

City of Falfurrias Fiscal Year 2015 Budget Cover Page January 1, 2015

This budget will raise less revenue from property taxes than last year's budget by an amount of \$10,056, which is a 2.56 percent increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$2,907.

The members of the governing body voted on the budget as follows:

- FOR:** Mayor – Lamar D. Martinez Sr.
 Mayor Pro-Tem – Letty Garza
 Alderman – Manuel Perez Jr.
 Alderman – Roberto J. “Bobby” Villarreal
 Alderman – David Longoria
 Alderwoman – Mae Saenz

- AGAINST:** None
PRESENT and not voting: None
ABSENT: None

Property Tax Rate Comparison

	2015	2014
Property Tax Rate:	\$ 0.500000/100	\$0.500000/100
Effective Tax Rate:	\$ 0.488930/100	\$0.505763/100
Effective Maintenance & Operations Tax Rate:	\$ 0.488930/100	\$0.505763/100
Rollback Tax Rate:	\$ 0.528044/100	\$0.546224/100
Debt Rate:	\$ 0.000000/100	\$0.000000/100

Total debt obligation for City of Falfurrias secured by property taxes:
 \$0.

ANNUAL BUDGET

For

Fiscal Year January 1, 2015 to December 31, 2015

As Submitted by:

Noel Bernal
City Administrator

And

Mark A. Rushing
Finance Director

On

January 1, 2015



Falfurrias
Texas
"The land of heart's delight"

City Council

Lamar D. Martinez, Sr. – Mayor

Letty Garza – Mayor Pro-Tem

David Longoria – Council Member

Manuel Perez Jr. – Council Member

Mae Saenz – Council Member

Bobby Villarreal – Council Member

City Officials

Noel Bernal – City Administrator

Melinda Garza – City Clerk

Bobby Gomez – Public Works Director

Ramiro Gonzalez – Police Chief

Sammy Maldonado – Utilities Director

Ricardo Solis – Municipal Judge

Mark A. Rushing – Finance Director

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To: Mayor and Board of Alderman

From: Noel Bernal, City Administrator

RE: FY 2015 City Budget

Date: January 1, 2015

The 2015 approved budget is a result of a refined approach at budgeting that took place on behalf of staff and the City Council. With the new administration having one year's time under its belt, the City experienced structural changes in the format and approach to budgeting based on prior years. The ability to better understand the financial trends of the City allowed for a stronger forecast of the financial future that can be expected. These efforts were spearheaded by the addition of the City's first finance director in mid-2014.

The message to the City Council has been the following: "The effective allocation of resources via the annual budget is best achieved when moving toward a longer term plan with short-term goals that are realized through the development of the annual budget". For Falfurrias, this has meant identifying the City's needs and establishing priorities.

It is important to note changes that occurred in 2014 that led to a new organizational structure when looking at the City's financial condition and plans:

2014 Flashback

- 1.) In late 2013, the City Council voted to refinance \$5.5 million in outstanding revenue bonds which resulted in a net present value savings of 3.5%, a lower interest rate by .5%, the cash-flow savings of \$1.7 million, and the reduction of the amortization period from 33 years to 15.
- 2.) The refunding allowed the City Council the ability to consolidate the former Falfurrias Utility Board into a Utilities Department of the City in 2014 for integrated policy and planning, greater economies of scale, and a diversification of revenues for general fund. The City saved \$145,000 in operational efficiencies.
- 3.) The City funded the first Comprehensive Classification and Compensation Study to assist with providing a standard and systematic structure for matters of internal and external equity in pay for all employees.
- 4.) Certificates of Obligation (CO's) were issued to rehabilitate thirty-three (33) blocks of high-traffic arterial streets around school campuses in an amount not to exceed \$600,000 to be paid back from general fund revenue reserves.
- 5.) The completion of the City's first 20-Year Comprehensive Plan.
- 6.) The development of the City's first 5-year Capital Improvement Plan (CIP).
- 7.) Approval of automatic water, sewer, and gas rate increases based on the City's first cost of service/ rate study and 5-Year financial plan for the utilities systems based on its capital needs.

Beginning with a commitment toward funding the capital needs for infrastructure and on toward an investment in the human capital needs (City Employees), the City has been stabilized by a foundation of short-term and long-term planning that will allow for the advancement of other areas such as sustainability objectives and economic development.

While the City has experienced limited residential and commercial growth, we remain committed to analyzing ways to spur development through proper planning and analysis. An example is the Downtown Revitalization efforts that were initiated in 2014 based on a retail leakage study that was performed.

An important priority in the development of the budget that remains is the ability to balance general fund with no revenues from amusement machines. Limited support from amusement machines revenue exists in FY15. City staff, however, has increased the transparency of amusement revenues as of FY14 by allocating them into a separate fund (Special Projects Fund) and the City Council has committed to funding one-time capital projects aimed at deferred maintenance versus recurring costs.

Agenda Item:

Review and discuss proposed Fiscal Year (FY) 2015 City budget.

Description of Agenda Item:

As a Type- A General Law City, the Mayor is the budget officer as established by Texas Local Government Code Section 102.001 Budget Officer. The City Administrator is required by Ordinance No. 566 to assist the Mayor in the preparation of the City's annual budget and jointly submit the budget to the City Council. An overview of each fund and a summary of the projected taxable assessed values, projected revenue, proposed expenditures, and projections regarding the maintenance and operations (M&O), interest and sinking (I&S), and combined tax rates is hereby being provided. The proposed budget also includes debt service schedules and fund balance amounts.

The draft budget was provided to and discussed with the City Council at workshops on August 20th and September 10, 2014. City staff provided an overview of the proposed budget, and the City Council shared its comments regarding the proposed budget. Based on the Council's comments, a list of major highlights is being provided that reflect City staff modifications in response to the recommended changes.

In compliance with the provisions of the Civil Statutes of the State of Texas and the Ordinance of the City of Falfurrias, the FY15 Annual Operating Budget was duly adopted by the Falfurrias Board of Alderman at a regular meeting held on September 18, 2014. The budget is the city's financial plan for the operation of the city for the fiscal year January 1, 2015 through December 31, 2015.

OVERVIEW OF FUNDS

The City's budget is divided into several accounts, known as funds. The funds include the General Fund, including the Special Projects fund (amusement machines), the Interest and Sinking (I&S or Debt Service) Fund, the Utility Fund (water, sewer, and gas), and various Special Revenue funds (restricted for specific purposes). Major capital expenditures are accounted for in the Capital Improvement Fund for the General Fund and Utility Fund, respectively.

