



City Manager's Office

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To: Mayor Dennis Green, City Council, & City Manager
From: Cary Erskine, C.F.O./A.C.M.
Date: February 8, 2023
Subject: Budget Amendment #1 for Fiscal Year September 30, 2023

Honorable Mayor and City Council:

As we are nearing the middle of the 2023 fiscal year, a budget amendment is needed to account for revenues and expenditures that were unknown when the annual budget was prepared in July of 2022. However, keeping with the structurally balanced budget concept that the original budget adhered to, this amendment will also be structurally balanced and have zero impact on Net Revenue over Expenditures for the 2023 fiscal year.

Due to the Federal Reserve increasing the Fed Rate 8 times since January of 2022, the budgeted revenue for interest earned by the City has already been surpassed as of January 31, 2023. The attached schedule shows projected end of month cash balances and associated projected monthly interest earned amounts for the remainder of the fiscal year. The assumptions made related to these projected cash flows and cash balances are conservative in keeping with Council's conservative revenue philosophy.

The majority of the expenses included in the budget amendment are related to the successful completion of the FYE 2021 and 2022 audits which follows the City Council Work Plan Goal #1. The remainder of the expenses are related to items approved by the council after the start of the fiscal year or for projects that were undertaken in FYE 2022 that had expenses realized in the current fiscal year.

Staff recommends the approval of the Ordinance adopting Budget Amendment # 1 to the City of Morgan's Point Resort FY 2023 Annual Budget.

| | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 |
|---|--------------|--|--------------|--------------|--------------|
| Ending (Actual or Projected) Month Cash Balance for Sweep Account | 7,248,183.46 | 8,528,753.18 | 8,554,366.19 | 8,470,034.02 | 8,020,034.02 |
| Interest Rate | 2.73% | 3.36% | 4.07% | 4.43% | 4.62% |
| Actual or Projected Interest Earned for Month | 16,568.87 | 19,744.78 | 27,992.32 | 32,959.36 | 30,877.13 |
| Projected Interest Earned for FYE 09/30/2023 | 307,983.03 | | | | |
| Budgeted Interest Earned for FYE 09/30/2023 (A/C 02-00-4414) (\$7,000,000 * 1.30% Interest Rate for June 2022) | 92,500.00 | (Oct 22 - January 23 amounts above equal \$97,265) | | | |
| Difference | 215,483.03 | | | | |

Note 1: Assumed \$200,000 of decrease in monthly cash starting February 2023 per month to reduce FYE 23 Surplus of \$1,584,988 as of 1/31/2023.

Note 2: Assumed \$250,000 of decrease in monthly cash starting February 2023 per month to equal \$2,000,000 of FYE 2023 spending for GST project.

Assumed GST project to be completed by 12/31/23.

Note 3: Assumed 0.25 Increase in Fed Rate to occur in March 2023.

Staff recommends a budget adjustment in the amount of \$225,000 to recognize the increase in interest income to the original budgeted amount.

Of the \$225,000, the other \$10,000 of interest will come from the operating account interest earned (A/C 02-00-4410).

Below are staff recommendations to offset the increase in revenue.

| Amount and Account | Rationale |
|--|---|
| 1). \$25,000 - Various Dept Salaries (split between general/water/marina) | City Manager raise effective September Council Meeting not in original budget. |
| 2). \$5,000 - Various Dept Payroll Taxes and TMRS (split between general/water/marina) | City Manager raise effective September Council Meeting not in original budget. |
| 3). \$85,000 - Admin Dept Audit Expense | Original budget had historical amount which would only cover 1 audit. |
| 4). \$20,000 - Admin Dept Consulting Expense | To account for ILA with the COG for the planning services. |
| 5). \$25,000 - Admin Dept Consulting Expense | For temporary help with all audit reconciliations. |
| 6). \$5,000 - Admin Dept Postage Expense | Original budget had historical amount which did not cover November election mailout. |
| 7). \$10,000 - PPF Dept Election Expense | Original budget had historical amount which would only cover 1 election. |
| 8). \$15,000 - Water Dept Salaries | Historical Incentives for water department not accounted for in Compensation Study. |
| 9). \$25,000 - Admin Accounting IT License | CFO recommends an additional accounting software to help facilitate audit completion. |
| 10). \$10,000 - Unspent - Added to Consulting as Buffer | |

| Note 3 | | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Note 1 | | | | |
| | | Note 2 | | | | |
| Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 |
| 7,570,034.02 | 7,120,034.02 | 6,670,034.02 | 6,220,034.02 | 5,770,034.02 | 5,320,034.02 | 4,870,034.02 |
| 4.75% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 29,964.72 | 29,666.81 | 27,791.81 | 25,916.81 | 24,041.81 | 22,166.81 | 20,291.81 |

Recap of Fed Rate Increases in 2022 & 2023

| | Cumulative Rate |
|---------------------------------------|-----------------|
| January 1, 2022 Rate | 0.25 |
| March 17, 2022 0.25 Rate Increase | 0.50 |
| May 5, 2022 0.50 Rate Increase | 1.00 |
| June 16, 2022 0.75 Rate Increase | 1.75 |
| July 27, 2022 0.75 Rate Increase | 2.50 |
| September 21, 2022 0.75 Rate Increase | 3.25 |
| November 2, 2022 0.75 Rate Increase | 4.00 |
| December 14, 2022 0.50 Rate Increase | 4.50 |
| February 1, 2023 0.25 Rate Increase | 4.75 |
| March 21, 2023 Next Meeting | |

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF MORGAN'S POINT RESORT, BELL COUNTY, TEXAS, ADOPTING BUDGET AMENDMENTS FOR THE 2023 BUDGET YEAR.

