

*the*  
**Town of Little Elm**

**FINANCE OVERVIEW &  
FY 2024 ADOPTED BUDGET AND  
FINANCIAL PLAN**

**INTEGRITY | CUSTOMER SERVICE | EFFICIENCY | INNOVATION**



**LITTLE ELM**



# Finance Department

THE FINANCE DEPARTMENT'S FRAMEWORK IS BUILT ON SOLID POLICIES AND PROCEDURES THAT ARE A REFLECTION OF OUR MISSION AND VISION STATEMENT TO FACILITATE ACCOUNTABILITY OF THE TOWN'S FUNDS AND OTHER ASSETS ENTRUSTED TO THE TOWN AND PROVIDE FINANCIAL INFORMATION TO ENABLE DECISION-MAKING THAT WILL ENSURE THE TOWN'S FINANCIAL SUSTAINABILITY WHILE PROVIDING EXEMPLARY CUSTOMER SERVICE TO OUR INTERNAL AND EXTERNAL CUSTOMERS.

*Integrity*

*Customer  
Service*

*Efficiency*

*Innovation*

# Policies

- Comprehensive Finance Plan
  - General Budget Policies
  - Revenues Policies
  - Operating Polices
  - Capital Projects Policies
  - Accounting & Financial Reporting Policies
  - Investment Policy
  - Debt Management Policy
  - Purchasing Policy
  - Cash Handling Policy
  - Accounts Payable Process
  - Manage over 60 Funds



# Treasury

- Framework is built around the Public Investment Act (PFIA), Chapter 2256 of the Texas Government Code.
- Council approves by Resolution the Investment Policy annually along with the list of vetted brokers and banks the Town will invest with.
- Outlines the delegation of authority as Investment Officers, Authorized Investments, portfolio maturities, and investment strategies.
- Town's current performance on investments is reflected as of 3/31/2024 5.18% yield to maturity.
  - YTD Interest Earnings: \$2.1M
  - Last year: \$6.5M

# Debt Policy

- Purpose of policy outlines guidelines as to when to issue new debt, managing existing debt portfolio, identify types and amount of permissible debt, verifying that the IRS regulations regarding post issuance compliance are met to preserve the tax-exempt status of Town's bonds.

# Bond Types

- General Obligation Bonds require voter authorization through a bond election.
- Certificates of Obligations do not require voter approval and are used to fund project that are necessary for the community and funding has been identified for paying such future debt service payments either through Ad Valorem taxes or revenues from operations in the Water and Sewer Fund.

# Bond Ratings

- Similar to a credit score
- According to our debt policy, we must receive a rating from at least one nationally recognized bond-rating agency
- Current Rating is AA+ from S&P and Aa2 from Moody's



	Moody's	S&P	Fitch	Rating Description
Investment grade	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	High grade
	Aa2	AA	AA	
	Aa3	AA-	AA-	
	A1	A+	A+	Upper medium grade
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Lower medium grade
	Baa2	BBB	BBB	
Baa3	BBB-	BBB-		
Non-investment grade	Ba1	BB+	BB+	Speculative
	Ba2	BB	BB	
	Ba3	BB-	BB-	
	B1	B+	B+	Highly speculative
	B2	B	B	
	B3	B-	B-	
	Caa1 & below	CCC+ & below	CCC & below	Extremely speculative/ Default

Source: Moody's, S&P and Fitch.

# Debt Limit

- The Town will target an Interest and Sinking (I&S) rate that makes up 35% or less of the Town's total tax rate.
  - Total tax rate is the Maintenance and Operations (M&O) rate plus the Debt (I&S) rate.
- The Town's current tax reflects 25.39% of the tax rate is for debt.

# Debt



Bond Series	Obligation	Maturity Date	Callable Date	Principal	Interest	Total Outstanding 9/30/2024	P&I Due FY 2024-2025
<b>PRIMARY GOVERNMENT</b>							
2012A	General Obligation Refunding Bonds - \$2.735M	8/1/2027	8/1/2022	625,000	26,230	651,230	218,063
2013	Certificates of Obligations - \$6M (CDC)	8/1/2033	8/1/2023	3,120,000	552,675	3,672,675	407,800
2013A	Certificates of Obligations - \$3M	8/1/2033	8/1/2023	615,000	52,075	667,075	175,750
2014	General Obligations Refunding - \$4.550M	8/1/2029	8/1/2024	770,000	92,425	862,425	174,350
2015	Certificates of Obligations - \$9.655M	2/1/2036	2/1/2025	6,385,000	1,282,994	7,667,994	638,688
2016	General Obligations Refunding - \$6.725M	8/1/2027	8/1/2025	1,825,000	67,606	1,892,606	751,969
2018	Certificates of Obligations - \$15.460M	2/1/2038	2/1/2028	9,915,000	2,581,128	12,496,128	892,731
2019	General Obligations Refunding - \$7.230M	8/1/2029	-	3,290,000	303,300	3,593,300	708,700
2019	Certificates of Obligations - \$6.640M	2/1/2039	2/1/2028	6,200,000	1,488,050	7,688,050	627,275
2020	General Obligations Refunding - \$5.725M	8/1/2030	-	3,390,000	129,300	3,519,300	586,612
2020	Certificates of Obligations - \$4.085M	8/1/2040	8/1/2029	3,410,000	640,900	4,050,900	252,550
2021	Certificates of Obligations - \$15M	8/1/2041	8/1/2030	12,135,000	3,178,523	15,313,523	901,619
2022	Certificates of Obligations - \$10M	8/1/2042	-	8,165,000	3,491,075	11,656,075	649,150
<b>TOTAL DEBT FOR PRIMARY GOVERNMENT (TAX SUPPORTED)</b>				<b>\$ 59,845,000</b>	<b>\$ 13,886,281</b>	<b>\$ 73,731,281</b>	<b>\$ 6,985,257</b>
<b>SELF-SUPPORTING DEBT OF THE UTILITY</b>							
2012	Certificate of Obligations - \$6.0M	8/1/2027	8/1/2022	1,440,000	67,579	1,507,579	498,026
2013	General Obligation Refunding Bonds - \$3.040M	9/1/2025	9/1/2022	525,000	11,156	536,156	536,156
2014	General Obligations Refunding - \$4.550M	8/1/2029	8/1/2024	955,000	109,300	1,064,300	226,275
2016	Certificate of Obligations - \$7.640M	8/1/2036	8/1/2025	5,230,000	1,072,413	6,302,413	525,894
2017	Certificate of Obligations - \$11.830M	8/1/2037	8/1/2026	8,380,000	1,985,663	10,365,663	800,038
2017	General Obligations - \$13.645M	8/1/2034	8/1/2026	9,455,000	1,750,088	11,205,088	1,120,325
2021	Certificates of Obligations - \$9M	8/1/2041	8/1/2030	7,280,000	1,906,931	9,186,931	538,856
<b>TOTAL SELF-SUPPORTING DEBT (UTILITY)</b>				<b>\$ 33,265,000</b>	<b>\$ 6,903,130</b>	<b>\$ 40,168,130</b>	<b>\$ 4,245,570</b>
<b>TOTAL DEBT OBLIGATIONS</b>				<b>\$ 93,110,000</b>	<b>\$ 20,789,411</b>	<b>\$ 113,899,411</b>	<b>\$ 11,230,827</b>

# Purchasing Limits

- Over \$50,000 requires a formal bid process and Council approval.
- \$3,000-\$49,999 requires 3 quotes; 2 of the 3 quotes has to come from Historically Underutilized Businesses (HUB) as required by state law.
- Professional Services are exempt but if the service is over \$50,000, we are required to take to Council.

