

**HIGHLIGHTS OF PROPOSED FISCAL YEAR 2021
BUDGET AS FILED ON 7-30-2020
Prepared by City Manager Johnnie Thompson**

The proposed fiscal year 2021 budget is one of the most important documents the City adoptions annually; it sets citywide service levels, implements major renovation projects, provides funding for capital purchases, and establishes the financial and human resources necessary to accomplish community objectives. This year the budget has been somewhat challenging due to the ongoing COVID-19 pandemic and its effects, especially on the operation of the City golf course and food and beverage operations. It is difficult to predict how the ongoing pandemic is going to affect us in the upcoming fiscal year and the proposed budget does not take into consideration the current pandemic and was prepared as it would have been any typical year.

The Council and staff have worked closely over the past few months to develop a budget. I feel that the accompanying proposed budget provides the funding necessary to provide the level of service to our citizenry and meet the goals as established by the Council.

The proposed budget, as required by State Statute, is balanced, and does not reflect the utilization of any reserve funds; in essence, adequate income will be generated to provide funding for budgeted expenses.

Provided below, are some highlights of the proposed budget for fiscal year 2021:

Legal Notice

The below listed legal notice is required to be published with the proposed budget.

This budget will raise more total property taxes than last year's budget by \$27,400 (3.4%), and of that amount, \$13,076 is tax revenue to be raised from new property added to the tax rolls this year.

General Review of the Proposed Budget

Proposed Budget Filed July 30, 2020 - As the Budget Officer for the City, I am required to file the proposed budget with the City Secretary, which was done on July 30, 2020, at least 30-days before the adoption of the ad valorem tax rate. The proposed budget is posted on our website, and a copy is also available for public review at City Hall. You may view and download a copy of the proposed budget and several other related documents on the City's website: www.meadowlaketestexas.org.

Ad Valorem Tax– The proposed budget for the General Fund for FY21 reflects an ad valorem tax rate of \$0.287, which is the same rate as last year. Based on the certified appraised value and the proposed tax rate, approximately \$820,000 will be generated from ad valorem taxes, which is about \$32,000 more than budgeted for FY20. Of this amount, approximately \$448,200 would be utilized by the General Fund, and the remaining would be utilized to meet the City's debt service requirements.

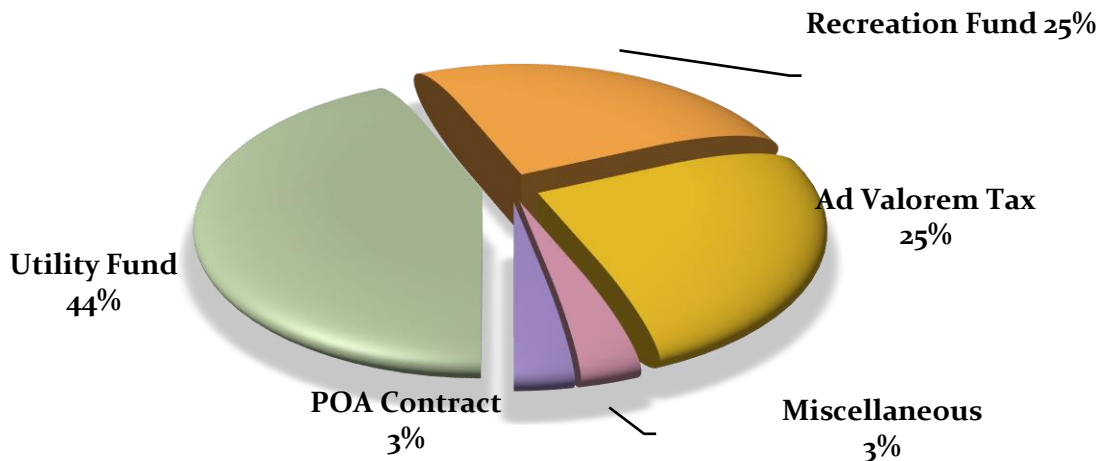
Public Notices -The Council will hold two public hearings, one regarding the proposed tax rate and the other on the proposed budget, on September 15, 2020, at 6:00 p.m.

