

Minutes

Budget Workshop Session of the Breckenridge City Commission

July 26, 2018 – 5:30 P.M.

Breckenridge City Offices Commission Chambers
105 North Rose Avenue, Breckenridge, Texas 76424

Those Present: Tom Cyprian, Mayor Pro-Tem; Russell Blue, Commissioner; David Wimberley, Commissioner; Andy McCuiston, City Manager; Heather Robertson-Caraway, City Secretary; Houston Satterwhite, Public Works Director; Stacy Harrison, Public Services Director; Larry Mahan, Police Chief; Kim Baggett, Municipal Court Judge

Those Absent: Bob Sims, Mayor; Rob Durham, Commissioner; Calvin Chaney, Fire Chief

1. **Call to Order:** Tom Cyprian, Mayor Pro-Tem at 5:31 pm

BUDGET WORKSHOP

2. **2018-19 Fiscal Year Budget Workshop**

City Manager McCuiston reviewed the proposed 2018-19 budget: The budget process began with departmental review of current year activities and submission of proposed plans and financial needs for the upcoming year. These combined into fund budgets for preliminary review by the City Manager. After evaluating revenue projections, departmental requests and programs, the adjusted budget is being presented to the City Commission. The Commission received the first pass at the budget on July 13th and, after a series of work sessions and public hearings, the final budget will be presented for adoption on September 04, 2018.

PRIORITIES

- Maintaining service levels with limited resources
- Moving all capital projects forward
- Bringing grant projects to completion
- Restoring cash and fund balance reserves

MAJOR CONSIDERATIONS

- **An improving economy** has improved sales tax revenue but has had little impact on our property tax base. Unplanned expenditures continue to reduce our ability to increase reserves and cash balances.
- **Sales tax collections** remain in the 2012-13-year range which is an improvement over the last two years.
- **Utility revenues** are still low, but the increase in temperatures and lack of rain should drive usage up this summer.
- **Personnel issues** include an increase of \$49,000 or 9.4% for health insurance with the employees having \$500 increases in deductibles and out-of-pocket decreases of \$500. The city will pay \$50 more per employee per month for health insurance. The city's contribution to TMRS remains at 9%. A certification pay program has been added to attract and incentivize employees required to have CDL drivers licenses and water and sewer licenses by the State of Texas. The cost of the program will add another \$14,000 to the budget. No Cost of Living or merit increases are included in the budget, and there are no decreases in personnel.
- **Capital projects** total \$6.4 million to be completed by 2018-19 in addition to the Texas Department of Transportation highway projects.

Key Points Highlighted:

GENERAL FUND

- **Ad valorem tax rates** – Certified property values have been received from the Appraisal District. The budget has been developed based on appraised values which are approximately the same as last year and includes
 - new taxable property values of \$718,060
 - minerals property value decreases of \$286,848
 - personal property value decreases of \$756,318
 - an effective rate of \$1.02324
 - a roll-back rate adjusted for sales tax of \$1.02063
 - a debt service rate of \$0.28698
 - a recommended decrease in the tax rate from \$1.03650 to \$1.02000
 - a decrease in debt service rate allows a \$100,815 increase for maintenance and operations
- **Sales taxes** – On track for first increase since 2014-15 and is in line with 2012-13 receipts. For 2018-19, sales taxes are projected to increase by \$13,000 or 1.2% over budgeted 2017-18 collections. The 380 Agreement with Action Properties (developer of the old Wal-Mart building) will require the city to rebate back to Action Properties 60% of 1% of the annual sales taxes paid up to a total of \$325,000 or for ten years by the four (4) businesses in that building starting in February 2018. The rebate this year is conservatively estimated at \$18,000.
- **Department Expenditures** – Some General Fund departmental budgets have decreased, some have increased from last year with the total 2018-19 General Fund budget \$99,652 under the 2017-18 Budget, but \$24,680 below the 2017-18 projected. The Police Department vehicles are in need of replacement, looking into leasing 3 at a cost of about \$13,000 annually per vehicle. The largest increase is the \$15,000 columbarium in the Cemetery Department.
- **Non-departmental** – Increased due to \$42,000 inadvertently left out of last year's budget for information technology services.
- **Fund Balance** – The beginning fund balance of \$39,641 in the General Fund for 2018-19 is critically low due to over estimating the 2017-18 beginning fund balance and excess expenditures over revenues in 2017-18. The ending 2018-19 fund balance of \$224,421 is an improvement over the budgeted 2017-18 ending fund balance. The policy calls for maintaining a cash balance of not less than two-months of operating expenditures which would be in the \$650,000 range. Staff will continue to work to rebuild reserves to that level.

WATER FUND

- **Revenue** – The anticipated reimbursement for the engineering fees on the Parks Street project of \$230,000 to rebuild reserves had to be used on an unplanned water line project on East Hwy 180; therefore, a surcharge will need to be added to each utility customer's account in the amount of \$7.50 per month for one year to generate the revenue needed to fund the utility operations. Water sales in 2018-19 are expected to remain at 2017-18 levels.
- **Water/Wastewater Commercial** – Increased due to moving part-time position to full-time.
- **Lake Daniels** – Increased for Tabletop Exercise required by TCEQ every five years.
- **Water Treatment** – Increased due to replacement of \$35,000 water pump in the basement of the Water Treatment Plant. Water costs based on 25% blending of Hubbard Creek and Lake Daniels water.
- **Water Distribution** – Includes \$55,000 match for CDBG water line grant for Roberts/Cottage/James/Gaddis Street area.
- **Non-departmental** – Increased transfer to General Fund by \$100,000, decreased transfers to Capital Improvement Fund for Texas Department of Transportation projects, decreased debt

service transfers.

