



AGENDA
ELGIN CITY COUNCIL
BUDGET WORKSHOP MEETING
TUESDAY, August 14, 2018
CITY ANNEX COUNCIL CHAMBERS, 310 NORTH MAIN STREET
7:00 PM

I. CALL TO ORDER

II. ROLL CALL

III. INVOCATION

IV. PLEDGE OF ALLEGIANCE

V. PUBLIC COMMENT

Individuals may request to speak on items on the agenda, and items not on the agenda, by requesting to speak during the meeting and under "PUBLIC COMMENT" and will be required to fill out a "PUBLIC COMMENT FORM" and present it, along with any material, handouts or information for Council, to the City Secretary prior to commencement of the Council meeting. Speaker comments are limited to three (3) minutes.

No formal action can be taken by the City Council on items not posted on the agenda. Items requiring a Public Hearing will allow a member of the public an opportunity to speak during the Public Hearing and does not require submission of a "PUBLIC COMMENT FORM." Speakers must address their comments to the Mayor or Presiding Officer rather than to an individual Council Member or member of Staff. All speakers must limit their comments to the specific subject matter noted on the "PUBLIC COMMENT FORM" and refrain from personal attacks or derogatory comments directed at any Council Member, member of Staff, other individual or group.

VI. GENERAL DISCUSSION

- 1. Review And Discussion Of The Proposed City Of Elgin FY18-19 Annual Operating Budget As Presented By The City Manager, Including But Not Limited To Possible Discussion Of All Departments, Operations, Functions, Personnel, Infrastructure, Facilities, Taxes, And Tax Rates; And All Revenues, And Expenditures Related Thereto**

Documents:

[EXSUMMARY - BUDGET WORK SESSION.PDF](#)
[FY1819 BUDGET MESSAGE.PDF](#)

VII. EXECUTIVE SESSION

The City Council may announce that it will adjourn the public meeting at any time during the meeting and convene in Executive Session pursuant to Chapter 551 of the Texas Government Code to discuss any matter as specifically listed on the agenda and/or as permitted by Chapter 551 of the Texas Government Code.

VIII. RECONVENE

The City Council will return to open session for possible discussion and action as a result of the Executive Session

IX. ADJOURNMENT

Notice of Assistance at Public Meetings, the City of Elgin is committed to compliance with the Americans with Disabilities Act. Elgin City Hall and Council Chambers are wheelchair accessible and special marked parking is available. Persons with Disabilities who plan to attend this meeting and who may need assistance are requested to contact the City Secretary's Office at (512)229-3222. Please provide forty-eight hours notice when feasible.

I, Amelia Sanchez, City Secretary for the City of Elgin, hereby certify this notice was posted at the City Hall Annex of the City of Elgin, Texas on or before Friday, August 10, 2018, in accordance with Chapter 551 of the Texas Government Code.

Amelia Sanchez, City Secretary



Elgin City Council Meeting Agenda Item Executive Summary

ITEM: Review and discussion of the proposed City of Elgin FY18-19 Annual Operating Budget as presented by the City Manager, including but not limited to possible discussion of all departments, operations, functions, personnel, infrastructure, facilities, taxes, and tax rates; and all revenues, and expenditures related thereto

DEPARTMENT: City Manager

PROPOSED ACTION:

No Council action proposed or requested at this time; This item is for a wide-ranging discussion and Q&A between Council and the staff as it relates to the FY2018-19 Annual Operating Budget as proposed by the City Manager. The FY18-19 Annual Budget will be considered for formal adoption at a future date (tbd by Council).

BACKGROUND:

Discussed at previous meetings; This presentation was scheduled under the FY2018-19 Budget Development Calendar.

The proposed *FY18-19 Annual Operating Budget* has been prepared and presented to Council in accordance with the provisions of Article VII, Section 2 of the Elgin City Charter. The comprehensive document includes the staff-recommended spending plan for all city funds and departments for the fiscal year of October 1, 2018 through September 30, 2019.

BUDGET/FINANCIAL IMPACT:

Funding for this item was { } included { } not included in the current-year budget {X} N/A

RECOMMENDATION:

Full discussion and review of the proposed FY2018-19 Annual Operating Budget; and direction to staff, if any, regarding same.

ATTACHMENTS:

City Manager's FY18-19 Budget Message.

{X} Staff will be making a detailed presentation on this agenda item at the meeting.