# Fund Accounting

## **A fund tracks designated revenues and expenses separately from anything else.**

- General fund – all financial resources except for those accounted for in another fund
- Special Revenue fund – proceeds of specific revenue sources that are restricted for specified purposes
- Capital Projects fund – financial resources for the acquisition or construction of major capital facilities
- Debt Service fund – payment of long-term debt



# Audit

- Performed every year after the close of the fiscal by an independent CPA firm to ensure the financial data reported is accurate and comply with the generally accepted accounting principles (GAAP).
- Purpose is to provide Council, the public, other interested parties (debt investors), and management with detailed information regarding the Town's financial condition.
- Per State law, must be concluded and published within six months of the close of the fiscal year.
- Single Audits are performed on grants that exceed \$750,000 to test internal controls and compliance with the grant funds received.
- Auditors present an opinion of the financial report – current status from FORVIS, LLC is presented fairly with no material weaknesses.

# Audit

- Finance Department and Auditors prepare the Annual Comprehensive Finance Report (ACFR)
- Auditors with the assistance from Finance prepares the Single Audit report (SEFA) and send to the federal clearinghouse
- From the ACFR, Finance prepares the Popular Annual Financial Report (PAFR) to help explain the over 350 page ACFR report in an easier format that highlights metrics of the financial condition of the Town.

# FINANCE'S ACCOLADES



**13<sup>th</sup> consecutive** year, awarded to the Town.



**9<sup>th</sup> consecutive year**, awarded to the Purchasing Department



**3rd consecutive** year, awarded to the Town.



**7<sup>th</sup> consecutive years**, awarded to the Town

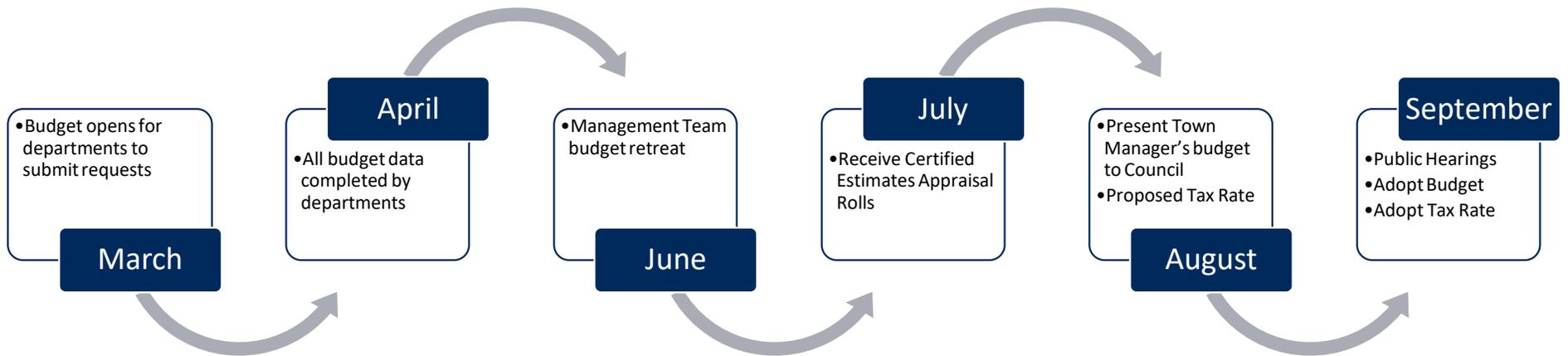


# Budget Overview

# OUR PROCESS



# Budget Calendar



# Budget Philosophy

- Utilize Council Strategic Plan as Basis for Prioritization
- Maintain Competitive Tax Rate
- Maintain Strong Fund Reserves
- Plan for the Future
- Maximize Efficiency



