



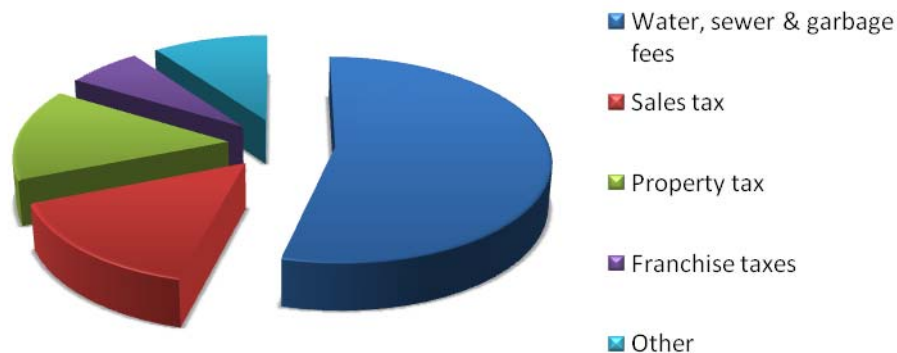
# City of Clifton Finances – FAQs

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City Administrator  
September 22, 2010

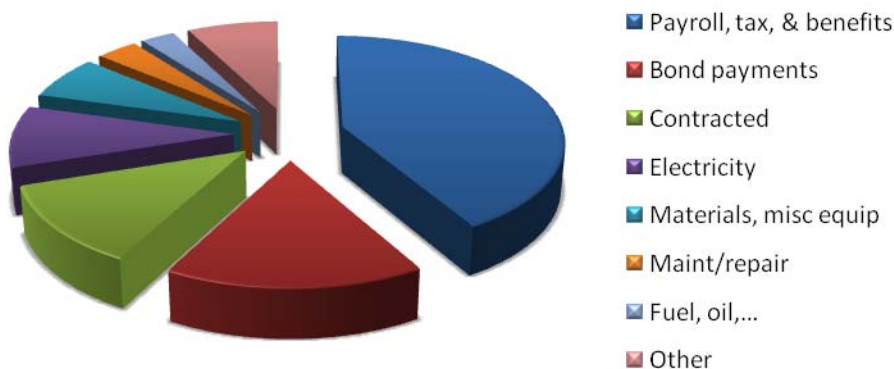
## Where does the money to operate the City of Clifton come from, and how is it spent ?

The two charts below show income sources and major expense categories for the roughly \$3 Million annual budget. The budget is always planned so operating expenses are a little less than expected income, and adjusted during the year as needed. Surpluses at the end of the fiscal year are put into savings accounts, where they have been used to fund major purchases and run projects. Revenue and income are managed under separate funds – General and Revenue. General funds income is primarily sales and property taxes that pay for police, parks, streets, courts and administration; Revenue funds income is primarily water, sewer and garbage pickup fees to pay for and operate those utilities.

