



City of Elgin Office of the City Manager

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

August 3, 2021

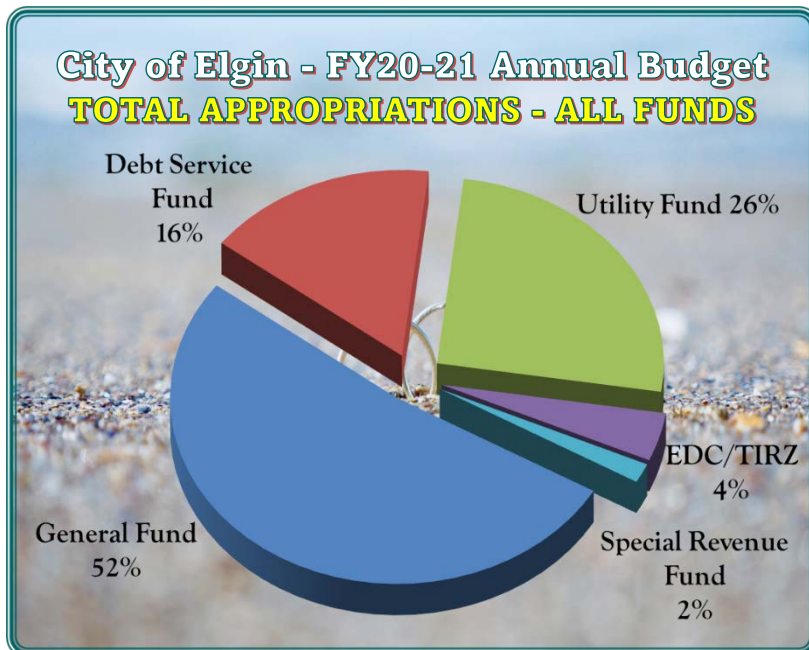
Mayor and City Council
City of Elgin
310 North Main Street
Elgin, Texas 78621

Re: City Manager's FY21-22 Annual Budget Message

Dear Mayor Ramirez and City Councilmembers,

In accordance with the provisions of Article VII, Section 2 of the Elgin City Charter, the proposed *Annual Operating Budget* for the City of Elgin for the Fiscal Year of October 1, 2021 through September 30, 2022, is hereby presented for your consideration.

The grand total of all appropriations for all departments, operations, and functions proposed for the *FY2021-22 Annual Budget* is **\$23,682,558** to be generally distributed as described herein.



The proposed *FY2021-22 Annual Budget* is a zero-based, balanced, and appropriately conservative financial plan wherein all operating expenditures are supported by revenue generated during the fiscal year; and was developed through a comprehensive review of financing for all existing programs, operations, & services.

While the primary goal of the proposed budget is to maintain existing service levels, the staff remains focused on enhancing service levels wherever possible.

The proposed budget does not include deficit spending and/or

utilization of fund balance for operating expenses. The *FY2021-22 Annual Budget* as proposed is delineated into six (6) basic funding categories:

- **General Fund (\$12.3M)** - revenues and expenditures related to the provision of primary or traditional city services whose main financial support comes from tax dollars.

CAPITAL PROJECTS/DEBT PLANNING (CONT'D)

In an effort to remain focused on these projects that must inevitably be constructed, the proposed *FY21-22 Annual Budget* includes **\$300,000** in planning dollars to begin analysis and preliminary engineering for those projects that are not already engaged in that process. Staff and a majority of Council agree that the EPD Station Upgrades, County Line Road Improvements, Thomas Park Improvements, and Veteran’s Park Improvements-Phase 1 are among the top priorities - but none of these projects have yet to complete conceptual planning and/or engineering.

UNFUNDED CAPITAL NEEDS	
	PROPOSED
Traffic & Safety Improvements	
County Line Road Widening - Phase 1	3,000,000
Downtown Revitalization Sidewalks/MLK	75,000
STRS Schools – Downtown Sidewalks	25,000
Pave Downtown Alleyways	500,000
New City Hall Annex	2,500,000
<i>Subtotal - Traffic & Safety</i>	\$ 6,100,000
Parks & Recreation	
Elgin Memorial Park Restrooms	160,000
Thomas Park Improvements	150,000
Veteran's Park Improvements - Phase 1	100,000
<i>Subtotal - Parks & Rec</i>	\$ 410,000
Building/Facility Upgrades	
Add/Renovate Police Department Station	1,950,000
Building Renovation – 202 Depot St.	100,000
Demolish Building – 202A Depot St.	20,000
<i>Subtotal - Building Upgrades</i>	\$ 2,070,000
Total - All Funds	\$ 8,580,000

This planning process will also be utilized to make final decisions about the location(s) of a new or renovated EPD Station and City Hall Annex, neither of which has yet been formally endorsed by the City Council.

