

TOWN OF NORTHLAKE

FISCAL YEAR 2021-2022 ANNUAL BUDGET

TRANSMITTAL LETTER

Honorable Mayor & Councilors of the Town of Northlake,

In accordance with the Town of Northlake Charter and the State of Texas Local Government Code, I am pleased to present the adopted budget for the fiscal year 2021/2022, which staff developed to achieve Town Council's Strategic Goals. As a financial planning document, the budget identifies the resources needed to maintain services at current levels for a growing population. Northlake continues our practice of long-term strategic investment of capital dollars to diversify our future tax base. As more residents and new businesses relocate to Northlake, their expectations for high-quality Town services follow. The new homes, stores, offices, and warehouses added to the Town's property tax rolls will provide resources to fund Town services such as police and public works, construct and expand water and sewer systems, and improve the Town's road system. This balanced budget delivers personnel and infrastructure using verifiable and sustainable resources.

Overview

The adopted budget includes total revenues of \$33,753,618 and expenditures of \$52,966,936. Expenditures exceed revenues by \$19,213,318 due to \$23,997,202 of capital improvements in the Capital Projects Fund & Water Capital Projects Fund. Excluding capital improvements, the overall budget contains a surplus (revenues over expenditures) of \$4,783,884. The fund balance of the General Fund is projected to increase by \$184,749. This message discusses the major issues addressed in the FY2021/2022 budget. Highlights include:

Personnel Totaling \$6,354,099

3 Police Positions	1 Administrative Position
3 Public Works Positions	Salary Adjustments to 50% of the Market
2 Development Services Positions	Longevity Pay

Equipment & Technology Items Totaling \$775,698

2 New Police Patrol Vehicle	Taser Upgrade (Police)
2 New Public Work Trucks	5 Backup Radio Units (Police)
4 Replacement Vehicles for Police	10 License Plate Readers (Police)
2 Replacement Vehicles for Public Works	Police Video Storage System
Trench Shoring (Public Works)	

Capital Improvement Projects Totaling \$24,397,202

Repair of Canyon Falls & Dale Earnhardt Road Failures	Catherine Branch Water and Sewer Projects (Phase I & II)
Florance Road Reconstruction (Strader to Yarbrough)	Development Services Office Finish Out
Faught Road Reconstruction (Old Justin to Robson Ranch)	North Ground Water Storage Tank
North Elevated Water Storage Tank	Water Line Oversizing Participation
South Elevated Water Storage Tank	Denton Creek Sewer Trunk Line - Phase I (Study)
South Area Water Improvements: Pump Station, Ground	Storage Tank and Water Line

STRATEGIC GOALS BUDGET FOCUS AREAS

The Fiscal Year 2021/2022 budget development started in January of the prior year. The process involved several meetings with Town Council and Town Staff. The Town Manager provided his budget focus areas to develop a budget to address the Town's challenges. Below is a discussion of the budget focus areas, the challenge it addresses, and what resources and actions the Town dedicates to them.

EFFECTIVELY MANAGE PUBLIC RESOURCES



The Town of Northlake has maintained a tax rate of \$0.295 for the past 23 years. The Town Council has prioritized keeping the low tax rate to maintain service levels and invest in infrastructure. What does change about the Town's tax rate is the proportion of Maintenance & Operations (M&O) rate to the Interest & Sinking rate (I&S). A more straightforward way of distinguishing between the two is operations vs. debt. The Town's operating expenditures have increased to meet the growth in population. Staff is proposing to adopt the de minimus tax rate, which will allow the Town to increase the M&O rate by 7% or \$0.019859. Adopting this higher operating rate will create a sustainable funding source for operations this year and in the future. The Town's debt rate will decrease to \$0.128313, which maintains the total tax rate of \$0.295. The Town will issue the 2021 Certificates of Obligation this fall and make a significant upfront debt payment, which will lessen the impact of the issuance on future tax rates.

