



City of Lamesa

Office of the City Manager

601 South First Street ☎ 806/872-2124
Lamesa, Texas 79331

October, 2011

To the Honorable Mayor and Members of the City Council:

In accordance with the Civil Statutes of the State of Texas and the Charter of the City of Lamesa, the proposed budget and program of services for the fiscal year beginning October 1, 2011 is submitted for your review and consideration. The budget is intended to present, in financial terms, the overall plan for providing municipal services during the forthcoming year. Moreover, the budget provides the basis for a higher level and quality of services of the City's infrastructure to ensure progress and development. This budget provides funding for mostly similar levels of service offered by the City as last year.

Summary

The FY 2011-2012 budget is prepared for a balanced base budget with limited resources and it has been a challenging experience. To continue to meet its challenges in the future, the City must seek to strengthen its General Fund revenue base, at present consisting mainly of property tax, sales tax and franchise fee proceeds. The Enterprise Funds Water/Wastewater and Solid Waste's Working Capital have improved and we continue to cut expenditures without impairing the essential services. In the coming years, fiscal restraint is imperative and an improved economic landscape is crucial to our financial position, as well as diversifying our revenue and tax base.

Although the current economic conditions are ambivalent, sales tax receipts are higher compared to last year. It appears the economy has rebounded slightly attributed to oil business activity and alcohol sales. Our local economy is still fickle and city population decreased from 9,950 to 9,422. The City's fiscal policy must maintain debt restraint in order to alleviate future financial impediments.

Budget Overview

In the tradition of past years, the budget reflects that fund balances must be utilized in order to balance the budget. This year General Fund, Water/WasteWater Solid Waste

revenues will exceed expenditures except for the Municipal Golf Course program - expenses are usually held below budget. However, this fiscal year will include rate increases in the Water Enterprise Fund which reflect increases from CRMWA's bond issuance for additional water rights from T. Boone Pickens land, and City of Lubbock - water treatment capital improvement project. The Solid Waste will include a rate increase for future excavation of a new Type I landfill cell.

The projected ending fund balance for the General Fund for September 30, 2011 is **\$386,470** an increase from the projected fund balance of **\$6,662** for the end of the current fiscal year. One of our fiscal goals has been for each fund to be totally self-sustaining. The budget for the General Fund does not accomplish that goal, as it is still dependent on the water/wastewater and the solid waste funds for reimbursements for services rendered. There will be no need for a property tax rate increase and recommend tax rate stay the same as last fiscal year 0.72430.

Similarly, the total working capital available (unreserved ending fund balance) in the Water and Wastewater Fund will be **\$467,862** compared to an estimated projection of \$131,302 for the end of the current fiscal year.

The working capital (unreserved ending fund balance) in the Solid Waste Management Fund will be **\$512,707** compared to an estimated projection of **\$407,187** for the end of the current fiscal year.

The Municipal Golf Course estimated revenues will be \$137,046 and expenditures estimated at \$158,276. We need to transfer funds, "\$21,230" from the General Fund to create at least a zero fund balance. The Municipal Golf Course is unable to generate enough revenue to sustain its operations-General Fund will need to continue subsidizing its operations.

Key Changes in the 2011-2012 Budget

- ✓ **Revenues** – Budgeted revenues for all funds are expected to increase **\$184,629** over the budgeted revenues for Fiscal Year 2011-2012.
- ✓ **Expenditures** - Budgeted expenditures for all funds are expected to increase \$410,573 over the budgeted expenditures for Fiscal Year 2011-2012.
- ✓ **Capital Expenditures** - Scheduled replacements for this year includes one police vehicle, a front end loader Solid Waste Department-Landfill and one playground equipment for Parks Departments.
- ✓ **Personnel** – 2.8 personnel positions are cut for this year's budget- this includes a two mechanics positions, and administrative Clerk for City Manager- this is a half position. Total personnel for 2011-12 (76.80) compared to 2010-11 (78.90).
- ✓ **Overview of the General Fund**



The General Fund is the primary source of funding for City services. General Fund revenues are derived from real estate and personal property taxes, fines, and fees for service. The proposed FY 2011-2012 General Fund revenue budget is \$3,576,883 an increase over the FY 2010-2011 budget of \$3,526,358.

Except for this fiscal year, the General Fund historically has had a deficiency of revenues over expenditures. We have been able to manage this deficiency in most past years by foregoing expenditures during the year and experiencing slightly higher than expected revenues. We will continue to find ways to reduce expenditures in lieu of additional revenue sources.

Again, the Ad Valorem tax rate will stay at \$0.72430 per \$100 and the total appraised value will increase for 2011-12. The City's financial position will be lucid after completion of the 2011- 2012 fiscal year and with the benefit of a few months experience on sales tax receipts and other costs.

