

Departments

Government

Residents

Businesses

Visitors

About Us



The Woodlands Township *Budget Planning Session*

May 19, 2023

www.thewoodlandstownship-tx.gov

The Woodlands Township • 2801 Technology Forest Boulevard • The Woodlands, Texas 77381

Budget Planning Session

- **Consolidated Base Budget**
- **Overview of Budget Components**
 - ✓ Debt Profile
 - ✓ Reserves
 - ✓ Expenditures (services and amenities)
 - ✓ Sales Tax, Hotel Tax, and Property Tax Revenues
- **Board Discussion**
 - ✓ 2024 Budget Initiatives
 - ✓ Homestead, 65 and Older/Disability Exemptions

Township Funds – Revenue and Expense “Buckets”

General Fund



Revenue

- Property Tax
- Sales Tax
- Events Tax
- Program Fees
- Grants
- Interest
- Other

Expenses

- Department Operating Expenses
- Other Expenses

Debt Service Funds



Revenue

- Property Tax
- Hotel Tax

Expenses

- Debt Service on Bonds

Capital Funds



Revenue

- Interest

Expenses

- Capital Project Expenses

EDZ Funds



Revenue

- Sales Tax

Expenses

- EDZ Expenses

Transportation Fund



Revenue

- Grants
- Bus Fares

Expenses

- Administrative
- Park & Ride
- Trolleys

Visit The Woodlands



Revenue

- Supplemental Hotel Tax

Expenses

- VTW Expenses

Township Funds – Transfer of Funds Examples

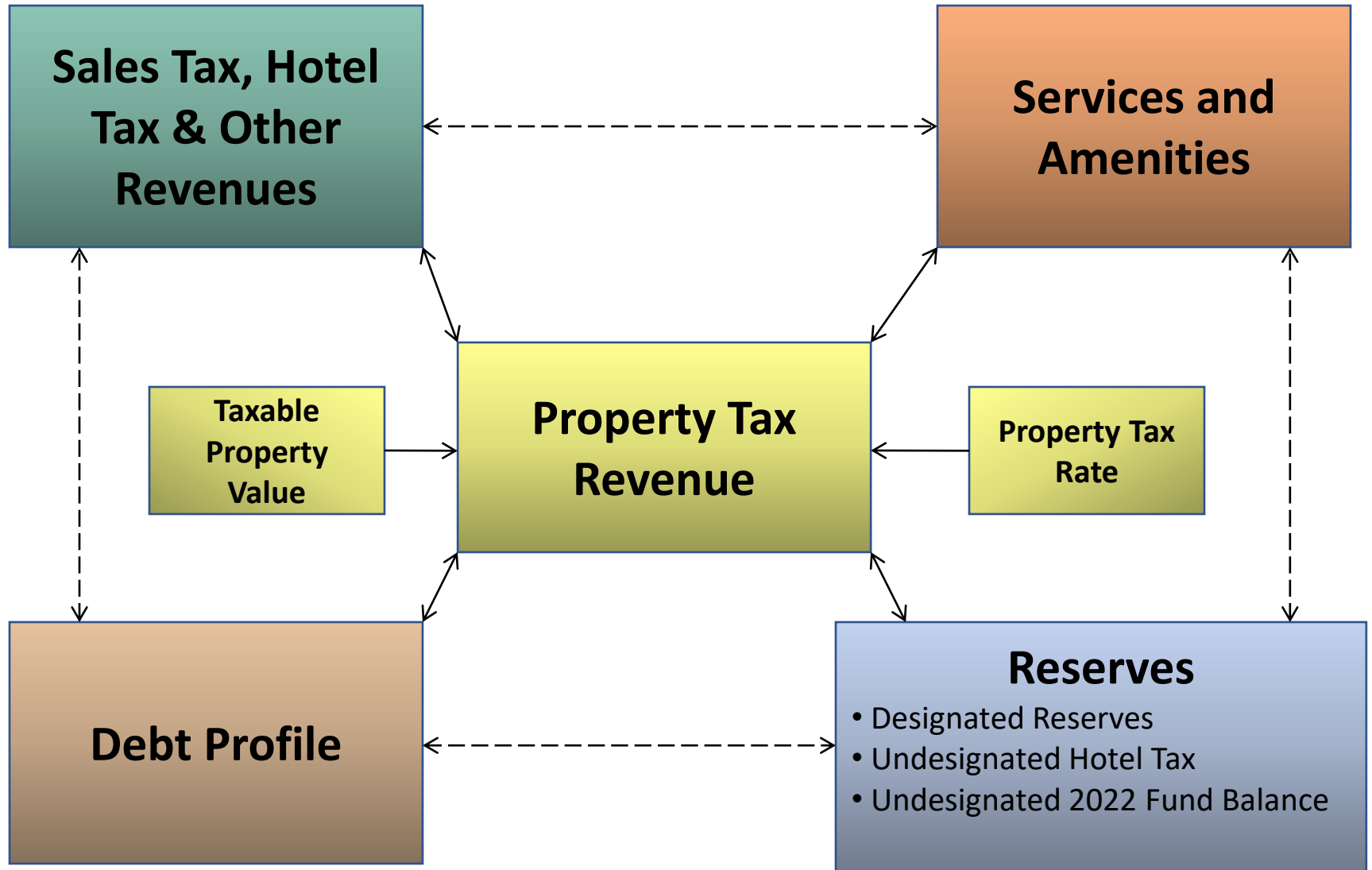
Funding for New
Capital Assets



Sales and Use Tax
for Public Safety



Balancing Budget Priorities

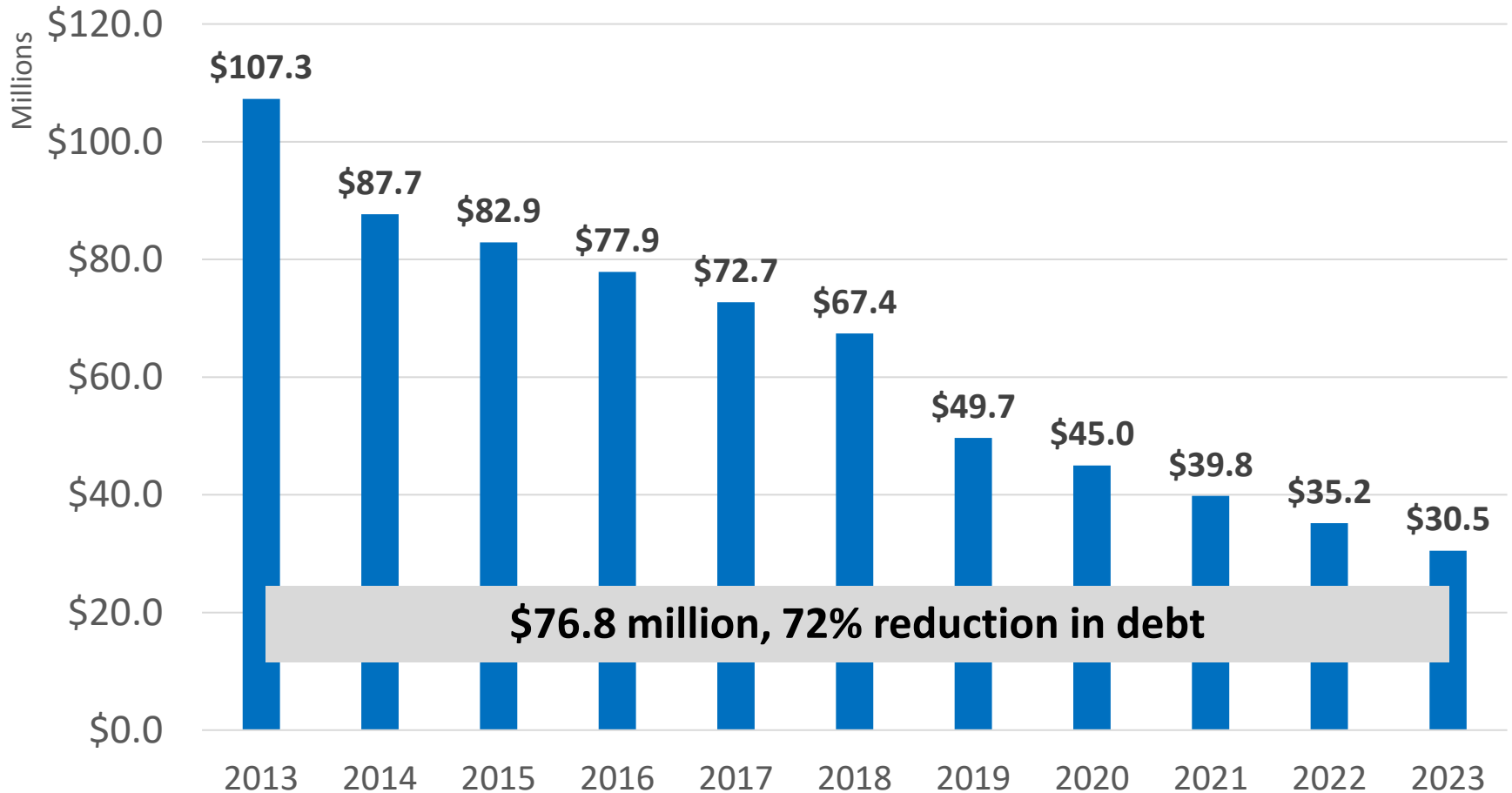


Debt Profile

Debt Profile Highlights

- **Paid off \$22.7 million** of debt over past 9 years
 - ✓ \$6.8 million savings in interest expense
- **Refinanced \$46.5 million** of debt over past 7 years
 - ✓ \$5.7 million savings in interest expense
- **Achieved Bond rating of AA+**
 - ✓ Highest bond rating held by a special purpose district
 - ✓ Credit rating agency comments include:
 - Strong fiscal management
 - History of sound reserves
 - Conservative budgeting principles
 - Large and diverse tax base
 - Low debt and post employment benefit burdens