Combined Proposed FY21 Profit and Loss All Funds

- **The proposed combined income is \$3.766 million; \$261,000 more than in FY20.**
- **Approximately \$200,000 of the proposed increase in income will be generated from increased Utility fees, \$27,000 from increase ad valorem taxes, and the remainder from other various funding sources.**
- **Approximately \$190,000 in additional funds will be transferred between various funds of the City.**

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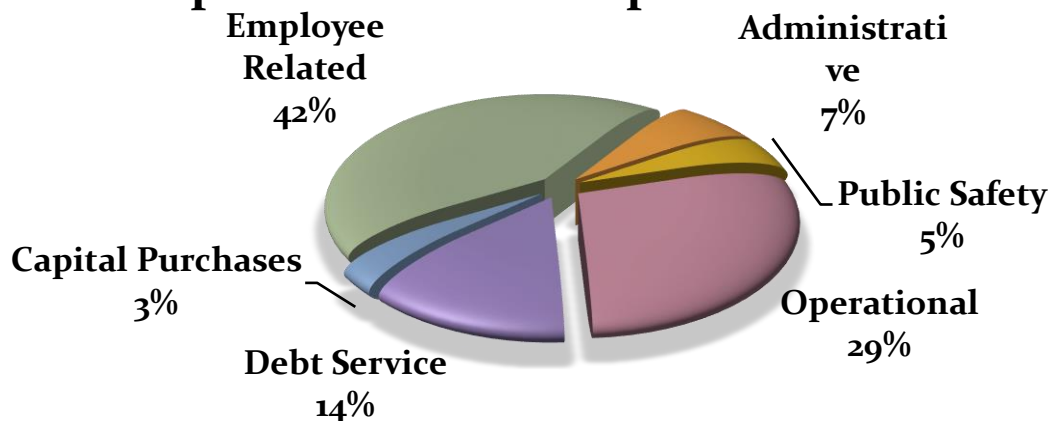
Proposed FY21 Income All Funds



Combined Proposed FY21 Expenses

- The proposed combined FY21 budget reflects total expenditures of approximately \$3.74 million; \$320,000 more than budgeted for FY20; of this amount, \$190,000 is contributed to increasing inter-fund transfers, \$54,000 in additional capital purchases, and approximately \$76,000 in additional operational expenses.
- Proposed employee-related expenses will increase by only about \$17,000, even though one additional full-time employee will be added to the Utility Fund.
- Total combined debt service will be reduced by approximately \$20,000 due to the retiring of one of the two Recreation Fund's debt.

Proposed FY21 Total Expenses All Funds



Total Combined Net Gain/Loss – Combined revenues would generate approximately \$26,300 more income than proposed expenses. In addition to the net gain indicated at the end of the fiscal year, any excess funds would automatically be transferred to the Fund's uncommitted fund balance.

GENERAL FUND

General Fund Income Streams

PROPOSED OPERATING INCOME

- **Ad Valorem Taxes**, as proposed, and based on the proposed tax rate, would see about \$28,000 (6.3%) more income than was budgeted for FY20. Approximately \$13,000 of this additional income would be generated from new property added to the tax rolls. Based on the average appraised value (\$307,277) of a homestead in Meadowlakes, the average homeowner would pay about \$15 in additional taxes to the City in 2021.
- **Franchise Fees Income** is income generated from fees assessed to PEC, cable TV, and landline telephone services. A slight increase in revenues is anticipated in FY21 over those currently budgeted, even though we have seen a decline in franchise fees from telephone service. It is anticipated that PEC and cable TV franchise fees will increase slightly, thus, helping to offset the lost telephone franchise fees.
- **Building-Related Income** is income generated from the issuance of building permits. As proposed, they will increase slightly over those currently budgeted but are considerably below those anticipated for the current fiscal year.
- **Municipal Court Income** is income generated from fines. A large portion of the income from traffic infractions is collected on behalf of the State.
- **Contract Service Income** is income derived from services rendered to the POA by the City. The contract executed between the City and POA was for three years beginning on October 1, 2019, and ending on September 30, 2022; the contract provides for a 3% annual increase for years two and three.

- **Miscellaneous Income** is expected to decrease by approximately \$1,900, mainly due to decreased income from interest earned on investments. Not only is the interest rate lower than in the past, but the Fund also has considerably less cash on deposit than in previous years.
- **TOTAL OPERATING INCOME** – The FY21 proposed budget total General Fund operating income will increase by about \$33,000 from those currently budgeted and approximately \$28,000 more than anticipated for FY20. Most of the additional income will be generated from the increased ad valorem tax income.