While the No. 1 priority is securing necessary capital funding so that these much-needed projects can move forward as soon as possible, initiating planning and preliminary engineering will position the City to move forward sooner with these projects once capital funding is secured.

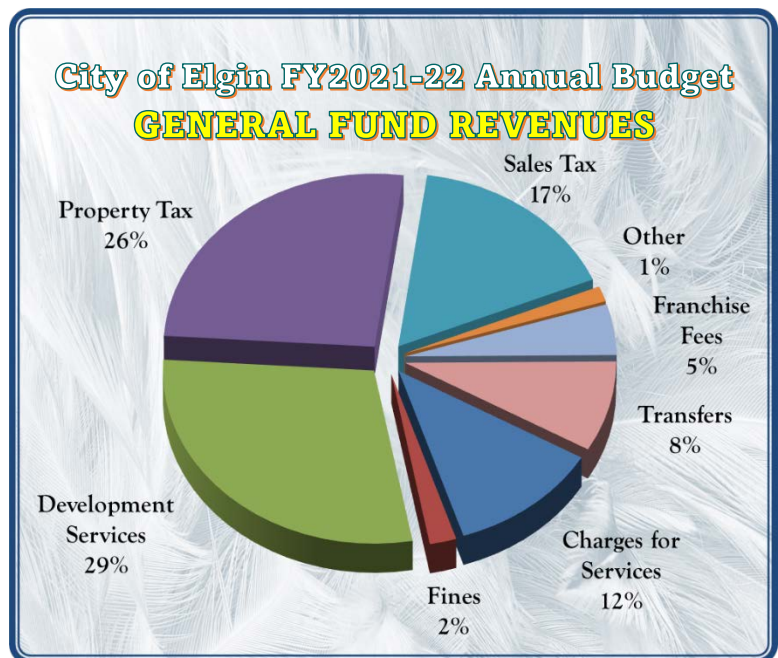
GENERAL FUND REVENUE

The General Fund is the City of Elgin’s principal operating fund for essential city services and is supported by a variety of revenue sources. Property (Ad Valorem) Taxes and Sales Tax, however, provide the primary funding support.

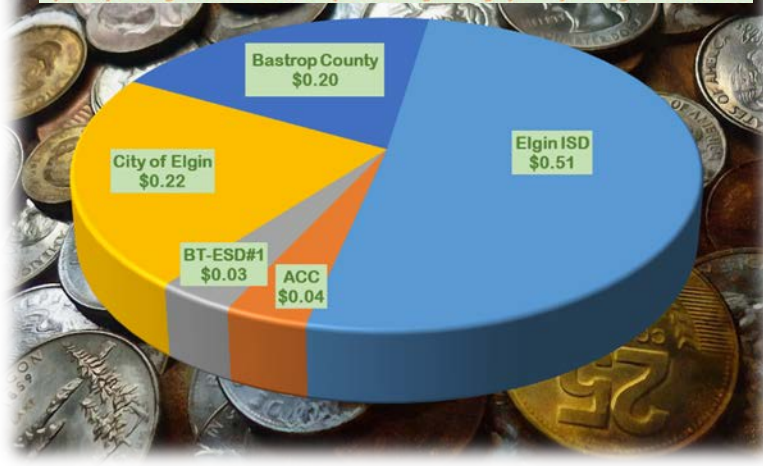
- **Property Taxes** – Property tax revenue projected for FY21-22 assumes moderate growth in the city’s taxable valuation, as home construction is anticipated to continue as its present rate throughout the fiscal year.

The proposed *FY21-22 Budget* is predicated on adoption of the “no new revenue (NRR)” property tax rate (\$576322/\$100 valuation) - the maximum rate allowed without a vote of the electors. The debt portion of the rate will be reduced as discussed previously.

(These numbers could change slightly as the staff continues its final calculations related to the property tax rate and related revenues.)