Outstanding Debt Balances 2013 - 2023

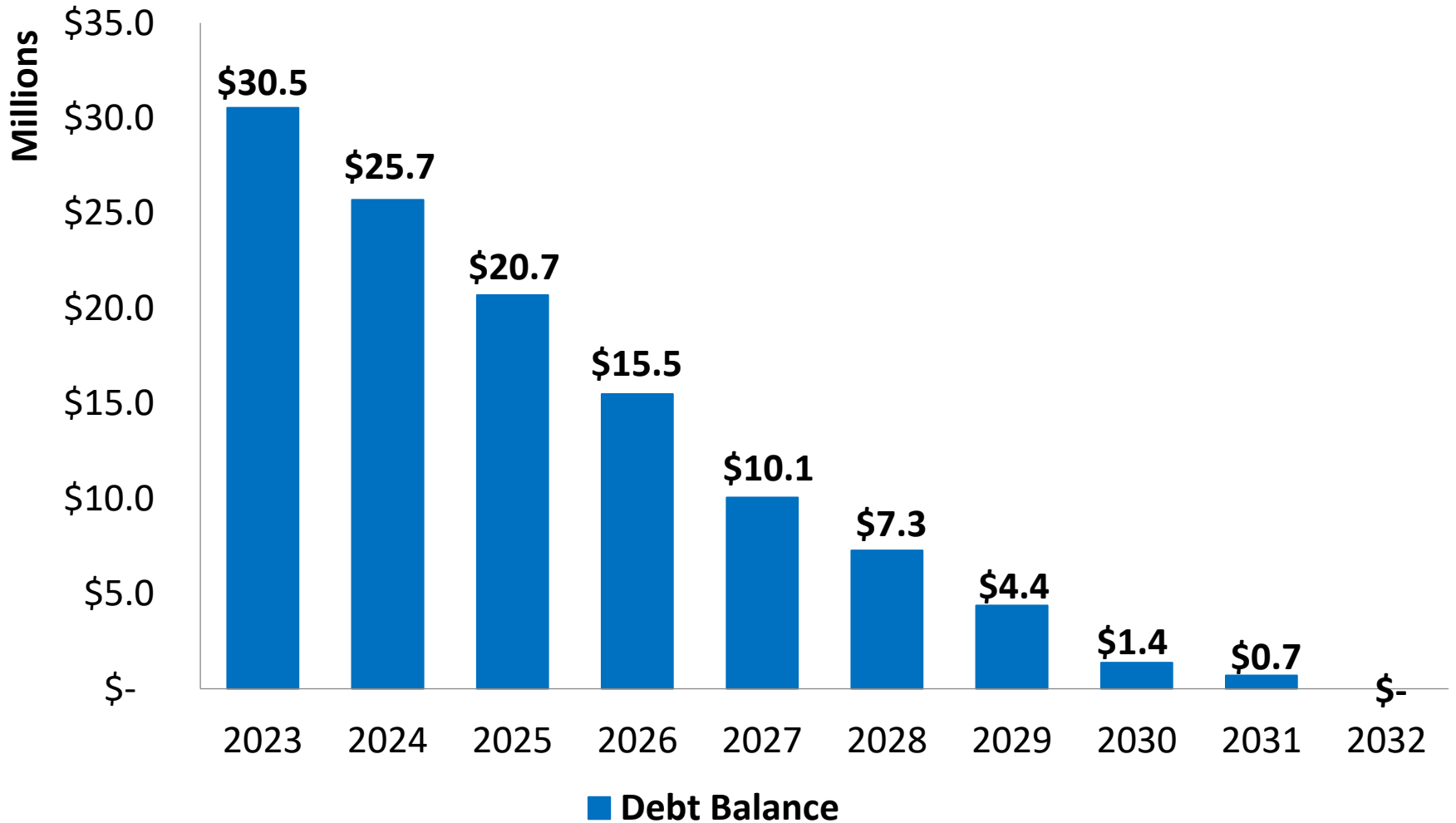


Debt Summary

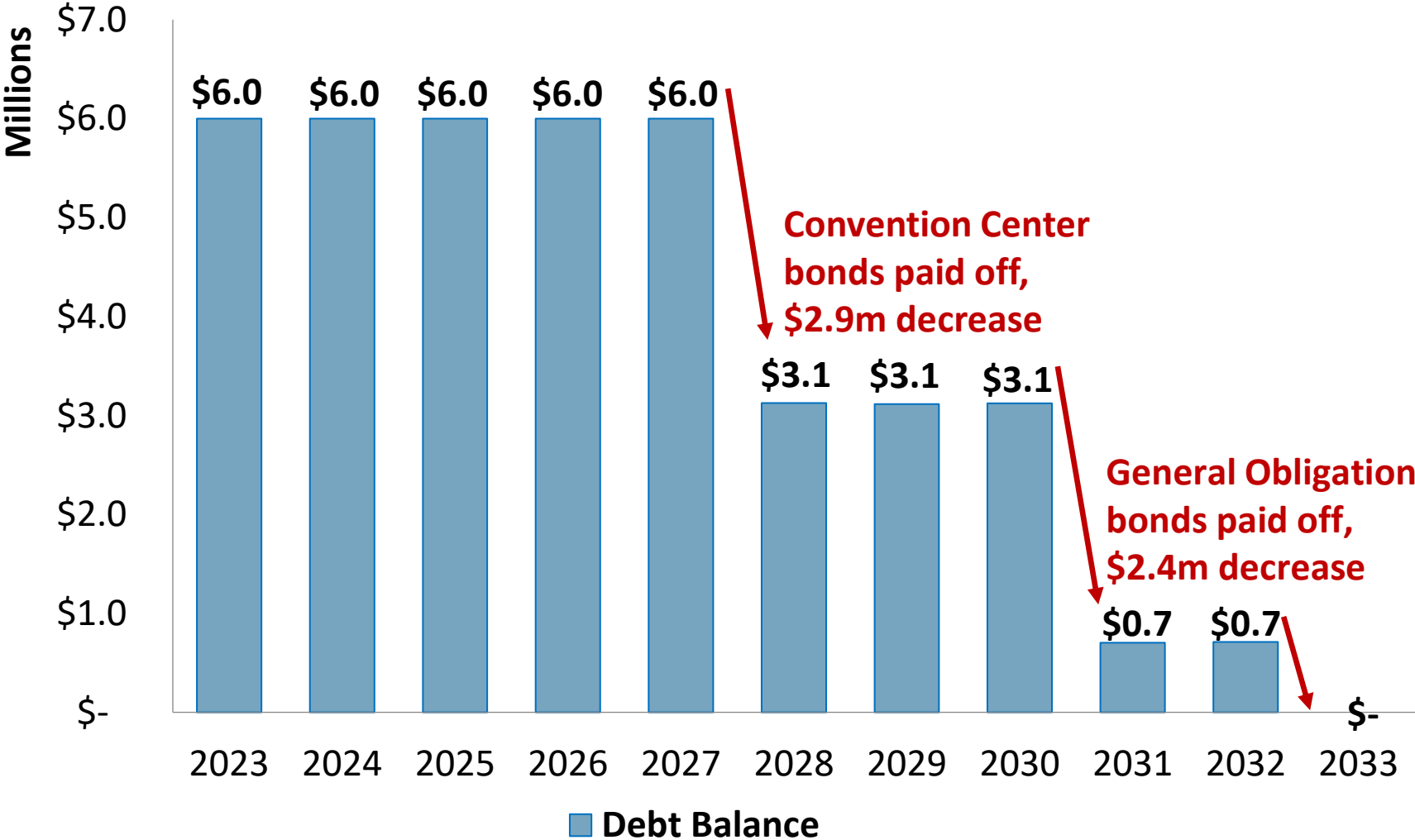
Bond Issuance	Outstanding Debt @ 12/31/23	Annual Debt Service	Funding Source
Convention Center	\$10.3 million	\$2.9 million	Base Hotel Tax
Parks & Rec / Fire Dept.	\$20.2 million	\$3.1 million	Property Tax (\$0.0121)
Total	\$30.5 million	\$6.0 million	

- All outstanding debt has been refinanced at historically low rates.
- The bonds are not callable until their respective maturity dates.

Ten-Year Plan Debt Balances (at end of year)



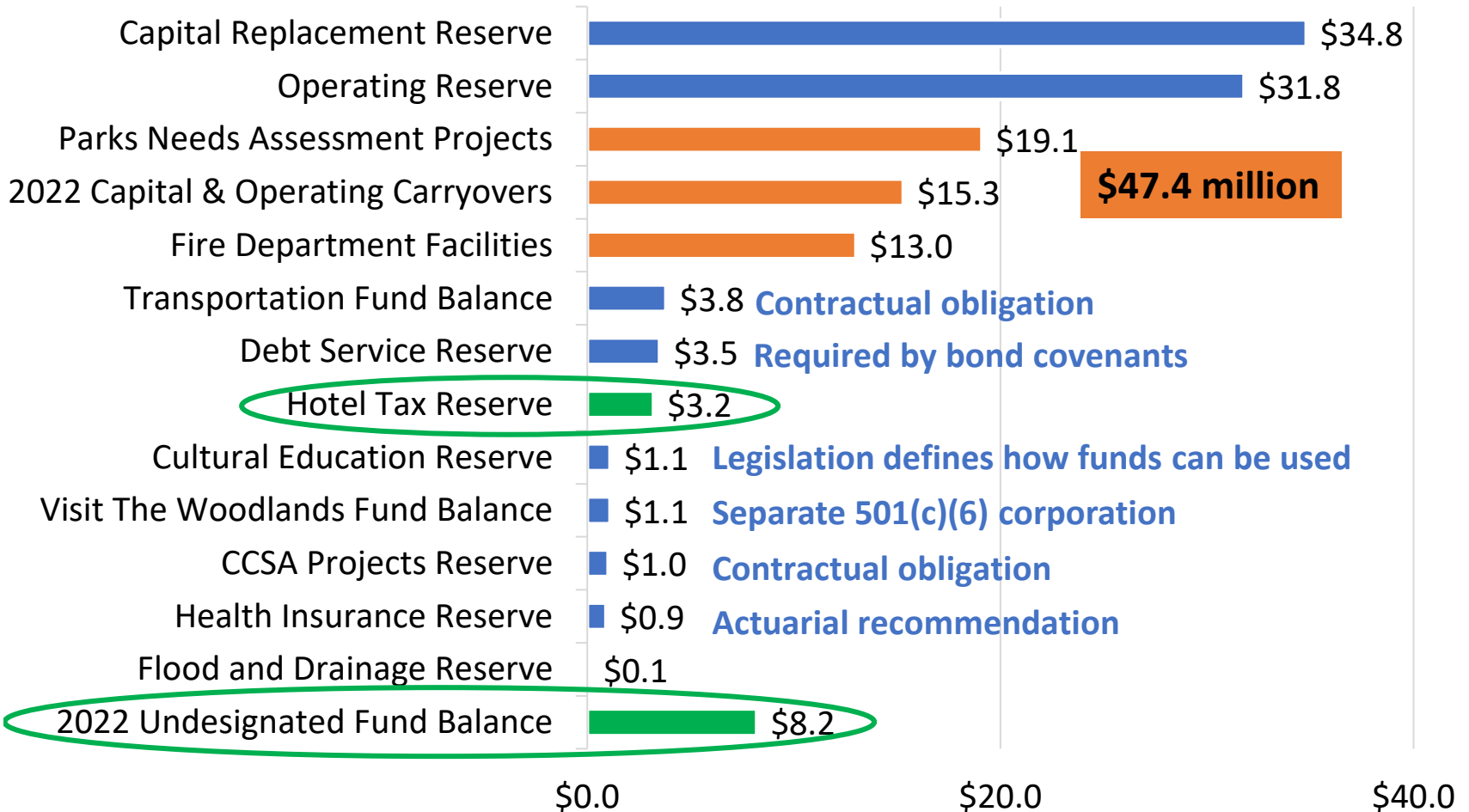
Ten-Year Plan Debt Service Payments



Reserves

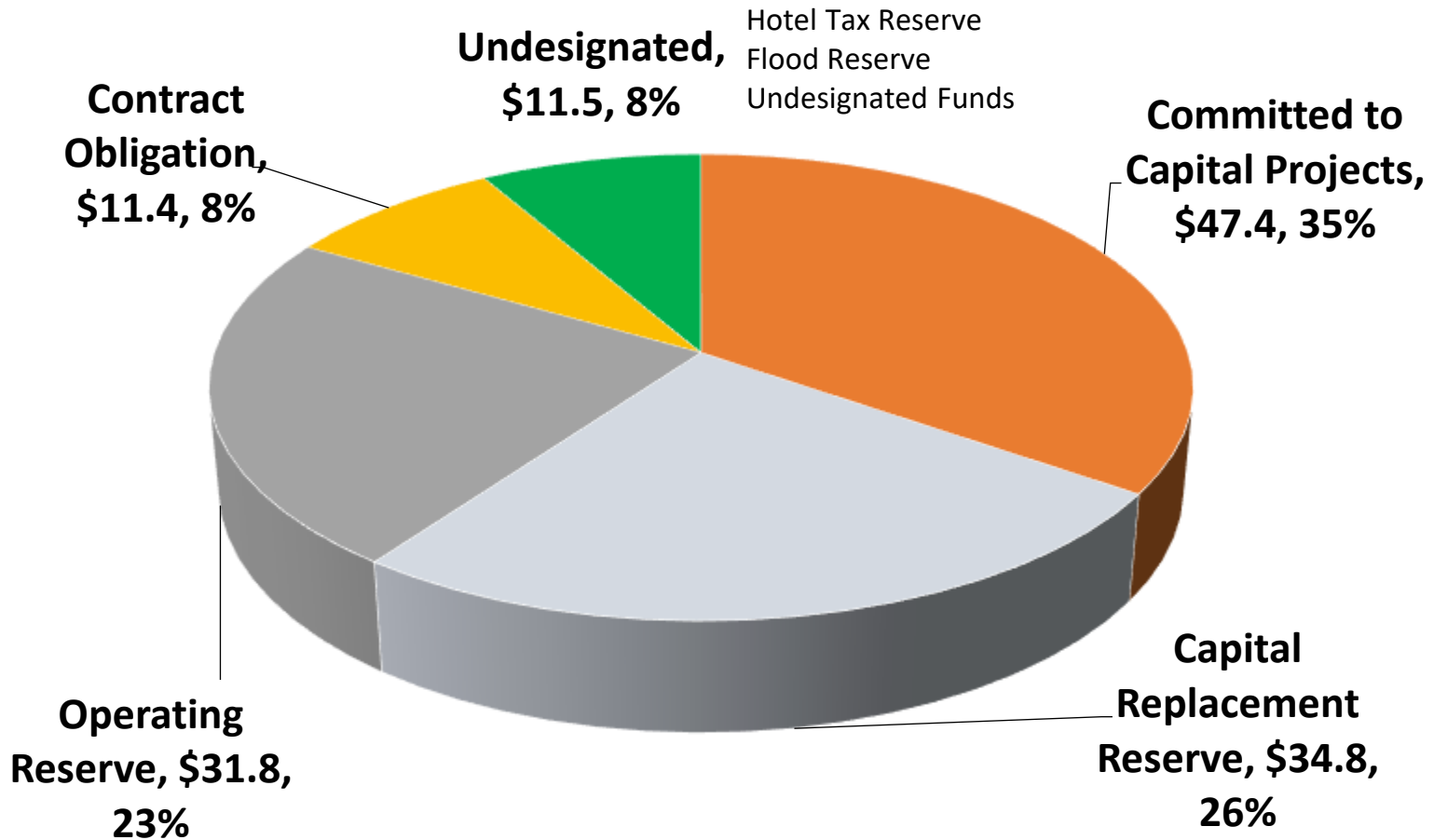
Reserve Balances

Total @ 1/1/2023 = \$136.9 million



Reserve Balances

2023 Beginning Balance - \$136.9 million



Reserves that have significant impact on the Township's credit agency rating

\$34.8m

Capital Replacement Reserve – funding source for the annual replacement or major repair of the community's capital assets

\$31.8m

Operating Reserve – funding source if tax revenues were to unexpectedly decline because of unfavorable economic conditions; approximately 3 months of operations

\$3.5m

Debt Service Reserve – funding source for payment of principal and interest on outstanding bonds

[Temporary] Reserves that are depleted as specific projects are completed

\$19.1m

Parks Needs Assessment Reserve – funding source for projects identified in the 2022 Parks Needs Assessment

\$13.0m

Fire Department Facilities Reserve – funding source for the construction of Station 5 and the renovation of the Emergency Training Center

\$15.3m

Capital and Operating Carryovers – funding for Board authorized projects that have been carried over from the 2022 budget to the 2023 budget

Reserves

\$3.8m

Transportation Fund Balance – Township's share of funding for Spring Creek Greenway trails

\$1.1m

Visit The Woodlands Fund Balance – maintained by VTW to provide funding for supplemental expenses, if needed

\$1.0m

Comprehensive Community Service Agreement Reserve – funding source for shared new development capital projects with the Developer

Reserves

\$1.1m

Cultural Education Reserve – funding source derived from the accumulation of 10% of the Events Admission Tax; use of funds is restricted to cultural education and events in the community

\$0.9m

Self Funded Health Insurance Reserve – funding in the event of significant health insurance claims that exceed employer and employee contributions and stop gap insurance

\$0.1m

Flood and Drainage Reserve – funding source for flooding and drainage issues

Reserves

\$3.2m

Hotel Occupancy Tax Reserve – accumulation of funds not otherwise used to fund revenue bond debt service or Visit The Woodlands expenses

\$8.2m

2022 Undesignated Fund Balance – favorable budget variances accumulated in 2022 that have not been allocated to a reserve or designated for use