PROPOSED NON-OPERATING INCOME

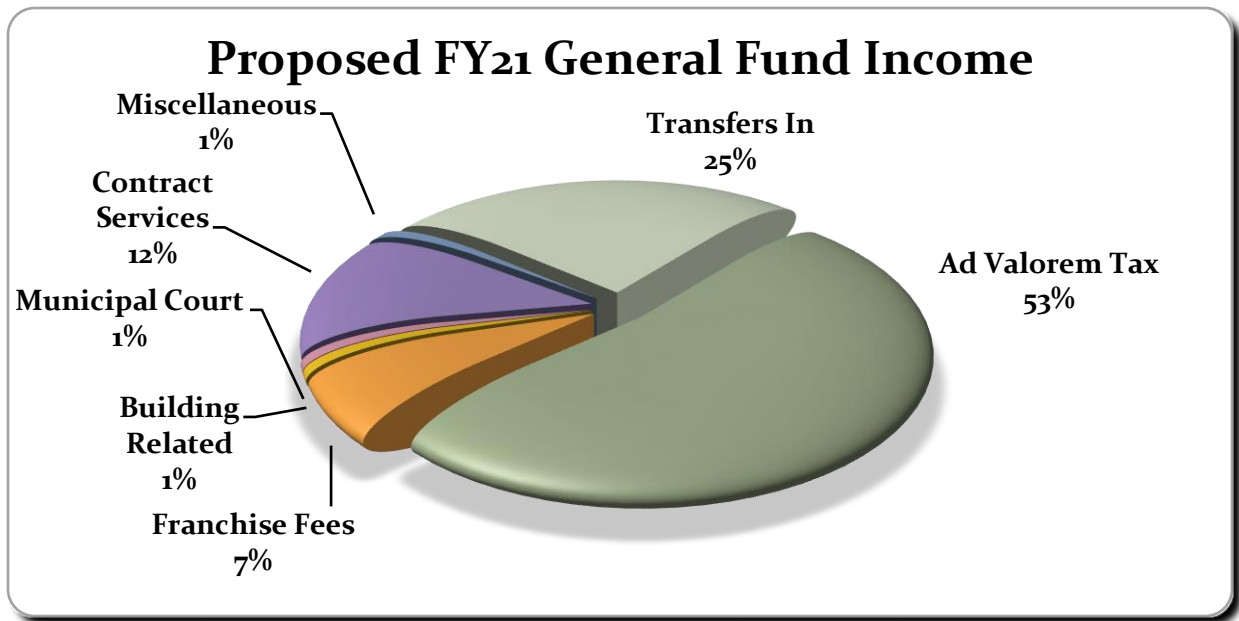
The Fund's non-operating income is derived from transfers of funds into it from other Funds. As proposed, the General Fund will see \$140,000 in additional funds transferred into it from the Public Works Fund than was transferred in FY20. The total amount of funds being transferred into the General Fund from the Utility Fund will be \$215,000, of which \$192,500 will be transferred to the Recreation Fund.

TOTAL PROPOSED GENERAL FUND INCOME

The proposed FY21 budget reflects total income for the General Fund to increase by 20.3% (\$173,00) of this \$140,000 is from additional Interfund transfers. The breakdown of the increase in income is below:

Additional Ad Valorem Tax Income	\$28,000
Increase in Franchise Fees	\$2,500
Building-Related Income	\$1,000
Contract Service Income	\$3,125
Decrease in Miscellaneous Income	-\$1,600
Transfers In	\$140,000
Total General Fund Increase	\$173,025

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PROPOSED GENERAL FUND EXPENSES

