



## **CITY OF WICHITA FALLS INTER-OFFICE MEMORANDUM**

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Darron J. Leiker, City Manager

**DATE:** October 1, 2018

**SUBJECT:** 2018-19 Adopted Budget Message

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Each year, the City administrative staff prepares a preliminary budget that is submitted to the City Council for its review. The City budget process provides the City Council an opportunity to consider and adopt a budget that serves as the financial guide for the work and service programs for the ensuing fiscal year operation. This annual operating budget, as adopted by the City Council, covers the fiscal period beginning October 1, 2018 and ending September 30, 2019.

### **BUDGET PREPARATION PROCESS**

The process for developing the preliminary budget that is presented to the City Council by the City Manager began in late March. At that time, all of the City departments and divisions sent representatives to a budget kick-off meeting to discuss the budget process. Staff was presented information on the revenue status of the organization and any unusual or large changes in expected expenditure requirements. The overall economic condition of the area, the city, and the organization was discussed and each department received necessary materials and information to formulate respective departmental budgets.

For the next several weeks, the various departmental budgets were formulated separately. Every department head was encouraged to prepare a funding request that was necessary to finance normal operations and to give consideration to areas that would address strategic goals of the City. Additionally, this year, each division was required to submit their major accomplishments, goals and performance measures for their operations. After compilation of the departmental budget requests, the budget staff and I met with department heads to discuss the budget requests in detail and began developing priorities. These budget hearings with the department heads identified major revenue and expenditure issues that would ultimately require City Council consideration. At the conclusion of these departmental hearings, the budget and management staff conducted additional meetings with department directors to analyze each budget request on a line-item basis. It is important to note, that during

these detailed work sessions, a total of \$5.1 million in budget cuts were made to the departmental requests. Once these adjustments were made, the overall revenue and expenditure picture of all the operating funds of the City organization started getting clearer.

At this point in the process, a workshop was conducted with the City Council to discuss major revenue and expenditure trends and significant issues that surfaced during the early stages of the budget process. This year, the workshop with the City Council was conducted on July 3<sup>rd</sup>. At this workshop, City Council was presented with operating revenue and expenditure issues that were expected to surface as the major budgetary considerations for the next fiscal year. The Council was made aware that revenues in the General Fund from the property tax and sales tax sources were showing moderate improvement based on the estimated property tax roll submitted by the Wichita County Appraisal District, and recent upward trends in sales tax receipts. Additionally, the Council was provided with information that showed how the City's pay and benefit programs had fallen behind market averages when compared with programs of several other benchmark cities. Staff also explained that our fund balance in the General Fund was slightly below desired levels, while other funds were at, or above, desirable levels. At the conclusion of the workshop, the City Council was asked to provide feedback on the items discussed in the workshop. That feedback was given consideration when formulating the preliminary operating budget. The preliminary budget was then discussed at City Council budget hearings, public hearings were conducted, and ultimately the City Council adopted the budget on September 18, 2018.

In addition to this annual operating budget, which identifies the budgetary requirements to operate the City organization for one fiscal year, staff prepares a Capital Improvement Plan (CIP) that focuses on the capital budgeting needs over a multi-year basis. In developing a CIP, department heads are asked to include requests for capital improvement projects that may be required over the next five years. In the CIP that has been prepared by the staff, capital improvements are defined as tangible equipment items, one-time projects or large maintenance projects. The benchmark established for a request to be included in the CIP is that the total cost of the request must exceed \$25,000. The objective of that process is to develop a planning tool that identifies large tangible projects that may be needed in the next five years and to identify potential funding sources to finance those projects.

It should be noted that many of the projects listed in the later years of the CIP may require long term debt financing to actually generate the funds necessary to accomplish those projects. Such debt financing, if approved, could have consequences on the property tax rate and/or other service charges to repay that debt. Therefore, although these projects are included in the five year CIP, they will require future financial decisions of the City Council before they can be accomplished. The 2019-2023 CIP that has been approved by the City Council is a separate document from the Annual Operating Budget, but was also adopted by the City Council in September. It is also important to note, that when the City Council adopts the Five-Year CIP, only the projects outlined in the 2018-19 fiscal year have committed funding sources and the projects listed in the later years of the document are identified for planning purposes only.

It should also be noted that the 2019-2023 CIP is largely made up of projects that were identified as high priorities last fall when the staff and Council went through an in-depth review of major capital improvement projects to begin addressing the City Council's adopted strategic goal of "providing adequate infrastructure". Although many of those projects were not approved by the voters in the election held in May 2018, they still remain high priorities of the staff and Council and are reflected in the later years of the CIP.

In this budget message, I have attempted to highlight the major revenue and expenditure issues for the City over this next fiscal year.

### **TOTAL EXPENDITURE BUDGET OVERVIEW**

The total City budget for the 2018-19 fiscal year is \$178,442,949, which is an increase of \$4,449,920, or 2.56% from the 2017-18 adopted budget. The table below compares total expenditures by category of the 2018-19 Adopted Budget to the 2017-18 Adopted Budget. More details will be provided in the following sections about the primary causes for this change, but as noted below, the largest dollar increase is reflected in Personnel and is due principally to a 3% across the board pay increase to all of the City's pay plans, step/merit pay, and increased contributions to the Employee/Retiree Health Insurance Program.

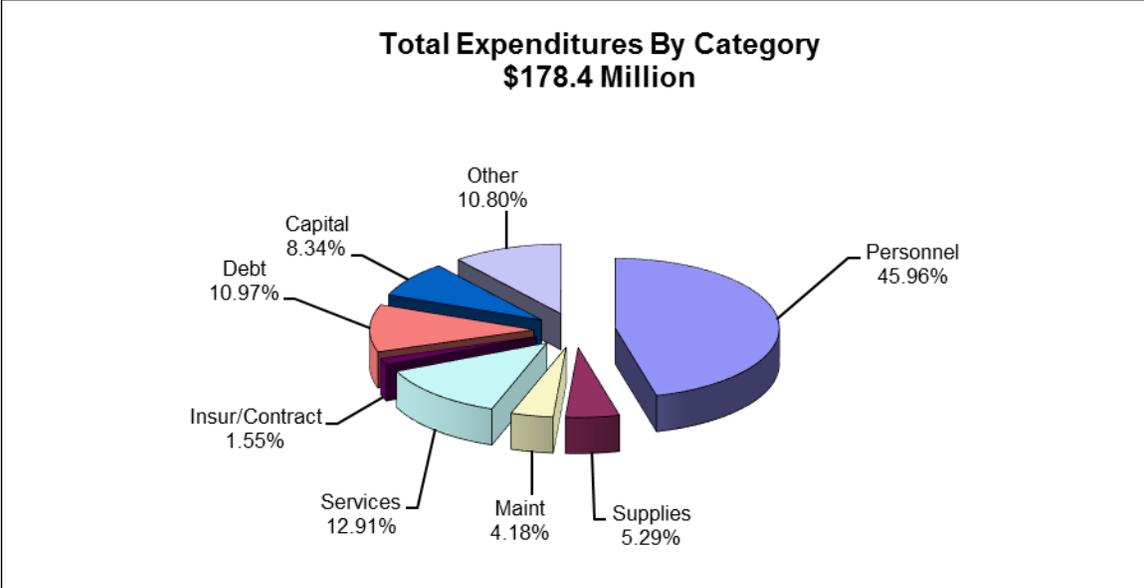
Service Accounts also represent a large increase in the total budget and is due primarily to higher Central Garage Service Charges to the departments for fueling, maintaining, and replacing motor vehicles. There is also an increase in professional services budgeted to update the City's Sewer System Master Plan.

Debt Service expenses reflect an increase to begin the first payment for 20-Year General Obligation Bonds that were issued for Street Improvements resulting from the May 2018 bond election.

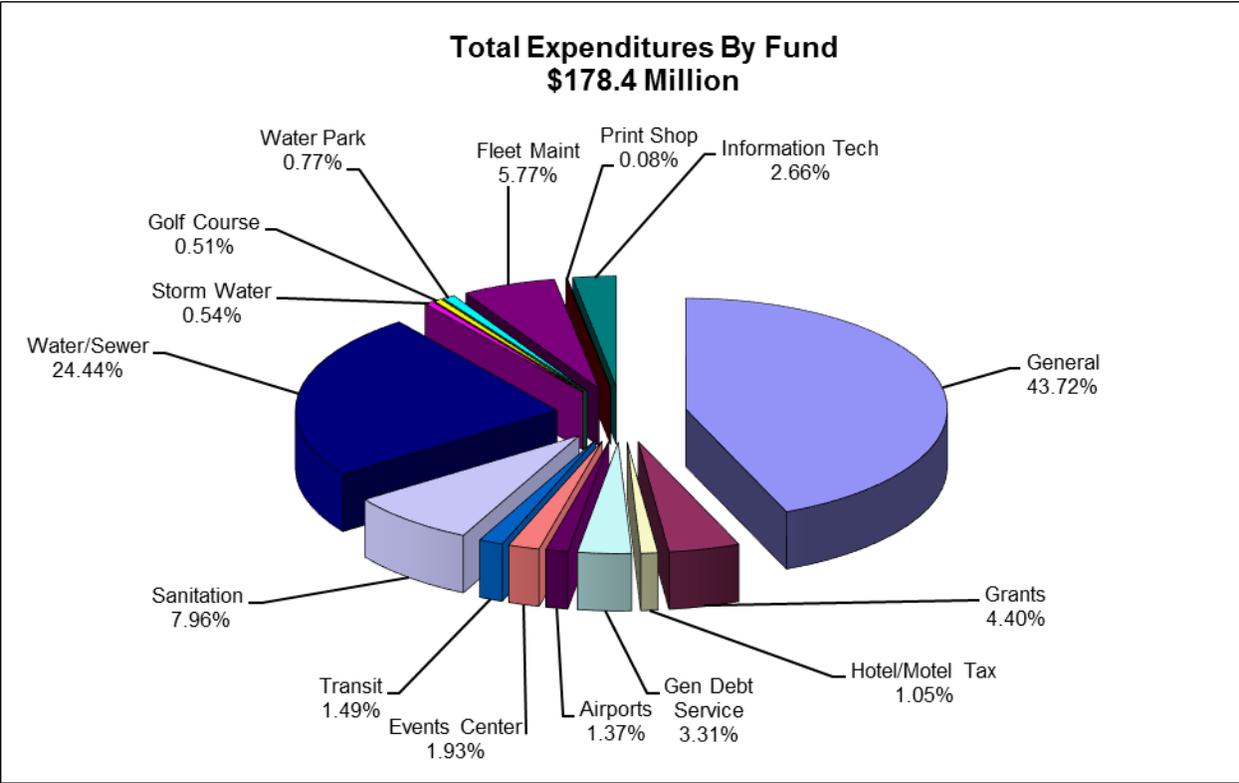
Some of these increases have been offset, however, by a reduction in Capital Outlay principally because the prior budget included \$3.5 million for the final phase of the Kemp/Monroe Drainage Program. In the 2018-19 budget, funds aren't yet available to pay for a major storm water project, but we are budgeting approximately \$2 million in the Information Technology Fund to replace the Computer Aided Dispatch and Records Management System for Public Safety.

