

# City of Abernathy

## Budget

For the fiscal Year

Beginning October 1, 2021

Ending September 30, 2022

## Notice

**THIS BUDGET SUPPORTS AN UNCHANGED  
PROPERTY TAX RATE OF \$0.5900/\$100.00 VALUATION.**

**THIS BUDGET WILL RAISE MORE REVENUE FROM PROPERTY TAXES THAN  
LAST YEAR'S BUDGET BY AN AMOUNT OF \$40,539. WHICH IS A 6.87%  
INCREASE FROM LAST YEAR'S BUDGET.**

CITY OF ABERNATHY  
LIST OF ELECTED AND APPOINTED OFFICIALS

ELECTED

Ron Johnson	Mayor
Matt Riley	Mayor Pro-Tempore
Jared Shannon	Councilman
Bilinda Prater	Councilwoman
Gary Stone	Councilman
Dr. Jessica Williams	Councilwoman

Appointed

Joe Hines	City Manager
Krista Adames	City Secretary
Dwain Read	Chief of Police
Carl Johnson	Municipal Judge
Matt Wade	City Attorney

# City of Abernathy

P.O. Box 310

Abernathy, Texas 79311

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August 23, 2021

**To Honorable Mayor, members of the City Council, and Citizens of Abernathy:**

**In accordance with the Civil Statutes for Texas the proposed budget for the fiscal year beginning October 1<sup>st</sup> 2021 is submitted for your review and consideration. The budget is intended to present, in financial terms, the overall plan for providing the municipal services during the forthcoming year, this budget provides funding for the continued basic level of services offered by the City.**

## **OVERVIEW:**

**Expenses in the General Fund have increased by 24% or \$386,522 This increase in expense is mostly the cost of the Salaries and Capital Improvements purchases.**

**Expenses in the Water / Sewer Fund have increased by 18.27% or \$235,023. The increase is mostly related to schedule water improvement with a revenue offset by a Grant from the CLFRF fund.**

## **PERSONNEL**

**Payroll activities account for the single largest expense, Payroll amounts to 30% of the City's budgeted operational expenses. This is increase of 10% from the 2020-21 budget year. The upcoming 2021-22 budget has personnel cost with benefits projected at \$1,072,359. In Fiscal year 2020-21 personnel costs were budgeted at \$968,803 and or 33% of the O&M Budget.**

**In the proposed budget, and as directed by the City Council, the staffing levels have increased by a part-time Code enforcement officer next fiscal year. The budget provides funding for 16 full-time employees and 8 part-time positions.**

## **SALARIES**

**Employee salaries were increased in the FY 2020-21 budget for all employees. The U.S. Bureau of Labor and Statistics report for March 2021 was used to calculate the inflation adjusted wage rate increase at 1.016%.**

## INSURANCE

Medical insurance cost decreased 2% for FY 2021-22. The city offers 100% coverage for all full-time permanent employees and 50% of dependent coverage for anyone hired prior to September 2012 and who has been continually employed since. As directed by the City Council, a one-year cost share of 25% for dependent employees and all employees are required to purchase dental insurance. The city provides \$15,000 life insurance for all full-time employees with the option to buy additional available to them.

## Benefits

In 2020-21, the city approved a 457B plan through Nationwide retirement systems for the employees. This is a retirement plan that allows employees to invest their payroll savings in the market at a risk each person feels is reasonable. The city has the option to match a portion of this savings accounts at some future date should the City Council decide to do this for the employees. This retirement plan is a benefit to the employees that has no cost to the city at this time.

## GENERAL FUND

The general fund provides for basic services for the city including Legislative, Administrative, Police, Fire, Emergency Medical, Street Maintenance, Sanitation Services, Parks and Recreation, Library, Municipal Court, Code enforcement and Animal Control.

The General Fund receives revenue from property tax, sales tax, and franchise tax as well as transfers from the Water/Sewer fund, and other miscellaneous fees. The Ad Valorem tax base has increased 5.98% with a net taxable value of \$123,671,923.