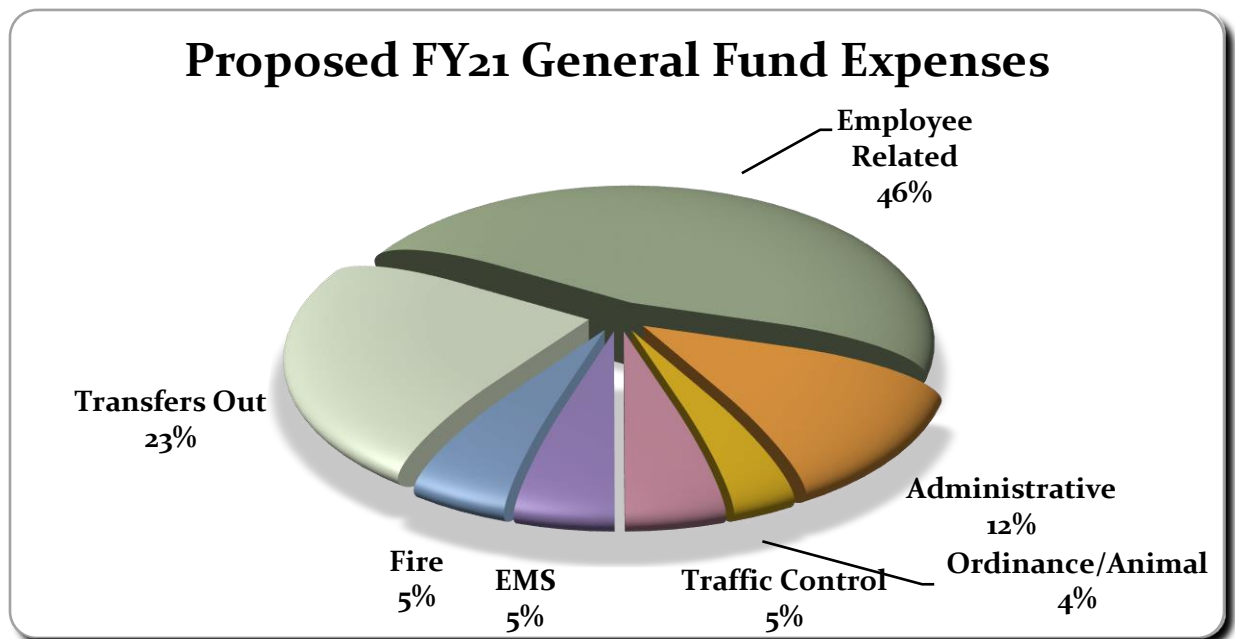
PROPOSED OPERATING EXPENSES

- **Administrative** expenses, as proposed, would increase by about 1.9% (\$8,930), while employee-related expenses are anticipated to increase, other administrative expenses are anticipated to decrease slightly.
- **Public Safety** expenses would see a small increase in total expenses compared to FY20's budget. A slight decrease in traffic control is budgeted due to those employee(s) not qualified for retirement benefits as currently budgeted. However, the EMS contract calls for a slight increase in FY21.
- **TOTAL OPERATING EXPENSES**, as proposed, would increase approximately \$10,000 (1.6%) over those currently budgeted. A breakdown of the proposed increase in expenses is listed below:

Employee Related Expense	\$11,580
Administrative Expense	-\$2,650
Ordinance/Animal Control	\$815
Traffic Control	-\$1,000
EMS	\$1,240
Total General Fund Expenses	\$9,985

PROPOSED NON-OPERATING EXPENSE

As proposed, the Fund will transfer \$192,500 to the Recreation Fund in FY21; this is \$142,500 more than the current fiscal year budget reflects. The transferred funds will be derived from the \$215,000 being transferred into the Fund from the Utility Fund. In prior years, the Utility Fund had transferred funds to the Recreation Fund directly, however, to make it more transparent, any funds being transferred to other Funds will flow through the General Fund. Last year, the Utility Fund transferred \$92,500 to the Recreation Fund.



Fund Net Gain/Loss – As proposed, the General Fund would have a net operating gain of \$215,725. Of this operational gain, \$192,500 would be transferred out to the Recreation Fund. As proposed, the Fund would generate about \$23,500 more income than is necessary to fund its expenses, and this amount is budgeted as Contingencies and, at the end of the fiscal year, will be transferred to the Fund's uncommitted reserves.

Cash Flow - The Fund is anticipated to end FY20 with approximately \$130,000 in uncommitted cash, which is about \$61,000 less than it began FY20 with, due to loans/transfers to the Recreation Fund. The proposed FY21 budget reflects ending FY21 with approximately \$153,500, about \$23,500 more than its beginning balance.