Total Budget Expenditures				
Category	2017-18 Budget	2018-19 Budget	Amount Change	% Change
Personnel	\$ 79,162,680	\$ 82,005,115	\$ 2,842,435	3.59%
Supplies	\$ 8,945,195	\$ 9,448,487	\$ 503,292	5.63%
Maintenance	\$ 7,155,996	\$ 7,454,747	\$ 298,751	4.17%
Services	\$ 21,931,442	\$ 23,045,214	\$ 1,113,772	5.08%
Insurance/Contracts	\$ 2,740,029	\$ 2,774,278	\$ 34,249	1.25%
Debt Service	\$ 18,493,398	\$ 19,567,413	\$ 1,074,015	5.81%
Capital Outlay	\$ 16,757,333	\$ 14,874,636	\$ (1,882,697)	-11.24%
Other Uses	\$ 18,806,956	\$ 19,273,059	\$ 466,103	2.48%
<b>Total Expenditures</b>	<b>\$ 173,993,029</b>	<b>\$ 178,442,949</b>	<b>\$ 4,449,920</b>	<b>2.56%</b>

The following pie chart shows the same expenditures by major category, but as a percentage of the total budget. Personnel expenses make up the largest category of municipal spending at 45.96%. Services, such as utilities, professional services, and central garage charges make up the next largest spending category at 12.91%. Debt service payments on the City’s outstanding bonds make up 10.97% of all spending.



The chart below shows the breakdown of the total budget by the City’s various operating funds. As indicated in the chart, spending in the General Governmental Fund, Water/Sewer Fund and Sanitation Fund make up 76.12% of all City expenditures.

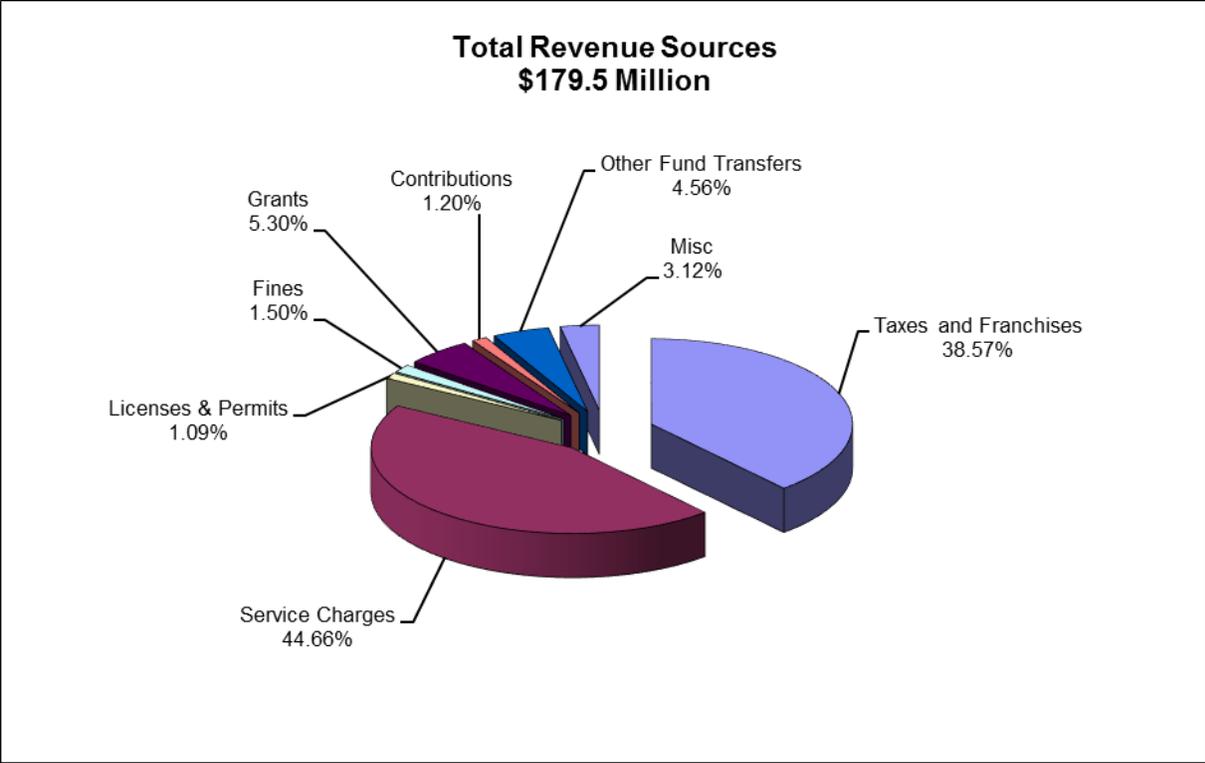


### TOTAL REVENUE BUDGET OVERVIEW

Total revenues for the 2018-19 budget, not including fund balance appropriations, are projected at \$179,534,242, which is an increase of \$5,934,615, or 3.42% from the 2017-18 adopted budget. The principal reasons for this change will be discussed in detail in the following sections. However, as indicated in the table below, Taxes/Franchises make up the largest portion of this increase because of growth in the property tax base, increased property tax rate for debt service payments on the bonds issued for street improvements, and increasing sales tax receipts. The primary reasons for the increase in Service Charges is reflected in higher Central Garage Charges to the user departments for rising fuel prices and vehicle maintenance costs, and revenue from Sanitation Collection Charges resulting from an increase in rates of 6% to all customer classes.

Total Budget Revenues				
Category	2017-18 Budget	2018-19 Budget	Amount Change	% Change
Taxes and Franchises	\$ 65,963,784	\$ 69,249,854	\$ 3,286,070	4.98%
Service Charges	\$ 78,170,177	\$ 80,187,254	\$ 2,017,077	2.58%
Licenses & Permits	\$ 1,973,904	\$ 1,950,613	\$ (23,291)	-1.18%
Fines	\$ 2,552,000	\$ 2,700,000	\$ 148,000	5.80%
Grants	\$ 9,071,353	\$ 9,512,564	\$ 441,211	4.86%
Contributions	\$ 2,509,557	\$ 2,147,268	\$ (362,289)	-14.44%
Miscellaneous Revenue	\$ 5,238,522	\$ 5,595,714	\$ 357,192	6.82%
Other Fund Transfers	\$ 8,120,330	\$ 8,190,975	\$ 70,645	0.87%
<b>Total Revenue</b>	<b>\$ 173,599,627</b>	<b>\$ 179,534,242</b>	<b>\$ 5,934,615</b>	<b>3.42%</b>

The chart below shows the breakdown of the City’s revenue sources by category. It is important to note that approximately 45% of all City revenue is derived through service charges such as water sales, sewer charges, refuse collection charges, storm water fees, and internal service charges. Also, 39% is derived from taxes and franchises such as property, sales, and hotel/motel taxes, and payments from ONCOR Electric, ATMOS Gas, Spectrum, and various telecommunication providers.



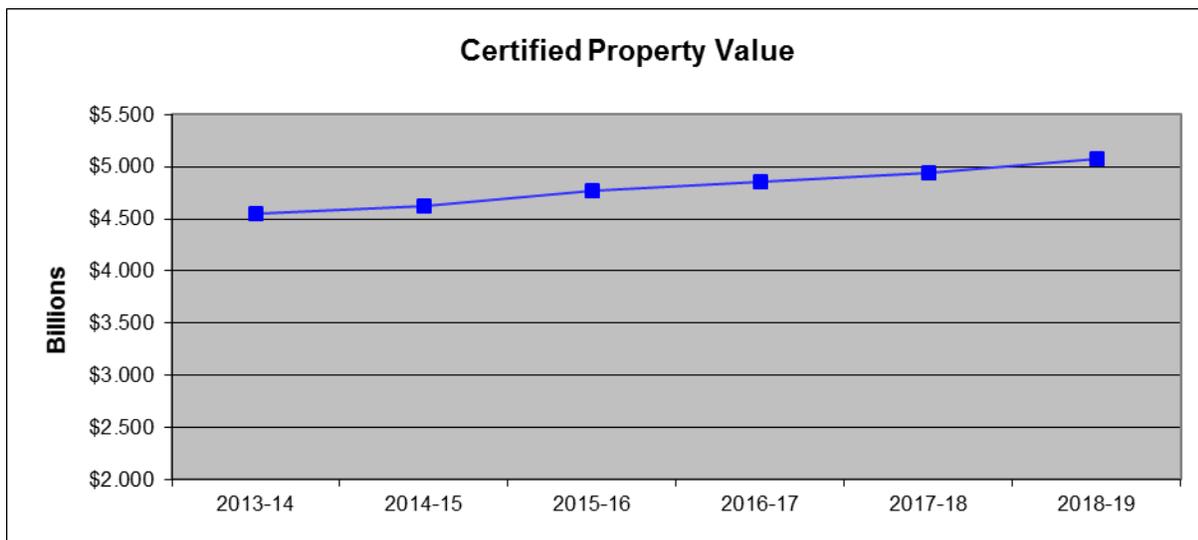
## GENERAL FUND REVENUES

General Fund Revenues, without reserve appropriations, total \$78,024,330, which is an increase of \$2,569,249, or 3.41% from the prior year adopted budget. Some of the primary changes in revenues, resulting in this increase are outlined in the table below.