### Income

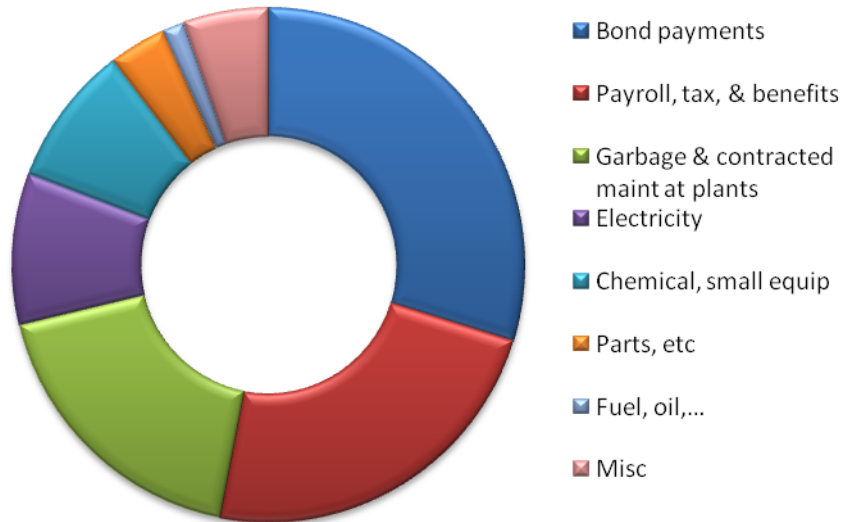


### Expense



## How does the City spend a water, sewer and garbage payment ?

### How a utility payment is used



- The largest portion of every utility payment goes to pay off about \$8 Million in bonds that were used to build the wastewater plant, the reservoir, water treatment plant and associated tanks and plumbing. The City pays about \$590,000 every year to pay off the bonds.
- The Payroll, payroll taxes and benefits support City employees primarily responsible for the water & sewer departments. Our well water and wastewater operators are state trained and certified, with experience and continuing education requirements to maintain their certifications.
- In addition to a “pass through” payment for garbage pickup services, maintenance on the sophisticated process control systems in our water and sewer plants is performed by outside contractors.
- Electricity runs the pumps that move untreated water from the river to our reservoir, through the treatment plant and pumps treated water through the system to tanks, homes and businesses. Electricity also powers the pumps and blowers used to treat wastewater.

### What happens if we spend less and/or take in more income than planned ?

In past years under “tight-fisted German” budgets authored by former City Administrator Jerry Golden, the actual operation income and expenses generated surpluses at year-end. That’s good news, because when actual income and expenses leave un-spoken-for money, it goes into savings accounts in Tex Pool [see sidebar] where it will be available for the unexpected or for major purchases (such as replacing a well pump or a backhoe) or major projects (such as upgrading a section of sewer pipe or increasing the filter capacity at the water plant). As a goal, the City tries to maintain at least three months of cash “cushion” in these accounts (that’s \$750,000) to allow for seasonal differences in income and expenses or for unexpected expenses. Balances above the three month levels can be available to be spent at Council direction for long-term assets and projects.

### How does the City allow for replacement of worn out equipment ?

Beginning with the FY2011 budget, the Council established a new rule – every year, the budget must reflect contributions to savings to assure the City will have money available to replace items of the \$1 Million + in equipment that the City owns that simply wears out. The average annual cost of replacing worn out equipment (vehicles, heavy equipment, pumps, motors, mowers, ...) is about \$95,000.

### What happens if we spend more and/or take in less income than planned ?

That’s where the cash cushion in the Tex Pool savings accounts come in. For example, the Spring and Summer of 2007 were tough on many Texas communities in many ways, Clifton included. That year was one of those “unexpected” periods the savings accounts had been built for. Torrential rains battered the city in the

Spring, requiring higher repair expenses than had been planned. At the same time, all that rain meant fewer water “sales”, meaning less income. Because the savings accounts were there and in good shape, the city was able to pay its bills without going into crisis mode, but the result was that long term expenditures that would be paid from Revenue Fund accounts will have to be put off until the savings account recovers.