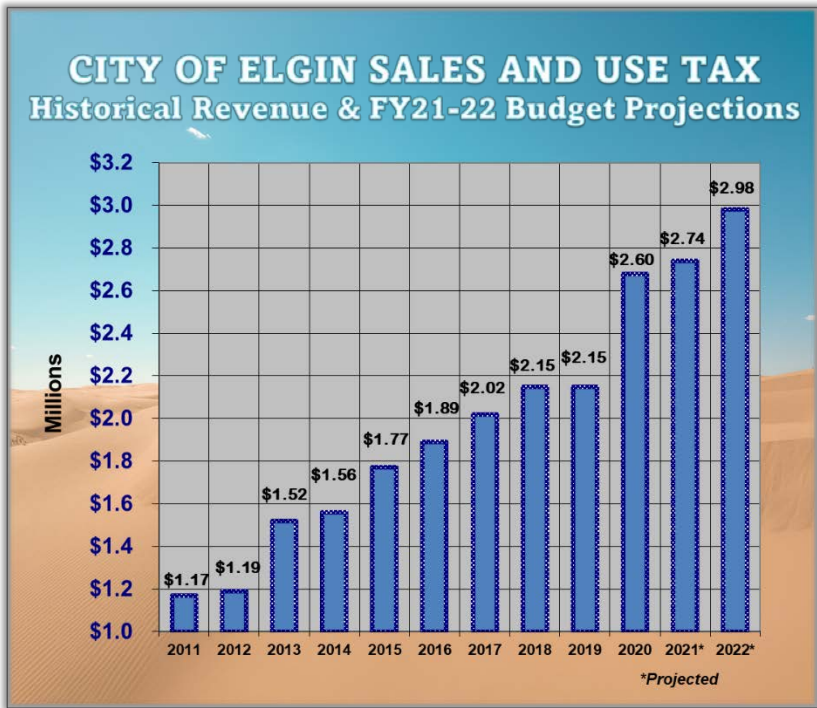
The City of Elgin receives less than \$.25 of every property tax dollar paid by city property owners



Whenever considering the City’s financial resources and property taxes, it is important to note that for all the services it provides, the City receives **only \$.22 out of every property tax dollar** paid by City property owners.

*Every City of Elgin property owner pays **more** in combined property taxes each year to Bastrop County and Bastrop-Travis County ESD#1 than it does to the City of Elgin.*

- **Sales Tax** – The State of Texas imposes a 6.25% sales and use tax on “all retail sales, leases and rentals of most goods, as well as taxable services”. The City of Elgin, like nearly all Texas cities, imposes an additional 2.0% sales tax to create a maximum combined rate of 8.25%. Of that total, Bastrop County receives 0.5% and the City Economic Development Corporation (EDC) receives 0.5%. **Of the 8.25% sales and use tax all consumers pay in Elgin, the City receives just 1.0% in support of operations and services.**



The City has experienced steady annual increases in sales tax revenue over the last decade, but the last two years have produced historic income levels:

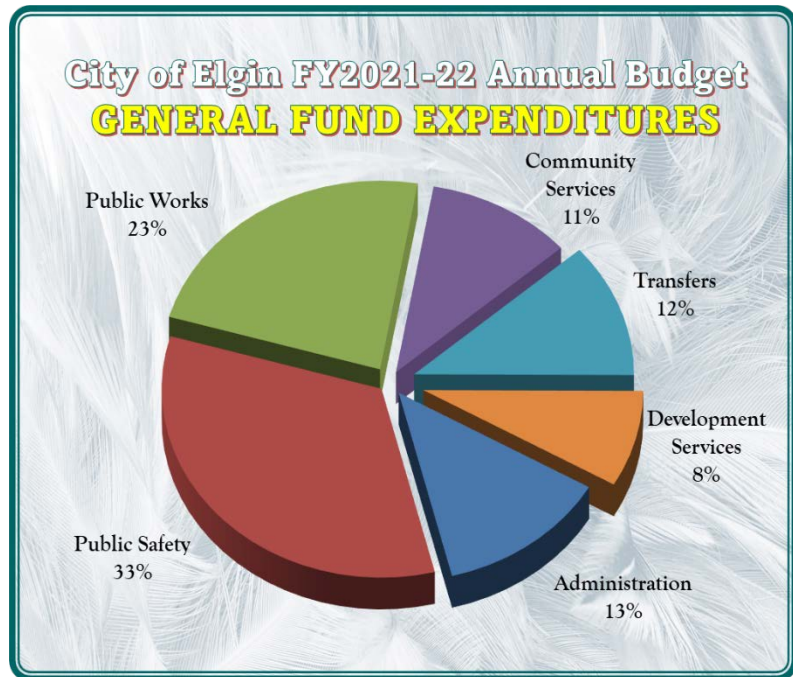
- Total Sales Tax Revenue (including the City EDC portion) is currently projected to exceed **\$2.9M** by FY20-21 year-end – which would be the City’s highest annual total ever (with last year’s total of **\$2.7M** being the second highest)
- Total sales tax revenue for the month of May was \$279,964 – the second highest one-month amount in the City’s history.
- Prior to October, 2019, the City had a total of only four (4) different months - *in its history* - where total combined Sales Tax Revenue exceeded \$200,000.