General Fund Revenue				
Revenue Source	2017-18 Budget	2018-19 Budget	Amount Change	% Change
Property Tax	\$ 33,653,860	\$ 34,400,499	\$ 746,639	2.22%
Sales Tax	\$ 22,379,694	\$ 23,520,755	\$ 1,141,061	5.10%
Franchise Fees	\$ 6,163,497	\$ 5,936,142	\$ (227,355)	-3.69%
Payments In Lieu of Tax	\$ 1,099,024	\$ 1,382,106	\$ 283,082	25.76%
Municipal Court Fines	\$ 2,491,000	\$ 2,635,000	\$ 144,000	5.78%
Other Fund Transfers	\$ 5,207,736	\$ 5,369,111	\$ 161,375	3.10%
Interest Earnings	\$ 186,000	\$ 401,000	\$ 215,000	115.59%
Other Misc Revenue	\$ 4,274,270	\$ 4,379,717	\$ 105,447	2.47%
<b>Total Revenue</b>	<b>\$ 75,455,081</b>	<b>\$ 78,024,330</b>	<b>\$ 2,569,249</b>	<b>3.41%</b>

### **Property Tax Base:**

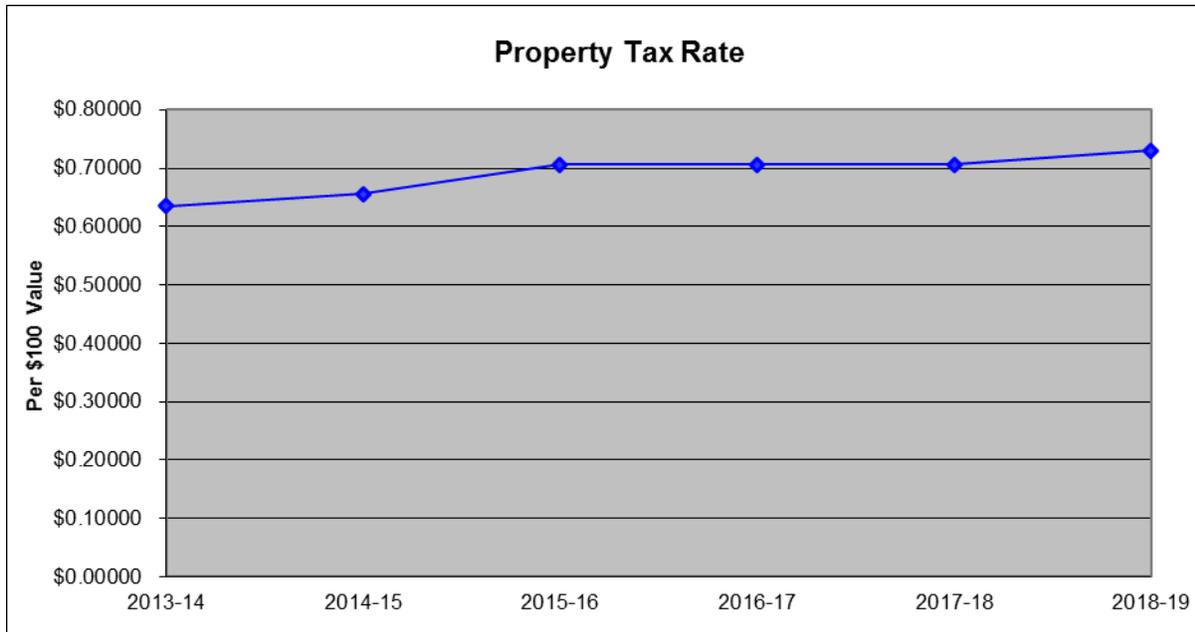
The Property Tax is the largest source of revenue in the General Fund and is relied upon heavily to provide general City services. The property tax base, as certified by the Wichita County Appraisal District, is \$5.08 billion, an increase of \$132.9 million, or 2.69% from the prior year. As indicated in the line graph and table below, over the last six years, the property tax base has grown only modestly, but fairly consistently. During that timeframe, the average annual growth rate in taxable property value has been 2.21%.



Certified Property Tax Values				
Fiscal Year	Taxable Value	Amount Change	% Change	Avg. Annual Change
2013-14	\$ 4,548,664,931			
2014-15	\$ 4,620,465,472	\$ 71,800,541	1.58%	
2015-16	\$ 4,767,682,652	\$ 147,217,180	3.19%	
2016-17	\$ 4,850,260,964	\$ 82,578,312	1.73%	
2017-18	\$ 4,941,651,841	\$ 91,390,877	1.88%	
2018-19	\$ 5,074,521,656	\$ 132,869,815	2.69%	
				2.21%

**Property Tax Rate:**

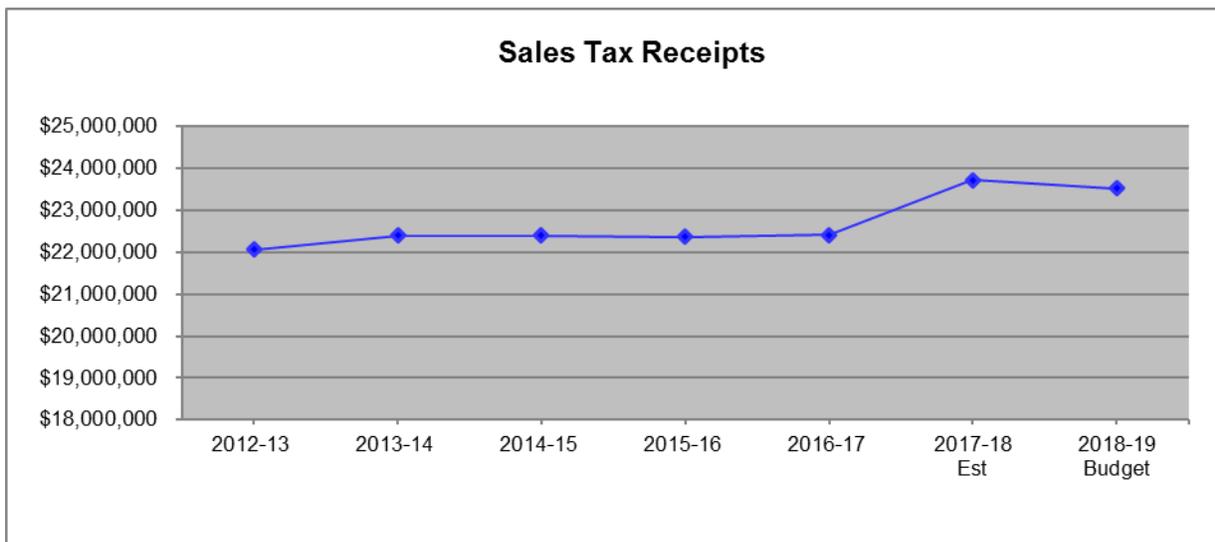
As indicated in the line graph and table below, the City Council approved an increase to the property tax rate twice over the last four years. These two tax rate increases were specifically to address employee pay related issues in the General Fund. In the 2018-19 budget, the tax rate is \$0.72988, which is an increase by 2.39 cents per \$100 of taxable property value. However, the additional revenue generated from this tax rate increase is accounted for in the Debt Service Fund and is needed entirely to pay for new debt payments on the 20-year General Obligation Bonds that were issued for street improvements. Property tax revenue to the General Fund is anticipated to grow by \$746,639, or 2.22%, and is based entirely on the growth in the tax base (net of growth in Tax Increment Financing Funds). It should be noted, that while this property tax rate is somewhat higher when compared to our benchmark cities, our tax base ranks near the bottom, generally resulting in less per capita revenue to provide basic governmental services.



Property Tax Rate				
Fiscal Year	Tax Rate Per \$100 Of Value	Amount Change	% Change	Avg. Annual Change
2013-14	\$0.63526			
2014-15	\$0.65526	\$ 0.02000	3.15%	
2015-16	\$0.70598	\$ 0.05072	7.74%	
2016-17	\$0.70598	\$ -	0.00%	
2017-18	\$0.70598	\$ -	0.00%	
2018-19	\$0.72988	\$ 0.02390	3.39%	
				2.82%

**Sales Tax Receipts:**

The Sales Tax is the second largest revenue source of the City’s General Fund, and is also relied upon heavily to finance the City’s general operations. The City’s General Fund receives 1% of retail sales and 0.50% for property tax relief. The line graph below illustrates historical trends in sales tax receipts. As can be seen in the graph, the growth in this revenue source from fiscal year 2013-14 to 2016-17 was very flat. However, through July 2018, receipts in the 2017-18 fiscal year were running 5.86% above the prior year. Revenue projections for 2018-19 were based on the current fiscal year estimate (through July) for the 1% portion of the tax, and the previous twelve months of receipts for the portion being received for property tax relief. As a result, sales tax revenues for the 2018-19 budget are projected to be \$23,520,755, which is \$1,141,061, or 5.10% above the prior year budget. This revenue forecasting methodology does not apply future growth because the average annual increase in sales tax receipts for the City of Wichita Falls over the last five years has only been 1.46%.



**Franchise Fees:**

The City receives payments from ONCOR Electric, ATMOS Gas, Spectrum, and various telecommunication providers for the use of the City's right-of-ways for their distribution lines. This proposed budget applies a three-year average of payments from ONCOR and ATMOS to arrive at the revenue projection for those franchises. The budgeted amount for Spectrum is based on current year estimates, and the amount from telecommunication providers is based on the most recent number of access lines in our right-of-ways. When applying these forecasting methods, the budget includes \$5,936,142 from these franchises, which is a reduction of \$227,355, or 3.69% from the prior year.

**Payments-In-Lieu of Taxes:**

The City receives payments-in-lieu of property taxes from a few industries that are located outside the city limits as part of non-annexation agreements. These agreements guarantee that the City will provide fire protection services and won't annex the industry into the city limits, in exchange for a payment to the City that is based on a percentage of what they would have paid in property taxes had they been located inside the city limits. For the 2018-19 fiscal year, three positive things are happening that will cause this revenue source to increase from the prior year: 1) a few of these industries have substantially more taxable property value compared to the prior year; 2) the increase in the property tax rate; and 3) a few of the agreements call for a higher percentage of payment to the City during the 2018-19 fiscal year. As a result, this revenue source is projected at \$1,382,106, which is an increase of \$283,082 from the prior year.

**Municipal Court Fines:** It is anticipated that the average fine amount and the number of tickets issued at the Municipal Court will increase revenue by \$144,000 in the 2018-19 fiscal year.

