roof	\$390					
East Parking Lot Garage		\$847				
Garage Storage Lot Replacement		\$714				
<b>Subtotal CIP</b>	<b>\$3,497</b>	<b>\$4,066</b>	<b>\$1,851</b>	<b>\$1,505</b>	<b>\$1,505</b>	<b>\$1,505</b>
<b>Fire Apparatus (Potential)</b>						
Pumpers		\$1,187				\$643
Support Vehicles			\$374	\$96	\$48	\$101
<b>Subtotal Apparatus</b>	<b>\$0</b>	<b>\$1,187</b>	<b>\$374</b>	<b>\$96</b>	<b>\$48</b>	<b>\$744</b>
<b>Subtotal Expense</b>	<b>\$5,291</b>	<b>\$6,764</b>	<b>\$3,653</b>	<b>\$2,894</b>	<b>\$3,753</b>	<b>\$4,159</b>
<b>Beginning Fund Balance</b>	<b>\$4,124</b>	<b>\$3,624</b>	<b>\$3,506</b>	<b>\$3,507</b>	<b>\$3,508</b>	<b>\$3,509</b>
<b>Revenue Over/ (Under) Expense</b>	<b>(\$500)</b>	<b>(\$1,846)</b>	<b>\$1,437</b>	<b>\$2,365</b>	<b>\$1,677</b>	<b>\$1,453</b>
<b>Ending Fund Balance</b>	<b>\$3,624</b>	<b>\$1,778</b>	<b>\$4,943</b>	<b>\$5,872</b>	<b>\$5,185</b>	<b>\$4,962</b>