The Street Department's street seal coating on some city streets will be on a limited basis due to financial constraints- approximately 20 to 30 blocks is projected.

Overview of the Water and Wastewater Enterprise Fund



The Water and Wastewater Enterprise Fund water sales for 2011-12 increased slightly due to a dry summer season. Last year our total projected working capital at the end of the year was \$707,007. This year we project that the total working capital at the end of the year will be \$131,302. There is a projected balance of **\$467,862** at the end of the next fiscal year.



Proposed is a base \$3.00 water rate increase for payment obligation to CRMWA for additional water rights purchase, and \$1.00 rate increase for the wastewater treatment plant expenditures. Therefore, increase expenditures with CRMWA volume gallons/bond debts, and a \$24 million dollar City of Lubbock water treatment capital improvement project will deplete some of our working capital. It is estimated this years revenue will exceed expenditures. The debt service with operation and maintenance of the new wastewater treatment plant will create further expenditures for the upcoming fiscal year.

Overview of the Solid Waste Management Enterprise Fund

Overall, the Solid Waste Management Fund estimated working capital for end of September 2011 is \$407,187 and the estimated working capital for



October 2011 is approximately \$512,707. The Type IV cell life span has been reduced to 6 years instead of 8 years, due to enormous influx of construction and debris material in prior years. The 2005 "Tax Anticipated Notes" landfill project issuance were paid off this year-\$890,000.

Proposed is a \$1.00 base fee increase for the future construction of a Type I landfill cell-possibly in three (3) years. This additional fee will be put into Solid Waste Capital Reserve Account.

Personnel

As you are aware, significant reductions in staffing levels have occurred during the last twenty six years. The reduction of over thirty two positions without a significant impact on services has been made possible over the years through the use of better equipment, better organization, and more qualified and better-trained employees. In the last few years employees have been asked, and responded, with increased productivity and have received little reward. There will be no across the board raises for employees this budget year. Nevertheless, the city plan allows for employee merit raises during the budget year but will be kept to minimum.



Capital Replacements

Only items costing more than five thousand dollars are now considered as capital items. Most computers are no longer being counted as capital items. This budget provides for capital replacements only where deemed absolutely necessary to continue current levels of service. The Water Department will continue with a program of water line replacement on as needed basis. The City received \$350,000 CDBG "grant funds" for a 6 and 8 " water line replacement from S.1st Bryan to S.4th Bryan and S.4th Bryan to S. 4th Dallas Ave. -project completed this year.

Prospects for Future Progress

Again, Preston Smith Unit-prison has continued to be a financial asset for the city. We feel that it has made a positive contribution to our sales tax and enterprise fund revenues. Hopefully, the Lamesa Economic Development Corporation will be able to attract new sources of economic activity and add to our growth. The addition of new businesses and jobs will have a positive impact on our revenues. LEDC was the primary force in obtaining the new prison expansion and pledged \$100,000 a year for five years for city utility service to the new unit. We must continue to support local business activities and aggressively pursue new industries for local economic growth.



Emerging Issues

The economic downturn nationwide had an adverse impact on local economic last year, especially on our Sales Tax revenue. This year sales tax is expected to improve with the

increased oil business and alcohol beverage sales. However, the drought will have an impact on our local Agriculture economy. There are several major issues that have emerged and we will have to deal with in the near future

1. TCEQ unfunded mandates
2. CRMWA water cost and bond issuance
3. Additional Water Wells and Water Rights acquisition
4. Health Insurance Cost
5. Capital Equipment Program

Many challenges face our organization in the area of Federal and State environmental mandates. We will continue to expend resources to meet these demands. Though the U.S. 87 reliever route and the 180 extension to the reliever route will not be constructed in the near future, we need to continue supporting the Ports to Plains and La Entrada Al Pacifico corridors efforts. Obstacles tend to be opportunities, these trade corridors will eventually be built and will create economic development growth.

Summary and Conclusion

We are continuing a process of evaluation of our financial strategy for the coming years. Fund balances must be maintained in the enterprise funds and continue decrease expenditures in the General Fund and the other two Enterprise Funds. We will continue to look at different revenue sources or levels or make adjustments to the services provided.

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 if serious declines in revenues or unexpected expenses are foreseen.

I would like to express my appreciation to the Mayor and Council. What the staff works on and presents would be meaningless if the Council was not interested in striving for a professional, well run organization. I appreciate the opportunity to work for you, and will always attempt to be attentive to the desires of the Council.

Hopefully, this budget reflects the thinking and policies of the City Council and is representative of the desires of the Citizens of Lamesa. I especially hope you will let me know if you have any questions about this budget or the overall budget process.

Respectfully submitted,

Fred Vera

Fred Vera
City Manager