Net Annual Surplus (Deficit)

An annual deficit can be a signal of an unsustainable revenue versus expenditure relationship within a specific fund or can simply be a deficit created by City plans for a given fiscal year. Ultimately, continuous deficits can threaten a healthy fund balance and general government operations. Net annual deficits occur whenever annual expenditures exceed annual revenues within a specific fund. However, a deficit realized one year does not necessarily indicate that there will be deficits in future years or that there is a structural or permanent deficit problem for the fund.

The City's budgeted deficits for FY 15 are primarily the result of planned capital purchases and municipal infrastructure spending financed by using unassigned cash reserves or restricted bond proceeds. For example, the FY15 Proposed Annual Budget includes proposed, one-time, operating deficits for the City's Special Projects Fund, and Capital Projects Fund as described further in their respective sections.

Operating funds are those that contain personnel and that have annual ongoing cost of operations that require recurring revenue sources and some amount of cash or fund balance savings.

The challenge in the General Fund remains the ability to balance the provision of services without the use of amusement machines revenues (a volatile funding source) and planning for the costs facing the City as a result of a reduction in services by Brooks County. Shared services agreements exist in the areas of landfill services, brush collection, and emergency management, to name a few, however, at the end of FY14, negotiations began for shared costs involving ambulance services. The City further intends to discuss the possibility of partnering in key infrastructure areas such as streets and drainage. Development and maintenance of City streets was historically provided for by Brooks County while comprehensive drainage improvements have yet to be planned and implemented by the County or City.

Please note that ending fund balances exceed the 25% minimum fund balance requirement for the General and Utility Funds as adopted on February 5, 2013 per City Council Ordinance No. 576.

General Fund – The FY15 annual deficit of **\$353,593** is made up of \$268,651 in recurring costs. These recurring costs consist of \$124,385 for the CO 2014 debt service payments (**\$353,593-124,385 = \$229,208**), which is financed over a 5-Year period, and \$144,266 in salary adjustments (**\$229,208-\$144,266 = \$84,942**). However, within the \$144,266 of salaries, \$72,133

is for permanent salary adjustments while \$72,133 is budgeted for one-time longevity pay or other pay that the City Council will have the option of paying employees toward the end of the fiscal year as discussed further in the expenditures section.

The City budgeted non-recurring costs of \$100,000 for shared expenses in providing ambulance in a shared-services arrangement with Brooks County. The commitment with Brooks County was only for FY15. Future years are to be reviewed and determined on an annual basis as to methodology of calculation and funding. A portion (**\$84,942**) of the \$100,000 is to be funded from unassigned fund balance in the General Fund. While the City acknowledges ambulance service costs incurred are attributed in-part to the citizens that live within the City limits of Falfurrias, its portion of the cost and method of calculating that cost are still subject to review.

A Special Projects Fund transfer of **\$222,469** (amusement machine revenues) support the general government operations in FY15. This amount has been reduced from **\$437,323** in FY14. This reduction in utilizing amusement machine revenue is largely due to the consolidation of the Falfurrias Utility Board with the City of Falfurrias. The consolidation allowed for operational efficiencies and effectiveness in funding administrative overhead costs in the General Fund directly attributed to the Utility Fund operation.

Using cash reserves to pay for recurring expenditures are not the best source of financing. The City is projected to maintain a healthy fund balance through the end of FY15. Accordingly, the challenge for FY15 will be to continue identifying and implementing additional annually recurring sources of revenue to finance recurring activities along with infrastructure needs such as streets and drainage projects.

GENERAL FUND REVENUE

The General Fund provides for basic services of the city including Administration, Police Department, Building Inspections, Street Maintenance, Public Works, Sanitation Services, Parks and Recreation, Municipal Court, Code Enforcement, Animal Control, Golf Course subsidy, and Finance.

The General Fund is funded through all general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund as well as transfers from the Utility Fund for shared administrative services costs and the Special Projects fund. A summary of each major revenue source of the General Fund is summarized as follows.

Property Tax

The total net taxable values for properties in Falfurrias for FY15 that were certified by the Brooks County Appraisal District (BCAD) on July 22, 2014 is **\$80,507,115**. Of this total in property values, **\$2,011,186** is attributable to new values. The 2015 property tax base increased by **2.56%** from last year.

The City's total tax rate is comprised of two rates – the maintenance and operations (M&O) rate and the debt service (I&S) rate. Using the certified values provided by the BCAD on July 22,

2014, City staff calculates I&S rate to be \$0.0000 per \$100 of tax assessed value. The estimated effective M&O tax rate is \$.488930 per 100 of tax valuation with the increased valuation. If the tax rate is unchanged, the estimated M&O tax rate is \$0.50000 per \$100 of tax assessed value. When the estimated M&O tax rate is applied to the total net taxable value of \$80,507,115, the M&O tax revenue in FY15 is estimated total \$354,231 using an 88% collection rate compared to a total budgeted amount of \$343,109 in FY14.

City staff recommended that the City Council maintain the City's current tax rate of \$0.50000 per \$100 of tax assessed value. Although the tax rate will remain the same, the anticipated increase in property values should result in approximately **\$11,122** more tax revenue to the City than last year. The additional tax revenue generated is also a cause of City Staff's recommendation to increase the anticipated collection rate from 85% to 88%. The increased collection percent is based on factoring the delinquent tax revenues generated by the City. The additional tax revenues will be used in the General Fund to assist with balancing the budget to maintain the levels of service.

The City Council adopted the proposed tax rate of \$0.50000 per \$100 evaluation to fund the Maintenance and Operation needs of the city on September 18, 2014. This tax rate is the same than last year's tax rate.