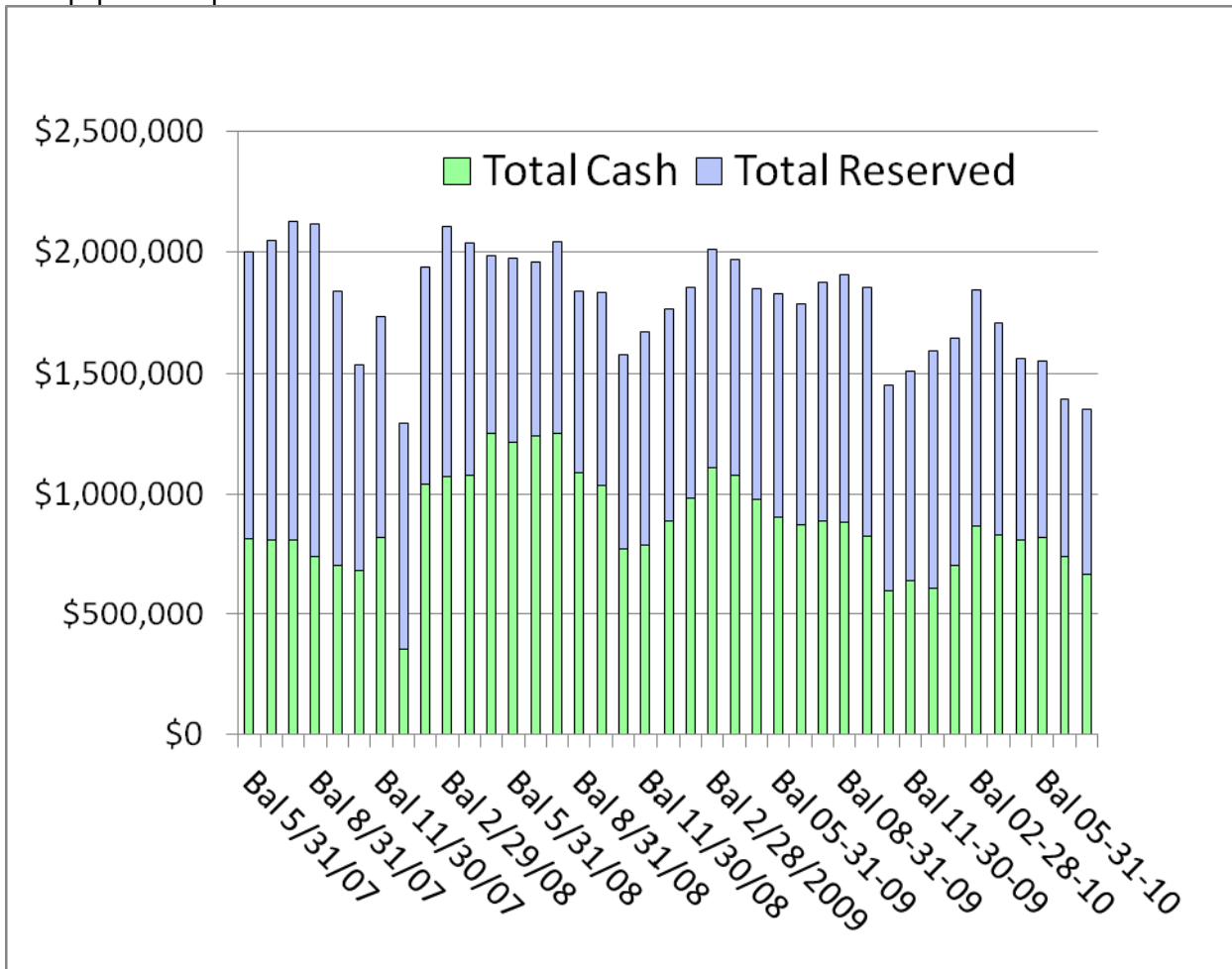
## What happens when the savings account balances drop below our three month minimum goal?

The savings accounts that fund water and sewer system related expenses are not handling operations now. Because our current Revenue Fund reserves and Tex Pool cash balances are sometimes inadequate to make scheduled debt service payments over the last couple of years on the water and sewer plant bonds, City Secretary & Treasurer Pam Harvey has had to “borrow” (from General Fund Tex Pool) - the “loan” is repaid during summer months when water sales peak. To correct this situation, the Council increased Revenue Fund income in FY2011 by raising water, sewer & garbage collection fees to rebuild cash reserves enough to make the debt service payments without “raiding” General Fund reserves, which are there for streets, parks, facilities, and so on. To build General Fund savings, the Council should consider raising the property tax rate.

**How much cash is in the City’s accounts?** We take a “snapshot” of them at the end of each month to report to the City Council. The graph below illustrates the net balances in the City’s accounts on June 30. The Reserved accounts hold funds specifically for Airport, EDC, HOT, Police Seizure & training, and Main Street.

