

City of Abernathy

Budget

For the fiscal Year

Beginning October 1, 2020

Ending September 30, 2021

Notice

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

**THIS BUDGET WILL RAISE MORE REVENUE FROM PROPERTY TAXES THAT
LAST YEAR'S BUDGET BY AN AMOUNT OF \$19,900. WHICH IS A 3.32%
INCREASE FROM LAST YEAR'S BUDGET. The PROPERTY TAX REVENUE TO
BE RAISED FROM NEW PROPERTY ADDED TO THE TAX ROLL THIS YEAR IS
\$4,320.**

CITY OF ABERNATHY
LIST OF ELECTED AND APPOINTED OFFICIALS

ELECTED

Lindsey L. Webb	Mayor
Ron Johnson	Mayor Pro-Tem
Jared Shannon	Councilman
Bilinda Prater	Councilwoman
Matt Riley	Councilman
Gary Stone	Councilman

Appointed

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

City of Abernathy

P.O. Box 310

Abernathy, Texas 79311

August 4, 2020

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 1st 2020 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 decreased by 15% or \$250,841. This decrease in expense is mostly the cost of the CDBG project on 6th and Avenue K.

Expenses in the Water / Sewer Fund have decreased by 0.27% or \$2,828. The decrease continues to include a transfer of funds from Water fund to the general Fund totaling \$186,055. Any decrease is due to lost revenue related to Covid 19 and a general tightening by staff.

PERSONNEL

Payroll activities account for the single largest expense, Payroll amounts to 28% of the City's budgeted operational expenses. The upcoming 2020-21 budget has personnel cost with benefits projected at \$746,473.02. In Fiscal year 2019-20 personnel costs were budgeted at \$749,199 and or 25% of the O&M Budget.

In the proposed budget, and as directed by the City Council, the staffing levels have remained the same for the next fiscal year. The budget provides funding for 16 full-time employees and 7 part-time position.

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 2020 was used to calculate the inflation adjusted wage rate increase at 1.5%.

INSURANCE

Medical insurance cost decreased 2% for FY 2020-21. 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.

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 3.32% with a net taxable value of \$116,329,4233.

Major expenditures allocated in the general Fund included:

Street – Sealcoat Project	\$50,000
Contract Garbage Collection	\$157,000
EMS Contract	\$161,720

Capital Improvement and Fixed Assets for the General Fund Include:

Police Department's PPR Project Grant	\$69,192
City Hall ADA Upgrades	\$15,300
Tornado Sirens upgrades (if needed)	\$25,000
Library flooring	\$16,254
Police Firearms	\$4,278
Concrete Projects	\$16,000
Ram Jack	\$2,899
Zero Turn Mower	\$5,169
Double Drum Roller	\$21,843
Court Computer Hardware and Software	\$3,461
Fire Department Forest service Grant	<u>\$20,000</u>
	\$199,396

NON-DEPARTMENT ITEMS

The Abernathy Baseball Association requested field repairs and improvements totaling \$32,058.25. These improvements include infield renovations, red dirt, play ball conditioner and mound clay. They also mentioned a bathroom / concession stand facility. Other groups have asked for lights on the field (lights are estimated at \$48,750 before labor costs). Staff will seek grant funding for restroom and lights. The \$32,058.25 is shown as an expense item in the General Fund budget item as park maintenance.

Field 1	\$6,188
Field 2	\$14,710
Field 3	<u>\$10,620</u>
	\$32,058

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	\$118,716
Water Production Utilities	\$57,000
Utility Maintenance	\$75,000

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

Zero Turn Mower	\$5,169
Push Camera	\$8,848
Admin Computer Server	\$20,000

OUTSTANDING DEBT

Balance on all outstanding debt as of October 1, 2020 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, 2020, available cash includes:

General Fund	\$839,597.81
Water Sewer Fund	\$825,242.00
All Funds Total	\$2,101,464.82
Restricted Funds	\$263,656.97
Unrestricted Funds	\$1,836,807.85

RESERVE FUND STRATEGY

In the FY 19-20 statement of net position, the City of Abernathy reported a cash balance of \$1,696,537 at the end of the fiscal year; \$1,606,015 unrestricted and \$276,743 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 \$830,741 for the GF and \$525,742 for the WF making the total reserve fund requirement \$1,356,482. 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 2020, staff asked Parkhill Smith and Cooper to bring a proposal to complete a Capital Improvement Plan (CIP) for the city. In reviewing the condition of water storage in the city, the witches hat tank located at City hall was determined to have potential compliance issues and needs to be replaced. The cost of a future tank as well as location needs to be determined. 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. As part of the CIP, a rate study and a comprehensive water system evaluation will be performed to determine the best course for solving the water concerns for Abernathy in the long-term.

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, 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