Sales Tax

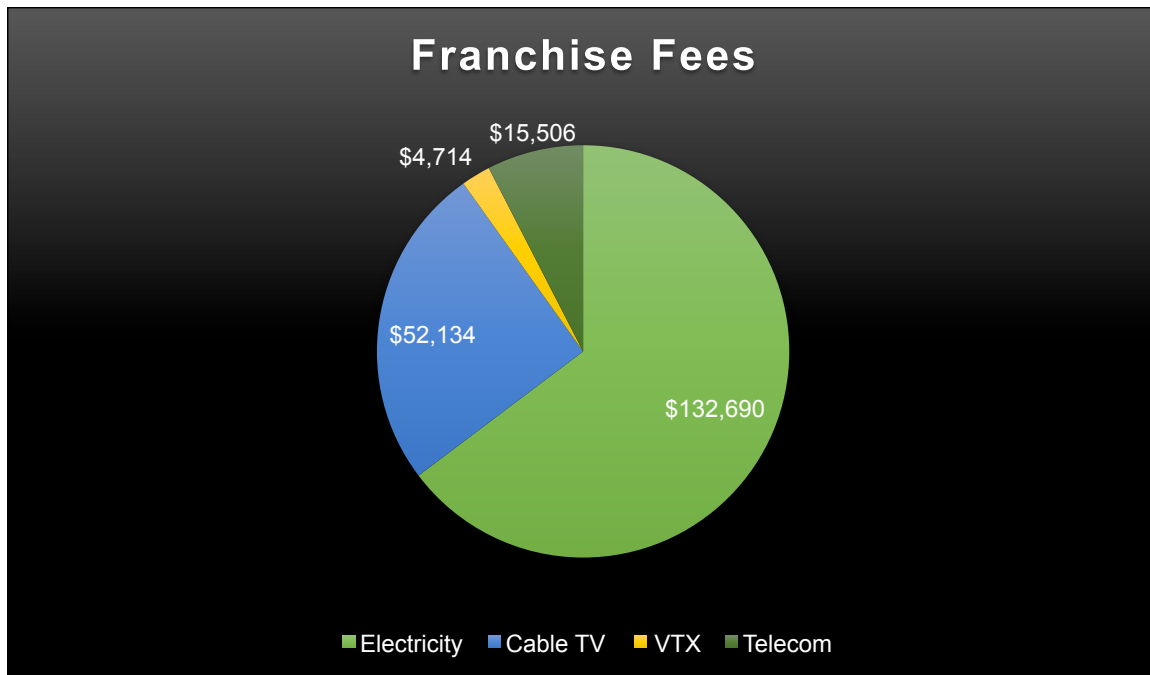
Sales tax revenues came in higher than budgeted during the last 12 months. Staff had projected a 5.1 % decline for FY14 due to the possible loss of traffic flow associated with the development of the Interstate Highway (Future I-69) through the City. Sales tax revenue did come in slightly above the budgeted \$734,336. As a result of the sales tax performance, City staff recommended that the budgeted amount be restored to \$788,088 or 2.7% higher than FY14 actual revenue received.

Similar to other revenues sources, sales tax is projected in a cyclical and non-linear manner. In its projections, the City projected for the fiscal year at an amount that is approximately equal to the prior 12 months using the months of December 2013 to November 2014 while preparing the FY15 final amended adopted budget in December 2014. For purposes of general fund revenue, \$766,206 was received in revenue during the last 12 months from January 2014 thru December 2014. This equates to approximately \$63,850 per month. The following table illustrates the sales tax activity for the aforementioned period.

FY 14	March	2014	\$52,490.01	FY 13	March	2013	\$63,441.58
FY 14	April	2014	\$60,684.25	FY 13	April	2013	\$62,013.44
FY 14	May	2014	\$71,299.58	FY 13	May	2013	\$83,430.33
FY 14	June	2014	\$67,592.65	FY 13	June	2013	\$66,237.61
FY 14	July	2014	\$57,724.91	FY 13	July	2013	\$69,001.04
FY 14	August	2014	\$66,553.07	FY 13	August	2013	\$74,322.14
FY 14	September	2014	\$62,927.54	FY 13	September	2013	\$75,545.14
FY 14	October	2014	\$60,321.81	FY 13	October	2013	\$60,081.98
FY 14	November	2014	\$68,496.83	FY 13	November	2013	\$50,910.92
FY 14	December	2014	\$60,112.32	FY 13	December	2013	\$65,838.44
FY 14	January	2015	\$59,141.35	FY 13	January	2014	\$59,878.84
FY 14	February	2015	\$79,833.25	FY 13	February	2014	\$78,124.54
FY 14	Actual FYD Collection	TOTAL	\$767,177.57	FY 13	Actual FYD Collection	TOTAL	\$808,826.00

Franchise Fees

The City receives franchise fees for the use of right of ways in the City from electric (CPL), telephone (Telecom), cable (Time Warner), and internet (VTX) service providers. With the addition of fiber-optic internet services in the City, the only projected increase in franchise fees is from VTX at \$4,714. This makes the total franchise fee revenue \$205,044.



Permits

The number of building permits for new homes in Falfurrias has experienced limited activity in the past few years as residential growth has been stagnant. The past couple of years included higher revenue projections for building permits since Brooks County ISD constructed a new Junior High and Elementary Schools while renovating the High School. With the construction of the Junior High and High School complete and Lasater Elementary School construction underway, City staff decreased the building permit revenue projection to \$25,000 or by 50%.

Fines

Revenues from fines plays an important role in the General Fund. The types and amounts of various citations and fines issued can be difficult to predict. The FY14 forecasted increased revenues from fines as FY13 experienced a significant increase based on prior years. For FY15, based on a continued improvement in revenue, the revenue from fines was increased by \$45,000 or 11.25%. Fines activity will be monitored throughout the year with the expectation that full recovery is made based on revenue levels from 2010 and 2011.

Inter-fund Transfers and Appropriations from Fund Balance

General Fund receives funding from Utility Fund and Special Projects Fund transfers. Up until FY14, the Falfurrias Utility Board transfer was based on a 4.7% franchise fee of net water and sewer system revenues, excluding gas system revenues. In January 2014, the City Council voted to consolidate the former Falfurrias Utility Board into a water, sewer, and gas utilities department. Based on a 5-Year cost of service/rate study model that was performed in 2014 on the utility systems, the City Council approved a new methodology in determining the Utility Fund transfer amount to the General Fund.

The Utility Fund transfer methodology, as recommended by the rate consultant, is calculated by the total number of utility accounts by a cost per account as compared to the PEER group used in the rate study. The total number of utility accounts is 5,720 (2,597 water, 2,003 sewer, and 1,120 gas) and is calculated at \$42.00 per account for an amount totaling \$240,240. In addition to this amount, the transfer also allows for administrative overhead in support of utilities operations. This portion of the transfer amount of the administrative overhead formula is based on 50% of the salary costs for the positions of City Administrator, Finance Director, City Clerk, and Legal Services totaling \$97,000. The \$240,240 by applying the peer group per connection fee amount plus and administrative overhead 50% portion of \$97,000 equals the \$337,240 FY15 budgeted transfer from the Utility Fund to the General Fund.

The Special Projects fund, which accounts for amusement machines revenues, transfers \$222,469 to the General Fund in support of general government operations. Unassigned cash reserves were appropriated to finance shared services costs with Brooks County for ambulance services (\$100,000) and the (\$124,385.25) FY15 bond payment for the 2014 streets improvements from bond proceeds.

General Fund Revenue – Summary

The proposed FY15 budget currently includes a total of \$4,123,184 of projected revenue in the General Fund compared to a budgeted amount of \$4,084,907 in FY14. The projected increase results primarily from the CO bond payment, ambulance services costs, and increased salary costs.

