

March 2019



CITY OF AMARILLO, TEXAS

POPULAR ANNUAL
Financial Report

For The Fiscal Year Ended | September 30, 2018



FROM THE MAYOR

Ginger Nelson



Progress can be defined many ways. Progress can be forward movement toward a goal. Progress can be gradual betterment. These definitions of progress describe Amarillo. Amarillo's progress is apparent – and the future is exciting.

As mayor, I have been honored to help lead this effort to bring progress - and improve the quality of life for all Amarillo residents. The Amarillo City Council, elected by the citizens to carry out the community's vision for the future, are dedicated to progress in Amarillo.

One of the guiding principles in how Amarillo City Council achieves progress and growth is Fiscal Responsibility. This is one of eight pillars defined in the BluePrint for Amarillo – along with Public Safety, Economic Development and Redevelopment, Civic Pride, Highly Educated Population, Customer Service, Excellence in Communication and Transportation.

How the City manages taxpayer money is the most important priority for every level of city government. Managing the City's finances and resources responsibly and with transparency allows us to grow as a city. This is the foundation of a vibrant and expanding community. Fiscal Responsibility makes progress possible.

The Popular Annual Financial Report (PAFR) is a summary of how the city managed taxpayer money for the fiscal year ended September 30, 2018. The PAFR is designed to provide an overview of the City of Amarillo's financial position, policies and its commitment to providing fiscally responsible programs and services that are responsive to citizens.

Fiscal Responsibility leads to progress in other council pillars – Economic Development and Redevelopment, Public Safety, and Civic Pride.

For Economic Development and Redevelopment, the City recently opened its multi-purpose event venue, Hodgetown, the home of the Amarillo Sod Poodles. Opened in April and funded through hotel occupancy taxes, Hodgetown represents the final piece in the Downtown Catalyst Project.

For Public Safety, the City recently added back 11 positions in the Amarillo Police Department that were previously unfunded and created six new police officer positions, along with five new positions in the Amarillo Fire Department.

For Civic Pride, the North Heights, Barrio, San Jacinto and Eastridge neighborhoods have been the beneficiaries of more than \$10.3 million in improvement projects and neighborhood plan funds, \$2.6 million of which was approved by voters in a 2016 bond election.

This is an exciting time for Amarillo. The city is growing thanks to a vision for the future that meets the needs of all parts of the city. The Council and I are honored to have been entrusted by the people of Amarillo to carry out this vision – and to make Amarillo's future a reality.

Ginger Nelson

CITY FACTS

POPULATION: 204,828 (estimated)

PUBLIC SAFETY:

Annual police services	106,701
Annual fire services	22,340
Number of fire stations	13
Number of fire hydrants	4,228

PHYSICAL:

Miles of streets	1,037.15
Number of street lights	10,655
Signalized intersections	271
Miles of storm sewers	157.47

AIRPORT:

Number of airlines	4
Scheduled daily flights	35
Annual passengers	358,819

CULTURE AND RECREATION:

Number of libraries	5
Civic Center (sq ft)	340,000
Globe News Center (sq ft)	70,000
Park acreage	2,936
Municipal swimming pools	3
Tennis courts	32
Tennis Center attendance	23,358
Soccer fields	44
Jogging trail mileage	38.14
Rifle Range attendance	8,254

SOLID WASTE MANAGEMENT:

Residential customers	63,303
Commercial customers	6,484
Landfill acreage	662
Tons of waste collected	152,594
Tons of waste landfill	253,322

MUNICIPAL WATER UTILITY:

Average daily production (gal)	47,666,667
Water distribution miles	1,176.70
Number of water wells	135
Wastewater plants	2

TRANSIT:

Number of buses/vans	30
Miles of fixed route	624,309
Fixed route passengers	286,610
Demand response passengers	54,020

PURCHASING:

Number of purchase orders	2,217
Percent of local businesses	63%

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the finances of the City in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal

periods (e.g., uncollected taxes). The change in net position is not reported here, but is the difference of total revenues and total expense. This year net position increased by \$31,811,250. Revenues increased overall mainly due to an increased collection of sales tax, property tax, hotel occupancy tax, water and sewer charges, and solid waste charges. Citywide expenses remained consistent with the prior year with the largest increase in Culture and Recreation. During 2017/18, the City began fully operating both municipal golf courses instead of contracting some of the services outside the entity. However, additional revenues were recognized in golf operations related to this change. Another increase in expenses was in Solid Waste. New programs were implemented during 2017/18 including a big and bulky curbside program and a pilot program for carts along with additional resources invested in dumpsters, alley cleanup and an urgent response crew.