DEBT SERVICE

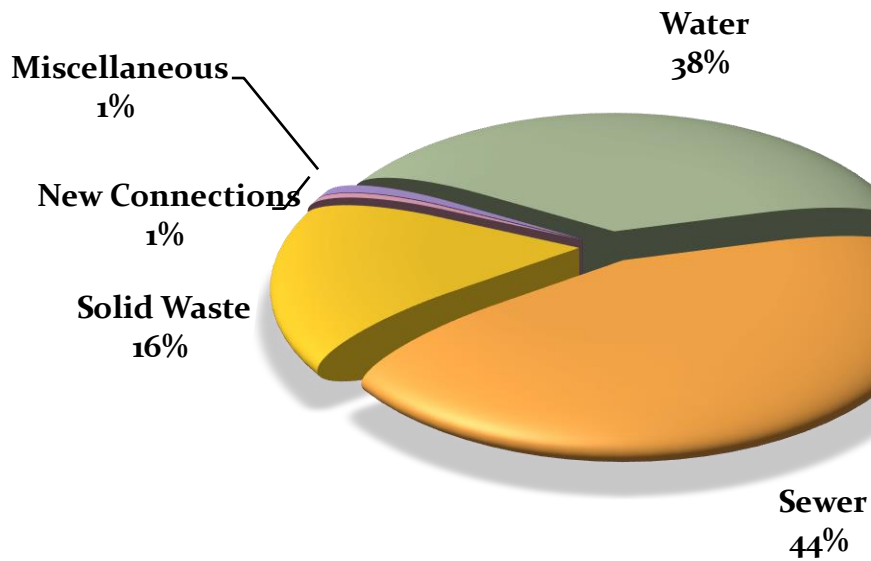
The Debt Service Fund, as proposed, would see \$3,700 in additional funding from ad valorem taxes. The additional income requirement is due to an anticipated decrease in interest earned on Fund investments as well as a slight increase in the amount of principal and interest that will be paid on the City's bond debt. In FY21, we will be paying \$405,000 in principal, \$10,000 more than in FY20. The Fund is expected to generate adequate income to cover its budgeted expenses without the need to utilize any of its uncommitted funds.

UTILITY FUND

Proposed Incomes - Income, as proposed, would increase by about \$195,000 (15.4%) over those of the current fiscal year. Most of the proposed increase is due to increases in water and wastewater fees.

- **Water Revenues**, as proposed, would increase by about \$75,000 due to increases in the monthly water minimum (\$5 per month) and a \$0.20 per 1000 gallons used in each of the five water tiers. The proposed rate increase would increase the average homeowner using 18,000 gallons monthly by about \$96 per year, or \$8 per month.
- **Sewer Revenues**, as proposed, would increase the monthly minimum by \$10 per month (\$120) per year, with \$100,000 of the additional income generated transferred to the General Fund to help subsidize golf course operations.
- **Solid Waste Collection** income, as proposed, would increase slightly due to a 3% increase in disposal expenses as of January 1, 2021. Our existing contract reflects this annual increase.
- **Other Revenues** are proposed to decrease slightly over those currently budgeted, mainly due to decreased income from interest earned on investments and miscellaneous income.
- **TOTAL PROPOSED OPERATING INCOME** will increase by approximately \$170,000 over those currently budgeted and, as mentioned above, is mostly related to increased water and sewer income.

