



SPECIAL MEETING OF THE

TEMPLE CITY COUNCIL

MUNICIPAL BUILDING

CITY COUNCIL CHAMBERS – 2ND FLOOR

2 NORTH MAIN STREET

TEMPLE, TX

THURSDAY, AUGUST 30, 2012

5:00 P.M.

AGENDA

I. CALL TO ORDER

1. Invocation
2. Pledge of Allegiance

II. BUDGET ITEMS

3. [2012-6696-R](#): PUBLIC HEARING – Conduct a public hearing regarding the City's budget for fiscal year beginning October 1, 2012 and ending September 30, 2013 and consider adopting a resolution:
 - (A) Ratifying the property tax increase reflected in the budget – “This budget will raise more total property taxes than last year's budget by \$948,549 (5.10%) and of that amount, \$383,778 is tax revenue to be raised from new property added to the tax roll this year;” and
 - (B) Adopting the City's budget for fiscal year beginning October 1, 2012 and ending September 30, 2013, including the Operating Budget for 2012-2013, Capital Improvement Plan, and Fiscal & Investment Policies.


4. [2012-4550](#): FIRST & FINAL READING – PUBLIC HEARING - Consider adopting an ordinance approving the tax roll and authorizing calculation of the amount of tax that can be determined for all real and personal property in the City for the tax year 2012 (fiscal year 2013), to be considered on an emergency basis.
5. [2012-4551](#): FIRST & FINAL READING – PUBLIC HEARING –Consider adopting an ordinance levying taxes and setting a tax rate for the City for the tax year 2012, making the appropriation for the regular operation of the City, to be considered on an emergency basis.
6. [2012-6697-R](#): Consider adopting a resolution amending the current utility system fees to be effective October 1, 2012 by:
 - (A) Increasing the current water rate monthly minimum service charge based on meter size;
 - (B) Increasing the current wastewater rate monthly minimum service charge and increasing the volumetric rate.

III. SPECIAL RECOGNITION

7. [Present Proclamation to Richard Skopik, P.E., District Engineer](#), recognizing 34 years of service with Texas Department of Transportation.

The City Council reserves the right to discuss any items in executive (closed) session whenever permitted by the Texas Open Meetings Act.

I hereby certify that a true and correct copy of this Notice of Meeting was posted in a public place at 3:00 PM on August 24, 2012.


Lacy Borgeson, TRMC
City Secretary

I certify that this Notice of Meeting Agenda was removed by me from the outside bulletin board in front of the City Municipal Building on _____ day of _____ 2012.



COUNCIL AGENDA ITEM MEMORANDUM

08/30/12
Item #3
Special Agenda
Page 1 of 2

DEPT./DIVISION SUBMISSION & REVIEW:

David Blackburn, City Manager
Traci L. Barnard, Director of Finance

ITEM DESCRIPTION: PUBLIC HEARING – Conduct a public hearing regarding the City's budget for fiscal year beginning October 1, 2012 and ending September 30, 2013 and consider adopting a resolution:

- (A) Ratifying the property tax increase reflected in the budget – “This budget will raise more total property taxes than last year’s budget by \$948,549 (5.10%) and of that amount, \$383,778 is tax revenue to be raised from new property added to the tax roll this year;” and
- (B) Adopting the City’s budget for fiscal year beginning October 1, 2012 and ending September 30, 2013, including the Operating Budget for 2012-2013, Capital Improvement Plan, and Fiscal & Investment Policies.

STAFF RECOMMENDATION: Adopt resolution as described in item description.

ITEM SUMMARY: This item is to conduct a public hearing and adopt the 2012-2013 proposed budget. Attached is a list of changes, for all funds, that have been made since the budget was filed with the City Secretary on June 29, 2012. The changes are a result of Council work sessions, receipt of the certified tax roll, public input and updated information since the Council last reviewed the budget.

The ad valorem tax rate is proposed at \$0.5864. This proposed tax rate is comprised of an increase in the maintenance and operation rate of \$0.0060 and an increase in the debt service rate of \$0.0125. The proposed Maintenance and Operation rate (M&O) is \$0.3300 and the Interest and Sinking fund rate (I&S) is \$0.2564 for a total rate of \$0.5864. The proposed rate is 4.86% above the effective tax rate of \$0.5592.

The proposed Budget with the subsequent changes as listed on the attached page remains balanced with the use of Undesignated Fund Balance-Capital Projects and meets the operational needs as requested.

FISCAL IMPACT:

The budget is summarized below by fund.

FY 2013 Proposed Annual Budget

(As Compared to Adopted FY 2012 Budget)

| Revenues/Other Sources | Adopted Budget FY 2012 | PROPOSED Budget FY 2013 | % Increase/ (Decrease) |
|-------------------------------------|---------------------------------------|--|---------------------------------------|
| General Fund | \$ 55,711,585 | \$ 57,614,525 | 3.42% |
| Water & Wastewater Fund | 26,847,261 | 28,684,076 | 6.84% |
| Debt Service Fund | 8,061,085 | 8,437,407 | 4.67% |
| Hotel/Motel Tax Fund | 1,399,450 | 1,702,900 | 21.68% |
| Federal/State Grant Fund | 523,888 | 386,943 | -26.14% |
| Drainage Fund | 1,089,967 | 1,079,523 | -0.96% |
| Internal Service Fund | 2,552,768 | 3,295,525 | 29.10% |
| Reinvestment Zone No. 1 Fund | 5,405,956 | 4,706,824 | -12.93% |
| Total Revenues/Other Sources | \$ 101,591,960 | \$ 105,907,723 | 4.25% |

| Expenditures/Transfers | Adopted Budget FY 2012 | PROPOSED Budget FY 2013 | % Increase/ (Decrease) |
|-------------------------------------|---------------------------------------|--|---------------------------------------|
| General Fund | \$ 58,730,477 ⁽¹⁾ | \$ 59,069,645 ⁽²⁾ | 0.58% |
| Water & Wastewater Fund | 27,237,261 | 28,330,899 | 4.02% |
| Debt Service Fund | 8,361,085 | 9,725,715 | 16.32% |
| Hotel/Motel Tax Fund | 1,399,450 | 1,702,900 | 21.68% |
| Federal/State Grant Fund | 523,888 | 386,943 | -26.14% |
| Drainage Fund | 1,756,471 | 1,079,523 | -38.54% |
| Internal Service Fund | 2,884,039 | 3,295,525 | 14.27% |
| Reinvestment Zone No. 1 Fund | 6,606,653 | 6,534,108 | -1.10% |
| Total Expenditures/Transfers | \$ 107,499,324 | \$ 110,125,258 | 2.44% |

⁽¹⁾ Includes \$3,018,892 in Capital (\$1,519,400); TEDC Matrix allocation (\$399,492); Strategic Investment Zone (\$100,000); and Street Improvements (\$1,000,000) funded with Undesignated Fund Balance - Capital Projects

⁽²⁾ Includes \$1,455,120 in Capital (\$773,400); TEDC Matrix allocation (\$400,000); and Strategic Investment Zone (\$100,000) funded with Undesignated Fund Balance - Capital Projects; and Health Insurance Cost (\$181,720) from Fund Balance Designated for Health Insurance

ATTACHMENTS:

[Budget Transmittal Letter](#)

[Schedule of adjustments to the proposed budget filed with City Secretary on June 29, 2012](#)

[Fiscal & Budgetary Policy](#)

[Investment Policy](#)

[Resolution](#)

BUDGET MESSAGE







June 29, 2012

Honorable Mayor and City Council,

I am pleased to present the Preliminary Fiscal Year 2012-2013 Budget (FY 2013 Budget) for the City of Temple totaling \$109,523,358 for all funds.

The emphasis and focus on this FY 2013 Budget, as with previous budgets, is on providing and delivering services to our residents. Whether it is providing a place where residents can check out books, to places where residents can swim, walk along a trail, or play ball, or whether it is simply picking up the trash, the City provides multiple services to our residents. That is what we do and who we are...a service-delivery organization.

“Temple Tomorrow”, our strategic plan, identifies 4 strategic focus areas: 1) Serving Our Community; 2) Improving Our Infrastructure; 3) Expanding the Tax Base; and 4) Growing the Health and Biosciences Industries. All 4 of these areas are equally important and significant. All 4 focus areas provide the foundation for our planning, budgeting, and work plans. Accordingly, the FY 2013 Budget, as with past budgets, continues to allocate resources with all 4 of these strategic focus areas in mind.

Two focus areas I would like to highlight in the FY 2013 Budget relate to Serving Our Community and Improving our Infrastructure. With regard to Serving Our Community, the FY 2013 budget continues the priority and the planning process to increase and enhance our public safety services. Detailed later in this transmittal letter, the FY 2013 Budget adds personnel to both the police and fire services. While the addition of these positions is necessary and beneficial to our service delivery in public safety, they are also simply a continuation of steps in a multi-year process.

I would also like to highlight the focus area relating to ‘Improving Our Infrastructure’. The FY 2013 Budget recommends a multi-year transportation capital improvement program (FY2013-18 Transportation CIP, or ‘TCIP’). The \$57,475,000 TCIP is a result of our recent assessments and reports on both the condition of our transportation infrastructure and the need to improve our mobility. The 17 project areas identified in the TCIP are intended to address both the need to improve our existing transportation infrastructure and provide new capacity and connectivity.

Budget Development & Background

Budget Process- The budget is now a year round process and the framework for the development of this budget continued to be very similar to previous budgets. Planning and work for this budget began in late 2011 with the City Manager working on timelines and issue identification. Through late 2011 and early 2012, the Manager worked with Finance to develop the budget calendar and process for the FY 2013 Budget.

In January, the City Manager held a planning retreat with Departments to identify and discuss issues for the upcoming budget and in February, the City Manager and Finance staff met with

Departments to conduct a status review of current year budget and performance indicators and provide initial direction regarding issues identified in the planning retreat.

In mid February, the City Council held a strategic planning retreat to review and, as might be needed, update the City's strategic plan, "Temple Tomorrow: Strategic Vision and Plan". This plan establishes the mission and vision of the City, identifies four major areas of focus, and establishes the City's goals and objectives. The areas of focus identified in the Plan were: Expand the Tax Base, Grow Health and Bioscience, Improve the Transportation Infrastructure, and Serve our Community. These focus areas and their associated goals and objectives guided the development of the FY 2013 Budget. During the planning retreat, Council also reviewed the budget calendar and parameters and received information regarding potential budget issues identified by staff.

The FY 2013 Budget recommends a slight modification to one of the 4 strategic focus areas, 'Improve the Transportation Infrastructure'. I am recommending Council consider modifying this strategic focus area to 'Improve Our Infrastructure'. While our transportation infrastructure is no doubt significant and critical, I would submit we should broaden the focus area to allow the inclusion of all of our infrastructure. In particular, our utility infrastructure.

The City has invested almost \$60,000,000 over the past 5 years in improving and extending our water and sewer infrastructure. The FY 2013 Budget proposes an additional \$30,000,000 over the next 5 years to continue this work. Our utility infrastructure, no less so than our transportation infrastructure, is extremely important to our ability to deliver services in one of our core mission areas. I believe our strategic focus area should reflect this.

From February through the delivery of the FY 2013 Budget, staff has worked countless hours on preparing, reviewing, researching and responding to questions from Finance and the Manager relating to the programs and services this Preliminary Budget recommends.

Budget Approach- The FY 2013 Budget continues the 'activity-based' perspective began in FY 2010. Each Department was asked to identify each and every activity that they provide. They were also asked to identify the cost for providing each activity. This 'activity-based' approach allows for better identification of the services and service levels that we provide.

Budget 'Fence Posts'- This year's budget, as with every budget I have presented you, has been developed within the framework of the strategic plan priorities adopted by the City Council and the budget parameters, or 'fence posts', that were briefed to the Council at the February 9 planning retreat and the March 1 and May 24, 2012 work sessions. Those 'fence posts' are:

1. Maintain fiscal soundness;
2. Maintain core services;
3. Focus on people;
4. Align strategic, financial & tactical plan.

Financial Highlights

As indicated in the opening sentence of this transmittal letter, the FY 2013 Budget authorizes and allocates a total \$109,523,358. Of this amount, \$103,917,995 is proposed for the operations and maintenance budget which includes debt service and transfers and \$5,605,363 is proposed for routine capital for the general operating budget which includes equipment and public infrastructure projects. In accordance with current fiscal and financial policies, \$2,565,281

of the routine capital is funded with fund balance or retained earnings. The breakdown of this amount is as follows:

- ▶ \$1,791,881 – Reinvestment Zone No. 1
- ▶ \$773,400 – General Fund

As in previous years, the FY 2013 Preliminary Budget is a balanced budget under the policies and parameters discussed in earlier planning sessions with the City Council.

In addition, \$62,749,456 is proposed for capital improvements programs (CIP). The CIP allocated in FY 2012 can be divided into four categories:

- ▶ Routine Capital Recommended for Limited Tax Note Funding (L.T.N. CIP) - \$2,255,000
- ▶ Multi-year Non-Routine Capital Recommended for Certificates of Obligation Funding (C.O. CIP) - \$57,475,000
- ▶ Multi-year Non-Routine Capital Recommended for General Obligation Bond Funding (G.O.CIP) - \$3,019,456 (Proposed projects will be funded with project savings)

City Manager's Highlights

With the above background in mind, I would like to highlight a few areas of general priority and significance in the FY 2013 Budget.

Serving our Community-

You have heard me say many times that our most important asset isn't our brick and mortar, it isn't our trucks or tools...it is our people. Our ability to provide and deliver services is dependent upon our employees. .

Accordingly, the FY 2013 Budget proposes the continuation of a multi-year plan to enhance our police services. In FY 2011, we added 1 police officer (a school resource officer position). In FY 2012 we added 2 more police officers (additions to the traffic unit). The FY 2013 Budget recommends 2 more police officers for the purpose of enhancing our Criminal Investigations Division ('CID').

While the CID division has seen increases in caseload numbers over the past several years, staffing assigned to the CID division has not increased. CID's ability to manage caseloads is directly dependent upon staffing levels and 2 additional police officers will significantly help address service level expectations.

The FY 2013 Preliminary Budget also recommends an additional three Firefighter positions. With the opening of Station 8 this past year we have seen an increase in overtime costs with the Fire Department. Most of these overtime costs can be attributed to 'known unknowns' associated with paid leave within the Department. In any given year, we don't know how many firefighters will take leave, nor do we know how much leave they will take, nor when they will take it. But, what we do know is that it will occur. An analysis of leave within the Department

has provided us with a 'template' or 'formula' for better forecasting this factor in our budgeting process and it suggests the addition of 3 firefighter positions would mitigate our overtime costs.

