



AGENDA MEMO

Business of the City Council

City of Sweeny, Texas

Meeting Date	7.23.2024	Agenda Items	
Approved by City Manager		Presenter(s)	Lindsay Koskiniemi, City Manager
Reviewed by City Attorney		Department	All – General Fund, Enterprise Fund
Subject	Workshop and discussion on Fiscal Year 2024-2025 Budget		
Council Strategic Goals	N/A		
Attachments / Supporting documents	Draft FY25 Budget Document inclusive of major funds – General Fund, Enterprise Fund, and Debt Service		
Financial Information	Expenditure Required:	N/A	
	Amount Budgeted:	N/A	
	Account Number:		
	Additional Appropriation Required:		
	Additional Account Number:		

Executive Summary

We knew this would be a tough year, but the working though the budget it is clear we will have to make difficult decisions to address anticipated deficits in both major funds.

Two budget formats are presented for consideration. As we move to our new accounting system, the new format will become standard. For the purposes of comparison and to satisfy Council's request, the preliminary FY25 budget is presented in the old format and the new. The numbers do not totally marry up, but for the purposes of a preliminary budget workshop, it will work.

The more concerning fact is the General Fund is anticipated to be approximately \$200k in the red, and the Enterprise Fund is expected to be at a deficit of approximately \$660K. There are several contributing factors amounting to the Enterprise Fund budget:

- \$180K/YR paid to Inframark to meet regulatory requirements.
- \$195K in projects to either meet or maintain regulatory requirements.
- The debt is disproportionately weighted to the Enterprise Fund, because the debt obligation is to satisfy certificates issued for the purpose of water and wastewater projects.
- Utility rates have not been evaluated since 2019 in anticipation of the 2019 Certificate of Obligation issuance. Those assessed utility rate increases were not implemented until 2021. The CPI differential between September 2019 when the last utility rate increase was assessed and June 2024 is 23%; therefore, the City has missed opportunities to keep with current rate of inflation. Typically, it is recommended that municipal utility rates be reviewed every other year or be annually adjusted to the CPI rate.

The General Fund is proposed with a relatively flat recommendation for expenditures. Differences between last fiscal year and FY25 include the following:



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Increases:

- 3% cost of living adjustment for all employees.
- \$11,400 for police certification pay.
- \$8k increase in Community Center improvements to add split A/C units.

Removals:

- Removed proposed jail facility for \$200k
- Reduced raises from 5% to 3%.
- Removed all transfers to the new Capital Project fund with recommendation to delay funding one year.

Staff has sought the possibility of a taking a loan, but with interest rates and the approximate annual payment of debt obligation of \$665K, the City is likely not in a great position to take on additional debt.

More ideas will be discussed on July 23, 2024.

Recommended Action