**\$ 145,084,358**

*Total Fiscal Year 2024 budget*

*(including all funds and transfers)*

compared to \$130,897,724 in the FY 2022-2023 original adopted  
budget

# Town-Wide Revenue

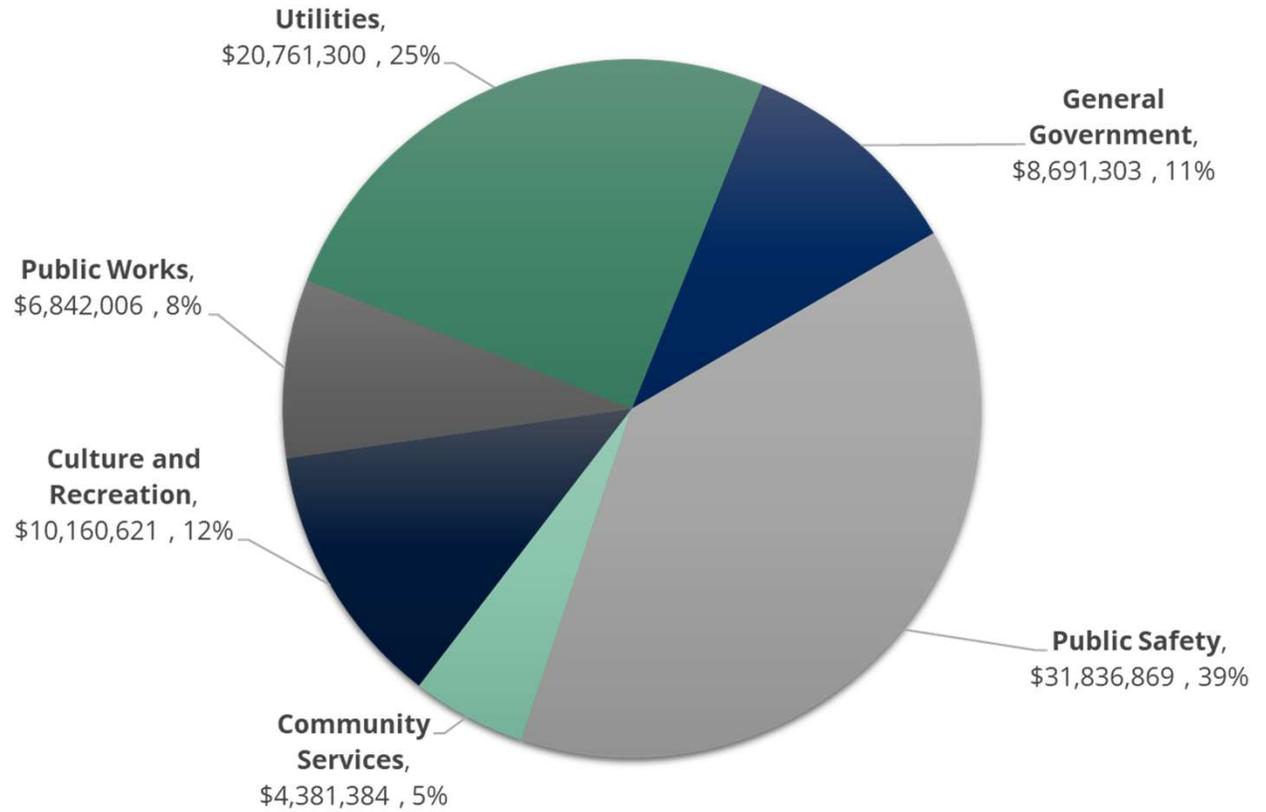


Sources of Funds	FY 2023-2024	% of Total
Ad Valorem Taxes	\$36,361,294	23%
Sales and Use Taxes	10,643,118	7%
Franchise and Other	3,229,300	2%
Fines and Forfeitures	839,200	1%
Impact Fees	578,000	0.3%
Licenses, Permits & Fees	3,384,076	2%
Charges for Services	34,165,498	22%
Intergovernmental	27,377,579	17%
Interest Earnings	2,883,000	2%
Debt Proceeds	18,500,000	11.5%
Miscellaneous	229,800	0.2%
Transfers In	19,574,803	12%
<b>Total Uses</b>	<b>\$157,765,668</b>	<b>100%</b>

# Town-Wide Operating Expenditure Budgets



## FY 2023-2024 OPERATING BUDGET TOWN WIDE



# Fund Balance and Reserve

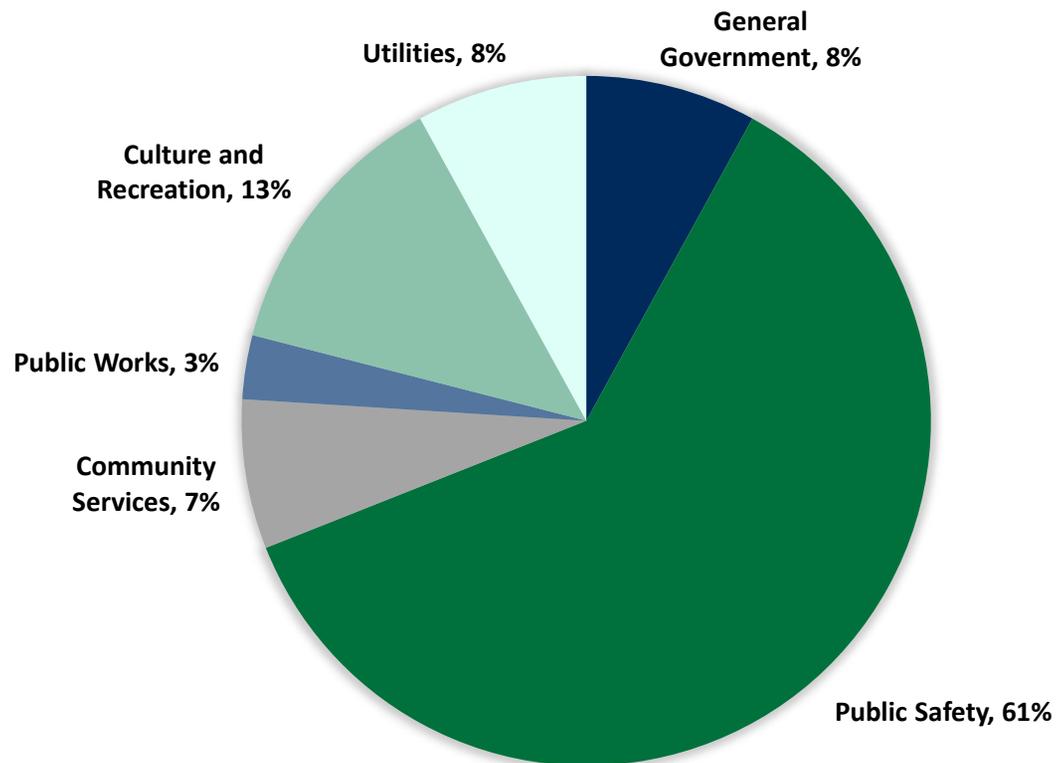


- General Fund Reserve of \$43.5 million, approximately 85%
- Planned draw down of excess reserve over planning horizon
- Utility Fund Working Capital of \$24.9 million, or 449 days
- Council Contingency - \$175,000

# Personnel Overview



## FY 2023-2024 PERSONNEL COSTS BY FUNCTION 371.25 FTE | \$42.3 million

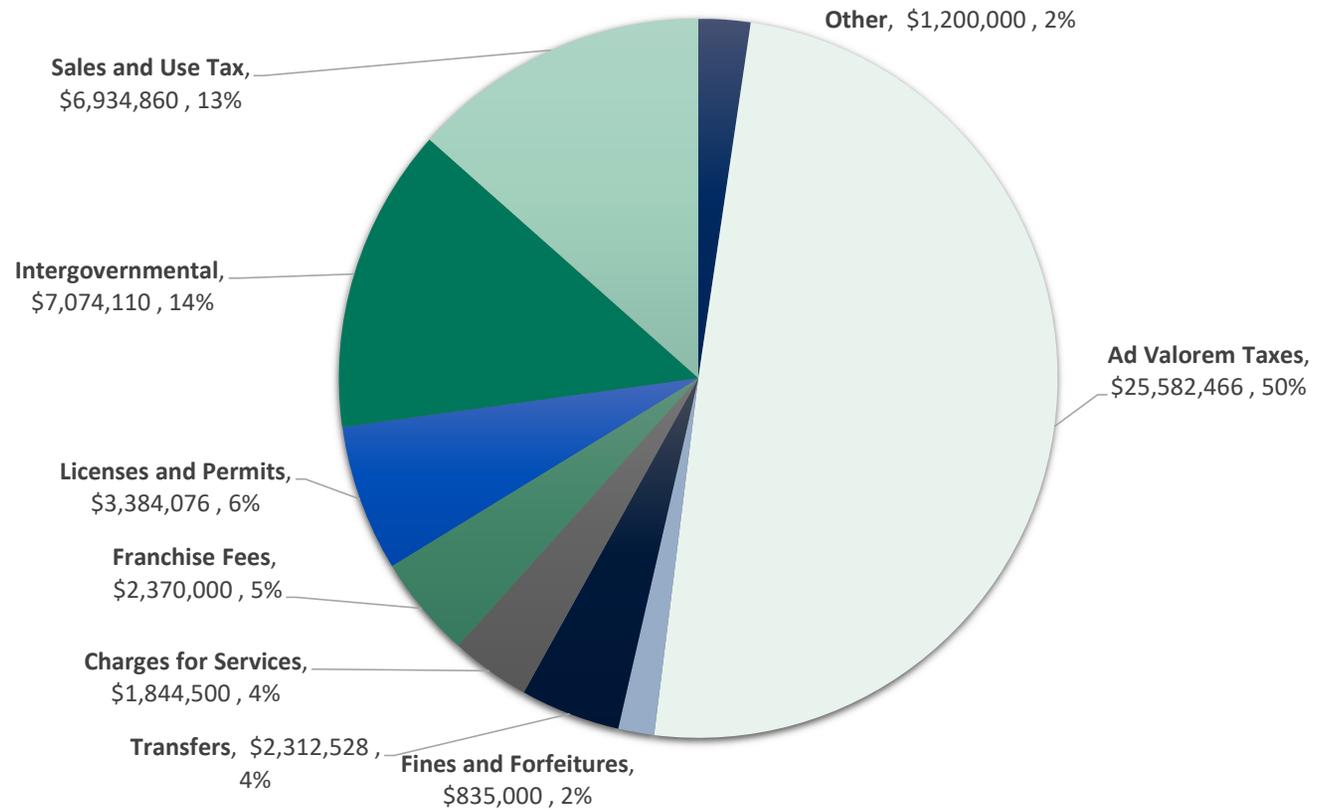


# General Fund

**The General Fund is the fund that houses the basic services of municipal government. These services include Police, Fire, Streets, Development Services, Parks Maintenance, Governmental Administration, and all internal services.**

