



FISCAL YEAR 2021

(2020-2021)

PROPOSED BUDGET

&

PLAN OF MUNICIPAL SERVICES

JULY 30, 2020



Declarations required by the State of Texas:

This budget will raise more revenue from property taxes than last year's budget by \$84,818.16 (3.5 percent) and of that amount \$28,997.08 is tax revenue to be raised from new property added to the tax roll this year.

The City of Gatesville proposes to use the increase in the total tax revenue for the purpose of equipment for the additional School Resource Officers and new equipment for the Street Department.

This notification statement complies with Texas Local Government Code § 102.005

This budget raises more property tax revenue compared to the previous year's budget. The Gatesville City Council adopted the budget with the following voting record:

City Council Ward 1, Place 1: Vacant

City Council Ward 1, Place 2: Randy Hitt

City Council Ward 1, Place 3/Mayor Pro-Tem: Meredith Rainer

City Council Ward 2, Place 4: William Robinette

City Council Ward 2, Place 5: Greg Casey

City Council Ward 2, Place 6: Jack Doyle

Ordinance 2020-____, dated September __, 2020

This notification statement complies with Texas Local Government Code § 102.007

Information regarding the City's property tax rate follows:

Fiscal Year 2020 (preceding): \$0.5600/\$100 valuation

Fiscal Year 2021 (current): TBD/\$100 valuation

Fiscal Year 2021:

Adopted Rate: \$0.TBD/\$100 valuation

No-New-Revenue Tax Rate: \$0.5509/\$100 valuation

No-New-Revenue Maintenance and Operations Tax Rate: \$0.583/\$100 valuation

Voter Approval Tax Rate: \$0.6588/\$100 valuation

Debt Tax Rate: \$0.2399/\$100 valuation

De Minimis Rate: \$0.7602/\$100 valuation

Total Debt Obligations Secured by Property Taxes: \$961,017



July 30, 2020

The Honorable Mayor Gary Chumley, Mayor Pro Tem Rainer, and Members of the City Council,

I am pleased to submit the proposed budget for Fiscal Year 2021 which begins on October 1, 2020 and ends on September 30, 2021. The budget was shaped by several considerations presented to the City Council during the FY 2020 midyear budget review on May 12, 2020 and:

- No one could have predicted the impact of the COVID-19 Coronavirus when the FY 2020 budget was approved by the City Council in September 2019;

- At the mid-year point, sales tax allocations were 0.71 percent below 2019 levels year-to-year and 0.1 percent below the FY 2020 budgeted level;

- The City had collected 96.6 percent of budgeted ad valorem (property) taxes, which resulted in a revenue shortfall of slightly over \$80,000;

- The winter and spring of 2020 were cooler and wetter than average, suppressing water sales/revenues.

- The results of the City's 2018 water and sewer rate study removed the TDCJ rate subsidies and with a signed Memorandum of Agreement between the City and TDCJ, the ability to satisfy the debt service on the Stillhouse Branch Wastewater Treatment Plant expansion was no longer an issue.

- The City is successfully executing the FY 2020 Capital Improvement Plan, but we are facing a \$10 million backlog in replacing all of the City's undersized and old 6-inch cast iron water mains and an \$8.7 million backlog in bringing the City's 61 miles of streets and roads up to standard.

Budget Development Process

Development of the City's proposed budget is a managerial process that is influenced by the political aspects of local government and the involvement of the elected officials in the planning and adoption process. The document filed with the City Secretary and presented to the governing body as required by State law takes months of planning, preparation and discussion among the departments of the City and with the governing body. A budget calendar, instructions and guidelines were provided to the department heads in May 2020. The City Manager and Finance Director developed revenue and expense projections for the current fiscal year, and briefed them to the City Council during the July 28, 2020 Council meeting. The review of the projected current year revenue and expenses was balanced with a thorough analysis of the operating departments' draft budget spending plans for FY 2021. After the submission of the initial operating requests and new capital spending requests, the City Manager and Finance Director worked with the departments to develop a proposed budget that fits within the revenue expectations and key department goals.

As required by the City's Charter and Local Government Code Section 102, the City Manager submits the proposed budget to the City Council at least 30 days before the governing body adopts an ad valorem tax rate. The budget is filed with the City Secretary in accordance with State Law and copies of the proposed budget will be made available at the City's public library and on the City's website. The City Council considers the proposed budget during a budget workshop, which also provides an opportunity for public input as required by state law. The budget is formally adopted by the City Council during the month of September at a regularly-scheduled Council Meeting. Once adopted, the budget goes into effect on October 1.

Significant Dates for the Budget Adoption Process

May 12: Mid-Year (FY 2020) Budget review with City Council

May 18: FY 2021 Budget Guidance delivered to Department Heads

June/July: City Manager review of Departmental budget request submissions

July 25 (NLT): Tax Roll certification by Chief Appraiser; preliminarily-certified rolls received on July 7.

August 11: Budget Workshop with City Council; Budget public hearing; discuss tax rate

August 19: Publication of proposed tax rate

August 25: Public hearing on the tax rate

September 22: Proposed budget approved by City Council; FY 2021 tax rate approved

October 1: Budget becomes effective

The City of Gatesville utilizes two major funds in its financial accounting. These Funds are designated as the City's major operating funds because of their size and nature. The highlights of these Funds are discussed below:

The General Fund is the primary operating fund of the City and provides public safety (police, fire and EMS) services, City Administration, street maintenance, library services, municipal court, youth sports/recreation, Building & Grounds, Planning & Community Development, the City's Convention & Visitors Bureau/Civic Center, and the outdoor swimming pool.

- 76.1 percent of General Fund revenues come from just two sources – ad valorem (property) taxes and sales tax allocations. Ad valorem taxes comprise 39.4 percent of budgeted General Fund revenues in this proposed budget, approximately one percent lower than the approved FY 2020 budget.
- The Coryell Central Appraisal District is responsible for the total estimated value of all taxable property. The tax values were preliminarily-certified by the Appraisal District on July 7, 2020 reflecting an increase of 2.4 percent in total taxable value. The tax on frozen accounts (over-65, 100% disabled veteran, etc.) rose 6.1 percent (\$12,680). \$501,740 in taxable value is still under protest with the Appraisal District Appraisal Review Board.
- In 2009, the Governor signed House Bill 3613 eliminating property taxes for 100% Disabled Veterans; in 2013 the voters of Texas approved eliminating property taxes for the surviving spouses of 100% Disabled Veterans. In the FY 2021 budget, \$10,483,694 (2.65%) of taxable value is exempted for sixty-six 100% Disabled Veterans (20 percent increase) and ten

surviving spouses of 100% Disabled Veterans, resulting in an exemption of \$58,709 of ad valorem taxes.

- The proposed budget is based on an ad valorem tax rate of \$0.56/\$100 valuation – the same level as the adopted rate for the FY 2020 budget.
- A 1-cent increase (decrease) in the property tax rate equates to \$39,989 in increased (or decreased) General Fund revenue.
- It is important to understand the technical aspects of how the property tax rate is set. The Coryell County Tax Assessor/Collector calculates the State-mandated tax rate calculations.
 - The No-New-Revenue (NNR) Rate provides the same amount of revenue collected in the current fiscal year from properties on the tax roll in FY 2019, accounting for changes in the value of existing properties, but not newly-constructed properties.
 - NNR Maintenance and Operations (M&O) Rate is the first of two components that comprise the total tax rate and funds salaries, utilities, and general day-to-day operations of the City.
 - Debt Service Rate is the second component, and is the statutory amount required to generate sufficient revenue to pay the City's debt obligations.
 - Voter-Approval Tax Rate is the Effective Tax Rate plus 3.5 percent; if the City Council elects to adopt a tax rate that exceeds the Voter-Approval Tax Rate, it is subject to an automatically-triggered election by the residents of Gatesville in November 2020.
 - Proposed Tax Rate is the rate set by and considered for adoption by the City Council that is determined to be necessary to fund the City's operations and the principal and interest on outstanding debt.
- Sales tax allocations account for 36.7 percent of General Fund revenues in this proposed budget, a 0.6 percent reduction compared to the adopted fiscal year 2020 budget. A FY 2015 Texas Municipal League survey indicated that on a statewide basis, property taxes comprise 34% of municipal General Fund revenues and sales tax allocations 28%. This has not been the trend in Gatesville for several years. The persistent (but declining) imbalance between property tax revenues and sales tax allocations – while not adverse in a healthy economic climate – is a matter of concern for providing a consistently high level of service, and is addressed in Strategies within the City's Comprehensive Plan adopted in May 2020 to increase the tax base in Gatesville (both property and sales). The proposed budget includes a two-percent increase in revenue from sales tax allocations compared to the FY 2020 adopted budget.