GENERAL FUND EXPENDITURES

Notable expenditures and/or increases contained within the proposed FY15 budget of the General Fund include:

Personnel

Salaries

In late 2014, the City Council was presented with the Comprehensive Classification and Compensation Study at 50th percentile of market. City staff developed alternatives options in conjunction with the salary study consultant based on a 30th and 40th percentile. However, the City Council did not fund the implementation of any option presented.

The City Council instead chose to approve increases for full-time employees of \$1,200 and part-time \$600 totaling \$144,266 which is an 11.94% increase in the FY15 Budget over the FY14 Budget before any salary adjustments were given. The \$144,266 has two components. First, \$72,133 for the aforementioned \$1,200 or \$600 full-time / part-time status and second an additional \$72,133 for Longevity and/or Other Pay. Longevity pay is a one-time payout that the City Council can determine to pay employees toward the end of the fiscal year based on staff recommendations and available funds. Salary adjustments were not dependent on any increase in revenues (i.e. tax rate, sales taxes, charges for service, etc.) and instead are supported by possible unexpended appropriations at fiscal year-end and/or Unassigned Fund Balance. A challenge for FY16 and beyond will be sustaining General Fund operations at this level of service cost coupled with potentially additional costs for street maintenance, drainage, capital outlay needs and the potential loss of Special Projects (Gaming) revenue.

Medical Insurance

Medical insurance costs increased \$43,430 or 18.40% for FY15. The city offers a fully-funded insurance option to employees through the Texas Municipal League Intergovernmental Employee Benefits Pool (TMLIEBP). This plan allows employees to have benefits paid in full by the City that provide various deductibles, out-of-pocket expenses, and co-pays. They also have the option to choose from a plan for their dependents.

The City offers a composite plan where each employee pays a fixed cost for up to an unlimited number of dependents. Although this plan may not consider the individual family size of each employee, it is equitable by providing for the same cost to each employee.

The city contributed \$398.72 in FY14 toward employee medical coverage per employee. In FY15, the city will contribute \$529.04. This with combining the Utility Board policy coverage, as a result of the merger, netted an increased cost of \$31,458.24 or 13.75% in FY15. City Council adopted to amend the medical benefits coverage from a 70/30 plan to a 90/10 based on the same coverage the Falfurrias Utility Board had in place. In addition, the City paid a portion of dental insurance and vision insurance premium costs went up by \$9,457.68 and 2,514.72 respectively in FY15. The city does not contribute toward employee dependent coverage.

Salaries and employee benefits account for \$1,982,136 or 26.17% of the city's total FY15 operating budget totaling \$7,574,230. Operations budget is the total Budget of \$9,504,778 less Capital Projects Budget of \$1,430,548 and less the Utility Fund depreciation (a non-cash expenditure).

City/County Shared Services

Beginning in FY14, City costs increased in support of shared services with Brooks County. For example, the City funds a landfill position, assists in providing Veteran's Services, funds 50% of the Emergency Operations Center, a proportional amount of property tax collection services, and will begin to assist in funding ambulance services in 2015.

Partnering in the delivery of public services and infrastructure will lead to an efficient and effective use of resources through proper planning and economies of scale. It can also address concerns about whether jurisdictions are paying their "fair share" and whether service quality and quantity are meeting the needs of the residents.

Coordination and communication with Brooks County is important in capital planning and budgeting as both governments serve many of the same constituents and draw financial resources from many of the same taxpayers.

The City Council and Commissioner's Court will be presented with the framework including the terms and agreements as developed by administrative staff with assistance from legal.

A breakdown of current shared City/County services is as follows:

Ambulance Services – Brooks County currently provides ambulance services.

Brush Services – Brooks County currently provides monthly brush collection services.

Landfill Services – Brooks County provides landfill services with City contributing toward one full-time position in the amount of \$27,500.

Veteran's Services – Brooks County provides Veteran's services. The City of Falfurrias contributes \$7,000 toward services.

Emergency Management – City of Falfurrias pays for 50% of Emergency Operations Center (EOC).

Property Tax Collection Services – Brooks County, Brooks County ISD, and City of Falfurrias pay a proportional amount of operating costs.

Streets – County historically provided for development and maintenance of streets in City limits. The City issued \$600,000 in 2014 of Certificates of Obligation (CO's) for thirty-three block of street improvements and equipment (roller and overlay machine).

Drainage – Drainage improvements have been unfunded by Brooks County and City of Falfurrias.

Incinerator – The City of Falfurrias pays for fifty percent of fuels costs for incinerator services provided by Brooks County.

Special Projects Fund

The Special Projects Fund was created in FY14 as a response to increased transparency of amusement machine revenues (game rooms). Staff recommendations have been to fund one-time capital projects with amusement revenue and not recurring services. As a result, this fund accounts for most of the City's CIP projects for FY15.

Over \$1 million of infrastructure improvements of mostly deferred maintenance will be funded. The Special Projects Fund deficit of (\$122,618) will be paid from unassigned fund balance and does not create additional deficits for the General Fund in FY16 compared to that for FY15. As a stand-alone fund, the proposed capital improvements are based on projected amusement machines revenues that are not tied to recurring costs.

Capital projects allocated in the Special Projects Fund Include:

Street Department

Street Sweeper = \$132,850

Public Works Department

Backhoe = \$78,327

Trucks (4) @ \$30,000 each = \$120,000

Parks Department

Splash Pad = \$110,000

Little League Bleachers = \$25,000

Little League Field Lights = \$80,000

Tennis Courts Rehabilitation = \$40,000

Municipal Golf Course

Golf Carts (15) @\$2,500 = \$37,500
Greens Rehabilitation/Upgrade = \$75,000
Irrigation System Pump = \$7,500
Irrigation System Motor = \$3,000
Tractor (2) @ \$13,700 = \$27,400
Loader = \$3,650
Backhoe = \$7,000
Greens Mower = \$13,000

Police Department

Police Vehicle = \$37,617
Police Vehicle (Chevy Tahoe) = \$44,418 (Stone Garden Grant)

Downtown

Lighting Project \$50,000

TOTAL – General Fund Capital Outlay = \$892,262
Chevy Tahoe (Stone Garden) = (44,418)
General Fund-type Capital Outlay to be charged to Game Fee Funds = \$847,844

Aside from the aforementioned expenditures and routine operating and maintenance expenses, the proposed FY15 budget for the General Fund provides for the continuation of the following items, services, or programs:

- Funding for the City's Code Enforcement Program

General Fund Expenditure – Summary

The proposed FY15 budgets for departments financed by the General Fund include a total of \$4,598,945 of expenditures compared to a budgeted amount of \$3,817,924 in FY14. This represents a difference of 20.46%. Salary increases, ambulance services, and bond payments, in addition to the fully committing projected amusement machines revenues for capital projects in FY15.