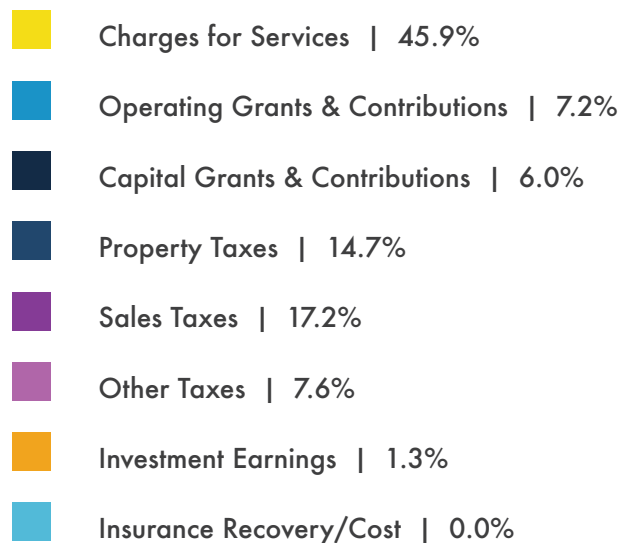
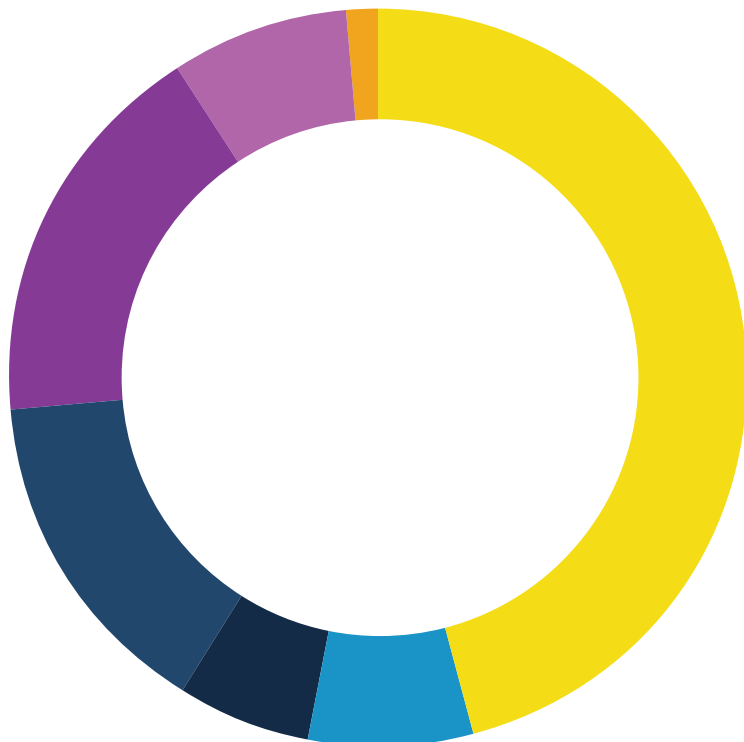
CITYWIDE NET POSITION *(in thousands)*

	FYE 9/30/18	FYE 9/30/17	FYE 9/30/16
Current Assets	\$241,725	\$253,684	\$249,855
Noncurrent and Capital Assets	1,284,813	1,149,502	1,088,272
Total Assets	\$1,526,538	\$1,403,186	\$1,338,127
Deferred Outflows of Resources	\$32,624	\$49,410	\$63,258
Current Liabilities	\$73,747	\$58,841	\$62,213
Noncurrent Liabilities	533,860	545,380	500,253
Total Liabilities	\$607,607	\$604,221	\$562,466
Deferred Inflows of Resources	\$22,215	\$1,423	\$224
Net Position:			
Net Investment in Capital Assets			
Assets	\$869,778	\$813,812	\$799,699
Restricted	38,214	22,149	17,868
Unrestricted	21,348	10,991	21,128
Total Net Position	\$929,340	\$846,952	\$838,695