{ } Staff will provide brief comments and answer questions on this item at the meeting.

{ } This is a routine procedural item and no presentation is planned for the meeting.

Councilmembers who have any detailed questions or would like to request additional information regarding this item are encouraged to contact the City Manager at their earliest convenience.



City of Elgin Office of the City Manager

City Hall • 310 North Main Street • P.O. Box 591
Elgin, Texas 78621

August 7, 2018

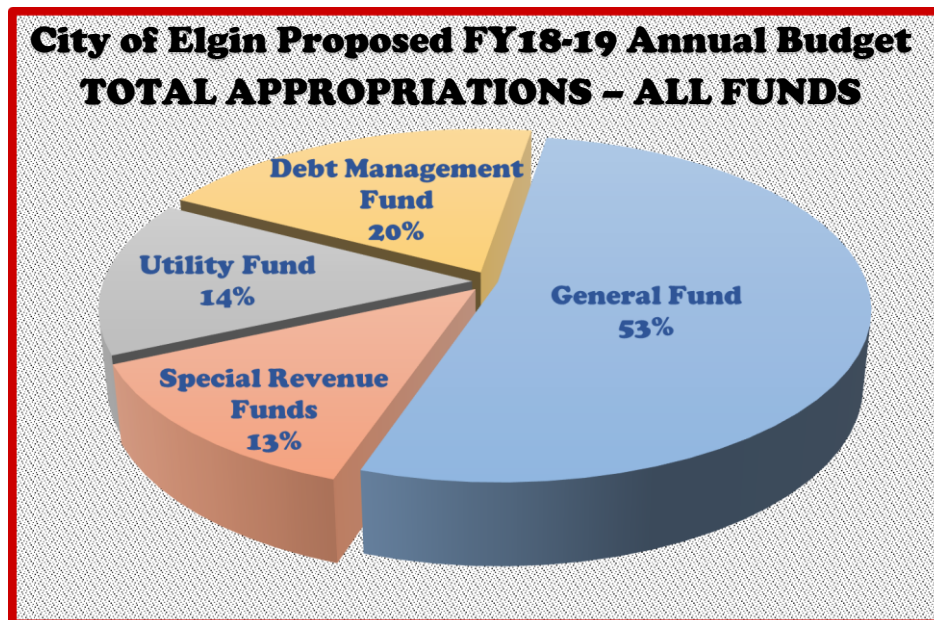
Mayor and City Council
City of Elgin
310 North Main Street
Elgin, Texas 78621

Re: City Manager's FY2018-19 Annual Budget Message

Dear Mayor Cannon and City Councilmembers,

In accordance with the provisions of Article VII, Section 2 of the Elgin City Charter, the proposed *Annual Operating Budget* for the City of Elgin for the Fiscal Year of October 1, 2018 through September 30, 2019, is hereby presented for your consideration.

The grand total of all appropriations for all departments, operations, and functions proposed for the *FY2018-19 Annual Budget* is **\$15,133,686**; to be generally distributed as described below:



The proposed *FY18-19 Annual Budget* is a zero-based, balanced, and appropriately conservative financial plan wherein all operating expenditures are supported by revenue generated during the fiscal year; and was developed through a comprehensive review of financing for all existing programs, operations, and services.

While the primary goal of the proposed budget is to maintain existing service levels, the staff remains focused on enhancing service levels wherever possible. The proposed budget does not include deficit spending and/or utilization of fund balance for operating expenses.

The *FY18-19 Annual Budget* as proposed is delineated into six (6) basic funding categories:

- **General Fund (\$7.97M)** - revenues and expenditures related to the provision of primary or traditional city services whose main financial support comes from tax dollars.
- **Utility Fund (\$2.19M)** - an enterprise fund monitoring all financial transactions relating to the provision of potable water and sanitary sewer services through the city's systems.
- **Debt Management Fund (\$2.99M)** – all proceeds and expenditures related to servicing, annual payments, and/or management of various debt obligations
- **Special Revenue Funds (\$1.98M)** revenues and expenditures related to various projects and programs that are supported by a dedicated revenue stream, including grant funds

FY2018-19 ANNUAL BUDGET - Budget Highlights and Issues

Although the City of Elgin continues to experience healthy growth and general prosperity, the current year's budget was focused on addressing a variety issues related to past budgetary and/or spending practices. While the City continued its recent trend of growing the revenue stream overall, FY17-18 has been primarily focused on achieving a balanced and sustainable annual operating budget. The current-year budget reversed a practice of deficit spending and absorbed an overall total of **\$4.2M** in new net costs just to support existing service levels.