	2020-2021 Last Year	2021-2022 Current Year
Maintenance & Operations (M&O)	\$0.146828/\$100	\$0.166687/\$100
Interest & Sinking (I&S)	\$0.148172/\$100	\$0.128313/\$100
Total Property Tax Rate	\$0.295000/\$100	\$0.295000/\$100

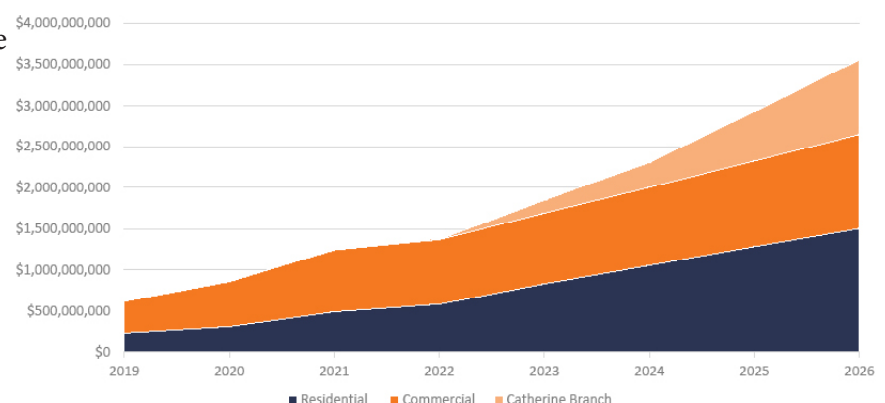
DIVERSIFY THE TAX BASE



The Town's residential property tax base grew by 70% last year. Without a corresponding growth of the commercial tax base, residents of the Town will begin to bear a more significant proportion of service costs. The Town will utilize the 2021 Certificates of Obligation to fund the second phase of a sewer line across the Catherine Branch to

provide sewer utilities to a booming commercial sector on the south side of Northlake. The Catherine Branch infrastructure investment will balance the growth in the residential base, providing future property tax relief and a sustainable source of funding for the service of a growing population. At buildout, the three entitled developments, which are only about one-third of available land, will yield over \$1,000,000 in additional annual property tax revenues.