The Enterprise Fund accounts for revenues generated by the City in providing services to its residents. Costs associated with providing safe and reliable drinking water and adequate water and infrastructure for fire protection for residents and commercial entities, and sewer collection and wastewater treatment that prevents pollutants from reaching the City's primary water source are vital for future growth of the City while complying with increasingly stringent federal and State regulations.

- Over half of the City's water/wastewater distribution and collection system is well beyond its useful life, and needs to be recapitalized and/or replaced. In addition,

the City’s municipal airport and Fitness Center revenues and expenses are included in the Enterprise Fund as they are designed to be largely self-sufficient through user fees. The City must conservatively estimate Enterprise Fund revenues and expenses, and then monitor and evaluate revenues to ensure they cover the costs for providing the service. The Enterprise Fund reimburses the General Fund for financial, administrative, planning/engineering, transportation, and IT services.

- Debt Service (bond principal and interest) is budgeted in the Department responsible for the indebted function.

This proposed budget contains revenue estimates and spending plans for the General Fund and the Enterprise Fund. The total proposed operating budget is \$15,572,481 which represents a 4.9 percent increase over FY 2020. This total includes \$5,889,746 for the General Fund, and \$8,952,492 for the Enterprise Fund.

	GENERAL FUND	ENTERPRISE FUND	TOTAL
PROJECTED REVENUE	\$6,109,561	\$9,462,920	\$15,572,481
BUDGETED EXPENSES	\$6,109,561	\$9,462,920	\$15,572,481

Ongoing challenges with the City’s aging infrastructure during an extended period when revenues remained flat at best, has led to a significant backlog of maintenance and repair in several service areas (notably sustaining water distribution, sewer collection, wastewater treatment, and streets) that require wholesale replacement. This approved budget funds capital projects in Water Production, Water Distribution and Wastewater Treatment but is insufficient for planning for significant infrastructure recapitalization without receiving grant funding, such as the Community Development Block Grant. The proposed budget is balanced with no projected fund balance in either the General or Enterprise fund.

By comparison to FY 2020 (current fiscal year), in this proposed budget, General Fund revenues increase 3.7 percent due to a projected increase in ad valorem taxes, sales tax allocations, and the sale of City properties that are excess to our needs. General Fund expenses increase slightly due to the Planning and Community Development Department becoming fully operational in FY 2020, hiring of five School Resource Officers, replacement of some critical Street Department equipment, and a General Fund contingent appropriation to fund expenses if the Police Department procures a K-9 and repairs at the City’s sports complex. Due to the uncertainty in FY 2021 regarding COVID-19 and travel restrictions, all General Fund Department schools, travel, and conferences will be funded from the contingent appropriation with the exception of required certification/licensing requirements. Enterprise Fund revenues increase by 0.5 percent over FY 2020, and expenses increase by the same percentage, largely due to increased recapitalization of water and wastewater infrastructure projects in accordance with the 5-year Capital Improvement Plan.

GENERAL FUND

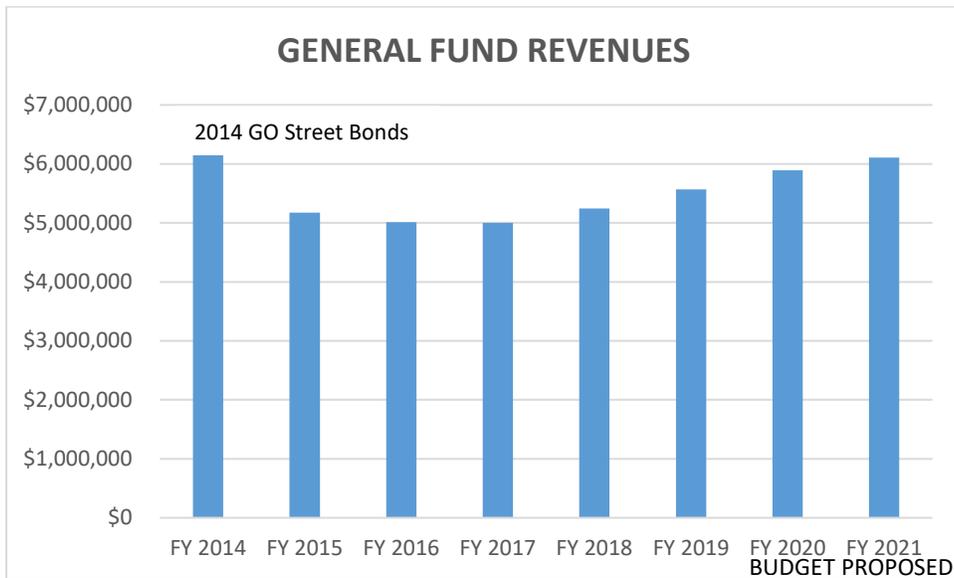
FY 2021 ESTIMATED REVENUES VS. REQUESTED EXPENSES

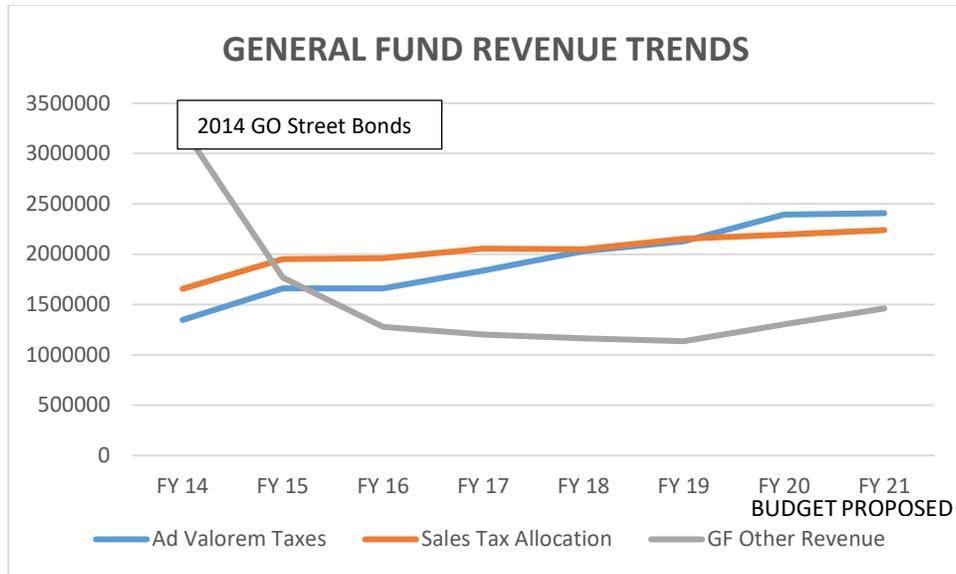
GENERAL FUND REVENUES BY SOURCE	FY 2018	FY 2019	FY 2020 (Approved)	FY 2021 (Proposed)
Ad Valorem Taxes ^{Note 1}	\$2,030,500	\$2,280,761	\$2,392,917	\$2,486,321
Sales Tax Allocation	\$2,050,000	\$2,152,500	\$2,195,550	\$2,239,461
Transfer from Water & Sewer Fund	\$234,638	\$219,192	\$223,576	\$290,857
Utility Franchise Fees	\$340,000	\$344,171	\$300,000	\$300,000
Municipal Court Fines	\$140,000	\$140,000	\$140,000	\$140,000
Recreation Sponsorships/Registrations	\$80,000	\$90,000	\$91,000	\$90,000
Outdoor Swimming Pool Receipts	\$50,000	\$43,118	\$41,000	\$30,000
Liquor Taxes	\$12,000	\$12,000	\$15,500	\$15,000
Civic Center Rental Fees	\$20,000	\$20,000	\$20,000	\$10,000
Licenses and Permits	\$20,000	\$30,000	\$30,000	\$35,000
Sale of Cemetery Lots	\$12,000	\$12,000	\$12,000	\$12,000
Hotel Occupancy Tax Transfer ^{Note 2}	\$115,200	\$86,365	\$131,627	\$115,312
Library Fines/Copies	\$11,000	\$12,100	\$11,500	\$8,000
Reimbursement from GISD (SRO)	\$46,000	\$46,000	\$100,269	\$247,225
Other Revenue	\$82,320	\$80,420	\$184,807	\$90,385
Total General Fund Revenues	\$5,243,658	\$5,568,627	\$5,589,746	\$6,109,561
GENERAL FUND EXPENSES BY DEPT	FY 2018	FY 2019	FY 2020 (Approved)	FY 2021 (Proposed)
LIBRARY	\$253,660	\$236,230	\$247,174	\$271,245
ADMINISTRATION ^{Note 3}	\$731,133	\$658,294	\$829,396.50	\$701,665
POLICE DEPARTMENT	\$1,901,810	\$2,073,808	\$2,110,426	\$2,350,532
FIRE DEPARTMENT	\$213,861	\$205,633	\$244,660	\$208,850
STREET DEPARTMENT	\$1,221,920	\$1,387,642	\$1,262,731	\$1,405,995
UTILITY BUILDING	\$89,235	\$98,600	\$104,820	\$95,685
BUILDINGS & GROUNDS (Parks/Cem)	\$163,420	\$220,690	\$244,719	\$206,477
RECREATION (YOUTH SPORTS)	\$282,876	\$275,095	\$280,892	\$297,061
CONVENTION & VISITORS BUREAU	\$154,437	\$156,920	\$208,267	\$165,246
SWIMMING POOL	\$94,505	\$95,350	\$157,725	\$117,545
MUNICIPAL COURT	\$136,800	\$160,365	\$154,948	\$169,480
TRANSFER EXPENSE	0	0	\$4,159	\$0
Total General Fund Expenses	\$5,243,657	\$5,568,627	\$5,889,746	\$6,109,561
Note 1: Tax Rate = \$0.56/\$100	\$0.51/\$100	\$0.56/\$100	\$0.56/\$100	TBD
Note 2: Restrictions on Uses				
Note 3: GF Contingent Appropriation				

