



City of Lamesa

Office of the City Manager

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

October, 2013

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, 2013 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 2013-2014 budget is prepared for a balanced base budget with limited resources and it has been a challenging experience. To continue to meet fiscal challenges of the future, the City must strengthen its General Fund revenue base, at present consisting primarily of property tax, sales tax and franchise fee proceeds. The Enterprise Funds including the Water/Wastewater and Solid Waste fund have experienced an increase in available working capital the last couple of years due to reduction in expenses. This has been accomplished without impairing the essential services. In the coming years, fiscal restraint and recovery of the economy is crucial to our financial position.

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 the city population has declined 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 overall reduction in fund balance will require a

proactive stature in FY 2013-2014 and rate increases will be implemented in both the Water and Solid Waste Funds. The primary impetus for these increases is the New Well Field project and the construction of a new Type IV landfill cell.

The projected ending fund balance for the General Fund for September 30, 2013 is **\$598,273** an increase from the projected fund balance of **\$221,863** 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 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 **\$1,143,316** compared to an estimated projection of **\$514,687** for the end of the current fiscal year.

The working capital (unreserved ending fund balance) in the Solid Waste Management Fund will be **\$476,623** compared to an estimated projection of **\$324,865** for the end of the current fiscal year.

The Municipal Golf Course estimated revenues will be \$142,400 and expenditures estimated at \$194,686. We need to transfer funds, “\$52,286” 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, therefore the General Fund will need to continue subsidizing its operations.

Key Changes in the 2013-2014 Budget

- ✓ **Revenues** – Budgeted revenues for all funds are expected to increase **\$543,055** over the budgeted revenues for Fiscal Year 2012-2013.
- ✓ **Expenditures** - Budgeted expenditures for all funds are expected to increase **\$518,402** over the budgeted expenditures for Fiscal Year 2012-2013.
- ✓ **Capital Expenditures** - Scheduled outlays for this year include one police vehicle, one CAD dispatch system for Police Department, security cameras for city buildings, one utility pole/bucket truck, five water wells, and a new 250,000 gallon elevated storage tank
- ✓ **Personnel** – 4.8 personnel positions are added for this years budget this includes a position for an administrative clerk for City Manager, two workers in Parks, one worker in Street, and one worker in at the Golf Course. Total personnel for FY 2013-2014 is 81.50 employees compared to FY 2012-2013 of 76.80.

✓ **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 2013-2014 General Fund revenue budget is \$3,827,120 an increase over the FY 2012-2013 budget of \$3,702,395.

Until recently the General Fund has had a deficiency of revenues over expenditures but over the last couple of years we have seen a substantial increase in sales tax receipts due to an improved economic landscape. Also, property evaluations have continued to increase due to new business start-ups and expansions. We will continue to be fiscally responsible and will manage all programs in the most efficient and effective manner possible.

Again, the Ad Valorem tax rate will stay at \$0.72430 per \$100 and the total appraised value will increase for 2013-14. The City's financial position has become more lucid with several years of history regarding sales tax increases due to alcohol sales and the oil field activity in our area.

Overview of the Water and Wastewater Enterprise Fund



The Water and Wastewater Enterprise Fund water sales have gradually declined since initiating our drought contingency plan in 2012. Last year our total projected working capital at the end of the year was \$1,304,140. This year we project that the total working capital at the end of the year will be \$1,143,316. There is a projected balance of **\$974,238** at the end of the next fiscal year.



With the decline in water sales and expansion of our North Well Field we will have to increase our base water rate \$2.00. The debt service with operation and maintenance of the new wastewater treatment plant will create further expenditures necessitating an increase in our sewer base rate of \$1.00.

Overview of the Solid Waste Management Enterprise Fund

Overall, the Solid Waste Management Fund estimated working capital for end of September 2013 is \$476,623 and the projected working capital for September 2014 is approximately \$338,695. A \$600,000 TAN will be issued for the construction of a new Type I landfill cell. There will be an increase on the garbage base rate of \$3.00 to service this debt. The new Type I cell life span should be approximately 9-10 years.



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 pay increases, only step increases involving the City's pay plan

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 capital outlays this year will be the expansion of the City's north well field (5 wells) and the construction of a new 250,000 gallon elevated storage tank.

The Solid Waste Department primary capital outlay will be the completion of the new Type IV landfill cell that should be completed in the fall of 2013

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. Furthermore, LEDC financially assisted the City in constructed two new water wells on LEDC farm land to supply water to Preston Smith Unit-\$300,000. Also, LEDC provided funds for a new wastewater liftstation that will provide much needed infrastructure to the north side of town where we are experiencing business expansion.



Recent oil field activity in our area continues to support our local economy and is expected to continue for the next several years.

Lamesa citizens voted and passed a Type B ¼ sales and use tax for the City of Lamesa. The certification of formation was filed with Secretary of State and the new Type B is now call Lamesa Economic Alliance Project. We must continue to support local business activities and aggressively pursue new industries for local economic growth.

Emerging Issues

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 to 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,

Wayne Chapman

Wayne Chapman
City Manager