

**City of Hale Center**  
**Budget**  
**For the Fiscal year**  
**Beginning October 1, 2019**  
**Ending September 30, 2020**



*Oasis of the Plains*

**Notice**

This budget proposes a decrease in total property tax revenue of \$11,078 than last year's budget.



September 10, 2019

To the Honorable Mayor, Members of the City Council, and the citizens of Hale Center:

Submitted herewith is the proposed budget for the City of Hale Center for the 2020 fiscal year. This budget has been prepared and is presented in accordance with the Texas Local Government Code and the civil statutes of the State of Texas.

The proposed budget for the fiscal year-- beginning October 1, 2019 and ending September 30, 2020--is submitted for your review and consideration. The budget is intended to present, in financial terms, an overall plan for providing municipal services during the forthcoming fiscal year. This budget provides funding for the continued basic level of services offered by the city.

The proposed budget reflects a positive economy which continues to surge upward. Overall adjusted assessed property values for the upcoming budget are \$45,453,474-- which is an increase of almost \$1.2 million from the current year.

The total tax rate for the upcoming fiscal year is recommended at 65.63 cents per \$100 assessed valuation. This is a decrease from the current rate of 70 cents. The reason for this decrease is due to a lower debt tax rate because the city reduced its' debts.

The tax rate is composed of two separate components: The M & O (Maintenance & Operation) of \$0.62; and the "debt" component or I & S (Interest & Sinking) of \$0.0363, which is used exclusively for paying long-term debt.

It is recommended the M & O tax rate remain at .62 cents. However, there will be a decrease in our proposed Debt Rate from 8 cents to 3.63 cents, as the city has paid all but one of its' debts off.

The city's only major debt is the Groundwater Storage Tank Project which has a cost of \$432,000--\$16,583 annually---for a 40-year loan with the USDA.

For the average home in Hale Center (average taxable value is \$52,683) annual taxes will decrease from \$354 to \$345.

The Effective Tax Rate is \$0.6808 per \$100 assessed valuation. The Rollback Rate is \$0.6875. The total tax rate for FY 2020 is less than either of the aforementioned rates.

This budget provides funding for planned expenditures, net contingency appropriations, with operating funds totaling approximately \$1.8 million.

	<u>2018-19</u>	<u>2019-20</u>
Tax Values	\$44,305,984	\$45,453,474
M & O Rate	.62/\$100 = \$274,697	.62/\$100 = \$281,811
Debt (I & S)	<u>.08/\$100</u> = \$35,444	<u>.0363/\$100</u> = \$16,499
Total Tax Rate	.70 = \$310,141	.6563 = \$298,310

This lower tax rate will result in a tax revenue decrease of \$11,078.

If the city collects 95% of its assessed taxes, it will result in \$283,394 in estimated tax revenue. The current fiscal year's tax collections are at 93%.



Highlights of the major operating funds are as follows:

### **GENERAL FUND**

The General Fund provides for basic day-to-day services of the city including Mayor and City Council, Administration, Police Department, Animal Control, Street Maintenance, Sanitation Services, Parks and Recreation, Municipal Court, and Code Enforcement.

The General Fund is funded with revenues from property taxes, sales taxes, franchise taxes, municipal court fines, as well as transfers from the Water/Sewer Fund and other miscellaneous fees. This year's projected General Fund revenues total \$998,006, an increase of almost \$52,000 from FY 2019 revenues.

### **General Fund Revenues**

#### **Property Taxes**

The annual revenue generated by this source is the product of the property tax rate established by the City Council and the appraised value of the property within the city limits. Property taxes are the largest single source of revenue for the General Fund, representing approximately 28% of the budgeted FY 2020 revenues.

This year's total property values hit an all-time high of \$45.4 million, a \$1.2 million increase over last year's tax values. The FY 2019 budget showed a decline of over \$300,000 in taxable values from the FY 2018 budget.

The tax rate dedicated to general operations is \$0.62/\$100 assessed valuation and the rate dedicated to debt service is \$0.0363/\$100. Projected property taxes are estimated to total \$281,811 (Maintenance & Operation) and \$16,499 (Debt Service), with total tax revenue projected at \$298,310. The Ad Valorem tax revenue will decrease by \$11,078 over last year's taxes because of the lower Debt Service tax rate.