**Other Fund Transfers:** All non-General Fund operations receive administrative support from General Fund operations for such things as Finance and Accounting, Purchasing, Human Resources, Building Maintenance, Legal, City Clerk, and other General Administration. Each year, the cost of these support services is allocated to the user departments through an administrative overhead charge. As the costs for these services increase, and/or other non-General Fund operations use a higher percentage of these services, the administrative overhead charges received in the General Fund increase. Additionally, enterprise operations like the Water/Sewer System and Sanitation System make a payment to the General Fund for use of the City's right-of-way similar to franchise fees from a privately run company. These "franchise fees" are based on a percentage of gross receipts for the enterprise operation. Furthermore, the Sanitation Fund continues to make a payment of \$800,000 to the General Fund for the Street Overlay Program. In total, these internal assessments are \$5,369,111, which is an increase of \$161,375, or 3.10% from the prior budget.

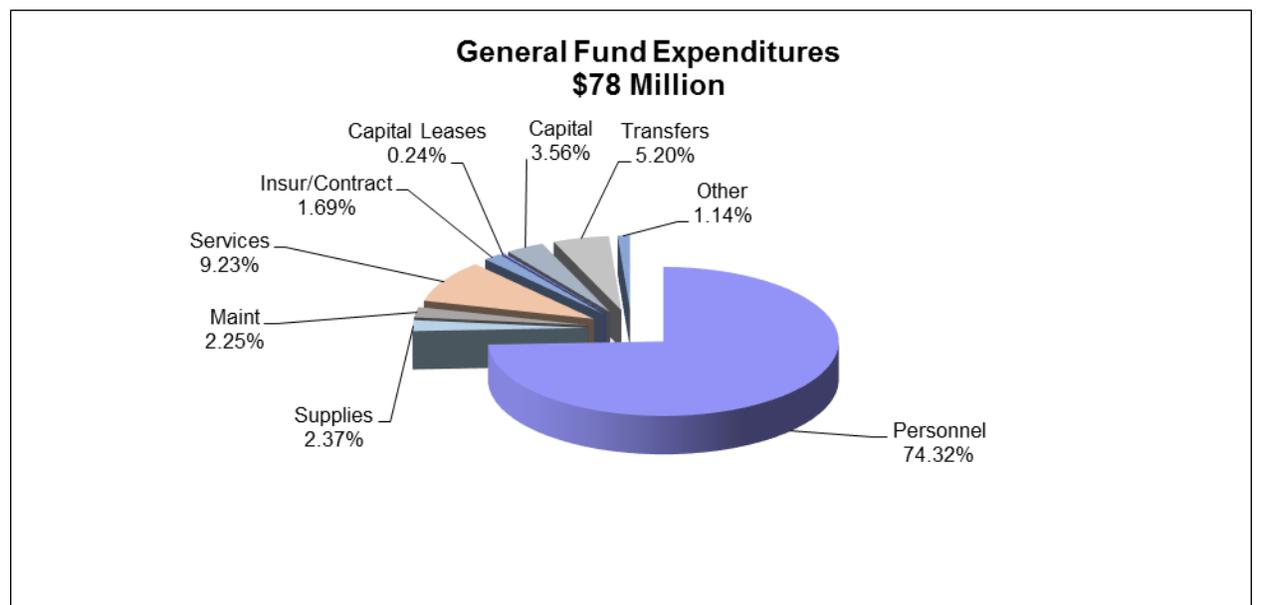
**Interest Earnings:** The City receives interest earnings from idle funds that are invested with local government investment pools and fixed income securities. Over the last decade, interest rates on our investments dropped to less than 0.25%. Needless to say, these interest rates resulted in very little revenue for the City. However, lately we

have seen these interest rates begin to rise, and currently we are earning approximately 1.75%. As a result, the budget shows an increase in interest earnings to the General Fund of \$215,000.

### GENERAL FUND EXPENDITURES

Expenditures in the General Fund total \$78,024,330, an increase of \$2,569,249, or 3.41% from the 2017-18 adopted budget. Some of the major highlights of the General Fund Expenditure Budget are illustrated in the table and chart below and described in more detail over the next several sections.

General Fund Expenditures				
Expenditures	2017-18 Budget	2018-19 Budget	Amount Change	% Change
Personnel	\$ 55,947,786	\$ 57,982,178	\$ 2,034,392	3.64%
Supplies	\$ 1,762,467	\$ 1,845,719	\$ 83,252	4.72%
Maintenance	\$ 1,827,444	\$ 1,758,987	\$ (68,457)	-3.75%
Services	\$ 7,090,483	\$ 7,202,736	\$ 112,253	1.58%
Insur/Contracts	\$ 1,356,535	\$ 1,321,068	\$ (35,467)	-2.61%
Capital Leases	\$ -	\$ 190,323	\$ 190,323	
Capital Improvements	\$ 2,856,383	\$ 2,781,194	\$ (75,189)	-2.63%
Other Fund Transfers	\$ 3,753,924	\$ 4,054,876	\$ 300,952	8.02%
Other Misc Expenditures	\$ 860,059	\$ 887,249	\$ 27,190	3.16%
<b>Total Expenditures</b>	<b>\$ 75,455,081</b>	<b>\$ 78,024,330</b>	<b>\$ 2,569,249</b>	<b>3.41%</b>



### **Personnel Expenses:**

Services provided in the General Fund include: Police and Fire, Municipal Court, Building Maintenance, Streets/Engineering/Traffic, Parks/Recreation/Library, Planning/Inspections/Property Mgt., Animal Services/Nursing/Environmental Health, and Administrative Support. As indicated in the chart above, the major expense in the General Fund is the cost of the personnel necessary to provide these services to the community. The 2018-19 General Fund budget dedicates \$57,982,178, or 74.32% of total spending on personnel related expenses. Personnel expenses in the General Fund represent an increase of \$2,034,392, or 3.64% above the 2017-18 adopted budget.

### **Pay Programs:**

The City's goal for employee pay and benefit programs is to remain near the market average when compared to our peer cities and other competitors, after adjusting for differences in the cost of living between these cities. We do not want these programs to fall behind the market average, which would negatively affect our competitive position in the workforce, nor do we want to get ahead of these cities, which would result in unnecessary spending. However, over the last several years, the downturn in our local economy has made it difficult to remain competitive in these important areas of the City organization. In the 2014-15 and 2015-16 budgets, increases to the property tax rate were required to bring our employee pay programs more in line with the market average. In the 2016-17 budget, a total of 22 full-time equivalent positions were eliminated to allow for a 1.5% pay increase across all of the City's pay plans (cost-of-living). In the prior budget, a cost-of-living adjustment wasn't possible. Because we have been unable to improve these plans much in the last two years, the latest survey information shows that beginning pay for our pay plans has again fallen behind our peers by approximately 6% in Police, Fire, and Non-Exempt pay plans. Our exempt employees fare a little better by comparison. Fortunately, the recent growth in General Fund revenue sources discussed above is generating needed revenue to address the pay plans in this year's budget without increasing the property tax rate for operations. I recommended, and the City Council approved, a 3% cost-of-living increase in the 2018-19 Adopted Budget. The personnel cost to the General Fund for this pay adjustment totals \$1,426,000. Although this amount will not catch our pay plans up with our peer cities, it should help to some degree, or at least keep us from falling further behind.

**Merit/Step Pay Programs:** The budget also includes funding to continue the merit and/or step pay program. This program is designed to reward existing employees for tenure and stability. All civil service police and firefighter positions receive an automatic 2% step pay increase for each additional year of service if they are not already topped out in their pay grade. All non-civil service employees receive a 2.5% merit pay adjustment on the anniversary of their hiring date if they satisfy minimum performance standards and are not at the top of their pay grade. This important program recognizes longevity and performance, and is an essential element of our pay plan. Without it, employees with long tenures and experience with the City would make the same pay as a newly hired employee in the same position classification with little or no experience. The program also serves as a tool to encourage improved job performance, as the merit pay adjustment can be deferred or withheld for unsatisfactory performance. The cost to the General Fund to maintain this program is approximately \$460,000. This program would cost more, but approximately 55% of fire civil service employees, 35%

of police civil service employees, and 10% of non-civil service employees are at the top of their respective pay grades.

The table below shows a history of pay plan adjustments that have been approved. As shown, in 5 of the last 11 budgets, we have been unable to provide a cost-of-living adjustment, and two of those years, we even deferred the merit/step program.

Pay Plan Adjustments		
Fiscal Year	Step Program	COLA Increase
2008-09	Yes	None
2009-10	No	None
2010-11	No	2.0%*
2011-12	Yes	1.0%*
2012-13	Yes	None
2013-14	Yes	None
2014-15	Yes	4.0%
2015-16		
Police	Yes	9.0%
Fire	Yes	7.0%
Civilian	Yes	1.0%
2016-17	Yes	1.5%
2017-18	Yes	None
2018-19	Yes	3.0%

Note: Asterisks indicate mid-year implementation.

Longevity/Stability Pay Programs: The budget also includes funding to continue the longevity and stability pay for our employees. Longevity pay is paid to civil service police and firefighter positions for each year of service up to a maximum of \$3,200 per year after 15 years of service. Employees receive this pay in their paychecks throughout the year. Stability pay is paid to our non-civil service employees in the amount of \$138 per year after one year of service to a maximum of \$1,210 after five years of service. Stability pay is distributed to employees in December of each year. Both of these pay programs compare better than our benchmark cities and help alleviate the difference from our benchmark cities to some degree. In total, the budget includes \$1,445,000 (\$832,000 for longevity and \$613,000 for stability) to continue these important pay plans for our employees.

Employee & Retiree Health Care: The General Fund also includes an additional \$314,000, or 4.92% more funding for the City's contribution to the Employee/Retiree Health Care Program. The cost for employee/retiree health care continues to rise at a fairly rapid pace compared to other expenditure categories. As a result, there is a need to increase City contributions in next year's budget to maintain health care benefits, at

or near, the same benefits that are currently provided. The program offered is a very typical employee health care program, with \$1,000 to \$2,000 deductibles, average premiums and co-pays. However, our program does have fairly high out-of-pocket maximums. Currently, employee/retiree premiums make up about 30% of the cost for health claims and City contributions make up the remaining 70%. In total, the budget dedicates \$10,255,000 to this program. The Employee Benefit Trust Committee, that is responsible for managing this program, met recently and was able to maintain the same level of benefits at the same employee/retiree premiums for the 2019 plan year.

