

# Popular Annual Financial Report



FOR THE YEAR ENDED SEPTEMBER 30, 2021

**City of Bay City, Texas**  
cityofbaycity.org



**CITY OF BAY CITY, TEXAS**

**Popular Annual Financial Report (PAFR)**

**FOR FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**Prepared by: Finance Department**

This Popular Annual Financial Report (PAFR) is intended to summarize and simplify the statistical, economic and financial information contained in the 2021 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was independently audited by Harrison, Waldrop And Uherek, LLP. The purpose of the audit was to ensure that City is complying with Generally Accepted Accounting Principles (GAAP). The audit resulted in the highest level of assurance given. The City's CAFR is a set of financial statements presenting the total financial condition of the city based on what actually occurred. It is prepared under the accounting and reporting standards set by the Government Accounting Standards Board (GASB). This Popular Annual Financial Report (PAFR) is presented in conformity with Generally Accepted Accounting Principles (GAAP) with the exclusion of the City's two component units.

For a fully detailed, fully disclosed GAAP based presentation of the City's financial position, the CAFR, in its entirety, please visit the City's website at: [www.cityofbaycity.org/transparency-program](http://www.cityofbaycity.org/transparency-program).



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Government Finance Officers Association

# Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Bay City Texas**

For its Annual Financial Report for the  
Fiscal Year Ended

**September 30, 2020**

*Christopher P. Morrell*

Executive Director/CEO

The City of Bay City, Texas received its **3rd** award for Achievement in Popular Annual Financial Reporting (PAFR) for the year ended September 30, 2020. The intent of the PAFR is to increase awareness of the financial condition of the City. This report is created in a manner that summarizes and communicates the City's financial position in a user-friendly manner. The PAFR, while unaudited, provides a brief analysis of where the City of Bay City's revenues come from and where the dollars go, trends and statistics as well on the local economy. This PAFR is still in compliance with GAAP in that we present the governmental funds using the current financial resources management focus and modified basis of accounting. Proprietary funds are used to report the same functions presented as business type activities in the government wide financial statements.

## About Your City Staff

Over 183.50 full and part-time employees compromise our team within the City of Bay City organization. These same employees come together day in and day out with the important task of assisting with the delivery of essential City services. They are dedicated to the development and growth of the city.

## Your Bay City City Council



*From left to right: Councilman Brent Marceaux, Councilwoman Julie Estlinbaum, Mayor Robert Nelson, Councilwoman Becca Sitz, Councilman William "Bill" Cornman and Councilman Jason Childers.*

The City has a home-rule City Manager-Council form of government. The elected body is made up of a Mayor and five council members who are elected on an "at-large" basis by the community. The Mayor is elected for a three-year term while Council Members are all elected for staggered two-year terms. Your City Council meets every second and fourth Tuesday at 6:00 p.m.

### Division Directors

**Shawna Burkhart, City Manager**

**Scotty Jones, Finance Director**

**Jeanna Thompson, City Secretary**

**Rhonda Clegg, Human Resources Director**

**Barry Calhoun, Public Works Director**

**Robert Lister, Police Chief**

**Shawn Blackburn, Parks & Recreation Director**

**James Mason, Airport Manager**

### **Vision:**

Bay City, Texas: Clean, Safe and Prosperous

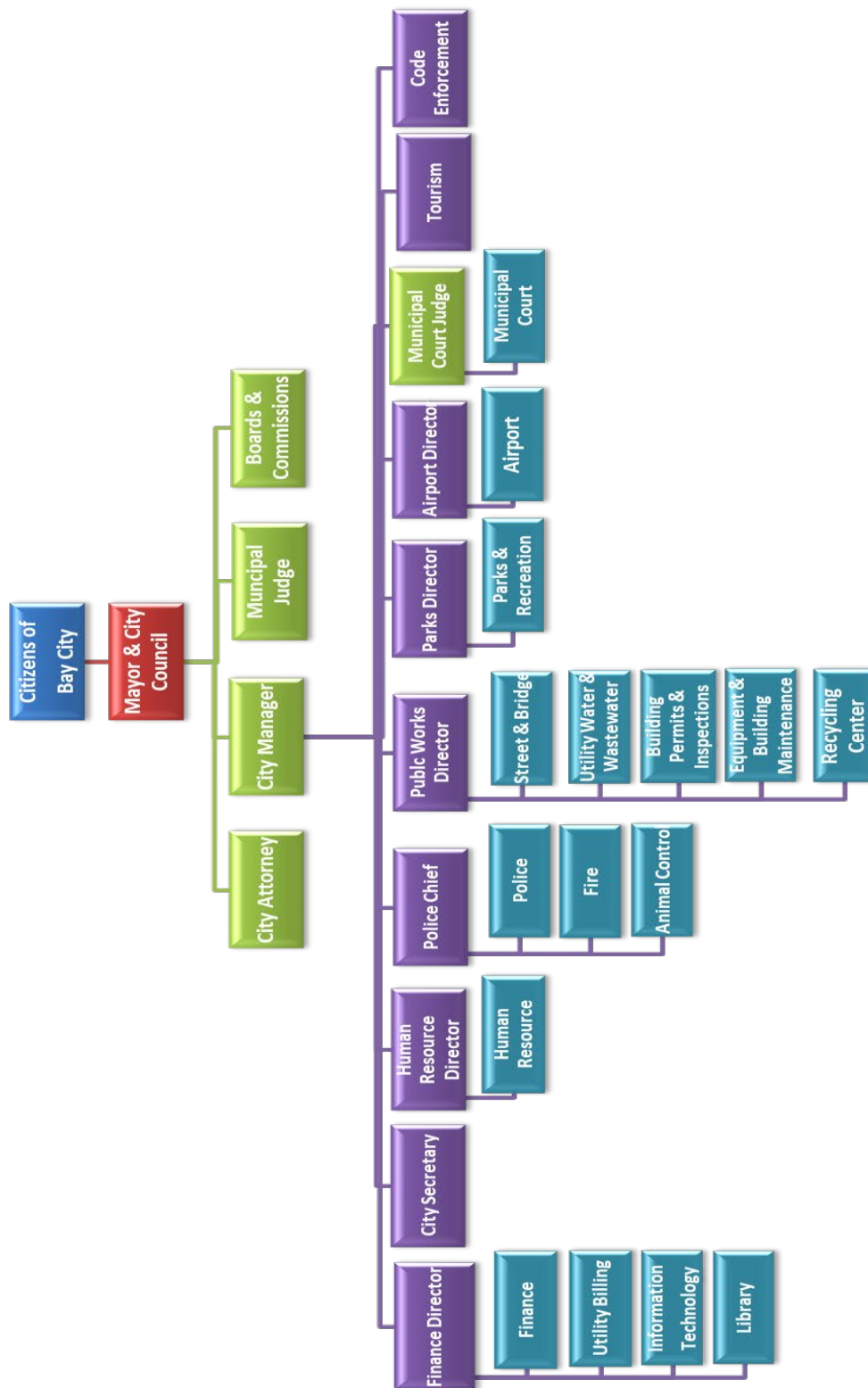
A community for all people where dreams are big and results are even bigger.