**\$5.0 m
estimate**

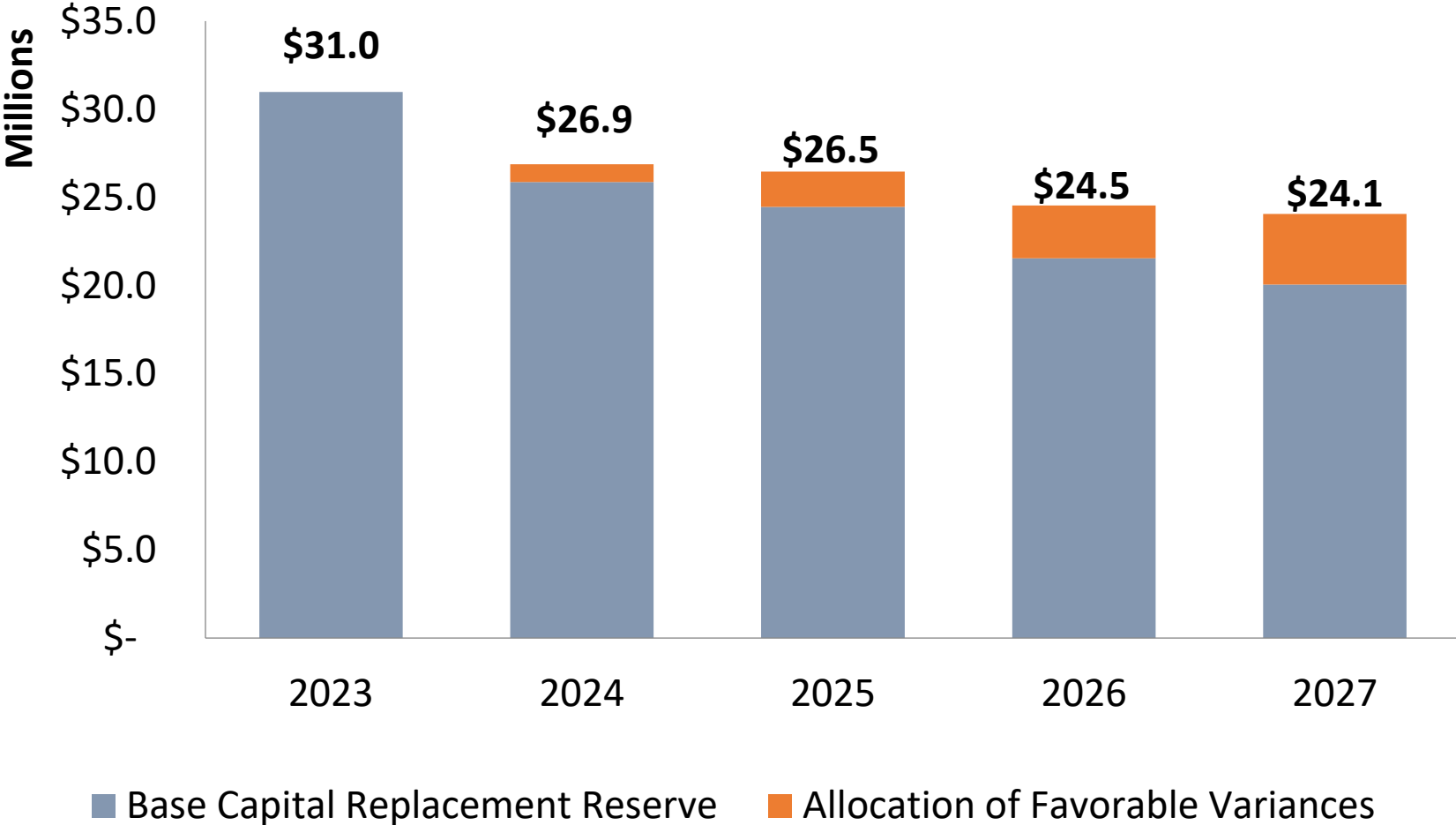
2023 Undesignated Fund Balance – favorable budget variances forecasted in 2023 that have not been allocated to a reserve or designated for use

Capital Replacement Reserve 2023

	Amount
Balance at 12/31/2022	\$34,800,000
Add: Annual Funding Allocation from General Fund	4,300,000
Add: Annual Funding Allocation from Favorable Budget Variances	1,000,000
Add: Budgeted transfers from other funds	1,900,000
Less: Capital Project Expenditures	(11,000,000)
Balance at 12/31/2023	\$31,000,000

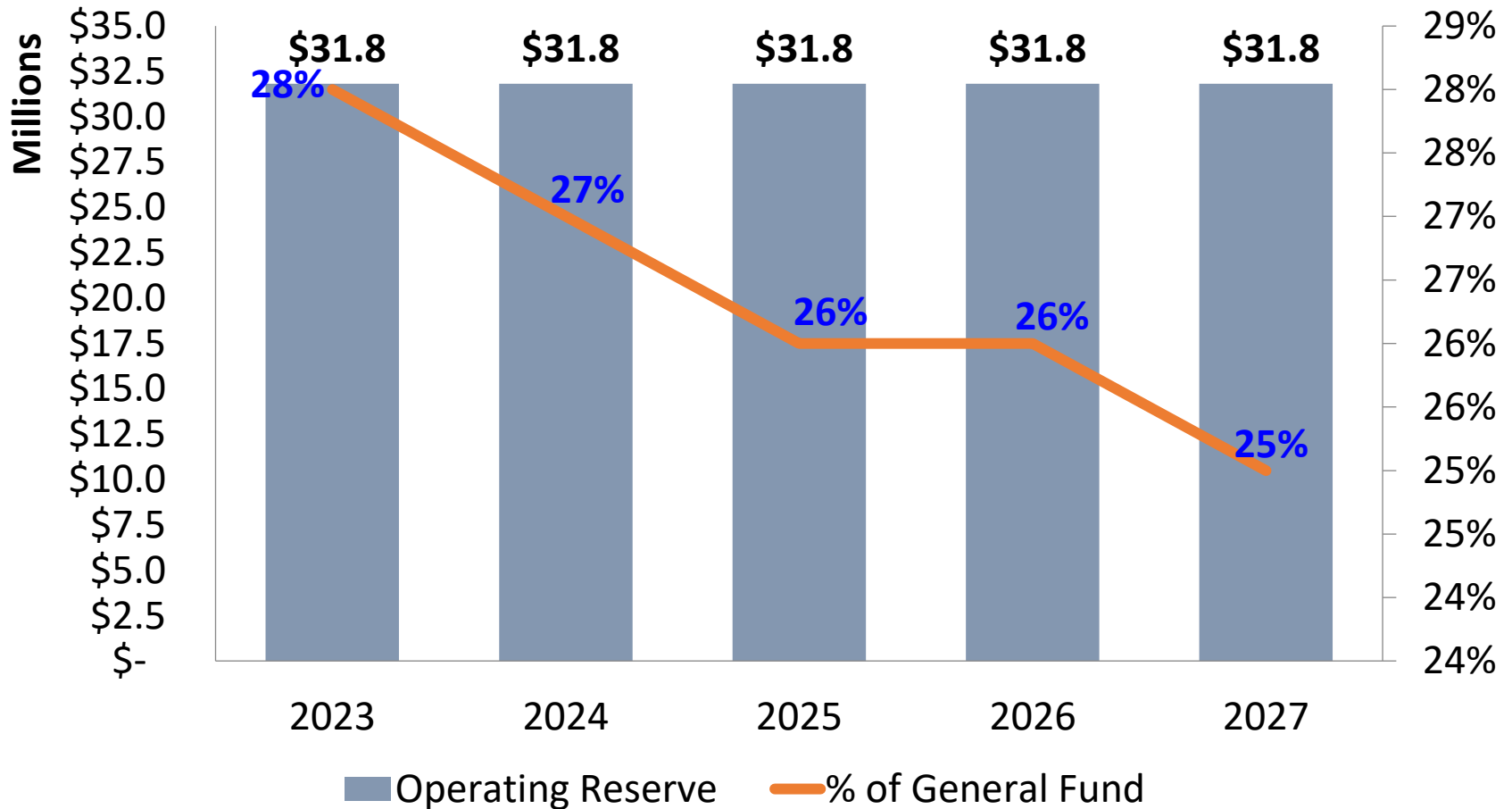
Capital Replacement Reserve

(projected balance at end of year)



Operating Reserve

(projected balance at end of year)