Staffing Adjustments: As mentioned above, 22 full-time equivalent positions were eliminated in the 2016-17 budget to allow for a 1.5% cost-of-living adjustment. As indicated in the table below, the overall staffing levels in the General Fund for the 2018-19 budget have been held fairly constant. However, there have been a few notable adjustments:

- One additional position is budgeted in Community Development to address a backlog of water system backflow inspections. The State requires that these systems be tested periodically by a certified inspector to protect the water supply. This position will also work with property owners that are found through our sewer system smoke tests to have leaks in their private sewer systems. This position is budgeted in the Building Inspections Division, but the Water/Sewer Fund will pay for the cost through an inter-fund transfer.
- Fourteen seasonal positions routinely budgeted in the Parks Maintenance Division have been converted to seven full-time positions with benefits. This adjustment is an attempt to address the manpower shortage issues the Parks Department has experienced over the last few years due to the inability to promptly hire and maintain seasonal employees. It should also help address the growth in maintenance responsibilities that has occurred in this division over the last two decades such as the circle trail, numerous additional park amenities, and several new City facilities (Animal Reclaim Center, Regional Airport, Muehlberger Travel Center, Public Safety Training Center, etc.).
- One Traffic Control Technician position has been eliminated through attrition in the Traffic & Transportation Department as part of the savings resulting from the program to replace all of the older high pressure sodium street lights with newer LED lights.
- The General Fund includes funding to reclassify the Deputy City Clerk's position from part-time to full-time status. This additional help will be required to continue advancing the City's records management program.
- The General Fund includes \$10,000 to begin a more comprehensive internship program in our organization. One of the City Council's strategic goals is to consider internship programs to help retain young professionals from leaving the community by providing a marketable skill that we may be able to capitalize on once they finish high school or college.

General Fund Staffing Comparison		
Department	2017-18	2018-19
Administrative Services	77.19	77.13
Health	47.10	46.84
Finance	8.70	8.70
Police	295.50	295.50
Fire	161.50	161.50
Parks/Recreation	85.83	85.76
Community Development	27.71	28.96
Traffic & Transportation	16.10	15.10
Public Works	70.97	70.97
Legal	6.00	6.00
City Clerk	1.75	2.00
Total	798.35	798.46

**Supplies:**

The Supply Accounts in the General Fund total \$1,845,719, which is an increase of 4.72% from the prior year. Notable causes for this increase include \$36,000 of additional spending for Fire and Police Clothing to provide gloves and boots for cancer protection and to more accurately reflect recent expenditure requirements. There is a \$24,000 increase budgeted to replace 2 Microfilm Reader/Printers for the Library and the iPads for Environmental Health. Lastly, the Traffic Division budget includes \$30,000 to improve the pavement markings on our roadways.

**Maintenance:**

Maintenance Accounts in the General Fund total \$1,758,987, which is a reduction of \$68,457, or 3.75% from the prior year adopted budget. Much of this reduction is due to lower building maintenance expenses. Last year's budget included \$185,000 for feasibility study of renovating the City Hall and architectural and engineering work on the recommended approach to stabilizing the west wing of the facility; \$116,000 for elevator work at Library/Recreation facility; and \$86,000 for leveling and securing Fire Station 5 and remodeling restrooms at Fire Stations 5 & 6.

The 2018-19 General Fund budget for maintenance includes \$110,000 to replace several HVAC units at six facilities; \$32,000 to address flooring in several rooms in Police Station; \$104,000 to replace the roof at the Police Station; \$19,000 to replace the Library's stairwell carpet and elevator starters; and \$50,000 to install tile flooring and update the restrooms at Municipal Court. It should be noted, that \$200,000 and \$50,000 is budgeted in the Water/Sewer Fund and Sanitation Fund, respectively, for potential stabilization of the West Wing of the Memorial Auditorium.

### **Services:**

The budget for the Services Accounts shows an increase of \$112,253, or 1.58% from the prior adopted budget. The areas increasing in this category include Central Garage Charges to user departments as prices for fueling our fleet and the cost to maintain it continue to rise, and the Parks Maintenance budget includes \$90,000 to hire the Work Services Corporation to mow, edge and blow the grass in 18 smaller parks. Some of these increases are offset, however, in the Traffic Control budget due to a reduction in electricity costs guaranteed to be lower due to installation of LED street lighting.

### **Insurance and Contracts:**

The reduction of costs in Insurance and Contract Accounts is almost entirely related to a recent amendment with our ambulance service provider, which eliminated a \$25,000 annual payment to deliver ambulance response to the community.

### **Capital Leases:**

The 2018-19 budget includes \$190,000 in the Traffic Engineering Division to begin a 5-Year lease payment for the recently acquired Traffic Signal Communication System and the payment of the 15-Year LED Street Light Program.

### **Other Fund Transfers:**

This area of the budget represents an increase of \$301,952, or 8.02% from the prior year. Areas causing much of this change include: an increase of \$137,000 for support received from the City's Information Technology Fund; an increase of \$132,000 based on the current year estimated subsidy for MPEC operations; and \$160,000 to the Airport Fund as lower airport revenues are projected and there are no longer funds available in Kickapoo Airport to help with the debt service on the Regional Airport Terminal. Some of these increases are offset, due to a reduction of \$89,000 in subsidy for the Transit System as additional funding from the State has been awarded to the program, and Health Grant subsidies have been reduced by \$36,000.

### **Other Miscellaneous Expenditures:**

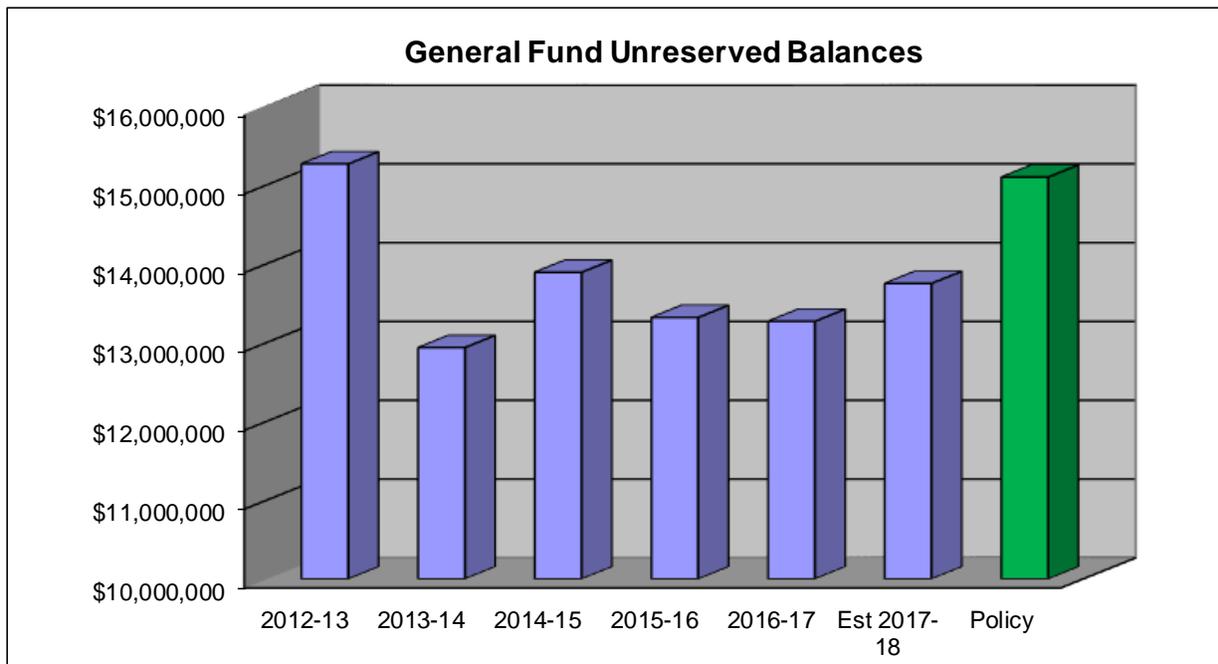
Other Miscellaneous Expenditures remain relatively unchanged from the prior year. There is one notable increase of \$15,000 in the City Council's budget to review and update its Strategic Goals. It has been two years since these goals and objectives were created and several of those objectives have been met. Additionally, several new City Councilors will be on the Council next year so it is important that they be allowed to provide input into that planning process. There is also an increase of \$10,000 budgeted to account for additional costs associated with our election agreement with Wichita County.

## **GENERAL FUND RESERVE APPROPRIATIONS**

The City maintains reserves in the General Fund to be used for major emergencies such as a widespread tornado, large legal liabilities or important one-time expenditures. The Government Finance Officer's Association recommends maintaining a fund balance in the General Fund between 15 to 25% of the annual operational cost of the fund. The City's fund balance policy established a goal of maintaining 20% of expenditures in General Fund Reserves, which at present would be \$15.1 million. However, with poorly performing sales taxes, and the need to transfer \$1.9 million of

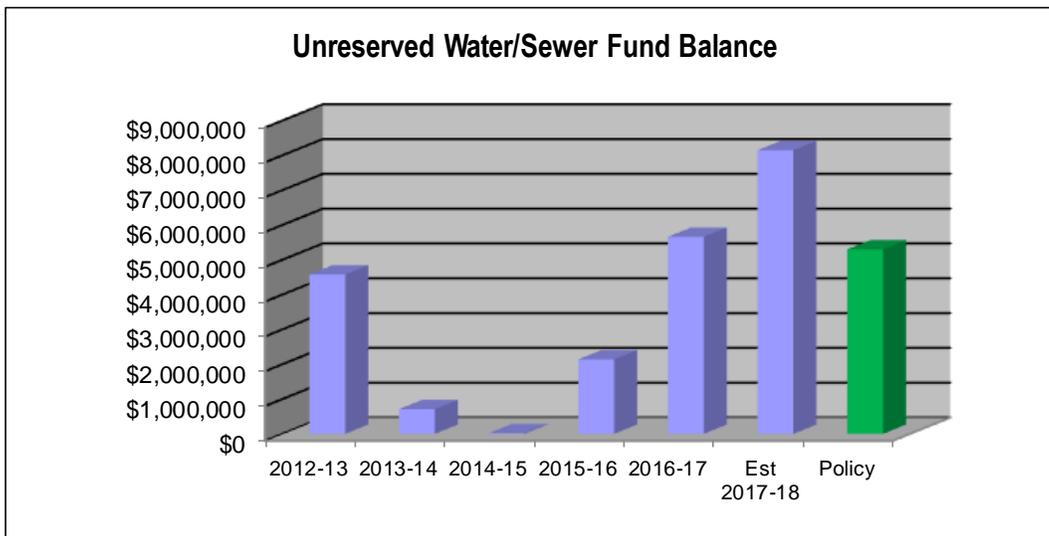
these reserves to the Information Technology Fund a few years ago for the replacement of the Public Safety Radio System, the unreserved fund balance is estimated to be \$13.7 million at the end of the 2017-18 fiscal year. As a result, General Fund Reserves are not at levels to finance any one-time capital improvements.