General Fund Balance

The General Fund maintains a reserve balance based on three months or 25% of annual operating expenses as required by Ordinance No. 576. This reserve amount exceeds the Government Finance Officers Association (GFOA) fund balance recommendations.

The GFOA, the national professional association of government finance officers, recommends that general-purpose governments, regardless of size, maintain an unrestricted fund balance in their general fund of no less than two months or 17% of annual operating expenditures to

mitigate current and future risks such as revenue shortfalls and unanticipated expenditures and to ensure stable tax rates.

The City of Falfurrias continues to be stable and financially sound with \$1,721,901.92 in unassigned fund balance for the general fund, or 48.31% of operations, after providing essential services and programs to our citizens.

Capital Improvement Fund – General Government

FY 2015 capital projects include the General Land Office (GLO) Grant for Cibolo Creek Drainage Improvements of \$1 million and the continuation of the 2014 Street Improvements Project of \$430,548.

A deficit of \$430,548 is reflected in this fund since the bond proceeds are being encumbered over two fiscal years. Capital funds have a positive balance in years when bonds are issued, and then have a negative balance in years while bonds are being used. As an example, in 2015, \$430,548 of street improvements will be completed with CO's issued in 2014, but most of the expenditure for the project will occur in 2015 thus reflecting a deficit.

GENERAL DEBT SERVICE FUND

General Fund - Interest and Sinking (I&S) Fund

The Interest and Sinking (Debt Service) Fund is a clearing account for the 2014 Certificates of Obligation (CO) payments.

The City's 2014 tax rate was \$0.0050 per \$100 of taxable assessed value to support and I&S rate of \$0.0000 to support the City's current debt load. Using the certified values provided by the BCAD on July 25, City staff estimates that the 2014 I&S rate will be \$0.0000 and estimated M&O tax rate is \$0.0050 provided that the tax rate is held steady at \$0.0050.

The I&S tax rate is not impacted by the City's debt load since the 2014 CO bonds are being financed from general fund revenues other than ad valorem taxes; thus considered self-supporting and avoiding a property tax increase. The long term debt is limited to a short time frame of five years. This helps improve the City's financial strength and ability to be out of debt within a short period of time while making planned street improvements.

In addition, the 2013 capital leases for the public works and police departments are being financed by general government operating that account for the capital outlay needs within each department throughout the payback period; thus, the funding is included in the operating budget. The police department leases are also being supported from impound special revenues in the amount of \$33,000.

The following is a breakdown of the city's outstanding general fund debt:

CAPITAL LEASES

Government Capital Corporation Leasing – 2013 Patrol Vehicle & Equipment

Balance 12/31/14 (Principal): \$49,019.44
Balance 12/31/14 (Interest): \$6,577.46
Balance 12/31/14 (Principal & Interest): \$55,596.90
Annual FY15 Principal Payment: \$7,442.34
Annual FY15 Interest Payment: \$1,823.81
Total FY15 Payment: \$9,266.15
Payoff 3/01/2020

Government Capital Corporation Leasing - 2013 Patrol Vehicle, Vests, Videos, Cameras & Equipment

Balance 12/31/14 (Principal): \$81,580.56
Balance 12/31/14 (Interest): \$7,674.72
Balance 12/31/14 (Principal & Interest): \$89,255.28
Annual FY15 Principal Payment: \$19,298.62
Annual FY15 Interest Payment: \$3,015.20
Total FY15 Payment: \$22,313.82
Payoff 3/01/2018

Government Capital Corporation Leasing - 2013 Public Works Loader & Dump Truck

Balance 12/31/14 (Principal): \$142,533.30
Balance 12/31/14 (Interest): \$9,511.46
Balance 12/31/14 (Principal & Interest): \$152,044.76
Annual FY15 Principal Payment: \$34,255.44 (annual payment)
Annual FY15 Interest Payment: \$3,755.75
Total FY15 Payment: \$38,011.19
Payoff 3/01/2018

LED Lighting Project – Building & Parks Retrofitting

Balance 12/31/14 (Principal): \$104,150.54
Balance 12/31/14 (Interest): \$12,350.26
Balance 12/31/14 (Principal & Interest): \$116,500.80
Annual FY15 Principal Payment: \$19,002.13
Annual FY15 Interest Payment: \$4,298.03
Total FY15 Payment: \$23,300.16 (monthly payment \$1,941.68)
Payoff 12/1/2019

BONDED DEBT

Certificates of Obligation - 2014 Street Improvements

Balance 12/31/14 (Principal): \$600,000.00

Balance 12/31/14 (Interest): \$26,296.00
Balance 12/31/14 (Principal & Interest): \$626,296.00
Annual FY15 Principal Payment: \$115,000.00 (March 1, 2015)
Annual FY15 Interest Payment: \$9,385.25 (March 1 - \$5,190 & September 1, 2015 - \$4,195.25)
Total FY15 Payment: \$124,385.25
Payoff 3/01/2019

SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues generated for specific purposes. Use of revenues from Hotel/Motel taxes, and grants are statutorily restricted and can only be used for legally allowed projects and programs.

Expenditure of revenues from Hotel/Motel taxes are authorized to promote activities and events that impact the hotel/motel industry within the city and to provide funding for tourism and historical preservation, among other things. Grants are used for various purposes such as infrastructure improvements and quality of life projects in and around Falfurrias.

In FY15, the General Land Office (GLO) Grant of \$1 million for Cibolo Creek drainage improvements is the most significant project along with the Texas Department of Agriculture (TDA) water well project of \$750,000 of which \$500,000 is grant while \$250,000 is a local match being funded by the utility fund.

Hotel/Motel revenues have decreased the last few years leading to a decrease in expenditures in order to sustain the fund. The 4th of July Festival is the City's largest expenditure and has been reduced from \$72,000 to \$37,000.

UTILITY FUND - ENTERPRISE FUND

Enterprise Funds are used to account for the city's "business-like" activities such as the Utility Enterprise Fund. The City operates the Utility Enterprise Fund separate from the General Fund. The services in this fund pay their own way through fees for service. The City collects water fees, sewer fees, and gas fees to pay for the necessary services. These services are generally not supported by tax dollars.

A portion of the revenues generated in the City's Utility Enterprise fund are transferred to the General Fund and to the Utility Capital Improvement Fund. Water, Wastewater, and Gas rates are expected to change in March 2015. This is in accordance with the Cost of Service/Rate Study that was performed by Capex Consulting as part of the 5-Year Long-Term Financial Plan. A deficit is reflected in the FY15 Utility Fund when depreciation is calculated as an expense. However, the Utility Fund maintains a positive cash-flow of \$370,480 in FY15.