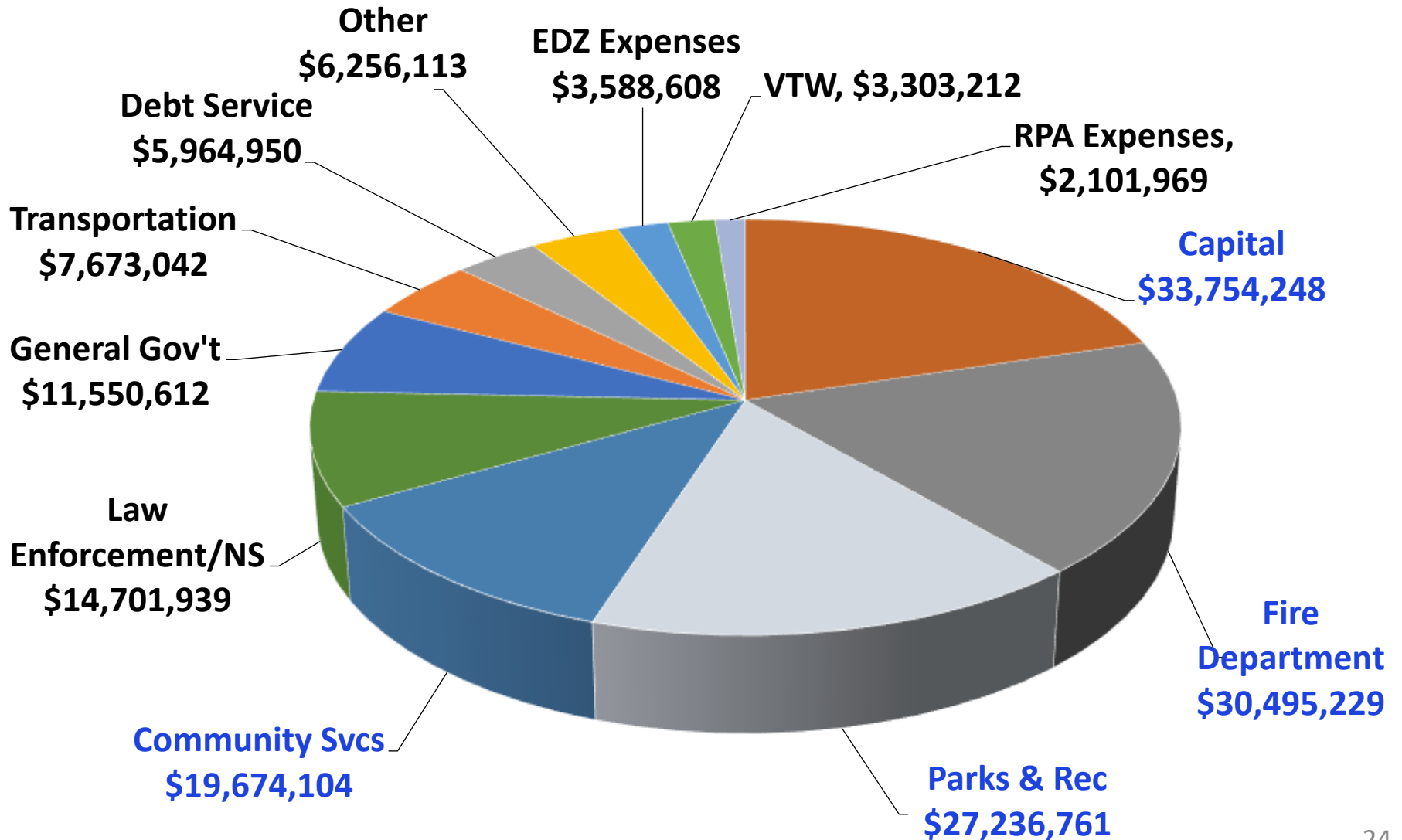


Operating Reserve minimum 25% of General Fund operating expenses

**Operating and Capital
Expenditures –
Services and Amenities**

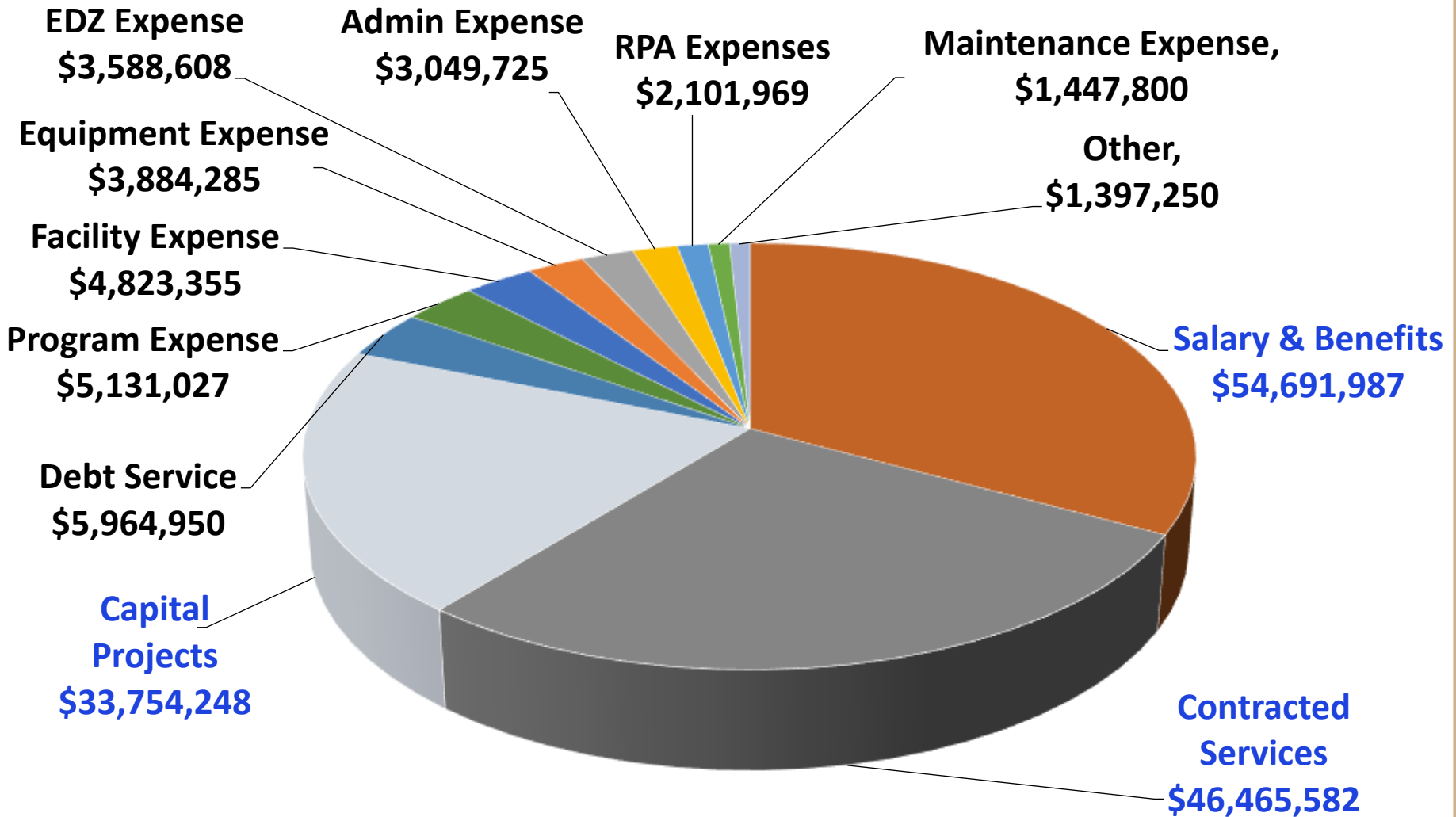
Budgeted Expenditures by Department

2023 Expenditures = \$166,300,786



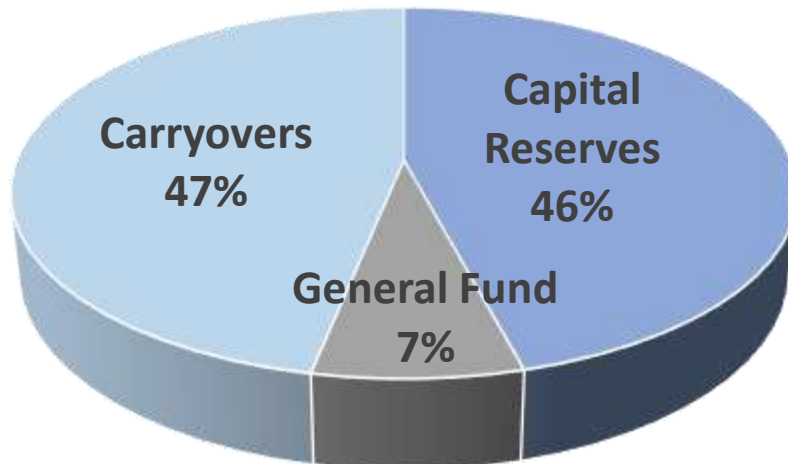
Budgeted Expenditures by Type

2023 Expenditures = \$166,300,786



Capital Projects Fund

Department	Amount
Parks & Recreation	\$23.8 million
Information Technology	3.3 million
Fire Department	2.8 million
Other – Town Hall	1.5 million
Total Capital Projects	\$31.4 million*

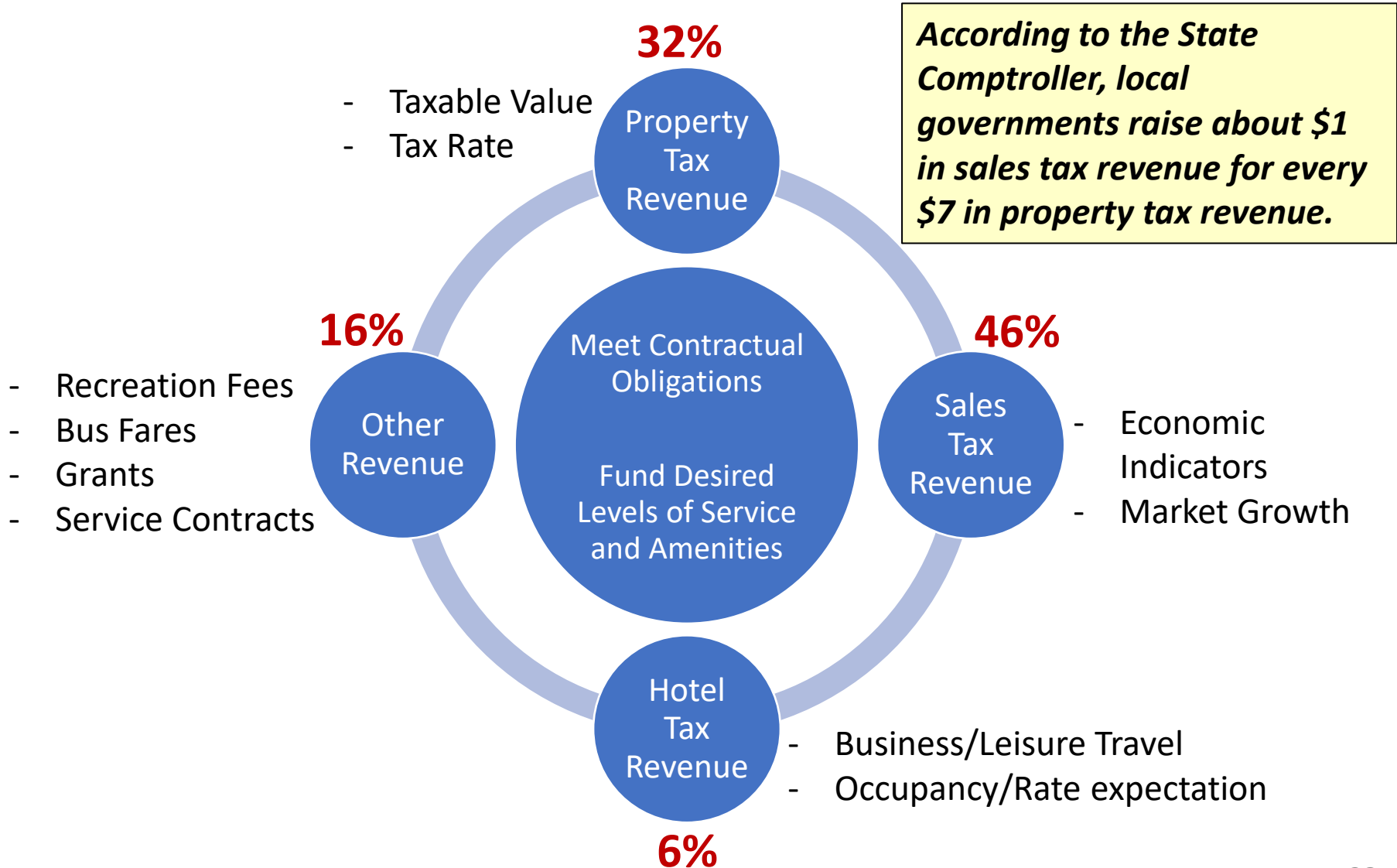


Funding Source	Amount
Carryovers	\$14.7 million
Capital Reserve	\$14.4 million
General Fund	\$2.3 million