# General Fund Revenue

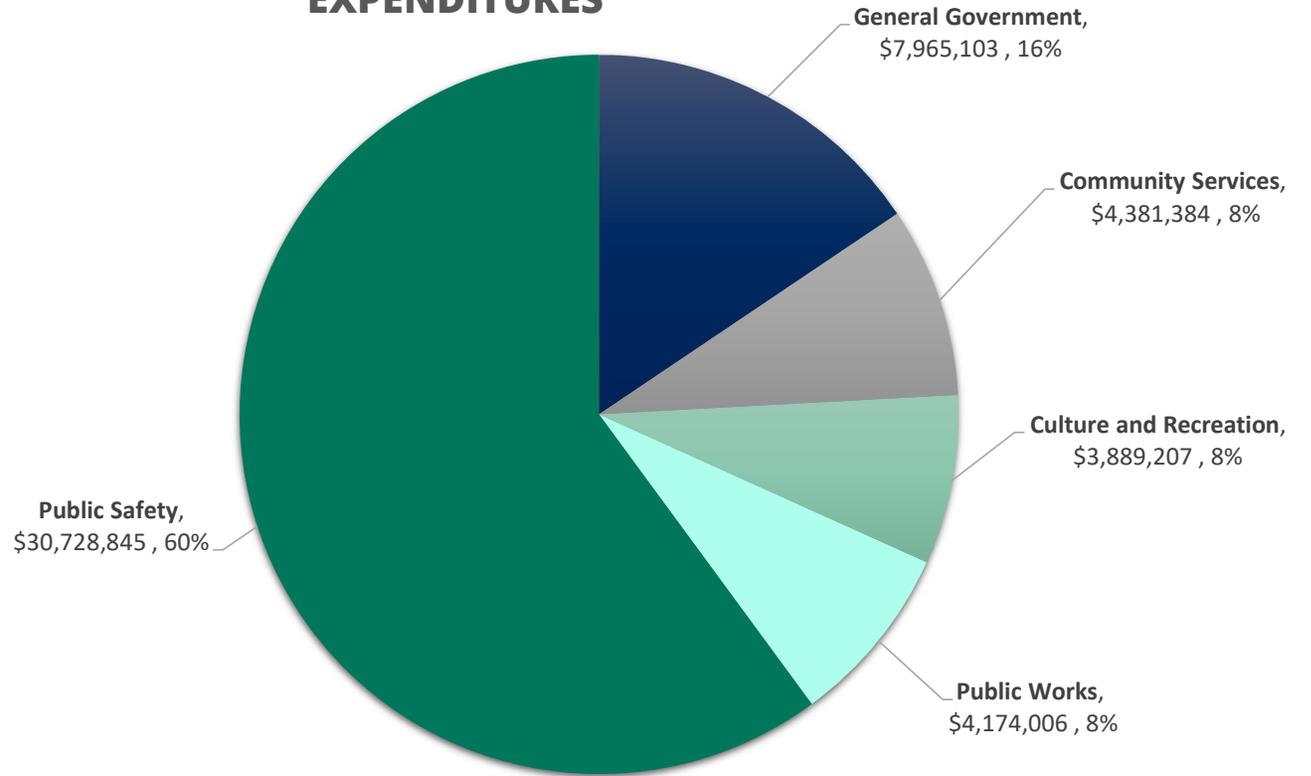
## FY 2023-2024 GENERAL FUND REVENUE



# General Fund Expenditures



## FY 2023-2024 GENERAL FUND OPERATING EXPENDITURES

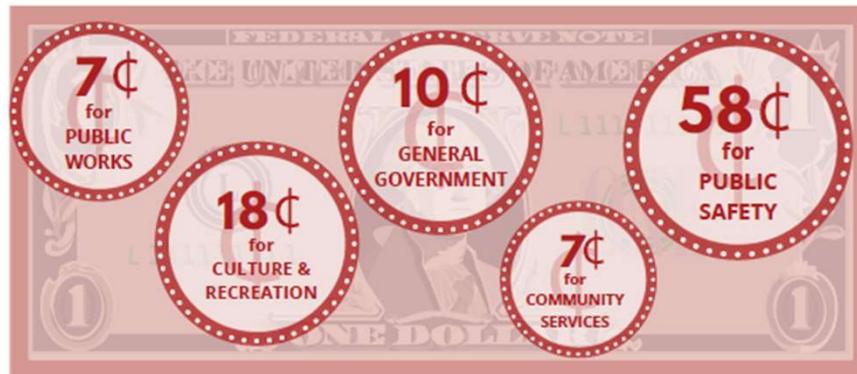
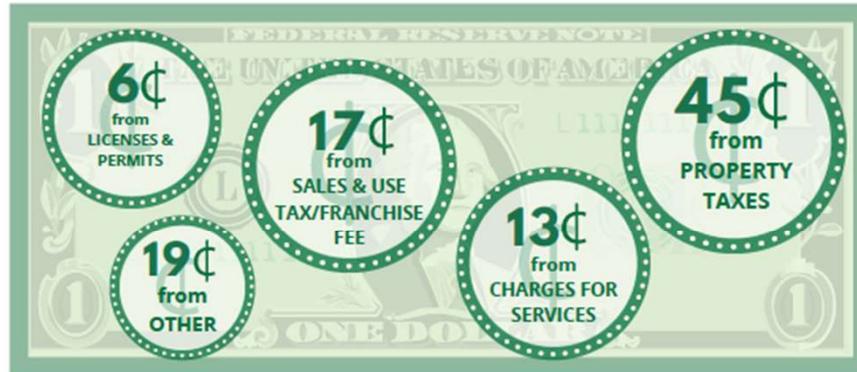


# Summary

## REVENUES & EXPENDITURES SUMMARY



The Town of Little Elm maintains a General Fund that reflects the Town's basic services, including public safety, public works, parks maintenance, development services, general government, etc. The chart below displays General Fund results for the Fiscal Year 2023 in cents to provide an easy to understand summary of activity (e.g., Property Taxes make up 43 cents of every \$1 received; Public Safety accounts for 60 cents of every \$1 spent; etc.)