#### **Sales Taxes**

The city receives monthly tax refund checks from the State Comptroller's Office from the collection of the State and City sales taxes. Annually, the city receives approximately \$100,000 from the State of Texas, with one-third, about \$33,000, distributed to the Hale Center Economic Development Corporation. The EDC uses these funds for business development and recruitment for Hale Center.

With voters approving the sale of alcohol in Hale Center in May, the city has already seen an increase in its sales tax refunds. For FY 2019, the city is approximately \$10,000 ahead of last year's sales taxes. This could be due to alcohol sales which began in July and/or because of a stronger local economy.

At this time, two licenses to sell alcohol have been issued by the Texas Alcoholic Beverage Commission (TABC), however, more licenses are expected to be issued.

The city is projecting a 25% increase in sales tax revenue to an estimated \$125,000 for FY 2020.

### **Franchise Fees**

The city receives franchise fees from businesses and utilities for the use of the city's right of ways. This normally generates approximately \$105,000 in revenue. However, due to recent state legislation the city may see a decrease in this revenue; but how much less is unknown.

### **Municipal Court Fines**

The city receives revenue from the collection of fines for city ordinance and traffic violations in its Municipal Court for Class C misdemeanor offenses. However, the city must share a large portion of this with the State of Texas.

With an emphasis on code enforcement and traffic enforcement the court is expecting to collect approximately \$100,000 in fines, with approximately 40% (\$40,000) going to the state for FY 2020.

### **Miscellaneous Revenues**

The city receives revenue from other sources including: roofing and building permits, lease of the city-owned farm property, animal control charges, the sale of dirt, building rental, and the sale of "trust" properties. These are projected to total approximately \$20,000.

### **General Fund Expenditures**

The City of Hale Center subsidizes the Hale Center EMS (\$48,000); Hale Center Volunteer Fire Department (\$9,900); the Hale Center Senior Citizens Center (\$6,000); and the Hale Center Library (\$4,800) annually. These stipends total \$68,700. However, there are no planned increases in these stipends.

The City also provides EMS and the Fire Department their buildings rent-free, along with paid utilities, and insurance on EMS and Fire Department vehicles and buildings.

A grant for \$500,000 for fire department equipment, including two new firetrucks has been approved. Delivery of the trucks may be up to 12 months after being ordered. They will also be getting new Jaws of Life equipment and some air packs (4 sets). The only cost to the city will be \$5,000 for the grant.

A major expenditure that may face a change this fiscal year could be that of sanitation services. The current contractor of the city's sanitation services has expressed the possibility of merging with another company, which could result in the letting of bids and a new contract.

The city spends approximately \$160,000 annually for sanitation and recycle pickup. It is not known at this time if new services will result in higher costs. Should that happen, an increase in sanitation services may result to offset costs.



Other planned General Fund expenditures include:

\*Continued sealcoating and/or rejuvenation of city streets---\$50,000. Our asphalt sealcoating is for about 49,000 square feet of streets.

\*Cost of living increase of 2.5% for employees.

\*The Police Department will be purchasing a new in-car video unit for approximately \$5,700--with some of the funds coming from "Back the Blue" donation account.

Though the Police Department is in need of a new vehicle, that purchase will be delayed another year.

General Fund expenditures for FY 2020, including transfers, are expected to total \$987,714. Expenditures are expected to balance with revenues.

### **WATER & WASTEWATER UTILITIES FUNDS**

The Water & Wastewater Department is responsible for the production and sale of potable water for domestic and business uses and fire protection; collection and treatment of wastewater for the protection of public health and the environment; and maintenance and construction of water and sewer infrastructure.

The 2020 fiscal year is projected to generate approximately \$875,000. This is from the sale and service of water, sewer, sanitation, landfill, and mosquito spraying fees to our residents.

This budget includes a restructure in the city's water tier for high volume water users, who will pay more for water services. This will not affect minimum water customers. The higher price is to help with water conservation.

Expenditures, including Payments in Lieu of Taxes to the General Fund and debt service, are projected to total \$627, 920—a decrease of almost \$50,000 from the previous year.

### **ENTERPRISE FUNDS**

Enterprise or Proprietary Funds account for the business-like operations of the Water/Sewer Department. The intent is for water and sewer services provided to the general public to be recovered through user charges. Revenues for Enterprise Funds are generated through fees that specifically pay for these services. A portion of the fund balances generated in the city's Water/Sewer Fund are transferred to the General Fund.

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for revenue allocated for restricted purposes or as specified by law.