Revenue

CITYWIDE REVENUES *(in thousands)*

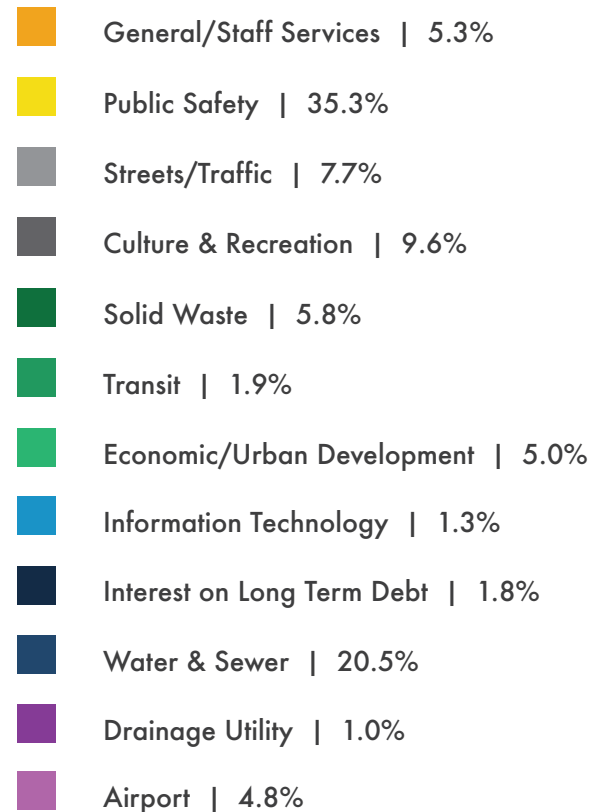
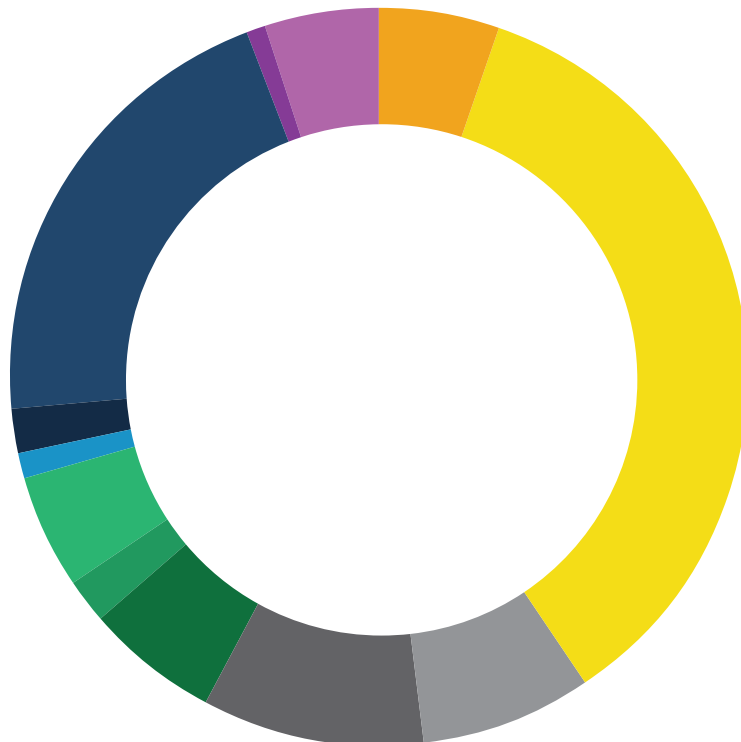
	FYE 9/30/18	FYE 9/30/17	FYE 9/30/16
Charges for Services	\$153,721	\$139,755	\$134,207
Operating Grants & Contributions	24,235	26,154	20,393
Capital Grants & Contributions	20,217	20,573	15,389
Property Taxes	49,135	45,337	43,304
Sales Taxes	57,404	55,544	56,094
Other Taxes	25,459	25,371	24,366
Investment Earnings	4,457	1,766	1,330
Insurance Recovery/Cost	-	-	(1,378)
Total	\$334,628	\$314,500	\$293,705



Expenses

CITYWIDE EXPENSES *(in thousands)*

	FYE 9/30/18	FYE 9/30/17	FYE 9/30/16
General/Staff Services	\$16,005	\$17,153	\$17,075
Public Safety	106,934	109,099	104,181
Streets/Traffic	23,374	23,588	21,875
Culture and Recreation	29,071	27,388	26,368
Solid Waste	17,489	15,390	13,835
Transit	5,666	5,446	5,567
Economic/Urban Development	15,154	19,529	23,381
Information Technology	3,997	3,911	3,776
Interest on Long-term Debt	5,364	3,147	2,372
Water and Sewer	62,223	61,910	59,713
Drainage Utility	2,959	3,042	2,564
Airport	14,581	13,593	12,825
Total	\$302,817	\$303,196	\$293,532