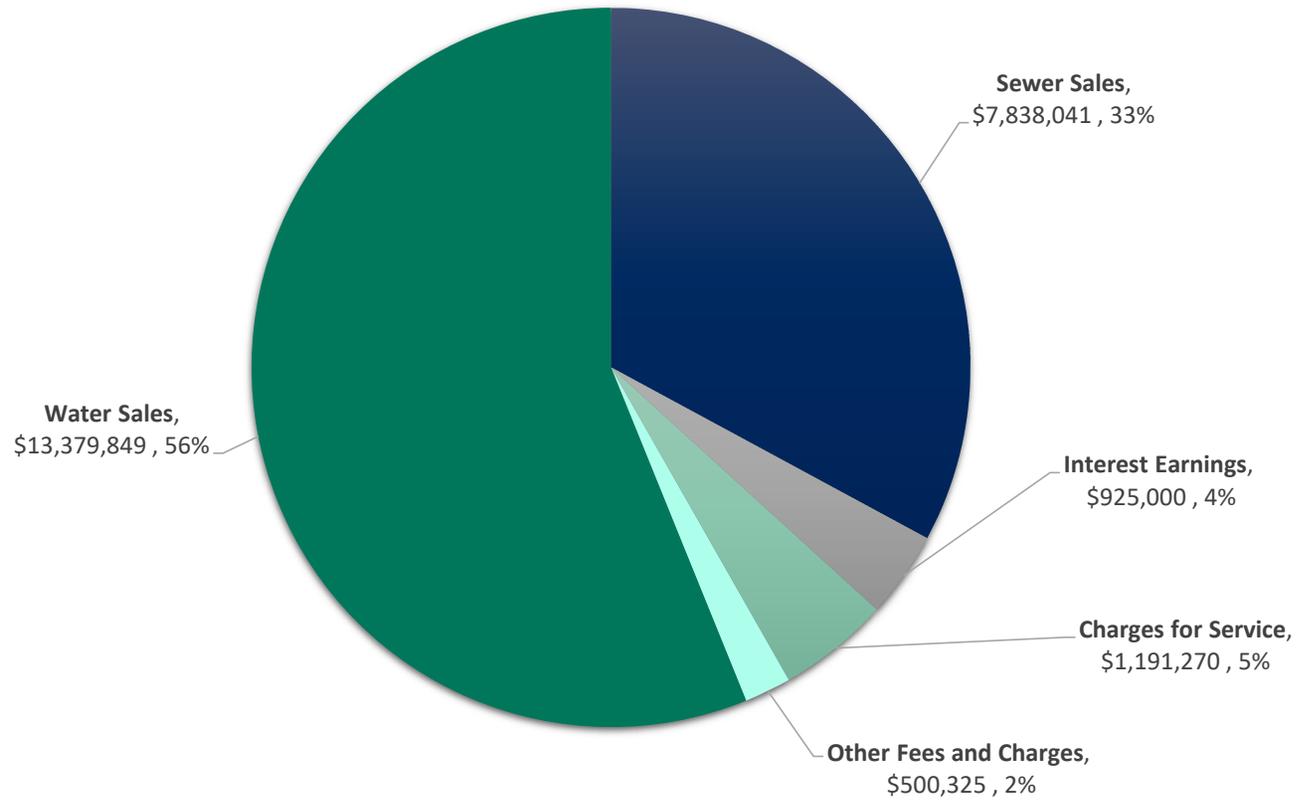


# Utility Fund

**The Water and Sewer Fund (“the utility system”) is 100% self-supporting with rates and charges sufficient to cover operating, debt and various scheduled capital outlay purchases and capital infrastructure projects. The Town operates a full service utility with water production and distribution, sewer collection and treatment as well as meter billing and collection.**

# Utility Fund Revenue

## FY 2023-2024 UTILITY FUND REVENUE

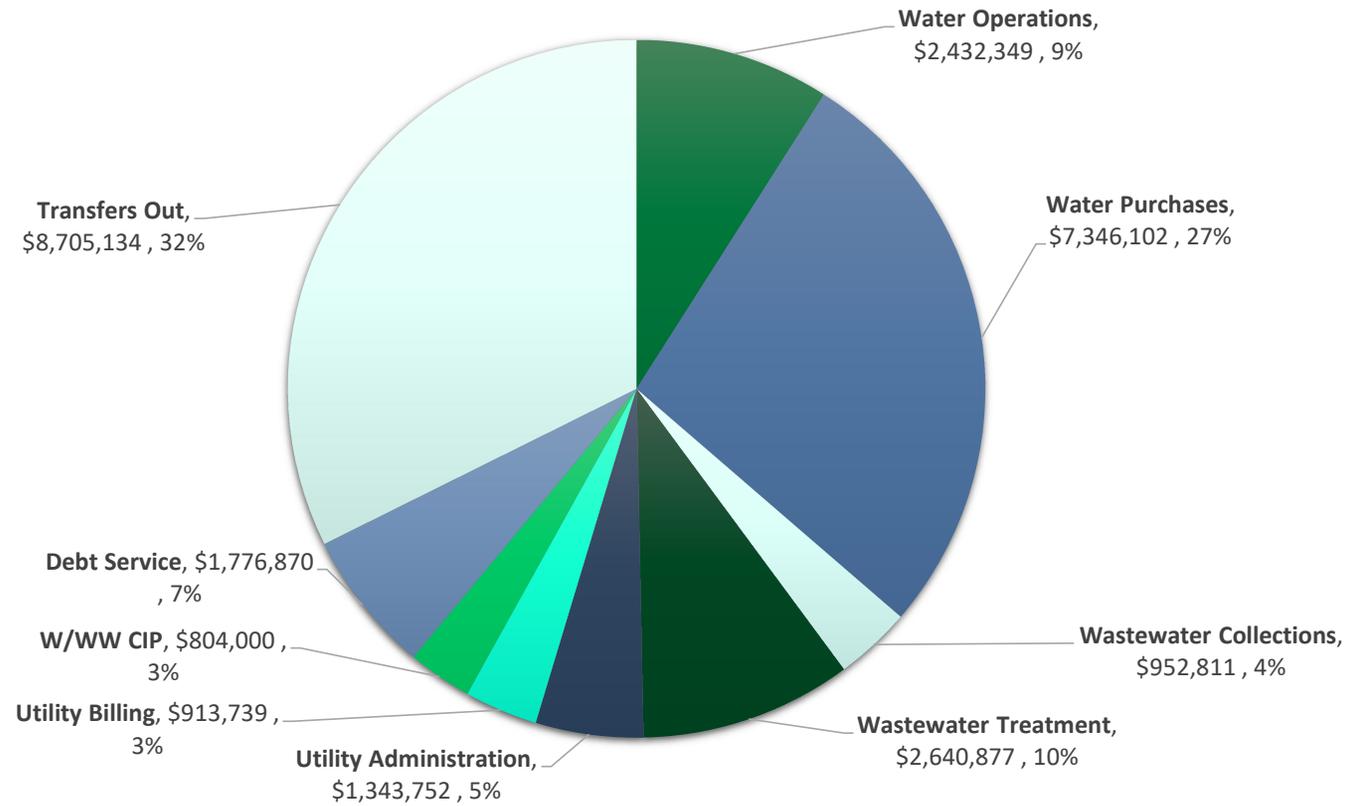


# Utility Rates

- A rate study was completed in 2023 with an outside consulting firm
- In February 2024, Council adopted a 5 year rate plan for water and sewer
  - This plan is reviewed annually
- Purpose is to cover cost of operations and capital needs
- The adopted 5 year rate plan reflects only water rate increases due primarily to North Texas Municipal Water District rate increases to customer cities