### **Mission:**

The City of Bay City is a community that fosters future economic growth, strives to deliver superior municipal services, invests in quality of life initiatives and is the gateway to the great outdoors. We encourage access to our unique historical and eco-cultural resources while maintaining our small-town Texas charm.



## Organization Chart



## Key Demographics

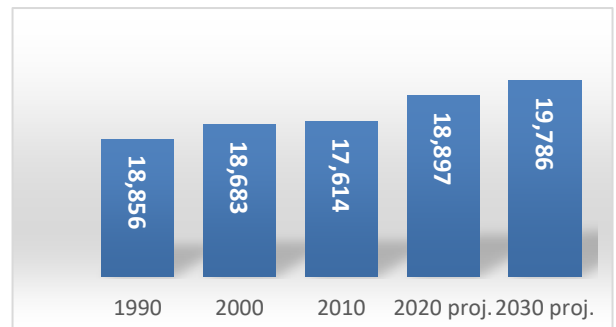


### Location

The City of Bay City is in southeast Texas, near the Texas Gulf Coast. The City is about 8.87 square miles, of which 0.12 square miles of water area, with an elevation of 52 feet. Bay City is the county seat of Matagorda County, which also includes the cities of Palacios, Matagorda, Van Vleck, Markham, Blessing and Sargent. Bay City is accessible via State Highways 35 and 60 along with FM 457. These roads provide access to Houston and the market areas of Brazoria, Jackson and Wharton Counties.

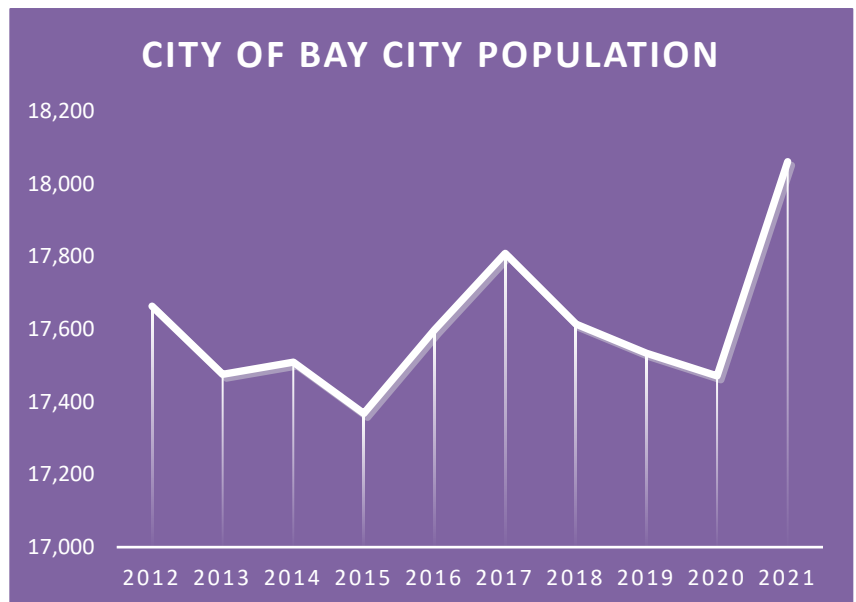
### Population

According to the 2010 census, Bay City is currently home to about 17,614 residents. The graph to the right represents the City's population beginning in 1990 to the projected 2030, based on the records of the U.S. Census Bureau. The City, according to the Texas Water Development Board is projected to reach 19,786 by 2030. The City has seen slow, but steady growth. An updated population count will be available once 2020 Census is complete.



City of Bay City, Texas  
Population

<u>Year</u>	<u>Population</u>
2012	17,663
2013	17,476
2014	17,509
2015	17,368
2016	17,598
2017	17,809
2018	17,614
2019	17,534
2020	17,471
2021	18,061

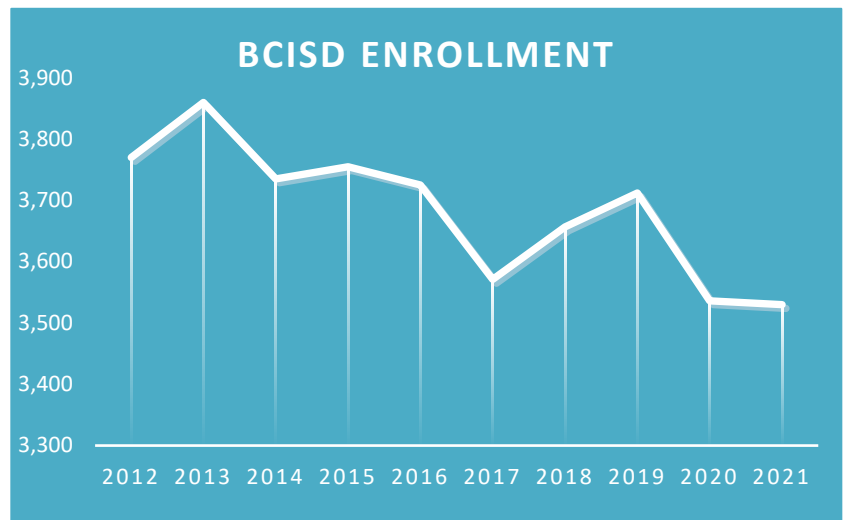


## Schools

Bay City is served by the Bay City Independent School District. Bay City presently has three Pre-Kindergarten through Fifth grade elementary schools: Cherry Elementary for Pre-K and Kindergarten, Linnie Roberts Elementary for First and Second grade and Tenie Holmes for Third through Fifth grades; Bay City Jr. High serves the Sixth through Eighth grades; Bay City High School serves the Ninth through Twelfth grades. Tenie Holmes and BCJH have newly constructed campuses opening the Fall of 2019. The new Blackcat football stadium is slated to open, on the BCHS grounds, in the fall of 2020 as well. Bay City also has a college campus, Wharton County Junior College, which focuses on technical training and nuclear plant operations.