### **Municipal Court Technology & Building Security Funds**

The Municipal Court Technology Fund is a fund established by law to assist in the funding of expenditures related to the purchase of or to maintain technological enhancements for the municipal court. The Municipal Court Building Security Fund is also a fund established by law and accounts for the expenditures related to security for the municipal court. Total revenues for these funds are projected to be \$5,000.

### **Police Education Funds**

The Police Education Fund is a fund established by law to account for money received from state law enforcement agencies and is to be used for continuing education of persons licensed through TCOLE to provide necessary training. Approximately \$1,500 will be used from this account.

### **DEBT SERVICE FUND**

The Debt Service Fund is a legally restricted fund utilized to account for revenues recognized to liquidate the debt service requirements for the city's general obligation debt and to account for short-term Notes Payable.

The city paid off its final debts this past fiscal year for the 1979 water improvement projects and also paid off a loan for a police vehicle.

The city's only major long-term debt is for the ground water storage tank. This project is being financed through the USDA at a low interest rate (2.375%) for 40 years. The annual debt service for this project is \$16,583.

The Debt Service Rate (also known as Interest & Sinking) will drop from .08 cents to .0363 cents per \$100 valuation.

### **CAPITAL RESERVE FUND**

The Capital Reserve Fund is used for expenditures (more than \$5,000) associated with the purchase of vehicles, equipment and facility improvements.

Expenditures from this account for FY 2020 will focus on restrooms for the LeMond Community Center, estimated at \$20,000; and for public works equipment (street sweeper attachment) estimated at \$7,500.

These expenditures are estimated to cost approximately \$27,500. This is a reserve (savings) account and expenditures will be taken from this account, and not from the General Fund.



## SUMMARY

The city continues to show economic stability and growth. It continues to be in good financial shape. Its' debts are at a minimum, and there is room for more debt for future projects.

We currently have reserve funds to operate the city for 60 to 90 days. The city has over \$300,000 in certificates of deposit. Extra funds will be put into reserve balance when they become available.

However, there is a long list of needs and wants to maintain services and quality of life expectations for the citizens of Hale Center.

Some of the known financial challenges the city faces include:

- 1). A new City Hall--Our current facility is not American Disability Act (ADA) compliant. We are one complaint away from the Department of Justice ordering the construction of a new facility or remodeling the current facility, which is 54 years old.
- 2). A secondary water source--The easiest solution would be to purchase water from a Canadian River Municipal Water Authority city, such as Plainview.
- 3). Additional quality of life projects for the public (splash pad, additional playground equipment for parks, softball complex, etc.).
- 4). Continued infrastructure improvements (street repair & water lines).
- 5). Improving employee benefits (retirement improvements and salary adjustments) to maintain employee retention.

The city has been quite successful in getting grants. It received the Caudle Lake Nature Trail grant for \$105,000; the infrastructure study grant for \$50,000; the Recycle Center/Tire Disposal grant for \$20,000; and the latest grant for \$500,000 for new fire equipment, including two new firetrucks.

The administration will continue to seek more grants and funding options to help reduce costs and the burden on Hale Center taxpayers.

Meanwhile, the financial future of Hale Center continues to grow stronger!

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Dennis Burton", with a stylized flourish at the end.

Dennis Burton  
City Manager



# Assessed Valuations of Hale Center



## City of Hale Center Property Tax Revenue

### Property Tax Levies and Collections Yearly Analysis

FY	Tax Levy \$	Taxes Paid \$	Collection Ratio
2011	234,048	230,977	99%
2012	233,708	229,804	98%
2013	247,626	242,338	98%
2014	251,506	231,426	92%
2015	266,911	254,770	95%
2016	278,028	260,011	93%
2017	290,098	273,290	94%
2018	302,666	281,479	93%
2019	310,141	294,633 estimated	93%

# Hale Center Sales Tax Refund History

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## GENERAL FUND - SUMMARY OF REVENUES FOR FY 2020