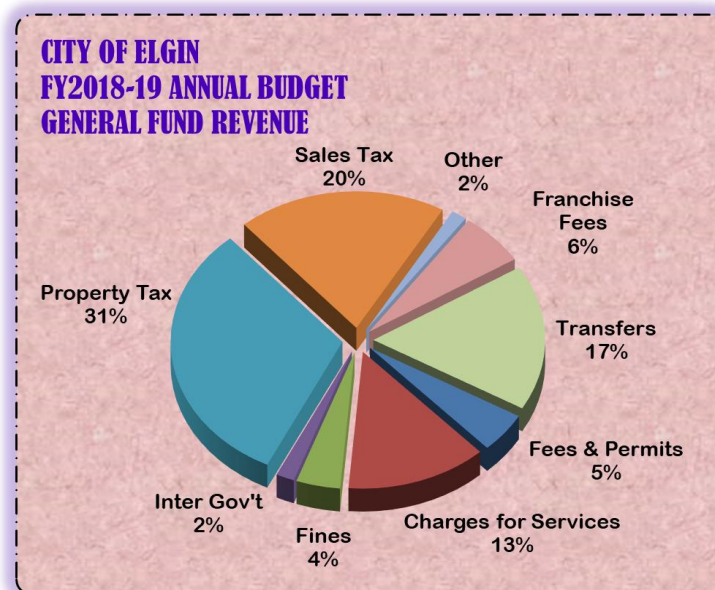
It is within this healthier financial environment that we look forward to the coming fiscal year with optimism. Overall, the proposed *FY18-19 Annual Budget* is predicated on continued economic stability and assumes a continuation of slightly above average economic growth through the next fiscal year. While the City is currently reviewing a wide range projects and developments that may result in significant revenue growth in the coming years, it is not anticipated that such enhanced revenues will become a reality in the next 12-14 months.

It is within these general conditions that the proposed *FY18-19 Annual Budget* has been developed. And, with no proposed increase in either property taxes or basic utility rates, we have been able to employ a somewhat conservative approach as it relates to revenue projections; with a somewhat liberal view of proposed expenditures.

General Fund Revenue

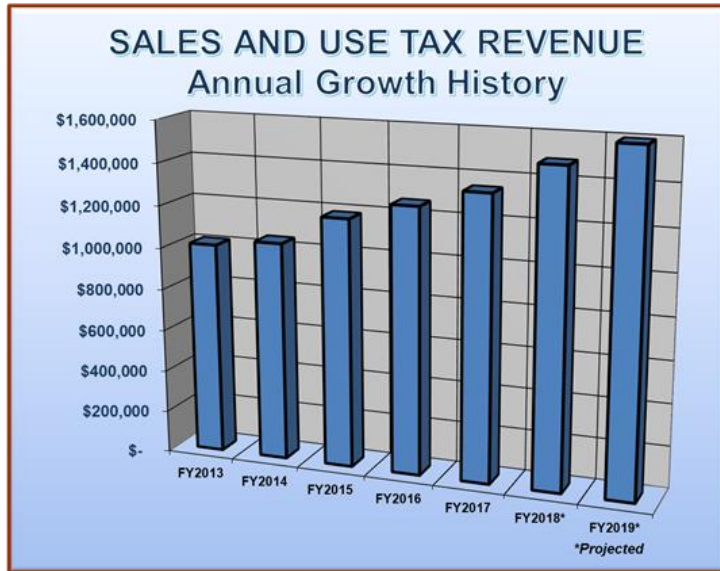
➤ ***Ad Valorem/Property Taxes*** -

Although the City's budget continues to evolve and expand in other ways, Real Estate and/or Property (Ad Valorem) Taxes still provide the basic foundation for supporting the General Fund. This stable source of income provides assured funding each year for essential city services- public safety, public works, parks and recreation programming, library, mobility, asset maintenance, etc.



The proposed FY18-19 Annual Budget is predicated on maintaining the current property tax rate of \$.6569/\$100 valuation.

