



MEMORANDUM

TO: Honorable Mayor and City Council

FROM: Debbie Mol, Director of Finance

DATE: August 17, 2020

SUBJECT: Fiscal Year 2019-20 Amended Summary of Changes

The fiscal year 2019-20 budget was adopted on September 16, 2019 for the financial plan of operations beginning October 1, 2019 to September 30, 2020. The budget was amended January 21, 2020 to add budget for open purchase orders and contracts that rolled from fiscal year 2018-19 to 2019-20, along with other departmental changes that occurred after the adoption of the fiscal year 2019-20 budget. The City of Mesquite operations began to see impacts of COVID-19 starting mid-March 2020 that are reflected in the amended budget. Highlighted below is a summary of the major changes that occurred after adoption of the amended budget on January 21, 2020:

General Fund:

Revenues

- Most revenues are trending with adopted budget; however, a few adjustments have been made to match revenue trends or to address COVID-19 impacts:
 - Decrease in Cable TV Gross Receipts of (\$363,000) due to legislative changes.
 - Decrease in City Sales Tax of (\$225,000) due to COVID-19.
 - Increase in Licenses, Permits and Fee of \$478,810 for building permits, plan review fees, other permits.
 - Decrease in Fines and Forfeitures of (\$317,500) for public safety fines due to COVID-19.
 - Decrease in Investment Income of (\$125,000) due to COVID-19.
 - Increase in Charges for Services for fee increases approved by City Council in September including public works inspection and plan review fees. The increases of \$280,160 are offset by a reduction of (\$227,750) due to closures and cancellations related to COVID-19 for a net increase of \$52,410.
 - Increase of \$175,150 in Other Revenues includes an estimated amount from the Medicare Ambulance Supplemental Payment program. This is

the sixth year the City has applied for reimbursement from the federal grant program.

- Decrease in Contributions and Donations of (\$59,200) is from special event cancellations like Summer Sizzle due to COVID-19.
- Transfers In and Enterprise Funds Payment In Lieu of Taxes (PILOT)/Franchise Fee changes are due to a change in how the cost allocation overhead method is applied. It is offset by an expenditure reimbursement.

Expenditures

- Overall changes to General Fund across all departments related to COVID-19
 - Salary savings due to vacant and/or frozen positions.
 - Department reductions of supplies, travel and training and contractual services requested by City Management.
- Facility Maintenance increase for contractual services related to maintaining buildings across the City; comparable to prior years activity.
- Housing and Community Services increase for STAR Transit service.
- Neighborhood Services Environmental Code increase is due to CDBG funding changes for Environmental Code program.
- Library Services decrease is because of reduced hours and closures due to COVID-19.
- Fire Services decrease is due to salary savings from vacant positions and department reductions due to COVID-19.
- Police Services increase is from additional overtime expenses.
- Public Works decrease is from salary savings of vacant positions primarily in Equipment Services. Compost Facility increased for brush grinding, but is offset by revenue from the sale of compost materials. Public Works also includes an increase to begin the Alley Reconstruction crew that is offset by reimbursements from bond proceeds.
- Planning and Development Services decrease is from salary savings from vacant positions along with departmental reductions due to COVID-19.
- Parks and Recreation includes an increase for a mowing contract along with several reductions related to cancelation of special events like Summer Sizzle and reduced hours and programs at recreation centers related to COVID-19.
- Other Expenditures decrease is due to 380 Agreements payments that are tracking less than originally projected along with an offset to the phased in implementation of a general liability charge across all departments along with a \$300,000 reimbursement for administration of the CARES Act grants.
- Cost Allocation Reimbursement is due to a change in how the cost allocation overhead method is applied.
- Transfer Out increase is from a transfer out to General Liability Fund in the amount of \$50,000 to cover current year expenditures.

Water/Sewer Fund:

Revenues

- Decrease in water sales, sewer service and investment income related to COVID-19.