The FY2013 Preliminary Budget also recommends adding an Animal Control Officer position. The City has a history of providing a high level of service delivery to our residents when it comes to animal services. Currently, Animal Control provides services 7 days a week, with Shelter days and hours being Monday through Friday from 10:00 a.m. to 4:00 p.m. and Saturday from 12:00 p.m. to 4:00 p.m. And while demand and service levels for animal services have grown substantially over the past decade, staffing levels at Animal Services have not. Not since 2002 has the City added to the ranks of Animal Control. Animal Services has been, and will continue to be, a critical part of our overall services relating to public safety. .

The cost for adding these public safety positions is approximately 1 cent on the tax rate.

The FY 2013 Budget also recommends the addition of a Development Coordinator to our Planning & Development staff. This position would help the City oversee and monitor planning and development issues in the field. The City has initiated multiple new programs and services related to planning and development over the past several years, but has no dedicated position to oversee and monitor the programs and development. This position would be dedicated to working in the field and insuring compliance. The position is proposed to be funded by an increase to permit and development fees.

With regard to the Water & Sewer Fund, one additional Maintenance Technician and three additional Maintenance Laborer positions assigned to the Water Treatment Plant are being recommended. Our Water Treatment Plant is one of our most critical assets. Staffing levels at the Water Treatment Plant over the past several years have been at minimal levels and the FY 2013 Preliminary Budget recommends adding these positions to better protect this critical piece of infrastructure and to better protect our people who work there. These positions would be paid for by an adjustment to the water and sewer rates.

Finally, the FY 2013 Preliminary Budget also provides for a 3% base pay adjustment for all city employees. While a 3% one time lump sum payment for all employees was provided for in FY2012, no base pay adjustments have been made since 2007. There is no additional cost to the FY2013 Budget over the FY2012 Budget for implementing this recommendation. If we are a service-delivery organization, and if our primary and best assets are our people, then we should provide a compensation plan that reflects these priorities. I believe this base pay adjustment would be yet another action that demonstrates the commitment and priority we place on our people.

Improving our Infrastructure

- In FY 2010, Temple's Street Department completed a comprehensive Pavement Condition Assessment ('PCA') for all city streets and alleys. The PCA found the overall condition of our streets to be in good condition. The PCA, and a 2012 Mobility Report which included a listing of street projects, also found significant challenges ahead for the City to maintain the overall good condition of the majority of our streets. The reports identified almost \$1 billion dollars in maintenance and project needs. The streets project listing alone identified approximately \$200 million in projects. Also recommended was a more comprehensive street maintenance program that includes more aggressive approaches for crack seal, seal coat, overlay, and reconstruction.

The FY 2011 Budget funded the first phase of a multi-year approach to work toward the recommended maintenance strategy. The first phase of that strategy was the establishment of a five member year-round crack sealing crew. The second phase, an enhanced seal coat program

in the amount of \$1,000,000 from unreserved fund balance designated for capital expenditures was funded in the FY 2012 Budget. This funding allowed for approximately 60 additional lane miles of streets to be seal coated.

With the completion of the 2012 Mobility Report, a better, more comprehensive view of our transportation needs and issues was provided. This report provides a compilation of existing master plans, transportation studies, thoroughfare plans, capital improvement projects, inspection reports, and local policies related to Temple’s transportation system and identifies specific transportation project recommendations to address needs in the categories of connectivity, congestion, capacity, condition, and multi-modal options.

The FY 2013 Preliminary Budget proposes a multi- year capital improvement program to focus on re-construction, capacity, and connectivity transportation projects. All total, \$57,475,000 worth of transportation projects are recommended. The recommended projects are:

| | | |
|---|------------|---------------------|
| ◎ Reconstruction Projects | | \$21,100,000 |
| ○ Kegley Road (w/ bike lanes) | 16,600,000 | |
| ○ N 8th Street | 1,000,000 | |
| ○ Western Hills | 2,700,000 | |
| ○ N 3rd Street Enhancement | 800,000 | |
| ◎ Capacity and / or Connectivity Projects | | \$28,725,000 |
| ○ S Pea Ridge | 1,250,000 | |
| ○ Hogan | 2,200,000 | |
| ○ Tarver | 2,400,000 | |
| ○ N Pea Ridge | 3,900,000 | |
| ○ Prairie View | 6,900,000 | |
| ○ Westfield | 5,100,000 | |
| ○ Avenue U / 13th & 17th Street | 3,100,000 | |
| ○ W Avenue N | 500,000 | |
| ○ Outer Loop Phase III | 3,100,000 | |
| ○ Off-Site Connector Trails | 275,000 | |
| ◎ Signalization &, Maintenance | | \$7,650,000 |
| ○ Current Signalization Needs | 600,000 | |
| ○ Future Signalization Needs | 1,050,000 | |
| ○ Annual Seal Coat / Overlay | 6,000,000 | |
| ◎ TOTAL | | \$57,475,000 |

The cost for this transportation initiative to the tax rate is 1.25 cents.

Financial Highlights by Fund

General Fund Revenues- Total revenues for the FY 2013 General Fund Budget are presented at \$57,614,525, an increase of 3.42% compared to the FY 2012 adopted budget.

The three largest sources of revenue for the General Fund are sales tax, property tax, and solid waste charges.

Property Tax- In the FY 2013 Budget, property tax accounts for 19.96% of the General Fund budgeted revenues and is the second largest revenue source of the General Fund. The preliminary tax rate for FY 2013 is proposed at 59.04¢ per \$100 valuation.

I think it is worth noting that the tax rate proposed for FY 2013 is lower than the tax rate that was set in 2001. I think this speaks volumes about our economic development policies and strategies.

This rate is based on a preliminary appraisal of \$3,343,011,809 (net taxable value not adjusted for frozen values). The tax rate is comprised of two components, the Maintenance and Operations rate (M&O) and the Interest Sinking rate (I&S). This year's proposed tax rate is 33.40¢ for the M&O rate and 25.64¢ for the I&S rate.

The M&O rate reflects a 1.00¢ tax rate increase to address the public safety staffing needs detailed in the 'Staffing' section above. The I&S rate reflects a 1.25¢ to fund the Streets CIP program detailed in the 'Streets Maintenance' section above.

The following chart presents the components of the total proposed tax rate for FY 2013 and the actual tax rate for the past two years.

| TAX RATE BY FUND | Fiscal Year 10-11 | Fiscal Year 11-12 | Fiscal Year 12-13 | RATE CHANGE |
|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------|
| General (M&O) | 33.00¢ | 32.40¢ | 33.40¢ | 1.00¢ |
| Debt (I&S) | 23.79¢ | 24.39¢ | 25.64¢ | 1.25¢ |
| TOTAL (Per \$100 Valuation) | 56.79¢ | 56.79¢ | 59.04¢ | 2.25¢ |

The certified appraisal roll for Ad Valorem taxes will not be available from the Appraisal District of Bell County until late July. Therefore, the proposed tax rate is based on assumptions and may require adjustments prior to the final adoption of the budget to reflect the current parameters set forth by Council.

Sales Tax- While much attention is focused on the property tax rate number, our single largest source of revenue for the General Fund continues to be sales tax revenue. In the FY 2013 Budget, sales tax is projected to account for 28.93% of the General Fund budgeted revenues and continues to be the single largest revenue source of the General Fund.

The FY 2013 Budget estimates \$16,670,000 in sales tax revenue, a 5.51% increase in sales tax revenue over budgeted FY 2012 sales tax revenue.

Solid Waste Rates- Charges associated with solid waste services represent the third largest source of revenue for the General Fund and are projected to account for 14.76% of total General Fund revenues. \$8,503,630 in solid waste revenue is projected for FY 2013, representing a 1.12% increase from the FY 2012 solid waste revenue adopted budget of \$8,409,750. These revenues are based on rates that remain unchanged from current year.

General Fund Expenditures- Total expenditures for the FY 2013 General Fund Budget are presented at \$59,069,645, an increase of 0.58% compared to the FY 2012 adopted budget. As noted above, a significant area of emphasis in the FY 2013 Budget that has contributed to this increase includes public safety staffing.

The FY 2013 Budget continues to provide funding to Public Service Agencies ('PSAs'). As you are aware, our PSAs provide much needed services to the community and our support to them 'leverages' their resources with ours. The FY 2013 Budget recommends \$503,431 in funding for sixteen organizations. Many of these organizations are funded through the City's General Fund. Organizations whose services are eligible for funding by hotel/motel tax revenues are funded through the City's Hotel/Motel Tax Fund.

One of the strategic focus areas identified in our Strategic Plan is to 'expand the tax base'. In order for us to continue to meet the demands for current service, and in order for us to meet the needs of projected growth and development, it is critical that this objective be met. As Council will recall, the FY 2008 Budget included a funding commitment to a 'matrix incentive pool' at \$800,000. This 'matrix incentive pool' was intended to provide funding for economic development incentives relating to economic development agreements with new and/or expanding businesses. The FY 2013 Budget continues that commitment and includes a \$400,000 'placeholder' investment to maintain the matrix funding level.

Capital Improvements Program- The City of Temple continues to manage the largest capital improvement program in the history of the community. As of March 31, 2012, a total of \$96,630,475 has been allocated for various capital projects including such improvements as water and sewer infrastructure, transportation infrastructure, parks improvements, and public safety infrastructure. Funding sources for these projects can be identified in eight major areas:

- ▶ Utility Revenue Bonds
- ▶ General Obligation Bonds
- ▶ Certificates of Obligation
- ▶ General Operating Budget Funding
- ▶ Limited Tax Notes
- ▶ TxDOT Pass Through Finance Agreement
- ▶ Grants
- ▶ Reinvestment Zone No. 1

During FY 2012, the City of Temple began construction on the single largest capital improvement project ever undertaken by the community- the expansion of the NW Loop 363. This is a significant project for the City and one that has been a desire of the community for many decades. The project includes upgrading approximately four miles of the existing two lane

NW Loop from just west of the BNSF railroad crossing to FM 2305. This will create a continuous four lane highway from the NW Loop at I-35 to the SW Loop at I-35. The project includes grade separated interchanges at both SH 36/Airport Road and Wendland Road.

The FY 2013 Budget includes \$5,605,363 for routine capital for the general operating budget which includes equipment and public infrastructure projects that are underway and/or planned for this fiscal year. In accordance with current fiscal and financial policies, \$2,565,281 of the routine capital is funded with fund balance or retained earnings. The breakdown of this amount is as follows:

- ▶ \$1,791,881 – Reinvestment Zone No. 1
- ▶ \$773,400 – General Fund

Within the Capital Improvement Projects section of this document, the specific projects recommended are listed within three categories. The categories are routine capital, multi-year non-routine capital, and projects identified for future funding.

Water and Wastewater Fund- Total revenues for the FY 2013 Water and Wastewater Fund Budget are presented at \$28,684,076, an increase of 6.84% compared to the FY 2012 adopted budget.

Expenses, capital improvements, and debt service for the FY 2013 Water and Wastewater Fund Budget are presented at \$28,330,899, an increase of 4.02% compared with prior year. Cost drivers for this increase include: 1) updating our cost accounting recovery methodology; 2) additional staffing at the Water Treatment Plant; 3) cash capital outlays; and 4) debt service associated with the water & sewer CIP. The capital improvements include the allocation of \$2,277,325 to continue the long-term replacement program of water and sewer infrastructures and equipment needs. A 6.39% rate increase is proposed for water and wastewater service in the FY 2013 Budget to support these operational and capital programs.

Hotel and Motel Fund- Total revenues and expenditures for Hotel/Motel Fund Budget are presented at \$1,702,900, an increase of 21.68% compared to the FY 2012 adopted budget. Funding for the Mayborn Center program as well as the Tourism/Marketing program are funded through the Hotel/Motel Tax Fund. Public Service Agencies whose services are eligible for funding by hotel/motel tax revenues are also funded through the Hotel/Motel Tax Fund.

In accordance with discussions with the Temple Railroad and Heritage Museum's board of directors, the FY 2013 Budget proposes that the City resume the management and operation of the Temple Railroad and Heritage Museum previously operated by the non-profit. This transition is proposed at the same cost as previous contracts.

Federal and State Grant Fund- Total revenues and expenditures for Federal and State Grant Fund Budget are presented at \$386,943, a decrease of 26.14% compared to the FY 2012 adopted budget. Total revenues include the award of the Community Development Block Grant (CDBG) at \$386,943. The proposed allocation of CDBG funds are as follows: public service agencies \$54,000, demolition \$85,000, sidewalk improvements \$192,757, and general administration \$55,186.

Drainage Fund- Total revenues are presented at \$1,079,523, a 0.96% decrease from prior year. Expenditures are presented at \$1,079,523, a decrease of 38.54% compared to the FY 2012 adopted budget. The expenditures of the drainage fund represent personnel, operational, and capital cost related to maintenance of existing drainage systems.

Conclusion

I have attempted to provide you with a brief synopsis of the Preliminary Budget for FY 2013. Developing the budget is a team effort that requires participation and input by citizens, City Council and City staff. My thanks to all of the Department and Division Heads who helped put this Preliminary Budget together. Their ability to respond, many times on short notice, to my inquiries and requests for additional information was appreciated and helpful.

I also want to extend a special word of appreciation to Director of Finance, Traci Barnard and her staff for the many hours of work and effort they put in toward the development of this Preliminary Budget. Of special note is the work done by Assistant Finance Director Melissa Przybylski, Senior Accountant Miranda Hennig, Senior Accountant Kiyoko McDonald, and Accountant Stacey Hawkins. I also need to recognize Director of Administrative Services Brynn Reynolds for her work and input into the development of this Preliminary FY 2013 Budget. Quite simply, this document could not have been produced without them.

I look forward to the coming weeks of discussion, review, and direction by Council.