Governmental

PAFR Information

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

REVENUES	FYE 9/30/18	FYE 9/30/17
Taxes	\$126,924,503	\$122,918,067
License and Permits	3,300,746	3,379,143
Interfund Revenues	1,297,732	1,362,765
Intergovernmental Revenues	4,433,519	3,686,195
Citizen Contributions	48,883	185,550
Charges for Services	36,066,879	34,016,832
Fines and Forfeitures	4,578,390	4,787,634
Investment Earnings	782,752	636,631
Other Rentals and Commissions	482,908	479,190
Miscellaneous	192,617	289,068
Total Revenues	178,108,929	171,741,075
EXPENDITURES		
General Government	4,148,506	4,228,149
Staff Services	10,133,298	10,163,868
Public Safety and Health	90,587,450	89,504,357
Streets, Traffic and Engineering	15,016,651	15,397,049
Culture and Recreation	22,181,243	20,864,111
Solid Waste	15,293,540	14,132,745
Transit	5,038,578	4,716,811
Information Technology	3,996,924	3,911,465
Tourism	3,108,395	3,055,383
Capital Outlay	1,318,293	127,399
Total Expenditures	170,822,878	166,101,337
Excess of Revenues Over Expenditures	7,286,051	5,639,738
OTHER FINANCING SOURCES (USES)		
Transfers In	1,035,808	177,820
Transfers Out	(5,897,312)	(8,234,735)
Net Change in Fund Balance	2,424,547	(2,417,177)
FUND BALANCE - BEGINNING	45,662,673	48,079,850
FUND BALANCE - ENDING	\$48,087,220	\$45,662,673

DEFINITIONS

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 those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. For 2018, this category consists of \$9.6 million restricted for debt service, \$1.6 million for Tax Increment Financing, and \$27.0 million restricted for other purposes such as grants.

Unrestricted net position is the remaining net position of the City after subtracting net investment in capital assets and restricted net position.

Charges for services represent fees paid by individuals, businesses, or other governments who purchase, use or directly benefit from the goods and services the City provides. For 2018, the largest items in this category include \$85 million for water and wastewater charges, \$21 million in solid waste charges, \$5 million in drainage utility charges, and \$11 million in airport charges. Water charges were strong and increased due to the City not receiving large amounts of precipitation during 2018.

Operating grants and contributions are grants and contributions that may be used to finance the regular operations of the City.

Capital grants and contributions involve a capital asset of the City and may not be used for operating purposes.



FUND FINANCIAL STATEMENTS:

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: government funds, proprietary funds, and fiduciary funds. This report presents only the operating statements of the general fund, the water and sewer fund, the drainage utility fund, and the airport fund. For information on the other funds, as well as more detailed information on the funds presented here, a copy of the City's Comprehensive Annual Financial Report may be obtained from the Finance Department at the Amarillo City Hall, 601 S. Buchanan St., Amarillo, TX 79101 or online at bit.ly/COAFinancialInformation.

GOVERNMENT FUNDS:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Accordingly, these statements do not reflect capital assets or long-term debt, and they report capital outlay as opposed to depreciation and report proceeds and principal reductions of long-term debt as sources and expenditures which increase or decrease fund balance. Such statements are useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to a general fund, the City maintains special revenue funds, two debt service funds, nine capital projects funds, and one permanent fund. Included in this special newsletter is the general fund statement of revenues, expenditures and changes in fund balance with comparative data from fiscal year ending September 30, 2017. Largest of the City's funds, the general fund accounts for the majority of the City services, including police, fire, street maintenance, solid waste collection and disposal, traffic, parks, library, transit, and administrative services.

General Fund revenues increased over the previous fiscal year. The City saw an increase in sales tax collections for fiscal year 2018. Total sales tax collections came in at \$57.40 million. Sales tax receipts remain strong; fiscal year 2018 saw an increase of approximately \$1.86 million from fiscal year 2017 collections, which set a new record in collections for the City. The City saw a slight reduction in net hotel occupancy tax revenue in 2017/18, recording approximately \$6.35 million, down from \$6.59 million. The City had gross hotel occupancy tax receipts of \$6.93 million and rebated \$577 thousand to the convention hotel per the development agreement. Electricity and gas franchise fees came in slightly higher than expected, \$11.68 million or a \$196 thousand increase over 2016/17. The City also saw increased property tax collections of \$44.06 million versus \$42.00 million during 2016/17 due to increased appraised values in the City limits as well as a rate increase to fund voter approved general obligation bonds from the November 2016 bond election. Sanitation fees and landfill charges came in approximately \$472 thousand higher than 2016/17 at \$20.07 million. The City saw increased use at the landfill and a small increase in commercial and residential customers that affected these revenues.