Trend Analysis

The City of Gatesville utilizes conservative strategies when projecting revenues and expenditures. Revenue and expenditure trends are monitored on a monthly basis by the City Manager and Finance Director so necessary adjustments can be made to control spending. As evidenced in the current year, monitoring of revenues and expenditures informs the capital spending plan and can limit extreme fluctuations in available funds from one fiscal year to the next. Expenses (spending) must be based on a realistic assessment of projected revenues.

REVENUE TRENDS





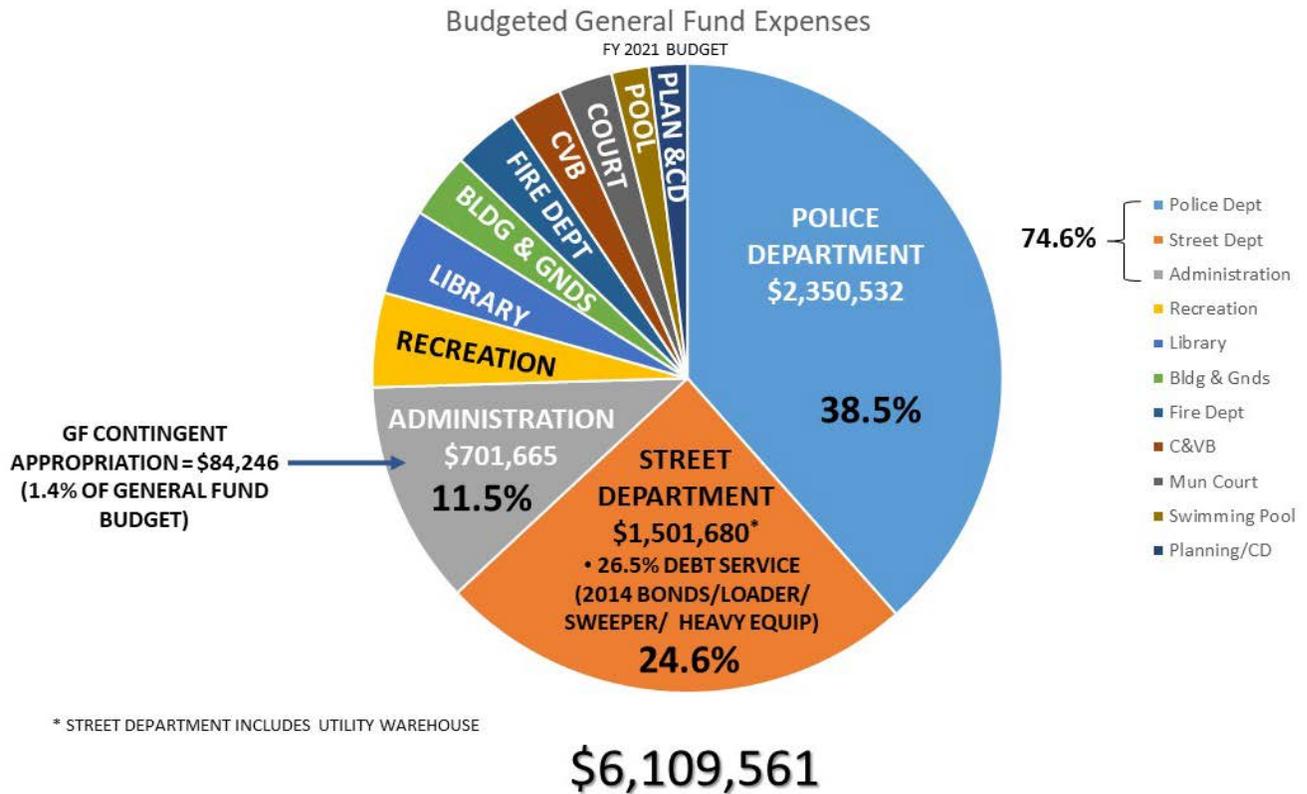
FY 14-19 are actuals; FY 20 is budgeted level; FY 2021 level is proposed budget

GENERAL FUND: The City of Gatesville funds the following Departments from General Fund revenues:

- City Administration
- Police Department
- Fire Department
- Street Department
- Building and Grounds Department
- Library
- Municipal Court
- Convention & Visitors Bureau
- Swimming Pool
- Recreation Department (Youth Sports)
- Planning & Community Development

For FY 2021, General Fund Revenue projections increase 3.7 percent compared to the 2019-20 (FY 20) adopted budget. We project modest increases in revenues from property taxes and sales tax allocations.

GENERAL FUND EXPENSES BY DEPARTMENT:



The City Charter mandates that the annual budget provide “a contingent appropriation in an amount not more than three percent of the total budget to be used in case of unforeseen items of expenditure”. For the FY 2021 budget \$84,246 (1.4% of GF Expenses) is budgeted as an expense item in the Administration Department budget. Should this appropriation not be expended on unforeseen expenses, it will be added to the current unassigned fund balance. The City adopted a formal fund balance policy in 2018 (attached), with unassigned fund balance goals of a total of two months of budgeted expenses in the General Fund; for FY 2021, the goal is \$1,018,260.

A summary of proposed General Fund Department expense categories compared to last year’s budgeted amount is as follows:

Department	Increase ↑/ (Decrease) ↓	Comments
Library	↑	Sustains current levels of service.
Administration	↓	Funding budgeted for Comprehensive Plan, HHW Day, Energy Debt (Debt Service for Energy Savings Contract), Substandard structure abatement, fireworks.