*\$2.3 in Transportation capital projects included in Transportation Fund

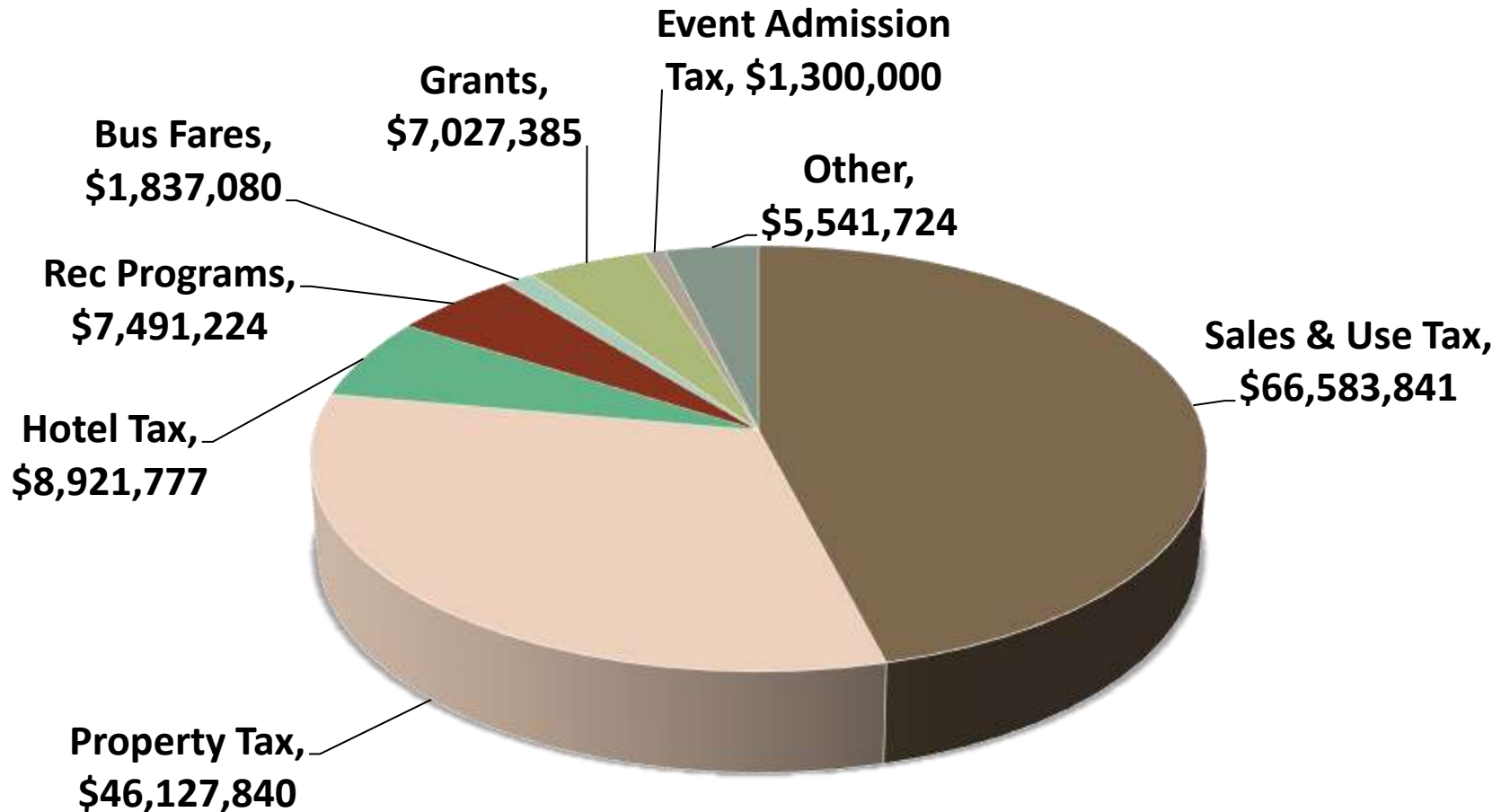
Revenues

Revenue Determination



Budgeted Revenues by Type

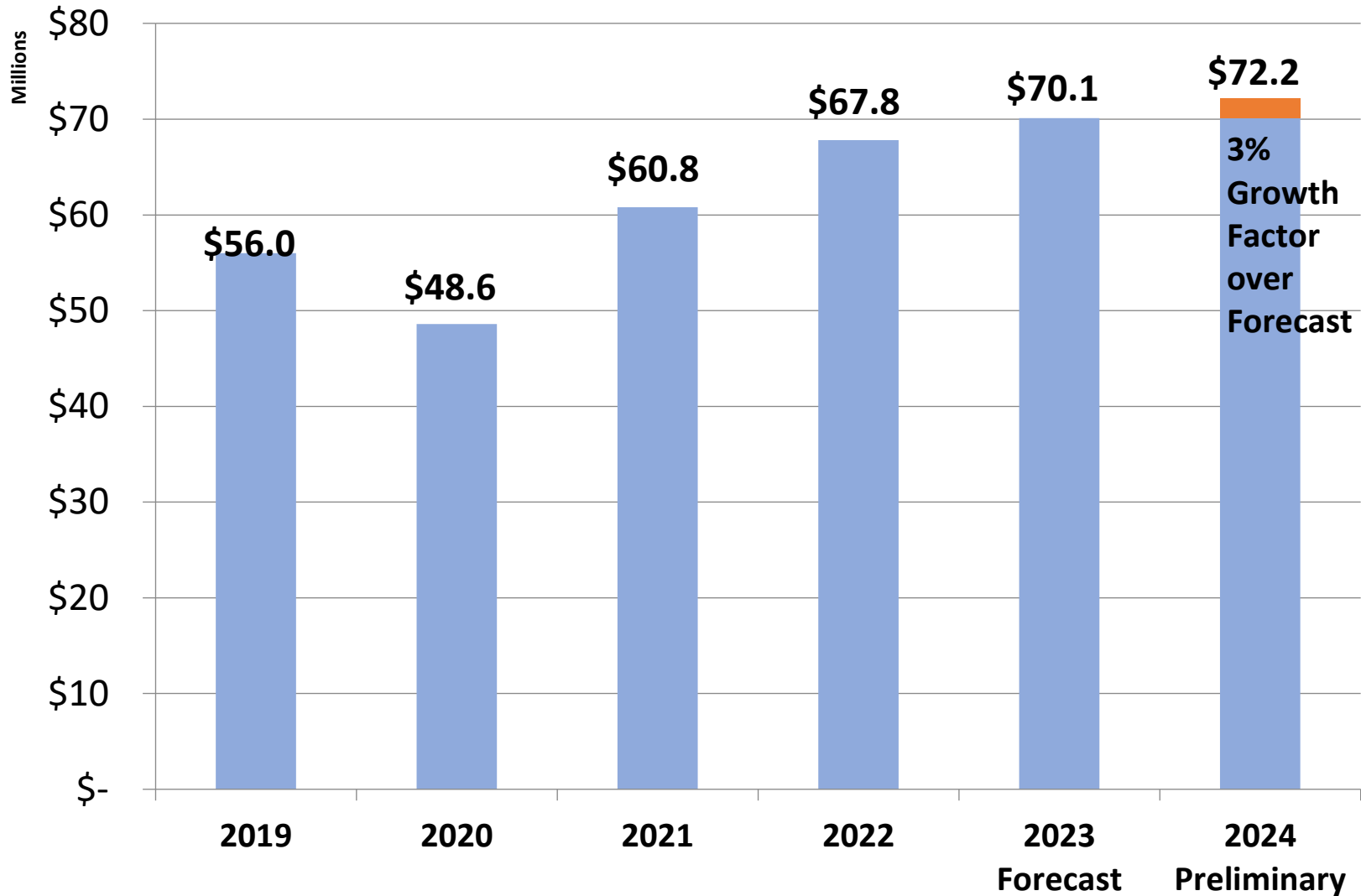
2023 Revenues - \$144,830,871



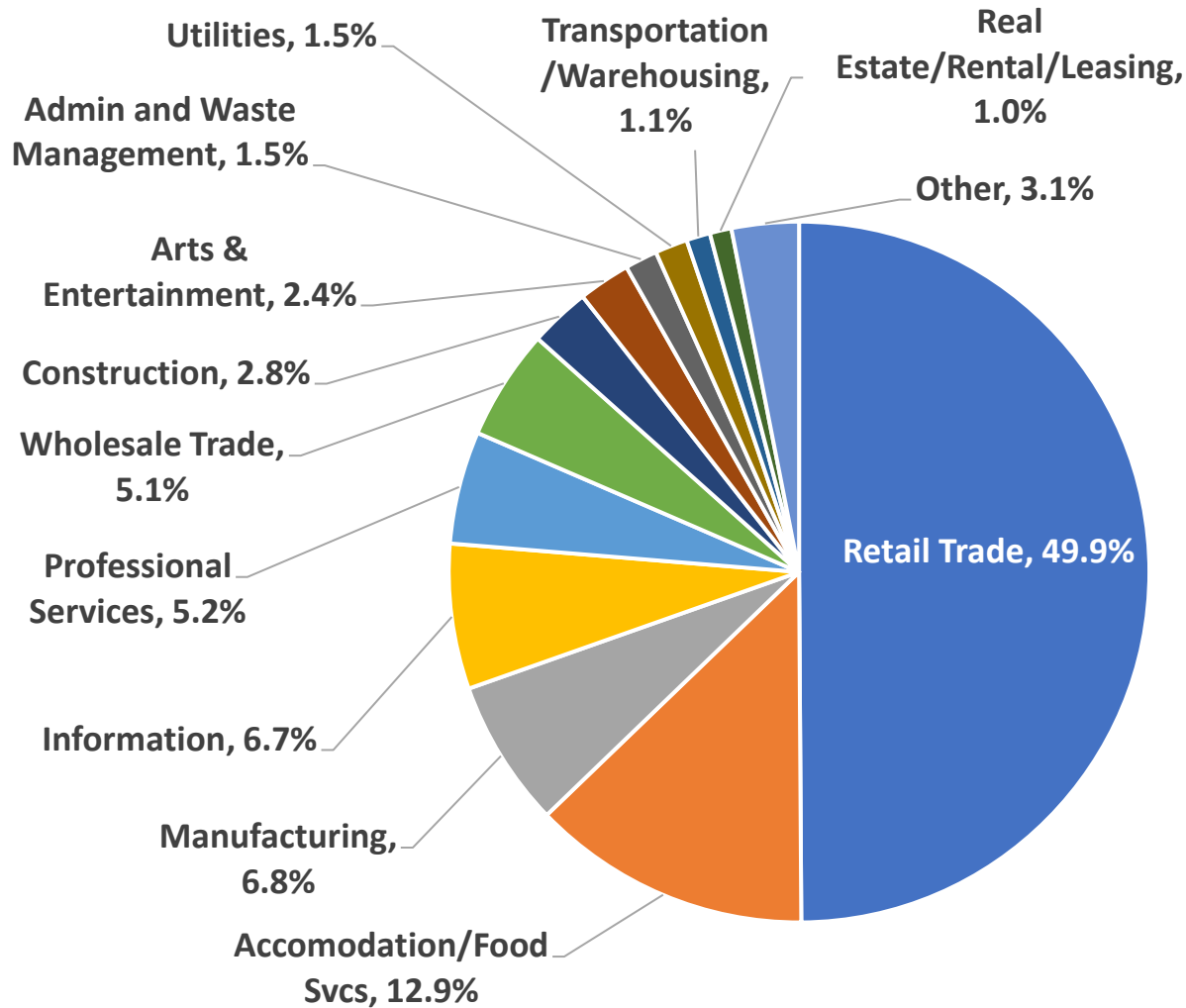
2023 Budget and Preliminary Forecast

Revenue	2023 Budget	2023 Forecast	Increase
Property Tax	\$46.1	\$46.1	
Sales and Use Tax	66.6	70.1	\$3.5
Hotel Tax	8.9	9.3	\$0.4
Events Tax	1.3	1.3	
Program Revenue	7.5	7.5	
Program Revenue - Buses	1.8	1.8	
Grants	7.0	7.0	
Interest/Admin	1.2	2.3	1.1
Other	4.4	4.4	
Total Revenue - Millions	\$144.8	\$149.8	\$5.0

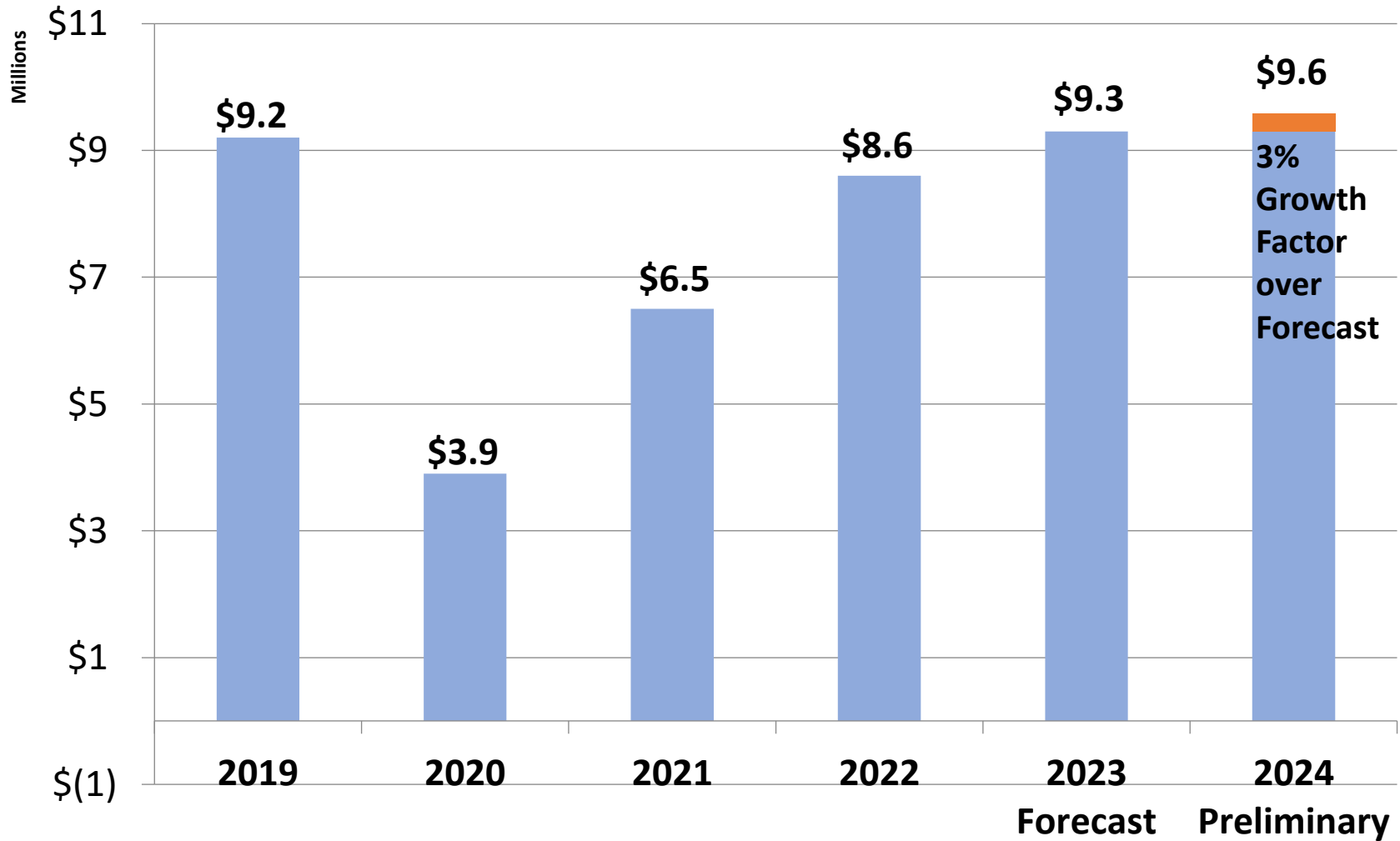
Sales and Use Tax Revenue



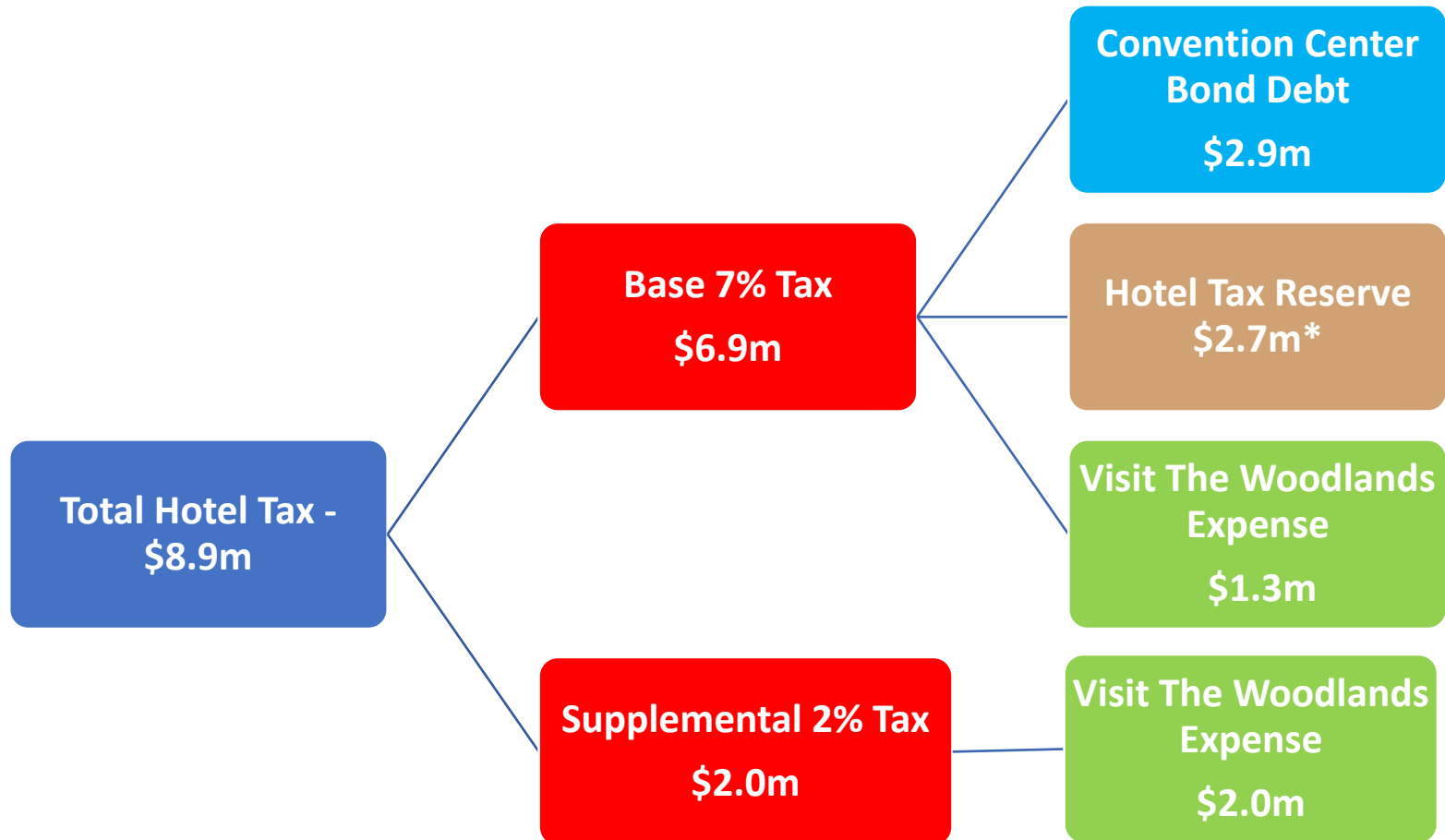
Sales and Use Tax by Industry Code – 2022



Hotel Occupancy Tax Revenue



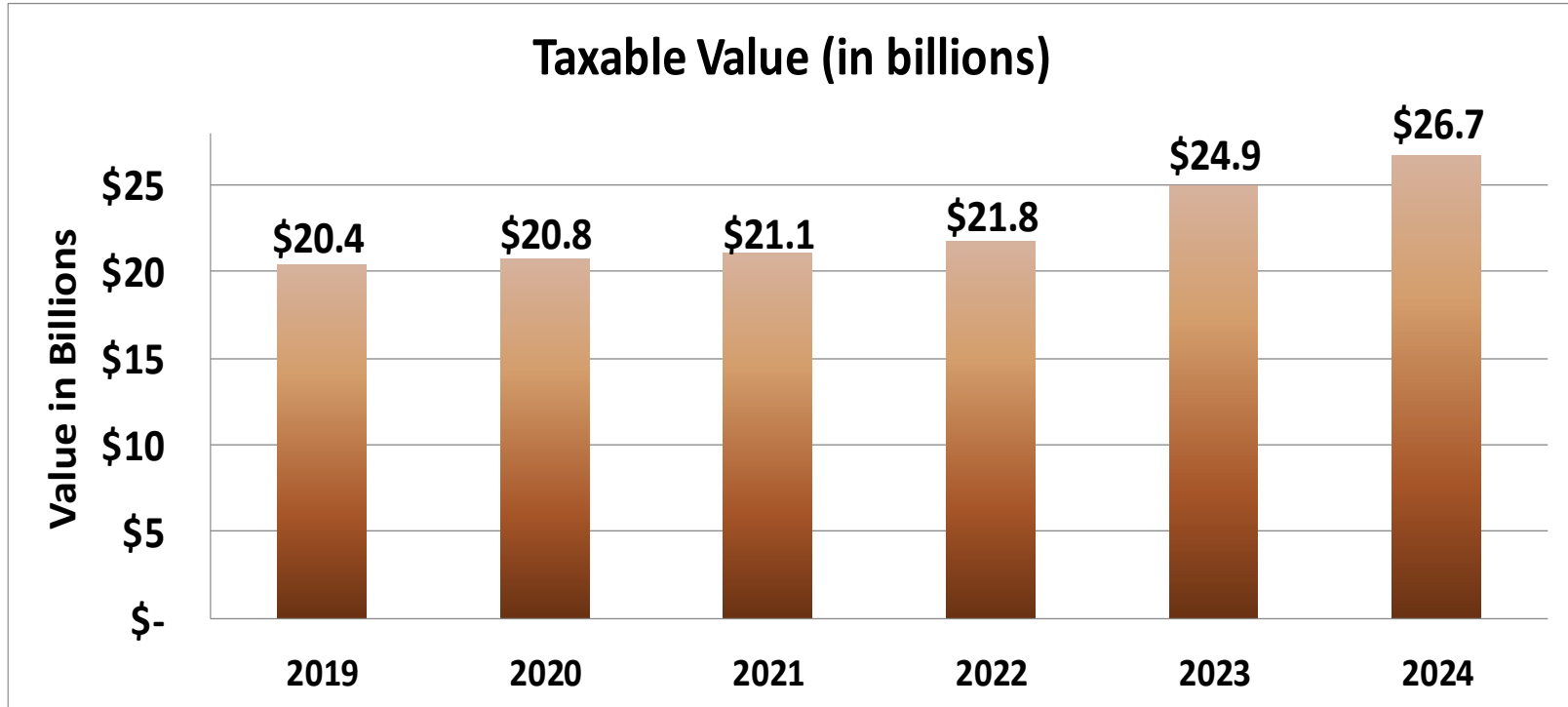
Hotel Occupancy Tax Funding



* For 2023 - \$250,000 has been allocated to Texas TreeVentures expansion and \$1.5 million to the Bear Branch Splash Pad/Water Feature