Respectfully Submitted,



David Blackburn
City Manager



**FY 2013
GENERAL FUND PROPOSED BUDGET
SCHEDULE OF ADJUSTMENTS AFTER FILING PROPOSED BUDGET**

| | Proposed Budget | | Increase (Decrease) |
|---|-----------------------------|--------------------------|------------------------|
| | Filed Copy as of 6-29-12 | Current as of 8-30-12 | |
| Projected Revenues | \$ 57,614,525 | \$ 57,614,525 | \$ - ^A |
| Proposed Budget Expenditures | 58,765,180 | 58,765,180 | - ^B |
| Excess Revenues Over (Under) Expenditures | (1,150,655) | (1,150,655) | - |
| Transfers In (Out): | | | |
| Less: Transfer Out To Debt Service Fund - | | | |
| Energy Loan | (98,439) | (98,439) | - |
| Commercial Solid Waste Trucks | (24,306) | (24,306) | - |
| Transfer Out To Internal Service Fund [Health Ins] | (181,720) | (181,720) | - |
| Total Transfer In (Out) | (304,465) | (304,465) | - |
| Excess Revenues Over (Under) Expenditures for FY 2013 | \$ (1,455,120) | \$ (1,455,120) | \$0.00 |
| Recommended Use of Undesignated Fund Balance-Capital Projects | | | |
| -Capital Equipment Funding | \$ 773,400 | \$ 773,400 | \$ - |
| -TEDC Matrix Funding | 400,000 | 400,000 | - |
| -Strategic Investment Zone Funding | 100,000 | 100,000 | - |
| -Health Insurance Cost | 181,720 | 181,720 | - |
| | <u>\$ 1,455,120</u> | <u>\$ 1,455,120</u> | <u>\$ -</u> |

Explanation of Changes from Filed Budget to Proposed Budget @ 8/30/2012:

^A **Revenue Changes:**

| | |
|---|-------------|
| Required adjustment from preliminary to certified roll | \$ (1,851) |
| Added difference to Penalty & Interest - Ad Valorem Taxes revenue | 1,851 |
| Total Revenue Changes | <u>\$ -</u> |

^B **Expenditure Changes:**

| | |
|--|-------------|
| Total Expenditures Changes | <u>\$ -</u> |
| Net Revenue Over (Under) Expenditures | <u>\$ -</u> |

FY 2013

**WATER & WASTEWATER FUND PROPOSED BUDGET
SCHEDULE OF ADJUSTMENTS AFTER FILING PROPOSED BUDGET**

| | Proposed Budget | | Increase (Decrease) |
|--|-----------------------------|--------------------------|------------------------|
| | Filed Copy as of 6-29-12 | Current as of 8-30-12 | |
| Projected Revenues | \$ 28,684,076 | \$ 28,684,076 | \$ - |
| Proposed Budget Expenses | <u>28,304,939</u> | <u>28,304,939</u> | <u>-</u> |
| Net Revenues | <u>\$ 379,137</u> | <u>\$ 379,137</u> | <u>\$ -</u> |
| Transfers In (Out): | | | |
| Less: Transfer Out To Internal Service Fund [Health Ins] | <u>(25,960)</u> | <u>(25,960)</u> | <u>-</u> |
| Total Transfer In (Out) | <u>(25,960)</u> | <u>(25,960)</u> | <u>-</u> |
| Net Revenues for FY 2013 | <u>\$ 353,177</u> | <u>\$ 353,177</u> | <u>\$0.00</u> |

FY 2013

DEBT SERVICE FUND PROPOSED BUDGET

SCHEDULE OF ADJUSTMENTS AFTER FILING PROPOSED BUDGET

| | Proposed Budget | | Increase (Decrease) |
|--|-----------------------------|--------------------------|------------------------|
| | Filed Copy as of 6-29-12 | Current as of 8-30-12 | |
| Projected Revenues | \$ 8,203,952 | \$ 8,294,291 | \$ 90,339 ^A |
| Proposed Budget Expenditures | 9,523,815 | 9,725,715 | 201,900 ^B |
| Excess Revenues Over (Under) Expenditures | \$ (1,319,863) | \$ (1,431,424) | (111,561) |
| Transfers In (Out): | | | |
| Plus: Transfer In From Hotel/Motel Fund [Energy Program] | 20,371 | 20,371 | - |
| Plus: Transfer In From General Fund - | | | |
| Energy Loan | 98,439 | 98,439 | |
| Commercial Solid Waste Trucks | 24,306 | 24,306 | - |
| Total Transfer In (Out) | 143,116 | 143,116 | - |
| Excess Revenues Over (Under) Expenditures for FY 2013 | \$ (1,176,747) | \$ (1,288,308) | \$ (111,561) |
| Recommended Use of Undesignated Fund Balance | 1,176,747 | 1,288,308 | 111,561 |
| | \$ - | \$ - | \$ - |

Explanation of Changes from Filed Budget to Proposed Budget @ 8/30/2012:

^A **Revenue Changes:**

| | |
|---|------------------|
| Adjustment from preliminary to certified roll | \$ 90,339 |
| Total Revenue Changes | \$ 90,339 |

^B **Expenditure Changes:**

| | |
|---|---------------------|
| Increase in interest for Certificates of Obligation, Series 2013 (Street CIP) | \$ 201,900 |
| Total Expenditures Changes | \$ 201,900 |
| Net Revenue Over (Under) Expenditures | \$ (111,561) |

FY 2013

HOTEL/MOTEL TAX FUND PROPOSED BUDGET

SCHEDULE OF ADJUSTMENTS AFTER FILING PROPOSED BUDGET

| | Proposed Budget | | Increase (Decrease) |
|--|-----------------------------|--------------------------|------------------------|
| | Filed Copy as of 6-29-12 | Current as of 8-30-12 | |
| Projected Revenues | \$ 1,702,900 | \$ 1,702,900 | \$ - |
| Proposed Budget Expenditures | 1,680,881 | 1,680,881 | - |
| Excess Revenues Over (Under) Expenditures | \$ 22,019 | \$ 22,019 | - |
| Transfers In (Out): | | | |
| Less: Transfer Out To Debt Service [Energy Loan] | (20,371) | (20,371) | - |
| Transfer Out To Internal Service Fund [Health Ins] | (1,648) | (1,648) | - |
| Total Transfer In (Out) | (22,019) | (22,019) | - |
| Excess Revenues Over (Under) Expenditures for FY 2013 | \$0.00 | \$0.00 | \$0.00 |

FY 2013

FEDERAL/STATE GRANT FUND PROPOSED BUDGET

SCHEDULE OF ADJUSTMENTS AFTER FILING PROPOSED BUDGET

| | Proposed Budget | | Increase (Decrease) |
|--|-----------------------------|--------------------------|------------------------|
| | Filed Copy as of 6-29-12 | Current as of 8-30-12 | |
| Projected Revenues | \$ 386,943 | \$ 386,943 | \$ - |
| Proposed Budget Expenditures | 386,943 | 386,943 | - |
| Excess Revenues Over (Under) Expenditures for FY 2013 | \$0.00 | \$0.00 | \$0.00 |

FY 2013

DRAINAGE FUND PROPOSED BUDGET

SCHEDULE OF ADJUSTMENTS AFTER FILING PROPOSED BUDGET

| | Proposed Budget | | Increase (Decrease) |
|--|-----------------------------|--------------------------|------------------------|
| | Filed Copy as of 6-29-12 | Current as of 8-30-12 | |
| Projected Revenues | \$ 1,079,523 | \$ 1,079,523 | \$ - |
| Proposed Budget Expenditures | 1,077,051 | 1,077,051 | - |
| Excess Revenues Over (Under) Expenditures | \$ 2,472 | \$ 2,472 | - |
| Transfers In (Out): | | | |
| Less: Transfer Out To Internal Service Fund [Health Ins] | (2,472) | (2,472) | - |
| Total Transfer In (Out) | (2,472) | (2,472) | - |
| Excess Revenues Over (Under) Expenditures for FY 2013 | \$0.00 | \$0.00 | \$0.00 |

FY 2013

REINVESTMENT ZONE NO. 1 FUND PROPOSED BUDGET

SCHEDULE OF ADJUSTMENTS AFTER FILING PROPOSED BUDGET

| | Proposed Budget ¹ | | Increase (Decrease) |
|--|------------------------------|--------------------------|-------------------------|
| | Filed Copy as of 6-29-12 | Current as of 8-30-12 | |
| Projected Revenues | \$ 4,306,824 | \$ 4,706,824 | \$ 400,000 ^A |
| Proposed Budget Expenditures | 6,134,108 | 6,534,108 | 400,000 ^B |
| Excess Revenues Over (Under) Expenditures for FY 2013 | \$ (1,827,284) | \$ (1,827,284) | \$ - |

¹ - As amended in Financing Plan approved by Council on July 19, 2012

Explanation of Changes from Filed Budget to Proposed Budget @ 8/30/2012:

^A **Revenue Changes:**

| | |
|---|-------------------|
| Recognize revenue from developer's contribution | \$ 400,000 |
| Total Revenue Changes | \$ 400,000 |

^B **Expenditure Changes:**

| | |
|--|-------------------|
| Reallocate funds from Pepper Creek Trail Extension | \$ (287,160) |
| Bioscience Park | 687,160 |
| Total Expenditures Changes | \$ 400,000 |
| Net Revenue Over (Under) Expenditures | \$ - |

FY 2013

INTERNAL SERVICE FUND PROPOSED BUDGET

SCHEDULE OF ADJUSTMENTS AFTER FILING PROPOSED BUDGET

| | Proposed Budget | | Increase (Decrease) |
|--|-----------------------------|--------------------------|------------------------|
| | Filed Copy as of 6-29-12 | Current as of 8-30-12 | |
| Projected Revenues | \$ 3,083,725 | \$ 3,083,725 | \$ - |
| Proposed Budget Expenses | 3,295,525 | 3,295,525 | - |
| Net Revenues | (\$211,800) | (\$211,800) | \$ - |
| Transfers In (Out): | | | |
| Plus: Transfer In From General Fund [Health Ins] | 181,720 | 181,720 | - |
| Transfer In From Water & Sewer Fund [Health Ins] | 25,960 | 25,960 | - |
| Transfer In From Hotel/Motel Tax Fund [Health Ins] | 1,648 | 1,648 | - |
| Transfer In From Drainage Fund [Health Ins] | 2,472 | 2,472 | - |
| Total Transfer In (Out) | 211,800 | 211,800 | - |
| Net Revenues for FY 2013 | \$0.00 | \$0.00 | \$0.00 |

FISCAL AND BUDGETARY POLICY





Fiscal and Budgetary Policy Statement

I. STATEMENT OF PURPOSE

The broad purpose of the following Fiscal and Budgetary Policy Statements is to enable the City to achieve and maintain a long-term stable and positive financial condition. The watchwords of the City's financial management include integrity, prudent stewardship, planning, accountability, full disclosure and communication.

The more specific purpose is to provide guidelines to the Director of Finance in planning and directing the City's day-to-day financial affairs and in developing recommendations to the City Manager and City Council.

The scope of these policies generally spans, among other issues, accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, asset management, debt management, and planning concepts, in order to:

- A. present fairly and with full disclosure the financial position and results of the financial operations of the City in conformity to generally accepted accounting principles (GAAP) and;
- B. determine and demonstrate compliance with finance-related legal and contractual issues in accordance with provisions of the Texas Local Government Code and other pertinent legal documents and mandates.

The City Council will annually review and approve the Fiscal and Budgetary Policy Statements as part of the budget process.

II. OPERATING BUDGET

- A. **Preparation** – Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. The “operating budget” is the City's annual financial operating plan. The annual budget includes all of the operating departments of the general fund, proprietary fund, the debt service fund, special revenue funds, and capital project funds of the City. The budget is prepared by the City Manager and Director of Finance with the cooperation of all City Departments, on a basis which is consistent with generally accepted accounting principles. The City Manager presents the budget to the City Council and in accordance with Article 12 of the Charter, files a copy with the City Secretary and the Director of Finance. The budget should be presented to the City Council no later than the 1st day of August and should be enacted by the City Council on or before the fifteenth day of the last month of the preceding fiscal year.
 1. **Proposed Budget** – A proposed budget shall be prepared by the City Manager with the participation of all the City's Department Heads within the provisions of the City Charter.
 - a. The budget shall include four basic segments for review and evaluation. These segments are: (1) revenues, (2) personnel costs, (3) operations and maintenance costs, and (4) capital and other (non-capital) project costs.

- b. The budget review process shall include City Council participation in the development of each of the four segments of the proposed budget and Public Hearings to allow for citizen participation in the budget preparation.
 - c. The budget process shall span sufficient time to address policy and fiscal issues by the City Council.
 - d. A copy of the proposed budget shall be filed by the City Manager with the City Secretary, Director of Finance when it is submitted to the City Council in accordance with the provisions of the City Charter.
2. Adoption – Upon the presentation by the Director of Finance of a proposed budget document to the City Council, the City Council shall call and publicize a public hearing. The City Council will subsequently adopt by Ordinance such budget, as it may have been amended, as the City’s Annual Budget effective for the fiscal year beginning October 1st.
- B. Balanced Budget – The operating budget will be balanced with current revenues, which may include beginning fund balances less required reserves as established by City Council, greater than or equal to current expenditures/expenses.
 - C. Planning – The budget process will be coordinated so as to identify major policy issues for City Council consideration several months prior to the budget approval date. This will allow adequate time for appropriate decisions and analysis of financial impacts.
 - D. Reporting – Periodic financial reports will be prepared by the Director of Finance to enable the Department Managers to manage their budgets and to enable the Director of Finance to monitor and control the budget as authorized by the City Manager. Summary financial and budgetary reports will be presented by the Director of Finance to the City Council to understand the overall budget and financial status.
 - E. Control and Accountability – The Department Heads of each department will be solely responsible to insure that their department budgets will not exceed budgeted amounts. In addition, each Department Head will be solely responsible to achieve budgeted revenues that are generated by activities of that department. Failure to achieve budgetary control of their individual expenditure and revenue budgets will be evaluated and investigated by the City Manager.
 - F. Expenditure Requests – The Finance Department will evaluate expenditure requests from departments to ensure that the requests are in the amount and kind originally budgeted in those departments and that adequate funds are available to comply with individual expense request. The Director of Finance will make every effort to assist departments in obtaining purchases to accomplish the goals and objectives delineated in the budget information for each department set forth in the current yearly adopted budget.
 - G. Contingent Appropriation – The City Manager should establish an adequate contingent appropriation in each of the operating funds. Expenditures from this appropriation shall be made only in cases of emergency or an unforeseen/unusual need. A detailed account shall be recorded and reported. The transfer of this budget appropriation shall be under the control of the City Council. Any transfer of contingency must be expressly approved in advance by the City Council.

All transfers from the contingent appropriation will be evaluated using the following criteria:

1. Is the request of such an emergency nature that it must be made immediately?
2. Why was the item not budgeted in the normal budget process?
3. Why the transfer cannot be made within the division or department?

III. REVENUE POLICIES

A. **Characteristics** – The City Finance Department will strive for the following optimum characteristics in its revenue system:

1. **Simplicity** – The City, where possible and without sacrificing accuracy, will strive to keep the revenue system simple in order to reduce compliance costs for the taxpayer or service recipient. A corresponding decrease in the City's cost of collection and a reduction in avoidance to pay should result.
2. **Certainty** – A knowledge and understanding of revenue sources increases the reliability of the revenue system. The City will understand its revenue sources and enact consistent collection policies to provide assurances that the revenue base will materialize according to budgets and plans.
3. **Equity** – The City shall make every effort to maintain equity in its revenue system structure; i.e., the City should seek to minimize or eliminate all forms of subsidization between entities, funds, services, utilities, and customer classes.
4. **Revenue Adequacy** – The City should require that there be a balance in the revenue system; i.e., the revenue base will have the characteristics of fairness and neutrality as it applies to cost of service, willingness to pay, and ability to pay.
5. **Administration** – The benefits of a revenue source should exceed the cost of levying and collecting that revenue. The cost of collection should be reviewed annually for cost effectiveness as a part of the indirect cost of service analysis. Where appropriate, the City will use the administrative processes of State, Federal or Local Governmental collection agencies in order to reduce administrative cost.
6. **Diversification and Stability** – A diversified revenue system with a stable source of income shall be maintained. This will help avoid instabilities in two particular revenue sources due to factors such as fluctuations in the economy and variations in the weather.

