

Minutes

Budget Workshop Session of the Breckenridge City Commission

July 25, 2019 – 5:30 P.M.

Breckenridge City Offices Commission Chambers

105 North Rose Avenue, Breckenridge, Texas 76424

Those Present: Bob Sims, Mayor; Tom Cyprian, Mayor Pro-Tem; David Wimberley, Commissioner; Andy McCuiston, City Manager; Heather Robertson-Caraway, City Secretary; Houston Satterwhite, Asst. City Manager of Operations; Stacy Harrison, Public Services Director; Calvin Chaney, Fire Chief; Larry Mahan, Police Chief

Those Absent: Russell Blue, Commissioner; Rob Durham, Commissioner

1. **Call to Order:** Bob Sims, Mayor at 5:30 P.M.

BUDGET WORKSHOP

2. 2019-20 Fiscal Year Budget Workshop

City Manager McCuiston reviewed the proposed 2019-20 budget: Transmitted herewith is the proposed business plan and budget for the City of Breckenridge for the fiscal year 2019-20. The document represents our work plan for the upcoming year with the related funding sources. In the context of stagnant economic conditions, we are presenting a balanced budget that maintains current service levels.

The Mission Statement, Values statements, and the Strategic Goals have been developed through discussions with the Mayor, City Commission members, city staff, professional staff, and community members over the past seven-year period. Several of the capital projects currently under construction or just completed have been planned since the 1990s. The need for some of the improvements have been recognized more recently such as the new accounting software, the Geographical Information System, updating the City Charter for the first time since 1954, demolishing sub-standard houses, the parks projects, and up-grading city equipment. Planning is not just an annual effort for this community but is an on-going effort for all of us.

MISSION STATEMENT

Giving the best there is in us to make our town the best it can be.

VALUES

Corporate Culture – We value others, and we value each other. How we treat people matters.

Service Perspective – The key to improving the quality of life in Breckenridge is seeing the city through the citizens' eyes.

Personal Accountability – We have been given positions of trust. What we do is important. We have confidence in ourselves that we can do what needs to be done and do it right.
Hold us accountable.

Unity Model – We honor diversity, but we look for commonalities, not differences, as we strive for unity.

STRATEGIC GOALS

Safety and Security

- Ensure public safety and public health in the community

Leadership and Financial

- Adopt and follow sound business practices and financial policies

Capital Improvements and Economic Development

- Maintain the city's infrastructure and strengthen economic development in the city

Quality of Life

- Enhance the quality of life in Breckenridge

Forward Planning

- Develop sustainable multi-year plans for present and future generations

THE BUDGET PROCESS

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 5th and, after a series of work sessions and public hearings, the final budget will be presented for adoption on September 03, 2019.

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

- **A stagnant economy** with flat sales tax revenue and the unknown future impact of the State Legislature's efforts to reduce local property taxes. Unplanned expenditures also continue to reduce our ability to increase reserves and cash balances.
- **Sales tax collections** projected at last year's levels.
- **Utility revenues** are low due to an exceptionally wet year.
- **Personnel issues** include increasing a part-time dispatcher to full time in order to decrease overtime and reduce the stress on the dispatchers. No increases in health insurance this year. The city's contribution to TMRS remains at 9%. No Cost of Living increases are included in the budget.
- **Capital projects** total \$4.7 million to be substantially completed by late 2019 and totally completed by early 2020 in addition to the Texas Department of Transportation highway projects.
- **Hospital/ambulance contract issues** which have added \$95,000 to the 2019-20 proposed budget necessitating a property tax rate increase to a rate of \$1.07, just shy of the roll-back rate of \$1.07624.

GENERAL FUND

- **Ad valorem tax rates** – Certified property values were received on July 23rd from the Appraisal District. The effective rate is calculated to be \$1.00532. The budget has been developed based on a rate of \$1.07 which will generate \$94,910 over the 2018-19 budget.
- **Sales taxes** – On track with budget for 2018-19. Sales taxes for 2019-20 are projected to be the same as estimated 2018-19 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 for 2019-20 is conservatively estimated at \$16,300.
- **Department Expenditures** – Some General Fund departmental budgets have decreased; some have increased from last year with the total 2019-20 General Fund budget \$170,295 over the 2018-19 Budget. The largest increases are the \$12,000 columbarium in the Cemetery Department, the

\$50,000 computer hardware and software updates in Non-Departmental, and the \$95,000 increase in the hospital/ambulance contract subsidy.