Expenditures

- Decrease across all divisions in operational costs including supplies, contractual services and travel and training due to COVID-19.
- Increase for general liability charge across all divisions, but offset by a decrease in the transfer out to the General Liability Fund.
- Increase in Reserves for bad debt expense related to COVID-19 for unpaid utility bills during the pandemic.

DUD Operating Fund:

Revenues

- Decrease in investment income related to COVID-19.

Expenditures

- Increase in operations for Assistant City Engineer position.
- Other operational changes include salary savings, decreases in travel and training, increases for separation pay, increases for general liability charge and other operational expenses.
- Increase in capital for additional cost of excavator.

Airport Operating Fund:

Revenues

- Decrease in fuel sales related to COVID-19.
- Increase from the Federal CARES Act Grant to offset loss in revenue.
- Increase of \$200,000 from Capital Projects Reserve to purchase Airport Hangar.

Expenditures

- Decrease in personal services because of a vacant position.
- Decrease in fuel supplies related to COVID-19.
- Decrease in other supplies and contractual services related to COVID-19.
- Increase in capital for zero turn mower in the amount of \$6,500 and Airport Hangar in the amount of \$470,000.

Golf Course Operating Fund:

Revenues

- Decrease in Golf Course fees and sales related to COVID-19.

Expenditures

- Decreases from salary savings, supplies and contractual services related to COVID-19.

General Obligation Bond Debt Service Fund:

Revenue

- Increase of \$734,900 from Roadway Impact Fee Fund due to impact fees from development activity trending more than projected.

Expenditures

- Changes from General Obligation refunding in December 2019.

Water and Sewer Revenue Bond Debt Service Fund:

Revenue

- Increase of \$400,000 from Water and Sewer Impact Fee Fund due to impact fees from development activity trending more than projected.

Expenditures

- Changes from Water and Sewer Revenue Bond refunding in December 2019.

Drainage Utility District Debt Service Fund:

Expenditures

- Increase for arbitrage analysis that occurs every five years on outstanding revenue bonds.

Group Medical Insurance Fund:

Expenditures

- Increase in health claims costs based on current year claims experience.
- Decrease in pharmaceutical costs based on current year claims experience.
- Increase in administrative fee to third party administrator, Blue Cross Blue Shield.
- Increase for stop loss coverage premium.
- Decrease in professional services for consulting services.
- Decrease in other expenses including travel and training related to COVID-19.

General Liability Fund:

Revenues

- Decrease in investment income of (\$2,000) related to COVID-19.
- Transfer in from the General Fund in the amount of \$50,000 in order to allow the fund to break even for the current fiscal year and not increase the fund deficit.
- Change to General Liability Contributions from all departments and funds through a general liability charge instead of transfer in from Water and Sewer Fund.

Expenditures

- Decrease in Personal Services is due to a position change between Risk Management and Human Resources Administration.
- Increase for Insurance Premiums for the fiscal year.
- Increase in General Liability Claims for the fiscal year.
- Decrease in Worker's Compensation Claims for the fiscal year.

- Increase for repairs to damaged City property; comparable to prior year.

Hotel Occupancy Tax Fund:

Revenues

- Decrease in Hotel Occupancy Tax of (\$260,000) due to COVID-19.

Expenditures

- Decrease in Conventions and Visitors Bureau (CVB) operational expenses including supplies, travel and training, advertising due to COVID-19.
- Decrease allocation to Mesquite Arts Council, Inc. and Historic Mesquite, Inc. due to COVID-19 that are based on Hotel Occupancy Tax revenues.
- Other Expenditures include decreases related to canceled events like Rodeo Bike Ride due to COVID-19, but offset with an increase for the Rodeo Agreement of \$200,000.
- Decrease for Conference Center Marketing due to COVID-19 which is based on Hotel Occupancy Tax revenue received from Hampton Inn and Suites.

Confiscated Seizure Fund:

Revenues

- Decrease in Investment Income of (\$15,000) due to COVID-19.
- Court Awarded Proceeds are trending \$465,000 more than originally projected.