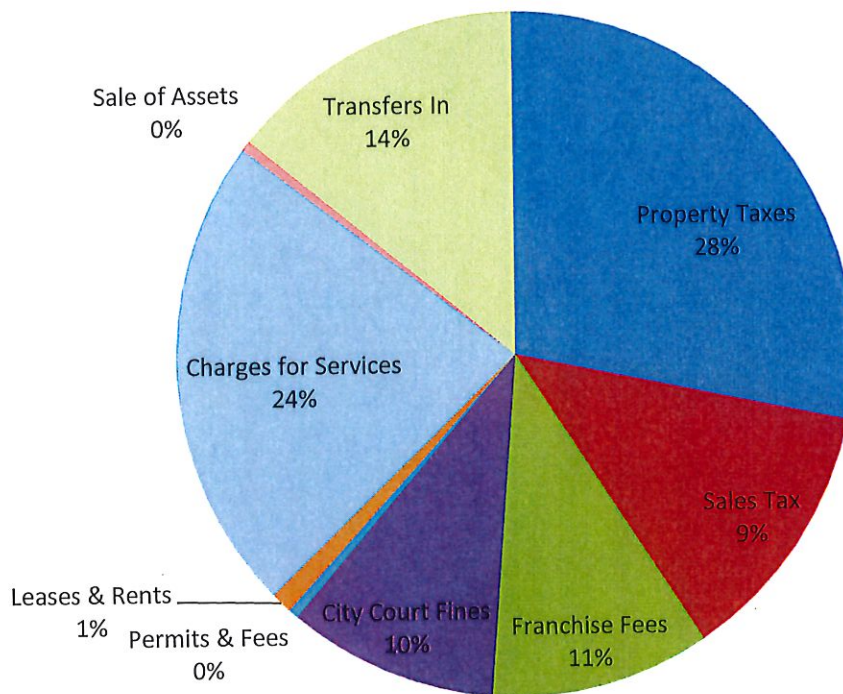
### REVENUE

Property Taxes	281,811
Sales Tax	125,000
Franchise Fees	105,000
City Court Fines	100,000
Permits & Fees	5,000
Leases & Rents	10,000
Charges for Services	225,000
Sale of Property	5,000
Transfers	141,195

### TOTAL REVENUES

\$998,006

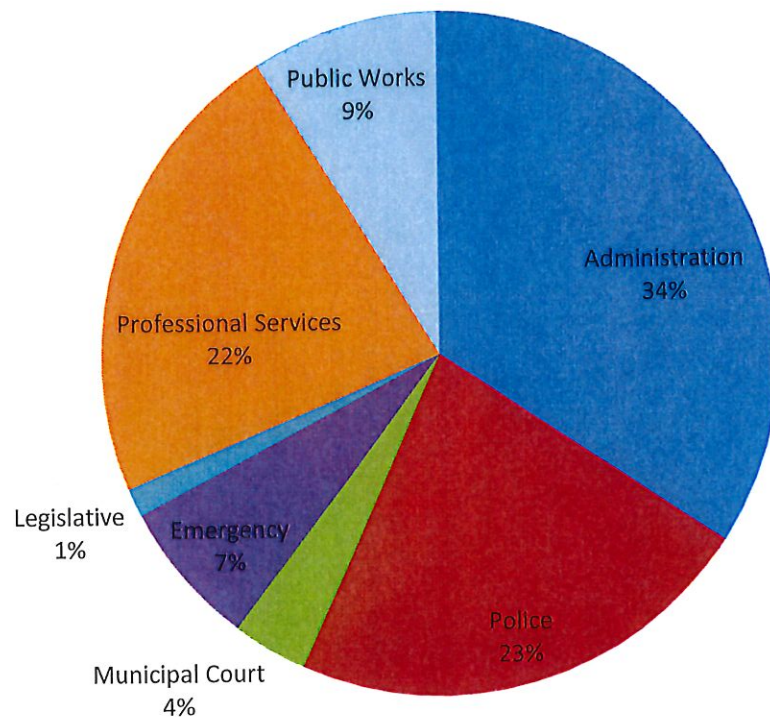
### Revenues by Source



## GENERAL FUND - SUMMARY OF EXPENDITURES

EXPENDITURES	<u>FY 2020</u>	<u>FY 2019</u>
Administration	310,540	305,823
Police	204,101	196,829
Municipal Court	32,417	44,310
Emergency Services	62,900	62,900
Building Inspector	0	3,800
Legislative	12,500	9,900
Professional Services	202,650	204,000
Public Works	80,940	83,990
State of Texas	40,000	40,000
Hale Center EDC	41,666	30,000
<b>TOTAL EXPENDITURES</b>	<b>\$987,714</b>	<b>\$981,552</b>