Police Dept.	↑	Additional SROs; minor increases in equipment purchase (SRO equip/veh)
Fire Dept.	↓	Building Repair & Maintenance
Street Dept.	↑	Tentatively no asphalt paving for water/sewer lines; additional seal coating and pothole repair. New water trailer
Utility Building	↓	Sustained Operations
Buildings and Grounds	↓	Initial skate park repairs complete
Recreation/ Youth Sports	↑	Continued field and concession stand improvements at complex; fencing replacement
Convention & Visitors Bureau	↓	Impacts of COVID-19
Muni Court	↓	Use of Court Technology Funding
Swimming Pool	↓	Pool was repaired/re-plastered/re-tiled in FY 2020

The General Fund is balanced. If General Fund revenues outperform estimates, capital purchases will be considered in the third quarter of the Fiscal Year in lieu of committing the contingent appropriation for

**GENERAL FUND
FY 2020 FUND BALANCE PROJECTION**

Beginning Fund Balance 10/01/2019:	\$1,336,111
Cash Balance 6/4/2020	\$2,160,012.38
Projected 4 th Qtr/20 Revenues:	\$1,133,000
Projected 4 th Qtr/20 Expenses	\$(1,603,902.56)
Ending Balance:	\$1,689,109.72

Ideal Fund Balance ^{Note 1}

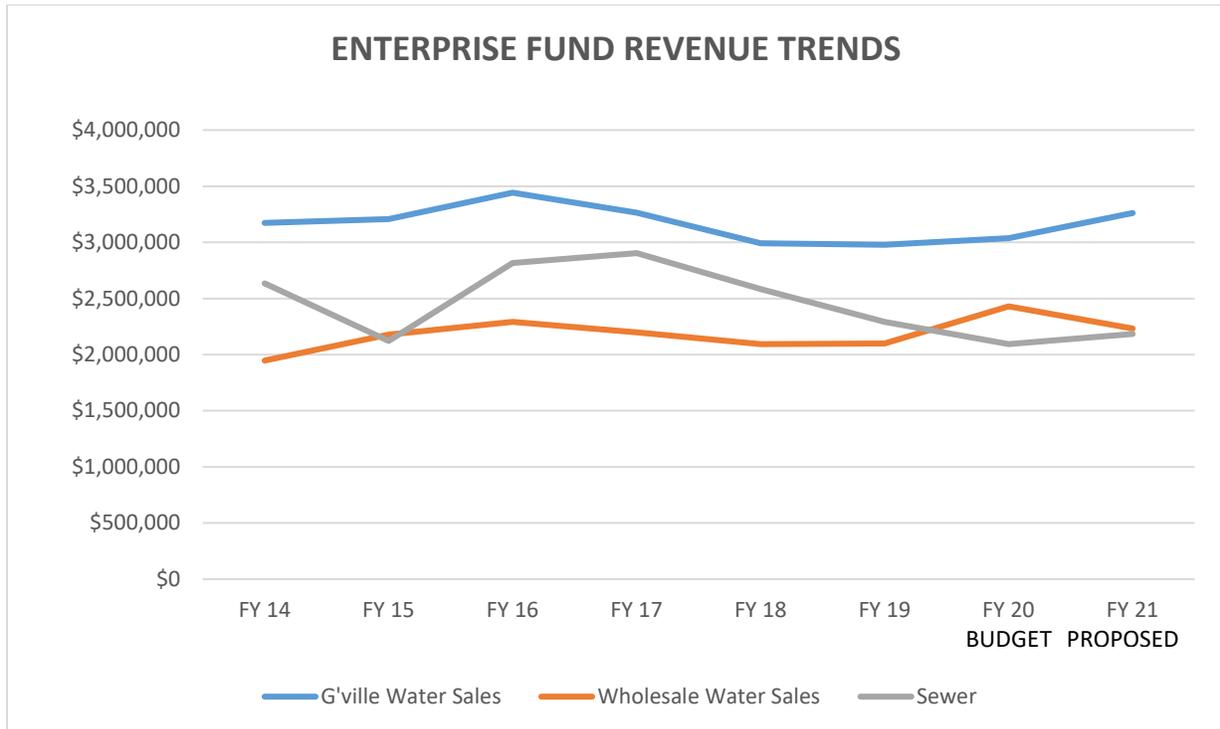
FY 2020	\$ 981,624
FY 2021	\$1,018,260
Over (Under) Ideal Fund Balance:	\$ 197,027.72

Note 1: The City's Fund Balance Policy requires a minimum unrestricted cash fund balance equal to at least two months of operating expenditures. For the proposed FY 2021 budget, the minimum fund balance in the General Fund is \$1,018,260. The projected FY 2020 fund balance represents 3.3 months of operating expenditures.

**ENTERPRISE FUND
FY 2020 ESTIMATED REVENUES VS. REQUESTED EXPENSES**

ENTERPRISE FUND REVENUES BY SOURCE	FY 2018	FY 2019	FY 2020 (Approved)	FY 2021 (Proposed)
Water Billing (City/TDCJ)	\$2,990,500	\$2,978,299	\$3,037,840	\$3,589,835
Sewer Billing (City/TDCJ)	\$2,063,000	\$2,197,000	\$1,968,595	\$2,971,485
Wholesale Water (City/WSCs)	\$2,093,950	\$2,098,000	\$2,430,000	\$2,231,510
Fitness Center	\$230,000	\$198,000	\$180,000	\$150,000
ENTERPRISE FUND EXPENSES BY DEPT				
Water Distribution	\$3,721,625	\$3,376,128	\$3,589,982	\$3,714,020
Sewer	\$2,395,282	\$2,611,664	\$2,285,582	\$2,937,074
Water Production	\$1,749,573	\$2,051,291	\$2,330,734	\$2,083,338
Fitness Center	\$285,970	\$280,600	\$285,985	\$262,288

Revenue Trends



FY 14-19 are actuals; FY 20 is budgeted level; FY 2021 is proposed budget

ENTERPRISE FUND: The City of Gatesville funds the following Departments from Enterprise Fund revenues:

- Gatesville Municipal Airport
- Fitness Center
- Water Distribution
- Water Production
- Wastewater Treatment/Sewer
- Sanitation

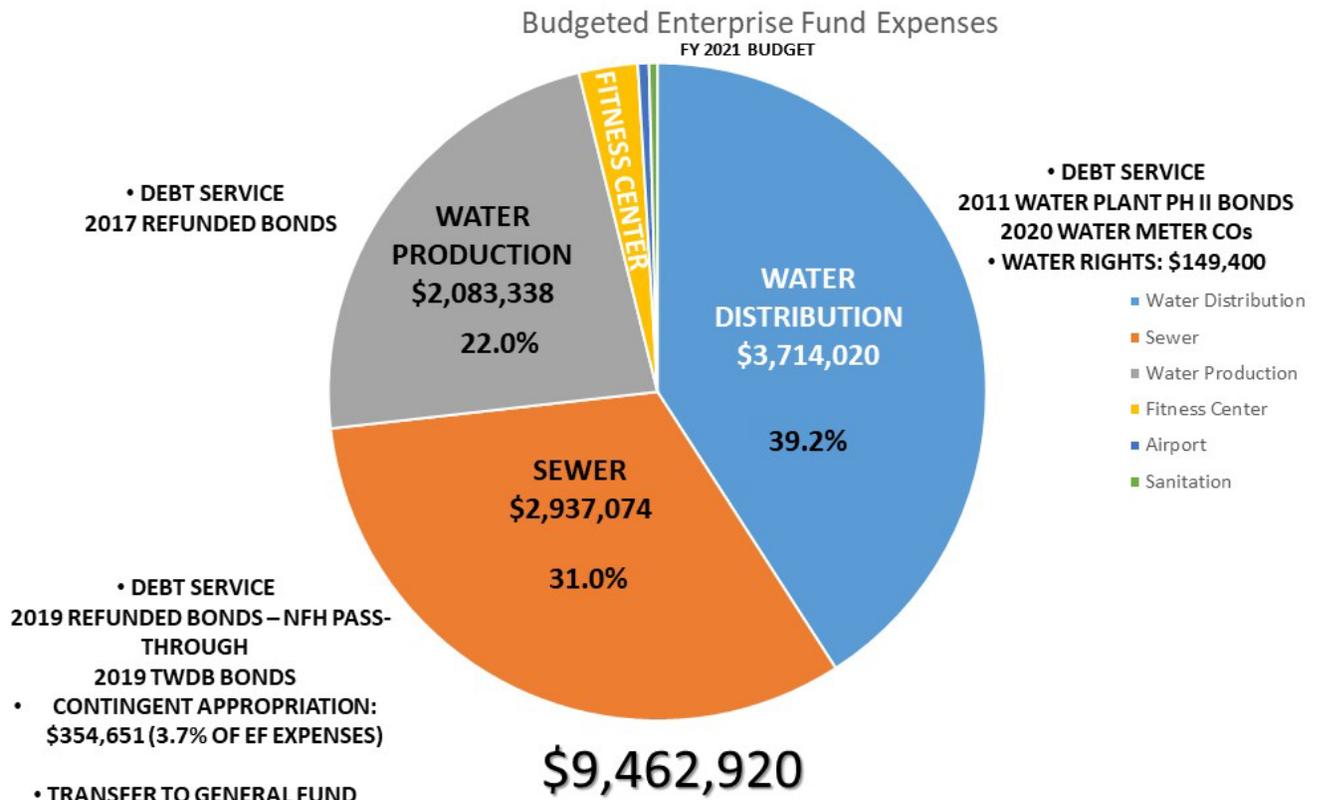
The Enterprise Fund revenues come from:

- Water Billing Revenue (City of Gatesville and the Texas Department of Criminal Justice)
- Sewer Billing Revenue (City of Gatesville and the Texas Department of Criminal Justice)
- Fitness Center Revenue
- Water Production Revenue (Wholesale Customer Water Sales)
- Sewer Revenue (Primarily Wastewater Treatment services for North Fort Hood)
- Airport Revenue (Hangar Rental and Fuel Sales)

Enterprise Fund revenues are budgeted with a 0.5 percent increase over the FY 2020 budget levels, due in large part to implementing the recommendations for the third-year incremental rate increases of the FY 2019 water/sewer rate study. The City has contracted for a comprehensive wholesale (Gatesville Regional Water System – the City and five Water Supply Corporations) water rate study, which is currently on-going. Depending on when the new rate structure and contracts can be approved, this could lead to an increase in Wholesale Water sales revenues this FY. We continue discussions with Fort Hood leadership about adopting a model for wastewater charges that allows underpayments or overpayments to be resolved through the use of that account's reserve fund. Pending the outcome of those discussions, we have elected to forecast an extremely conservative revenue estimate for North Fort Hood wastewater treatment.

After removing the debt service payments for Water and Sewer Plant improvement from expenses, the macro-economic analysis indicated that expenses incurred in the Wastewater collection and treatment functions will slightly exceed revenues for the next two to three years, while retail water revenues exceed expenses and offset the revenue shortfall in the Sewer function.

ENTERPRISE FUND EXPENSES BY DEPARTMENT:



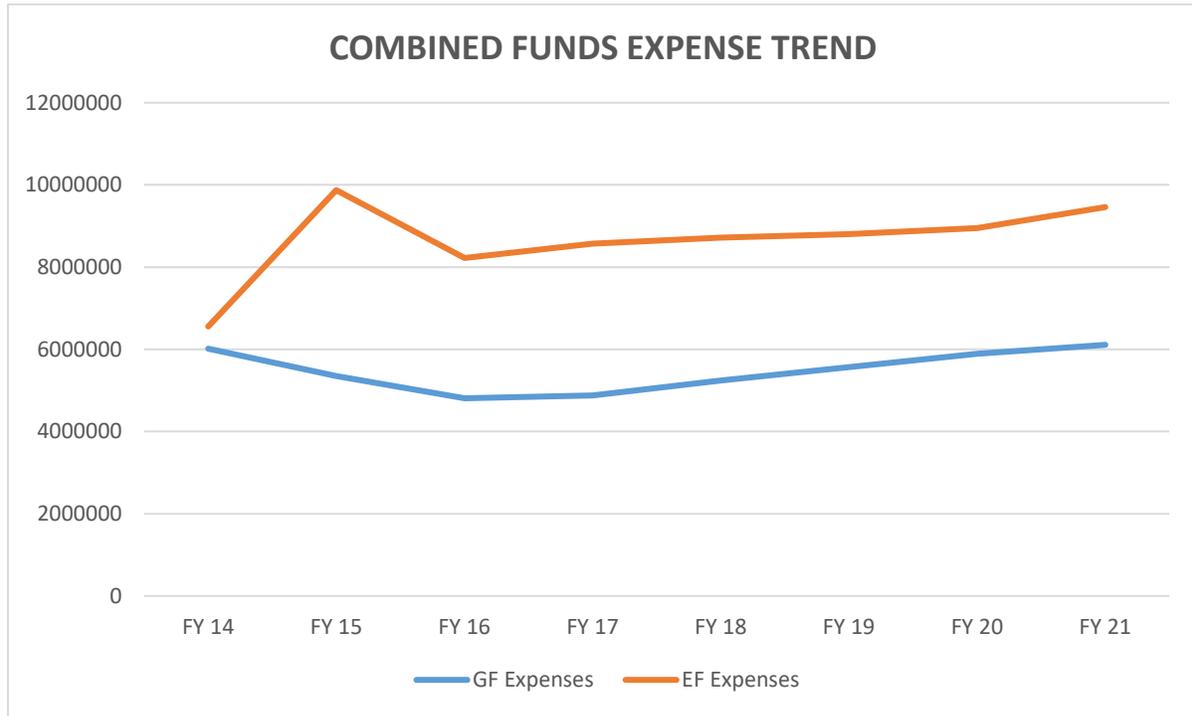
A summary by Enterprise Fund Department expense categories compared to last year’s budgeted amount is as follows:

Department	Increase ↑/ (Decrease ↓)	Comments
Airport	↑	Sustained operations; higher bulk fuel prices
Water Distribution	↑	Slight reduction in capital outlay and vehicle/equipment repair and maintenance
Water Production	↓	Capital outlay – rebuild WTP clarifier carryover in 2021
Sewer	↑	Materials & Supplies, lab fees/ permits), and WWTP repairs and maintenance (in contingent appropriation) decrease at both WWTP.
Fitness Center	↑	Slight increase in Repairs and Maintenance; more Fitness Center-sponsored wellness events.

The Enterprise Fund budget is balanced. However, as in the General Fund, there are Department-requested capital spending outlays that are high risk/low probability and miscellaneous items that fit within the contingency model, totaling \$421,875 that are not included in the current budget. We have

established a contingency appropriation totaling \$354,651 in the Sewer Department's budget to cover any of the Enterprise Fund contingencies that might occur. If Enterprise Fund revenues outperform estimates, any additional capital purchases will be considered in the third quarter of the Fiscal Year.

Combined Fund Expenditure Trends



FY 14-19 are actuals; FY 20 is budgeted level; FY 2021 is proposed budget

DEBT SERVICE OBLIGATIONS:
BONDS/CERTIFICATES OF OBLIGATION

DATE FINANCED	ISSUE AMOUNT (PRINCIPAL)	PURPOSE FOR BONDS	MATURES	BALANCE INCLUDING INTEREST	AMOUNT DUE FY 2021
10/1/2011	\$8,005,000.00	2011 Tax & Utility System Revenue – Certificates of Obligation (Revenue bonds for Phase II of Water System Renovation)	9/1/2036	\$9,192,348	\$551,022.50
2/9/2014	\$1,500,000.00	STREET PROGRAM BONDS (GO bonds to purchase equipment to repair city streets)	2/1/2024	\$668,360.50	\$165,658.50
5/24/2017	\$7,238,103.50	GENERAL OBLIGATION REFUNDING BONDS, SERIES 2017 (Revenue bonds for Phase II of Water System Renovation)	9/1/2036	\$6,169,251	\$383,782.50 [Debt serviced through \$0.25/1000 gal water rate increase in 2013]
4/25/2019	\$10,000,000	REVENUE BONDS SERIES 2019 (Revenue Bonds for Stillhouse WWTP Expansion)	9/30/2039	\$10,602,226	\$559,086.50 [62% of debt service paid by TDCJ] City: \$211,722.50
4/15/2020	\$2,410,000	REFUNDED TAX & UTILITY SYSTEM REVENUE BONDS (2007) NFH SEWER	9/30/2027	\$2,262,592.90	\$343,939 [PAID BY FORT HOOD]
7/01/2020	\$2,570,000	WATER METER REPLACEMENT PROGRAM CERT OF OBLIG	9/30/2035	\$3,087,050	\$187,375
TOTAL					\$2,190,864