Real Estate Tax revenue included in the proposed FY18-19 Annual Budget assumes residential growth at a slightly accelerated rate compared to previous years. A number of



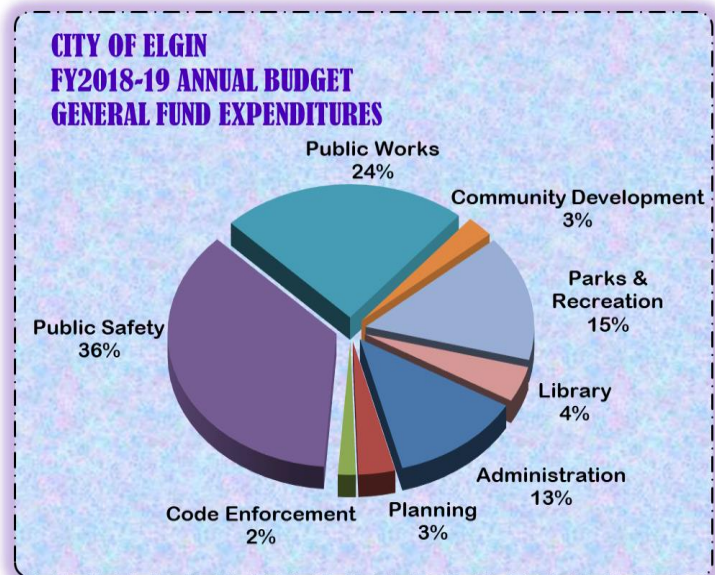
residential projects and/or developments should begin to come on line next year. Based on this same assumption, there is also a slight corresponding increase in revenue from development fees for next year.

➤ **Sales Tax** - Projected overall Sales and Use Tax Revenue included in the proposed FY18-19 Annual Budget represents a slightly less than 8% increase over the current-year receipts. The rate of increase of the prior year has been steady and consistent over the past 18 months.

General Fund Expenditures

➤ **Public Safety** - One of the primary objectives of the FY18-19 Annual Budget as proposed is to continue the process of evolving and maintaining the Elgin Police Department (EPD) in a manner that is responsive to the goals of City Council and the needs of the general public.

This process starts with assembling – and retaining - a team of qualified professionals to staff the EPD. Adding to our challenge is the fact that all professional law enforcement agencies are struggling with this issue at this time; which can make it very difficult to recruit desired personnel. It is therefore imperative that the EPD strive to achieve competitive compensation levels for its staff. Obviously, the City's overall limitations as to available resources makes it nearly impossible for the EPD to compete *directly* on compensation with other agencies within the region; but we still must strive to get as “close” as we can to said compensation if we are to enhance and diversify EPD personnel and services.



Accordingly, the proposed *FY18-19 Annual Budget* includes funding to support a restructuring of the compensation plan for all uniformed police officers. The plan is based on established steps for years of service, with designated pay increases for the ensuing three years of employment. Such a format is now common amongst most departments within the region and State; and is a critical tool to the development of a professional and diverse workforce,

The proposed budget also includes the creation of two (2) new EPD Sergeant positions and the addition of one Police Officer position, providing a service-level enhancement and improved officer safety. With these new positions, the EPD will achieve (a) minimum staffing of at least three (3) officers on duty at all times and (b) at least one supervisor on duty at all times.

In addition to the staffing/compensation upgrades, the proposed budget supports additional EPD operational improvements, including but not limited to:

- An annual replacement/upgrade program for departmental vehicles and equipment
- Upgrades to all IT technologies; and
- A commitment to overall improvements to departmental efficiency and accountability of EPD operations.

➤ **Park & Recreation** - The other significant departmental increase included in the proposed *FY18-19 Annual Budget* is in Parks & Recreation; and is responsive to its growing operational needs and city-wide building maintenance activities (which are funded and managed through this department). The new Recreation Center/Emergency Shelter alone has significantly increased operational and maintenance responsibilities. As such, the proposed budget includes two (2) new custodial positions to keep up with these increased demands. The Parks Department budget as proposed also includes establishing an annual replacement/ upgrade program for departmental vehicles and equipment.

➤ **Miscellaneous – EESD** - Earlier this year, the Elgin Emergency Services District (EESD) made the decision to no longer receive emergency communication/dispatching services through the Elgin Police Department. As such, annual fees of **\$34,500** previously paid to the City by the EESD will not continue; and the General Fund has been adjusted accordingly.