The chart below shows a six-year history of General Fund reserve balances. As mentioned above, General Fund reserves were relied upon four or five years ago for significant one-time capital improvements, reducing unreserved fund balances slightly below desired levels. Additionally, poorly performing sales tax revenue over this time has not provided any surpluses to help replenish those reserves.

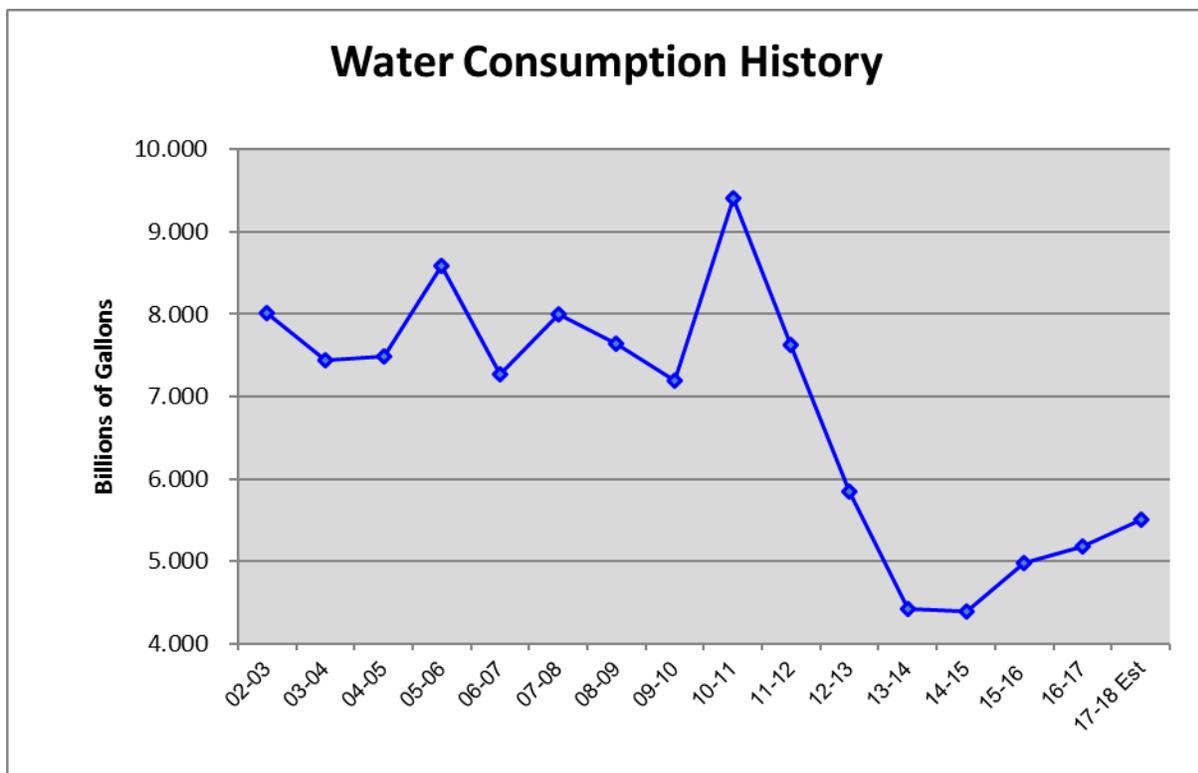


### WATER/SEWER SYSTEM FUND

The Water/Sewer System Fund has begun to show improvement over the last three years since the end of the drought of record. Although water production dropped to historic lows of 4.4 billion gallons in 2014-15, water rate increases that were approved in September 2014, along with slightly rising consumption, has allowed the City to replenish its Water/Sewer Fund reserves to approximately \$8.1 million. The City's fund balance policy sets our goal of retaining 17% of operating costs in reserve (not including debt expenditures), which is approximately \$5.3 million. This position is much improved, and is a significant relief, as we were at extremely low reserves in 2014-15 at the peak of the drought. In fact, our water revenue bond rating was lowered by one level when we issued bonds for the Direct Potable Reuse Project four years ago principally because of these low balances. We are optimistic that this credit rating will be reinstated the next time we are reviewed by Standard & Poor's and Moody's Rating Agency.



The line graph below shows historical water consumption since 2003. As can be seen, prior to the drought that hit in 2011, we were averaging about 7.6 billion gallons of water produced. However, without substantial population growth, we don't anticipate that water production will ever again reach those production levels. We have seen a modest increase in demand over the last three years since water restrictions were removed, but nowhere near pre-drought levels. It is estimated that water production will end the 2017-18 fiscal year at about 5.5 billion gallons produced. The 2018-19 budget applies a usage figure of 5.3 billion gallons to project revenues from water and sewer charges.



Revenues for the Water/Sewer System Fund are budgeted at \$43,326,521, which is an increase of \$737,924, or 1.73% from the prior year adopted budget. The budget anticipates 5.3 billion gallons produced compared to 5.2 billion gallons in the prior year budget (1.92% increase). In addition, revenues have been adjusted by nearly \$300,000 to reflect additional revenue resulting from the Advanced Metering Infrastructure (AMI) System. There is also a budgeted increase of \$260,000 for additional revenue anticipated from the investment of a larger pool of idle funds and rising interest rates being earned on those investments.

It should be noted, however, that the amount of this revenue increase would have been larger, but the latest rate study for our 15 wholesale water customers indicates that their rates should be lowered on average by 16%. This rate reduction is expected to lower revenue by approximately \$800,000 based on current usage patterns. The results of that study showed that there were two primary issues causing the decline in the cost of service in this year's wholesale customer rate study: (1) the retail customer base (Wichita Falls customers) increased its usage, while the wholesale customer's usage remained about the same; and (2) a significant shift in peak water use from the wholesale customer class to the retail customer base. This rate adjustment is required by contract.

<b>Water/Sewer Fund Revenues</b>				
Revenue Source	2017-18 Budget	2018-19 Budget	Amount Change	% Change
Water/Sewer Charges	\$ 41,329,097	\$ 41,730,021	\$ 400,924	0.97%
Other Service Charges	\$ 1,031,500	\$ 1,124,500	\$ 93,000	9.02%
Interest Earnings	\$ 100,000	\$ 360,000	\$ 260,000	260.00%
Miscellaneous Revenue	\$ 128,000	\$ 112,000	\$ (16,000)	-12.50%
<b>Total Revenues</b>	<b>\$42,588,597</b>	<b>\$ 43,326,521</b>	<b>\$ 737,924</b>	<b>1.73%</b>

This budget maintains the same water/sewer rates that have been in place since September 2014. At that time, the City was required to increase the rates substantially to address much lower water demand due to the drought, annual debt service for the Direct and Indirect Potable Reuse Projects, replenish reserve fund balances, and begin addressing a future water supply project at Lake Ringgold. When this rate increase was adopted, there were concerns that our rates were fairly high when compared to our peer cities. However, now that these rates have remained the same for four consecutive years, our utility bills for water and sewer services combined appear to be on average, or even slightly lower than our peer cities. The survey of water and sewer rates that is conducted annually by the Texas Municipal League is provided below.

Water/Sewer Combined Rate Survey 2018					
Population Group	# of Cities Reporting	5,000 Gal. (6.68 Units)	10,000 Gal. (13.37 Units)	50,000 Gal. (66.84 Units)	200,000 Gal. (267.38 Units)
2,000 OR Less	267	\$ 70.11	\$ 102.05	\$ 465.74	\$ 1,705.16
2,001 - 5,000	121	\$ 68.67	\$ 103.18	\$ 497.83	\$ 1,853.31
5,001 - 10,000	83	\$ 65.96	\$ 100.29	\$ 474.86	\$ 1,741.49
10,001 - 15,000	41	\$ 63.65	\$ 99.72	\$ 532.03	\$ 1,898.28
15,001 - 20,000	33	\$ 61.74	\$ 98.00	\$ 480.59	\$ 1,688.18
20,001 - 25,000	14	\$ 74.20	\$ 113.09	\$ 546.51	\$ 1,970.55
25,001 - 30,000	10	\$ 67.70	\$ 111.58	\$ 555.26	\$ 2,101.43
30,001 - 50,000	24	\$ 67.26	\$ 111.81	\$ 564.62	\$ 2,018.97
50,001 - 75,000	9	\$ 59.84	\$ 99.50	\$ 530.87	\$ 1,917.50
75,001 - 100,000	8	\$ 46.36	\$ 76.93	\$ 367.62	\$ 1,250.31
100,001 - 200,000	19	\$ 58.71	\$ 97.65	\$ 491.09	\$ 1,757.02
200,001 - 350,000	5	\$ 56.19	\$ 105.20	\$ 526.83	\$ 1,826.80
350,001 - 500,000	1	\$ 56.55	\$ 91.40	\$ 533.33	\$ 1,634.33
More Than 500,000	3	\$ 75.55	\$ 150.74	\$ 636.15	\$ 2,301.52
<b>Total / Averages</b>	<b>638</b>	<b>\$ 67.57</b>	<b>\$ 102.49</b>	<b>\$ 489.05</b>	<b>\$ 1,784.90</b>
<b>WF Rates</b>		<b>\$ 62.24</b>	<b>\$ 99.66</b>	<b>\$ 488.80</b>	<b>\$ 1,621.85</b>

The 2018-19 expenditure budget for the Water/Sewer System Fund is \$43,611,521, which is an increase of \$1,022,924, or 2.40% from the prior year adopted budget. It should be noted, that the 2018-19 budget plans for the use of \$285,000 of fund balance. The table below identifies the most notable areas of increase in this budget.