Major expenditures allocated in the general Fund included:

Street – Sealcoat Project	\$50,000
Contract Garbage Collection	\$145,000
EMS Contract	\$178,296

Capital Improvement and Fixed Assets for the General Fund Include:

Department	Item	Qty	Amount	Total
Streets	Misc Concrete Projects	4	\$4,000.00	\$16,000.00
	used Double Drum Roller	1	\$21,843.00	\$21,843.00
	Sweeper Cash purchase	1	\$228,415.00	\$228,415.00
Water / Sewer Maint.	Computers	2	\$1,100.00	\$2,200.00
Police Department	Stalker Radar	4	\$3,400.00	\$13,600.00

	Chief's Computers	1	\$1,100.00	\$1,100.00
	Patrol Ofc computers	4	\$1,100.00	\$4,400.00
	Tasers with accessories	7	\$2,405.71	\$16,840.00
	Body Cam	1	\$1,500.00	\$1,500.00
	In car computer w/printer	1	\$6,900.00	\$6,900.00
	In car Video system	1	\$6,500.00	\$6,500.00
Court	Camera's Package	1	\$1,278.14	\$1,278.14
	Judges Computer	1	\$1,100.00	\$1,100.00
Library	Conference	1	\$2,000.00	\$2,000.00
	Book Cart	1	\$500.00	\$500.00
Fire Department	Command Vehicle	1	\$36,690.00	\$36,690.00

**NON-DEPARTMENT ITEMS – No request this year.**

**WATER/SEWER FUND**

Proprietary Funds are used to account for the city's businesslike activities. A portion of the funds generated in the city's Water/Sewer Fund are transferred to the General Fund.

Major expenditures allocated in the Water/Sewer Fund included:

Bond Debt Service	\$118,554
Water Production Utilities	\$55,000
Utility Maintenance	\$95,000

Capital Improvement and Fixed Assets for the Water/Sewer Fund Include:

General Fund budgeted at	\$357,451.14
Water Fund Budgeted at	\$2,200.00

**OUTSTANDING DEBT**

Balance on all outstanding debt as of October 1, 2021 is \$942,000.

Source of Debt:

**2015 Series Certificate of Obligation**

Date	Principle Payment	Interest Payment	Interest Rate	FY Total Payments	Principle Balance	P&I Due - On Time - In Full
2/15/2021	\$90,000.00	\$14,729.00	2.86%		\$942,000.00	\$1,079,568.00
8/15/2021		\$13,442.00	2.86%	\$118,171.00	\$942,000.00	\$1,066,126.00
2/15/2022	\$93,000.00	\$13,442.00	2.86%		\$852,000.00	\$959,684.00

8/15/2022		\$12,112.00	2.86%	\$118,554.00	\$852,000.00	\$947,571.90
2/15/2023	\$96,000.00	\$12,112.00	2.86%		\$759,000.00	\$839,459.80
8/15/2023		\$10,739.30	2.86%	\$118,851.30	\$759,000.00	\$828,720.50
2/15/2023	\$98,000.00	\$10,739.30	2.86%		\$663,000.00	\$719,981.20
8/15/2024		\$9,337.90	2.86%	\$118,077.20	\$663,000.00	\$710,643.30
2/16/2024	\$101,000.00	\$9,337.90	2.86%		\$565,000.00	\$600,305.40
8/15/2025		\$7,893.60	2.86%	\$118,231.50	\$565,000.00	\$592,411.80
2/15/2025	\$104,000.00	\$7,893.60	2.86%		\$464,000.00	\$480,518.20
2/15/2026		\$6,406.40	2.86%	\$118,300.00	\$464,000.00	\$474,111.80
8/15/2026	\$107,000.00	\$6,406.40	2.86%		\$360,000.00	\$360,705.40
2/15/2027		\$4,876.30	2.86%	\$118,282.70	\$360,000.00	\$355,829.10
8/15/2027	\$110,000.00	\$4,876.30	2.86%		\$253,000.00	\$240,952.80
8/15/2028		\$3,303.30	2.86%	\$118,179.60	\$253,000.00	\$23,649.50
2/15/2029	\$114,000.00	\$3,303.30	2.86%		\$143,000.00	\$120,346.20
8/15/2029		\$1,673.10	2.86%	\$118,976.40	\$143,000.00	\$118,673.10
2/15/1930	\$117,000.00	\$1,673.10	2.86%	\$120,346.20	\$29,000.00	\$0.00

### CASH AVAILABLE, ALL SOURCES

As of July 1, 2021, available cash includes:

General Fund	\$896,161.85
Water Fund	\$1,236,917.00
All Funds Total	\$2,480,130.16
Restricted Funds	\$347,050.88
Unrestricted Funds	\$2,133,079.28

### RESERVE FUND STRATEGY

In the FY 21-22 statement of net position, the City of Abernathy reported a cash balance of \$2,480,130 at the end of the fiscal year; \$2,133,079 unrestricted and \$347,050.88 being dedicated for debt service.