- **Cash balance** – The major reason the 2017-18 ending cash balance is significantly lower than expected is that the \$230,000 reimbursement for the engineering on the Parks Street Project was moved to the Capital Project Fund to pay for the unplanned water line required by the Texas Department of Transportation. The \$7.50 per month surcharge will bring the balance up to \$160,509 and significantly improve it. Based on the reserve policy, the cash balance should be around the \$350,000 level. Staff will continue to work to build reserves to that level.

WASTEWATER FUND

- **Revenue** – Budgeted at the same level as 2017-18
- **Wastewater Treatment** – Decreases due to maintenance cost reductions because of the Wastewater Treatment Plant rehab project and reduction in transfers for Texas Department of Transportation related projects. Increases due to converting part-time position to full-time position at Wastewater Treatment Plant. Net decrease in expenditures for the fund is \$45,100.
- **Cash balance** – The 2017-18 cash balance is low due to additional Texas Department of Transportation project payments. The 2018-19 cash balance of \$60,687 is inadequate. The reserve policy requires a reserve in the \$100,000 range. Staff will work to build reserves to that level.

SANITATION FUND

City Secretary Robertson-Caraway reviewed changes implemented within the utility billing department: new cash handling policies and procedures, independent locking cash drawers, over/short notification to city secretary of daily balancing, tracking payment arrangements, city secretary must sign off on all adjustments. Also, discussed items being researched for possibly implementing for the new fiscal year: doing away with 2nd notices and extensions, and requiring proof of repair to receive a leak adjustment.

City Manager Mccuiston continued to review budget key points:

- **Revenue** – Billing issues resulting from changes in the sanitation contract last year are being corrected. Revenue is projected to be adequate to cover the cost of operations.
- **Sanitation rates** will remain the same for residential and commercial service. No increase is recommended at this time.
- **Solid Waste Station** – The full-time position has been converted to a part-time position. Funding will be maintained for community clean-up of sub-standard houses and the monofill.
- **Cash balance** – The cash balance of \$71,983 is an improvement over last year, but it is inadequate under the policy which requires it to be in the \$120,000 range. Staff will continue to work to build it to that level.

BRECK TRADE DAYS

- **Breck Trade Days** – The business model for Breck Trade Days changed last year with a reduction to a one-day show, no booth rental fees, and minimum staff. The show continues to attract vendors and shoppers but at a reduced rate as marketing and advertising has decreased as well.
- **Revenue** – Transfers from the utility funds will continue to subsidize the fund in 2018-19 at a decreased level of \$5,000 from each fund.
- **Expenditures** – No new capital expenditures are planned in 2018-19.
- **Cash balance** – The cash balance of \$14,104 includes funds restricted for advertising in the amount of \$7,000.

DEBT SERVICE

- **General Debt Service** – General debt service is funded from a portion of the property tax rate. Debt requirements have decreased from last year as two debt issues were paid off. As all debt is cross-pledged, the Revenue Debt Service Fund is being discontinued and any funding required from the utility funds will be transferred to the General Debt Service Fund. The ending balance is projected at \$1,104,266.

CAPITAL IMPROVEMENTS FUND

- **Wastewater Fund Project (\$1,200,000)** - After re-bidding and rejecting twice, the engineers conducted a negotiated bid on the project. The project is now under construction with completion expected in late 2018. Available funding will provide for rehabilitation of the existing clarifier and sludge pit, new pumps and motors, and additional mechanical and electrical improvements.
- **Parks/Lindsey Streets Project (\$5,400,000)** – Project will replace \$1.2 million in water and sewer lines and \$4.2 million in roads and storm drains. The project is under construction with completion expected in late 2019. Maintenance in that 20-block area will be minimized for many years. Savings on maintenance in that area will be re-directed to other areas.
- **Street Maintenance Fund** – Street improvements in 2017-18 were limited to Texas Department of Transportation projects on East Hwy 180, South Hwy 183, North Hwy 183, and Parks and Lindsey Streets. No street improvements were funded from the Street Maintenance Fund in 2017-18. For 2018-19, \$600,000 is budgeted for street maintenance.
- **Highways 180 East and 183 North and South** – The Texas Department of Transportation has three highway projects under way in Breckenridge. The City is required to pay 10% of the utility costs which will total \$150,000 in 2018-19. The funding of a \$180,000 water line along East Hwy 180 was another unplanned City expenditure in 2017-18. Replacement of those water lines dating back to the 1920s will reduce maintenance along those corridors.

SUMMARY

- In summary, 2018-19 will be another difficult year. The city will be ending 2017-18 with less than planned fund balances in all major funds making 2018-19 a bit more challenging to provide the same levels of service and re-building reserve balances as well. We look forward to the challenge.

3. Adjourn

Commissioner Wimberley made a motion, seconded by Mayor Pro-Tem Cyprian, to adjourn the meeting. When the motion was put to vote, it prevailed as follows: Ayes: Cyprian, Blue and Wimberley; Nays: None. Absent: Sims and Durham

Meeting adjourned at 6:07 P.M.

ATTEST


Heather Robertson-Caraway, City Secretary


Tom Cyprian, Mayor Pro-Tem