While the Utility Fund has an overall positive cash flow, it is important to note that the rate recommendations will ensure that each department (water, sewer, and gas) is sustainable as a stand-alone department and does not have subsidies between departments as it currently does.

For example, the sewer department is budgeted to operate (\$244,574) in a deficit while the gas department is budgeted to operate (\$181,905) in a deficit. The water department is budgeted to partially offset these deficits by a budgeted surplus of \$296,959. These deficits have been offset by water revenue subsidies over the years. Each department is projected to pay for itself at the end of the 5-Year rate increases.

UTILITY FUND REVENUES

Enterprise Funds are used to account for the city's "business-like" activities such as the Utility Enterprise Fund. The City operates the Utility Enterprise Fund separate from the General Fund. The services in this fund pay their own way through fees for service. The City collects water fees, sewer fees, and gas fees to pay for the necessary services. These services are generally not supported by tax dollars.

A portion of the revenues generated in the City's Utility Enterprise fund are transferred to the General Fund and to the Utility Capital Improvement Fund. Water, Wastewater, and Gas rates are expected to change in March 2015. This is in accordance with the Cost of Service/Rate Study that was performed by Capex Consulting as part of the 5-Year Long-Term Financial Plan. A deficit is reflected in the FY15 Utility Fund when depreciation is calculated as an expense. However, the Utility Fund maintains a positive cash-flow of \$370,480 in FY15.

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Water System

The water system is accounted for in the Utility Fund and is used to support the water well operations and the water distribution system. These services to the general public are funded on a user-fee basis meaning that users of the system pay a fee and non-users do not.

The sources of water fund revenue are account initiation fees (non-rate revenue) and monthly service charges based on usage. A cost of service rate study was completed in 2014 to review the City's water rates and connection fees. The rate structure identified in 2014 involved a stepped increase in water rates every March from 2015 through 2019 at which time another rate study should be conducted. In March 2015, monthly rates will increase (decrease):

			Minimum				
			0 to 2,000 Gals	Current	12/1/2014	Net \$	Net %
Water	Residential	In-side City Limits	3/4" Meter	\$14.46	\$15.06	\$0.60	4.1%
Water	Residential	In-side City Limits	1" Meter	\$27.75	\$28.51	\$0.76	2.7%
Water	Residential	Out-side City Limits	3/4" Meter	\$21.69	\$22.06	\$0.37	1.7%
Water	Residential	Out-side City Limits	1" Meter	\$41.63	\$41.83	\$0.20	0.5%
Water	Commercial	In-side City Limits	3/4" Meter	\$14.46	\$16.67	\$2.21	15.3%
Water	Commercial	In-side City Limits	1" Meter	\$27.75	\$32.64	\$4.89	17.6%
Water	Commercial	In-side City Limits	1 1/2" Meter	\$41.63	\$49.94	\$8.31	20.0%
Water	Commercial	In-side City Limits	2" Meter	\$55.49	\$67.88	\$12.39	22.3%
Water	Commercial	In-side City Limits	2 1/2" Meter	\$69.39	\$86.51	\$17.12	24.7%
Water	Commercial	In-side City Limits	3" Meter	\$83.27	\$105.77	\$22.50	27.0%
Water	Commercial	In-side City Limits	4" Meter	\$110.96	\$143.56	\$32.60	29.4%
Water	Commercial	In-side City Limits	6" Meter	\$166.52	\$215.44	\$48.92	29.4%
Water	Bulk Rates		3/4" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Bulk Rates		1" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Bulk Rates		1 1/2" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Bulk Rates		2" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Bulk Rates		2 1/2" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Bulk Rates		3" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Bulk Rates		4" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Bulk Rates		6" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Bulk Rates		TBD	\$0.00	\$8.00	\$8.00	100.0%
Water	Apartments	In-side City Limits	3/4" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Apartments	In-side City Limits	1" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Apartments	In-side City Limits	1 1/2" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Apartments	In-side City Limits	2" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Apartments	In-side City Limits	2 1/2" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Apartments	In-side City Limits	3" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Apartments	In-side City Limits	4" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Apartments	In-side City Limits	6" Meter	\$35.22	\$36.18	\$0.96	2.7%
Water	Apartments	In-side City Limits	TBD	\$0.00	\$8.00	\$8.00	100.0%
Water	Apartments	Out-side City Limits	3/4" Meter	\$49.98	\$46.87	(\$3.11)	-6.2%
Water	Apartments	Out-side City Limits	1" Meter	\$95.94	\$90.85	(\$5.09)	-5.3%
Water	Apartments	Out-side City Limits	1 1/2" Meter	\$143.93	\$137.60	(\$6.33)	-4.4%