Taxable Property Values

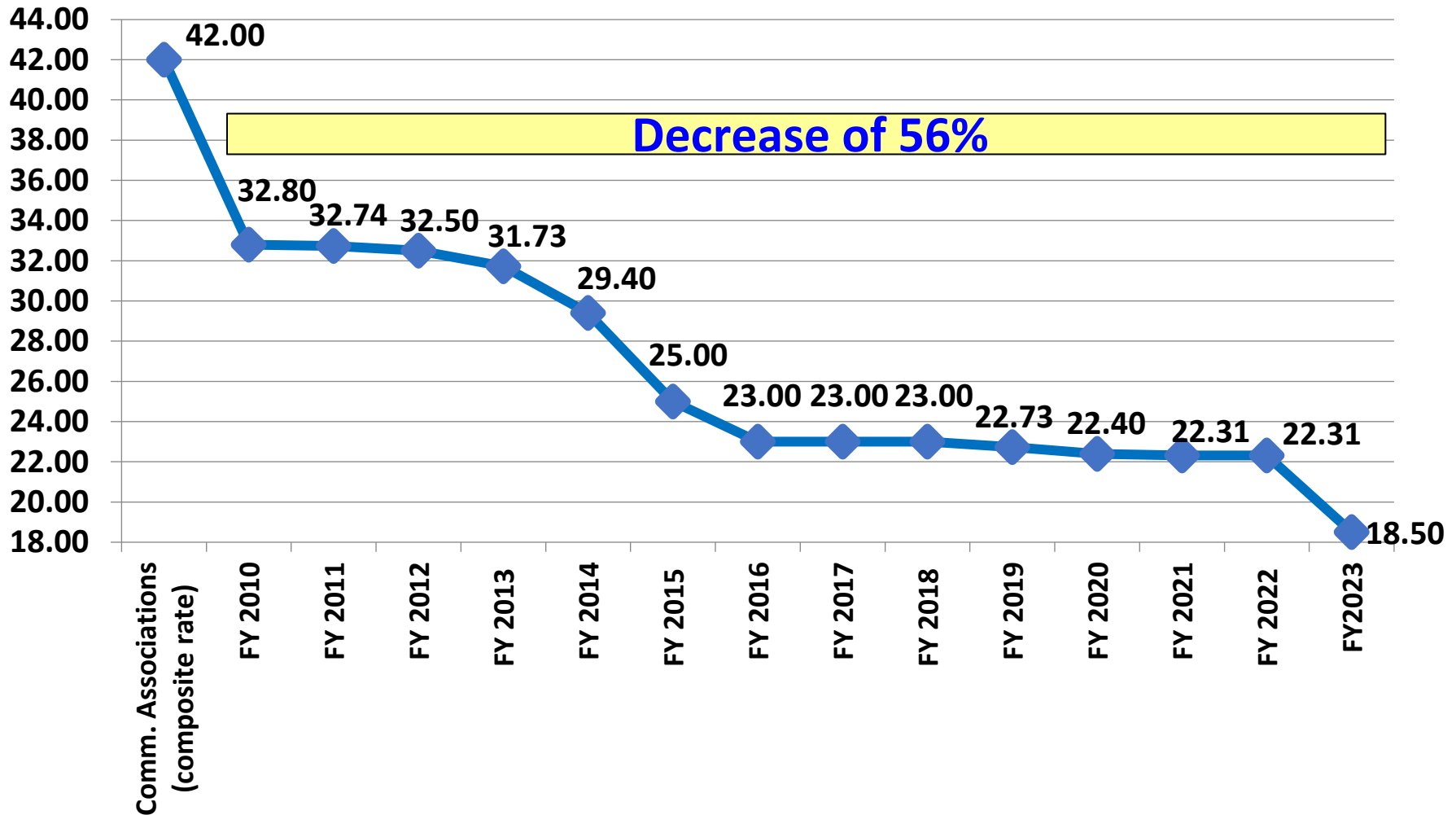
Budget Years 2019 - 2024



	2019	2020	2021	2022	2023	2024 Preliminary
Increase - revaluation	1.1%	1.1%	0.5%	2.6%	13.8%	7.2%
Increase - new property	1.2%	1.0%	1.1%	1.1%	0.9%	TBD

Property Tax Rate

Tax Rate Per \$100 valuation

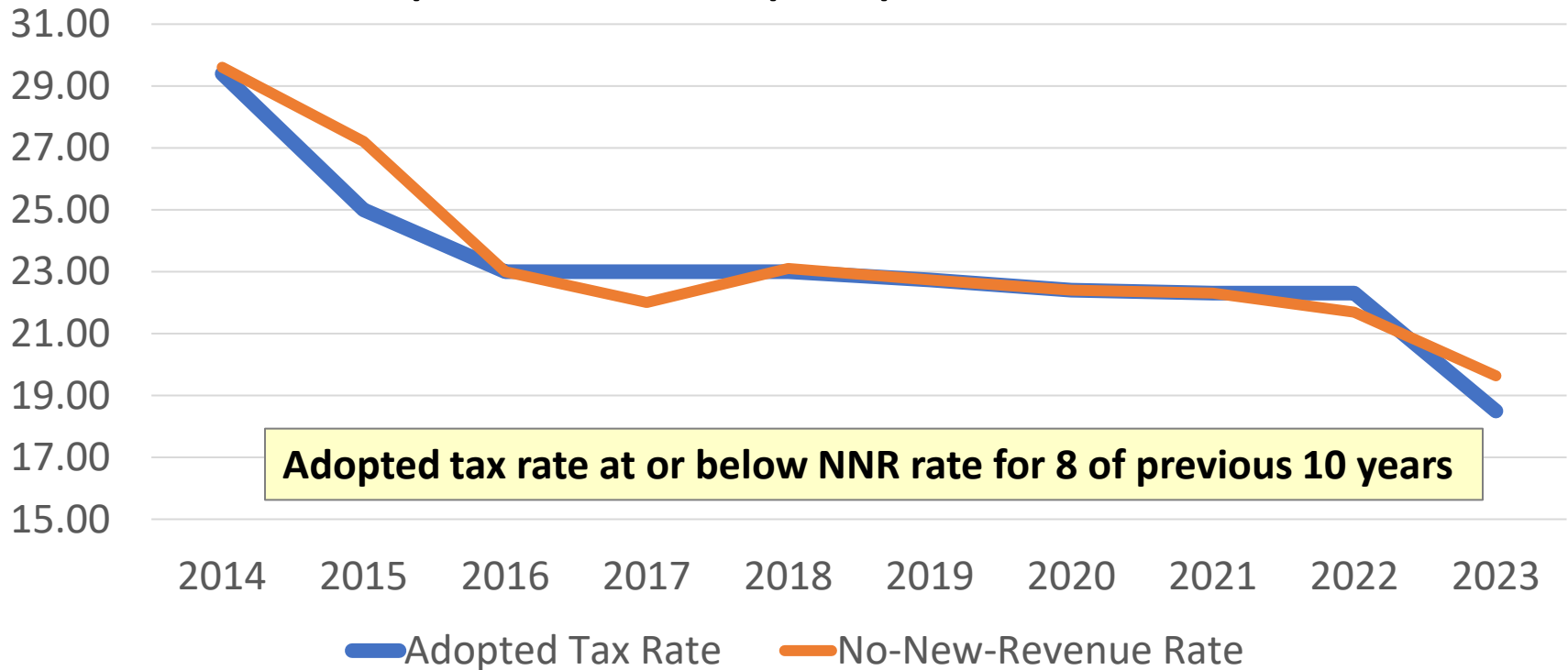


Property Tax Rate

No-New-Revenue Rate

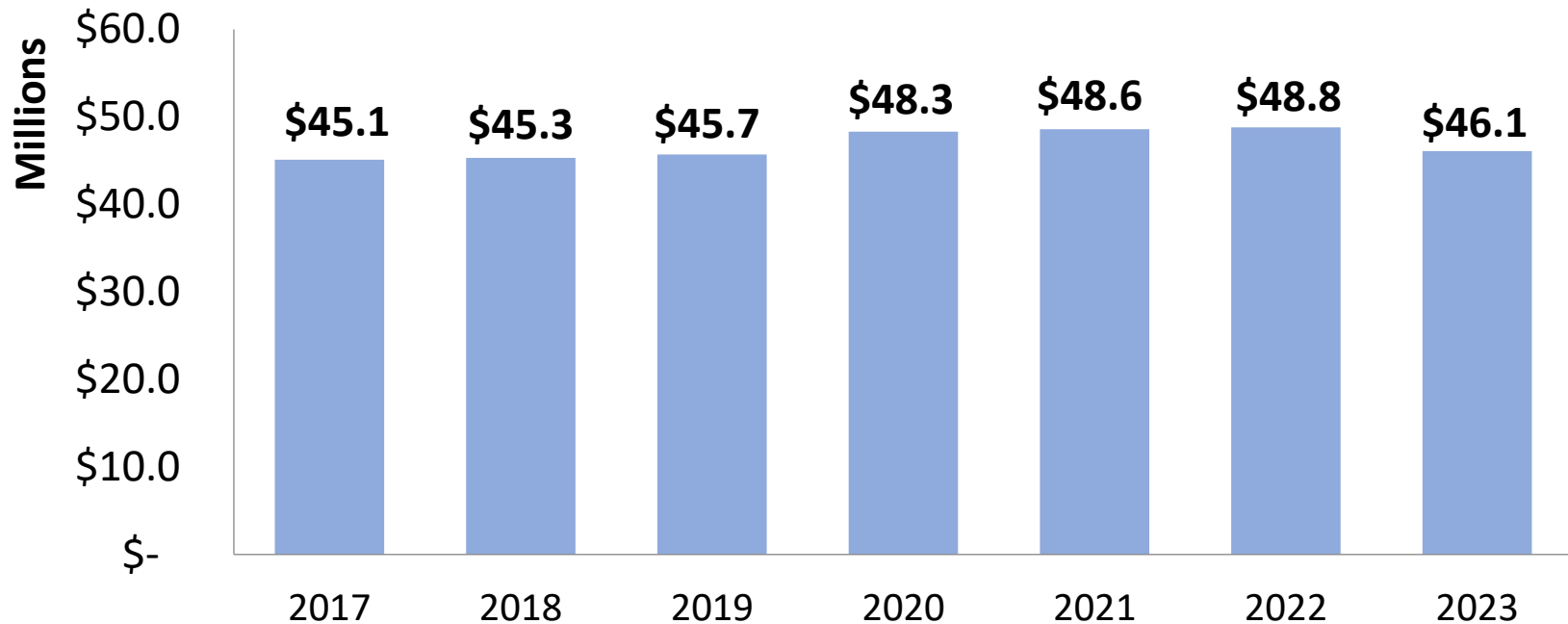
- Tax rate that produces the same amount of revenue for the same properties taxed in both years

Comparison of Township Adopted Rate vs. No-New-Revenue Rate



Property Tax Revenue

2017-2023

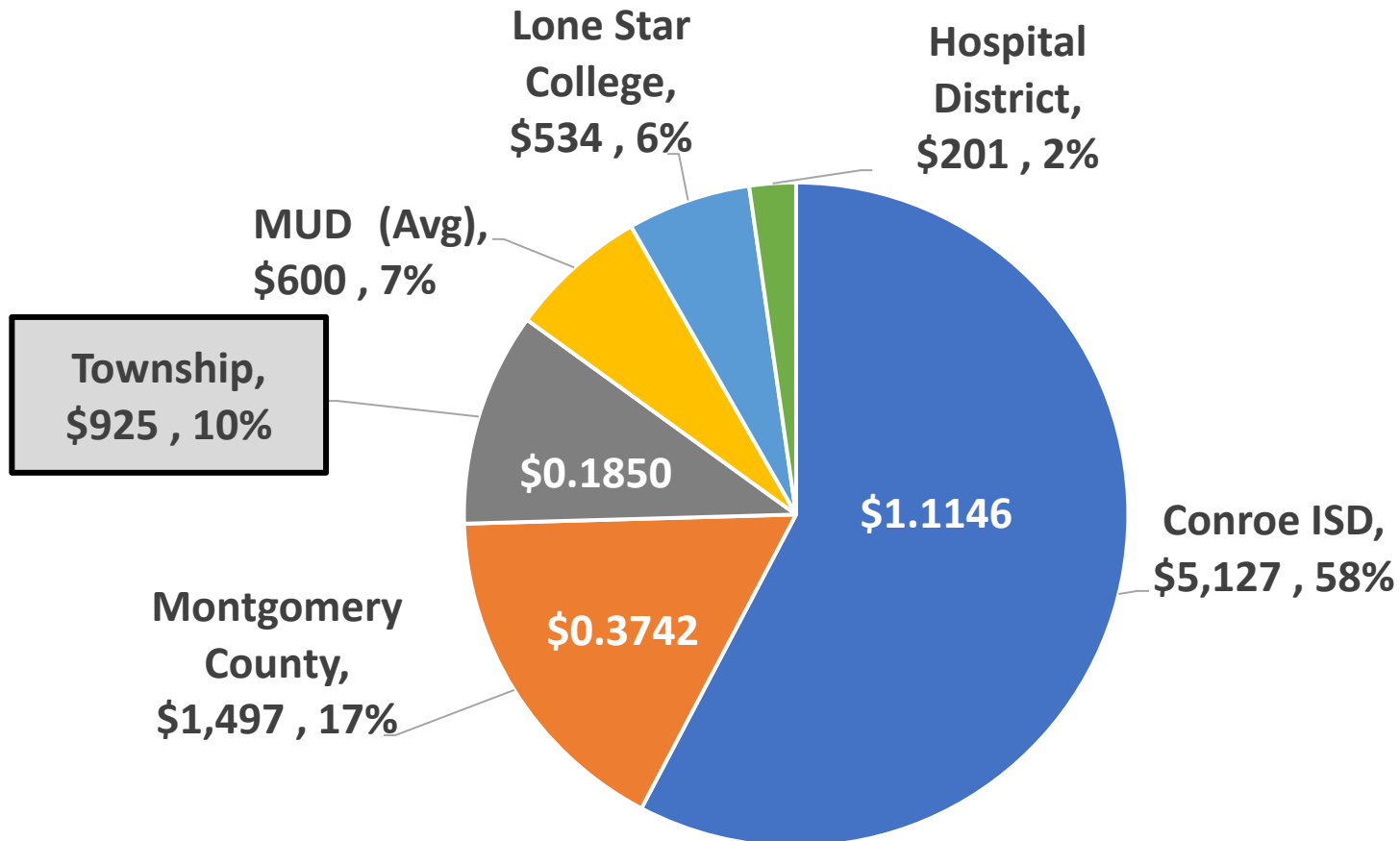


Reduction in Property Tax Revenue for 2023

- Lowering of property tax rate below the no-new-revenue rate
 - Property tax rate reduced from \$0.2231 to \$0.1850