Fund	Type	Acct	Total June 30, 2010
General	Cash	Checking	\$49,470
		Tex Pool	\$476,591
	Cash Total		\$526,061
	Reserved	Airport	\$7,737
		EDC Money Market	\$229,961
		EDC Tex Pool	\$62
		HOT (Hotel/Motel)	\$88,678
		Main St	\$11,103
		PD Camera Fund	\$132
		PD Seized/Forfeit	\$3,069
		PD Training	\$7,508
		RBEG	\$127,080
		Rogstad Foundation	\$19,928
		Conduit Bond Fees	\$55,584
	Reserved Total		\$550,842
<b>General Fund Total</b>			<b>\$1,076,904</b>
Revenue	Cash	Checking	\$91,240
		Meter Fund	\$9,035
		Meter Fund CD	\$106,745
		Tex Pool Reserve	\$4,526
		Meridian H2O Treatment	\$2,055
	Cash Total		\$213,601
	Reserved for Debt Payments	95 I&S MM	\$11,216
		Meridian Pipeline	\$15,240
		Tex Pool I&S	\$69,882
		Rev Sewer I&S	\$5,181
Reserved for Debt Payments Total		\$101,519	
<b>Revenue Fund Total</b>			<b>\$315,121</b>
<b>Grand Total</b>			<b>\$1,392,024</b>

These balances change day to day and month-to-month as deposits are made and bills are paid. The graph below illustrates how the totals varied over several years. The General Fund recovers early every year when property taxes are paid in. Cash accounts are hit with large debt service payments four times yearly – about \$90,000 March 1<sup>st</sup>, \$130,000 May 1<sup>st</sup>, \$45,000 September 1<sup>st</sup>, and about \$300,000 November 1<sup>st</sup>, so we have to average monthly deposits of about \$35,000 to be ready to write big checks. In 2026, those \$500,000+ annual debt payment totals drop to a “mere” \$120,000 per year until 2038. The cash position is about where it was three years ago, but the total reserves have dropped as projects and capital expenses consumed them. About \$200,000 held in reserve back in 2007 were “freed up” when they were found to be requirements of expired agreements – we moved the money to “cash” and used it for projects and for equipment replacement.



## Should the City consider revenue and/or general obligation bonds to finance extensive capital projects such as street repairs?

Debt limitation rules-of-thumb from Glendenning & Associates' Community Development Plan -

Rule-of-thumb	Where we are:	
Ratio of Total principal and interest debt / Total market value of taxable property should not exceed 10%.	9.7%	Okay
Bonded indebtedness should not exceed \$1,000 per capita.	\$3,300	Bad
Debt to household ratio should not exceed \$2,000.	\$8,700	Bad
Annual debt service should not exceed 20% of revenues.	18%	Okay

Recommendation: The city should only consider incurring additional debt for projects which are

- 1) moderate-to-high priority and not feasible on a pay-as-you-go approach, or
- 2) required to avoid state or federal fines or sanctions.

# How does Clifton compare to other Texas cities of our size and tax base?

( 2009 <http://www.tml.org/surveys.asp>)