WHEREAS, the City Council of the City of Morgan's Point Resort has determined that it will be necessary to amend the 2023 City Budget as shown on the attached exhibit; and,

WHEREAS, the City of Morgan's Point Resort, Texas ("City"), is a Type A general law city operating pursuant to the laws of The State of Texas, by and through its duly elected council members; and,

WHEREAS, the City Council is authorized and empowered to adopt budget amendments as the City Council determines to be in the best interest of the City; and,

WHEREAS, the City Council has determined that is necessary to amend the 2023 City Budget is shown on the attached Exhibit "A".

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MORGAN'S POINT RESORT, BELL COUNTY, TEXAS, THAT:

Section 1. The budget amendment, as shown on Exhibit "A" attached hereto is adopted by the City Council.

Section 2. This Ordinance was approved by the City Council at a regularly scheduled meeting duly posted in accordance with the Texas Open Meeting Act and at which a quorum was present and voting.

Section 3. In the event that one or more of the provisions contained in this Ordinance shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability of this Ordinance shall be construed as if such invalid, illegal or unenforceable provision has never been contained herein, but shall not affect the remaining provisions of this Ordinance, which shall remain in full force and effect.

Section 4. This Ordinance shall be and become effective immediately upon its adoption.

PASSED AND APPROVED this the _____ day of _____, 2023 by ____ (ayes) to ____ (nays) to ____ (abstentions) vote of the City Council of the City of Morgan's Point Resort, Texas.

THE CITY OF MORGAN'S POINT, TEXAS

DENNIS GREEN, Mayor

ATTEST;

OPHELIA RODRIGUEZ, City Secretary

NEALE POTTS, City Attorney

City of Morgan's Point Resort
FYE 09/30/2023
Budget Amendment #1

EXHIBIT A

To account for the interest rate changes over the last 12 months and various projects the city has entered/will enter into during the fiscal year.

Revenue

| Account Name | Department | Account Number | Amount per Adopted Budget | Budget Amendment #1 | Amended Budgeted Amount |
|----------------------------|------------|------------------|---------------------------|---------------------|-------------------------|
| Interest Earned - Checking | General | 02-00-4410.00.00 | 1,500.00 | 10,000.00 | 11,500.00 |
| Sweep Acct Interest | General | 02-00-4414.00.00 | 92,500.00 | 215,000.00 | 307,500.00 |

Expense

Sum of All Revenues 225,000.00

| | | | | | |
|------------------|----------------|------------------|------------|-----------|------------|
| Salaries | Administration | 02-10-6110.00.00 | 292,805.00 | 12,500.00 | 305,305.00 |
| FICA | Administration | 02-10-6118.00.00 | 20,975.00 | 775.00 | 21,750.00 |
| Medicare | Administration | 02-10-6118.01.00 | 4,738.00 | 181.25 | 4,919.25 |
| TMRS | Administration | 02-10-6124.00.00 | 40,434.00 | 1,572.50 | 42,006.50 |
| Audit Fees | Administration | 02-10-6212.00.00 | 25,000.00 | 85,000.00 | 110,000.00 |
| Consulting | Administration | 02-10-6214.00.00 | 29,350.00 | 55,000.00 | 84,350.00 |
| Postage | Administration | 02-10-6412.00.00 | 4,500.00 | 5,000.00 | 9,500.00 |
| Tyler IT License | Administration | 02-10-6415.00.00 | 25,000.00 | 25,000.00 | 50,000.00 |

| | | | | | |
|----------------------|-----|------------------|----------|-----------|-----------|
| Bell County Election | PPF | 02-63-6219.00.00 | 5,000.00 | 10,000.00 | 15,000.00 |
|----------------------|-----|------------------|----------|-----------|-----------|

| | | | | | |
|----------|-------|------------------|------------|-----------|------------|
| Salaries | Water | 11-00-6110.00.00 | 197,656.00 | 6,250.00 | 203,906.00 |
| Hourly | Water | 11-00-6111.00.00 | 247,056.00 | 15,000.00 | 262,056.00 |
| FICA | Water | 11-10-6118.00.00 | 30,264.00 | 387.50 | 30,651.50 |
| Medicare | Water | 11-10-6118.01.00 | 6,495.00 | 90.63 | 6,585.63 |
| TMRS | Water | 11-10-6124.00.00 | 55,696.00 | 757.50 | 56,453.50 |

| | | | | | |
|----------|--------|------------------|------------|----------|------------|
| Salaries | Marina | 15-00-6110.00.00 | 106,863.00 | 6,250.00 | 113,113.00 |
| FICA | Water | 15-10-6118.00.00 | 7,308.00 | 387.50 | 7,695.50 |
| Medicare | Water | 15-10-6118.01.00 | 1,709.00 | 90.62 | 1,799.62 |
| TMRS | Water | 15-10-6124.00.00 | 12,614.00 | 757.50 | 13,371.50 |

Sum of All Expenses 225,000.00

Net Revenue over Expenditures 0.00