

City of Brady Proposed Budget  
For the Fiscal Year  
October 1, 2018 – September 30, 2019

This budget will raise the same amount of property taxes as last year's budget and \$7,782 is additional tax revenue to be raised from new property (\$1,894,070) added to the roll this year.



August 7, 2018

Dear Honorable Mayor and City Council:

I am pleased to submit the proposed 2019 Annual Budget for the City of Brady, Texas in accordance with Texas Statute and the City Charter. This budget is for the fiscal year beginning October 1, 2018 and ending September 30, 2019. The budget is published to provide the City Council, city staff, our citizens, and other interested parties with detailed information concerning the financial condition and activities of the City government.

The adoption of the budget is the single most important action taken by the City Council each year. The budget establishes the fiscal plan to address various challenges and opportunities presented throughout the year. The foundation of this budget is the City Council and staff's commitment to a pattern of conservative spending. Expenditures for next year have been closely scrutinized to be certain that the City allocates its limited resources wisely. City departments have performed admirably by continuing to provide quality service amid increasing costs and demands.

In presenting this budget, I want to give recognition to the Finance Department staff, particularly Director of Finance Lisa Remini, and her assistant Karyna Phillips. In addition, all City divisions and departments should be commended for doing a good job in maintaining and controlling their expenses the past year and with this final budget plan.

The City's budget is developed through a modified zero-base budget process where expenditures are presented in a base budget, five-year capital equipment replacement plans, five-year capital project plans, and supplemental budget requests format. The base budget represents current service levels and funds needed to maintain the current service level. The city charter required five-year capital equipment and project plans to identify a replacement equipment schedule and expense needs projected for infrastructure replacements and/or upgrades. Supplemental requests are made for any program enhancement or addition that results in significant funding increases for the upcoming budget. Six work sessions were held during July with staff and city council members to discuss and review the recommended 41 division budgets, 51 supplemental requests, and to maintain a balanced budget while meeting work goals of City services.

The process for developing the budget this year was particularly challenging. You are familiar with the reasons, but for the readers of this document, I would like to review the dynamics that impacted this budget formation.

April through June, staff prepared budget proposals. In July, City Council reviewed the City mission-vision-values, five-year plans, and current projects, programs and revenue sources. In July, the City Council met with staff in work sessions to charting the course of the City over the next year. Discussions were directed towards the needs over the next five years of all the divisions, including activities and goals, infrastructure needs, equipment needs, comprehensive planning and capital improvements.

Council provided staff with their vision for the future of the City and specific policy guidance for developing the budget. This guidance provided a “big picture” and details intended to direct staff in its mission to best meet the needs of the community. City Council and staff reviewed financial plans for the operational funds along with other important topics such as economic development, fiscal responsibility, state and federal mandates for wastewater facility upgrades, drinking water quality requirements, gas utility requirements, electric utility needs, public safety needs, and other municipal services.

The City Council emphasized its expectation of responsible financial management, comprehensive planning, and the importance of working with other governmental units. They concurred that while the fundamental services (i.e., water, sewer, electric, gas, sanitation, streets, and public safety) should be given top priority, quality of life issues are to be treated with conservative importance. By the end of the day, staff and council members worked together to develop mutual goals for the future direction of the City.

## **BUDGET OVERVIEW**

The balanced FY2019 Budget totaling \$66,899,484 includes all operating expenses, required fund transfers and capital funding anticipated for the new year. Included in the FY2019 Budget is the expected funding of the construction phases of the new Wastewater Treatment Plant (\$14,705,000) and the improvements to the Water Distribution system (\$28,700,000) totaling \$43,405,000. It should be noted however, that excluding these two capital construction budgets, the total FY2019 budget is \$23,494,484. This represents a decrease (for the second consecutive year) of 4.7% from last year’s budget of \$24,651,890.

Total revenues to support the various fund budgets before transfers are made, are projected at \$63,465,201. An additional \$818,237 in excess unrestricted fund reserves will be utilized for FY2019 capital and program goals. Total projected revenue sources for FY2019 are projected to be \$66,081,247. Excluding the expected funding of \$43,405,000 for the Waste Water/Water construction projects, FY2019 revenues total \$22,676,247. Last year’s revenues were \$22,580,780.