LOANS:

DATE BORROWED	AMOUNT BORROWED	LOAN PURPOSE	PAYMENTS		MATURES	BALANCE	AMOUNT DUE FY 2020
9/15/2014	\$460,025	RENOVATION OF CIVIC CENTER	\$55,036.27	ANNUAL	9/15/2024	\$194,170.14	\$55,100
12/13/2016	\$132,995	2016 KAWASAKI LOADER	\$26,599 + Interest	ANNUAL	12/13/2021	\$55,409.83	\$29,999
		STREET SWEEPER					\$34,730
		PUBLIC WORKS DEPARTMENT HEAVY EQUIP					\$126,698
TOTAL							\$246,527

Economic Outlook for FY 2021: There is no significant residential development platted or planned in the immediate future, although limited new home construction is occurring in various parts of the City. As a result, the ad valorem tax base (driven by property valuations) will remain largely unchanged for the foreseeable future. City-Data.com is a social networking and information website that captures data for U.S. cities. The information is obtained by public records and FOIA requests. The data extends into the unincorporated areas of Coryell County with the 76528 zip code, however comparative data that includes Gatesville is non-existent on sources such as the Texas A&M Real Estate Center website. For 2016, the estimated median (50% above/50% below) house values for several communities in Central Texas were:

- Gatesville: \$79,229
- McGregor: \$95,553
- Copperas Cove: \$98,532
- Lampasas: \$107,176
- Belton: \$132,045

The mean (average) values of a detached house were:

- Gatesville: \$119,431
- McGregor: \$157,776
- Copperas Cove: \$177,218
- Belton: \$193,545
- Lampasas: Not available

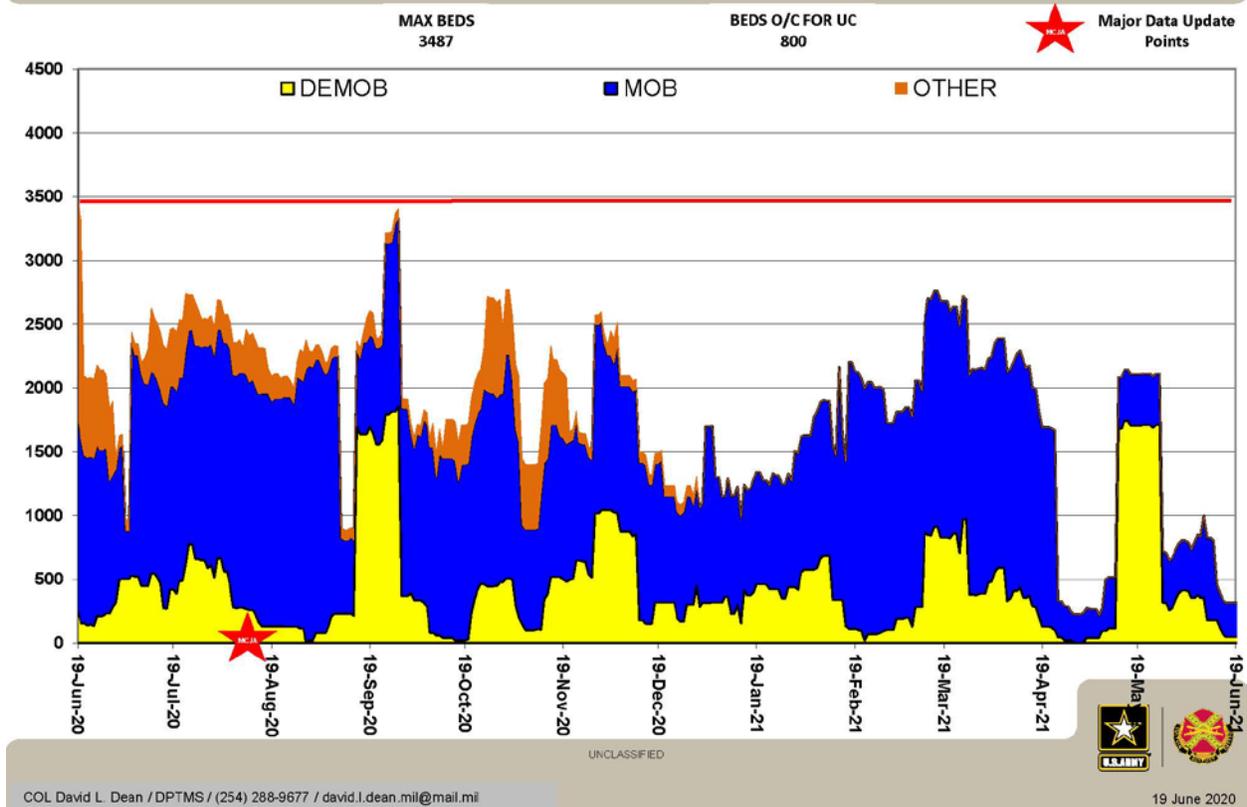
For 2020, the Coryell Central Appraisal District has appraised the market value of the total 2,818 single family residences with homestead exemptions in the City of Gatesville at an average (mean) of \$115,795 per residence.

At the current time, there is a lack of significant business creation/development/expansion in Gatesville, although several parcels of undeveloped land in the City's extra-territorial jurisdiction have recently been listed for sale. On Main Street – the principal commercial corridor in the City – there are currently 14 businesses and nine residential structures (zoned business-commercial) that are vacant; many have been vacant for several years. There is no entity focused on sustaining existing business/attracting new business-commercial development to Gatesville. Exploring options for increasing the tax base through concentrated economic development activities will occur this year.

The City will continue aggressive public nuisance enforcement and substandard structures programs at levels that are reasonable given resource constraints. Several vacant lots in the City (or lots with substandard structures) do not meet the Single Family Residential Zoning Ordinance minimum of 6,000 - 8,000 square foot lot requirements (depending on zoning district). There are numerous, non-contiguous vacant lots north of Main Street that are zoned Residential 2-4 Family; further analysis is required to determine if this housing segment is already saturated, and whether there is a need for additional Multi-Family housing. The Planning & Zoning Commission continues its efforts to revise the City's 1995 Zoning Ordinance, in the wake of the City Council adopting the City of Gatesville Comprehensive Plan in May 2020.

While not a significant economic impact on Gatesville's economy, worldwide strategic uncertainty is impacting Reserve Component (Army National Guard and US Army Reserve) mobilizations at North Fort Hood which are projected at the current time to remain steady compared to FY 2020. The next major decision point regarding mobilization will occur in August 2020, and the adopted budget will be adjusted (if necessary) to account for any changes. The largest impact are water sales and sewer revenues, with little change in sales taxes or hotel/motel occupancy.

Fort Hood Mobilization / De-Mobilization



HUMAN RESOURCES AND HEALTH INSURANCE: In this proposed budget, salary increases have been limited to a 2% across-the-board cost of living with the exception of those Departments where we have begun implementation of the 2019 Classification and Compensation Study in order to bring a limited number of employees up to the minimum rate based on market analysis. Department Heads have some discretion to recognize their most exemplary employees. In FY 2019, the City hired a professional firm (Baker-Tilley) to assist in ensuring it is organized efficiently and effectively, updating position descriptions, and developing pay scales based both on merit and longevity (not currently funded). Work continues on refinement of position descriptions. The City subsidy for employee/employee and family healthcare premium costs are budgeted at the same level as the FY 2020 adopted budget. We will not know the exact costs of employee healthcare coverage and options until November/December 2020; this budget proposes to keep employer-provided health insurance premiums at the same level as current.

CAPITAL IMPROVEMENT PLAN: A Capital Improvement Plan (CIP) is a short-range plan (usually 4-10 years) which identifies capital projects – different than capital purchases. The CIP provides a link between the City, the City’s Comprehensive Plan, and the City’s annual budget. A CIP allows for:

- systematic evaluation of all potential projects at the same time;

- the ability to consolidate projects to reduce borrowing costs;
- serving as an economic development tool;
- preserving the City's infrastructure while ensuring the efficient use of public funds.

