

CITY OF RIO HONDO, FISCAL YEAR 2020-2021 PROPOSED ANNUAL BUDGET

Filing Date: August 10, 2020

This budget will raise the same amount of revenue from property taxes as last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$10,636.

Property Tax Rate Comparison

x Rate	FY 2020-2021 This Year	FY 2019-2020 Last Year
Property Tax Rate Adopted	0.826004	\$0.859757
No-New-Revenue Tax Rate	0.817327	\$0.859757
No-New-Revenue M&O Tax Rate	0.578130	\$0.600000
Maximum M&O Tax Rate	0.598364	\$0.
Debt Service Tax Rate	0.227640	\$0.256757
Voter-Approval Tax Rate	0.826004	\$0.

Note: S.B. 2 changed the terminology of tax rates, and made significant modifications to the rate formula which lowers the multiplier used in the city's rate calculation from 8% to 3.5%. Refer to page 18 for more information.

The Proposed Property Tax Rates are currently available; the designated officer shall submit the no-new-revenue and voter-approval tax rates to the city commission by August 25, 2020, or soon thereafter as practicable.

This Year's Proposed Fiscal Year Budget allocates a total municipal debt of \$132,515 secured by Utility Fund Revenues; and a portion of the 2020 property taxes for the City of Rio Hondo is assigned for repayment by debt service (Debt Service Tax Rate of \$0.227640).

Proposed Budget Filing Date: August 10, 2020
 Proposed Budget Public Hearing Date: September 22, 2020 at 6:30
 Public Hearing Location: pm City Hall Civic
 Center, 121 North Arroyo,
 Rio Hondo, Texas 78583

At the conclusion of the public hearing, the governing body of the City of Rio Hondo shall take action on the proposed budget. A vote to adopt the budget must be a record vote.

CITY OF RIO HONDO,
TEXAS
FISCAL YEAR 2020-2021

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**CITY OF RIO HONDO,
TEXAS
FISCAL YEAR 2020-2021**

The budget officer is responsible for preparing each year's municipal budgets to cover the proposed expenditures of the municipal government for the succeeding year. In preparation of the budgets, officers of the board, department heads or supervisors may have furnished information necessary for the budget officer to properly prepare the budgetary forecasts. The budget provides for a clear comparison between this year's forecasts and last year's current actuals, and may define list projects, their expenditures within the budget and the estimated amount of money to be carried over for each project. *(LGC Chapter 102, Municipal Budget)*

The proposed budget was filed with the City Secretary on August 10, 2020, which is at least 30 days before the date the governing body of the municipality considers its tax levy for the fiscal year.

GOVERNING BODY MEMBERS

MAYOR

Gustavo Olivares

MAYOR PRO-TEM

Jerry Hartzog

City Commission

Margaret Perez

Joseph Lopez

Alonso Garza

Rick Tello

PREPARED BY:

The City Administrator/Secretary prepared the proposed budget, and affirms the budget is in compliance with the laws governing municipal budgets and property tax levies.

CITY ADMINISTRATOR/SECRETARY

Ben Medina, Jr.

ANNUAL BUDGET OUTLOOK
Transmittal Letter

Dear Mayor & City Commission

This proposed budget for fiscal year beginning October 1, 2020 and ending September 30, 2021 targets the management of the city's basic services with strict use of funds earmarked for operational expenses, accrued debt, and provides a positive fund balance allocated to build up our city's reserves.

GENERAL FUND:

The general fund budget is comprised of four departments: City Commission, General Administration, Municipal Court, Tax Department, City Hall, Animal Control, Parks, Library Senior Center, Streets,, Fire, and the Police Department. The forecasted operational budget amount of **\$2,824,358.27** provides for a balanced budget; any net

The revenue forecasted in the budget significant to the operations of the General Fund is mainly comprised of the collection of property taxes and sales taxes; the collection of franchise taxes and municipal court fines and fees are other revenue factors that support the operations of department expenses.

Property Taxes: Preliminary Appraisal Totals under ARB Review Net Taxable Value is \$58,212,395 and the Preliminary Appraisal Totals NOT under ARB Review Net Taxable Value is \$56,924,676. The Proposed Property Tax Rates are currently available; the designated officer shall submit the no-new-revenue and voter-approval tax rates to the city council by September 8, 2020, or soon thereafter as practicable.

Sales Taxes: The total sales tax rate within the city is 8.25%, broken down to the following agencies: State 6.25%, City 1.00%, County 0.50%, MDD 0.50%. No increase in the generation of sales tax revenue is determined.