One of the major struggles to balance this year's budget is the ongoing challenge of administering all City services that our citizens have come to enjoy while maintaining current revenues. The added pressure of implementing the federal EPA mandates of infrastructure improvements to the City's wastewater and water systems will continue to challenge the City Council's ability to balance service cost and rates while providing sufficient funding for all City operations. The budget includes fee increases for water, sewer, and sanitation services. Rate increases for the sewer and water services is needed to fund the debt service requirements associated with the capital improvements. Rate increases for commercial dumpster service are required to continue to operate the landfill and provide trash pickup services in a break-even financial operation while supporting ongoing capital costs required to maintain the services.

The City continues its efforts with two significant infrastructure improvement projects. First, the City began the planning and design phase of the Clean Water project in fiscal year 2013 that will ultimately provide for replacement of the existing 1960s obsolete wastewater treatment plant (WWTP). This multi-year project will continue into fiscal year 2020 with construction of the plant. Second, the City is now near completion of the final construction documents for the Drinking Water project that began in fiscal year 2015 to address and comply with the EPA and TCEQ standards for quality drinking water. Funding for construction has been delayed by the State Legislature; therefore, efforts to prepare required documents for Texas Water Development Board funding will be the focus for fiscal year 2019. Actual construction costs for these two projects will be determined during construction bidding phase which will take place in early 2019 as City staff, engineers, and regulatory agencies strive for the most cost-efficient solutions. The FY2019 budget reflects the estimated cost for each project.

Personnel costs represent 30% of the base budget. Although we have a relatively small staff, we must budget for their salary, including over-time, as well as fringe benefits. In certain areas, City services continue to get stretched with our staff experiencing increased workload; however, due to limited resources, management proposes to remove two (2) full-time positions: the unfilled Public Information Officer position and a dispatch communications position. One (1) new full-time position, a Water Treatment Plant Operator in the Water division has been added to provide for regulatory reporting requirements. Two (2) existing part-time positions have been expanded to full-time positions: a second Animal Control Officer and a Records Technician for the Gas Division. Two (2) part-time positions have been eliminated in the Streets Division and a part-time position was expanded to full-time in the Street Sanitation Division. The budget includes an increase cost of medical insurance for our full-time employees by \$134,515. Management has gone out for bid to potentially obtain cost savings with medical insurance; however, results of these efforts will not be available until September 2018. The budget includes a 3% step plan wage increase for all full-time employees that have served for over one year. This budget includes continuation of the minimum wage of \$8.00 per hour for part-time seasonal positions and \$9.00 per hour for full-time employees, as well as, continuation of the certification recognition pay program for employees making less than \$60,000 per year.

## **GENERAL FUND**

The General Fund includes revenues and expenditures for basic government services such as Police, Fire/EMS, Communications, Animal Control, Streets, Airport, Golf, Lake, Parks/Facilities (PPM), Code Enforcement, Municipal Court and Community Support Services. It also includes administration and support services such as City Council, City Manager, City Secretary, Human Resources and Finance and Repair shop.

The total General Fund Budget for 2019 is \$7,547,594 compared to last year's General Fund Budget of \$7,650,053. The slight decrease is due in part to reduced supplemental expenditures. The estimated ending fund balance for the General Fund is \$1,921,817 which represents 94 days of daily operating expense for this fund.

General Fund revenues include property tax, sales tax, grants, fees and charges for services, and utility fund transfers in lieu of additional property tax revenues. As is the case with other cities, our citizens view our property tax rate as the price for government. Much can be said for holding the line on the property tax rate, especially when our local economy is dealing with low business/residential growth, a flat tax roll, modest sales tax collections, and international unknowns in the oil/gas industry. Approximately \$1,894,070 of new property has been added this year to the City which will add \$7,782 in new tax revenue. However, it has been the commitment to provide services with the lowest burden to the taxpayer wallet; therefore, council has voted to adopt the effective tax rate, or set the tax rate to generate the same amount of revenues that were collected from last year property values.