Budgeting – When the city’s anticipated revenue will not cover expenses, reserve funds may be used to balance the budget.

Capital Improvement Projects – The reserve balance can be used to fund (typically larger) capital projects including but not limited to the purchase of equipment, buildings, and other tangible assets or capital improvements.

Emergency Fund - Emergency funds typically consist of a 3-6 months insurance for continued operating expenses following a natural disaster or other calamity where the city’s ability to generate or receive income might be affected. In the past, the city has consistently maintained a 6-month balance. For the purposes of this budget, a healthy 6-month emergency fund should maintain a balance of \$993,330 for the GF and

\$643,253 for the WF making the total reserve fund requirement \$1,636,583. Currently, the City meets this requirement.

Debt – As of October 1st, the principal balance on all city debt is \$942,000 having been issued in the form of a 2015 series certificate of obligation with a coupon interest rate of 2.86%.

Certificates of Obligation (CO) are typically issued without voter approval and backed by tax revenue, fee revenues, or a combination of the two. The City's CO's are secured by a combination of property taxes and a limited pledge of the City's combined water and wastewater system revenue.

This debt was issued in 2014 for water and sewer system improvements and to be used by 2018. Project completed during the period included:

- 2 - Pumps, 2 - motors, and 3 - flow meter improvements at the Main Water Pump Station
- Approximately 3 miles of upsizing water line from 10" to 14" between Well 4 and Well 1
- Drilled Well 8 and brought flow to well lines
- Dockum Study

Each month, the City Secretary transfers \$10,000 of water/sewer funds into an interest & sinking account for debt service, in keeping with the terms of the agreement issuing the debt. Once any funds have been placed into an I&S account, they cannot be transferred out except for the purpose of debt service.

On February 1, 2018, the city had an unused CO balance of \$188,876.60. Those funds were placed into an I&S certificate of deposit. The first date the city can use these funds to pay down debt with a call-payment is February 15, 2022.

Long Range Planning – previously, two (2) large expenditures have been identified and anticipated in the city's future; airport decommission with the FAA and water source development.

Airport - The City accepted the Abernathy Municipal Airport in 1948 from the U.S. War Assets Administration with the understanding that the property would be used as a public airport. After discussing the financial circumstances involving the airport with both the FAA and TxDOT, the City Council ceased aviation operations on the property in 2013. All Airport assets were transferred to the General Fund. During these discussions with the FAA leading up to the closure, it was determined that the city might have to pay a fair market value for the land involved in order to get a deed of release to remove the caveat requiring the property to be used as a public airport. The property has critical water infrastructure on the property necessitating the need to maintain ownership.

The completion of the process remains unresolved at this time and the final amount required to satisfy the FAA and/or GAS has yet to be established.

Water Source Development - In 2015, the City hired Parkhill Smith and Cooper to conduct a water supply evaluation to anticipate the life span of the city's well fields in the Ogallala Aquifer as a public drinking water

source. This study concluded that under normal cyclical weather patterns, the City's wells have an estimated supply sufficient to meet our needs until 2037 and under drought conditions, that timeline was reduced significantly.

In 2016, the city concluded a study of the Dockum Aquifer as a probable water source and it was determined that it could potentially meet the city's needs reaching 75 years or more into the future. The Dockum infrastructure and improvements were estimated to be \$6,687,940 in 2016. Should this option be chosen, the cost will be higher in the future.

In July 2021, staff asked Oller engineers to present a proposal to complete a Capital Improvement Plan (CIP) for the city to produce the Dockum aquifer. Oller Engineers also reviewed the condition of water storage in the city and recommended additional storage in the well field to reduce pumping demand on the wells and allow more time to recover. This major capital expense as well as future water supply need to be identified and a plan put in this place to address these needs.

## **SUMMARY**

City staff will continue to monitor the financial situation in a timely manner and will be prepared to bring recommendations to the Council at any time during the year should our financial situation change.

I would like to express my sincere appreciation to the Mayor and each Members of the Council for the time commitment and for a vision that is sound and long-term. Working as a cohesive organization from the Mayor, City Council and staff is how we manage this city professionally. You will continue to hear me ask the council for their wishes and staff will diligently work to accomplish the mission of the Citizens and their elected representatives.

It is our hoped that this budget reflects the thinking and policies of the City Council and is representative of the desires of the Citizens of Abernathy.

Respectfully submitted,

Joe Hines

Joe Hines, City Manager