### Expenditures by Department



## **ADMINISTRATION**

### **EXPENDITURES**

Wages	121,274
Payroll Taxes	8,405
Benefits	8,857
Professional Development	8,500
Dues & Fees	15,000
Operations	26,000
Insurance	10,250
Repairs & Maintenance	7,250
Utilities	69,000
Other	8,500
Transfers to Other Funds	<u>27,504</u>

Total	\$310,540
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## **EMERGENCY SERVICES (Fire Department, EMS, Civil Defense)**

### **EXPENDITURES**

HCEMS - Stipend	48,000
HCVFD - Stipend	9,900
Civil Defense	<u>5,000</u>

Total	\$62,900
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## LEGISLATIVE (City Council)

### EXPENDITURES

Council Stipends	2,400
Training/Travel	<u>10,100</u>
Total	\$12,500

## MUNICIPAL COURT

### EXPENDITURES

Salaries	23,450	(1/2 court clerk)
Payroll Taxes	1,275	
Benefits	2,692	
Professional Development	2,000	
Office Supplies	500	
Legal (Prosecutor)	2,500	
TOTAL	<u>\$32,417</u>	

## POLICE DEPARTMENT

### EXPENDITURES

Wages	135,789
Payroll Taxes	9,950
Benefits	16,692
Equipme /Supplies	10,950
Dues & Fees	1,750
Operations	7,790
Repairs & Maintenance	20,580
Office Supplies	600
Education	<u>0</u>
TOTAL	\$204,101

## PROFESSIONAL SERVICES

### EXPENDITURES

Media & Advertising	4,000
Audit Fees	8,000
Legal Fees	5,000
Appraisal District	5,000
Sanitation Contract	141,500
Sanitation Roll-off Expense	12,500
Software/IT Services	7,250
HCSSC - Contract	6,000
HCPL - Contract	4,800
Contract Labor	3,000
Pest Control	1,100
Custodial Service	4,500

TOTAL	\$202,650
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## PUBLIC WORKS

### EXPENDITURES

Weed Control	3,500
Animal Control	2,500
Recycle Center	1,200
City Parks & Grounds	7,250
Vector Control (Mosquito)	5,000
Street Equipment & Material	11,490
Street Repair & Maintenance	50,000

Total	\$80,940
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## WATER & SEWER FUND - STATEMENT OF REVENUES & EXPENDITURES

### REVENUES

Water Sales	500,000
Sewer Charges	140,000
Other revenue	29,250
Transfers from Other Funds	<u>17,450</u>

TOTAL REVENUES	\$686,700
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### EXPENDITURES

Wages	176,764
Payroll Taxes	12,529
Benefits	26,023
Education/training	4,000
Operations	105,910
Oil & Gas	14,750
Repairs & Maintenance	14,500
Tower & water line maintenance	12,500
Utilities	42,500
Professional Services	16,250
Equipment purchases	6,500
Insurance	10,250
Debt Service	8,249
Payment in lieu of taxes	40,000
Transfers to Other Funds	<u>141,195</u>

TOTAL EXPENDITURES	\$631,920
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## **Capital Reserve Account**

The city transfers funds monthly from the General Fund to a Capital Reserve Account. The city uses this account to purchase police and public works vehicles. The city saves money when it can make major purchases without having to finance such capital expenditures.

The plans for this year's funds will be to purchase Public Works equipment, a street sweeper for the skid loader at the estimated cost of \$7,500 and for the construction of restrooms for the LeMond Community Center at an estimated cost of \$20,000.

## **Reserve Funds**

The city has established reserve funds, a savings account, which has continued to grow during the past three years. Best accounting practices recommend that cities/counties have approximately six (6) months of reserves for unplanned contingencies and emergencies.

At this time the city has almost \$301,500 in reserve funds, which are now earning 2% interest. The current reserves would allow for about three months of operations.

It is strongly recommended that we continue to add to our reserves when the city can afford to do so. Currently, the reserve funds are in three certificates of deposits with Vista Bank of Hale Center. Should the city need access to the funds they are available without penalty.

CD#1	CD#2	CD#3	Total
\$100,375	\$150,924	\$50,167	\$301,466

### **City Council Record Vote**

The members of the governing board voted on the adoption of the budget on September 10, 2019:

For: Janet Peoples, Richard Castillo, Christine Reyna, Mario Martinez

Against: Not applicable

Present & not voting: W.H. Johnson

Absent: Karen Boyce