Water/Sewer Fund Expenditures				
Expenditures	2017-18 Budget	2018-19 Budget	Amount Change	% Change
Personnel	\$ 9,998,380	\$ 10,465,336	\$ 466,956	4.67%
Supplies	\$ 2,965,073	\$ 2,608,889	\$ (356,184)	-12.01%
Maintenance	\$ 1,605,043	\$ 1,841,521	\$ 236,478	14.73%
Services	\$ 4,480,790	\$ 4,612,515	\$ 131,725	2.94%
Insur/Contracts	\$ 920,894	\$ 1,000,974	\$ 80,080	8.70%
Capital Improvements	\$ 5,684,865	\$ 5,787,850	\$ 102,985	1.81%
Debt Expenditures	\$ 12,619,646	\$ 12,758,755	\$ 139,109	1.10%
Other Fund Transfers	\$ 2,843,829	\$ 3,078,142	\$ 234,313	8.24%
Other Misc Expenditures	\$ 1,470,077	\$ 1,457,539	\$ (12,538)	-0.85%
<b>Total Expenditures</b>	<b>\$ 42,588,597</b>	<b>\$ 43,611,521</b>	<b>\$ 1,022,924</b>	<b>2.40%</b>

### **Personnel Services:**

Personnel Accounts represent an increase of \$466,956, or 4.67% from the prior year. Much of this increase is due to the 3% cost-of-living and merit pay program adjustments that was approved, along with increased contributions to the Employee Health Insurance Program. The remainder of this increase is attributed to the addition of the following three positions.

- Heavy Equipment Operator. Water Distribution must perform excavations to repair or modify the Water Distribution system and customers expect prompt repairs and services restored. Over 2,000 excavations are conducted each year, and a majority of them are made after hours and on weekends. This additional Heavy Equipment Operator will expand our responsiveness to customers and our depth of personnel. An additional benefit of this position will be to supplement the Dead End Main Flushing Program during slow maintenance periods by proactively reducing the number of dead end mains through looping, rerouting service, and/or deletion. The Dead End Main Program is mandated by the TCEQ,
- Utility System Worker III. Water Distribution and Wastewater Collections should be responding to an estimated 7,200 locate requests for water, sewer, and storm water piping each year according to data collected from One Call ticket volume. According to research, we are only receiving about 1,600 requests per year as contractors or citizens believe calling 811 handles all infrastructure, including water, storm water, and wastewater. This position will allow us to join the 811 Call System and respond to all requests for line spotting prior to construction jobs.
- Lead Wastewater Plant Operator. The latest plant expansion for the Indirect Potable Reuse System and tighter permit requirements from the TCEQ have caused the staff to fall below needed staffing levels for this work. Currently, we have difficulty meeting the requirements for operators as prescribed by the TCEQ. This additional position will help meet those requirements.

#### **Supply Accounts:**

As shown, Supply Accounts have decreased \$356,184, or 12.01% from the prior year adopted budget. This reduction is entirely due to a decrease in the chemical supply budgets as the prior budget over anticipated the need for treatment chemicals for the IPR Project and to address taste and odor issues. We also received a price reduction in the latest bid process for these chemicals.

#### **Maintenance Budget:**

The Maintenance Budget includes \$200,000 of fund balance appropriations as the Water/Sewer System's share of the costs expected to stabilize the west wing of City Hall. Additionally, funds are included to replace two water sondes used to measure raw water conditions, and to replace an oven and freezer at the Water Treatment Laboratory.

#### **Services:**

Service Accounts include \$330,000 to prepare an update to the City's Sewer Collection System Master Plan. However, some of this increase is offset through reductions for electricity charges, sludge disposal costs and central garage charges.

#### **Insurance/Contracts:**

This category of spending represents an increase of \$85,000, or 8.70% from the prior year. Much of this increase is due to on-going worker's compensation claims, insurance

for building and contents coverage at a few facilities at the Cypress Water Plant, and general liability claims.

**Capital Improvements:**

Capital Improvement Accounts total \$5.8 million, which represents an increase of \$102,985 from the prior year. A total of \$85,000 of fund balance is budgeted to purchase the new backhoe that will be needed for the additional Heavy Equipment Operator mentioned above. The remainder of the capital outlay is very similar to the prior year, and includes funds for water/sewer line replacements, continued work on the Ringgold Reservoir Project, large valve replacements, and upgrades to sewer lift stations.

**Other Fund Transfers:**

This category of spending accounts for transfers from the Water/Sewer Fund to the General Fund and IT Fund for franchise payment for use of the City's right-of-way, administrative overhead, and the cost for technological support. There is an increase in the 2018-19 budget of \$234,311, or 8.24% from the prior year for these transfers. The franchise payment is up \$21,000, which is based on the previous year gross receipts for the Water/Sewer Fund. The payment to the IT Fund has increased by approximately \$91,000 due to costs paid by the IT Fund that are associated with the maintenance on the AMI System. Additionally, administrative overhead provided from the General Fund has increased by \$122,000 to recover inflationary costs and for the new Irrigation Inspector position accounted for in Building Inspections.

**SANITATION FUND**

The Sanitation Fund accounts for all of the City's business activity related to the collection of solid waste and composting materials, transfer of that waste to the centrally located transfer station where collection units transfer waste into much larger semi-trucks, transportation of that waste to the landfill for disposal, and daily operation of the landfill.

The 2018-19 expenditure budget for the Sanitation Fund totals \$14,195,683, which is an increase of \$891,882, or 6.70% from the prior year adopted budget. There are principally three changes in this budget causing that change. First, Central Garage Charges have been increased by \$656,000 to account for significant cost increases for fueling and maintaining aging collection vehicles and large landfill equipment such as compactors, motor graders and dozers. Additionally, Personnel Accounts show an increase of \$159,005 to cover the cost-of-living and merit pay adjustments and increased contributions to the Employee Health Insurance Program. Finally, \$50,000 of fund balance is budgeted to finance the Sanitation Fund's share of expected costs to stabilize the west wing of City Hall.

<b>Sanitation Fund Expenditures</b>				
Expenditures	2017-18 Budget	2018-19 Budget	Amount Change	% Change
Personnel	\$ 4,388,441	\$ 4,547,446	\$ 159,005	3.62%
Supplies	\$ 354,243	\$ 306,672	\$ (47,571)	-13.43%
Maintenance	\$ 158,150	\$ 210,300	\$ 52,150	32.98%
Services	\$ 4,365,568	\$ 5,019,734	\$ 654,166	14.98%
Insur/Contracts	\$ 73,000	\$ 83,400	\$ 10,400	14.25%
Capital Improvements	\$ 1,946,500	\$ 1,993,500	\$ 47,000	2.41%
Transfers to General Fund	\$ 1,847,020	\$ 1,871,976	\$ 24,956	1.35%
Other Misc Expenditures	\$ 170,879	\$ 162,655	\$ (8,224)	-4.81%
<b>Total Expenditures</b>	<b>\$ 13,303,801</b>	<b>\$ 14,195,683</b>	<b>\$ 891,882</b>	<b>6.70%</b>

Revenues for the Sanitation Fund are made up of the monthly refuse collection charge (87%), landfill tonnage fees (11%), transfer station fees and other miscellaneous charges (2%). At the current sanitation collection and disposal rates, revenues are insufficient to finance the operating budget outlined above. As a result, I recommended, and the City Council approved, an increase of 6.00% to collection rates for all customer classifications. This rate adjustment will increase a residential customer's monthly charge for alley service by \$1.25, from \$20.55 to \$21.80, and curbside service by \$0.90, from \$14.65 to \$15.55. It has been two years since the previous rate increase, so this adjustment essentially averages to an increase of 3% per year over that time period. Included below is a recently conducted rate comparison with other peer cities that shows even with this increase, Wichita Falls will remain near the average and many of these cities only provide service once per week.

<b>Sanitation Fund Revenues</b>				
Revenue Source	2017-18 Budget	2018-19 Budget	Amount Change	% Change
Sanitation Collection	\$ 11,591,500	\$ 12,312,683	\$ 721,183	6.22%
Transfer Station Fees	\$ 30,000	\$ 30,000	\$ -	0.00%
Landfill Fees	\$ 1,500,000	\$ 1,500,000	\$ -	0.00%
Interest Earnings	\$ 42,500	\$ 90,000	\$ 47,500	111.76%
Miscellaneous Revenue	\$ 213,000	\$ 213,000	\$ -	0.00%
<b>Total Revenues</b>	<b>\$13,377,000</b>	<b>\$ 14,145,683</b>	<b>\$ 768,683</b>	<b>5.75%</b>

City	CURRENT RATE	SERVICE
Waco	\$14.20	1/wk
Abilene	\$17.89	2/wk
Beaumont	\$18.25	1/wk
McKinney	\$15.36	1/wk
Midland	\$15.81	2/wk
Killeen	\$19.78	1/wk
Tyler	\$16.07	2/wk
Richardson	\$19.40	2/wk
Odessa	\$19.93	2/wk
Lewisville	\$12.06	1/wk
Round Rock	\$20.52	1/wk
San Angelo	\$15.10	1/wk
College Station	\$14.40	1/wk
Average of 14 Cities	\$16.83	
W Falls Curbside	\$14.65	
W Falls Alley	\$20.55	\$16.46

Rate Remained the Same  
Increased Rate since 2017

NOTE: The Average Figures Include Fourteen Other Texas Cities With Populations Between 80,000 and 120,000 in Population.

## STORM WATER UTILITY FUND

In 2000, the City Council authorized the establishment of a Storm Water Drainage Utility System. This system, which took effect on May 1, 2001, provides a funding mechanism for drainage improvements in the city as allowed under Chapter 402, Subchapter C of the Texas Local Government Code. The system is designed to assign a fair and equitable charge to the public for storm water drainage management services including capital improvements. The fee is based upon the impervious area of all real property, whereby each residential water customer is assessed for one Single Family Living Unit Equivalent (SFLUE), and each commercial customer pays a multiplier of the SFLUE based upon the impervious area of their property. The monthly fee for a SFLUE is \$5.00 and generates \$3.7 million annually for the operating and capital costs of this program.