Contingency (Reserves): The City adopted a fund balance policy setting and a utility fund ordinance I to maintain an unassigned fund balance of at least 25% of general fund budgetary expenditures, or 3-months worth of operations for contingencies. As of July 6, 2020 the net position of the general-fund reserves is \$313,028 which accounts for 0.11% of this year's general fund.

Capital Notes Payable: This year's budget reallocates the annual payment of \$14,804, a Public Property Finance Act Contract No.8194 by Government Capital Corporation, to capital notes payable under the Utility Fund. The Utility Fund will assume asset, operations and maintenance of these vehicle. There are no other capital notes funded by the General Fund.

Debts and Obligations: The city has closed on two Water Development Bonds, specifically identified as Series 2016 \$300,000; Series 2016 Water System for \$964,000; and Series 2019B Wastewater Water System for \$584,000. The repayment of debt is secured by Utility Fund Revenues; no portions of property taxes shall be appropriated.

Over Casted Commitments or Defrayals: This year's budget does apply carry-over commitment balances, forecasts unforeseen assurances.

Municipal Grants: 1) The City was awarded Legacy Foundation Grant in the sum of \$500,000 and a TPWD Grant in the sum of \$650,000 and a possible GLO Grant of \$130,000.

UTILITY FUND:

The utility fund budget is comprised of three utility sources: Water, Sewer and Garbage. The forecasted operational budget amount of **\$767,467** provides for a balanced; any net positive fund balance shall be transferred to reserves.

Water and Sewer Rates: This year's proposed budget will keep the same water and sewer rates.

Year	Water Res. 3000. Avg.	Sewer Res. 3000. Avg.
2019/2020	\$32,02	26.31
Average Monthly		\$58.33

Garbage Rates: The City contracts with Republic Services for residential and commercial garbage services, which provides for a contractual CPI (Consumer Price Index) rate increase not to exceed 6% annually. Republic Services has t provided notice of a proposed increase; accordingly, this year's proposed budget does t propose an increase of 2.98%.

Contingency (Reserves): The City adopted an Ordinance to reserve 1% of all water and sewer fund balances. This reserve is not feasible at this time since the water plant is undergoing renovation and the sewer plant installed a new clarifier cost over \$350,000 of which \$80,000 was match using utility funds. Any unspent fund balances will be part of the reserves.

Capital Notes Payable: This year's budget accounts for an annual payment of \$\$132,781 for a utility equipment loan funded through a USDA and the Texas Water Development Board.

Debts and Obligations: The City will pay USDA \$17,800 of utility funds for sewer plant improvements and \$114,981 for water plant improvements.

Over casted Commitments or Defrayals: This year's budget dejects borrowing funds from other funds or obtaining a note to cover insufficient operations or unobligated debt. This budget does not reflect or project any overcasts.

Municipal Grants: There are no water sewer utility grant funds planned.

EMPLOYEE COMPENSATION & BENEFITS:

Personnel: In effort to stay within our means and keep up with competitive wages, this budget will support a cost of living increase done last year to the non public safety personnel and the public safety personnel done in 2018 and 100% coverage of medical and life by employer. The number of employees budgeted remains at the following:

Administration: The proposed budget employs One City Administrator, One Finance Manager, One Utility Clerk and one Municipal Court Clerk; funding for the Utility Clerk is 100% utility funds and the Finance Manager is 50% General Fund and 50% Utility funds..

Public Safety Department: The proposed budget employs six (6) full-time officers, one (1) Public Safety Officer. The Chief is compensated by 50% General Fund and 50% Fire Contract.

Public Works /Utility Department: The proposed budget employs one water/waste manager and one wastewater operator, one water operator and three field laborers. **The proposed budget is providing funding for two new public works laborers ten dollars an hour. And contractual landscaping work in the sum of \$10,000.**

Insurance Benefits: This year's budget continues to support 100% of the premium costs for eligible employees for major medical, dental, vision and life insurance plans offered by Humana. Employees are held accountable for

Retirement: The City' does not provide a retirement plan to all eligible employees through Texas Municipal Retirement Systems (TMRS). In Fiscal year 20/21 the city will attempt to find an eligible retirement plan for all employees.

Property Liability & Workers Compensation Insurance:

Texas Municipal League Intergovernmental Risk Pool will continue coverage for property, liability and workers compensation. We expect the rates to remain the same. The Windstorm policy is solicited annually. Because of recent floods and hurricanes in Texas we expect a higher policy cost.