Proposed FY21 Utility Fund Revenues



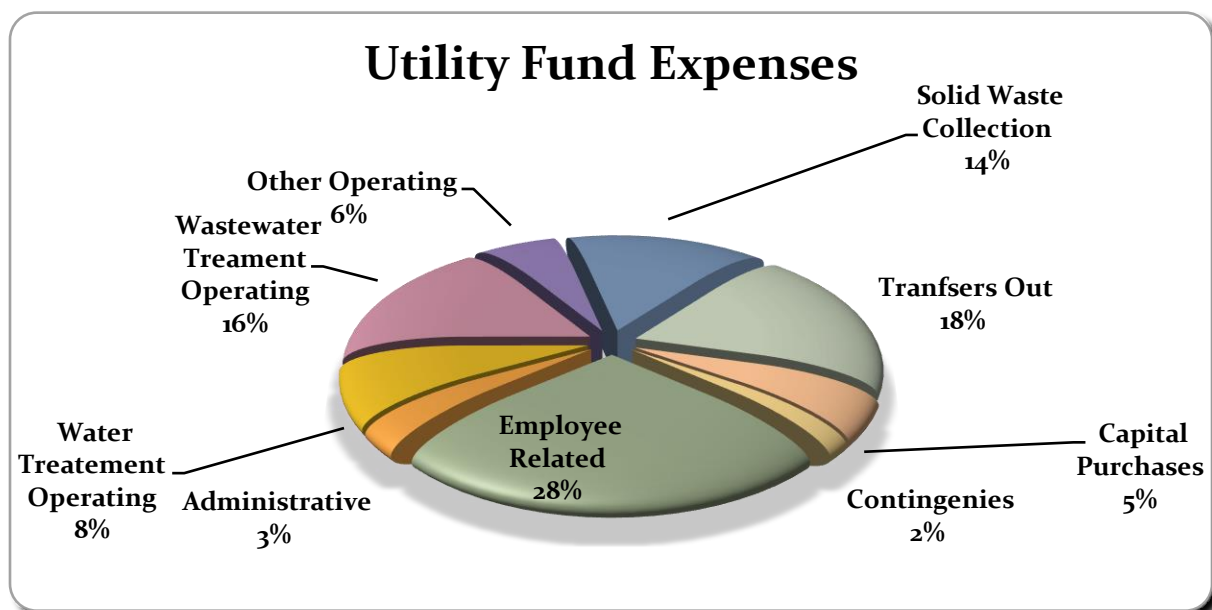
Proposed Operating Expenses – Expenses for the Fund, as proposed, would increase by 11.4% over those currently budgeted. As proposed, all major expense categories will see an increase over those currently budgeted. Please find a brief review of each category below:

- **Administrative Expenses**, as proposed, will increase by about \$45,000 (11%) over those currently budgeted. The contributing factor to the increase is the funding for one additional employee. Last year, we did not replace the retiring public works director, however, we shifted job duties around to try and eliminate the position. However, due to the increased workload on our field personnel, it is apparent that we need an additional qualified employee. The cost to add an additional full-time employee, as well as related benefits, is the main contributing factor to the increase in administrative expenses.
- **Operating Expenses**, as reflected in the proposed budget, will increase by approximately \$61,000 (16.6%). The proposed budget reflects a decrease in water treatment expenses. Two of the three water treatment plants were renovated in the current fiscal year at an approximate cost of \$160,000. While water treatment plant expenses are expected to decrease considerably, wastewater treatment expenses, as proposed, will increase considerably to fund the renovation of one of the City's two wastewater treatment plants. It is estimated that the renovation cost for the plant will be about \$150,000.

- **Solid Waste Collection Expenses**, as proposed, will increase by about \$4,000 in the upcoming fiscal year due to an increase in cost associated with weekly trash pickup. Our existing contract with Waste Management reflects a 3% escalator for each year. The new rate becomes effective January 1, the contract is based on the calendar year, not the City's fiscal year.
- **TOTAL PROPOSED OPERATING EXPENSES** will increase by \$110,000 (11.2%) over those currently budgeted. As mentioned above, this is due to the following:

Expense	Amount of Increase over FY20
Administrative	\$44,600
Operating	\$61,200
Solid Waste Collection	\$4,200
Total	\$110,000

- **Non-Operating Expenses** the proposed budget reflects about \$149,000 in additional non-operating expenses over those currently budgeted. The proposed budget reflects transferring approximately \$48,000 in additional funds out to other funds, \$26,300 in contingency, and \$75,000 in capital funds for the replacement of vehicles and equipment. Approximately 18% of the Utility Fund's income is transferred out to other funds of the City.



Net Gain/Loss the proposed budget reflects a balanced budget, however, the Fund will generate about \$26,300 more income than budgeted operating expenses. The excess income will be shown in the budgeted as contingencies. Fiscal Year 2020 reflected a net gain of just over \$64,000, however, due to the purchase of a used sewer vacuum/jetter truck, it is anticipated that the Fund net gain (transfer to reserves) for the current fiscal year will be around \$28,000.

Cash Flow it is anticipated that the Fund will end the current fiscal year with approximately \$28,000 in additional funds, which will be transferred to the Fund's uncommitted reserves. Providing the funds budgeted under contingency is not required during the fiscal year, the \$26,300 budgeted under contingencies will be transferred to uncommitted reserves at the end of the fiscal year. At the end of both fiscal years, the Fund's uncommitted cash should be around 38-40%, as established by the City's adopted policy.