The 2018-19 total expenditure budget is \$957,537, which is \$4,041,670 less than the prior year adopted budget principally because the prior year adopted budget included \$3.5 million for Phase II of the Kemp/Monroe Drainage Project, \$290,000 to replace an aged street sweeper that was needed to comply with the TCEQ's MS4 permit, and \$210,000 to replace two tractors, a flail mower, and brush hog that are used for drainage channel maintenance. The next large drainage project (Quail Creek) is under design and funds aren't yet available in this utility fund to begin that project, which is estimated to cost \$8 to \$10 million. This project is expected to be undertaken in the 2019-20 fiscal year, but may have to be separated into phases to correspond to when funding is available. The 2018-19 budget does include \$40,000 to address a small drainage issue on Fairfax.

## OTHER FUND HIGHLIGHTS

### **Fleet Maintenance Fund:**

The 2018-19 budget for the Fleet Maintenance Fund is \$10,296,155, which is \$473,656, or 4.82% above the prior year adopted budget. The primary reasons for this increase include: (1) a \$461,100 increase in the Fuel Account as prices have trended upward over the last year; (2) a \$111,000 increase in the Motor Vehicle Replacement Account as we continue to increase capital outlays to keep up with depreciation of equipment; and (3) an increase of \$95,000 in Personnel Service Accounts due to the cost-of-living and merit pay adjustments and increased contributions to the Employee Health Insurance Program. There is also an increase of \$55,000 other supply accounts to address a shortage of inventory in small engine equipment and the rising cost of tires. Some of these increases are offset, however, through a reduction in the Vehicle Maintenance Account of \$204,000 now that Transit Maintenance costs will be charged directly to that organization to meet grant requirements. There is also a reduction of \$50,000 reflected in the Workers Compensation Account because the prior budget included funds to cover costs anticipated for a large claim.

### **Regional Airport:**

Total operating revenues for the Regional Airport are budgeted at \$1,200,188, a decrease of \$39,227, or 3.16% from the prior year adopted budget. Revenue decreases are due to adjustments to Customer and Passenger Facility Fees (set at maximum allowable amounts) to current year estimated revenues, and Terminal Office Rent has declined because the prior year included a payment from the rental car agencies that was in arrears.

The expenditure budget for the Regional Airport totals \$1,382,004, which is \$31,362, or 2.32% above the prior adopted budget. Items in the budget driving much of this increase include: a \$14,000 increase in administrative overhead to the General Fund and IT fund for support services; an \$8,000 increase for matching contributions for the Routine Airport Maintenance Program Grant (RAMP) for eligible maintenance projects such as jet bridges, parking control equipment, airfield lighting, surveillance system, etc., and a \$4,500 increase for the rental agreement with SAFB. There is also an increase of \$9,300 in Personnel Service Accounts for cost-of-living pay adjustments, merit pay, and increased contributions to the Employee Health Insurance Program. It should also be noted that approximately \$669,000 of this budget is dedicated to pay the annual debt service costs for the new airport terminal, which will be retired in fifteen years. This large debt service burden causes an operating loss of \$181,816 in the Regional Airport Fund, which is now covered entirely with a transfer from the General Fund.

### **Kickapoo Airport:**

The revenue budget for Kickapoo Airport is \$1,069,205, which is \$17,771, or 1.69% above last year's adopted budget. This increase is principally due to higher prices for fuel sales at the airport even though overall markup on the fuel has been reduced. There is also some increase in hangar rental payments which are tied to the growth in the CPI. Expenditures for the Kickapoo Airport also total \$1,069,205, an increase of 1.69% from the prior year. However, in the prior budget, expenditures included an operating transfer of \$90,230 to the Regional Airport to help with the operating subsidy,

which is not budgeted in 2018-19 because expenditures have increased in several other areas: the Fuel Supply Account has increased by \$71,000 to account for the higher fuel prices experienced lately; the Insurance Account shows an increase of \$13,000 to add 35 airplane hangars to our building coverage; \$15,000 is budgeted to replace a 15-year old utility vehicle used by the Linemen; and a \$20,000 increase is reflected in Personnel Service Accounts to cover the cost-of-living and merit pay adjustments and increased contributions to the Employee Health Insurance Program

#### **Transit Fund:**

In 2018-19, the total budget for the Transit System is at \$2,655,552, which is an increase of \$255,919, or 10.66% from the prior year adopted budget. Much of this increase is because the 2018-19 budget includes \$425,500 to replace one 35-foot bus and the prior year included \$280,000 for costs for parking, routing and shelter improvements for the bus system located at the entrance to Sheppard Air Force Base. Additionally, the 2018-19 budget for supplies shows an increase of \$91,000 for higher fuel prices and parts to maintain the bus fleet. There is also an increase of \$11,000 for self-insured fleet claims and \$6,800 to produce new bus route books. It should be noted, that some of this increase is offset by a reduction in personnel expenses as one supervisory position was eliminated.

Of the total budget, \$2,635,323, or 99.24% of the cost of the Transit System is expected to be funded with Federal and State Grants and system operating revenues from passenger fees, advertising sales, Transit Hub Operations, and a contract with MSU. The remaining \$20,229, or 0.76% is supported by the General Fund. This amount is approximately \$88,500 less than the prior budget principally because TxDOT has agreed to an increase in funding.

#### **Hotel/Motel Tax Fund:**

Revenues from the Hotel/Motel Occupancy Tax are projected at \$1,880,010, or 0.80% above the 2017-18 Adopted Budget. Expenditures are balanced with revenues. A total of \$1,202,653 is expected to be used to cover the operating subsidy for the Multi-Purpose Events Center (MPEC) and the Memorial Auditorium. This operating subsidy amount is based on our current management agreement with Spectra Venue Management. Other expenditure items included in the Hotel/Motel Fund include \$579,857 for the operations of the City's Convention and Visitor's Bureau, and continued funding for a few outside agency programs. Funding is provided for support of the Wichita Falls Arts Alliance & Culture (\$86,500), River Bend Nature Works (\$4,500), and the Fantasy of Lights Basketball Tournament (\$6,500).

#### **Multi-Purpose Events Center Fund:**

Revenues for MPEC are projected to be \$1,197,577 in the 2018-19 fiscal year, which is a reduction of \$169,497, or 12.40% less than the prior year adopted budget. Much of the reason for this decrease is to be more realistic in the amount of revenue that will be achieved through sponsorships and/or advertising sales. The expenditure budget for MPEC totals \$2,772,577, which is a reduction of \$46,988, or 1.67% from the prior year adopted budget. The budget shows a decrease of \$55,000 in the capital lease payment for energy retrofit projects that were installed several years ago. There is also a decrease of approximately \$93,000 in overhead and utility expenses. Some of these reductions have been offset, however, by increases in the marketing and operations

budgets for the facilities. The operating subsidy of \$1,575,000 is anticipated to be paid for with \$1,202,653 of Hotel/Motel Occupancy Taxes and \$372,347 of General Funds. That subsidy is on par with the amount required when the City was managing the facility.

The 2018-19 budget for the CVB totals \$664,857, which represents an increase of \$74,852, or 12.65% more than the prior year. This increase is almost entirely due to a need for more promotional and incentive funding related to conventions, particularly the National Horseshoe Pitcher's Association Convention. A total of \$579,857 of these expenditures are programmed to be received from the Hotel/Motel Occupancy Tax, and the remaining \$85,000 will be contributed by the Wichita Falls 4B Sales Tax Corporation. This contribution from the 4B Corporation is an increase of \$50,000 in funding from that organization over the prior year.

#### **Information Technology Fund:**

The 2018-19 budget for the Information Technology Division totals \$4,745,973, which is an increase of \$2,072,074, or 77.49% above the prior year. Almost all of this increase is due to costs associated with replacement of the Public Safety Computer Aided Dispatch/Records Management System. This system was initially installed 15 years ago and software support is no longer available without a major system upgrade. The cost to upgrade the software is budgeted at \$1,419,000, server upgrades are \$150,000, and \$171,000 is included for ticket writers, printers, and other ancillary equipment. The budget also includes \$374,000 to replace about ½ of the mobile data terminals associated with this system. The funding for this project is available in the Information Technology Fund as user charges have been adjusted over the years to provide sufficient funding for operations, maintenance and replacement.

#### **Golf Course Fund:**

The 2018-19 budget anticipates revenues to be \$800,000, which is approximately \$50,000 above the two prior year actual receipts. This revenue estimate is based on approximately 27,000 rounds, which is the current year expectation. However, \$45,000 of this increase in revenue is planned to be spent for two capital repair projects at the clubhouse (siding/facia board and to drop the ceiling in the food/beverage area), and to enter into a five-year capital lease for two new rough mowers. As a result, expenditures are programmed to increase from \$865,000 to \$910,000. The operating subsidy from the City's General Fund is budgeted to be \$110,000, or \$5,000 less than the prior year budgeted amount.

#### **Water Park Fund:**

This fund accounts for the operating revenues and expenditures related to Castaway Cove Water Park. Total revenues for this Enterprise Fund are estimated to be \$1,412,135 and total expenditures are budgeted at \$1,368,014, or an estimated net income of \$44,121. This net income is based on estimated attendance of 82,000 and may be slightly conservative. However, any net income that is generated at the park will remain in this Enterprise Fund for future improvements and repairs that are needed at the park.

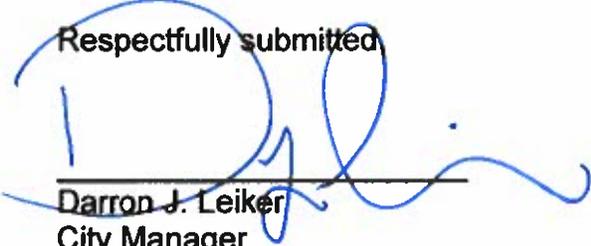
## CONCLUSION

This 2018-19 adopted budget provides a clear and viable work plan for the upcoming fiscal year operation. Funds are provided for projects and programs that maintain critical services and enhance the overall quality of life of the city's residents and visitors.

The City's various department heads and their assistants or division heads were very helpful in the production of this budget. Particular appreciation goes to Jim Dockery, Deputy City Manager, Paul Menzies, Assistant City Manager, Susan White, Accounting and Budget Manager, and Pat Halverson, Director of Finance, for their overall leadership in the development of the document. I also want to thank all City employees who have worked hard to provide quality services to our citizens and who are committed to the success of our great City.

The City staff looks forward to working with the Mayor and City Council as we address the challenges of the coming year.

Respectfully submitted,



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Darron J. Leiker  
City Manager