## FY 2023-2024 UTILITY FUND EXPENDITURES

# Utility Fund Expenditures



# Other Funds

- Parks & Recreation
- Landscape
- Tax Increment Reinvestment Zone (TIRZ) #3
- Hotel Occupancy Tax Fund (HOT)
- Community Development Corporation (CDC)
- Drainage
- Solid Waste
- Vehicle & Equipment Replacement Fund (VERF)
- Street Improvement and Maintenance
- Capital Project Fund(s)

# Challenges

# Budgetary Challenges

- Capital project over runs
- Market competitiveness
- Unfunded mandates
- Inflation
- Equipment replacement
- Homogeneous revenue sources
- Location

# \$7.397 billion

*The certified taxable value reflects the current tax roll for the Town after the 2023 protests.*



## Property Taxes

*According to Denton County  
Central Appraisal District  
(DCAD)*



# \$7.797 billion

*The 2024 preliminary taxable value reflects the current tax roll for the Town during high protest state.*

This reflects a 5.4% increase in taxable values. Currently, we are seeing approximately 30% of properties under protest.

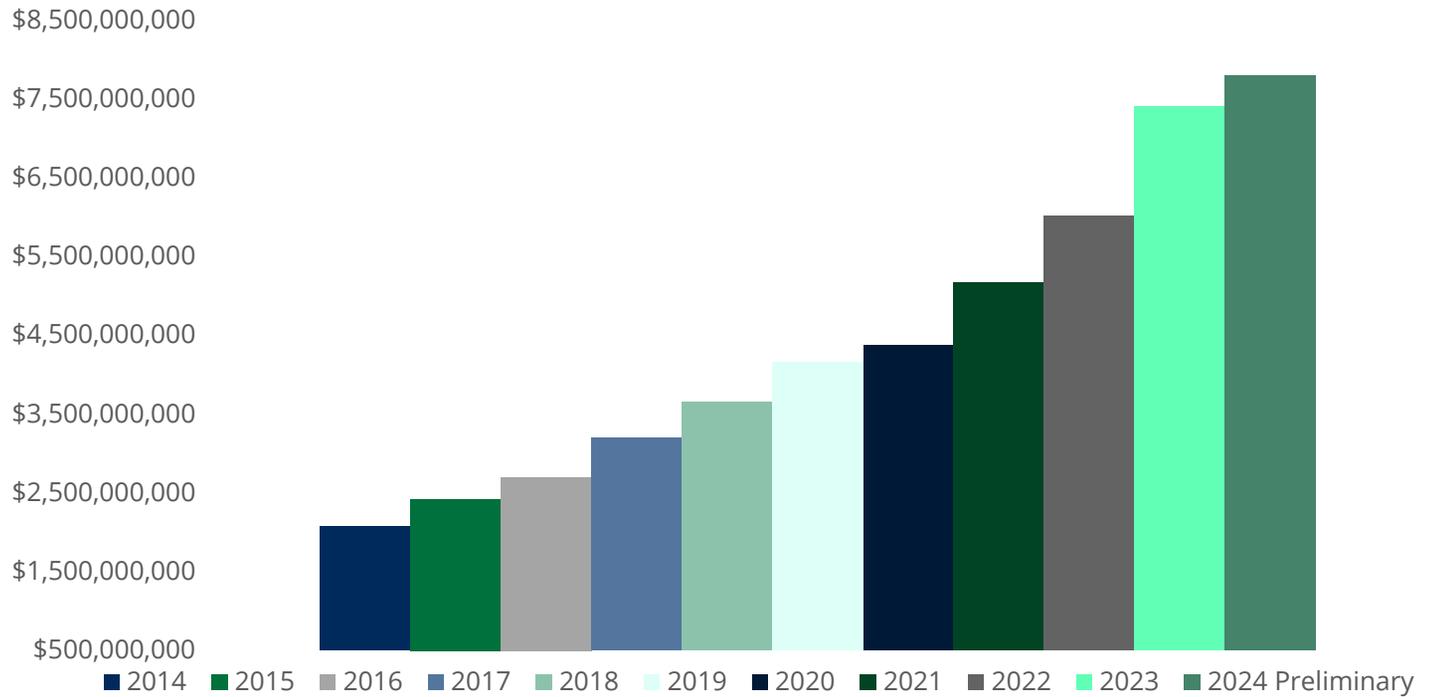
## Property Taxes

*According to Denton County  
Central Appraisal District  
(DCAD)*

# Taxable Value History



## NET TAXABLE ASSESSED VALUATION



## Total Tax Rate

**\$0.589900**

**\$0.440095**

Maintenance and  
Operations  
(M&O) Rate  
75%

**\$0.149805**

Interest and  
Sinking/Debt  
(I&S) Rate  
25%

**Current  
Tax Rate**

# Definitions



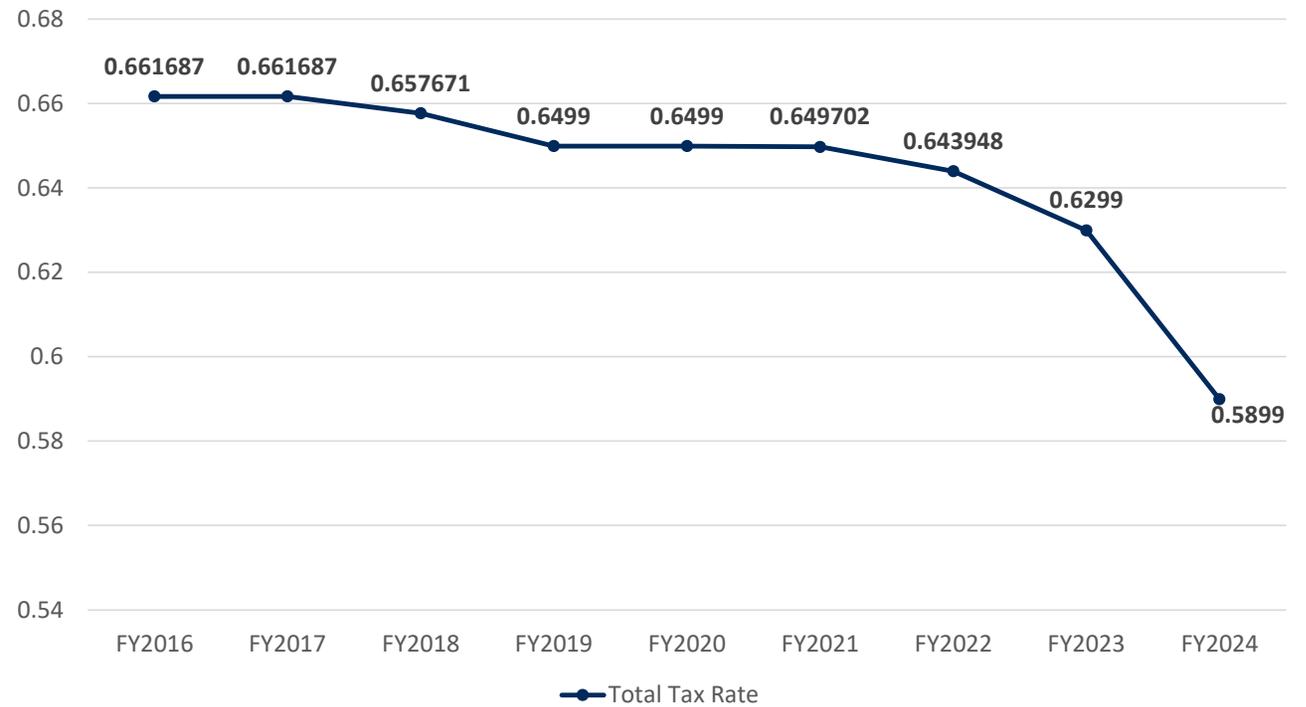
- **Maintenance and Operations (M&O) Tax Rate**
  - The M&O portion is the tax rate that is needed to raise the same amount of taxes that the taxing unit levied in the prior year plus the applicable percentage allowed by law of 3.5%. This rate accounts for such things as salaries and day to day operations.
- **Interest and Sinking (I&S)/Debt Tax Rate**
  - Includes the debt service necessary to pay the taxing unit's debt payment in the coming year. This rate account for principal and interest on bonds and other debt secured by property tax revenue.