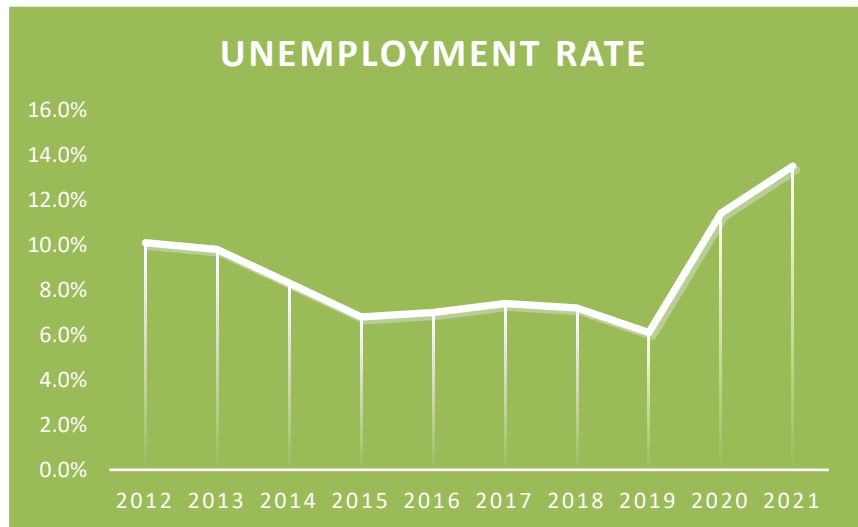
BCISD Enrollment

<u>Year</u>	<u>Enrollment</u>
2012	3,770
2013	3,860
2014	3,735
2015	3,755
2016	3,725
2017	3,571
2018	3,657
2019	3,712
2020	3,536
2021	3,530



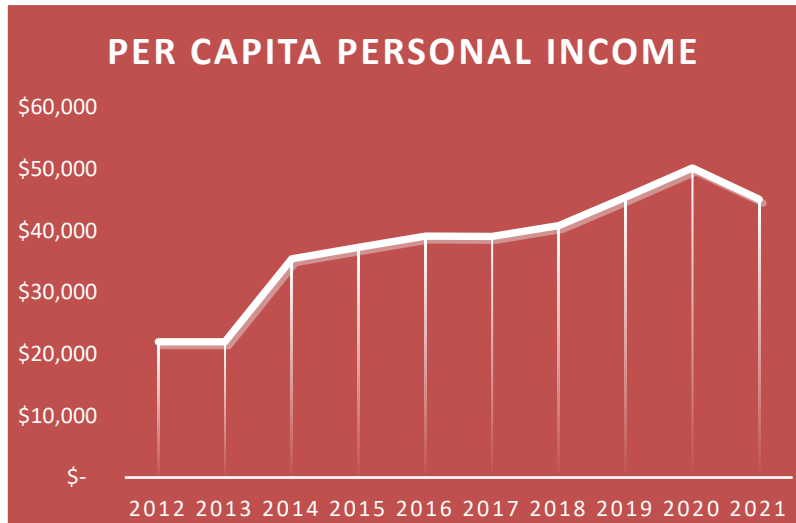
Unemployment Rate

<u>Year</u>	<u>Rate</u>
2012	10.1%
2013	9.8%
2014	8.3%
2015	6.8%
2016	7.0%
2017	7.4%
2018	7.2%
2019	6.1%
2020	11.4%
2021	13.50%



### Per Capita Personal Income

<u>Year</u>	<u>Income</u>
2012	\$ 22,000
2013	\$ 22,000
2014	\$ 35,426
2015	\$ 37,324
2016	\$ 39,111
2017	\$ 39,090
2018	\$ 40,827
2019	\$ 45,482
2020	\$ 50,182
2021	\$ 45,089



### Principal Property Taxpayers

<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>
Nichols Square Partners LTD	\$ 15,544,210
Oak Manor Bay City LLC	12,172,292
Wal Mart Real Estate Business Trust	11,987,930
Cypressbrook Palm Village LP	11,800,500
AEP Texas Central Company	11,256,290
IMFI CB Apartments LP	7,000,000
Bay City Community Development Corp.	7,290,990
Interurban Riverway LLP	5,951,750
HE BUTT Grocery Company	5,875,200
Gulf Coast Hardware LLC	5,598,090
	<u>\$ 94,477,252</u>

### PRINCIPAL EMPLOYERS

<u>Employer</u>	<u>Employees</u>
South Texas Project (STP)	986
Tenaris	653
Bay City I.S.D	598
Walmart	265
Matagorda County Regional Medical Center	256
H.E.B	250
Matagorda County	202
OXEA	193
Lyondell	175
City of Bay City	159

### City Amenities/Services

The City's primary objective is Public Safety. A full-time equivalent staff of 61 employees are dedicated to serving the community in the most efficient and cost-effective way possible. The City has one police station with 38 sworn police officers dedicated to serving and protecting our citizens. The Bay City Volunteer Fire Department, consisting of 26 volunteers, provides the City with fire suppression and rescue protection. Our Animal Control Department, consisting of 2 animal control officers, responds to all animal calls in conjunction with our Animal Impound.



## Utilities

The City of Bay City owns and operates its own water, wastewater and gas which is operated by the Bay City Gas Company. Sanitation services have been contracted out to WCA. Currently, the City has approx. 6,100 water and sewer customers, whether it be residential or commercial. Average daily water consumption (millions) is 1.553 and average daily sewage consumption (millions) is 1.931. The City maintains 110 miles of streets, 113 water main miles and 108 sewer miles.

## Culture and Recreation

“The Gateway to the Great Outdoors”, there are a variety of things to do within Bay City and the surrounding cities of Matagorda County.

Citizens can enjoy any one of the City’s 23 parks, 2 pools and sports complex. Hilliard Pool is open from Memorial Day through Labor Day while the 16<sup>th</sup> Street Pool is open year-round.

Local attractions include: Matagorda County Birding and Nature Center, Rio Colorado Golf Course, Shulman Movie Bowl Grill, Bay City Public Library, Matagorda County Museum, local downtown square and the Texas Theatre which is currently under construction.



## Overview of Audited Results

The following summary highlights are taken directly from the Management Discussion and Analysis (MD&A) section of the fiscal year 2021 Comprehensive Annual Financial Report (CAFR).

- ✓ The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$45,718,599 (*net position*). Of this amount, \$7,541,131 (*unrestricted net position*) may be used to meet the City’s ongoing obligations to citizens and creditors.
- ✓ The City’s total net position of the governmental activities decreased \$515,645 and business-type increased \$1,701,688. The net position of the Water and Sewer Fund increased by \$1,394,704 and the Airport Fund increased by \$306,984.
- ✓ As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$8,883,301, a decrease of \$1,800,465 from the prior year. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,839,191, or 35% of total General Fund expenditures.
- ✓ The City’s outstanding bonded debt for governmental and business-type activities had a net increase of \$3,987,000 or 16% from the prior year. The City also had \$865,000 of tax notes and \$78,735 in capital leases payable outstanding as of September 30, 2021.

## Fiscal Sustainability

Government-wide financial statements provide financial information about the city. These statements distinguish between two types of activities: governmental and business-type. The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities taking place in the fiscal year.