B. **Issues** – The following considerations and issues will guide the City Finance Department in its revenue policies concerning specific sources of funds:

1. **Cost/Benefit of Abatement** – The City will use caution in the analysis of tax or fee incentives that are used to encourage development. Ideally, a cost/benefit (fiscal impact) and analysis should be performed as part of such caution.

2. Non-Recurring Revenues – One-time or non-recurring revenues should not be used to finance current ongoing operations. Non-recurring revenues should be used only for non-recurring expenditures and not be used for budget balancing purposes.
3. Property Tax Revenues – All real and business personal property located within the City shall be valued at 100% of the fair market value for any given year based on the current appraisal supplied to the City by the Bell County Tax Appraisal District. Reappraisal and reassessment shall be done every third year.

Conservative budgeted revenue estimates result in a projected ninety-eight percent (98%) budgeted collection rate for current ad valorem taxes. Two percent (2%) of estimated current ad valorem taxes will be projected and used as the budget for delinquent ad valorem tax collections. The combined ad valorem tax collections budgeted each fiscal year will be no less than one hundred percent (100%) of the tax levy and should insure that ad valorem tax collection projections will not be over estimated.

The Finance Department will endeavor with the Tax Assessor Collector to collect ad valorem taxes in excess of ninety-seven percent (97%) of total ad valorem tax levy with a goal of one hundred percent (100%) collection of actual ad valorem taxes levied in each fiscal year.

All delinquent taxes shall be aggressively pursued each year by the Tax Assessor/Collector. Tax accounts delinquent greater than 90 days shall be submitted for collection each year to an attorney selected by the Bell County Tax Appraisal District. A penalty shall be assessed on all delinquent property taxes, which shall include all court costs, as well as an amount for compensation of the attorney as permitted by State law and in accordance with the attorney's contract with the County. Annual performance criteria will be developed for the attorney and reported to the City Council.

4. Interest Income – Interest earned from investment of available monies, whether pooled or not, will be distributed to the funds in accordance with the equity balance of the fund from which monies were provided to be invested.
5. User-Based Fees and Service Charges – For services associated with a user fee or charge, the direct and indirect costs of that service will be offset by a fee where possible. There will be an annual review by all Department Heads of fees and charges to ensure that fees provide adequate coverage of cost of services for their respective departments.

The City Council will determine how much of the cost of a service should be recovered by fees and charges.

6. Enterprise Fund Rates – The Director of Utilities will review rates annually, and the City Council will adopt rates that will generate revenues sufficient to cover operating expenses, meet the legal restrictions of all applicable bond covenants, and provide for an adequate level of working capital.

Additionally, enterprise activity rates and other legal funds of the City will include transfers to and receive credits from other funds as follows:

- a. General and Administrative Charges – Administrative costs should be charged to all funds for services of general overhead, such as administration, finance, customer billing, personnel, data processing, engineering, and legal counsel, and other costs as appropriate. The charges will be determined by the Director of Finance through an indirect cost allocation following accepted practices and procedures not to exceed 9%.
 - b. Payment in-lieu-of-costs – This transfer will be made in accordance with the following methods, not to exceed 5% of the total estimated operating revenues of the respective fund.
 - (1) *In-Lieu-of-franchise-fee.* In-lieu-of-franchise fee will be included as a part of the rate computation of gross sales consistent with the franchise rates charged to investor owned utility franchises to operate within the City. Currently, the City levies a 5% franchise fee.
 - (2) *Payment-in-lieu-of-ad valorem tax.* Rates will be calculated so as to include a fee equal to the ad valorem taxes lost as a result of municipal ownership of the various utility and other enterprise activities owned by the City. Net book value will be used as a basis, barring absence of known market value and applied only to capital assets actually within the incorporated City limits.
7. Intergovernmental Revenues (Federal/State/Local) – All potential grants will be examined for matching requirements and the source of the matching requirements. These revenue sources will be expended only for intended purpose of grant aid. It must be clearly understood that operational requirements set up as a result of a grant or aid could be discontinued once the term and conditions of the project have terminated.
8. Revenue Monitoring – Revenues actually received will be compared to budgeted revenues by the Director of Finance and any variances considered to be material will be investigated. This process will be summarized in the appropriate budget report. The Director of Finance will report results of that investigation to the City Manager and City Council.

IV. EXPENDITURE POLICIES

- A. Appropriations – The point of budgetary control is at the department level budget for all funds. When budget adjustments among Departments and/or funds are necessary, they will be made in accordance with the City Charter. Budget appropriation amendments at lower levels of control shall be made in accordance with the applicable administrative procedures.
- B. Central Control – No recognized or significant salary or capital budgetary savings in any Department shall be spent by the Department Head without the prior authorization of the City Manager. This control will realize budget savings each year that will be recognized in the approved budget as “unexpended appropriations” or contingency “sweep” accounts. The City Manager is authorized, without further City Council action, to transfer appropriations within individual department budgets for each fund from line item to line item greater than \$5,000 provided that the total funds appropriated by the City Council for each individual department budget are neither increased nor decreased. The Director of Finance is authorized without

further City Council action, to transfer appropriations within individual department budgets for each fund from line item to line item less than \$5,000 provided that the total funds appropriated by the City Council for each individual department budget are neither increased nor decreased.

- C. **Purchasing** – All City purchases of goods or services will be made in accordance with the City's current Purchasing Manual.
- D. **Prompt Payment** – All invoices approved for payment by the proper City authorities shall be paid by the Finance Department within thirty (30) calendar days of receipt in accordance with the provisions of Article 601f, Section 2 of the State of Texas Civil Statutes.

The Director of Finance shall establish and maintain proper procedures which will enable the City to take advantage of all purchase discounts, when possible, except in the instance where payments can be reasonably and legally delayed in order to maximize the City's investable cash.

- E. **Reporting** – Quarterly reports will be presented by the Director of Finance in open Council meetings describing the financial and budgetary conditions of the City. Comparisons of actual to budget and actual to prior year, appropriate ratios and graphs to fully disclose and present meaningful information will be used whenever possible.

V. CAPITAL BUDGET AND PROGRAM

- A. **Preparation** – The City's Capital Budget will include all capital project funds and all capital resources. The budget will be prepared annually and on a project basis. The Capital Budget will be prepared by the City Manager with the involvement of responsible departments.
- B. **Control** – All capital project expenditures must be appropriated in the Capital Budget. The Finance Department must certify the availability of resources before any capital project contract is presented to the City Council for approval.
- C. **Program Planning** – The Capital Budget will be taken from capital improvements plan for future years. The planning time frame for the capital improvements project plan should normally be five years, but a minimum of at least three years. The replacement and maintenance for capital items should also be projected for the next ten (10) years. Future maintenance and operational costs will be considered so that these costs can be included in the operating budget.
- D. **Financing Programs** – Where applicable, assessments, impact fees, pro rata charges, or other fees should be used to fund capital projects which have a primary benefit to specific, identifiable property owners.

Recognizing that long-term debt is usually a more expensive financing method, alternative-financing sources will be explored before debt is issued. When debt is issued, it will be used to acquire major assets with expected lives that equal or exceed the average life of the debt issue. The exceptions to this requirement are the traditional costs of marketing and issuing the debt, capitalized labor for design and construction of capital projects, and small component parts which are attached to major equipment purchases.

- E. **Timing** – The Financial Analyst will work with Department Heads during the budget preparation to schedule the timing of capital equipment purchases to insure funds availability. The final schedule of capital purchases will be given to Directors or Department Heads to assist them in timing purchase requests to the Purchasing Department.
- F. **Infrastructure Maintenance** – The City recognizes the deferred maintenance increases future capital costs. Therefore, a portion of all individual funds with infrastructure should be budgeted each year to maintain the quality of the City's infrastructure. Replacement schedules should be developed in order to anticipate the deterioration and obsolescence of infrastructure.
- G. **Reporting** – Periodic financial reports will be prepared by the Director of Finance to enable the Department Heads to manage their capital budgets and to enable the Finance Department to monitor and control the capital budget as authorized by the City Manager.

VI. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

- A. **Accounting** – The City Finance Department is solely responsible for the reporting of the financial affairs, both internally and externally. The Director of Finance is the City's Chief Fiscal Officer and, through responsibility delegated to the Assistant Director of Finance, is responsible for establishing the Chart of Accounts and for properly recording financial transactions.

- B. **Auditing** –

- 1. **Qualifications of the Auditor** – In conformance with the City's Charter and according to the provisions of Texas Local Government Code, Title 4, Chapter 103, the City will be audited annually by outside independent accountants ("auditor"). The auditor must be a CPA that can demonstrate that it has the breadth and depth of staff to conduct the City's audit in accordance with generally accepted auditing standards and contractual requirements. The auditor must hold a license under Article 41a-1, Section 9, of the Civil Statutes of Texas, capable of demonstrating that it has sufficient staff which will enable it to conduct the City's audit in accordance with generally accepted auditing standards as required by the City Charter and applicable state and federal laws. The auditor's report on the City's financial statement will be completed within 120 days of the City's fiscal year end, and the auditor will jointly review the management letter with the City Council within 30 days of its receipt by the staff.

In conjunction with their review, the Director of Finance shall respond within 100 days in writing to the City Manager and City Council regarding the auditor's Management Letter, addressing the issues contained therein. The City Council shall schedule its formal acceptance of the auditor's report upon the resolution of any issues resulting from the joint review.

- 2. **Responsibility of Auditor to City Council** – The auditor is retained by and is accountable directly to the City Council and will have access to direct communication with the City Council if the City Staff is unresponsive to auditor recommendations or if the auditor considers such communication necessary to fulfill its legal and professional responsibilities.

C. **Financial Reporting** –

1. **External Reporting** – The City Finance Department shall prepare a written Comprehensive Annual Financial Report (CAFR) which shall be presented to the City’s auditor within 60 days of the City’s fiscal year end. Accuracy and timeliness of the CAFR is the responsibility of the City staff. The CAFR will be prepared in accordance with generally accepted accounting principles (GAAP). If City staffing limitations preclude such timely reporting, the Director of Finance will inform the City Council of the delay and the reasons therefore. Upon the completion and acceptance of the CAFR, the City’s auditor shall present the audited CAFR to the City Council within 120 days of the City’s fiscal year end.
2. **Internal Reporting** – The Finance Department will prepare internal financial reports, sufficient to plan, monitor, and control the City’s financial affairs. Internal financial reporting objectives are addressed throughout these policies. As the Finance Department strives for excellence in financial reporting, the following Qualitative Characteristics of Accounting Information will be incorporated in all reports and policies that are prepared or implemented.

Definitions of Qualitative Characteristics of Accounting Information:

- **Bias** – Bias in measurement is the tendency of a measure to fall more often on one side than the other of what it represents instead of being equally likely to fall on either side. Bias in accounting measures means a tendency to be consistently too high or too low. Financial reporting will strive to eliminate bias in accounting data.
- **Comparability** – The quality of information that enables users to identify similarities in and differences between two sets of economic phenomena.
- **Completeness** – The inclusion in reported information of everything material that is necessary for faithful representation.
- **Conservatism** – A prudent reaction to uncertainty to try to insure that uncertainty and risks inherent in financial situations are adequately considered.
- **Consistency** – Conformity from period to period with unchanging policies and procedures.
- **Feedback Value** – The quality of information that enables users to confirm or correct prior expectations.
- **Materiality** – The magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.
- **Neutrality** – Absence in reported information of bias intended to attain a predetermined result or to induce a particular mode of behavior.

- **Predictive Value** – The quality of information that helps users to increase the likelihood of correctly forecasting the outcome of past or present events.
- **Relevance** – The capacity of information to make a difference in a decision by helping users to form predictions about the outcomes of past, present, and future events or to confirm or correct prior expectations.
- **Reliability** – The quality of information that assures that information is reasonably free from error and bias and faithfully represents what it purports to present.
- **Representational Faithfulness** – Correspondence or agreement between a measure or description and the phenomenon that it purports to represent (sometimes called validity).
- **Timeliness** – Having information available to a decision-maker before it loses its capacity to influence decisions.
- **Understandability** – The quality of information that enables users to perceive its significance.
- **Verifiability** – The ability through consensus among measurers to insure that information represents what it purports to represent or that the chosen method of measurement has been used without error or bias.

VII. ASSET MANAGEMENT

- A. **Investments** – The Director of Finance shall promptly deposit all City funds with the City's Depository Bank in accordance with the provisions of the current Bank Depository Agreement. The Director of Finance will then promptly invest all funds in any negotiable instrument that the Council has authorized under the provisions of the Public Funds Investment Act, and in accordance with the City Council approved Investment Policies.
- B. **Cash Management** – The City's cash flow will be managed to maximize the cash available to invest. Such cash management will entail the centralization of cash collections, where feasible, utility bills, building and related permits and licenses, and other collection offices as appropriate.

The Finance Department shall use the facsimile check-signing machine, bearing the signatures of the City Manager and Director of Finance.

The Director of Finance may transfer funds, via electronic transfer, through verbal or electronic instructions to the City's Depository only for payment of any obligation of the City under the conditions applicable to the use of the facsimile machine. Payment authorization shall be in accordance with the pay authorization criteria as defined in the current Bank Depository Agreement, approved by Council, stipulating the conditions and control procedures on such activity.

VIII. TREASURY

Cash/Treasury Management – Periodic review of each cash flow position will be performed to determine performance of cash management and investment policies. A detailed policy structure will be followed with respect to Cash/Treasury Management. The underlying theme will be that idle cash will be invested with the intent to 1) safeguard assets, 2) maintain liquidity, and 3) maximize return. Where legally permitted, pooling of investments will be done.

The City will adhere to the investments authorized through the Public Funds Investment Act and any amendments to such act and will additionally establish a comprehensive Investment Policies and Guidelines. Such policies will clarify acceptable investment securities, brokers, terms, and other pertinent investment information.

IX. DEBT MANAGEMENT

A. **Policy Statement** – The City of Temple recognizes the primary purpose of capital facilities is to support provision of services to its residents. Using debt financing to meet the capital needs of the community must be evaluated according to two tests – efficiency and equity. The test of efficiency equates to the highest rate of return for a given investment of resources. The test of equity requires a determination of who should pay for the cost of capital improvements. In meeting the demand for additional capital facilities, the City will strive to balance the load between debt financing and “pay as you go” methods. The City realizes failure to meet the demands of growth may inhibit its continued economic viability, but also realizes that too much debt may have detrimental effects. Through the rigorous testing of the need for additional debt financed facilities and the means by which the debt will be repaid, the City Director of Finance will strike an appropriate balance between service demands and the amount of debt.

