



City of Lamesa

Office of the City Manager

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

October, 2009

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, 2009 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 2009-2010 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 need to augment as well as cut the expenditures-without capitulating the essential services. In the coming years, fiscal discipline is essential and an improved economic landscape is crucial to our financial position, as well as to diversify our revenue and tax base.

With the current economic downturn, Sales tax receipts will be sluggish compared to last year. Our local economy is still unpredictable and city population growth is inert. On a positive note, slight economic development has improved within the community. We must encourage fiscal discipline within the organization.

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 , and Solid Waste revenue funds ostensibly will exceed expenditures - expenses are usually held below budget. However, this fiscal year will include rate increases in the Water Enterprise Fund which reflect increases from CRMWA and the City of Lubbock on volume gallons and treatment cost. The Solid Waste Fund includes rate fee increases and usually the expenditures are held lower than what is budgeted. Included in the budget are some capital equipment expenditures. The repayment of the U.S.D.A. forty year loan on the new WasteWater treatment is a long-term expenditure which sustainable revenue will be needed in the future.

The projected ending fund balance for the General Fund for September 30, 2010 is **\$83,532** an increase from the projected fund balance of **\$16,858** 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 **\$20,965** compared to an estimated projection of **(\$489,364)** for the end of the current fiscal year.

The working capital (unreserved ending fund balance) in the Solid Waste Management Fund will be **\$479,119** compared to an estimated projection of **\$453,800** for the end of the current fiscal year.

The Municipal Golf Course estimated revenues will be \$125,217 and expenditures estimated at \$170,327. We need to transfer funds, “\$45,110” 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 2009-2010 Budget

- ✓ **Revenues** – Budgeted revenues for all funds are expected to increase **\$204,473** over the budgeted revenues for Fiscal Year 2008-2009.
- ✓ **Expenditures** - Budgeted expenditures for all funds are expected to decrease **(\$627,572)** over the budgeted expenditures for Fiscal Year 2008-2009.
- ✓ **Capital Expenditures** - Scheduled replacements is less than last year . However, this year includes one police vehicle, and a CAT backhoe/frontend loader for the water department.

- ✓ **Personnel** – 6.5 personnel positions are deleted for this year's budget. Personnel for 2007-08 (84.5) 2008-09 (81.5) and proposed for this year is 76 employees.

✓

- ✓ **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 2009-2010 General Fund revenue budget is \$3,381,409 a decrease over the FY 2008-2009 budget of \$3,457,937.

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 2009-10. The City's financial position will be lucid after completion of the 2008- 2009 fiscal year and with the benefit of a few months experience on sales tax receipts and other costs.

The Street Department is utilizing the crack sealing machine. As a precursor, this will provide an efficient street preventive maintenance operations for the city's seal coating program. No street seal coat project is budgeted for this year.



Overview of the Water and Wastewater Enterprise Fund

The Water and Wastewater Enterprise Fund water sales for 2008-09 increased slightly due to a dry summer season. Last year our total projected working capital at the end of the year was **(\$217,360)**. This year we project that the total working capital at the end of the year will be **(\$489,364)**. There is a projected balance of **\$20,965** at the end of the next fiscal year. A 5% water rate increase on minimum charges for residential, commercial and industrial is incorporated.



Consequently, increase expenditures with the CRMWA volume gallons/bond debts, and increase in the Lubbock water treatment cost for our CRMWA volume gallons will deplete some of the working capital. It is estimated this years revenue will exceed expenditures. The operation and maintenance of the new wastewater treatment plant will create additional 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 2009 is \$453,800 and estimated to increase to \$479,118 October 2010. The Type IV cell life span has been reduce to 6 years instead of 8 years, due to enormous influx of roofing material created by the severe hail storm this year.



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 one 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..

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 industry 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. I'm optimistic the Ports to Plains , and the La Entrada Al Pacifico corridors with the new proposed TxDOT Southern Crossing connection route will have a major prospective economic impact in our community. We must continue to support these endeavors and aggressively pursue new industries for local economic growth.



Emerging Issues

The economic downturn nationwide has had some adverse impact on local economic especially on our Sales Tax revenue. New technologies are impacting the workplace and even the taxes we collect. Furthermore, there are several major issues that will emerge and will have to deal with in the near future

1. TCEQ unfunded mandates
2. CRMWA water cost and bond issuance
3. Waste Water Treatment Plant and Arsenic standards
4. Additional Water Wells and Water Rights acquisition
5. GASB Statement 34 and its impact on local government financial reporting
6. Health Insurance Cost
7. Maintaining core city services for our citizens at a practical tax rate

Many challenges face our organization in the area of Federal and State environmental mandates. We will continue to expend resources to meet these demands. The major challenges in the next few years are the construction of the Ports to Plains and La Entrada Al Pacifico corridors as well as the Southern Cross connection route, and capital improvement projects.

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 decreasing 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.

It is hoped that 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,

F r e d V e r a

Fred Vera
City Manager