The City's two kinds of funds are governmental and proprietary (business-type). The City maintained 16 types of individual governmental funds during the fiscal year. The City adopts an annual budget for its General Fund and Debt Service Fund. The General Fund is the most significant fund of the City's 16 governmental funds. The City also has two proprietary funds. The City uses enterprise funds to account for its water/wastewater utility service and airport operations. The City uses internal service funds to account for equipment maintenance and information technology services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Net Position									
	Governmental Activities			Business-type Activities			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Current & Other Assets	\$ 15,153,872	\$ 15,602,604	\$ 6,318,462	\$ 10,157,688	\$ 6,505,214	\$ 6,372,674	\$ 25,311,560	\$ 22,107,818	\$ 12,691,136
Capital Assets (net)	\$ 28,710,841	\$ 26,583,419	\$ 24,165,011	\$ 27,467,094	\$ 23,136,325	\$ 22,845,618	\$ 56,177,935	\$ 49,719,744	\$ 47,010,629
Other Noncurrent Assets	\$ 6,186,836	\$ 6,660,318	\$ -	\$ -	\$ -	\$ -	\$ 6,186,836	\$ 6,660,318	\$ -
<b>Total Assets</b>	<b>\$ 50,051,549</b>	<b>\$ 48,846,341</b>	<b>\$ 30,483,473</b>	<b>\$ 37,624,782</b>	<b>\$ 29,641,539</b>	<b>\$ 29,218,292</b>	<b>\$ 87,676,331</b>	<b>\$ 78,487,880</b>	<b>\$ 59,701,765</b>
<b>Total deferred outflow of resources</b>	<b>\$ 752,907</b>	<b>\$ 722,419</b>	<b>\$ 1,849,737</b>	<b>\$ 296,276</b>	<b>\$ 159,484</b>	<b>\$ 430,709</b>	<b>\$ 1,049,183</b>	<b>\$ 881,903</b>	<b>\$ 2,280,446</b>
Current Liabilities	\$ 6,338,227	\$ 2,616,619	\$ 2,208,439	\$ 2,678,176	\$ 2,343,493	\$ 2,240,686	\$ 9,016,403	\$ 4,960,112	\$ 4,449,125
Noncurrent Liabilities	\$ 19,243,169	\$ 21,297,110	\$ 15,400,562	\$ 13,331,149	\$ 7,259,988	\$ 8,432,558	\$ 32,574,318	\$ 28,557,098	\$ 23,833,120
<b>Total Liabilities</b>	<b>\$ 25,581,396</b>	<b>\$ 23,913,729</b>	<b>\$ 17,609,001</b>	<b>\$ 16,009,325</b>	<b>\$ 9,603,481</b>	<b>\$ 10,673,244</b>	<b>\$ 41,590,721</b>	<b>\$ 33,517,210</b>	<b>\$ 28,282,245</b>
<b>Total deferred inflow of resources</b>	<b>\$ 1,182,385</b>	<b>\$ 1,098,711</b>	<b>\$ 65,841</b>	<b>\$ 233,809</b>	<b>\$ 221,306</b>	<b>\$ 49,140</b>	<b>\$ 1,416,194</b>	<b>\$ 1,320,017</b>	<b>\$ 114,981</b>
Net investment in capital assets	\$ 18,917,264	\$ 21,205,583	\$ 13,287,618	\$ 17,403,926	\$ 15,909,542	\$ 14,858,787	\$ 36,321,190	\$ 37,115,125	\$ 28,146,405
Restricted	\$ 1,856,278	\$ 1,199,626	\$ 857,834	\$ -	\$ -	\$ -	\$ 1,856,278	\$ 1,199,626	\$ 857,834
Unrestricted	\$ 3,267,133	\$ 2,151,111	\$ 512,916	\$ 4,273,998	\$ 4,066,694	\$ 4,067,830	\$ 7,541,131	\$ 6,217,805	\$ 4,580,746
<b>Total Net Position</b>	<b>\$ 24,040,675</b>	<b>\$ 24,556,320</b>	<b>\$ 14,658,368</b>	<b>\$ 21,677,924</b>	<b>\$ 19,976,236</b>	<b>\$ 18,926,617</b>	<b>\$ 45,718,599</b>	<b>\$ 44,532,556</b>	<b>\$ 33,584,985</b>

The City had an overall increase in Total Net Position of \$1,186,043, consisting of a decrease in governmental activities of \$515,645 and in increase in business-type activities of \$1,701,688 from 2020 to 2021.

The decrease in the governmental activities is mainly due to a \$9,221,849 decrease in capital and operating grants and contributions. Capital grants and contributions in the prior year mainly related to the recognition of the interlocal commitment revenue from the Bay City Community Development Corporation and the Bay City Gas Company as of September 30, 2020 in the amount of \$ 7,138,550. Also, expenses of the governmental activities increased \$1,196,702 from the prior year and \$760,336 of the increase was attributable to public works.

The increase in the business-type activities is mainly due to an increase in charges for services in the amount of \$898,063. Water and sewer revenues accounted for \$ 776,174 or 86% of this positive variance. This is due to rate increases to support bond payments in connection with critical water and sewer improvements as well as increased water consumption due to Winter Storm Uri.

