

2018/19 Budget Workshop #1 - Notes

Council / Mayor:

All of the City's Department Heads have submitted their FY18/19 operational budgets. The process was labor intensive and I am happy to report the team has done an OUTSTANDING job. **Our FY18/19 revenues and expenditures are currently BALANCED at \$11,725,068.** This is \$216,634 greater than our FY17/18 budget of \$11,508,434 or 1.9% INCREASE in projected spending. Our General Fund debt service payment this year will be \$389,243. The total bonded debt remaining (as of 10/1/18) will be \$5,584,212.

FY2017/18			
General	Utility	Debt	Total
\$4,281,116	\$6,841,253	\$386,065	\$11,508,434
FY2018/19			
General	Utility	Debt	Total
\$4,402,116	\$6,933,709	\$389,243	\$11,725,068

**DELTA =
\$216k INCREASE**

Several key "drivers" impacted spending during FY17/18 that will carry over into FY18/19 budget:

- Contingency expenditures in 2018 were approximately \$273k
- Solid Waste Services Fee INCREASED by 7.5% - (\$50k)
- COS Property Insurance INCREASED by 17% - (\$24k)
- Employee Health insurance INCREASED by 7% - (\$25k)
- RV Park / campsite rentals DECREASED by 50% - (\$15k)
- Sales tax revenue DECREASED by 3% during 2018 - (\$15k)
- Gasoline, oil, diesel cost INCREASED an average 35% - (\$40k)
- Multiple Grant awards require "earmarked" funding - (\$156k)
- Budget requires \$1.1M Transfer from Utility Fund to General Fund
- COS property values INCREASED by 5.73% or \$13.5M during 2018 - (+\$77k)
- Request 3% cost of living increase for all personnel - (\$145k)
- Request lease/purchase of capital equipment (brush chipper) - (\$13k)
- Recommend setting FY18-19 Ad Valorem TAX RATE @ \$0.569020 cents - \$0.03 INCREASE or 5.57% - (+\$72k)
- Recommend increasing large customer electric distribution rate from \$0.0400 to \$0.0500 to align with residential and small business customer distribution rates - (+\$106k)

The proposed FY18/19 budget will cover most of the projects we have planned plus a 3% merit increase (cost of living) for all employees. This will help reduce our attrition rate and enable the City to continue delivering the level of service citizens expect. The extra revenue from raising the large customer electric distribution rate will help pay for additional supplies and equipment for the Utility Department to upgrade lines. Additional funds have been budgeted to enable mowing of over-grown lots, removal of debris associated with condemned property, and adding ADA compliant parking space and ramp in front of City Hall. Public services like fire, police, animal control, courts, library, airport, rec center, parks, cemetery, leaf/limb, road repair, street paving, and small drainage projects throughout town will be funded through property taxes, sales tax, fees, permits, and a \$1.1M Utility transfer to the General Fund. **However, the following projects and plans have been cut as they represent a lower priority and can be postponed until funding becomes available:**

- Coordinate City-wide clean-up - \$15k
- Lease / purchase of bucket truck - \$50k
- Schedule Brush Dump tub grinding - \$30k
- Complete Airport runway maintenance - \$50k
- Install Riverbend Park WiFi and Entrance Sign - \$35k
- Addition of two (2) RFT for Utility Department - \$66k
- Purchase playground equipment at Riverbend Park - \$100k
- Re-open Ramona Street (curb, gutter, drainage, paving, lighting) - \$50k

**\$396k
In Budget Cuts**

Some of the large projects the City will be supporting during the FY18-19 Fiscal year include the following:

- Install ADA accessible ramp at City Hall - \$20k
- Conduct Hydrology and Hydraulics (H&H) Study of southside = \$25k
- Support TCEQ Supplemental Environmental Project (SEP) Program = \$25k
- Complete TDA-CDBG water improvement on MLK. Total Cost = \$345k. City Match = \$30k
- Construct TDHCA HOME Grant home for qualified candidate. Total Cost = \$100k. City Match = (\$4k in-kind)
- Apply for USDA grant for Relocation of SH95 Utilities. Total Cost = \$30k. City Match = \$7.5k
- Apply CDBG-DR grant for Gentry, Anderson, Hardeman, RVICS, drainage improvement (TBD)
- Support FEMA Hazard Mitigation Grant (HMG) Drainage Projects:
 - o DR-4223 – 7th Street Detention Pond. Total Cost = \$1.2M (98% complete). Match Paid.
 - o DR-4266 – 7th Street Detention Pond Conveyance. Total Cost = \$195k. City Match = \$48k + \$23k bid difference
 - o DR-4255 – Marburger Drainage Improvement. Cost = \$140k. City Match = \$35k
 - o DR-4272 – MLK / Warehouse Detention Pond (Phase I) = \$49k. City Match = \$12k
 - o DR-4332 – Oak Meadows and NW 2nd Street Drainage Improvement (TBD)

There are a host of other project-related costs that we will discuss by each department head during the workshop. These projects are above and beyond what it takes to provide City services to our citizens while keeping the water running, the power on, and the toilets flushing.

We are still evaluating a possible increase in the cost for contract lighting (\$4.75 to \$8.00) and charging an electric hook-up fee like we do for water and sewer taps. Our initial thoughts would be to charge the customer / developer Cost + 10%.

The most critical issue the City faces in the coming budget year is the repair and maintenance of our water towers and ground storage tanks. This is a project we have postponed for the past 3-years. In addition, we need to increase our capacity at the Willows Wastewater Treatment Facility (WWTF) to accommodate future growth. So, I will be speaking with our financial services advisor to structure a twenty year (20-year) \$1.5-2.0M Certificate of Obligation (C of O) for a water and sewer improvement project during 2019. I'd also like to see if I can fold another \$500k into the mix for city-wide road repairs. You know I'm not a fan of incurring additional long-term debt but after five disasters in 4 years, we don't have enough money in our reserves to cover the estimated project cost(s). This is my first rodeo in the C of O arena and I'm currently researching and evaluating the pros and cons of the process. I do know the Council can pass an ordinance to issue the \$2M in Certificates. However, I also know that 5% of qualified voters can sign a petition to force an election to deny the request. Of course, we could always hold a bond election (which costs \$\$\$) and see what the voters think. In the meantime, our water storage tanks and wastewater treatment facility infrastructure are deteriorating as they continue to age. We can take our chances and wait another year but both Jack and I feel we are flirting with disaster. This will be a topic for further discussion during the workshop.



Enclosed you will find the **PRELIMINARY BUDGET** for **2018/19**. Please review this material thoroughly and be prepared to ask questions during the Wednesday, August 29, 2018 Tax Rate Public Hearing and Budget Workshop. **The meeting will be held at City Hall and will begin promptly at 5:00 pm.** We must have a quorum. So, please notify Brenda if you will not be able to attend. After the Public Hearing on the Tax Rate, I will provide a 30 to 45-minute overview of the 2018/19 budget and then have each Department Head review their equipment, headcount, and project-related expenditures. Hopefully, we can get through the process in 2-3 hours. In the interim, please feel free to give me a call if you need more information or have any questions.

--Robert--