**Clifton has relatively low taxable property**

	<b>City</b>	<b>Population</b>		<b>City</b>	<b>Total Taxable Property</b>		<b>City</b>	<b>Average Taxable property per capita</b>
1	Rusk	5,085	1	Springtown	\$148,548,000	1	Chandler	\$50,460
2	Teague	4,775	2	Castroville	\$140,126,724	2	Springtown	\$47,459
3	Nolanville	4,600	3	Winnsboro	\$139,903,575	3	Castroville	\$45,808
4	Devine	4,545	4	Nolanville	\$138,133,798	4	West	\$44,938
5	Comanche	4,482	5	Comanche	\$134,751,978	5	Cactus	\$43,705
6	Groesbeck	4,415	6	Chandler	\$132,761,157	6	Hamilton	\$40,502
7	Jourdanton	4,353	7	Jourdanton	\$130,497,788	7	Reno	\$40,451
8	Primera	4,230	8	Reno	\$125,761,973	8	Ferris	\$38,570
9	West Orange	4,111	9	West	\$122,859,888	9	Lytle	\$38,008
10	Winnsboro	3,909	10	Hamilton	\$120,858,380	10	Winnsboro	\$35,790
11	Post	3,708	11	Post	\$120,370,980	11	Brazoria	\$33,816
12	<b>Clifton</b>	<b>3,639</b>	12	Devine	\$116,558,487	12	Henrietta	\$32,803
13	Henrietta	3,321	13	Cactus	\$115,686,653	13	Post	\$32,463
14	Springtown	3,130	14	Teague	\$113,830,980	14	Comanche	\$30,065
15	Reno	3,109	15	West Orange	\$112,661,624	15	Nolanville	\$30,029
16	Castroville	3,059	16	Henrietta	\$108,939,990	16	Jourdanton	\$29,979
17	Hamilton	2,984	17	Ferris	\$108,072,169	17	<b>Clifton</b>	<b>\$28,991</b>
18	Brazoria	2,974	18	Lytle	\$107,105,434	18	West Orange	\$27,405
19	Lytle	2,818	19	Groesbeck	\$105,666,096	19	Devine	\$25,645
20	Ferris	2,802	20	<b>Clifton</b>	<b>\$105,500,000</b>	20	Primera	\$24,458
21	West	2,734	21	Primera	\$103,457,786	21	Groesbeck	\$23,933
22	Cactus	2,647	22	Rusk	\$101,394,743	22	Teague	\$23,839
23	Chandler	2,631	23	Brazoria	\$100,569,635	23	Rusk	\$19,940
	Cleburne	30,400		Cleburne	\$1,887,592,221		Cleburne	\$62,092
	Waco	124,009		Waco	\$6,059,186,139		Waco	\$48,861
	Hillsboro	9,064		Hillsboro	\$388,233,073		Hillsboro	\$42,832
	Gatesville	15,732		Gatesville	\$328,998,122		Gatesville	\$20,913
	Meridian	1,539		Meridian	\$52,570,058		Meridian	\$34,159
	Valley Mills	1,123		Valley Mills	\$32,995,408		Valley Mills	\$29,381

# How does Clifton compare to other Texas cities of our size and tax base?

(<http://www.tml.org/surveys.asp>)

**Clifton has the highest debt & next-to-the-lowest property taxes.**

	<u>Gross Tax Rate</u>		<u>Property Tax Income</u>		<u>Total debt</u>
<u>City</u>		<u>City</u>		<u>City</u>	
1	Teague \$0.7425	1	Springtown \$902,000	1	<b>Clifton \$7,871,000</b>
2	Brazoria \$0.7283	2	Comanche \$867,000	2	Winnsboro \$7,849,000
3	Primera \$0.6573	3	Teague \$845,000	3	Springtown \$6,970,000
4	Ferris \$0.6481	4	Brazoria \$732,000	4	Groesbeck \$6,335,000
5	Comanche \$0.6435	5	Nolanville \$701,000	5	Ferris \$6,080,000
6	Groesbeck \$0.6204	6	Ferris \$700,000	6	Hamilton \$4,703,212
7	Springtown \$0.6075	7	Devine \$688,000	7	Devine \$4,051,898
8	Devine \$0.5900	8	Primera \$680,000	8	Reno \$3,355,000
9	Henrietta \$0.5750	9	Groesbeck \$656,000	9	Rusk \$3,288,000
10	Post \$0.5235	10	Winnsboro \$632,000	10	Nolanville \$3,180,000
11	Nolanville \$0.5077	11	Post \$630,000	11	Post \$3,024,413
12	Hamilton \$0.4901	12	Henrietta \$626,000	12	Castroville \$2,914,044
13	Rusk \$0.4825	13	Jourdanton \$607,000	13	Brazoria \$2,550,067
14	Jourdanton \$0.4650	14	Castroville \$598,000	14	Chandler \$2,493,000
15	Cactus \$0.4604	15	Hamilton \$592,000	15	Teague \$2,401,000
16	West \$0.4548	16	West \$559,000	16	Lytle \$2,220,000
17	Winnsboro \$0.4515	17	Cactus \$533,000	17	Comanche \$1,467,000
18	West Orange \$0.4294	18	Chandler \$495,000	18	Jourdanton \$1,427,000
19	Castroville \$0.4270	19	Rusk \$489,000	19	Henrietta \$1,106,000
20	Reno \$0.3839	20	West Orange \$484,000	20	Primera \$850,000
21	Chandler \$0.3729	21	Reno \$483,000	21	Cactus \$728,824
22	<b>Clifton \$0.3380</b>	22	<b>Clifton \$357,000</b>	22	West \$530,000
23	Lytle \$0.3075	23	Lytle \$329,000	23	West Orange \$0
	Cleburne \$0.6200		Cleburne \$11,703,000		Cleburne \$88,301,538
	Waco \$0.7862		Waco \$47,639,000		Waco \$349,960,001
	Hillsboro \$0.8183		Hillsboro \$3,177,000		Hillsboro \$14,345,000
	Gatesville \$0.3400		Gatesville \$1,119,000		Gatesville \$11,392,401
	Meridian \$0.4410		Meridian \$232,000		Meridian \$232,000
	Valley Mills \$0.4403		Valley Mills \$145,000		Valley Mills \$145,000