B. **Types of Debt** –

1. **General Obligation Bonds (GO's)** – General obligation bonds will be used only to fund capital assets of the general government, are not to be used to fund operating needs of the City and are backed by the full faith and credit of the City as well as the ad valorem taxing authority of the City as prescribed by law. The term of a bond issue will not exceed the useful life of the asset(s) funded by the bond issue and will generally be limited to no more than twenty years. General obligation bonds must be authorized by a vote of the citizens of the City of Temple.
2. **Revenue Bonds (RB's)** – Revenue bonds will be issued to provide for the capital needs of any activities where the capital requirements are necessary for continuation or expansion of a service which produces a revenue and for which the asset may reasonably be expected to provide for a revenue stream to fund the debt service requirements. The term of the obligation may not exceed the useful life of the asset(s) to be funded by the bond issue and will generally be limited to no more than twenty years.
3. **Certificates of Obligation, Contract Obligations, etc. (CO's)** – Certificates of Obligations or Contract Obligations will be used in order to fund capital requirements which are not otherwise covered under either Revenue Bonds or General Obligation Bonds. Debt service for CO's may be either from general revenues or backed by a specific revenue stream or streams or by a combination of both. Generally CO's will be used to fund capital assets

where full bond issues are not warranted as a result of cost of the asset(s) to be funded through the instrument. The term of the obligations may not exceed the useful life of the asset(s) to be funded by the proceeds of the debt issue and will generally be limited to no more than twenty years.

4. **Method of Sale** – The Director of Finance will use a competitive bidding process in the sale of bonds unless the nature of the issue warrants a negotiated bid. In situations where a competitive bidding process is not elected, the Director of Finance will publicly present the reasons why, and the Director of Finance will participate with the financial advisor in the selection of the underwriter or direct purchaser.

- C. **Analysis of Financing Alternatives** – Finance Staff will explore alternatives to the issuance of debt for capital acquisitions and construction projects. These alternatives will include, but are limited to: 1) grants-in-aid, 2) use of reserves/designations, 3) use of current revenues, 4) contributions from developers and others, 5) leases, and 6) impact fees.

- D. **Conditions for using debt** – Debt financing of capital improvements and equipment will be done only when the following conditions exist:
 - When non-continuous projects (those not requiring continuous annual appropriations) are desired;
 - When it can be determined that future users will receive a benefit from the improvement;
 - When it is necessary to provide basic services to residents and taxpayers (for example, purchase of water rights);
 - When total debt, including that issued by overlapping governmental entities, does not constitute an unreasonable burden to the residents and taxpayers.

- E. **Federal Requirements** – The City Finance Department will maintain procedures to comply with arbitrage rebate and other Federal requirements related to the issuance of bonds.

The City Finance Department will maintain post-issuance compliance written procedures for bonds and financed projects. The City will monitor the use of proceeds and expenditures from the Construction/Project Fund for all bond issues. The City will retain various records with respect to each series of Bonds.

- F. **Sound Financing of Debt** – When the City utilizes debt financing, it will ensure that the debt is soundly financed by:
 - Conservatively projecting the revenue sources that will be used to pay the debt;
 - Financing the improvement over a period not greater than the useful life of the improvement;
 - Determining that the benefits of the improvement exceed the costs, including interest costs;

- Maintaining a debt service coverage ratio which ensures that combined debt service requirements will not exceed revenues pledged for the payment of debt; and
- Evaluating proposed debt against the target debt indicators.

G. **Financing Methods** – The City maintains the following policies in relation to methods of financing used to issue debt:

- An Ad Valorem tax rate of \$1.20 per \$100 of assessed value is the maximum municipal tax rate (by City Charter) that may be levied for all General Fund tax supported expenditures and debt service;
- Where possible, the City will use revenue or other self-supporting bonds in lieu of General Obligation Bonds;
- When appropriate, the City will issue non-obligation debt, for example, Industrial Development Revenue bonds, to promote community stability and economic growth; and
- Staff will maintain open communications with bond rating agencies about its financial condition and whenever possible, issue rated securities.

H. **Elections** – The Charter also regulates which securities may be issued only after a vote of the electors of the City and approved by a majority of those voting on the issue.

1. **Election Required** – Securities payable in whole or in part from Ad Valorem taxes of the City except issues such as tax increment securities, certificates of obligation, and contractual obligations.

2. **Election Not Required** –

- Short-term notes (12 months or less) issued in anticipation of the collection of taxes and other revenues.
- Securities issued for the acquisition of water rights or capital improvements for water treatment.
- Securities payable solely from revenue other than Ad Valorem taxes of the City.
- Refunding securities issued to refund and pay outstanding securities.
- Securities for any special or local improvement district, such as a Public Improvement District (PID).
- Tax increment securities payable from Ad Valorem tax revenue derived from increased valuation for assessment of taxable property within a plan of development or other similar area as defined by applicable State Statutes.
- Securities issued for the acquisition of equipment or facilities pursuant to a lease-purchase contract.

X. FINANCIAL CONDITIONS, RESERVES, AND STABILITY RATIOS

- A. **Operational Coverage** – (*No Operating Deficits*) – The City's Proprietary Utility fund will comply with all bond covenants and maintain an operational coverage of at least 125%, such that current operating revenues will exceed current operating expenses.

Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used for emergencies or non-recurring expenditures, except when balances can be reduced because their levels exceed guideline minimums as stated in Paragraph B, following.

- B. **Fund Balance Policies** – The City's Fund Balance is the accumulated difference between assets and liabilities within governmental funds, and it allows the City to meet its contractual obligations, fund disaster or emergency costs, provide cash flow for timing purposes and fund non-recurring expenses appropriated by Council. This policy establishes limitations on the purposes for which Fund Balances can be used in accordance with Governmental Accounting Standards Board (GASB) Statement Number 54.

The City's Fund Balance will report up to five components:

1. **Non-spendable Fund Balance** – amounts that are not in a spendable form or are required to be maintained intact. Assets included in this category are prepaid items, inventory, and non-financial assets held for resale.
2. **Restricted Fund Balance** – represents the portion of fund balance that is subject to legal restrictions, such as grants or hotel/motel tax and bond proceeds.
3. **Committed Fund Balance** – describes the portion of fund balance that is constrained by limitations that the Council has imposed upon itself, and remains binding unless the Council removes the limitation.
4. **Assigned Fund Balance** – is that portion of fund balance that reflects the City's *intended* use of the resource and is established in a less formal method by the City for that designated purpose.
5. **Unassigned Fund Balance** – represents funds that cannot be properly classified in one of the other four categories.

- C. **Operating Reserves/Fund Balances** –

1. The General Fund's Unassigned Fund Balance should be at least 33% of the General Fund's annual operating expenditures. This percentage is the equivalent of four months operational expenditures. The General Fund's annual operating expenditures are defined as all personnel and operations expenditures less those related to the operation of the sanitation department and golf course. It also excludes the cost of goods component of the Airport's operational budget. Any expenditure funded with General Fund Balance is also excluded from this calculation.
2. The General Fund's Assigned for Technology Fund Balance is replenished each year at a level sufficient for the City's technology needs based on a recommendation by Management.

3. The General Fund's Assigned for Capital Projects Fund Balance is adopted by Council with the acceptance of the fiscal year end financial statements. At the end of each fiscal year, any available fund balance that is not restricted or allocated to technology is added to the balance of the General Fund's Assigned for Capital Projects Fund Balance.
4. The Enterprise Fund working capital should be maintained at 33% of total operating expenses or the equivalent of four months.

D. **Liabilities and Receivables** – Procedures will be followed to maximize discounts and reduce penalties offered by creditors. Current liabilities will be paid within 30 days of receiving the invoice. Accounts Receivable procedures will target collection for a maximum of 30 days from service. Receivables aging past 120 days will be sent to a collection agency. The Finance Director is authorized to write-off non-collectible accounts that are delinquent for more than 180 days, provided proper delinquency procedures have been followed. The Finance Director will make an annual report to the City Council of the status of delinquent write-offs of non-collectible accounts.

E. **Capital and Debt Service Funds** –

1. Monies in the Capital Projects Funds should be used within 24 months of receipt or within a reasonable time according to construction schedule. Balances will be used to generate interest income to offset construction cost. Any unused monies can be used to fund similar projects as outlined by bond covenants and remaining excess funds will be transferred to the Debt Service Fund, provided that this complies with the bond covenant.

Revenues in the Debt Service Fund are based on property tax revenues, interest earnings and transfers from other funds. Reserves in the Debt Service Fund are designed to provide funding between the date of issuance of new debt and the time that property tax levies are adjusted to reflect the additional debt. Reserve levels should not exceed one month of average annual debt service.

2. Revenue obligations will maintain debt coverage ratios as specified by the bond covenants.

F. **Ratios/Trend Analysis** –

Ratios and significant balances will be incorporated into monthly, quarterly and financial reports. This information will provide users with meaningful data to identify major trends of the City's finances through analytical procedures. We have selected the following ratios/balances as key indicators:

- Fund Balance/Equity: $\frac{FB}{E}$ Assets – liabilities
AL (Acceptable level) \geq 33.0% of operations
- Working Capital: $CA - CL$ Current assets less current liabilities
AL \geq 33.0% of operations
- Current Ratio: $\frac{CA}{CL}$ Current assets divided by current liabilities
AL $>$ 1.00

- Quick Ratio: "Liquid" current assets divided by current liabilities
Liquid CA/CL AL > 1.00
- Debt/Assessed Debt divided by assessed Ad Valorem value
Ad Valorem Taxes: AL < 5
D/AV
- Debt Ratio (%): Current liabilities plus long term liabilities divided by total assets
CL+LTL/TA AC < 1.00
- Enterprise Operational Operating revenue divided by operating expense
Coverage: AL > 1.25
OR/OE

Our goal is to develop minimum/maximum levels for the ratios/balances above through analyzing City of Temple historical trends and anticipated future trends. We will also analyze/compare City of Temple to other municipalities to develop these acceptable levels.

XI. INTERNAL CONTROLS

- A. **Written Procedures** – Wherever possible, written procedures will be established and maintained by the Director of Finance for all functions involving cash handling and/or accounting throughout the City. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement.
- B. **Department Heads Responsibilities** – Each Department Head is responsible to ensure that good internal controls are followed throughout their Department, that all Finance Department directives or internal controls are implemented, and that all independent auditor internal control recommendations are addressed.

XII. STAFFING AND TRAINING

- A. **Adequate Staffing** – Staffing levels will be adequate for the fiscal functions of the City to operate effectively. Overtime shall be used only to address temporary or seasonal demands that require excessive hours. Workload allocation alternatives will be explored before adding staff.
- B. **Training** – The City will support the continuing education efforts of all financial staff members including the investment in time and materials for maintaining a current perspective concerning financial issues. Staff will be held accountable for communicating, teaching, and sharing with other staff members all information and training materials acquired from seminars, conferences, and related education efforts.
- C. **Awards, Credentials, Recognition** – The Finance Department will support efforts and involvement which result in meeting standards and receiving exemplary recitations on behalf of any of the City's fiscal policies, practices, processes, products, or personnel. Staff certifications may include Certified Public Accountant, Management Accountant, Certified Internal Auditor, and Certified Cash Manager.

The Finance Department will strive to maintain a high level of excellence in its accounting policies and practices as it prepares the CAFR. The CAFR will be presented annually to the Governmental Finance Officers Association for evaluation and consideration for the Certificate of Achievement for Excellence in Financial Reporting. The Budget will also be submitted to the GFOA for evaluation and consideration of the Distinguished Budget Presentation Award.

INVESTMENT POLICY





Investment Policy

The Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, prescribes that each City is to adopt rules governing its investment practices and to define the authority of the investment officer. The following Investment Policy addresses the methods, procedures, and practices, which must be exercised to ensure effective and judicious fiscal management of the City's funds.

The Director of Finance is designated as the investment officer of the City of Temple, Texas, and is responsible for all investment decisions and activities.

I. **Scope**

This Policy applies to all investment activities of the City's funds under its control, except those subject to other investment covenants, or excluded by contract. The Investment Policy will govern the activities of the Director of Finance and designated deputies in their management of all public funds covered by this Investment Policy.

In order to make effective use of the City's resources, all funds shall be pooled for investment purposes, except for those funds required to be accounted for in other accounts as stipulated by applicable laws, bond covenants, contracts or City policy. The pooled funds will include, but are not limited to, the funds of the General Fund, Water & Wastewater, GO Interest & Sinking, Hotel/Motel, Capital Projects, Federal/State Grant, Drainage, and Tax Increment Funds. The Firemen's Pension Fund, Deferred Compensation Plans, and any investments donated to the City for a particular purpose, or under terms of use specified by the donor, are outside the scope of this Investment Policy.

This Policy also requires the formal adoption of an Investment Strategy that specifically addresses each of the City's fund groups. (See Attachment A)

II. **Objectives**

The primary objectives of the City investment activities, in order of priority, shall be:

- A. Safety – Investments shall be undertaken in a manner that seeks to ensure the preservation of principal.
- B. Liquidity – The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements, which might be reasonably anticipated.
- C. Yield – The City's investment strategy is conservative. Given this strategy, the benchmark used by the Director of Finance to determine whether market yields are being achieved shall be the 90-day T-bill rate. Return on investment is of least importance compared to the safety and liquidity objectives.

Each investment transaction shall seek to first ensure that principal losses are avoided, whether they are from security defaults or erosion of market value.

III. **Delegation Of Authority**

The Director of Finance may designate deputies to assist with the management of the investment portfolio.

The Director of Finance or designated deputy shall be responsible for all transactions, compliance with internal controls, and insuring that all safekeeping, custodial, and collateral duties are in compliance with this investment policy and other applicable laws and regulations.

IV. **Standard Of Care**

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. This investment principle shall be applied in the context of managing the overall investment portfolio.

The Director of Finance or designated deputy, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely manner to the City Manager, and appropriate action is taken to control adverse developments.

V. **Ethics And Conflicts Of Interest**

The Director of Finance and designated deputies shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. An individual who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement with the Texas Ethics Commission and the City Council disclosing that personal business interest. A disclosure statement will also be filed if the Director of Finance or any designated deputy is related within the second degree by affinity of consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the City.

For the purpose of this section, an individual has a personal business relationship with a business organization if:

- A. The individual owns 10 percent or more of the voting stock or shares of the business organization, or owns \$5,000 or more of the fair market value of the business organizations;
- B. Funds received by the individual from the business organization exceed 10 percent of the individual's gross income for the previous year; or
- C. The individual has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the individual.