Utilities

NUMBER OF CITY WATER & SEWER CUSTOMERS

FYE	WATER	SEWER
2009	68,586	66,539
2010	69,358	67,281
2011	69,754	67,654
2012	70,151	68,020
2013	70,161	68,111
2014	70,441	69,039
2015	71,029	69,166
2016	72,272	69,999
2017	72,348	70,071
2018	73,136	70,661

WATER & SEWER

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN NET POSITION

OPERATING REVENUES	FYE 9/30/18	FYE 9/30/17
Utility Sales and Service	\$81,896,464	\$73,545,211
Tap Fees and Frontage Charges	271,403	310,453
Rents and Miscellaneous	127,716	82,405
Total Operating Revenues	82,295,583	73,938,069
OPERATING EXPENSES		
Salaries, Wages and Fringe Benefits	13,920,177	14,467,892
Supplies	1,513,845	1,350,992
Fuel and Power	4,582,045	4,618,493
Contractual Services	5,881,144	5,063,458
Water Authority Charges	5,896,428	6,974,102
Other Charges	10,791,622	10,086,833
Depreciation	14,196,462	14,550,803
Total Operating Expenses	56,781,723	57,112,573
Operating Income	25,513,860	16,825,496
Total Nonoperating Revenues (Expenses)	(1,542,744)	(3,315,915)
Income before Contributions and Transfers	23,971,116	13,509,581
Capital Contributions	4,027,924	5,226,486
Net Transfers from (to) Other Funds	(553,859)	(922,560)
Change in Net Position	27,445,181	17,813,507
NET POSITION - BEGINNING OF YEAR	440,727,320	422,913,813
PRIOR PERIOD ADJUSTMENT	(5,742,514)	-
NET POSITION - BEGINNING OF YEAR (Restated)	434,984,806	422,913,813
NET POSITION - END OF YEAR	\$462,429,987	\$440,727,320

DEFINITIONS

Fund balance is the net position of a governmental fund (difference between assets and liabilities).

Capital outlay represents the acquisition or construction of capital assets in the governmental funds. For governmental fund accounting, capital assets are expensed when purchased or constructed through the line item capital outlay.

Other financing sources (uses) represent increases (decreases) in the fund balances of a governmental fund other than revenues (expenditures). Examples include transfers between funds within the City and bond proceeds.

Depreciation is the allocation of the cost of using a capital asset over the asset's estimated useful life.

Capital contributions are funds and/or assets contributed to the City specifically for the acquisition, construction, or improvement of capital assets.

Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period.

Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.



BLUE LEGACY CONSERVATION AWARD:

Water is Amarillo's most precious resource. And the City of Amarillo has been recognized for protecting this resource. For the first time, the city earned the Blue Legacy Conservation Award from the Texas Water Foundation, the Texas Water Development Board and the Texas Conservation Advisory Council. The award showcases water stewardship and water conservation.

The city was recognized for its reclaimed water program, which is the supply of treated wastewater plants over the past five years. This correlates to 3.3 billion gallons a year provided by the city, in partnership to Xcel/SPS for generation of electricity.



PROPRIETARY FUNDS:

The City maintains three different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer system, the drainage utility system, and for its international airport. Internal service funds are an accounting device used to accumulate and allocate costs internally among a governmental entity's various functions. The City uses internal service funds to account for its fleet of vehicles, its management information systems, and its general and employee health self-insured programs.

Proprietary funds provide the same type information as the government-wide financial statements, only in more detail. The water and sewer fund, drainage utility fund, and airport fund statements of revenues, expenditures and changes in net position are presented in this special newsletter with comparative data from fiscal year ending September 30, 2017.