There is no evidence that the City has had a CIP for several years. A proposed Capital Improvement Plan covering FY 2020-FY 2024 is currently under development and will be included with the adopted budget.

ADDITIONAL ITEMS OF INTEREST:

The City continued to execute some initiatives in FY 2020 with limited funding in the budget that need to at least be sustained in FY 2021. These include:

a. A Household Hazardous Waste Day/City-wide cleanup: these have been very successful events the past four years, however the 2020 event was cancelled due to weather and COVID-19 concerns, and will be rescheduled tentatively on March 13, 2021. The proposed budget funds this event at \$20,000 – a slight decrease based upon a funding commitment from the Coryell County Commissioners Court. The City is scheduled to receive a CTCOG grant of \$12,500 for the FY 2021 HHW Day event.

b. Funding to abate substandard structures by the City (when the property owner will not pay) is included in this budget at \$15,000 – the same as FY 2020. This amount will cover only three structures if the City is required to demolish the structure.

c. Asbestos removal and demolition of the remainder of the Rotunda – a long standing unfinanced eye-sore – is not included in this budget. The City applied for a FY 2020 EPA Brownfields Cleanup grant, but was not funded. The EPA debrief on our application provided some useful feedback on how to strengthen our application if we apply again in FY 2021, and we have entered into a Memorandum of Agreement with an Environmental Engineering firm to assist in fine-tuning our application.

d. Initial indications are that the Energy Savings Performance Contract begun in FY 2018 is resulting in substantive reductions in utility costs.

e. In FY 2018, the City began the process of updating its 1970 Comprehensive Plan starting with a survey of citizen's needs and requirements. The City Council adopted the Plan in May 2020. Comprehensive planning is one approach that can aid the City of Gatesville to preserve the unique character of the City while taking advantage of the positive aspects of growth in one of the fastest growing regions in the country. The primary outcome of a Comprehensive Plan is a guide to the future physical development of the City. The Plan will serve as a guide for public decisions in the areas of land use, capital improvements, zoning, and other land management decisions. Orderly, planned development can help the City absorb population growth while preserving the quality of life. As a result of the needs/requirements survey, four Guiding Principles were developed:

- Investment: municipal infrastructure, programs, and human resources;
- Renewal: compatible growth, redevelopment, and expanding economic opportunity;

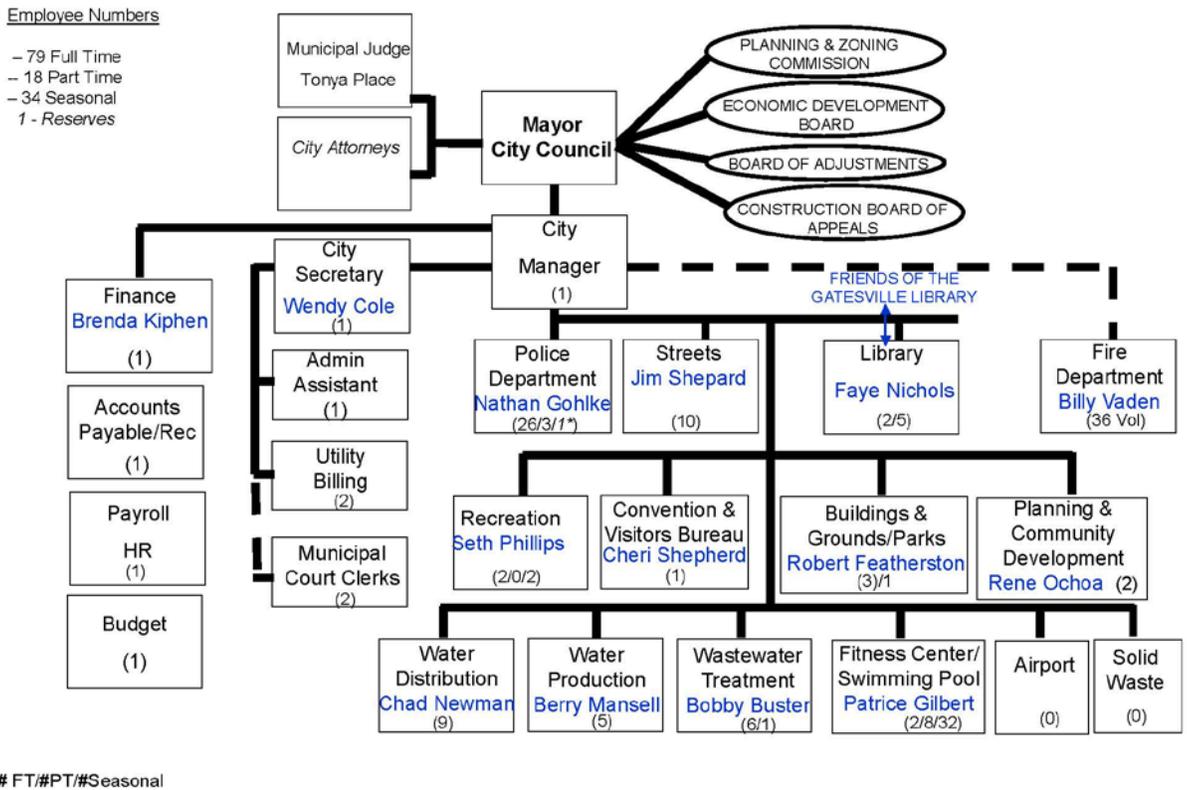
- Balance: demographically, economically, approach to growth;
- Growth.

Short-term (0-5 years) strategies supporting each of these Guiding Principles are attached to this budget.

f. Organizational Shortfalls: The City has continued to operate with a mentality of “do more with the same” and several functions found in similar-sized municipalities are lacking in the City’s current organization. These include: a dedicated IT/network administrator; staff engineer/Public Works Director; and Public Information Officer. One or more of these new positions (not in this budget and not funded) could also serve as an Assistant City manager. With funding approved by the Council in the FY 2019 budget, the City added a full-time Director of Planning and Community Development. There are currently 14 Departments reporting directly to the City Manager, which can be argued is too broad of a span of control. The City Manager, by default, must cover those functions that are not filled. We continue to explore the opportunity for a Public Works internship with the assistance of Fort Hood and the US Chamber of Commerce “Hiring Our Heroes” program. With an increased revenue stream, these vacancies can be filled incrementally.

AS OF: 1 OCTOBER 2019

City of Gatesville Organizational Chart



While this budget proposal is austere, it continues the City’s commitment to the highest level of service possible within resource constraints, and establishes sound financial management practices to guide our strategic planning considerations for the future. I welcome your input on where adjustments within

Departments might be necessary, keeping in mind that increases to one Department/function will necessitate corresponding reductions in another Department.

On behalf of the Staff, I would like to thank the Mayor and Council for the time and effort invested to-date and will continue leading up to the final adoption of the FY 2021 Budget and Municipal Services Plan. I would also like to express my thanks to the Staff and Department Heads who assisted in the development of this proposed budget.

Respectfully submitted,

William H. Parry, III
City Manager

City of Gatesville, Texas Fund Balance Policy

Purpose:

The purpose of this policy is to establish a key element of the financial stability of the City of Gatesville by setting guidelines for the fund balance. Unassigned Fund Balance is an important measure of economic stability and it is essential that the City maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, such as natural disasters and other similar circumstances. This policy will ensure the City maintains adequate fund balances in the operating fund with the capacity to:

1. Provide sufficient cash flow for daily financial needs.
2. Provide funds for unforeseen expenditures related to disasters.
3. Offset significant economic downturns or revenue shortfalls, and
4. Secure and maintain a high investment grade bond ratings.

Definitions:

Fund Balance – An accounting distinction is made between the portions of fund balance that are spendable and non-spendable. These are divided into five categories:

1. Non-spendable fund balance – this can include amounts that are not in spendable form or are required to be maintained intact. Examples are inventories and endowments/principal of a permanent fund.
2. Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external creditors, grantors, or contributors either constitutionally or through enabling legislation. An example includes grants.
3. Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action by the Gatesville City Council. Commitments may be changed or lifted only by the City Council. An example would be a General Revenue-dedicated Fund.
4. Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes. Intent shall be expressed by the City Council or if the Council delegates the authority, the City Manager. Assigned Fund Balance represents the amount that is not restricted or committed. Such assignments cannot exceed the available fund balance in any fund.
5. Unassigned Fund Balance – the residual classification for the General and Enterprise Funds and includes all amounts not contained in other classifications. Unassigned amounts represent the City of Gatesville’s “Rainy Day Fund” and are technically available for any purpose.