	Changes in Net Position								
	Governmental Activities			Business-type Activities			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
<b>Revenues</b>									
<b>Program Revenues:</b>									
Charges for Services	\$ 3,423,064	\$ 3,269,277	\$ 3,213,169	\$ 8,882,292	\$ 7,984,229	\$ 8,163,162	\$ 12,305,356	\$ 11,253,506	\$ 11,376,331
Operating Grants & Contributions	\$ 1,648,408	\$ 3,441,951	\$ 2,207,235	\$ 89,247	\$ 50,000	\$ 84,130	\$ 1,737,655	\$ 3,491,951	\$ 2,291,365
Capital Grants & Contributions	\$ 416,419	\$ 7,844,725	\$ 376,144	\$ 326,500	\$ 730,209	\$ 219,828	\$ 742,919	\$ 8,574,934	\$ 595,972
<b>General Revenues:</b>									
Property Taxes	\$ 5,844,703	\$ 5,677,751	\$ 5,603,015	\$ -	\$ -	\$ -	\$ 5,844,703	\$ 5,677,751	\$ 5,603,015
Sales Taxes	\$ 4,934,706	\$ 4,966,859	\$ 4,447,508	\$ -	\$ -	\$ -	\$ 4,934,706	\$ 4,966,859	\$ 4,447,508
Franchise Taxes	\$ 1,263,438	\$ 1,258,458	\$ 1,266,666	\$ -	\$ -	\$ -	\$ 1,263,438	\$ 1,258,458	\$ 1,266,666
Other Taxes	\$ 685,845	\$ 698,939	\$ 779,523	\$ -	\$ -	\$ -	\$ 685,845	\$ 698,939	\$ 779,523
Unrestricted Investment Earnings	\$ 50,980	\$ 107,377	\$ 134,570	\$ 2,552	\$ 30,887	\$ 86,208	\$ 53,532	\$ 138,264	\$ 220,778
Miscellaneous	\$ 354,982	\$ 501,621	\$ 483,211	\$ 875	\$ 26,900	\$ 5,800	\$ 355,857	\$ 528,521	\$ 489,011
<b>Total Revenues</b>	<b>\$ 18,622,545</b>	<b>\$ 27,766,958</b>	<b>\$ 18,511,041</b>	<b>\$ 9,301,466</b>	<b>\$ 8,822,225</b>	<b>\$ 8,559,128</b>	<b>\$ 27,924,011</b>	<b>\$ 36,589,183</b>	<b>\$ 27,070,169</b>
<b>Expenses</b>									
General Government	\$ 3,191,169	\$ 2,543,235	\$ 2,525,947	\$ -	\$ -	\$ -	\$ 3,191,169	\$ 2,543,235	\$ 2,525,947
Public Safety	\$ 5,508,076	\$ 5,434,064	\$ 5,329,122	\$ -	\$ -	\$ -	\$ 5,508,076	\$ 5,434,064	\$ 5,329,122
Public Works	\$ 6,390,932	\$ 5,630,596	\$ 6,347,218	\$ -	\$ -	\$ -	\$ 6,390,932	\$ 5,630,596	\$ 6,347,218
Cultural and Recreation	\$ 2,790,759	\$ 2,962,822	\$ 2,720,126	\$ -	\$ -	\$ -	\$ 2,790,759	\$ 2,962,822	\$ 2,720,126
Interest on Long-Term Debt	\$ 522,913	\$ 636,430	\$ 329,979	\$ -	\$ -	\$ -	\$ 522,913	\$ 636,430	\$ 329,979
Water and Sewer	\$ -	\$ -	\$ -	\$ 7,443,424	\$ 7,655,910	\$ 6,993,425	\$ 7,443,424	\$ 7,655,910	\$ 6,993,425
Airport	\$ -	\$ -	\$ -	\$ 890,695	\$ 778,555	\$ 644,192	\$ 890,695	\$ 778,555	\$ 644,192
<b>Total Expenses</b>	<b>\$ 18,403,849</b>	<b>\$ 17,207,147</b>	<b>\$ 17,252,392</b>	<b>\$ 8,334,119</b>	<b>\$ 8,434,465</b>	<b>\$ 7,637,617</b>	<b>\$ 26,737,968</b>	<b>\$ 25,641,612</b>	<b>\$ 24,890,009</b>
Change in Net Position before Transfers	\$ 218,696	\$ 10,559,811	\$ 1,258,649	\$ 967,347	\$ 387,760	\$ 921,511	\$ 1,186,043	\$ 10,947,571	\$ 2,180,160
Transfers	\$ (734,341)	\$ (661,859)	\$ 768,787	\$ 734,341	\$ 661,859	\$ (768,787)	\$ -	\$ -	\$ -
<b>Change in Net Position</b>	<b>\$ (515,645)</b>	<b>\$ 9,897,952</b>	<b>\$ 2,027,436</b>	<b>\$ 1,701,688</b>	<b>\$ 1,049,619</b>	<b>\$ 152,724</b>	<b>\$ 1,186,043</b>	<b>\$ 10,947,571</b>	<b>\$ 2,180,160</b>
Net Position-October 1	\$ 24,556,320	\$ 14,658,368	\$ 12,630,932	\$ 19,976,236	\$ 18,926,617	\$ 18,773,893	\$ 44,532,556	\$ 33,584,985	\$ 31,404,825
Net Position-September 30	\$ 24,040,675	\$ 24,556,320	\$ 14,658,368	\$ 21,677,924	\$ 19,976,236	\$ 18,926,617	\$ 45,718,599	\$ 44,532,556	\$ 33,584,985

## Revenue Sources

### Property Tax

44% of the City's total revenue is represented by taxes: property, sales, franchise and hotel/motel. Tax Revenues by Source for Governmental Funds are represented in the table below.

<u>Fiscal Year</u>	<u>Property</u>	<u>Penalty and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Other</u>	<u>Total</u>
2019	5,597,430	78,618	1,266,666	4,447,508	779,523	12,169,745
2020	5,644,455	84,420	1,258,458	4,966,859	698,939	12,653,131
2021	5,868,646	96,898	1,263,438	4,934,706	685,845	12,849,533

Property taxes are levied each year on October 1<sup>st</sup> on the assessed values as of the prior January 1<sup>st</sup> for all real and personal property located in the City. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value. The City's property taxes are billed and collected by the Matagorda County Tax Office and are due and payable on January 31<sup>st</sup>. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on the property on January 1<sup>st</sup> of the subsequent calendar year. Property tax is the largest source of income for the General Fund making up 28% of the budgeted revenue for the 2021 fiscal year. This tax supports operations such as police services, fire protection, streets, park maintenance and code enforcement. The citizens of Bay City elected for .5% of the City's 2% local option to be used for property tax relief. Increases in sales tax helps the City decrease its reliance on property tax revenue.

*The total value of all taxable property as certified by the Matagorda County Appraisal District is summarized in the following table:*

	<i><b>Current Year FY 2021</b></i>	<i><b>Prior Year FY 2020</b></i>	<i><b>Variance</b></i>	<i><b>Variance</b></i>
<i>Certified Taxable Value (2020 Tax Roll)</i>	<b>897,701,778</b>	<b>867,110,964</b>	<b>30,590,814</b>	<b>3.5%</b>

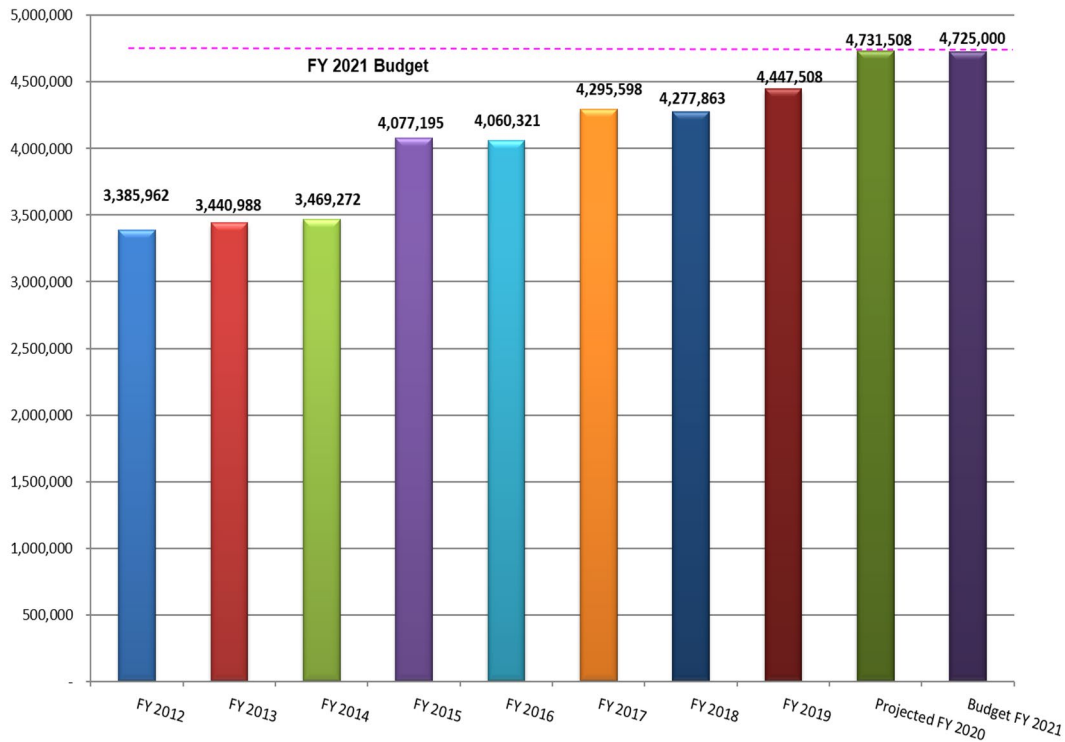
\* The City approved a \$10,000 exemption for all Bay City citizens over the age of 65.