VI. **Accounting/Reporting**

The Director of Finance shall, not less than quarterly, prepare and submit to the City Council a written report of investment transactions for all funds covered by this investment policy for the preceding reporting period. The report should:

- A. Describe the investment position of the entity on the date of the report;
- B. Be prepared and signed by the Director of Finance and Treasury Manager;
- C. Contain a summary statement prepared in compliance with generally accepted accounting principles that states the beginning market values, additions and changes to the market value, ending market value and fully accrued interest for the reporting period;

- D. State the book value and market value of each separately invested asset at the beginning and end of the reporting period by type of asset and fund type invested;
- E. State the maturity date of each separately invested asset that has a maturity date;
- F. State the compliance of the investment portfolio as it relates to the City's Investment Policy, the City's Investment Strategy and the Public Funds Investment Act; and
- G. The reports should be formally reviewed at least annually by an independent auditor.

The method used to monitor the market price of acquired investments is to obtain market rates for the total portfolio from at least two independent brokers or from a recognized entity that provides a similar service.

VII. **Internal Controls**

The management of the City of Temple, Texas, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objective of an internal control structure is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this policy, we have identified procedural controls for the purchase of investments (See Attachment B). Significant internal control structure policies and procedures are beyond the scope of this policy. The Director of Finance shall comply with the City's Internal Control Policies and Procedures at all times.

VIII. **Diversification**

The City will diversify use of investment types and issuers to avoid incurring unreasonable risks inherent in over-investment in specific instruments, individual issuers or maturities.

The investment portfolio shall not exceed the following guidelines without prior approval of the City Manager:

- A. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single investment type.
- B. Investment in any one single U.S. Agency Issue shall not exceed 30% of the total investment portfolio.
- C. Commercial Paper shall not exceed more than 5% of the total investment portfolio.
- D. With the exception of U.S. Treasury securities, no more than 40% of the total investment portfolio shall be invested with a single issuer.
- E. Investment with maturities of three years shall be limited to a maximum of 20% of the total portfolio.

- F. The minimum maturity on any individual investment shall be one day (overnight). Maturities will be scheduled to meet liquidity and operating requirements.
- G. The maximum maturity for each investment and the total portfolio will be timed to maturity to meet cash flow needs established by the cash flow analysis. The maximum maturity of any individual investment shall not exceed three (3) years.
- H. The maximum dollar-weighted average maturity of the total investment portfolio is 270 days.

Maturity schedules shall be timed according to anticipated liquidity needs. Investments, from time to time, may be liquidated before maturity for cash-flow purposes. To meet these disbursement schedules, market gains or losses may be required. Any losses for early maturity liquidation should be minimized, and they should be reported as such to the City Manager in a timely manner. Actual risk of default shall be minimized by adequate collateralization. Market risk shall be minimized by diversification of investment type and maturity.

The Director of Finance shall routinely monitor the contents of the investment portfolio, the available markets and the relative values of competing instruments, and shall adjust the investment portfolio accordingly, keeping in mind the overall objectives of the investments.

IX. **Cash Flow Analysis**

The Director of Finance will develop and maintain a comprehensive cash flow analysis for all of the City's fund types. The purposes will be to determine liquidity needs and the available funds for investing. The summarized cash flow analysis reports will be provided to the City Council and the City Manager on a quarterly basis.

X. **Authorized Investments**

The following is a list of authorized investments:

- A. Obligations issued, guaranteed, insured by, or backed by the full faith and credit of the United States or its agencies and instrumentalities (i.e. U.S. Treasury and Agency Issues).
- B. Certificates of Deposit, which are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and are secured by obligations of the United States or its agencies and instrumentalities, that have a market value of not less than the principal amount of the certificates.
- C. Fully collateralized repurchase agreements that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities. The securities purchased by the City must be pledged to the City, held in the City's name and deposited at the time the investment is made with the City's custodial bank. Repurchase agreements can only be placed through primary government securities dealers or financial institutions doing business in Texas. The maximum term for repurchase agreements is ninety (90) days from the date the reverse security repurchase agreement is delivered and securities held as collateral must not mature later than the agreement's expiration date.
- D. Commercial paper with a stated maturity of 270 days or less from the date of issuance. Must be rated not less than A-1 or P-1, or an equivalent, by at least two nationally recognized credit rating agencies or rated by one credit rating agency plus fully secured by an irrevocable letter of credit issued by a domestic bank.

- E. Investment pools that are authorized by Council, invest only in investments approved by the Public Funds Investment Act, have an advisory board and are continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating agency. Investment pools must provide an offering circular, investment transaction confirmations, and monthly reports.
- F. S.E.C. registered no-load money market mutual funds that have a dollar-weighted average stated maturity of ninety (90) days or less and include in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

An investment that requires a minimum rating under this policy does not qualify as an authorized investment during the period the investment does not have the minimum rating. The Director of Finance will take all prudent measures that are consistent with this policy to liquidate an investment that does not have the minimum rating; however, the Director of Finance will not be required to liquidate investments that were authorized investments at the time of purchase.

The Director of Finance is specifically prohibited from investing in:

- A. Structured notes, investments with inverse-floaters, collateralized mortgage obligations, or any other form of derivatives;
- B. Any investment not authorized by this Policy or the Public Funds Investment Act;
- C. Any instrument for which there would not be a ready market for immediate resale;
- D. Any investment pool in which the City would own more than 20% of the market value of the pool;
- E. Highly sophisticated investments not freely conducted in the marketplace e.g., derivatives; and
- F. Any one mutual fund in which the City would own more than 10% of the total assets of the mutual fund.

The Director of Finance is also specifically prohibited from borrowing funds for the purpose of reinvesting the funds to leverage return.

XI. **Eligible Institutions**

The following financial institutions are eligible for consideration for investment transactions by the Director of Finance:

- A. State or national banks domiciled in the State of Texas.
- B. Savings banks domiciled in the State of Texas.
- C. State or federal credit unions domiciled in the State of Texas.
- D. Brokers approved and designated as primary dealers by the Federal Reserve Bank of New York.
- E. Secondary or regional brokers who meet the following requirements:
 - 1. National Association of Security Dealers certified;

2. Carry Texas State Registration;
3. Have net capital of \$1 million or more for Delivery Versus Payment investment transactions or net capital of \$50 million or more for Repurchase Agreement transactions; and
4. Have at least five (5) years of operation.

F. Local government investment pools, i.e. Texpool, TexSTAR, etc.

G. S.E.C. registered money market mutual funds.

Due to possible conflicts of interest, we feel that it is in the best interest of the City for the City's depository to be ineligible for quote-qualified investment transactions. Other routine investment transactions, not covered in the scope of this policy such as sweep accounts, certificates of deposit, and float interest earnings, would be allowed with the City's depository.

A written copy of the City's investment policy shall be presented to any financial institution offering to engage in an investment transaction with the City. The qualified representative of the financial institution offering to engage in an investment transaction with the City shall execute an Investment Policy Certification substantially to the effect that the financial institution has:

- A. Received and reviewed the City's investment policy; and
- B. Acknowledged that the financial institution has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the institution that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

A list of individual qualified institutions authorized to engage in investment transactions with the City shall, at least annually, be reviewed, revised, and adopted by the City Council. (See Attachment C)

All broker/dealers will have on file, with the City, Trading Authorization Agreements.

XII. **Security Purchases/Trades**

The City will purchase securities on an "as needed" basis only. The City will determine investment requirements based on cash flow analysis and current cash positions. The City will evaluate all bids given for determination of the securities best suited for the City's requirements.

Security selections and term will be determined in accordance with, (1) safety of principal, (2) cash flow needs, (3) investment type as a percentage of total investment portfolio and (4) yield.

Brokers/dealers are not encouraged to contact the City on currently available securities that the broker/dealers believe are items of interest to the City.

All securities placed will be solicited from no less than three qualified institutions. The Treasury Manager will obtain the quotes and get approval from the Director of Finance or a designated deputy prior to making any investment decision. All security purchases and trades conducted through the City will be settled with the City's third party custodial bank. The use of Delivery versus Payment (DVP) for investment transactions/purchases, except with investment pools and money market mutual funds, will be continually used by the Director of Finance at the City's third party custodian bank.

The Director of Finance, Assistant Director of Finance, Treasury Manager, Senior Accountant, City Manager, and City Secretary are the only individuals authorized to wire funds for the City. Dual authorization shall be used for all nonrepetitive wire transfers.

The City must approve any Substitution of securities on repurchase agreements. The City will only enter repurchase agreements under the terms of the Public Securities Agreement (PSA) – Master Repurchase Agreement format.

XIII. Collateralization Requirements

Consistent with the requirements of the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, the City will require full collateralization of all deposits with depository institutions. In order to anticipate market changes and provide a level of security, the collateralization level will be 102% of market value of principal and accrued interest on the deposits less the amount insured by the Federal Deposit Insurance Corporation. Securities pledged as collateral shall be held in the City's name by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership must be supplied to the City for retention. The City must approve any release and/or substitution of collateral before such action is taken. Collateral shall be reviewed daily to assure that the market value of the securities pledged equals or exceeds the related deposit.

Securities authorized by the Public Funds Collateral Act are acceptable for collateralization purposes.

Private insurance coverage is not an acceptable collateralization form.

XIV. Investment Training

The Director of Finance and designated deputies shall attend:

- A. At least one training session relating to the Director of Finance or designated deputies' responsibilities within 12 months after taking office or assuming duties.
- B. Investment training sessions not less than once in a two year period and receive not less than ten (10) hours of instruction relating to investment responsibilities.

Training must include education in investment controls, security risks, strategy risks, market risks, diversification of the investment portfolio, and compliance with the Public Funds Investment Act.

All training shall be from an independent source on the list of approved training seminar sponsors. (See Attachment D)

XV. Conclusion

The Director of Finance and designated deputies will adhere to the investment policy in all investment decisions of the City. The Director of Finance will provide quarterly written reports to the City Manager and City Council on the investment activity of the City's investment portfolio.

All current investment activity, which does not comply with the above stated policy, will be allowed to mature, and all future investment activity will be negotiated under the terms of the stated policy.

In conjunction with the annual financial audit, a compliance audit will be performed on management controls and adherence to this policy.

An annual review of the Investment Policy and Strategy will be conducted by the Director of Finance. The Investment Policy and Strategy, with any changes, will then be presented for the City Council to review. Formal adoption of the Investment Policy and Strategy will be documented in the minutes of the City Council meeting and the adopting ordinance.

INVESTMENT STRATEGY –

Attachment A

The investment strategy of the City of Temple, Texas, is adopted to provide investment guidelines that will minimize the risk of loss. In order to make effective use of the City's resources, all monies shall be pooled into one fund, except for those monies required to be accounted for in other accounts as stipulated by applicable laws, bond covenants, contracts or City policy. Investment priorities (in order of importance) are as follows:

- A. Suitability – Any investment allowed by the Investment Policy is suitable. Maturity schedules shall be timed according to anticipated needs.
- B. Safety of Principal – All investments should be of high quality with no perceived default risk.
- C. Liquidity – Local government investment pools and mutual funds shall provide daily liquidity. Fixed maturity investments shall provide liquidity as required by anticipated needs.
- D. Marketability – Investments should have an active and efficient secondary market to enable the City to liquidate investments prior to the maturity for unanticipated cash requirements.
- E. Diversification – The City will diversify use of security types, issuers and maturities. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio shall be invested in a single security type. With the exception of U.S. Treasury securities, no more than 40% of the total investment portfolio shall be invested with a single issuer. Maturity schedules shall be timed according to anticipated liquidity needs. The maximum dollar-weight average maturity is 270 days.
- F. Yield – The City's investment strategy is conservative. The benchmark used by the Director of Finance to determine whether market yields are being achieved shall be the 90-day T-bill rate.

INVESTMENT PURCHASING PROCEDURAL CONTROLS –

Attachment B

- A. Director of Finance, or designated deputy, and Treasury Manager shall analyze cash flow and determine specific cash flow needs of the City before any current securities mature or any new money is invested.
- B. Director of Finance and Treasury Manager agree to type of security (as allowed or as authorized by law, contract, or investment policy), denominations, and duration.
- C. Treasury Manager
 - Obtains three (3) net quotes for securities from authorized brokers listed on Attachment C;
 - Prepares quote listing with relevant information from the offerers;
 - Submits quote listing with recommendation for best responsible net offerer to Director of Finance or designated deputy;
 - Director of Finance or designated deputy approves best responsible net offerer; and
 - Contacts selected offerer with instructions to buy.

- D. Broker faxes or calls Treasury Manager with details of the purchase (disc, etc.).
- E. Treasury Manager contacts safekeeping with details, and faxes copy of CUSIP to safekeeping for security verification.
- F. Safekeeping compares CUSIP to delivered securities to initiate payment. The purchase of individual securities shall be executed “delivery versus payment” (DVP) through the Federal Reserve System. By so doing, City funds are not released until the City has received, through the Federal Reserve wire, the securities purchased.
- G. A letter is prepared with Director of Finance and Treasury Manager’s signature stating all details of the purchase, and is sent to the broker.
- H. The broker must verify the letter for understanding and correctness of securities purchased, sign it, and return it to the City of Temple.
- I. The investment portfolio and cash flow documents are updated to reflect security transactions. The Treasury Manager reconciles the investment portfolio with the general ledger daily. The reconciliation is reviewed and approved by the Assistant Director of Finance.
- J. Safekeeping receipts are received by a Finance employee who is independent from the initiating or approval of the purchase, and are verified with the Daily Balance Report; if correct, the receipts are filed for documentation upon arrival.

LIST OF QUALIFIED INSTITUTIONS –

Attachment C

A list of institutions that are authorized to engage in investment transactions with the City shall, at least annually, be reviewed, revised, and adopted. The following institutions, listed by type, are authorized for use by the Investment Officer:

Brokers/Dealers:

Duncan Williams
First Southwest Company
Frost National Bank
Seattle Northwest Securities
Simmons First National Bank
Vining-Sparks IBG
Wachovia Securities Financial Network
Zions First National Bank

Local government investment pools:

Texpool
TexSTAR
CLASS by MBIA Municipals Investors Service
Cooperation Great Pacific Securities

This list shall be revised when necessary throughout the year to account for additions and deletions.

TRAINING SEMINAR SPONSORS –

Attachment D

All investment training shall be from an independent source approved by the City Council. The following sponsors are hereby approved:

- A. Government Finance Officer's Association (GFOA);
- B. Texas Society of Certified Public Accountants (TSCPA);
- C. Texas Municipal League (TML);
- D. Government Treasurer's Organization of Texas (GTOT);
- E. Sponsors approved by the TSCPA and GFOA, GFOAT, GTOT, to provide CPE credits; or
- F. Other sponsors approved on an individual basis by the Director of Finance.