Staffing

The proposed budget includes full-year funding in FY18-19 for up to **one hundred forty-three (143) total city employees**: ninety-six (96) full-time, twenty-eight (28) part-time positions, and nineteen (19) seasonal positions.

Employee Compensation

In order to provide the highest possible level of service for city residents, the City must strive to provide appropriate and market-competitive compensation for all city employees. Accordingly, the proposed *FY18-19 Annual Budget* includes a Cost of Living Adjustment (COLA) of **2.0%** in base salaries for all full-time city employees.

In conjunction with the effort to adjust pay for EPD officers as described above, a comprehensive analysis of the existing compensation plan for *all* employees will be undertaken during the first months of the new fiscal year. The expectation is that a revised classification and compensation plan for all employees will be presented to the Council for consideration; and all such pay adjustments including the COLA and EPD step pay plan would be implemented with an effective date of January 1, 2019.

Utility Rates

Due to an aggressive approach employed in last year's budget, the City has successfully stabilized its Utility Fund - in spite of it being a year that started with an operating deficit and significant new debt to service. So, we begin the FY18-19 fiscal year in a much healthy position and (aside from some slight adjustments to billing formulas to better align with industry standards) the proposed *FY18-19 Annual Budget* includes **no increase in water and/or wastewater rates**.

Consideration of additional debt issues later in the year plus an adjustment to recalculate the base rate for both water and sewer, to bring these rate structures into conformance with more common practices among water suppliers in Texas, may result in proposed adjustments in the near term.

Capital Projects/Debt Planning

The coming fiscal year will likely include continued growth and development of both residential and commercial projects which will, in turn, necessitate enhancements to public facilities and infrastructure. While much planning is already underway, the City will be heavily involved in furthering these efforts over the next 14 months. Although no final decisions have been made nor are any related financial impacts currently included in the *FY18-19 Annual Budget* as proposed, decisions regarding the following items will likely be made in the next fiscal year – any and all of which will have a definite impact on the budget:

- Timing of construction of the wastewater treatment plant expansion and the potential new plant in western part of City's ETJ.
- Issuance and amount of new debt in support of the wastewater treatment plant construction and other utility improvements.
- Planning for public infrastructure improvements and financing of same within the City Tax Increment Reinvestment Zone (TIRZ) to support existing and future economic development projects.

In addition to the fiscal planning as described above, proposed *FY18-19 Budget* will also provide support to the following Organizational Development Objectives during the coming year:

- *Planning for anticipated growth* by considering the impact of rapid growth on departmental operations, how best to absorb additional workload with existing staff and how to phase in additions to staff and equipment as needed.
- *Improving Communications*; Internally by streamlining organizational structure and strengthening administrative procedures; and Externally by enhancing the City's presence on all forms of social media.
- *Improving Budgetary and/or Organizational Structure* by (a) expanding the Finance Department to include Human Resources, (b) consider changes to Community Development, (c) move Planning & Development Department into the General Fund, and (d) moving Sanitation from Utilities to General Fund under the Public Works Department.
- *Improve Financial Management* through the development and implementation of Financial Management Policies

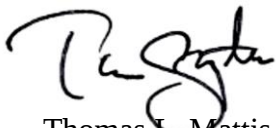
- *Improving Financial Control* through the possible acquisition of new budgetary-accounting software for possible implementation at beginning of next fiscal year and restructuring of the Chart of Accounts; and by installing cash handling, invoicing and check processing equipment to improve efficiency and accuracy.

While safety, livability, and economic development will continue to be our primary focus, the coming year should be both challenging and exciting for all City of Elgin operations, employees, and residents. As we embrace all aspects of our growing community, the accompanying overall prosperity can be of great benefit to both residents and businesses - but the City must also prepare and evolve in a way that is responsive to the associated challenges.

The “building” trends of recent year will continue through FY18-19 with the construction of the Seton Express and Primary Care Clinic, further construction of the newly-opened Lee Dildy Boulevard, continuing restoration of Historic Downtown Elgin, and various new commercial projects; in addition to more new homes in Saratoga Farms - and up to five other residential developments that are planned for hundreds more new homes.

On behalf of the city staff, we thank the Mayor and City Council for the opportunity to serve the citizens of Elgin during this exciting time.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Mattis', written in a cursive style.

Thomas L. Mattis
City Manager