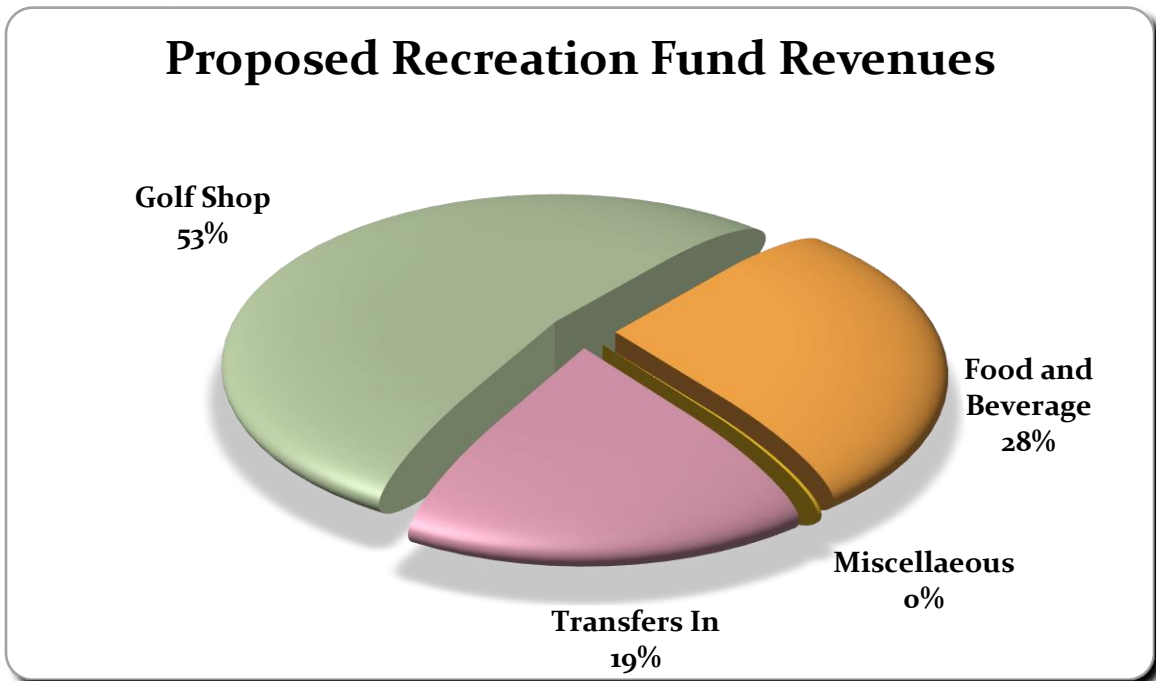
Recreation Fund

Proposed Income – The proposed FY21 Recreation Fund budget reflects operating incomes considerably below those budgeted for FY20; however, they are budgeted just slightly higher than those anticipated for FY20. The Recreation Fund is the only City Fund that is affected by the ongoing COVID-19 pandemic. It is estimated that the Fund lost between \$35-\$45,000 due to the early stages of the pandemic. Please find below a brief review of each significant revenue stream for the Fund:

- **Golf Shop Income**, the proposed budget for FY21, reflects about \$120,000 less income than currently budgeted. Decreased income from prepaid golf is the main contributing factor to the reduction in revenue and is anticipated to be about \$85,000 less than budgeted for FY20. Overall, across the board, all golf shop revenues are budgeted to be less than currently budgeted and just slightly higher than those anticipated for the current fiscal year. The only exception is cart rentals, which are expected to increase by about \$20,000 due to proper booking of the rentals instead of being booked under green fees, as in prior years. Proposed golf shop revenues are expected to be about \$35,000 more than anticipated for FY20; this is the approximate loss estimated due to the COVID-19 shut down in April.
- **Food and Beverage income**, as proposed, will be less than those currently budgeted by about \$37,000. However, F&B income is proposed to be about \$21,000 greater than anticipated for FY20.

About 50% of the difference between anticipated and budgeted revenue is the anticipated losses due to COVID-19.