COUNCIL AGENDA ITEM MEMORANDUM

08/30/12
Item #4
Special Agenda
Page 1 of 2

DEPT./DIVISION SUBMISSION & REVIEW:

Traci L. Barnard, Director of Finance

ITEM DESCRIPTION: FIRST & FINAL READING – PUBLIC HEARING - Consider adopting an ordinance approving the tax roll and authorizing calculation of the amount of tax that can be determined for all real and personal property in the City for the tax year 2012 (fiscal year 2013), to be considered on an emergency basis.

STAFF RECOMMENDATION: Adopt ordinance on first and final reading.

BACKGROUND: The proposed ordinance will adopt the ad valorem property tax roll certified by the Tax Appraisal District of Bell County, in the amount of **\$3,533,903,553**. The total 2012 taxable value is as follows:

Taxable Value –

| | <u>Certified Taxable Value</u> | <u>% of +/- from Prior Year</u> |
|---|------------------------------------|-------------------------------------|
| City of Temple | \$3,025,014,305 | 1.66% |
| Freeze Taxable* | 352,862,314 | 5.16% |
| Tax Increment District (Reinvestment Zone No. 1) | <u>156,026,934</u> | <u>14.67%</u> |
| Total Taxable Value | <u><u>\$3,533,903,553</u></u> | <u><u>2.51%</u></u> |

FISCAL IMPACT: The tax levy at the proposed tax rate of \$0.5864 in the 2012-2013 fiscal year is:

| | TAX RATE | TAX LEVY ⁽¹⁾ |
|---|-----------------|----------------------------|
| General Fund (M&O) | \$0.3300 | \$ 9,882,722 |
| Debt Service (I&S) | 0.2564 | 7,756,137 |
| Frozen Taxes* | -- | 1,777,837 |
| Total | \$0.5864 | \$19,416,696 |
| Tax Increment District (Reinvestment Zone No. 1) | \$0.5864 | \$ 914,942 |

* - Freeze taxable value = \$352,862,314

⁽¹⁾ – Assuming 99% collection of maintenance & operation revenue

ATTACHMENTS:
[2012 Certified Tax Roll](#)
[Ordinance](#)

2012 CERTIFIED TOTALS

Property Count: 33,789

TTE - CITY OF TEMPLE
Grand Totals

7/16/2012 6:15:58AM

| Land | | Value | | | |
|----------------------------|------------|---------------|-------------|---------------------------|-------------------|
| Homesite: | | 219,407,414 | | | |
| Non Homesite: | | 280,250,999 | | | |
| Ag Market: | | 42,454,226 | | | |
| Timber Market: | | 0 | | Total Land | (+) 542,112,639 |
| Improvement | | Value | | | |
| Homesite: | | 1,757,324,627 | | | |
| Non Homesite: | | 1,272,129,081 | | Total Improvements | (+) 3,029,453,708 |
| Non Real | | Count | Value | | |
| Personal Property: | | 3,182 | 927,460,422 | | |
| Mineral Property: | | 0 | 0 | | |
| Autos: | | 1,270 | 10,819,186 | Total Non Real | (+) 938,279,608 |
| | | | | Market Value | = 4,509,845,955 |
| Ag | Non Exempt | Exempt | | | |
| Total Productivity Market: | 42,454,226 | | 0 | | |
| Ag Use: | 2,472,231 | | 0 | Productivity Loss | (-) 39,981,995 |
| Timber Use: | 0 | | 0 | Appraised Value | = 4,469,863,960 |
| Productivity Loss: | 39,981,995 | | 0 | Homestead Cap | (-) 4,092,340 |
| | | | | Assessed Value | = 4,465,771,620 |

| Exemption | Count | Local | State | Total | | |
|-----------------|--------|-------------|-------------|-------------|-------------------------|-----------------|
| AB | 14 | 45,981,679 | 0 | 45,981,679 | | |
| CH | 6 | 620,935 | 0 | 620,935 | | |
| CHODO (Partial) | 2 | 3,029,955 | 0 | 3,029,955 | | |
| DP | 396 | 3,545,731 | 0 | 3,545,731 | | |
| DV1 | 256 | 0 | 1,792,730 | 1,792,730 | | |
| DV1S | 36 | 0 | 180,000 | 180,000 | | |
| DV2 | 152 | 0 | 1,273,916 | 1,273,916 | | |
| DV2S | 10 | 0 | 68,300 | 68,300 | | |
| DV3 | 194 | 0 | 1,782,945 | 1,782,945 | | |
| DV3S | 31 | 0 | 300,000 | 300,000 | | |
| DV4 | 444 | 0 | 3,341,364 | 3,341,364 | | |
| DV4S | 116 | 0 | 1,317,591 | 1,317,591 | | |
| DVHS | 268 | 0 | 32,176,031 | 32,176,031 | | |
| DVHSS | 5 | 0 | 634,287 | 634,287 | | |
| EX | 2,368 | 0 | 476,873,180 | 476,873,180 | | |
| EX (Prorated) | 41 | 0 | 1,510,988 | 1,510,988 | | |
| EX366 | 14 | 0 | 4,560 | 4,560 | | |
| HS | 13,104 | 304,636,752 | 0 | 304,636,752 | | |
| OV65 | 4,366 | 42,063,872 | 0 | 42,063,872 | | |
| OV65S | 259 | 2,574,127 | 0 | 2,574,127 | | |
| PC | 31 | 8,159,124 | 0 | 8,159,124 | Total Exemptions | (-) 931,868,067 |
| | | | | | Net Taxable | = 3,533,903,553 |

| Freeze | Assessed | Taxable | Actual Tax | Ceiling | Count | | |
|-----------------|--------------------|--------------------|---------------------|---------------------|--------------|-----------------------|-----------------|
| DP | 32,058,540 | 18,500,209 | 96,600.65 | 111,305.35 | 377 | | |
| OV65 | 491,668,026 | 334,362,105 | 1,699,195.11 | 1,772,174.24 | 4,374 | | |
| Total | 523,726,566 | 352,862,314 | 1,795,795.76 | 1,883,479.59 | 4,751 | Freeze Taxable | (-) 352,862,314 |
| Tax Rate | 0.567900 | | | | | | |

2012 CERTIFIED TOTALS

Property Count: 33,789

TTE - CITY OF TEMPLE

Grand Totals

7/16/2012

6:15:58AM

| Transfer | Assessed | Taxable | Post % Taxable | Adjustment | Count | | | |
|--------------|------------------|----------------|----------------|---------------|----------|--------------------------------|------------|----------------------|
| OV65 | 1,027,365 | 724,846 | 635,850 | 88,996 | 6 | | | |
| Total | 1,027,365 | 724,846 | 635,850 | 88,996 | 6 | Transfer Adjustment | (-) | 88,996 |
| | | | | | | Freeze Adjusted Taxable | = | 3,180,952,243 |

APPROXIMATE LEVY = (FREEZE ADJUSTED TAXABLE * (TAX RATE / 100)) + ACTUAL TAX
 19,860,423.55 = 3,180,952,243 * (0.567900 / 100) + 1,795,795.76

| Tif Zone Code | Tax Increment Loss |
|------------------------------|--------------------|
| TETIF1 | 149,005,533 |
| TETIF2 | 7,021,401 |
| Tax Increment Finance Value: | 156,026,934 |
| Tax Increment Finance Levy: | 886,076.96 |

2012 CERTIFIED TOTALS

Property Count: 33,789

TTE - CITY OF TEMPLE
Grand Totals

7/16/2012

6:16:41AM

State Category Breakdown

| State Code | Description | Count | Acres | New Value Market | Market Value |
|------------|------------------------------------|--------|--------------------|---------------------|------------------------|
| A | SINGLE FAMILY RESIDENCE | 19,002 | | \$42,038,243 | \$2,050,284,124 |
| B | MULTIFAMILY RESIDENCE | 663 | | \$3,274,588 | \$200,752,922 |
| C | VACANT LOT | 2,627 | | \$0 | \$43,322,850 |
| D1 | QUALIFIED AG LAND | 557 | 14,221.1297 | \$0 | \$42,454,226 |
| D2 | NON-QUALIFIED LAND | 375 | 4,457.6290 | \$0 | \$17,472,157 |
| E | FARM OR RANCH IMPROVEMENT | 293 | | \$271,372 | \$31,538,322 |
| F1 | COMMERCIAL REAL PROPERTY | 1,772 | | \$16,821,467 | \$501,586,387 |
| F2 | INDUSTRIAL REAL PROPERTY | 123 | | \$2,527,130 | \$177,913,919 |
| J1 | WATER SYSTEMS | 2 | | \$0 | \$82,907 |
| J2 | GAS DISTRIBUTION SYSTEM | 7 | | \$0 | \$5,713,338 |
| J3 | ELECTRIC COMPANY (INCLUDING CO-OP) | 29 | | \$0 | \$46,986,684 |
| J4 | TELEPHONE COMPANY (INCLUDING CO-O | 16 | | \$0 | \$10,139,433 |
| J5 | RAILROAD | 35 | | \$0 | \$27,397,977 |
| J6 | PIPELAND COMPANY | 43 | | \$0 | \$1,514,811 |
| J7 | CABLE TELEVISION COMPANY | 4 | | \$0 | \$3,759,967 |
| L1 | COMMERCIAL PERSONAL PROPERTY | 3,927 | | \$33,000 | \$275,745,949 |
| L2 | INDUSTRIAL PERSONAL PROPERTY | 290 | | \$0 | \$538,817,501 |
| M1 | TANGIBLE OTHER PERSONAL, MOBILE H | 447 | | \$657,997 | \$4,189,954 |
| O | RESIDENTIAL INVENTORY | 1,505 | | \$8,446,735 | \$30,969,572 |
| S | SPECIAL INVENTORY TAX | 57 | | \$0 | \$21,704,280 |
| X | TOTALLY EXEMPT PROPERTY | 2,388 | | \$4,151,765 | \$477,498,675 |
| | Totals | | 18,678.7587 | \$78,222,297 | \$4,509,845,955 |

2012 CERTIFIED TOTALS

Property Count: 33,789

TTE - CITY OF TEMPLE
Effective Rate Assumption

7/16/2012 6:16:41AM

New Value

| | |
|--------------------------|--------------|
| TOTAL NEW VALUE MARKET: | \$78,222,297 |
| TOTAL NEW VALUE TAXABLE: | \$65,446,415 |

New Exemptions

| Exemption | Description | Count | 2011 Market Value | 2011 Taxable Value |
|--------------------------------|-----------------|-------|-------------------|--------------------|
| EX | TOTAL EXEMPTION | 105 | | \$26,765,153 |
| ABSOLUTE EXEMPTIONS VALUE LOSS | | | | \$26,765,153 |

| Exemption | Description | Count | Exemption Amount |
|-------------------------------|---|-------|------------------|
| DP | DISABILITY | 21 | \$200,000 |
| DV1 | Disabled Veterans 10% - 29% | 13 | \$107,000 |
| DV1S | Disabled Veterans Surviving Spouse 10% - 29% | 4 | \$20,000 |
| DV2 | Disabled Veterans 30% - 49% | 27 | \$256,500 |
| DV2S | Disabled Veterans Surviving Spouse 30% - 49% | 1 | \$7,500 |
| DV3 | Disabled Veterans 50% - 69% | 32 | \$340,000 |
| DV3S | Disabled Veterans Surviving Spouse 50% - 69% | 5 | \$50,000 |
| DV4 | Disabled Veterans 70% - 100% | 44 | \$348,000 |
| DV4S | Disabled Veterans Surviving Spouse 70% - 100% | 7 | \$60,000 |
| DVHS | Disabled Veteran Homestead | 40 | \$5,024,899 |
| DVHSS | Disabled Veteran Homestead Surviving Spouse | 5 | \$634,287 |
| HS | HOMESTEAD | 312 | \$8,503,314 |
| OV65 | OVER 65 | 226 | \$2,148,846 |
| OV65S | OVER 65 Surviving Spouse | 1 | \$10,000 |
| PARTIAL EXEMPTIONS VALUE LOSS | | 738 | \$17,710,346 |
| TOTAL EXEMPTIONS VALUE LOSS | | | \$44,475,499 |

New Ag / Timber Exemptions**New Annexations**

| Count | Market Value | Taxable Value |
|-------|--------------|---------------|
| 50 | \$8,515,745 | \$0 |

New Deannexations**Average Homestead Value**

Category A and E

| Count of HS Residences | Average Market | Average HS Exemption | Average Taxable |
|------------------------|----------------|----------------------|-----------------|
| 12,940 | \$119,887 | \$23,821 | \$96,066 |

Category A Only

| Count of HS Residences | Average Market | Average HS Exemption | Average Taxable |
|------------------------|----------------|----------------------|-----------------|
| 12,783 | \$119,527 | \$23,750 | \$95,777 |



COUNCIL AGENDA ITEM MEMORANDUM

08/30/12
Item #5
Special Agenda
Page 1 of 2

DEPT./DIVISION SUBMISSION & REVIEW:

Traci L. Barnard, Director of Finance

ITEM DESCRIPTION: FIRST & FINAL READING - PUBLIC HEARING - Consider adopting an ordinance levying taxes and setting a tax rate for the City for the tax year 2012, making the appropriation for the regular operation of the City, to be considered on an emergency basis.

STAFF RECOMMENDATION: Adopt ordinance on first and final reading.

BACKGROUND: The Fiscal 2012-2013 budget will require adoption of a property tax rate of \$0.5864 per \$100 of taxable assessed property value. The proposed tax rate will generate \$17,738,684 of property tax levy when applied to an ad valorem tax base of \$3,377,876,619 less \$352,862,314 of freeze taxable value. In addition, there will be \$1,795,796 in frozen tax levy for a total property tax levy of \$19,416,696 (assuming 99% collection of maintenance & operation revenue). The proposed tax rate of \$0.5864 is a \$0.0185 increase over last year's tax rate of \$0.5679 and represents a 4.86% increase over the effective tax rate of \$0.5592.

The fiscal year 2012-2013 tax rate is comprised of the Maintenance and Operation rate and the Debt Service rate. These two components are as follows:

| TAX RATE | | | TAX LEVY | | |
|---|------------------|------------------|---|----------------------|----------------------|
| | FY 2013 | FY 2012 | | FY 2013 | FY 2012 |
| Maintenance & Operations | \$ 0.3300 | \$ 0.3240 | Maintenance & Operations | \$ 9,982,547 | \$ 9,641,339 |
| Debt Service | 0.2564 | 0.2439 | Debt Service | 7,756,137 | 7,257,786 |
| | -- | -- | Frozen Taxes* | 1,795,796 | 1,686,806 |
| Total Tax Rate | \$ 0.5864 | \$ 0.5679 | Total Tax Levy | \$ 19,534,480 | \$ 18,585,931 |
| | | | Budget w/M&O at 99% Collection | <u>\$ 19,416,696</u> | <u>\$ 18,472,650</u> |
| Tax Increment District (Reinvestment Zone No. 1) | | | Tax Increment District (Reinvestment Zone No. 1) | | |
| Total Tax Rate | <u>\$ 0.5864</u> | <u>\$ 0.5679</u> | Total Tax Levy | <u>\$ 914,942</u> | <u>\$ 772,715</u> |

* - Frozen value = \$352,862,314

The residential homestead exemption for property owners is \$5,000 or 20% of the assessed value whichever is greater. In addition to the homestead exemption, property owners 65 years of age or older will continue to receive an additional \$10,000 exemption and all disabled individual property owners will receive an exemption of \$10,000 in accordance with Texas Tax Code Section 11.13.