# Definitions

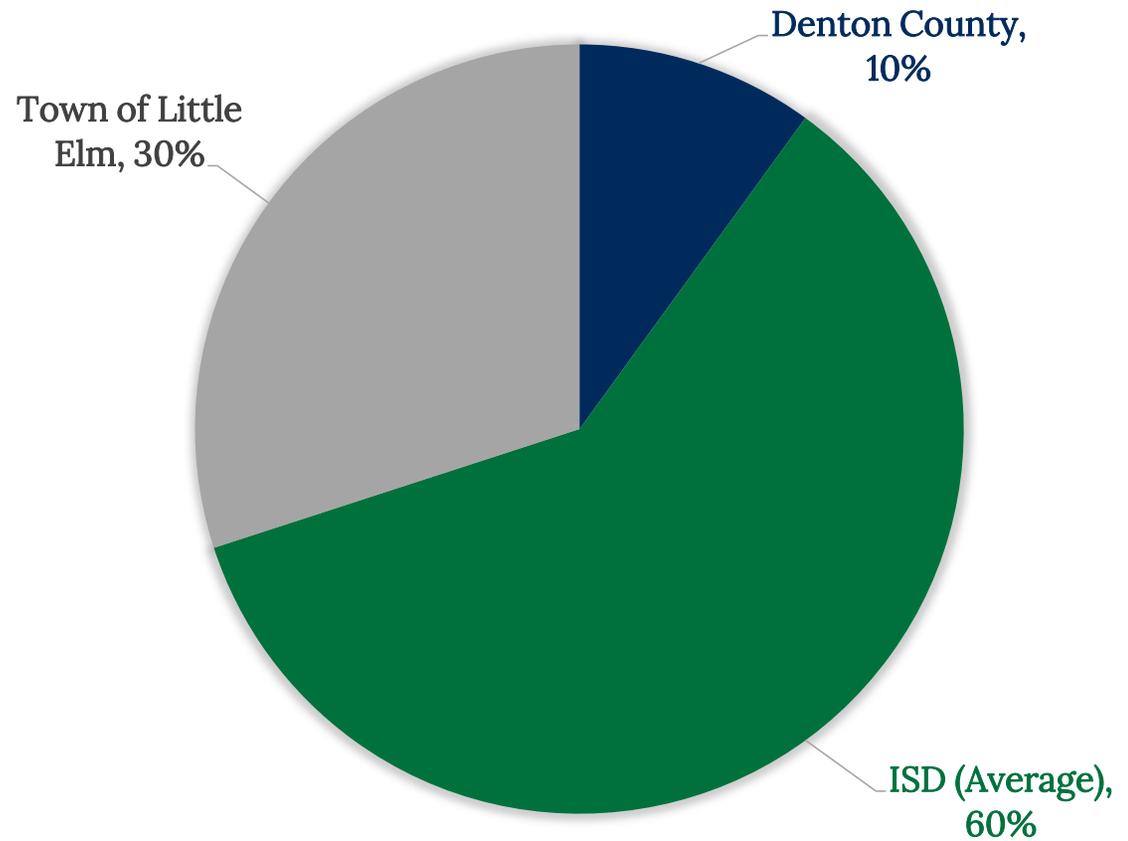


- **No New Revenue Rate (NNR)**
  - This tax rate enables the public to evaluate the relationship between taxes for the prior year and the current year based on a tax rate that would produce the same amount of revenue if applied to the same properties that are taxed in both years (no new taxes). When appraisal values increase, the NNR tax rate should decrease.
  
- **Voter Approval Rate (VAR)**
  - The highest tax rate that a taxing unit may adopt without holding an election to seek voter approval of the rate.

# Tax Rate History



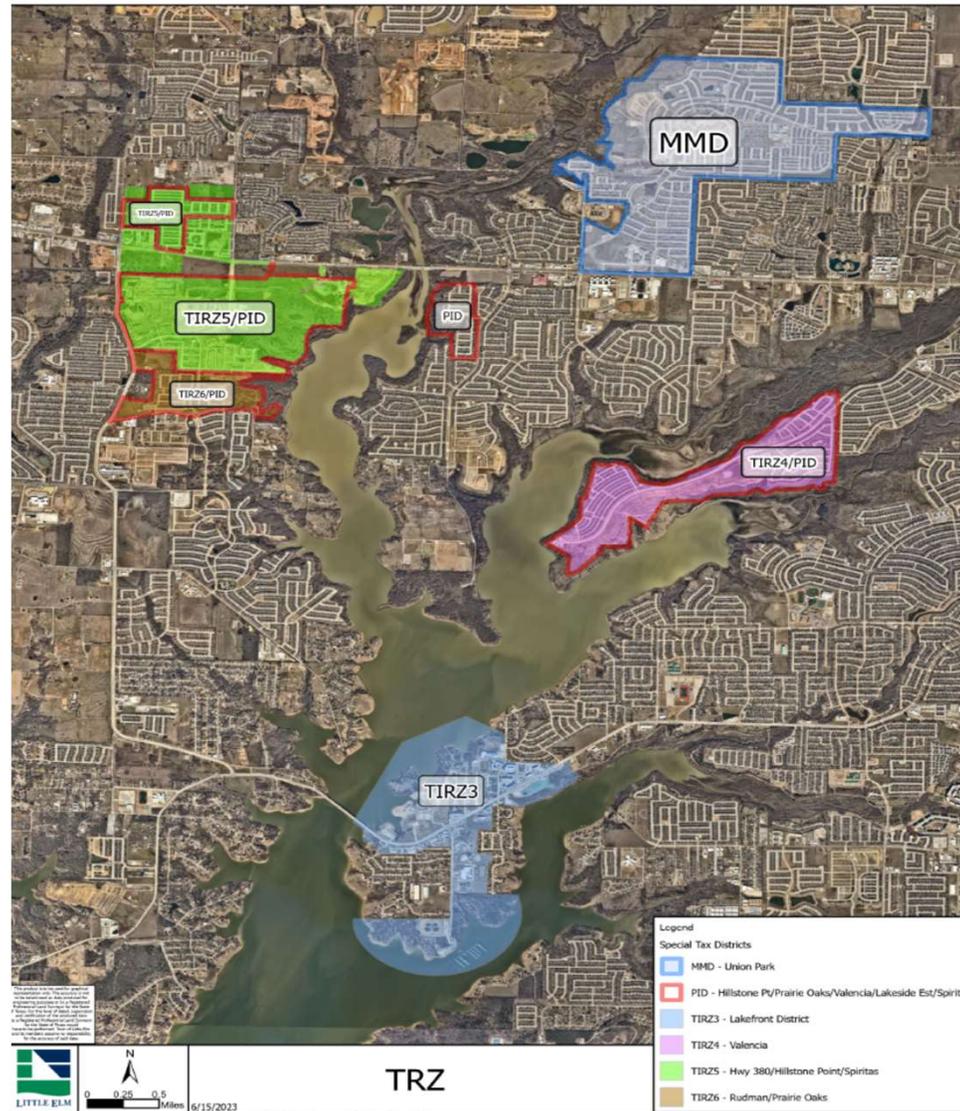
# Where do our taxes go?