Fund Balance Policy:

Committed Fund Balance

City Council action, in the form of a resolution, is required to establish, modify or rescind a fund balance commitment. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.

Assigned Fund Balance

The City Council has authorized the City Manager as the official authorized to assign the fund balance to a specific purpose as approved by this policy.

Target Unassigned Fund Balance

The City's goal is to achieve and maintain an unassigned fund balance in the General fund equal to 16.7% and in the Enterprise Fund equal to 16.7% of budgeted operating expenditures. In the event the fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust expenditures to restore the balance.

Appropriation of Unassigned Fund Balance

To reduce the Unassigned Fund Balance below 16.7%, there must be Council approval. If a disaster causes significant reduction in city revenues, the fund balance could be reduced below 16.7% to provide funding to maintain city services at their pre-disaster levels. The fund balance may be used this way until revenues recover.

Reserve Mandate

There shall be maintained in the budget a maximum annual 3% General Fund Reserve. This reserve is mandated by the City Charter as a contingent appropriation and may be used on emergency or unexpected expenditures. It also can be used to prevent a reduction in the fund balance below 16.7%.

Replenishment of Fund Balance Reserves

If the unassigned fund balance falls below 16.7% or if it is anticipated that at the completion of any fiscal year, the projected fund balance will be less than the minimum requirement, the City Manager shall prepare and submit a plan to City Council to restore the required level. The plan shall detail the steps necessary for the replenishment of the fund balance as well as an estimated timeline for achieving such, not to exceed five years. In the event the fund balance is calculated to be less than 16.7%, the maximum 3% contingent appropriation, as mandated by the City Charter, may be used to replenish the fund balance.

Accumulation of the Fund Balance

The unassigned fund balance may be allowed to accumulate above the 16.7% target to accommodate operating and unexpected capital expenses. It is not recommended that the unassigned fund accumulate above 25%.

Monitoring and Reporting

The Finance Director shall be responsible for monitoring and reporting the City's Fund Balance and reserves. The City Manager is directed to make recommendations to the Council on the use of reserve funds both as an element of the annual operating budget submission and from time to time throughout the fiscal year as needs may arise.

CITY OF GATESVILLE CAPITAL IMPROVEMENT PLAN

TBP



GEOGRAPHIC AND HISTORIC CONTEXT

The city of Gatesville, Texas is located north of central Coryell County on the east side of the Leon River. The city is 40 miles from Waco Texas, and halfway between Austin and Fort Worth. Traversed by U.S. Route 84 and Texas State Highway 36, the city is easily accessible to neighboring cities. The U.S. Census Bureau identifies the city as 8.9 square miles in total acreage and .05% covered by water.

The City of Gatesville was established in 1854 and named after Fort Gates; a United States Army Fort located 5 miles southeast. The land was donated to the city by Richard G. Grant shortly after the County of Coryell was organized. Due to its isolation, the city grew slowly in the 1850s and during the civil war.

After the civil war, however, the state of Texas experienced a large influx of settlers and Gatesville was incorporated by 1870. By 1880, the town had become an important frontier supply and became the County's major shipping and supply center after the rail service was extended into the town. Following the railway, saw mills, cotton gins, schools, and businesses all contributed to the continued growth of the population to 1,375 by 1890. In the 1940s, Fort Hood, a military base and training center, was constructed nearby aiding in the population growth and economy of the city. Fort Hood continues to play a significant role in the Gatesville economy today.

Later, In the 1960s and 70s the rail lines to Gatesville were abandoned and growth began to slow. In recent years, Gatesville has become the location of several correctional institutions. The Gatesville State school for the Boys was established in 1887, the Mountain View School for Boys in 1962, Hilltop unit in 1981, and the Alfred D. Hughes Unit in 1990. All institutions except for Alfred D. Hughes became women's units for the Texas Department of Corrections in the 1970s and 80s. Other local industries that arose during the 1980s included manufacturing and agricultural business.¹ While these industries remain in the Gatesville area, other sectors have grown to be more prominent.

Gatesville Texas serves as the County seat of Coryell County and in 2001, was designated "The Spur Capital of Texas" due to the collection of Loyd and Madge Mitchell's 10,000 spurs in the County Museum.² The main industries in Gatesville involve retail, manufacturing, and corrections.

The City of Gatesville has many assets such as historic sites, progressive business, and scenic beauty in the heart of central Texas. Gatesville also has a low cost of living and is located along major highways, making it accessible to multiple major cities and contributing to a tourism industry with festivals, parades, and an annual rodeo.³

DEMOGRAPHIC PROFILE

Since 2000, the city of Gatesville, Texas has experienced slow growth in population, changing from 15,801 individuals to 15,826. This static population change followed the largest spike from 1980 to 2000 when the population increased by 160%. The city of Gatesville and the County of Coryell have both remained fairly static in population in the past years as compared to the State

of Texas whose population increased by 1.8% from 2014-2015. The limited population growth may in part be accounted for by the unique demographic profile in the area, due to the number of correctional institutions in Gatesville. As of 2012 the prisons in Gatesville employed 2,600 people. Additionally in 2012 there were 5,552 females and 2,958 males imprisoned in Gatesville totaling over half the population of the City.

¹ <https://tshaonline.org/handbook/online/articles/hfg02>

² <http://www.ci.gatesville.tx.us/>

³ <http://gatesvilletx.info/about-gatesville>

COMPREHENSIVE PLAN SHORT-TERM STRATEGIES

INVESTMENT:

1. Annually review, revise and adopt a capital improvement plan as part of the city's budget to ensure that both municipal infrastructure and major departmental equipment needs are identified, planned for and funded each fiscal year.
2. Utilize regular, recurring, sources of funding (i.e. water and sewer user fees) to finance anticipated infrastructure maintenance and capital investment needs.
3. Analyze water and sewer rates on a biennial basis to ensure that sufficient revenue is being generated to meet operational and maintenance requirements and sufficiently fund necessary capital improvements.
4. Systematically assess the condition and needs of community facilities and utility and transportation infrastructure in order to prioritize effective and efficient maintenance and/or expansion program(s) to ensure a quality system of service delivery.
5. Prepare assessments of the staffing and technology needs of all city departments to ensure that funding is adequate to fulfill their missions in an efficient manner.
6. Work with community partners, including the Gatesville ISD, the Coryell Memorial Healthcare System, Coryell County, and local businesses and industries to develop and implement a plan to extend high-speed broadband internet service to the City.

RENEWAL:

1. Streamline development regulations and procedures to eliminate unreasonable barriers to growth and reinvestment in the city.
2. Proactively enforce minimum housing regulations and nuisance codes in neighborhoods to eliminate blight, enhance the value of residential properties, and encourage private reinvestment in the city's housing stock.

BALANCE:

1. Support the development of a mix of housing types throughout the city that meets the needs of a population that is diverse in terms of age, family structure and income.
2. Support and sponsor community events that appeal to a wide range of demographic groups including students, young professionals, families, and retirees.
3. Continue to direct resources towards parks and recreation facilities and programs that fulfill the needs of residents of all ages and abilities.
4. Continue to support the community's rural agrarian and ranching culture and associated economic activity through the unique services, regulatory environment and infrastructure investments that are necessary for it to thrive as an integral part of the city.

GROWTH:

1. Review and revise the city's land use and development ordinances to ensure that the regulatory environment is aligned with the city's goals for facilitating high quality growth.
2. Adopt and enforce utility connection policies that are firm in their requirement for annexation prior to receiving utility services from the city.
3. Adopt and implement Subdivision and Zoning regulations that enhance the compatibility of future growth in Gatesville with military training and operations at Fort Hood, and coordinate with Fort Hood when zoning changes or development plans are proposed in areas of encroachment concern.
4. Coordinate with Fort Hood when the city prepares plans for growth inducing infrastructure, such as utility and transportation projects, to ensure that any potential encroachment concerns are identified and mitigated, to the extent possible.