DRAINAGE UTILITY FUND STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN NET POSITION

OPERATING REVENUES	FYE 9/30/18	FYE 9/30/17
Drainage Utility Assessments	\$5,454,267	\$5,452,126
Forfeited Discounts	93,814	88,359
Total Operating Revenues	5,548,081	5,540,485
OPERATING EXPENSES		
Salaries, Wages and Fringe Benefits	1,274,096	1,309,766
Supplies	145,645	185,836
Contractual Services	905,611	957,723
Other Charges	487,240	436,002
Depreciation	143,798	117,147
Total Operating Expenses	2,956,390	3,006,474
Operating Income (Loss)	2,591,691	2,534,011
Total Nonoperating Revenues (Expenses)	110,159	15,678
Income (Loss) before Contributions and Transfers	2,701,850	2,549,689
Capital Contributions	26,863	12,444
Net Transfers from (to) Other Funds	1,066,348	(244,958)
Change in Net Position	3,795,061	2,317,175
NET POSITION - BEGINNING OF YEAR	14,029,236	11,712,061
PRIOR PERIOD ADJUSTMENT	(564,210)	-
NET POSITION - BEGINNING OF YEAR (Restated)	13,465,026	11,712,061
NET POSITION - END OF YEAR	\$17,260,087	\$14,029,236

BUY THE WAY – KEEP IT LOCAL

The Internet has changed how consumers purchase goods/services. The City of Amarillo has partnered with the Amarillo Chamber of Commerce on the "Buy the Way - Keep It Local" (BTW) campaign, which shows the importance of shopping locally. Sales taxes are a primary revenue source.

The BTW campaign is helping. There was a 3.24 percent increase in sales taxes from May 2018–April 2019 compared to May 2017–April 2018. Sales taxes for the past fiscal year were up 2.99 percent compared to the previous year. Through April, sales taxes increased 1.98 percent from the same time last year. With the BTW campaign, Amarillo is taking a proactive approach to a changing economy.



Airport

PACE Program:

TX-PACE (Texas Commercial Property Assessed Clean Energy) is a proven financial tool that enables Texas property owners to upgrade facility infrastructure with little-or-no upfront capital outlay. The program is designed so that owners lower their operating costs and pay for eligible improvements with the savings generated, taking advantage of affordable, long-term financing. TX-PACE can be used to pay for new heating and cooling systems, lighting improvements, solar panels, water pumps, insulation and more, for existing properties – including commercial, industrial, agricultural, nonprofit and multifamily.

Owners gain access to private, affordable, long-term (typically 10-20 years) financing that is not available through traditional funding avenues.

The Amarillo City Council approved the PACE program for use in the city limits and extraterritorial jurisdiction (ETJ). There are no City of Amarillo funds involved in this program, as projects are funded by private dollars where property owners interested in the program select their own capital provider.

AIRPORT FUND STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN NET POSITION

OPERATING REVENUES	FYE 9/30/18	FYE 9/30/17
Airfield Fees and Commissions	\$788,190	\$628,243
Terminal Building Revenue	7,434,616	7,162,945
Other Building Revenue	1,691,765	1,637,825
Total Operating Revenues	9,914,571	9,429,013
OPERATING EXPENSES		
Salaries, Wages and Fringe Benefits	3,393,879	3,374,750
Supplies	457,031	458,604
Fuel and Power	544,216	615,376
Other Contractual	1,997,578	1,316,102
Other Charges	2,562,998	2,374,843
Depreciation	5,625,417	5,453,657
Total Operating Expenses	14,581,119	13,593,332
Operating Income (Loss)	(4,666,548)	(4,164,319)
Total Nonoperating Revenues (Expenses)	2,202,202	1,412,940
Net Loss before Contributions and Transfers	(2,464,346)	(2,751,379)
Capital Contributions	3,190,753	2,089,395
Net Transfers from (to) Other Funds	(219,867)	(29,755)
Change in Net Position	506,540	(691,739)
NET POSITION - BEGINNING OF YEAR	80,127,908	80,819,647
PRIOR PERIOD ADJUSTMENT	(1,228,832)	-
NET POSITION - BEGINNING OF YEAR (Restated)	78,899,076	80,819,647
NET POSITION - END OF YEAR	\$79,405,616	\$80,127,908



AIRPORT MURAL FLIES HIGH IN AMARILLO:

The first project for the City of Amarillo's Beautification and Public Arts Advisory Board was to approve a mural at Rick Husband Amarillo International Airport.