# How does Clifton compare to other Texas cities of our size and tax base?

(<http://www.tml.org/surveys.asp>)

**Clifton has the 3<sup>rd</sup> highest debt per person; moderately high water rates.**

	<b>City</b>	<b>Total debt per capita</b>		<b>City</b>	<b>5,000 gal Resid. water &amp; sewer</b>		<b>City</b>	<b>50,000 gal Comm. water &amp; sewer</b>
1	Springtown	\$2,227	1	Hamilton	\$79.50	1	Springtown	\$600.00
2	Ferris	\$2,170	2	Springtown	\$77.30	2	Groesbeck	\$562.27
3	<b>Clifton</b>	<b>\$2,163</b>	3	West	\$73.80	3	<b>Clifton</b>	<b>\$522.35</b>
4	Winnsboro	\$2,008	4	Groesbeck	\$63.42	4	Comanche	\$503.25
5	Hamilton	\$1,576	5	Ferris	\$63.28	5	Ferris	\$412.48
6	Groesbeck	\$1,435	6	Brazoria	\$62.80	6	Primera	\$374.24
7	Reno	\$1,079	7	Devine	\$62.45	7	West	\$362.04
8	Castroville	\$953	8	Post	\$56.46	8	Henrietta	\$353.38
9	Chandler	\$948	9	Winnsboro	\$55.55	9	Hamilton	\$352.50
10	Devine	\$892	10	<b>Clifton</b>	<b>\$55.30</b>	10	Rusk	\$348.10
11	Brazoria	\$857	11	Comanche	\$54.50	11	Brazoria	\$345.55
12	Post	\$816	12	Henrietta	\$53.25	12	Devine	\$343.45
13	Lytle	\$788	13	Castroville	\$45.73	13	Castroville	\$336.12
14	Nolanville	\$691	14	Rusk	\$45.10	14	Post	\$333.70
15	Rusk	\$647	15	Primera	\$40.04	15	Lytle	\$247.00
16	Teague	\$503	16	Chandler	\$35.61	16	Winnsboro	\$224.00
17	Henrietta	\$333	17	Lytle	\$33.50	17	Chandler	\$216.20
18	Jourdanton	\$328	18	Cactus	\$23.75	18	Cactus	\$149.50
19	Comanche	\$327	19	Reno	#N/A	19	Reno	#N/A
20	Cactus	\$275	20	Nolanville	#N/A	20	Nolanville	#N/A
21	Primera	\$201	21	Teague	#N/A	21	Teague	#N/A
22	West	\$194	22	Jourdanton	#N/A	22	Jourdanton	#N/A
23	West Orange	\$0	23	West Orange	#N/A	23	West Orange	#N/A
	Cleburne	\$2,905		Cleburne	#N/A		Cleburne	#N/A
	Waco	\$2,822		Waco	\$46.79		Waco	\$424.46
	Hillsboro	\$1,583		Hillsboro	\$76.35		Hillsboro	\$482.44
	Gatesville	\$724		Gatesville	\$49.25		Gatesville	\$267.50
	Meridian	\$151		Meridian	\$66.10		Meridian	\$440.10
	Valley Mills	\$129		Valley Mills	\$61.75		Valley Mills	\$354.00

## How does Clifton's utilities and facilities compare to those of other Texas cities of our size and tax base? (<http://www.tml.org/surveys.asp>)