Water	Apartments	Out-side City Limits	2" Meter	\$191.84	\$185.17	(\$6.67)	-3.5%
Water	Apartments	Out-side City Limits	2 1/2" Meter	\$239.85	\$233.73	(\$6.12)	-2.6%
Water	Apartments	Out-side City Limits	3" Meter	\$287.85	\$283.14	(\$4.71)	-1.6%
Water	Apartments	Out-side City Limits	4" Meter	\$383.63	\$380.87	(\$2.76)	-0.7%
Water	Apartments	Out-side City Limits	6" Meter	\$575.70	\$571.56	(\$4.14)	-0.7%
Water	Apartments	Out-side City Limits	TBD	\$0.00	\$0.00	\$0.00	0.0%
Water	Apartments	Out-side City Limits	each addtl unit	\$0.00	\$2.21	\$2.21	100.0%
Water	Hotel / Motel / RV	In-side City Limits	3/4" Meter	\$27.94	\$27.45	(\$0.49)	-1.8%
Water	Hotel / Motel / RV	In-side City Limits	1" Meter	\$53.66	\$53.37	(\$0.29)	-0.5%
Water	Hotel / Motel / RV	In-side City Limits	1 1/2" Meter	\$80.48	\$81.02	\$0.54	0.7%
Water	Hotel / Motel / RV	In-side City Limits	2" Meter	\$107.28	\$109.31	\$2.03	1.9%
Water	Hotel / Motel / RV	In-side City Limits	2 1/2" Meter	\$134.14	\$138.31	\$4.17	3.1%
Water	Hotel / Motel / RV	In-side City Limits	3" Meter	\$160.98	\$167.94	\$6.96	4.3%
Water	Hotel / Motel / RV	In-side City Limits	4" Meter	\$214.54	\$226.42	\$11.88	5.5%
Water	Hotel / Motel / RV	In-side City Limits	6" Meter	\$321.94	\$339.78	\$17.84	5.5%
Water	Hotel / Motel / RV	In-side City Limits	TBD	\$0.00	\$0.00	\$0.00	0.0%
Water	Hotel / Motel / RV	In-side City Limits	each addtl unit	\$0.00	\$0.40	\$0.40	100.0%
Water	Hotel / Motel / RV	Out-side City Limits	3/4" Meter	\$41.91	\$40.41	(\$1.50)	-3.6%
Water	Hotel / Motel / RV	Out-side City Limits	1" Meter	\$80.49	\$78.49	(\$2.00)	-2.5%
Water	Hotel / Motel / RV	Out-side City Limits	1 1/2" Meter	\$120.72	\$119.04	(\$1.68)	-1.4%
Water	Hotel / Motel / RV	Out-side City Limits	2" Meter	\$160.92	\$160.44	(\$0.48)	-0.3%
Water	Hotel / Motel / RV	Out-side City Limits	2 1/2" Meter	\$201.21	\$202.82	\$1.61	0.8%
Water	Hotel / Motel / RV	Out-side City Limits	3" Meter	\$241.47	\$246.04	\$4.57	1.9%
Water	Hotel / Motel / RV	Out-side City Limits	4" Meter	\$321.81	\$331.41	\$9.60	3.0%
Water	Hotel / Motel / RV	Out-side City Limits	6" Meter	\$482.91	\$497.33	\$14.42	3.0%
Water	Hotel / Motel / RV	Out-side City Limits	TBD	\$0.00	\$0.00	\$0.00	0.0%
Water	Hotel / Motel / RV	Out-side City Limits	each addtl unit	\$0.00	\$0.59	\$0.59	0.0%
Water	Brooks County Detention Center		3/4" Meter	\$21.69	\$24.24	\$2.55	11.8%
Water	Brooks County Detention Center		1" Meter	\$41.63	\$47.40	\$5.77	13.9%
Water	Brooks County Detention Center		1 1/2" Meter	\$62.45	\$72.42	\$9.97	16.0%
Water	Brooks County Detention Center		2" Meter	\$83.24	\$98.30	\$15.06	18.1%
Water	Brooks County Detention Center		2 1/2" Meter	\$104.08	\$125.11	\$21.03	20.2%
Water	Brooks County Detention Center		3" Meter	\$124.90	\$152.78	\$27.88	22.3%
Water	Brooks County Detention Center		4" Meter	\$166.45	\$207.13	\$40.68	24.4%
Water	Brooks County Detention Center		6" Meter	\$249.78	\$310.83	\$61.05	24.4%
Water	Brooks County Detention Center		TBD			\$0.00	0.0%
Water	Brooks County Detention Center		each addtl unit			\$0.00	0.0%

Sewer System

The sewer system is accounted for in the Utility Fund and is used to support the sewer treatment plant and the operations of the sewer collection system. These services to the general public are funded on a user-fee basis meaning that users of the system pay a fee and non-users do not.

The sources of sewer department revenue are account initiation fees (non-rate revenue) and monthly service charges based on usage. A cost of service rate study was completed in 2014 to review the City's sewer rates and connection fees. The rate structure identified in 2014 involved a stepped increase in sewer rates every March from 2015 through 2019 at which time another rate study should be conducted. In March 2015, monthly rates will increase (decrease):

			Minimum	Current	12/1/2014	Net \$	Net %
Sewer	Residential	In-side City Limits	0 to 2,000 Gals	\$17.90	\$18.15	\$0.25	1.4%
Sewer	Residential	Out-side City Limits	0 to 2,000 Gals	\$17.90	\$19.06	\$1.16	6.5%
Sewer	Commercial	In-side City Limits	0 to 2,000 Gals	\$26.85	\$27.52	\$0.67	2.5%
Sewer	Commercial	Out-side City Limits	0 to 2,000 Gals	\$26.85	\$28.90	\$2.05	7.6%
Sewer	Apartments	In-side City Limits	0 to 2,000 Gals	\$41.27	\$38.97	(\$2.30)	-5.6%
Sewer	Apartments	In-side City Limits	each addtl unit	\$0.00	\$1.00	\$1.00	100.0%
Sewer	Apartments	Out-side City Limits	0 to 2,000 Gals	\$41.27	\$40.92	(\$0.35)	-0.8%
Sewer	Apartments	Out-side City Limits	each addtl unit	\$0.00	\$1.47	\$1.47	100.0%
Sewer	Hotel / Motel / RV	In-side City Limits	0 to 2,000 Gals	\$34.62	\$33.65	(\$0.97)	-2.8%
Sewer	Hotel / Motel / RV	In-side City Limits	each addtl unit	\$0.00	\$1.00	\$1.00	100.0%
Sewer	Hotel / Motel / RV	Out-side City Limits	0 to 2,000 Gals	\$34.62	\$49.47	\$14.85	42.9%
Sewer	Hotel / Motel / RV	Out-side City Limits	each addtl unit	\$0.00	\$1.47	\$1.47	100.0%
Sewer	Brooks County Detention Center		0 to 2,000 Gals	\$26.85	\$28.90	\$2.05	7.6%

Gas System

The gas system is accounted for in the Utility Fund and is used to support gas operations and the gas distribution system. These services to the general public are funded on a user-fee basis meaning that users of the system pay a fee and non-users do not.

The sources of gas department revenue are account initiation fees (non-rate revenue) and monthly service charges based on usage. A cost of service rate study was completed in 2014 to review the City's gas rates and connection fees. The rate structure identified in 2014 involved a stepped increase in gas rates every March from 2015 through 2019 at which time another rate study should be conducted. In March 2015, monthly rates will increase (decrease):

			Minimum	Current	12/1/2014	Net \$	Net %
Gas	Residential	In-side City Limits	Std Contn	\$8.89	\$9.64	\$0.75	8.4%
Gas	Residential	In-side City Limits	Avg Consmp	\$22.85	\$22.85	\$0.00	0.0%

Gas	Commercial	In-side City Limits	Stnd Contn	\$8.89	\$11.14	\$2.25	25.3%
Gas	Commercial	In-side City Limits	Avg Consmpr	\$278.36	\$278.36	\$0.00	0.0%
Gas	Brooks County Detention Center		Stnd Contn	\$14.72	\$22.22	\$7.50	51.0%
Gas	Brooks County Detention Center		Avg. Consmpr	\$12,038.20	\$10,677.36	(\$1,360.84)	-11.3%

UTILITY FUND EXPENDITURES

Highlights of some cost increases in FY15 Budget as compared to FY14 are as follows:

Water System

Cost of Product	\$23,532
Operation fee	76,397
Professional Services - Street Study	28,000
Maintenance & Repair of Streets	28,000
Depreciation	16,667
Vehicles	<u>28,000</u>
Department Sub-Total	\$200,596

Sewer System

Operation fee	\$50,536
Professional Services - Street Study	21,000
Maintenance & Repair of Streets	21,000
Depreciation	12,500
Vehicles	<u>21,000</u>
Department Sub-Total	\$126,036

Gas System

Cost of Product	\$71,053
Operation fee	\$77,440
Professional Services - Street Study	21,000
Maintenance & Repair of Streets	21,000
Depreciation	12,500
Vehicles	<u>21,000</u>
Department Sub-Total	\$223,993

Total **\$550,625**

Utility Fund Expenditure – Summary

The proposed FY 2015 budget includes a total of \$3,166,397 in projected revenue compared to a budgeted amount of \$3,147,465 in FY 2014. This \$18,932 or .6000% increase primarily the result of projected revenues based on a rate study.