In the last twenty-two (22) months, the City has **averaged \$205,050** in monthly total sales tax revenues.

GENERAL FUND EXPENDITURES

The General Fund is the primary operating fund of the City of Elgin and is utilized to account for all costs traditionally associated with city government. It is similar to a private entity's general ledger account, providing resources to pay for the vast majority of administrative/operating expenses. The proposed *FY21-22 Annual Budget* includes total General Fund expenditures of **\$12.3M**.

Within City of Elgin operations, General Fund Expenditures are those costs associated with the provision of essential city services including, but not limited to public safety, parks, recreation, library, public works, mobility, and asset maintenance. The primary sources of income supporting the General Fund are Property and Sales Taxes.



STAFFING

The proposed budget includes full-year funding for up to **one hundred fifty (150) total city employees**: one hundred fourteen (114) full-time, sixteen (16) part-time positions, and twenty (20) seasonal positions.

These staffing levels include changes approved by Council in the FY20-21 mid-year budget amendment for both full-year funding of new positions and the deletion/reclassification of others:

- Two (2) Building Inspector & One (1) Permit Technician Positions in Development Services
- One (1) Communications Specialist Position in Community Development
- One (1) Meter Technician Position in Utility Billing
- One (1) Custodial Worker Position in Internal Services
- Reclassify One (1) Assistant CM/CFO to Chief Financial Officer Position
- Delete Three (3) Telecommunication Officer Positions
- Reclassify One (1) Telecommunication Officer to Administrative Assistant Position in Police
- Reclassify One (1) Administrative Assistant to Billing Specialist Position in Utility Billing
- Delete Pool Coordinator Position

New positions included in the proposed FY21-22 Budget are:

- One (1) Purchasing/Grant Coordinator Position in Finance
- One (1) Administrative Assistant/Receptionist in Human Resources
- One (1) Equipment Operator Position in Streets
- Two (2) Laborer Positions in Parks
- One (1) Sergeant Position and Four (4) Patrol Officer Positions in Police
- One (1) Detective Position and One (1) Administrative Assistant Position in Police
- Two (2) Laborer Positions in Utilities Maintenance
- One (1) Billing Specialist Position in Utility Billing

EMPLOYEE COMPENSATION

The City must continue to strive to provide appropriate and market-competitive compensation for all city employees in order to provide the highest possible level of services. Accordingly, the proposed *FY21-22 Budget* includes a Cost-of-Living Adjustment (COLA) of **3.0%** in base salaries for all full-time city employees.

Analysis is on-going, but it is currently anticipated that there will be a **5%** increase in overall costs associated with *Employee Health Insurance* – for both the City and employees.

INTERNAL SERVICES DEPARTMENT – EQUIPMENT FUND

The Internal Services Department was created to establish a centralized office to effectively distribute operational resources related to the vehicle/equipment fleet, facilities management, and information technology. This approach provides a consistent and cost-effective program to address all such maintenance and acquisition activities.

The proposed *FY21-22 Budget* includes a **\$475,000** Equipment Fund that will be managed by the Internal Services Department to acquire vehicles and operational equipment in support of the Police, Development Services, Recreation, Street Maintenance and Utilities departments.

STREET MAINTENANCE

In the recent past, the City has not maintained a consistent commitment to annual street maintenance – based primarily on financial limitations. Over the last 3 years combined, the City has spent only \$183,000 on street maintenance. In response to this situation, the proposed *FY21-22 Budget* includes a **\$500,000** investment in street maintenance and/or improvements. This amount represents one of the highest one-year funding commitments to street maintenance ever made by the City from operating revenues.

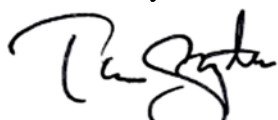
UTILITY RATES

The City has stabilized its Utility Fund in recent years by addressing issues related to operating deficits and additional debt service. As part of that effort, the Council approved a general policy of including a small, annual inflationary adjustments to basic water and sewer rates. However, given the current status of the Utility Fund balance and the rate increase necessitated by the 2021 COs, the proposed *FY21-22 Budget* includes no other utility rate increases.

One change that could occur to monthly utility bills is related to fees for curbside collection of household trash and recyclables. Waste Management, the City's service provider, is anticipated to exercise their option to increase rates by **2.85%**, which will be passed on to our utility customers.

These are both challenging and exciting times for the City of Elgin and this financial plan for the next fiscal year will allow our operation to continue moving forward. On behalf of the city staff, I thank the Mayor and City Council for the opportunity to serve the citizens of Elgin during this historic time.

Sincerely,



Thomas L. Mattis
City Manager