The certified assessed taxable property valuations for the 2021 fiscal year (2020 tax roll) equal \$ 897,701,778 with a tax rate of \$0.48212 per \$100 valuation for maintenance and operations and \$0.17288 per \$100 valuation for the interest and sinking fund. The total tax rate of \$0.6550 remained the same as compared to fiscal year 2020 (2019 tax roll). The certified taxable property valuations increased from the 2019 tax roll by \$30,590,814 or 3.5%.

### Sales Tax

The City of Bay City received **\$4,934,706** in sales tax in fiscal year 2021. The sales tax is allocated to general fund, tax relief and to economic development. The City receives 1.5%, for its General Fund and Property Tax Relief, of the 8.25% tax charged inside the city limits. The Bay City Community Development Corporation receives 0.5%, for economic development and the remaining 6.25% goes to the State.

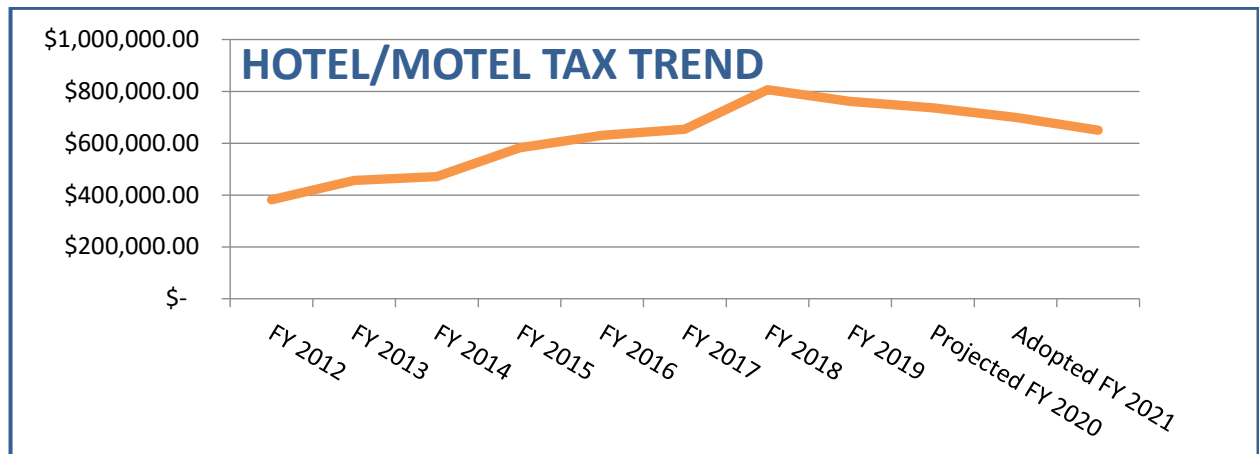
### SALES TAX YEARLY COMPARISON



\*The pink dotted line above on the Sales Tax graph is to illustrate the budgeted revenues for FY 21 sales tax\*

### Hotel/Motel Tax

The Hotel Occupancy Tax Fund accounts for the levy and use of the hotel-motel bed tax. “Putting heads in beds”. All occupants staying overnight in hotels or motels in the City of Bay City for less than 30 consecutive days, are charged a hotel tax of 13% of the room cost. The City receives 7% of the revenue while the State collects 6%. This money is used to promote the City of Bay City following strict guidelines on the use of this tax set up by the State Comptroller’s Office. There are currently 20 hotels/motels in Bay City.





## **Franchise Fees**

Franchise fees are collected from major public utility providers operating within the City limits. This charge is for the use of the City's right of ways and streets. The fee is usually computed at 5% of gross receipts. The City collected a total of **\$1,263,438** at the end of fiscal year 2021 a slight **increase** as compared to prior year's collections of \$ 1,258,458. Included in that amount is a Franchise Fee charged to the Public Utility Fund based on 6% of gross revenue, amounting to \$ 501,000.

## **Licenses & Permits**

Revenues from these categories relate to various contractors' permits, alcohol permits and animal licenses.

## **Charges for Services**

This type of charge can be found in the General Fund, Public Utility Fund and Airport Fund. Charges for Services in the General Fund are Sanitation Fees, in the Public Utility Fund they are water/sewer charges and in Airport Fund they are for late fees on hangar rentals.

## **Fines and Penalties**

Fines and forfeitures account for approximately **1%** of the citywide revenue and can be found in the General Fund and Public Utility Fund. In the General Fund, this revenue is represented by payments of citations, warrants, court costs and Library Fines. The revenue is represented as late payment penalties in the Public Utility Fund.

## **Miscellaneous**

This source can also be found in most funds. This includes items such as rental income, royalties, grants, park fees, donations, interest income and tie down fees.

## **Other Revenues/Sources**

This is the smallest resource of citywide revenue and can be found in most funds. This includes items such as other financing sources and contributed capital.

## **Intergovernmental**

This revenue represents transfers from various funds to reimburse the General Fund for services such as office space, financial services, administrative services, equipment purchases, and capital projects.

### **Bond Ratings- "City's Credit Score"**

Ratings play a critical role in determining how much the City pays in interest on their debt. "A credit rating is an assessment of the creditworthiness of a debt instrument based on a credit rating agency's analytical models, assumptions, and expectations."

Standard & Poor's (S&P): A+ rating due to a weak economy, adequate management with standard financial policies and practices under our Financial Management Assessment (FMA) methodology, strong budgetary flexibility with an available fund balance in fiscal year 2016 of 13.7% of operating expenditures, very strong liquidity with total government cash at 56.5% of total government fund expenditures and 5.6 governmental debt service, adequate debt and contingent liability position and a strong institutional framework score

Moody's: A2 rating reflects the city's pattern of declining liquidity due in part to large general fund transfers that support debt service, weak resident income indices and above average yet manageable net direct debt burden. The rating also incorporates the city's growing tax base and manageable pension burden.