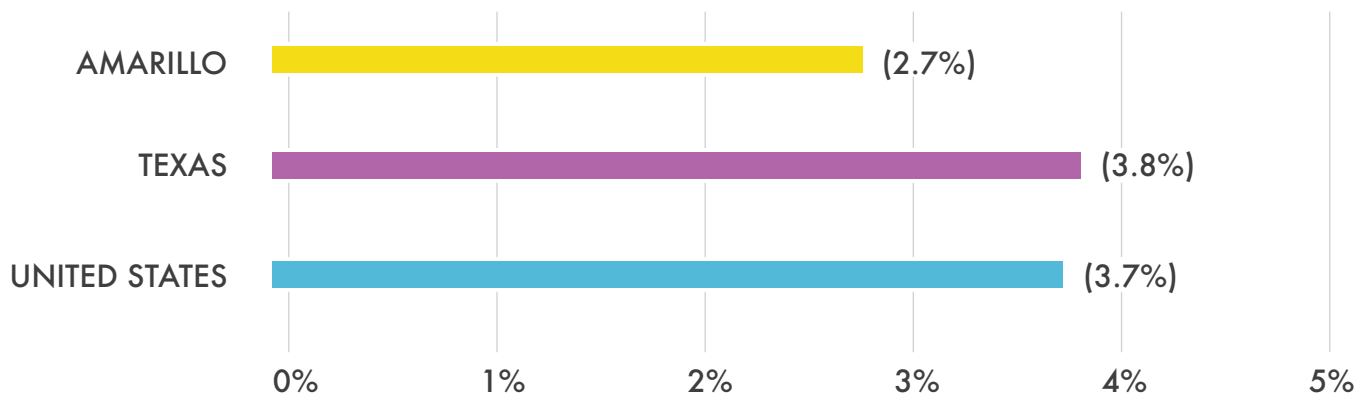
It required Joey Martinez only two days to combine the many iconic images of Amarillo into a massive graffiti-style mural that encompasses an entire wall at Rick Husband Amarillo International Airport. The site of the mural is a 12-by-48 foot curved wall on the west side of the second floor ticket area – clearly visible to visitors.

Employment

PRINCIPAL EMPLOYERS

EMPLOYER	EMPLOYEES	EMPLOYER	EMPLOYEES
Amarillo Independent School District	4,391	Affiliated Foods	1,359
CNS Pantex	3,203	Walmart	1,303
Baptist/St. Anthony's Health Systems	3,200	Texas Department of Criminal Justice	1,000
Tyson Foods Inc.	2,280	Bell Helicopter, Inc	900
Northwest Texas Healthcare	1,860	Amarillo VA Health Center	859

UNEMPLOYMENT RATES



S&P GLOBAL RATING

Amarillo continues to receive a AAA debt rating from Standard & Poor's rating service on general obligation debt, water and sewer revenue bond debt, and drainage utility debt. AAA is the highest rating which allows the City to enjoy favorable interest rates on the issuance of debt.

GAAP NOTICE

While this presentation does not conform to Generally Accepted Accounting Principles (GAAP), the purpose of these statements is to provide the citizen with a selection of the information contained within the City's Comprehensive Annual Financial Report (CAFR). Component unit information has been excluded from this presentation in order to focus on the primary government. The City's accounting policies do conform to GAAP as set forth by the Governmental Accounting Standards Board. The City's separately prepared and audited CAFR offers a complete description of the City's significant accounting policies and other disclosures required by GAAP, as well as a more detailed analysis of the City's financial position. A copy of the CAFR can be obtained at the Finance Department at the Amarillo City Hall (601 S. Buchanan St.) or online at bit.ly/COAFinancialInformation.

MAYOR AND CITY COUNCIL

Ginger Nelson, Mayor

Elaine Hays, Place 1

Freda Powell, Place 2

Eddy Sauer, Place 3

Howard Smith, Place 4

CITY MANAGEMENT

Jared Miller, City Manager

Michelle Bonner, Deputy City Manager

Kevin Starbuck, Assistant City Manager

Floyd Hartman, Assistant City Manager

CITY OFFICIALS

Laura Storrs, Director of Finance

Jordan Schupbach, Director of Public Communications

Raymond Lee, Director of Public Works

Jonathan Gresham, Director of Utilities

Rich Gagnon, Information Technology Director

Michael Kashuba, Director of Parks & Recreation

Ed Drain, Chief of Police

Jeff Greenlee, Fire Chief

Bryan McWilliams, City Attorney

Frances Hibbs, City Secretary

Valerie Kuhnert, City Auditor

CONTACT

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