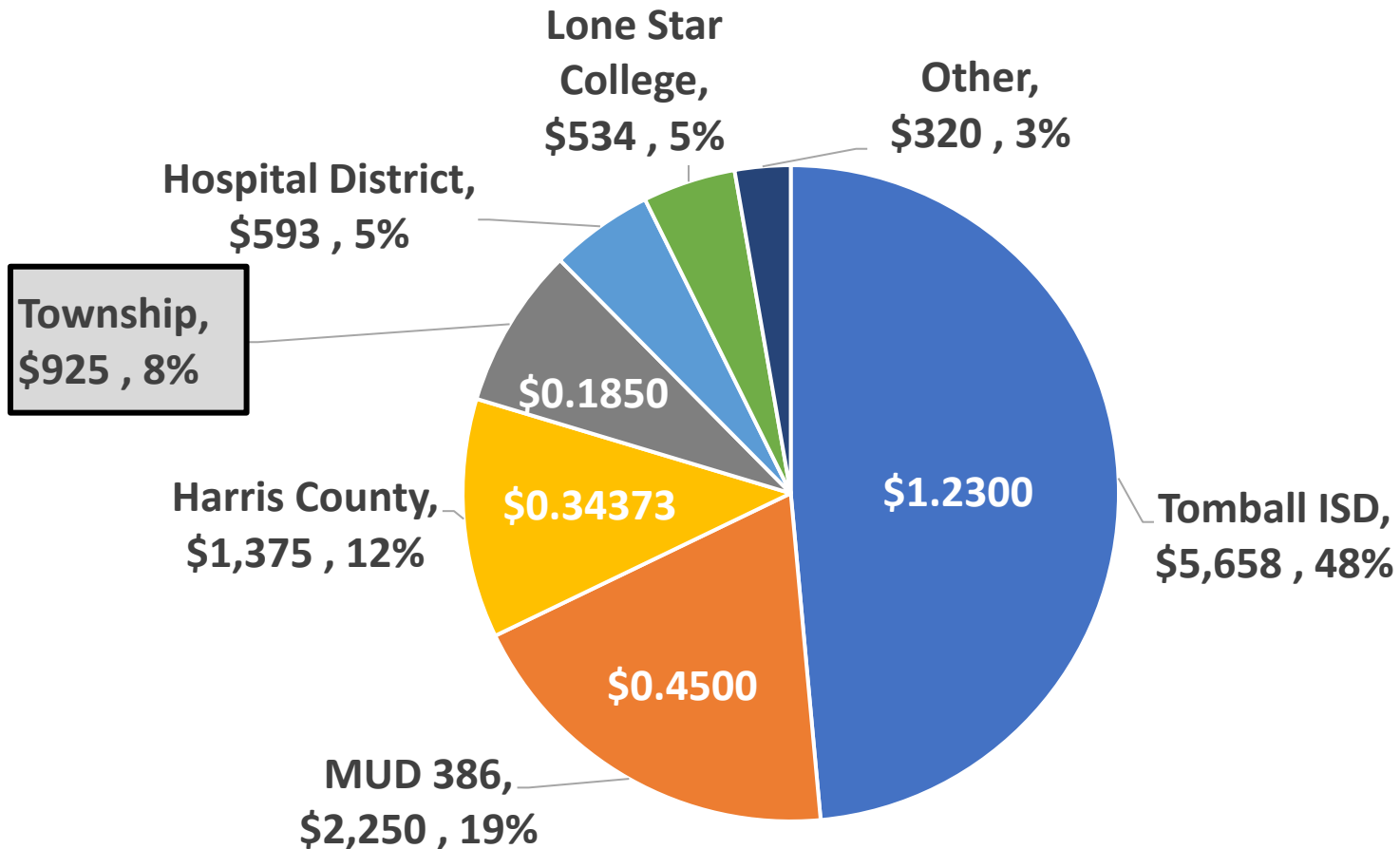
Current Allocation of Total Property Tax Levy on \$500,000 Home

Montgomery County - \$8,884

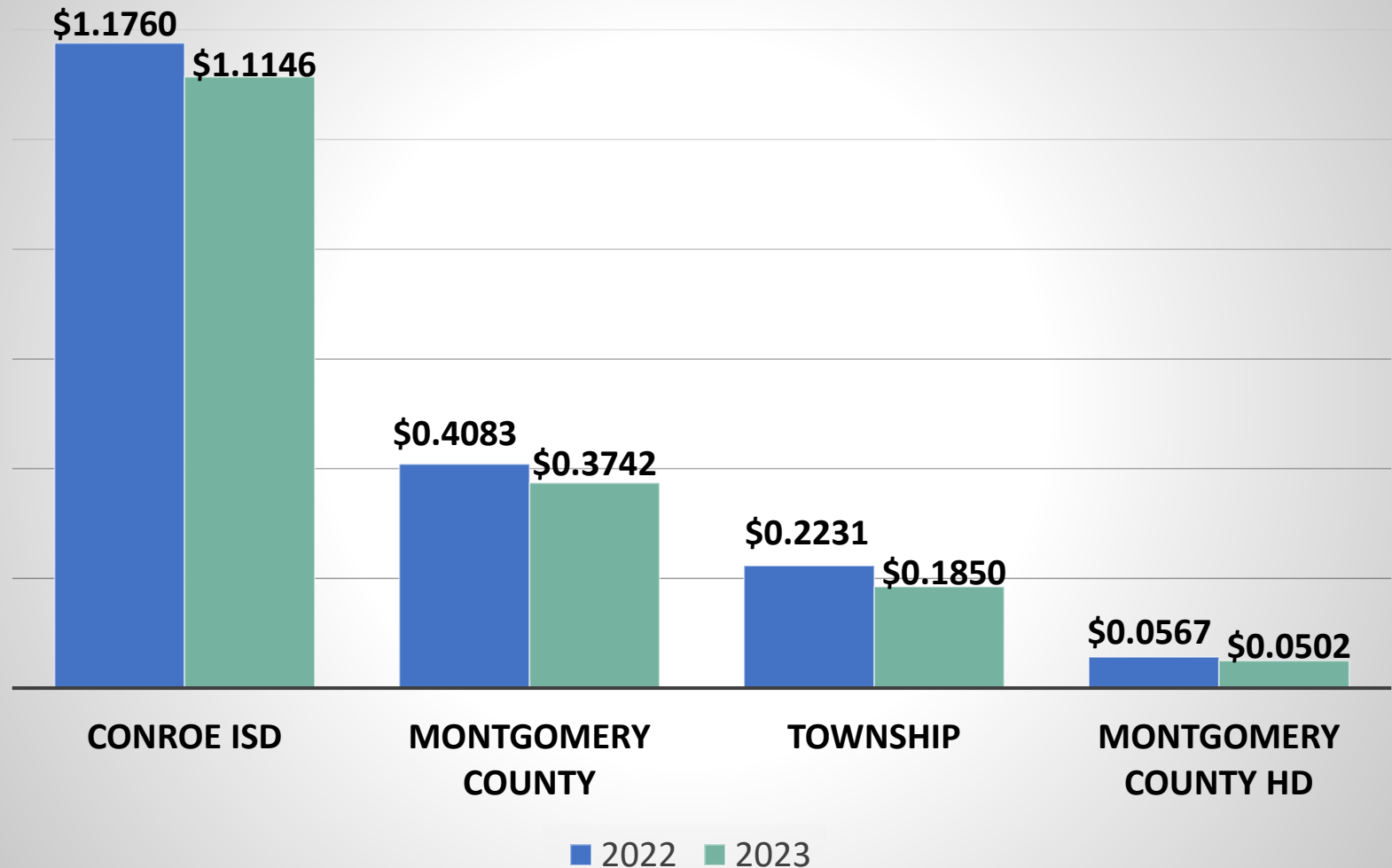


Current Allocation of Total Property Tax Levy on \$500,000 Home

Harris County - \$11,655

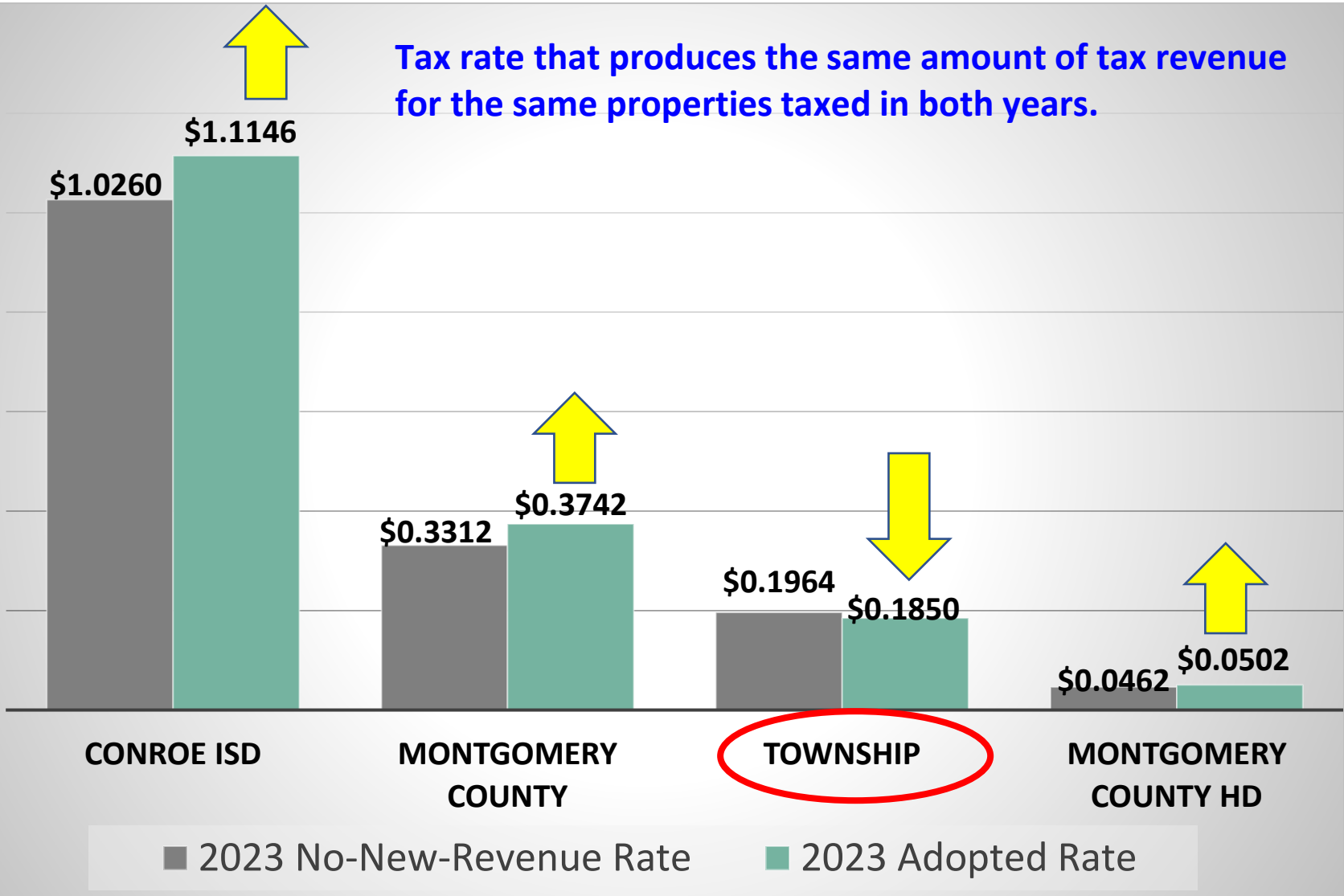


Comparison of 2022 Adopted Rate to 2023 Adopted Rate



Comparison of 2023 No-New-Revenue Rate to 2023 Adopted Rate

Tax rate that produces the same amount of tax revenue for the same properties taxed in both years.