Utility Fund Balance

In order to maintain fiscal stability, the City of Falfurrias maintains an unassigned fund balance in its Utility fund to meet unforeseen emergencies that may arise and to address future major capital improvement projects. The City's current unassigned fund balance in the Utility Fund is \$3,489,677.74 or 105.88% of current year budgeted expenses. The reserves include revenues for a Repair & Replacement Fund of \$500,000 and the Capital Improvement Fund of \$700,000 (\$1.2 million), and the remaining fund balance to cover utility operations (\$2,289,677.44 million).

UTILITY DEBT SERVICE FUND

Utility Fund – Interest & Sinking Fund

The Utility Debt Service Fund for the Utility Fund is a clearing account for the 2013 General Obligation (GO) Refunding Bonds for waterworks system improvements. This involved the refinance of outstanding 1999 and 2007 revenue bonds in 2013 that saved over \$1.7 million in cash-flow.

In general, revenue bonds do not require voter approval, but they usually have a higher interest rate than GO bonds. Utility Fund debt is now backed by the General Fund Property Tax to obtain as low of an interest rate as possible.

BONDED DEBT

General Obligation Refunding Bonds - 2013 Tax and Waterworks System Improvements

Balance 12/31/14 (Principal): \$2,710,000

Balance 12/31/14 (Interest): \$740,160

Balance 12/31/14 (Principal & Interest): \$3,450,160

Annual FY15 Principal Payment: \$150,000 (April 1, 2015)

Annual FY15 Interest Payment: \$94,860 (April 1 - \$48,780 & October 1, 2015 - \$46,080)

Total FY15 Payment: \$244,860

Payoff 4/01/2028

Capital Improvement Fund – Utility Operations

A City-Wide sewer collection system and treatment plant improvements project has been in the planning stages since 2011. In 2015, the City is projected to issue bonds through the Texas Water Development Board (TWDB) for Phase 1 of sewer collection system improvements that includes: (manholes, pumps, lift-stations, line replacement and rehabilitation, and treatment plant rehabilitation). The Phase I Planning, Acquisition, and Design (PAD) phase is budgeted at **\$418,500**. The cost of service study has determined the rate structure and accounts for the revenue requirements to provide for the investment needs of the utilities systems.

In November 2014, the City was awarded TxCDBG funding in the amount of **\$525,000** for the rehabilitation of the Elevated Storage Tank in Encino. Of the total amount, \$500,000 is grant while \$25,000 is a local match being funded by the utility fund. Construction of the elevated storage tank improvements are scheduled to begin in late 2015 with completion projected in mid-2016.

In October 2014, the City was awarded TxCDBG funding for Water Well #18. Of the total amount of **\$750,000**, \$500,000 is grant while \$250,000 is a local match being funded by the utility fund. The construction of the new water well is scheduled to begin in late 2015 and be completed by mid-2016.

The matching funds for these two grants are fully-funded and accounted for in the Capital Improvement Fund of the Utility Fund.

Upgrades of the automated meter reading (AMR) gas software will also be made in the amount of **\$113,615** to be financed in FY15 with a budget amendment.

Other capital improvements include:

Water Department

4" Water Pump = \$24,000

C/2 Room with scales & booster pump @ Encino water system = \$10,000

GPS & Mapping Software = \$4,794 @ 40%

Two (2) Utility Trucks = \$28,000 @ 40%

Streets Assessment = \$45,200 @ 40%

Sewer Department

GPS & Mapping Software = \$3,596 @ 30%

Two (2) Utility Trucks = \$21,000 @ 30%

Streets Assessment = \$33,900 @ 30%

Gas Department

GPS & Mapping Software = \$3,596 @ 30%

Two (2) Utility Trucks = \$21,000 @30%
Streets Assessment = \$33,900 @ 30%

TOTAL – Utility Fund Capital Outlay = \$617,601

Encino Water Tower & New Water Well (Capital Improvement Fund) (\$275,000)
Utility Fund-type Capital Outlay to be charged to Utility Fund = \$342,601

A LOOK AHEAD

(1) Economic Development

The City's focus will continue to be working toward the establishment of an economic development program. Wherever possible, the City intends to collaborate with Brooks County.

(2) Sustainability

City staff are continuing to research the implementation of sustainability projects for increased efficiency in City services and operations.

(3) City/County Shared Services

The City and County has historically overlapped in the provision of services and infrastructure. However, an agreement was not in place that memorialized a methodology for applying costs and analyzing the effectiveness of revenue appropriation. A priority in 2015 is to establish such a framework via a Master Interlocal Agreement.

(4) Streets Program

The FY15 budget includes funding for a comprehensive streets assessment. In 2016 and beyond, the City will be tasked with seeking alternative sources for funding streets improvements based on the assessment and five-year plan. Partnering with the County will be essential.

(5) Sewer Systems Improvements

A TWDB Phase II schedule of improvements is set to begin in 2016 for the wastewater collection system and treatment plant. The Phase II Construction phase is budgeted in the amount of \$2,800,000 via bond proceeds.

(6) City Facility Needs

City operations are currently fragmented and prevent the City from gaining economies of scale in maximizing the use of administrative staff. Alternatives will be brought to the City Council aimed at centralizing City operations. Identifying alternative sources for funding facility needs based on the facilities plan will be an objective for 2016.

Summary

The FY15 Annual Operating Budget for the City of Falfurrias is the product of many hours/days/weeks/months of deliberation and consideration by the City Council, Department Heads, Administrative, and Financial staff. I firmly believe that this financial plan indicates the commitment of the city to continue to provide efficient services to the citizens of Falfurrias and provides a plan to implement and develop growth within the city.

Noel Bernal
City Administrator