- **Transfers In** as currently proposed will be about \$50,000 greater than those transferred into the Fund in FY20. In the current fiscal year, the Utility Fund transferred \$92,500, and the General Fund transferred \$50,000 for a total of \$142,500, these funds helped subsidize Recreation Fund operation and major repairs. Initially, the \$50,000 transfer from the General Fund was to be used for major renovations and improvements to the golf facility. However, only \$16,000 of the funds were used for this purpose. The remaining \$34,000 will be utilized to subsidize operations along with the transfer from the Utility Fund. In FY21, all funds transferred into the Recreation Fund will come from the General Fund and, as proposed, a total of \$192,500 will be transferred for assistance with operational expenses of the Fund.
- **Total Income**, as proposed in the FY21 budget, reflects a \$108,000 decrease in revenues, and about \$9,000 increase over those anticipated for the current fiscal year. Please note that it is anticipated that the General Fund will transfer approximately \$91,000 more into the Recreation Fund than is budgeted for the current fiscal year.

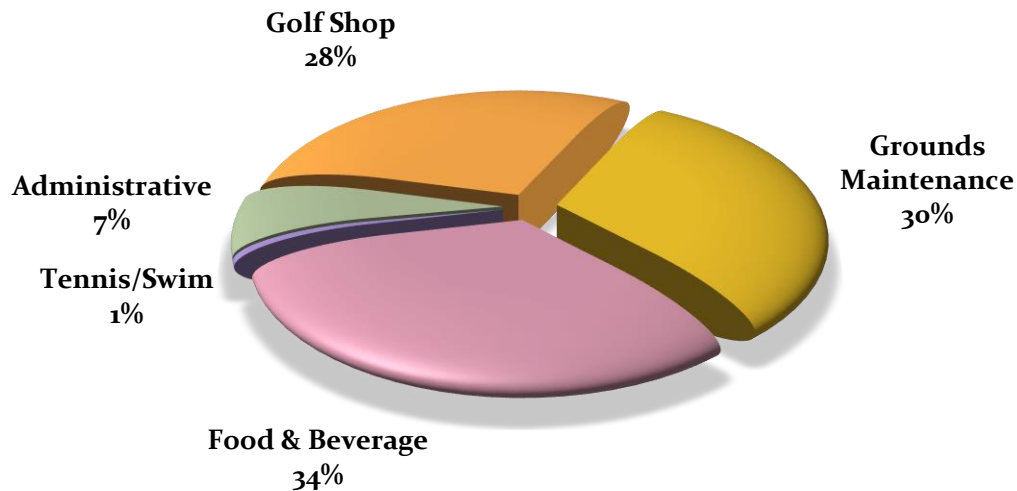


Proposed Expenses – Expenses for the Fund, as proposed, will decrease by about 8% (\$89,750), with about a third of the reduction in expenses due to decreased debt service requirements. All other expense categories are proposed to be less than budgeted for the current fiscal year. Please find a brief review of the proposed expenses for each major expense category below:

- **Administrative Expenses** are budgeted to remain at the same level as the current budget. Administrative expenses are those expenses that are generally shared by both the golf shop and restaurant.
- **Golf Shop Expenses**, as proposed, will see about an \$11,500 decrease in expenses mainly due to the decrease in employee-related expenses.
- **Grounds Maintenance** is expected to decrease by just \$33,000, mainly due to decreased debt service. The Fund will pay just over \$34,600 less principal in FY21 than in FY20.
- **Food & Beverage (F&B)** expenses, as currently proposed, will decrease by about \$24,000 in FY21 due to see decreases in both employee-related and operating expenses.
- **TOTAL OPERATING EXPENSES**, as proposed, will decrease by \$69,000 compared to those currently budgeted and will be about \$4,000 less than those anticipated for the current fiscal year. As previously mentioned, the Fund will make about \$35,000 less debt service payments in FY21 than it did in FY20.
- **NON-OPERATING EXPENSES** will decrease by about \$20,000 over those currently budgeted and will be about \$10,000 more than anticipated for the current fiscal year.
- **TOTAL RECREATION FUND EXPENSES**, as proposed in the FY21 budget, will be nearly \$90,000 less than currently budgeted and about \$10,000 more than anticipated for the FY20.

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Total Recreation Fund Expenses



Net Gain/Loss: The Recreation Fund's budget, as proposed for FY21, reflects generating approximately \$30,000 more income than budgeted expenses. This amount is reflected as non-operating expenses and budgeted as Building and Facility improvements. At this time, no specific improvements are budgeted, but it is anticipated that some improvement and/or renovations to the restaurant building will be required in the upcoming fiscal year.