## Long Term Debt

There is no direct limit on debt in the City Charter. Statutes of the State of Texas do not provide any limitations on the dollar amount of debt cities can float; however, as a matter of policy, the Attorney General of Texas, will not approve the issuance of bonds where the total debt service of all tax supported debt requires a tax rate of more than \$1.50 per \$100 assessed valuation. The truth-in-taxation criterion specifies that debt (Interest & Sinking) requirements must be met first, and then the operations can be funded. The property tax rate to meet these needs cannot exceed \$2.50 per \$100 valuation.

Debt service requirements for the City of Bay City are currently \$ .17288 of the current property tax rate of \$.6550. The City has seven outstanding debt issues most of which are Tax and Revenue Certificates of Obligations. **The City has plans to issue debt within the next 12 months to fund water and sewer improvements.**

Assessed value, 2020 tax roll	\$897,701,779	Actual amount of tax-secured debt service - Year ended September 30, 2020	\$ 3,004,679
Limit on amount designated for debt service per \$100 assessed valuation	x \$ 1.50		
<b>Legal Debt Service Limit</b>	<b>13,465,527</b>	<b>Legal Debt Margin</b>	<b>\$10,460,848</b>

At the end of the current fiscal year, the City had total bonded debt outstanding of \$28,692,009. Of this amount, \$6,585,000 represents general obligation debt and certificates of obligation totaled \$22,107,009. The City's bonded debt had a net increase of \$3,987,000 or 16% during the fiscal year ended September 30, 2021. This was due to the issuance of the 2021A and 2021B Certificates of Obligation in the amount of \$ 6,867,000. The City also advance refunded the 2010 and 2012 Certificates of Obligations by the issuance of the 2021 General Obligation Refunding Bonds in the amount of \$6,205,000. The City also had \$865,000 of tax notes and \$78,735 of capital leases payable outstanding as of September 30,2021.

	Outstanding Debt By Type					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Certificates of Obligation	\$ 13,177,238	\$ 15,951,829	\$ 8,929,771	\$ 7,193,180	\$ 22,107,009	\$ 23,145,009
General Obligation Bonds	\$ 2,751,000	\$ 1,560,000	\$ 3,834,000	\$ -	\$ 6,585,000	\$ 1,560,000
Notes	\$ 865,000	\$ 1,065,000	\$ -	\$ -	\$ 865,000	\$ 1,065,000
Capital Leases	\$ 78,735	\$ 116,468	\$ -	\$ -	\$ 78,735	\$ 116,468
Plus Issuance Premiums	\$ 960,198	\$ 713,715	\$ 830,704	\$ 140,867	\$ 1,790,902	\$ 854,582
<b>Total</b>	<b>\$ 17,832,171</b>	<b>\$ 19,407,012</b>	<b>\$ 13,594,475</b>	<b>\$ 7,334,047</b>	<b>\$ 31,426,646</b>	<b>\$ 26,741,059</b>

**General Obligation Bonds (G.O.'s)** are payable from the proceeds on an annual property tax, levied within the limitations of the law. The payment of these bonds is guaranteed by the full faith and credit of the city. These bonds must be authorized by a vote of the citizens.

**Certificates of Obligation (C.O.'s)** do not require voter approval and are ordinarily sold to finance smaller, less expensive projects which tend to have shorter pay-out periods on the debt. These are also backed by the full faith and credit of the city and are paid from property tax receipts.

**Revenue Bonds** are payable from specific sources of non-tax revenue and do not affect the property tax rate. Coverage Ratios of Revenue Bonds will always follow the minimum coverage ratio required by the revenue bond ordinances. It shall be the goal of the City to achieve a budgeted coverage ratio of 1.60

## **Property Tax Supported Debt**

### **2010 Tax and Revenue Certificates of Obligation (CO)**

**\$3,300,000** – 2010 Tax and Revenue Certificate of Obligation Bond was issued for street and drainage improvements, park improvements, civic center improvements, and airport improvements. The payments are secured by property taxes due in annual installments ranging from \$245,000 to \$255,000 through September 1, 2030; interest varying between 3.50% and 4.20%.

### **2013 General Obligation Refunding Bonds**

**\$5,125,000** – 2013 General Obligation Refunding Bond was issued to take advantage of the low interest rate environment by refunding the callable portion of the General Obligation Bonds, Series 2003 and the Combination Tax and Revenue Certificates of Obligation, Series 2004 that were originally issued to fund various street projects. The payments are secured by property taxes due in annual installments ranging from \$405,000 to \$413,000 through September 1, 2024; interest fixed at 2.00%.

### **\*2014 Tax and Revenue Certificates of Obligation (CO)**

**\$3,995,000** – 2014 Tax and Revenue Certificate of Obligation Bond was issued for construction and improvement of streets, sidewalks, water and sewer system, and to purchase public works equipment. The payments are secured by property taxes due in annual installments ranging from \$222,000 to \$247,000 through September 1, 2034 funded by both Utility revenues (25%) and property taxes (75%); interest varying between 2.00% and 4.00%.

### **\*2016 Tax and Revenue Certificates of Obligation (CO)**

**\$5,665,000** – 2016 Tax and Revenue Certificate of Obligation Bond was issued for construction and improvement of streets, sidewalks, water and sewer system, and to purchase park equipment. The payments are secured by property taxes due in annual installments ranging from \$371,000 to \$376,000 through September 1, 2036 funded by both Utility revenues (33.33%) and property taxes (66.67%); interest varying between 2.00% and 3.00%.

### **2018 Tax Note**

**\$1,285,000** – 2018 Tax Note was issued for building improvements and the acquisition of road equipment. The payments are secured by property taxes due in annual installments ranging from \$195,000 to \$230,000 through March 1, 2025; interest fixed at 3.01%.

### **2020 Tax and Revenue Certificates of Obligation (CO)**

**\$8,965,000** - 2020 Tax and Revenue Certificate of Obligation Bond was issued for the purchase of street equipment, renovation of the Bay City Regional Airport hangars, and construction of the Nile Valley Road. These payments are secured by property taxes due in annual installments ranging from \$80,000 to \$620,000 through September 1, 2045 funded by property taxes and the City's two component units - Bay City Gas Company and Bay City Community Development Corporation (BCCDC); interest varying between 2.00% and 3.00%.

\*Paid by both property taxes and utility system revenues

## **Public Utility Fund Supported Debt**

### **2012 Tax and Revenue Certificates of Obligation (CO)**

**\$9,530,000** - 2012 Utility System Tax and Revenue Certificates of Obligation was issued to replace all water meters and move the City to a fixed based reading system. Other improvements included lighting systems of City facilities, street light system, and irrigation systems at City parks and recreational facilities. The payments are supported by the City's Public Utility Fund and due in annual installments for approximately \$800,000 through September 1, 2027; interest varying between 2.00% and 3.25%.