<u>City</u>	<u>Municipal Utilities and Facilities</u>
Brazoria	Civic Center, Gas system, Library, Municipal Bldg, Parks, Sewer system, Solid waste disposal, Water system,
Cactus	Civic Center, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system,
Castroville	Airport, Gas system, Library, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system,
Chandler	Cemetery, Civic Center, Library, Municipal Bldg, Parks, Sewer system, Solid waste disposal, Water system,
Clifton	Airport, Civic Center, Fairgrounds, Library, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system,
Comanche	Airport, Cemetery, Civic Center, Library, Municipal Bldg, Parking, Public housing, Parks, Sewer system, Solid waste disposal, Swimming pool, Water system,
Devine	Airport, Civic Center, Gas system, Library, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system,
Ferris	Library, Municipal Bldg, Public housing, Parks, Water system,
Groesbeck	Civic Center, Library, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system,
Hamilton	Airport, Cemetery, Fairgrounds, Lake, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system,
Henrietta	Cemetery, Lake, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system,
Jourdanton	Library, Municipal Bldg, Parks, Sewer system, Senior Center, Swimming pool, Water system,
Lytle	Civic Center, Gas system, Library, Parks, Sewer system, Water system,
Nolanville	Civic Center, Municipal Bldg, Parking, Parks,
Post	Airport, Cemetery, Civic Center, Library, Municipal Bldg, Public housing, Parks, Sewer system, Solid waste disposal, Swimming pool, Water system,
Primera	Municipal Bldg, Parks, Sewer system, Water system,
Reno	Municipal Bldg, Parks, Sewer system, Water system,
Rusk	Cemetery, Civic Center, Library, Lake, Municipal Bldg, Parks, Sewer system, Water system,
Springtown	Library, Market, Municipal Bldg, Parks, Sewer system, Water system,
Teague	Airport, Civic Center, Library, Lake, Municipal Bldg, Parks, Sewer system, Senior Center, Solid waste disposal, Swimming pool, Water system,
West	Civic Center, Library, Parks, Sewer system, Water system,
West Orange	Civic Center, Municipal Bldg, Parks,
Winnsboro	Auditorium, Airport, Cemetery, Library, Municipal Bldg, Public housing, Parks, Sewer system, Swimming pool, Water system,
Cleburne	Auditorium, Airport, Cemetery, Civic Center, Golf Course, Library, Lake, Municipal Bldg, Public housing, Parks, Sewer system, Senior center, Solid waste disposal, Swimming pool, Bus, Water system,
Waco	Airport, Cemetery, Civic Center, Golf Course, Library, Lake, Municipal Bldg, Parking, Parks, Sewer system, Solid waste disposal, Swimming pool, Bus, Water system, Zoo, Other,
Hillsboro	Cemetery, Civic Center, Library, Municipal Bldg, Parking, Public housing, Parks, Sewer system, Solid waste disposal, Water system,
Gatesville	Auditorium, Airport, Cemetery, Fairgrounds, Library, Municipal Bldg, Public housing, Parks, Sewer system, Solid waste disposal, Swimming pool, Water system, Other,
Meridian	Civic Center, Municipal Bldg, Sewer system, Swimming pool, Water system,
Valley Mills	Airport, Library, Parks, Sewer system, Water system,



## **TexPool sidebar**

*TexPool is a local government investment pool created on behalf of Texas entities whose investment objectives are preservation and safety of principal, liquidity and yield. Organized in 1989, TexPool is the largest and oldest local government investment pool in the State of Texas. TexPool currently provides investment services to over 2,000 communities throughout Texas. The State Comptroller of Public Accounts oversees TexPool; Lehman Brothers and Federated Investors manage the daily operations. TexPool investments consist*

*exclusively of U. S. Government securities, repurchase agreements collateralized by U. S. Government securities, and AAA-rated no-load money market mutual funds. TexPool Prime invests in the above as well as commercial paper and certificates of deposits. TexPool and TexPool Prime are each rated AAAM by Standard & Poor's Rating Service, their highest principal stability fund rating. TexPool and TexPool Prime are governed by the Texas Public Funds Investment Act.*