Expenditures

- Increase of \$183,000 for seizure amendment #1 approved by City Council on April 20, 2020.

911 Service Fee Fund:

Revenues

- 911 Phone Charges are trending (\$25,000) less than budgeted.
- Wireless 911 Phone Charges are trending (\$5,000) less than budgeted.

Community Development Block Grant (CDBG) Program Fund:

Increase for prior years' grant awards for Administration, Comprehensive Planning, Code Enforcement, Housing Rehabilitation, Orphan Sidewalks, Summer Youth Internship Program, Visiting Nurse Association Program, and Down Payment Assistance Program. In addition, the U.S. Department of Housing and Urban Development (HUD) approved a transfer of \$364,164 from the Neighborhood Stabilization Program (NSP) to the CDBG Housing Rehab Program.

Housing Choice Voucher Program Fund:

Revenues

- Decrease in Investment Income of (\$3,000) due to COVID-19.
- Increase \$2,300,000 for federal grant revenue received for the Section 8 Housing Voucher Program due to additional funding received.
- Increase \$212,294 from the Housing CARES Act grant related to COVID-19.

Expenditures

- Increase of \$2,201,400 for Housing Assistance payments of the Section 8 Housing Voucher Program.
- Increase of \$212,294 for the Housing CARES Act that will be used to upgrade computers and software used in the administration of the Housing Voucher Program.

Public, Educational and Government Access Fund:

Revenues

- Decrease in Investment Income of (\$3,000) due to COVID-19.
- Cable TV PEG Fees are trending (\$10,000) less than budgeted.

Expenditures

- Increase of \$7,500 for video production equipment at the City of Mesquite.

Mesquite Quality of Life Corporation (4B) Fund:

The 4B Board approved the below changes on June 24, 2020 for fiscal year 2019-20.

Revenues

- Decrease in sales tax of (\$784,000) due to COVID-19.
- Decrease in Investment Income of (\$10,000) due to COVID-19.
- Increase in Contributions of \$232,653 for Veterans Memorial.
- Increase of \$31,613 in Other Revenue:
 - \$17,150 – Increase for reimbursements from athletic associations for athletic field renovations.
 - \$39,463 – Increase reimbursements for additional amount received from Texas Department of Transportation (TXDOT) for land purchased for the Airport with 4B funds.
 - (\$25,000) – Decrease in reimbursements due to completion of Scylene Road Project.

Expenditures

- Decrease Transportation Improvements
 - (\$50,786) for prior year transportation projects that are completed.
- Decrease Public Safety Improvements
 - (\$5,341) for completed public safety projects.
- Decrease Parks and Recreation Improvements
 - \$17,150 increase for athletic field renovations reimbursed by athletic associations.
 - \$232,653 increase for Veterans Memorial.
 - (\$403,045) decrease for prior year park projects that are completed.
 - (\$167,000) decrease for deferred Florence Recreation Center Roof project as a result of COVID-19.

Municipal Court Technology Fund:

Revenues

- Decrease in Investment Income of (\$1,500) due to COVID-19.
- Decrease in Court Technology Fee of (\$10,000) due to COVID-19.

Expenditures

- Decrease in travel and training of (\$1,400) due to COVID-19.
- Decrease for Capital Outlay of (\$54,163) after completion of audio and visual upgrades in the courtrooms.

Capital Projects Reserve Fund:

Revenues

- Decrease of (\$5,000) from TIRZ Funds for City administration.
- Increase Other Revenue for current year projects:
 - \$8,000 reimbursement from Mesquite Baseball Association for Valley Creek Concessions improvements.
 - \$41,784 reimbursement from Town of Sunnyvale for Public Safety Communications Integration Project.
 - \$200,000 reimbursement from the Mesquite Metro Airport for the purchase of Airport Hangar.
- Decrease in Investment Income of (\$5,000) due to COVID-19.