CAPITAL IMPROVEMENTS PROGRAM:

The city established a capital improvements program to provide guidance of making reasonable and diligent efforts to improve the city's water supply, water systems, treatment and distribution facilities; wastewater systems, collection, treatment and distribution facilities; storm water systems, drainage and flood control facilities; street improvements to include sidewalks and lighting improvements; municipal buildings and facilities; parks and recreational facilities, municipal equipment and operations; patrol vehicles, utility vehicles, light or heavy machinery, tools, computer technology and software programs used for municipal operations.

The City's Comprehensive Master Plan adopted provides short and long-range goals and objectives for the City, of which shall be reviewed not less than annually to determine capital needs and proposed budget funding factors. The Comprehensive Master Plan also suggests the city set-aside a restricted amount of funds annually to support Water, Sewer, Streets and Drainage; being noted as \$50,000 for Water, \$50,000 for Sewer, \$50,000 for Streets, and \$50,000 for Drainage. The implementation of this suggestion would increase proposed expenses by \$100,000 in both General and Utility Fund Budgets. At this time, these strict allocations are not feasible with current bond projects under construction.

Policy Recommendations:

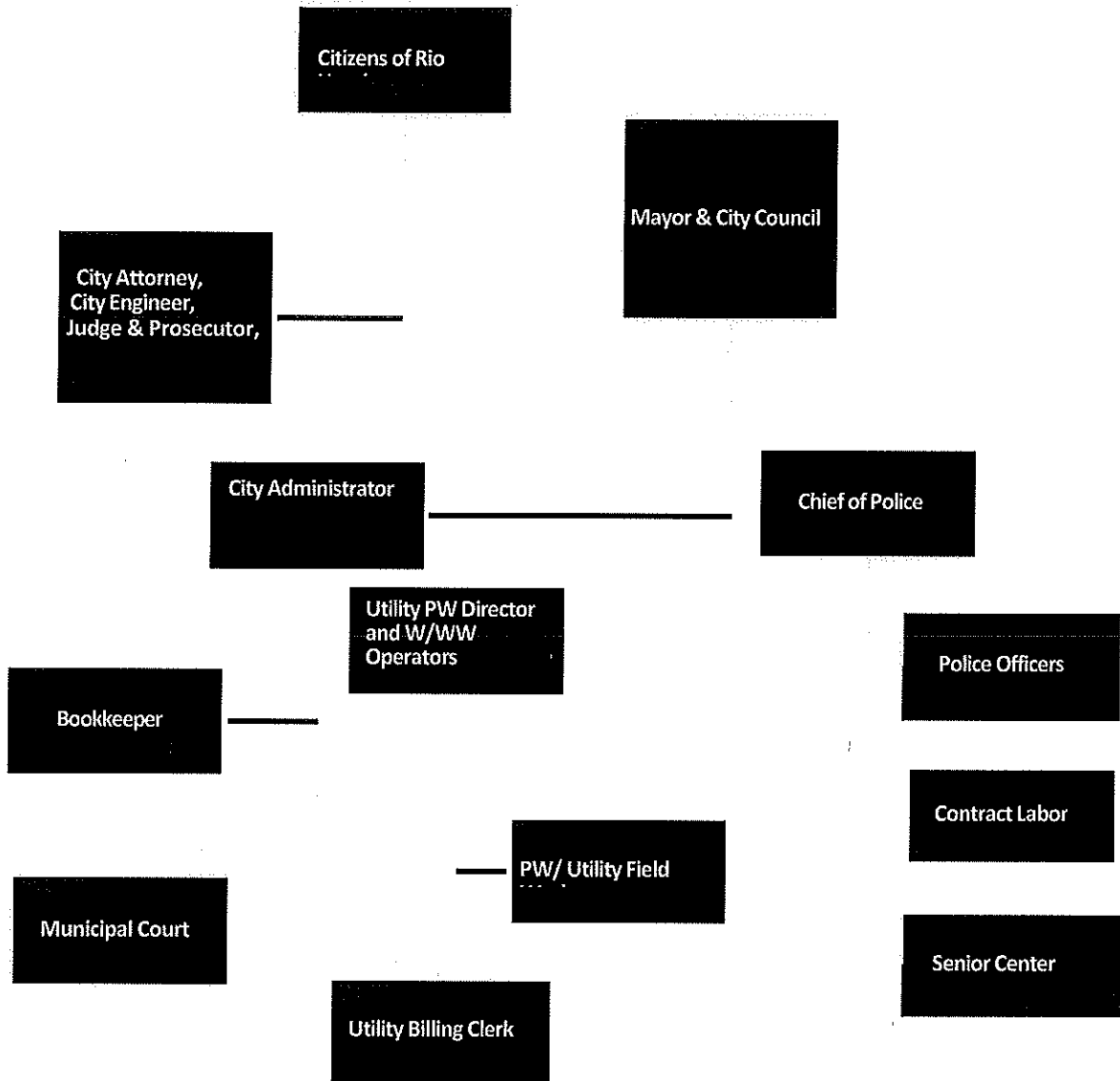
Cities adopt necessary administrative and financial policies to assist management in defining reasonable measures when evaluating operating costs, and making decisions that may affect the performance of city services and operations, or its associated funding. The city has many great policies in place; however, two are to be considered:

1) Grants Application and Management Policy. Most grant applications have terms or conditions, and include a required percentage of matching contributions; thus, this can lead to over-application and burdened commitments. This policy should address the types of grants the City wishes to seek, the amount of funds to be allocated for each and its construction. This policy should concur with the priorities listed in the Master Plan.

2) Deficit Fund Balance Policy. This policy should address situations that forecast budgetary shortfalls or unforeseen costs, possibly by establishing measuring methods based on importance, the period of time, the use of reserves, cost of services and restrictive budget management.

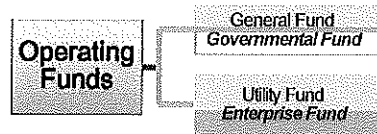
*Respectfully Written by
Ben Medina, City
Administrator*

CITY OF RIO HONDO ORGANIZATIONAL



BUDGETING FINANCIAL STRUCTURE

The City's operating budget is an annual financial accounting of a plan prepared by the City Administrator to forecast the operational revenues and expenses of the City for the succeeding fiscal year. The Administrator shall use prudent revenue and expenditure assumptions for the development of the financial forecast and budgeting for all municipal funds. Proposed budgets shall be conservative and realistic to the nature of the city's operations, and shall not operate in the deficit. The City's annual operating budget consists of two major funds, the General Fund (*Governmental Fund*) and the Utility Fund (*Enterprise Fund*).



The **General Fund** (*Governmental Fund*) is the general operating fund of the City. It accounts for all financial resources and transactions, except those required or dedicatedly accounted in another fund of the City. Generally, revenues accounted for in the general fund are produced by taxes sales and use, franchise, property assessment, or municipal fines and fees; and those revenues fund the municipal expenses of general administration, police services, streets and park maintenance, and municipal office facilities.

The **Utility Fund** (*Enterprise Fund*) primarily accounts for user fees that generally generate their own revenues based on user-services provided and support the expenditures related to the maintenance and operations of the user-services facilities and infrastructures. The revenues accounted for in the utility fund are produced by citizen use of water, sewer and garbage services; and those revenues fund the enterprise expenses of utility personnel, water services, sewer services, garbage services, facility and infrastructure maintenance and operations.

The City maintains other municipal fund accounts for specific purposes and projects, and each fund shall sustain a positive fund balance, sufficient to cover any debt, allocation or dedication of the funds use, such as:

The **Debt Service Fund** (*Interest & Sinking Fund*) is a fund utilized to pay off obligated principal and interest debts on monies borrowed by the municipality.

The **General Fund Contingency (.11)** is funds reserved for capital purchases or operation shortfalls due to unforeseen cost increases, unanticipated revenue losses or unanticipated governmental fund expenses.

The **Utility Capital Reserves Fund** is funds reserved for capital purchases, capital improvements, capital debt, or operation shortfalls due to unforeseen cost increases, unanticipated revenue losses or unanticipated enterprise fund expenses, acquired by ordinance.

The **Municipal Court Reserves Fund** is funds reserved for court technology expenditures or building security expenditures that are generated by a fee charged to municipal court fines for the same purpose.

The **Grant Fund** is funds set aside for projects award through state or federal agencies, and required to be kept in separate accounts for the purpose of accurately recording a project and its construction costs; such funds shall maintain a positive balance to sufficiently cover the project(s) authorized. Any matching funds shall also be deposited into this fund, to ensure restricted use.

. Health insurance premium rates are based on rates provided below for medical, dental, vision and life. All employees covered under a major medical insurance plan at 100% for employee only.

The city does not offer an employee retirement system.