- **Fund Balance** – The projected beginning fund balance of \$188,129 in the General Fund for 2019-20 is an improvement over the last several years. The projected ending 2019-20 fund balance of \$135,814 is also an improvement over the past several years but is inadequate and only possible by adopting the \$1.07 tax rate. 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 \$7.50 surcharge for the \$200,000 unplanned E. Highway 180 water line project will be discontinued in October 2019. Water sales in 2018-19 are projected to come in low due to an inordinately mild and wet spring and summer. The 2019-20 water sales are conservatively projected at the same levels.
- **Total Water Fund Expenditures** – Total Water Fund expenditures for 2019-20 are planned to decrease by \$188,700 from 2018-19 budgeted.
- **Water Distribution** – Decreased due to reductions of \$23,500 in supplies and minor equipment and in capital expenditures of \$55,000.
- **Non-departmental** – Decreased transfers to General Fund by \$30,000 and decreased transfers to Capital Improvement Fund for Texas Department of Transportation projects by \$90,400.
- **Cash balance** – The \$7.50 per month surcharge allowed the Water Fund to improve its cash balance, but low water sales are projected to reduce that balance to \$51,069 by the end of 2018-19. Even with the decrease in expenditures, the ending cash balance for 2019-20 is projected to decline to \$17,369 due to low water sales. 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** – For 2019-20, budgeted for a 6.2% increase in the sewer rates which is projected to generate an additional \$56,000 in revenue. The last increase in sewer rates was in 2012.
- **Total Wastewater Fund Expenditures** – Total 2019-20 Wastewater Fund expenditures decreased by \$68,600 from 2018-19. The rehabilitation of the sewer plant is expected to be completed by September 2019, but significant rehabilitation issues remain for the lift stations and the collection system.
- **Non-Departmental** – Decreases of \$20,000 in transfers to the General Fund and \$55,000 in capital improvements in 2019-20 are reasons for the major decreases.
- **Cash balance** - The 2018-19 projected ending cash balance of (\$6,211) necessitates the sewer rate increase. Unplanned expenditures of \$55,000 for the unfunded balance due on the Wastewater Treatment Plant rehabilitation project depleted the reserves. The reserve policy requires a reserve in the \$100,000 range. Staff will work to build reserves to that level.

SANITATION FUND

- **Revenue** – Billing issues resulting from changes in the sanitation contract last year have been corrected. Revenue is projected to be adequate to cover the cost of operations.
- **Sanitation rate increases** of 3.5% from Republic Services will be passed through to the customers.
- **Solid Waste Station** – Funding will be maintained for community clean-up, demolition of sub-standard houses, and the monofill.
- **Cash balance** – The cash balance continues to improve with a projected balance of \$123,404 for year-end 2019-20 and is in line with the policy which requires it to be in the \$120,000 range.

BRECK TRADE DAYS

- **Breck Trade Days** – The business model for Breck Trade Days changed two years ago 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 have been discontinued in 2019-20.
- **Expenditures** – The bulk of expenditures are planned for marketing and advertising to attract vendors and shoppers.
- **Cash balance** – The ending cash balance for 2019-20 is projected to be \$39,485 and includes funds restricted for advertising.

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. No new issues are planned. As all debt is cross pledged, the Revenue Debt Service Fund has been discontinued and any funding required from the utility funds will be transferred to the General Debt Service Fund. The ending balance is projected at \$1,347,713.

CAPITAL IMPROVEMENTS FUND

- **Wastewater Fund Project (\$1,200,000)** - After re-bidding and rejecting twice, the engineers conducted a negotiated bid on the Wastewater Treatment Plant project. The City must provide approximately \$55,000 in additional funding in 2018-19 to complete the project. The project is now under construction with completion expected in September of 2019. 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. However, additional projects to be added to the Parks/Lindsey Streets Project will extend into the next year. 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 2018-19 were limited to Texas Department of Transportation projects on East Hwy 180, South Hwy 183, North Hwy 183, and Parks and Lindsey Streets. Only routine street maintenance was funded from the Street Maintenance Fund in 2018-19. For 2019-20, \$72,600 is budgeted for an Asphalt Zipper to improve street maintenance capabilities and \$700,000 is budgeted for street maintenance.
- **Highways 180 East and 183 North** – The Texas Department of Transportation has two highway projects under way in Breckenridge. The City is required to pay 10% of the utility costs which totaled \$142,400 in 2018-19 and will be \$51,300 in 2019-20. Replacement of some of these water lines, dating back to the 1920s, will reduce maintenance along those corridors.

EQUIPMENT REPLACEMENT FUND

- **2019-20** – Includes the second-year lease payment on Police vehicles, a pickup for the water/sewer crew, a mower for Parks, an asphalt zipper for Streets, and a jet machine for Wastewater Collection.

STAFFING AND BENEFITS

- No pay increase included (would take around \$60K to give a 3% increase) (haven't had an increase in 3 years)
- No health insurance increases this year
- No reduction in force
- Transition for Dispatcher from part-time to full-time, only increase in staffing

SUMMARY

In summary, 2019-20 will be an exceptionally difficult year requiring additional revenues to be generated in the General Fund and Wastewater Fund to have minimally adequate ending reserves. The 2019-20 year will be a bit more challenging to provide the same levels of service while re-building reserve balances as well. We look forward to the challenge.

Adjourn

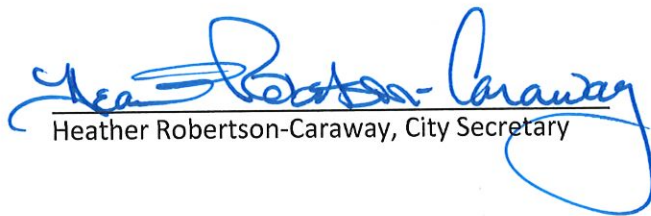
Commissioner Wimberley made a motion, seconded by Mayor Pro-Tem Cyprian, to adjourn the meeting. When the motion was put to vote, it prevailed as follows: Ayes: Sims, Wimberley and Cyprian; Nays: None. Absent: Blue and Durham

Meeting adjourned at 6:14 P.M.

ATTEST



Bob Sims, Mayor



Heather Robertson-Caraway, City Secretary