Added expenses this year in the General Fund were limited to replacing the out dated phone systems at city hall and the police station and obtaining a radio channel frequency that will belong to the city. A part-time position was expanded to full-time to enhance animal control efforts, and two part-time positions were removed in the Street Division.

## **ELECTRIC FUND**

The total expenses in the Electric Fund in the 2019 Budget are \$7,716,210 compared to \$8,353,317 in the 2018 Budget. The decrease is due primarily to reduced transfers out to other funds and an expected decrease in power purchase costs to reflect more closely to the current trend.

The projected ending fund balance of this fund is \$3,027,364, which represents five (5) months of daily operating expenses for this fund.

This Budget includes added funding for upgrades and safety measures to the electric system infrastructure.

## **WATER / SEWER FUND**

The total expenses in the Water / Sewer Fund in the 2019 Budget are \$3,805,291 compared to \$3,870,730 in the 2018 Budget. The slight decrease is due primarily to the continued progress of completing the design phase of the new Wastewater Treatment Plant.

The Water / Sewer Fund includes a rate increase for both sewer and water service.

The sewer rate increase is expected to generate about \$272,000 in additional revenues for this fund. The sewer rate increase is required to support debt service requirements for needed infrastructure improvements to support ongoing sewer treatment operations.

The water rate increase is expected to generate about \$333,500 in additional revenues for this fund to support debt service requirements for needed infrastructure improvements as mandated by federal regulations.

The projected ending fund balance of this fund is \$3,274,154 which represents almost twelve (12) months of daily operating expenses.

The budget includes debt service for the construction phases of both the radium reduction drinking water project and the new waste water treatment plant. Additional funding includes to purchase a high pressure jetter machine and trailer and adding one (1) full-time Water Treatment Plant Operator position that will be required per TCEQ mandates with monitoring of the water system.

## **WATER CONTRUCTION FUND**

This fund has been created to record the activity of the construction phase of the system wide improvements designed to reduce the naturally recurring radium levels to TCEQ regulated standards. The estimated cost and bond funding are currently \$28,700,000. The city anticipates bidding the project in spring 2019, which will then establish the actual cost. Bond proceeds are expected to be awarded following the bidding process. FY 2019 interest expense is budgeted in the Water / Sewer Fund. Principal payments will begin in FY 2020.

## **WWTP CONSTRUCTION FUND**

This fund has been created to record the activity of the construction phase of the new waste water treatment plant. The estimated cost and bond funding are currently \$14,705,000. The City anticipates bidding the project in spring 2019, which will then establish the actual cost. Bond proceeds are expected to be awarded following the bidding process. FY 2019 interest expense is budgeted in the Water / Sewer Fund. Principal payments will begin in FY 2020.

## **GAS FUND**

The total expenses in the Gas Fund in the 2019 Budget are \$1,314,180 and similarly compare to \$1,310,303 in the 2018 Budget. Operations are stable and no significant cost changes are projected.

The Gas Fund Budget includes no rate increases. The projected ending fund balance of this fund is \$418,922 or four (4) months of daily operating expenses.

The budget includes funding to expand a part-time Records tech position to full-time and purchase trailers for pipe spool and poles.

## **SOLID WASTE FUND**

The total expenses in the Solid Waste Fund in the 2019 Budget are \$1,317,328 compared to \$1,286,605 in the 2018 Budget. The increase is due primarily to expanding a part-time position to one full-time street sanitation crewman.

The Street Sanitation budget is funded by a \$2.55 fee charged to all customers with trash service. These designated funds are used specifically to support efforts to reduce debris buildup on city streets.

The Solid Waste Fund Budget includes a solid waste rate increase that will generate about \$92,000 in additional revenues for this fund. The additional funding will support the franchise fee to the General Fund for street maintenance because of heavy truck use on city streets. The projected ending fund balance of this fund is \$365,939, three and one half (3.5) months of operating daily expenses.

## **UTILITY SUPPORT FUND**

The total expenses in the Utility Support Fund in the 2019 Budget are \$634,558 compared to \$531,246 in the 2018 Budget. The increase is primarily due to a one-time capital cost to purchase required billing servers and provide for reliable back-up for city-wide computer-generated data.

The projected ending fund balance of this fund is \$151,116, three (3) months of daily operating expenses.