Limits on Growth in Property Tax Revenue



Exemptions

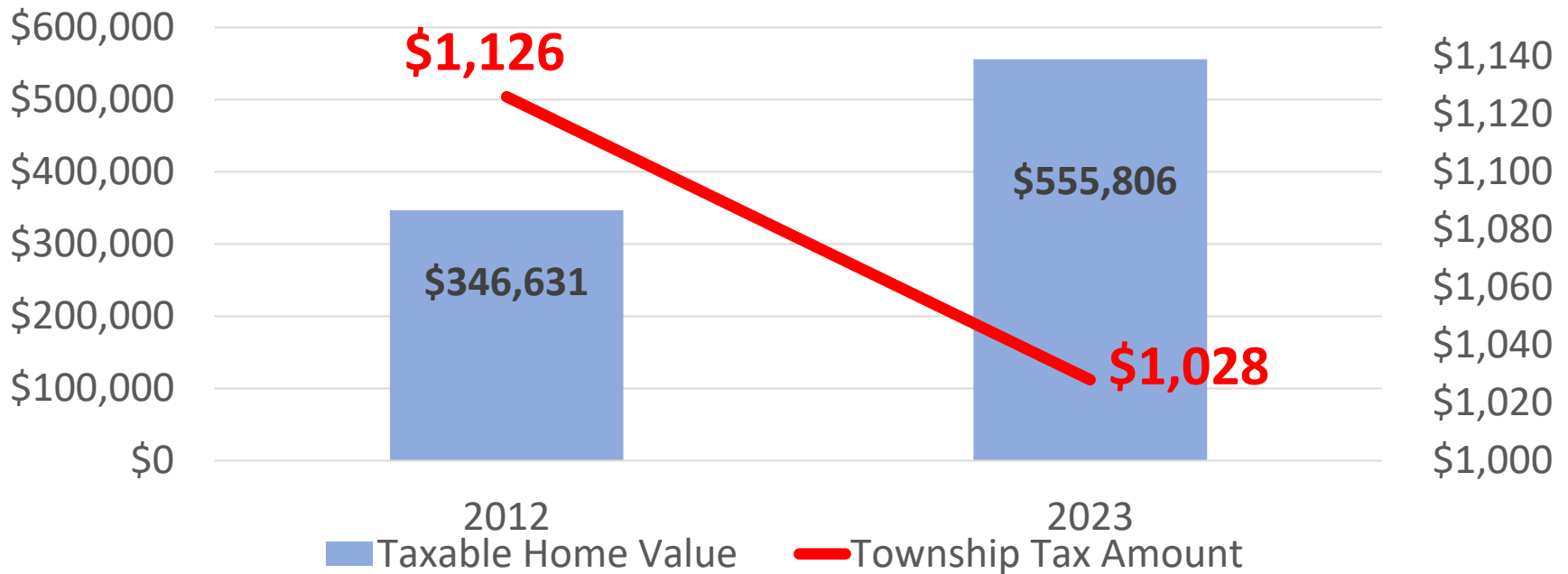
- Voluntary (can be rescinded)
- Impacts targeted groups (residential homestead/aged 65 and older/disabled)
- Township has \$40,000 exemption for persons 65 and older or disabled
- Deadline to submit is June 30 (prior to budget workshops)

Tax Rate Reduction

- Statutory limits on rate growth (3% without voter approval)
- Impacts ALL taxpayers (residential/commercial)
- Deadline to submit is Sept. 15 (after budget workshops)
- Township Board has lowered the tax rate at or below the no-new-revenue rate for 8 of past 10 years

How the rate reduction has impacted the tax levy

Township Property Tax



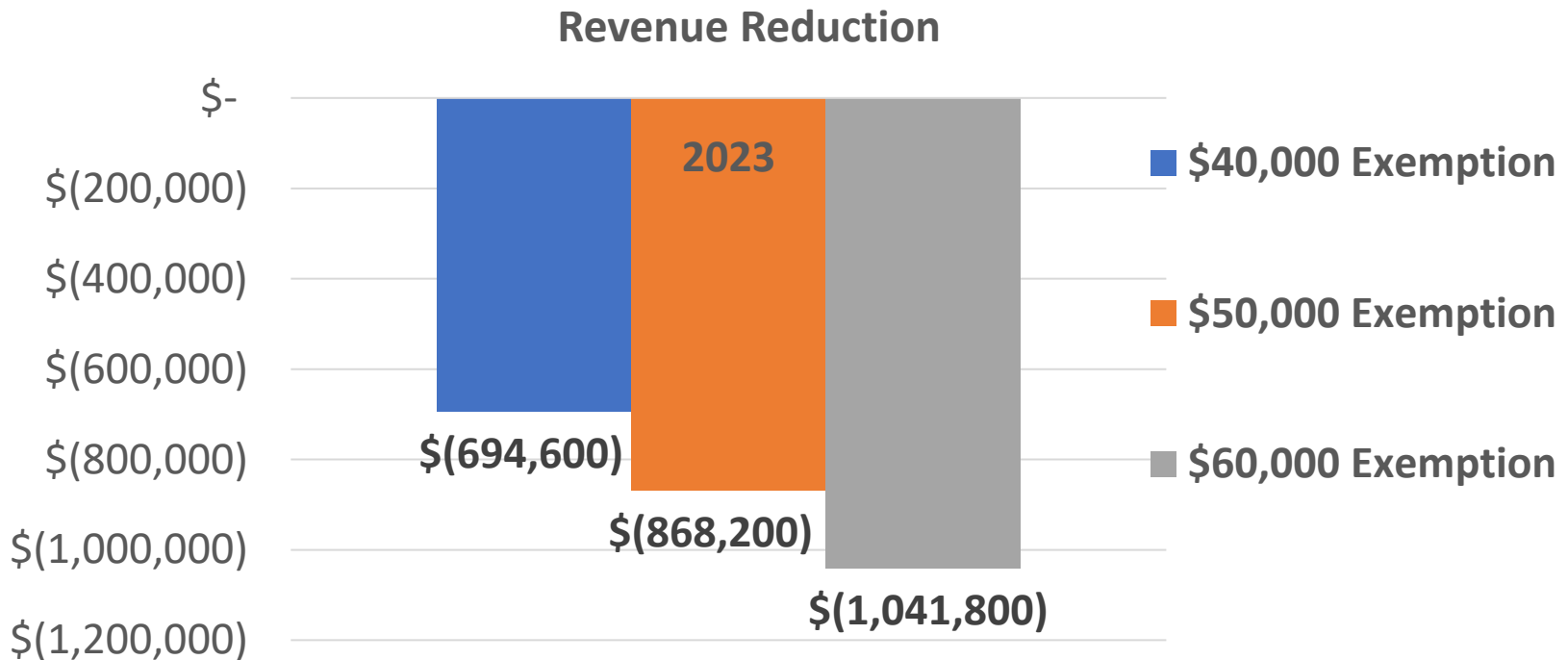
- As taxable property value increased, the Board lowered the tax rate to manage the tax burden for property owners.
- The Board relied on non-property tax sources of revenue to help fund costs for existing services as well as provide enhanced services in the areas of public safety, parks and recreation, and community maintenance.

Exemption for Persons Aged 65 and Older or Disabled

- Since 2011, the Township has granted an Age 65 or Older or Disabled Persons exemption of \$25,000. For 2023, this exemption was raised to \$40,000
- This exemption has resulted in \$5.8 million of property tax savings to qualifying taxpayers since it was implemented.
- For FY 2023, the exemption totaled \$694,600 based on \$375.4 million of exempt property value.

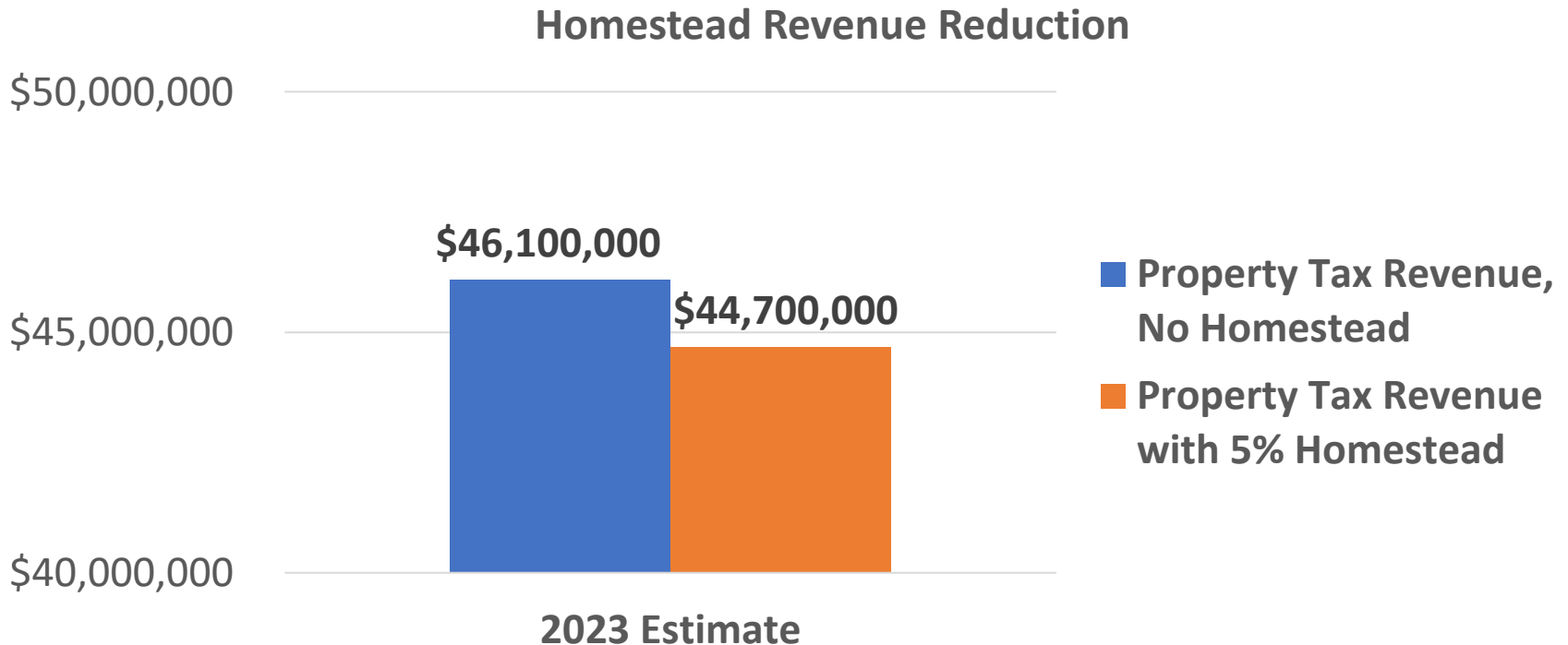
Exemption for Persons Aged 65 and Older or Disabled

- Current exemption = \$40,000
- Each \$10,000 of exemption reduces Township property tax revenue by approximately \$173,600 at the current tax rate of \$.1850



Homestead Exemption

- Applies to homestead residential properties only
- Each 5% of exemption = approximately \$1.4 million reduction in revenue based on current tax rate of \$0.1850



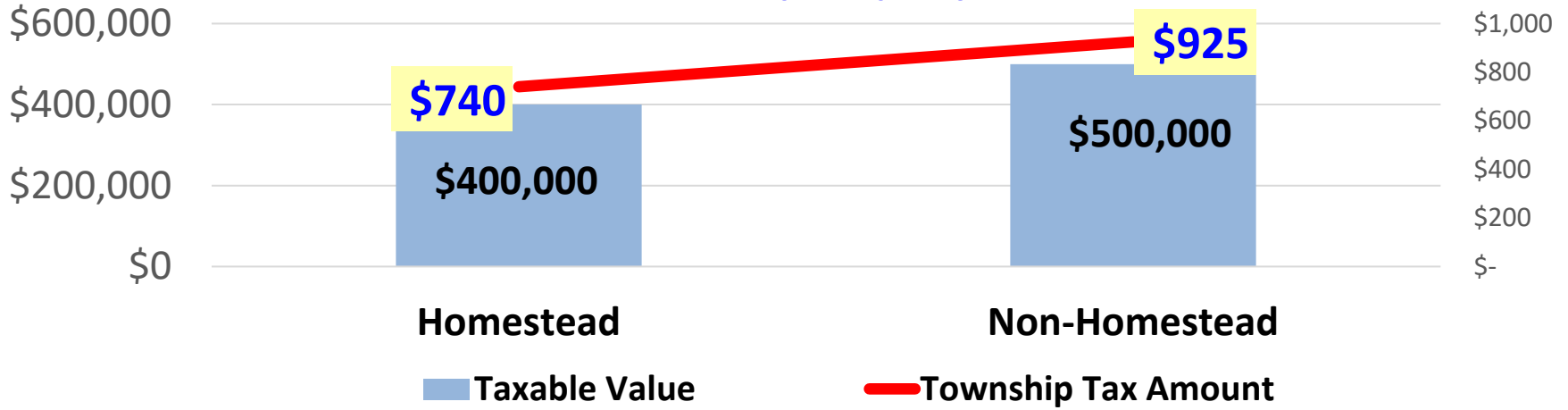
Homestead Exemption

Shifts tax burden to non-homestead properties

Homestead Exemption % for Homestead Properties Only	Lower Tax Rate Equivalent for All Properties
5%	0.55 cents
10%	1.10 cents
15%	1.65 cents
20%	2.20 cents

Homestead vs Non-Homestead for \$500,000 Assessed Properties

Township Property Tax



	Homestead	Non-Homestead
Assessable Value	\$500,000	\$500,000
20% Homestead	(\$100,000)	\$0
Taxable Value	\$400,000	\$500,000
Tax Rate	\$.1850	\$.1850
Tax Amount	\$740	\$925

Board Discussion

- **Exemptions (June 30 deadline)**
- **2024 Budget Initiatives
(or other considerations)**

Budget Workshops

August 21 – 25, 2023

Staff prepares a “base” budget:

- Maintains existing service levels
- Accommodates community growth
- Meets legal and contractual obligations
- Projects conservative revenue estimates based on current data and trends
- Assumes the voter approval rate

Board approves Budget Initiatives for items not included in the “base” budget:

- Property tax rate scenarios
- Enhanced or new services/amenities
- Changes to reserve guidelines
- Changes to debt management plan

Services and Amenities

➤ 2024 Budget Considerations

- Inflationary impacts on the cost of goods/services
- Economic development initiatives
- Enhanced law enforcement services
- SH 242 pathway project (connect to Harper's Landing)
- Sports Tourism (development of Gosling Sports Fields)
- 2022 Parks and Recreation Needs Assessment Projects
- Assumption of The Woodlands Waterway
- Reconstruction of Fire Station 5
- Renovations to Emergency Training Center
- Renovations to Fire Stations 3 and 4
- Town Hall facility build-out/renovations
- Parks Campus facility expansion/renovations
- Requests from Village Associations/residents
- Implementation of compensation study findings
- Requests for new staff (fire department, general)