# Special Districts

- Public Improvement District (PID) – 7 total PIDs
  - Hillstone Pointe
  - Prairie Oaks
  - Valencia and Valencia #2
  - Lakeside Estates
  - Spiritas Ranch and Spiritas East
- Tax Increment Reinvestment Zone (TIRZ)
  - TIRZ 3 – Lakefront (100%)
  - TIRZ 4 – Valencia (46%)
  - TIRZ 5 – Spiritas (50%)
  - TIRZ 6 – Prairie Oaks (30%)
- Municipal Management District (MMD)
  - Union Park (46%)

# Special Districts





# Special Districts – Sample 2023 Tax Bill

	Sunset Pointe	Valencia	Prairie Oaks	Union Park
ISD (average)	3,520.38	3,520.38	3,520.38	3,520.38
Little Elm Rate	2,330.11	1,258.26	1,631.07	1,258.26
Development Tax Share		1,071.85	699.30	1,071.85
County Rate	740.98	740.98	740.98	740.98
PID Assessment		1,898.36	1,894.01	
MMD Rate				2,046.10
<b>Total</b>	<b>6,591.47</b>	<b>8,489.83</b>	<b>8,485.74</b>	<b>8,637.57</b>

*based on average home value of \$350,000 with 2023 tax rates and exemptions as applicable*

# Exemptions

# Senior Tax Freeze

Frisco	• \$80,000
Grapevine	• \$60,000
Rowlett	• \$60,000
Rockwall	• \$60,000
Lewisville	• \$60,000
Denton	• \$50,000
Celina	• \$30,000
Corinth	• \$20,000
Little Elm	• \$10,000
Prosper	• \$10,000
The Colony	• \$10,000

# Disabled Person Tax Freeze

Frisco	• \$80,000
Denton	• \$50,000
Rowlett	• \$50,000
Celina	• \$30,000
Lewisville	• \$20,000
Corinth	• \$20,000
Little Elm	• \$10,000
Grapevine	• \$10,000
The Colony	• \$10,000
Prosper	• \$3,000
Rockwall	• \$-

# Homestead Exemption

Celina	• \$-
Corinth	• \$-
Denton	• 0.5%; \$5,000 minimum
Frisco	• 15%; \$5,000 minimum
Grapevine	• 20%; \$5,000 minimum
Lewisville	• \$-
Little Elm	• \$-
Prosper	• 15%; \$5,000 minimum
Rockwall	• \$-
Rowlett	• 1% or \$5,000 minimum
The Colony	• \$1% or \$5,000 minimum

# Primary Residence Homestead Exemption



- Must adopt exemption before July 1.
- Percentage exemptions with a minimum of \$5,000 of the appraised value.
- Cannot exceed 20%.
- 64% of the Town's Single Family Residence have filed for a homestead exemption for their primary residence.

# Homestead Exemption Impact – Town-wide

2024 Preliminary Assessed Taxable Values (\$)	Homestead (%)	Minimum Homestead (\$)	Revenue Decrease @ \$0.5899 (\$)	# of Homestead Exemptions with minimum \$5K
6,808,342,796	1%	83,163,791	490,583	11,828
6,808,342,796	2%	137,591,358	811,651	683
6,808,342,796	5%	340,817,656	2,010,483	236
6,808,342,796	6%	408,759,903	2,411,275	132
6,808,342,796	8%	544,828,627	3,213,944	85
6,808,342,796	10%	680,947,381	4,016,909	58

# Tax Stabilization Strategies

# Homestead Exemption Impact - Resident

## Little Elm Tax Bill

Exemption	Annual Savings
1%	\$29
2%	\$51
5%	\$128
6%	\$153
8%	\$204
10%	\$255

*based on average home value of \$432,608*

# Tax Rate Reduction Impact - Resident

## Little Elm Tax Bill

Proposed Tax Rate	Reduction Amount	Annual Savings
\$.58740	\$.025	\$11
\$.58490	\$.050	\$22
\$.58240	\$.075	\$32
\$.57990	\$.01	\$43

*based on average home value of \$432,608*



# Town Council Budget

# Proposed Budget

Line Item	Amount
Office Supplies	\$250
Apparel	\$1,000
Strategic Planning	\$10,000
Service Contract (SPAN)	\$35,000
Cell Phone Service	\$4,200
iPad Replacements	\$1,500
Candy for parade events	\$500
Floats for Christmas Parade	\$6,000
Food for Council Meetings	\$5,000
Friends of the Library Trivia Tables	\$750
Brew & Que Tickets	\$3,000
Chamber Banquet	\$800

# Proposed Budget

Line Item	Amount
Swag	\$2,000
Chamber Membership	\$600
North Texas Commission (NTC) Membership	\$4,700
North Central Texas Council of Governments (NCTCOG) Membership	\$5,500
Texas Municipal League (TML) Membership	\$6,500
Denton County Days	\$2,000
Newly Elected Officials Training	\$2,000
TML Annual Conference	\$6,000
Citizens Government Academy	\$3,000
Council Special Projects (Mayor's Math Challenge, Veterans Committee, Youth Council)	\$8,000
Veterans Banquet	\$10,000



# Current Requests

Request	Amount
Parade Float – cost increase for two plus a third one for Veterans/Youth to share	\$5,000
State of the Town Sponsorship	\$5,000
Council Training (\$3,000/TC Member; \$5,000 Mayor)	\$13,000*
Funds for Strategic Planning Process (split between two fiscal years)	\$30,000

*\*\$10,000 is already budgeted. The amount is for the difference.*

# QUESTIONS