## Capital Assets

The largest portion of the City's net position \$56,177,935 reflects its investment in capital assets, net of accumulated depreciation, which include land, buildings, machinery, equipment, improvements, infrastructure and construction in progress, less any debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; yet these assets are not available for future spending. The City's investment in its capital is reported as net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities. The net increase in the City's investment in capital assets was \$6,458,191.

Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,603,907	\$ 1,603,907	\$ 403,117	\$ 391,117	\$ 2,007,024	\$ 1,995,024
Construction In Progress	\$ 750,429	\$ 4,195,076	\$ 3,680,326	\$ 1,303,113	\$ 4,430,755	\$ 5,498,189
Buildings and Improvements	\$ 1,035,434	\$ 1,328,374	\$ 1,612,094	\$ 385,555	\$ 2,647,528	\$ 1,713,929
Machinery and Equipment	\$ 3,880,801	\$ 4,091,053	\$ 6,292,384	\$ 5,159,967	\$ 10,173,185	\$ 9,251,020
Infrastructure	\$ 21,440,270	\$ 15,365,009	\$ 15,479,173	\$ 15,896,573	\$ 36,919,443	\$ 31,261,582
<b>Total</b>	<b>\$ 28,710,841</b>	<b>\$ 26,583,419</b>	<b>\$ 27,467,094</b>	<b>\$ 23,136,325</b>	<b>\$ 56,177,935</b>	<b>\$ 49,719,744</b>

Upcoming capital projects slated for fiscal year 2021-2022:

- ❖ Nile Valley Road-UPRR Bridge Rehab- \$ 500,000
- ❖ Street Reconstruction Projects- \$ 1,300,000
- ❖ Drainage Construction GLO Grant- \$ 15,000,000
- ❖ Drainage Improvements Hamman Rd.- \$ 688,000
- ❖ Ball Field Lighting at Frahm's Field- \$ 300,000
- ❖ Katy Water Plant No. 3-Electrical Improvements- \$ 300,869
- ❖ AMI Meter Replacement Program- \$ 3,800,000
- ❖ New Water Plant- North Side- \$ 3,500,000
- ❖ WWTP Rehab- Phase II Construction- \$ 12,700,000
- ❖ New Sewer line extension- SH35 East- \$ 1,000,000
- ❖ Airport Taxiway with Drainage- \$ 8,587,000

Capital expenditures are payments used to acquire assets or improve the life of existing assets. Factors that are considered in determining capital items are as follows:

- Expected normal useful life of more than 3 years
- The item has a unit cost of \$ 10,000 or more (including freight and installation)
- Buildings and improvements shall also have a cost of \$ 10,000 or more



## Accounting Terminology

**Accrual Basis of Accounting** is a method of accounting that recognizes the financial effect of transactions, events and interfund activities when they occur, regardless of the timing of the related cash flows.

**Assigned Fund Balance** is the portion of fund balance set aside by the City for a particular purpose.

**Current Assets** are available or can be made readily available to finance current operations or to pay current liabilities. Current assets include those which will be used up or converted into cash within one year. Some examples are cash, investments, taxes receivable, prepaid items and inventories.

**Capital Assets** include land, improvements to land, easements, construction in progress, buildings, building improvements, vehicles, machinery, equipment, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

**Current Liabilities** are expected to be paid to vendors or employees from current financial resources within one year. Also included are unearned revenue and accrued interest.

**Committed Fund Balance** is the portion of fund balance that represents resources whose use is subject to legally binding constraints imposed by the City itself.

**Deferred Inflows of Resources** represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows consist of pension activities related to the difference in expected and actual pension expense.

**Deferred Outflows of Resources** represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred Outflows consist of deferred charges on debt refundings, pension contributions after the measurement date and pension activity. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorts of the life of the refunded (old) debt or refunding (new) debt.

**Long Term Liabilities** are liabilities with a future benefit over one year, including bonds, capital leases, notes payable, health claims liability, Other Post-Employment Benefits ("OPEB"), net pension liability, severance payable and compensated absences.

**Net Pension Liability** is the difference between the total pension liability and the assets set aside in a trust restricted to paying benefits to current employees, retirees and their beneficiaries.

**Net Position** represents the City's assets less liabilities.

**Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of these assets.

**Nonspendable Fund Balance** is the portion of fund balance that cannot be spent because of the underlying resources are not in spendable form.

**Restricted Net Position** consists of restricted assets reduced by liabilities and deferred inflow of resources related to those assets.

**Unrestricted Net Position** is the remaining net position of the City after subtracted net investment in capital assets and restricted net position.



### City of Bay City Contact Information

In the case of an emergency:

**Call 9-1-1**

Airport

979-244-5037

3598 FM 2540 N

Animal Control/Impound

979-323-1706

4611 Starling Drive

Mayor's Office

979-245-2137

1901 5<sup>th</sup> Street

Police (Non-Emergency)

979-245-8500

2201 Avenue H

Human Resources (Job Info)

979-245-6550

1901 5<sup>th</sup> Street

Municipal Court (Traffic Fines)

979-245-0035

1824 6<sup>th</sup> Street

Recycling Center

979-943-8758

1702 Avenue K

Parks and Recreation

979-323-1660

1209 10<sup>th</sup> Street

Public Works Warehouse

979-323-1659

1217 Avenue J

Utility Billing (Water Bills)

979-245-2322

1901 5<sup>th</sup> Street

Tax Office (Property Tax Bill)

979-244-7605

1700 7<sup>th</sup> Street

For a fully detailed and disclosed CAFR, in its entirety, please visit the City's website:

[www.cityofbaycity.org/transparency-program](http://www.cityofbaycity.org/transparency-program)

### City Achievements

Municipal Court received TMCEC Traffic Safety Award for the 3rd year in a row

Finance received the Popular Annual Financial Report award for the 2nd time as well as received the Comprehensive Annual Financial Report award and the Distinguished Budget Presentation awards all through Government Finance Officers of America

Police Department lowered overall UCR statistics from prior year and was also recognized for best practices by Texas Police Chief's Association

Recycling Center recycled and diverted 260 tons of waste and 2,950 gallons of oil from the landfill

Splashpad at Amistad Park was installed and opened for use

Constructed a floating boat dock at Riverside Park

Library earned Achievement in Excellence of Libraries award from TMLDA; partnered with DSHS to add lactation room; made public entrances ADA accessible

Nile Valley Road reconstruction and rehabilitation completed of the roadway and bridge approach for traffic use

Airport completed construction of new T-Hangar row; also awarded the 2021 General Aviation Airport of the Year from Texas Department of Transportation- Aviation Division





**\*Nile Valley Road Grand Re-Opening August 17, 2021\***



**\*Main Street-Downtown Square\***



**\*New Splashpad- Amistad Park\***

