

## MEMO

August 20, 2010

To: City Council  
From: City Administrator  
Subject: Budget Message 2010-2011

The budget for fiscal year 2010-2011 is submitted for the Councils review, consideration, change, and eventual adoption.

The City of Henrietta is a General Law local Government Municipality. The goal of the municipality is to provide needed public services in order to operate and improve the quality of life for our citizens. This budget lays out the financial framework, which our city staff can utilize to meet the needs of this year.

### OVERVIEW

Total revenues and cash balance forward for fiscal year 2010-2011 is estimated to be **3,168,255**. Total expenditures for fiscal year 2010-2011 are proposed at **\$3,125,263**. If these estimates are correct this will generate a carryover balance of **\$42,992**. The carryover balance needs to keep gaining each year, so that the city can have three month reserve.

A significant water rate increase occurred last year and was for seen earlier, as stated in the 2007-2008 budget message: **“I will warn that if we do not have a better year than projected we will be faced with potentially raising water rates considerably next year. The water and sewer departments continue to lose money and have done so for many years, even though many of those years, improvements were not made.”**

The city went out and borrowed \$3.25 million combination revenue certificates in order to make necessary repairs on the water/sewer infrastructure. This resulted in a large rate increase last year to cover the new note, and to make up for previous financial losses. Due to the increase last year and the increased tax rate, no increase for water/wastewater services was applied this year. The water budget focuses on some projects, but did not include any capital purchases. Focus needs to be placed on building back these financial reserves, and to continue infrastructure upgrades. I believe some cost savings will occur when the city has finished the 2010 projects.

Property tax rates, as proposed, our rate will go up from .5750 to .7500, because of the following: reserve issue, paying debt service for water project, and ongoing cost increases from the Clay County Sheriff's contract. Due to the low reserve in Henrietta, the city will increase taxes around .01726 to assist with building the reserve. Around .15 cents of the increase is to pay the new debt issuance for the water projects. The wet weather pattern for the past year did not allow the city to build a payment fund for the new debt. The debt service this year is around \$166,000. Finally, the city contracts with Clay County for police protection. The cost increased 16% in the budget and has increased \$20,000-\$30,000 yearly. The city has identified the need to renegotiate and relook at this contract.

The city sales tax has been stable for the year. This is good news when compared to our neighbors, however in comparison to other communities we have lower normal collection

numbers because we are so close to Wichita Falls. This requires Henrietta to utilize the property taxes more than sales tax.

**ESTIMATED CARRY-OVER INTO 2001-2002 BUDGET YEAR**

General Fund	\$26,165
Community Center	\$16,620
Water & Waste Water Fund	\$207
<b>TOTAL ESTIMATED CARRY-OVER</b>	<b>\$42,992</b>

The budget does not include any increases for salaries this year. Due to the large increase in the tax rate, the council felt it would be best to wait a year for raises. We need to monitor this closely as we have good staff members in place, which we do not want to lose. We also need to remain competitive with other cities. Not providing raises can also decrease employee morale.

The health insurance is scheduled to increase around 16% this year due to the following: new health care regulations and provisions, increased usage, and multiple diagnoses. The cost this year is similar to rates from five years ago. Currently, the city pays for employees insurance, while the employee has the option of purchasing coverage for family members. The employees are satisfied with the coverage, and the reimbursement of deductibles we started two years ago.

The City Staff and City Council tried to reduce expenditures and increase revenues when appropriate so that unanticipated expenditures or mandates from the State and Federal Government do not place a financial burden on the city's ability to offer essential services to its citizens.

**GENERAL FUND**

**REVENUES**

We are projecting a total revenue and cash balance forward of 1,767,015 for the General Fund. Ad Valorem property taxes provide the largest single source of revenue in the General Fund and is projected at 762,545 for fiscal year 2010-2011. This figure is based on a total valuation of \$108,162,400 which represents an \$800,000 decrease in valuation over fiscal year 2009-2010. General Fund revenues and cash carry over balances are estimated at \$1,767,015 leaving an estimated \$26,165 to be carried over.

**EXPENDITURES**

Total projected expenditures in the general fund are projected at \$1,740,850 for 2010-2011. This amounts to a \$107,591 increase over budgeted expenditures for the current fiscal year 2010-2011. A portion of the total carry-over funds have been set aside as budgeted contingencies or reserves for the Fire Department and the total reserve amount

is shown below. The total amount reserved, to date; (including this year 2010-2011) is \$10,000 and is shown below. The budgeted contingencies include the following:

**FIRE DEPARTMENT RESERVE            \$10,000 (Years 10,11)**

**WATER AND WASTE WATER FUND**

**REVENUES**

Total revenues and cash forward is projected at \$1,375,720 in the Water & Wastewater Fund. We have projected water revenues at \$810,000 and waste water revenues at \$405,000 for 2010-2011. As usual, water revenues are not as easy to predict as other revenues due to variations in weather. There was not an increase in water/sewer fees for this new budget year due to the tax rate paying the water development board note.

**EXPENDITURES**

We have projected expenditures for 2010-2011 at \$1,375,513 which represents an approximate \$60,314 decrease over budgeted expenditures in the 2009-2010 fiscal year. The decrease was caused by including no capital improvement projects for this year. Projects attempted will be paid out of day to day line item funds for this year.

**CONCLUSION**

On behalf of all city employees, I want to take this opportunity to thank the City Council for their leadership during this past fiscal year. Their patience, foresight, and professional approach to the management of city affairs have resulted in many changes and improvements to the City of Henrietta over the past several years.

The scheduled completion of the major water/sewer infrastructure upgrades, should fix serious issues we are having and will provide a more efficient environment to improve services. Henrietta, as shown in the early pictures of the community in the cover sheets, met the challenges it has faced since, 1878. By progressively persevering against challenges, Henrietta will continue to be an excellent community for our citizens to enjoy for centuries to come.

Thank you for your support.

Jeff Jenkins  
City Administrator  
City of Henrietta