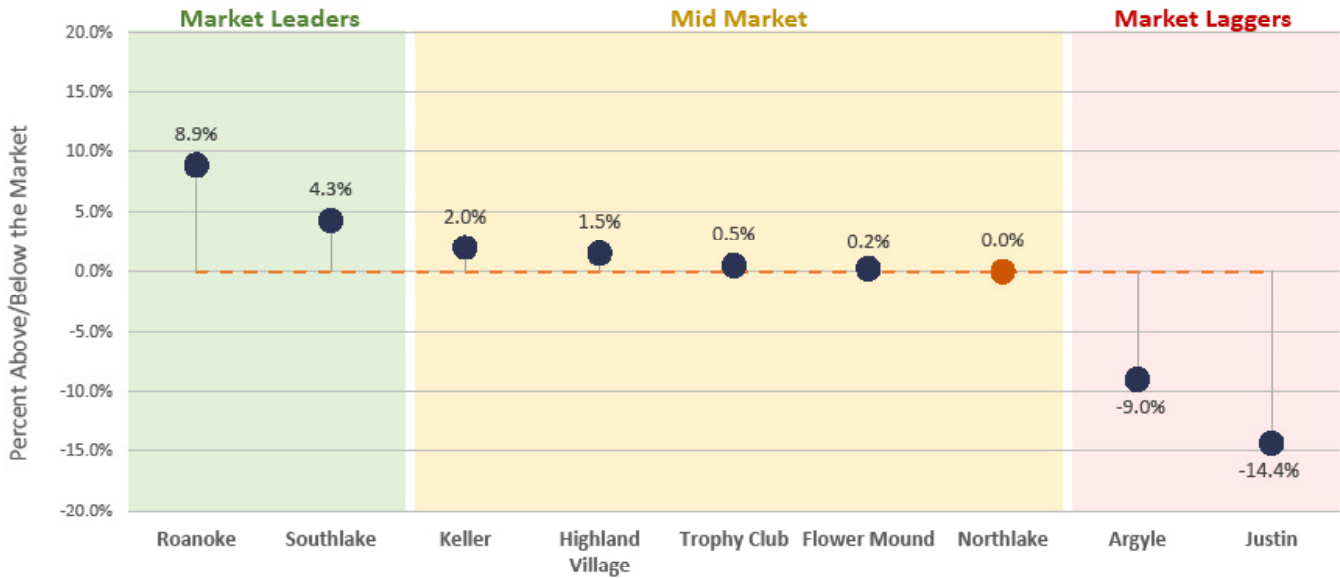
PROPERTY TAX BASE



OPERATE EFFICIENTLY & EFFECTIVELY



Services are provided to the residents and businesses of Northlake by the Town's employees. Compensation represents the most significant expense to the Town behind capital investment. The FY 2022 budget includes an adjustment to put employee compensation at the middle of the surrounding labor market. The increase will bring total employee compensation to 50% of the market, which aids in recruitment, increases retention, and lowers the cost of retraining. The Town will also institute a longevity policy to incentivize long-term retention of staff.



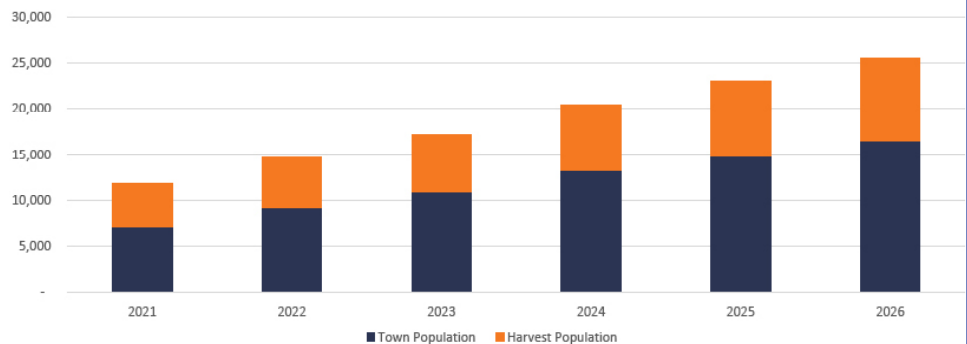
RESPONSIBLY MANAGE GROWTH



The immediate challenge facing the Town of Northlake is maintaining service levels with growth in our residential population. Based on the most recent figures from the North Central Texas Council of Governments, the Town of Northlake grew by almost 50% last year, which was the highest growth rate in the region.

The FY 2022 budget includes nine new positions to mitigate the growth in service demand. The Police department is adding three new officers, two dedicated to increasing shift coverage, and the third dedicated to traffic enforcement. These positions add two new patrol vehicles to the fleet. Increased police presence ensures that response times don't lengthen due to a growth in call volume.

Service Area Population Five-Year Projection



The adopted budget adds three new Public Works positions: a Senior Plant Operator needed to meet regulatory requirements of new elevated storage tanks, pump station, and wastewater treatment plant; a Senior Infrastructure Inspector to keep up with the growing inspections of new public infrastructure; and a Maintenance Worker that will help with the maintenance of the growing utility infrastructure.

Development Services is proposing to add two new positions next fiscal year: a planner to take on the development review functions and work with the newly created Planning and Zoning Board and Board of Adjustment, and a Development Analyst/Grants Coordinator to manage funding from the American Rescue

Plan and assist with development recruitment. The positions are budgeted for three quarters of the year due to office space availability in Town Hall. The Development Services building is currently under construction, and the estimated completion date is early in 2022.

CONCLUSION

The Fiscal Year 2021/2022 budget reflects the Council's strategic goals and budget focus areas. It serves as an operating guide for management staff and the Town's financial plan concerning anticipated appropriations and projected revenues. With the growth in property tax revenue due to new construction, the stabilization of sales tax revenue, and the expected growth in development-related fees, the Town can support increased demand for services and expansion of the Town's infrastructure with a proportional increase in resources. This operating plan will maintain existing service levels but for a greater number of residents, customers, and businesses and for activities with an increased level of complexity. The budget will continue to use new resources to invest in infrastructure upgrades and personnel to accomplish core municipal functions.

Sincerely,

A handwritten signature in black ink, appearing to read "Drew Corn". The signature is fluid and cursive, with the first name "Drew" and the last name "Corn" clearly distinguishable.

Drew Corn
Town Manager