## **SPECIAL REVENUE FUND**

The total expenses in the Special Revenue Fund in the 2019 Budget are \$583,333. The special revenue fund budget includes the senior citizens program for a total cost of \$231,783 and the anticipated collection of \$230,000 which is ¼ sales tax that is distributed to the Brady Economic Development Corporation (BEDC). No governmental capital projects that are supported by federal or state grants including the Richards

Park/Ballfield Improvement Project is budgeted for FY 2019. If the Ballfield project is not completed in FY 2018, a rollover amendment will be requested in FY 2019.

Transfers of cemetery reserve funds (\$58,400) and hotel/motel reserve funds (\$60,150) are budgeted to create individual funds for each program in FY 2019.

### **DESIGNATED FUNDS**

The following are newly created funds to report fund balance reserves separate from other funds. All funds are restricted and designated for specific expenditures.

The **CEMETERY FUND** is funded with a dedicated two (2) cents of the property tax rate. Projected expenditures for maintenance and upkeep of Brady cemeteries total \$78,940 for FY 2019. A part-time position was expanded to a full-time crewman. Projected ending fund balance is \$27,160

The **HOTEL / MOTEL FUND** is funded from a 7% tax rate on local hotel / motel room rates. Projected expenditures for tourism and promotion of “heads in beds” in City of Brady hotel/motels is \$308,400. This budget proposes to remit about 95% of the collected hotel/motel funds to the Chamber of Commerce / Tourism Committee, purchasing needed furniture for the Civic Center, and spending fund balance reserves to develop signage and art murals promoting Brady as a destination town. Projected ending fund balance is \$0.

The **SPECIAL PURPOSE FUND** is funded by police municipal court activities. Funds are collected through drug enforcement efforts, police education grants from the State, and fees generated from tickets issued for technology and security needs. Such funds are restricted to specific purposes associated with the funding. Projected expenditures for training and drug enforcement are \$7,000. Projected ending fund balance is \$27,700.

### **BRADY ECONOMIC DEVELOPMENT CORPORATION - A**

The Brady Economic Development Corporation (BEDC-A) is funded by one quarter of a cent of city sales tax collections and is considered a component unit of the City of Brady. The BEDC Board of Directors have approved a budget for adoption by the Council that proposes total expenditures for the 2019 Budget of \$181,650 compared to \$218,150 in the 2018 Budget. The decrease is primarily because the construction of the fish house is complete, and the Board recommends reducing the amount paid to the City for administrative services and the audit. The 2019 expenditures include 10% marketing funds and the third annual payment to the City for the Civic Center total construction cost. The projected ending fund balance of this fund is \$561,233.

The citizens of Brady passed a referendum to dissolve the current type A EDC in FY 2018, and to create a type B EDC. It is anticipated that the BEDC-A will transfer all assets, liabilities and fund balances to the new BEDC-B by FY2019. A new FY2019 will be adopted once the legal transition is complete.



## **SUMMARY**

Development of the budget this year again shows how much value the City Council, staff and the public add to the process. Our dialog of openness to address challenges together in unconventional ways demands the best from this office and the management staff. A lot of work has been devoted to the budget process over the past several months and this work has paid off with a balanced budget that closely meets the goals and priorities of the City Council and the community.

Great consideration was given for each rate increase proposed, and careful evaluation of the purpose of raising additional funds was fully discussed. For a residential citizen of Brady, it is estimated that the average household using 5,000 gallons of water/sewer service will contribute an additional \$0.57 cents per day, or \$17.40 per month, or \$208 annually through the proposed utility rate increases. These additional dollars will replace the WWTP, upgrade the water system to meet superior drinking water quality standards, continued control of our solid waste services, needed repairs to our infrastructure, maintaining public safety and emergency services and expanding 3 part-time positions to 2 full-time equivalent positions.

I am personally thankful for the programs and projects that this budget will allow us to accomplish during the next year. The investments made in this budget will result in several significant improvements for our community. On behalf of the entire organization, I would like to offer our thanks and gratitude to the City Council and the greater Brady community.

Respectfully submitted,

Kim Lenoir, CPM  
City Manager