Expenditures

- Increase of \$24,960 for Roadway Right-of-Way (ROW) Acquisitions.
- Increase of \$8,000 for Valley Creek Concessions improvements that will be reimbursed by Mesquite Baseball Association.
- Increase of \$41,784 for Public Safety Communications Center Integrations that will be reimbursed by Town of Sunnyvale.
- Increase of \$185,000 for COVID-19 Pandemic direct expense. Grant funds will be used to offset these expenses as appropriate and allowable.
- Increase of \$35,500 for Insurance Service Office (ISO) Consultant to update the Public Protection Classification (PPC) for the Fire Department.
- Increase of \$200,000 for the purchase of Airport Hangar. This will be reimbursed by the Mesquite Metro Airport.

Rodeo City Tax Increment Reinvestment Zone Fund:

Revenues

- Decrease City of Mesquite's tax portion by (\$35,307) due to less value increase in the zone than originally projected.

Expenditures

- Decrease of Tax Increment Reinvestment Zone (TIRZ) credits to Public Improvement District (PID) in the amount of (\$51,186) as a result of less revenue.

Town Centre Tax Increment Reinvestment Zone Fund:

Revenues

- Decrease City of Mesquite's tax portion by (\$144,770) due to less value increase in the zone than originally projected.
- Decrease MISD's tax portion by (\$186,530) due to less value increase in the zone than originally projected.

Expenditures

- Increase in Town East Retail Area Security of \$155,185 for holiday patrol costs.
- Increase of \$37,326 for Downtown Operations and projects.

Gus Thomasson Tax Increment Reinvestment Zone Fund:

Revenues

- Decrease City of Mesquite's tax portion by (\$145,725) due to less value increase in the zone than originally projected.

Expenditures

- Decrease in Economic Incentives by (\$124,00) due to less revenue.
- Decrease of (\$15,000) for City administration of TIRZ fund due to less revenue.

Town East / Skyline Tax Increment Reinvestment Zone Fund:

Revenues

- Increase City of Mesquite's tax portion by \$231,910 due to additional value increase in the zone than originally projected.

Lucas Farms Tax Increment Reinvestment Zone Fund:

Revenues

- Increase City of Mesquite's tax portion by \$3,262 due to additional value increase in the zone than originally projected.

Expenditures

- Increase of \$10,000 for City administration of TIRZ fund.

Polo Ridge Tax Increment Reinvestment Zone Fund:

Revenues

- Increase City of Mesquite's tax portion by \$113 due to additional value increase in the zone than originally projected.

Heartland Town Center Tax Increment Reinvestment Zone Fund:

Revenues

- Decrease City of Mesquite's tax portion by (\$106,407) due to less value increase in the zone than originally projected.

Expenditures

- Decrease of Tax Increment Reinvestment Zone (TIRZ) credits to Public Improvement District (PID) in the amount of (\$107,042) as a result of less revenue.

Roadway Impact Fee Fund:

Revenues

- Increase of \$769,680 in Roadway Impact Fees due to increased development activity.

Expenses

- Increase transfer out to GO Debt Service Fund by \$734,900.

Water and Sewer Impact Fee Fund:

Revenues

- Water Impacts Fees are trending \$360,000 more than projected for the fiscal year.
- Sewer Impact Fees are trending \$105,000 more than projected for the fiscal year.

Expenses

- Increase transfer out to WS Debt Service Fund by \$400,000.

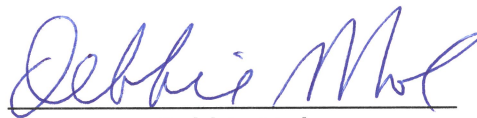
Conference Center Capital Replacement Reserve Fund:

Revenues

- Room Rental Proceeds are trending \$27,000 more than projected for the fiscal year.
- Decrease in Investment Income of (\$4,500) due to COVID-19.

Expenses

- Increase of \$275,000 for Conference Center kitchen remodel and equipment.

A handwritten signature in blue ink, reading "Debbie Mol", is positioned above a horizontal line.

Debbie Mol
Director of Finance