The ad valorem tax freeze on the residence homestead of a person who is disabled or sixty-five (65) years of age or older (as approved in an election held in the City of Temple on May 7, 2005) applies to Tax Year 2006 (FY 2007). The amount of the qualifying homeowners tax ceiling was determined on the Tax Year 2005 (FY 2006). Future city taxes on that homestead cannot exceed the 2005 tax amount (but may be less). The tax limitation, however, may be adjusted higher for an increase in improvements to the homestead, other than repairs and those improvements made to comply with governmental regulations.

The motion to adopt an ordinance setting a tax rate that exceeds the effective tax rate must be made in the following form: **“I move that the property tax rate be increased by the adoption of a tax rate of \$0.5864, which is effectively a 4.86 percent increase in the tax rate.”**

The second motion is as follows: **“I move that the ordinance setting the 2012-2013 tax rate in the amount of \$0.5864 per \$100 valuation comprised of \$0.3300 for maintenance and operations and \$0.2564 for debt service be adopted.”**

Pursuant to Section 11.20 of the City Charter, all taxpayers shall be allowed discounts for the payment of taxes due to the City if such taxes are paid in the year for which such taxes are due as follows: 3% in October; 2% in November; and 1% in December.

FISCAL IMPACT:

Example 1 – Annual Property Tax - \$100,000 Taxable Value:

With the proposed tax rate of \$0.5864 per \$100 valuation, the cost to a homeowner with a taxable value of \$100,000 would increase by \$18.50 per year (\$1.54 per month) if there was no change in taxable value from the prior year.

Example 2 – Annual Property Tax – Average Taxable Value for City of Temple:

The preceding tax year’s average taxable value for of a residence homestead in Temple is \$95,354. In the current tax year, the average taxable value of a residence homestead in Temple is \$96,066. With the proposed tax rate of \$0.5864 per \$100 valuation, there would be an annual increase of \$21.81 in taxes (\$1.82 per month).

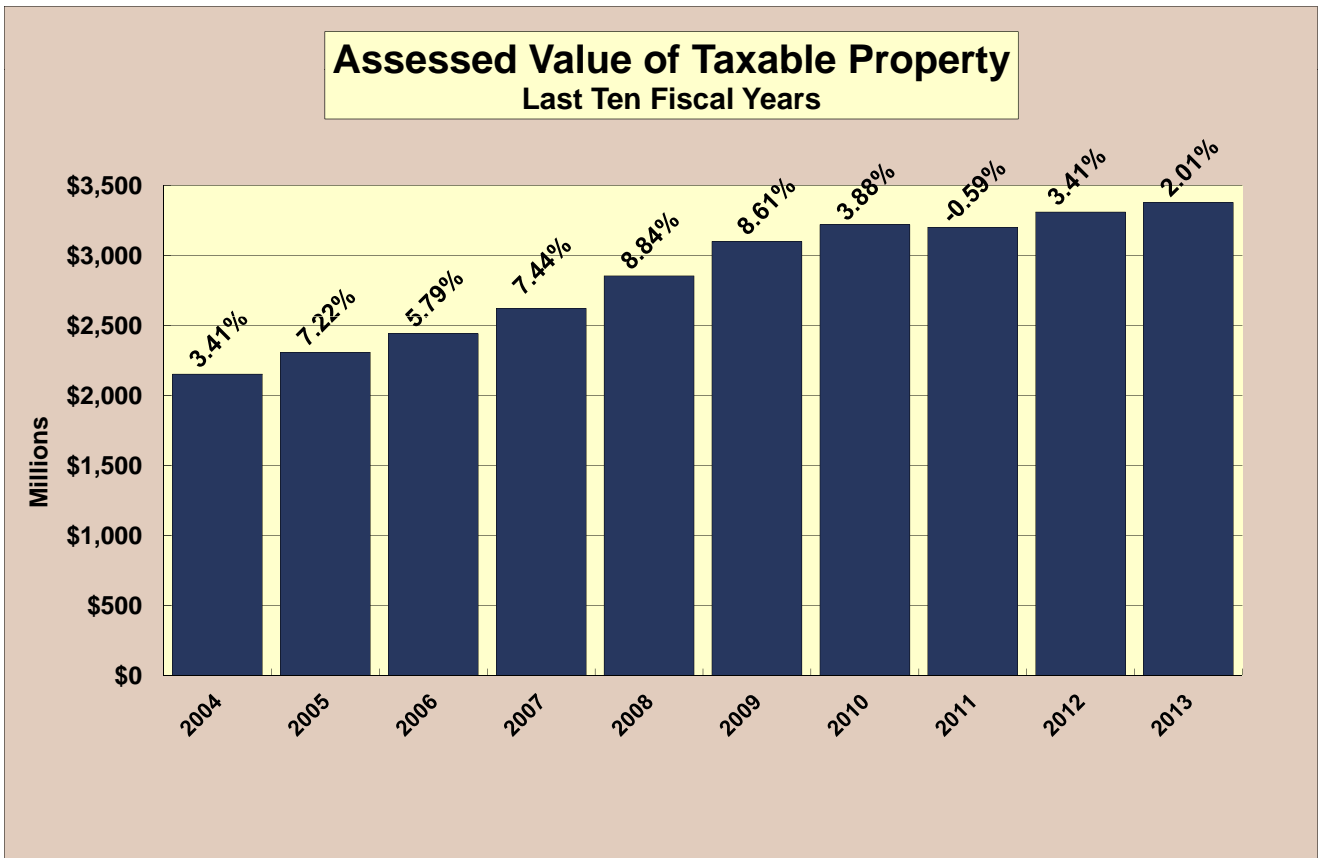
ATTACHMENTS:

[Assessed Value of Taxable Property](#)
[Tax Rate FY 2004-2013](#)
[Ordinance](#)

CITY OF TEMPLE, TEXAS
Assessed Value of Taxable Property
Last Ten Fiscal Years

| <u>Fiscal Year Ending September 30,</u> | <u>Taxable Property Valuation ⁽⁷⁾</u> | <u>Percent (%) Increase (Decrease)</u> |
|---|--|--|
| 2004 | \$2,152,111,633 | 3.41% |
| 2005 | 2,307,589,214 | 7.22% |
| 2006 | 2,441,277,465 | 5.79% |
| 2007 | 2,622,803,439 ⁽⁶⁾ | 7.44% |
| 2008 | 2,854,755,588 ⁽⁶⁾ | 8.84% |
| 2009 | 3,100,594,231 ⁽⁵⁾ | 8.61% |
| 2010 | 3,221,022,514 ⁽⁴⁾ | 3.88% |
| 2011 | 3,201,978,908 ⁽³⁾ | -0.59% |
| 2012 | 3,311,259,863 ⁽²⁾ | 3.41% |
| 2013 | 3,377,876,619 ⁽¹⁾ | 2.01% |
| Average Annual Increase | | 5.00% |

See footnotes on page 2



CITY OF TEMPLE, TEXAS
Assessed Value of Taxable Property
Last Ten Fiscal Years

- ⁽¹⁾ **Source Document:** Tax Appraisal District of Bell County - Certified Tax Roll - July 16, 2012
Net taxable value not adjusted for frozen values - frozen levy \$1,795,796
- ⁽²⁾ **Source Document:** Tax Appraisal District of Bell County - Certified Tax Roll - July 18, 2011
Net taxable value not adjusted for frozen values - frozen levy \$1,686,806
- ⁽³⁾ **Source Document:** Tax Appraisal District of Bell County - Certified Tax Roll - July 19, 2010
Net taxable value not adjusted for frozen values - frozen levy \$1,641,477
- ⁽⁴⁾ **Source Document:** Tax Appraisal District of Bell County - Certified Tax Roll - July 20, 2009
Net taxable value not adjusted for frozen values - frozen levy \$1,593,291
- ⁽⁵⁾ **Source Document:** Tax Appraisal District of Bell County - Certified Tax Roll - July 21, 2008
Net taxable value not adjusted for frozen values - frozen levy \$1,540,393
- ⁽⁶⁾ Net taxable value not adjusted for frozen values
- ⁽⁷⁾ Excludes amount applicable to the Tax Increment District (Reinvestment Zone No. 1)

CITY OF TEMPLE, TEXAS
ADOPTED TAX RATE VS. EFFECTIVE TAX RATE

| Fiscal Year | Adopted Tax Rate | | | Effective Tax Rate | Adopted Rate v. Effective Tax Rate | |
|-------------------------|------------------|---------------|---------------|--------------------|------------------------------------|--------------|
| | I & S | M & O | Total | | \$ | % |
| 2004 | \$0.2537 | \$0.3510 | \$0.6047 | \$0.5972 | \$0.0075 | 1.26% |
| 2005 | 0.2349 | 0.3674 | 0.6023 | 0.5731 | 0.0292 | 5.10% |
| 2006 | 0.2199 | 0.3546 | 0.5745 | 0.5579 | 0.0166 | 2.98% |
| 2007 | 0.2339 | 0.3395 | 0.5734 | 0.5568 | 0.0166 | 2.98% |
| 2008 | 0.2289 | 0.3392 | 0.5681 | 0.5516 | 0.0165 | 2.99% |
| 2009 | 0.2273 | 0.3322 | 0.5595 | 0.5433 | 0.0162 | 2.98% |
| 2010 | 0.2473 | 0.3173 | 0.5646 | 0.5511 | 0.0135 | 2.45% |
| 2011 | 0.2379 | 0.3300 | 0.5679 | 0.5742 | -0.0063 | -1.10% |
| 2012 | 0.2439 | 0.3240 | 0.5679 | 0.5571 | 0.0108 | 1.94% |
| 2013¹ | 0.2564 | 0.3300 | 0.5864 | 0.5592 | 0.0272 | 4.86% |

¹ - PROPOSED Tax Rate



COUNCIL AGENDA ITEM MEMORANDUM

08/30/12
Item #6
Special Agenda
Page 1 of 3

DEPT./DIVISION SUBMISSION & REVIEW:

Traci L. Barnard, Director of Finance

ITEM DESCRIPTION: Consider adopting a resolution amending the current utility system fees to be effective October 1, 2012 by:

- (A) Increasing the current water rate monthly minimum service charge based on meter size;
- (B) Increasing the current wastewater rate monthly minimum service charge and increasing the volumetric rate.

STAFF RECOMMENDATION: Adopt resolution as presented in item description.

ITEM SUMMARY: The City engaged the services of SAIC to develop a five-year cost of service study (FY 2013 – FY 2017). One of the key elements of the study was to develop the revenue requirement for a five-year capital improvement program to construct, replace or rehab numerous components in the City of Temple distribution and collection systems, address additional staffing needs for the operations and maintenance of the water treatment plant, and other operations and maintenance cost of the system.

Multiple scenarios were considered.....The current rate proposal includes all of the rate adjustment in FY 2013 which achieves the lowest rate at the end of the five year period. The proposed rate schedule adjusts the minimum bill by meter size in proportion to the ability of the meter to demand water from the system. The City will “downsize” meters for customers who determine their current meter is “oversized” for their demand on the system.

Cost Drivers impacting the FY 2013 revenue requirement increase of **\$1,836,815 [6.84% compared to prior year]** include the following:

1. Adjusting over/under recovery between water and wastewater rates and adjusting reserve levels funding future debt service to achieve greater financial health and stability of the Water/Wastewater Utility - **\$682,394 [2.54%]**

2. Operations

- o Additional staff at the Water Treatment Plant and base pay adjustments for all employees - **\$373,498 [1.39%]**
- o Supplies and system repair and maintenance - **\$274,348 [1.02%]**

3. Cash Capital Outlays

- o Includes outlays related to approach mains, buildings & grounds, automotive and water line replacement; **\$506,575 [1.89%]**

4. Debt Service associated with **\$33,645,000** of Capital Improvements in the following years:

| | 2013 | 2014 | 2015 | 2016 | Total |
|--------------|-------------|---------------------|-------------|----------------------|----------------------|
| Water | \$ - | \$ 6,825,000 | \$ - | \$ 4,250,000 | \$ 11,075,000 |
| Wastewater | - | 9,460,000 | - | 13,110,000 | 22,570,000 |
| Total | \$ - | \$16,285,000 | \$ - | \$ 17,360,000 | \$ 33,645,000 |

Proposed Water rates are as follows:

| Meter Size (inches) | Current Meter Rates (FY 2012) | Proposed Meter Rates (FY 2013) |
|---------------------|-------------------------------|--------------------------------|
| 5/8" x 3/4" | \$ 10.00 | \$ 10.00 |
| 1" | 13.95 | 16.00 |
| 1 1/2" | 17.90 | 20.00 |
| 2" | 28.85 | 64.00 |
| 3" | 109.40 | 128.00 |
| 4" | 139.30 | 200.00 |
| 6" | 208.90 | 640.00 |
| 8" | 288.50 | 1,120.00 |

| Volumetric | | |
|-------------|---------|---------|
| All Classes | | |
| | \$ 3.20 | \$ 3.20 |

Wastewater Rates:

| Minimum Bill | | |
|---------------------|-------------------------|--------------------------|
| Meter Size (inches) | Current Rates (FY 2012) | Proposed Rates (FY 2013) |
| All Classes | \$ 10.00 | \$ 13.00 |

| Volumetric | | |
|-------------|---------|---------|
| All Classes | | |
| | \$ 4.25 | \$ 4.50 |

The following table lists the projected average monthly bills for water and wastewater service under the proposed rates.

Average Monthly Bills

| | Current | Proposed | Change (%) |
|-------------------------------|-----------------|-----------------|-------------------|
| Residential 3/4" Meter | | | |
| Water (10,000 gal) | \$35.60 | \$35.60 | 0.00% |
| Wastewater (6,000 gal) | \$27.00 | \$31.00 | 14.81% |
| Combined Bill | \$62.60 | \$66.60 | 6.39% |
| | | | |
| Commercial Water: | | | |
| | | | |
| 1" Meter | | | |
| Water (15,716 gal) | \$57.84 | \$59.89 | 3.54% |
| | | | |
| 2" Meter | | | |
| Water (88,382 gal) | \$305.27 | \$340.42 | 11.51% |

FISCAL IMPACT: The proposed rate structure meets the estimated revenue requirement for FY 2013 of \$28,684,076 and also establishes the rates to fund a five-year CIP of \$33,645,000.

ATTACHMENTS:

[Comparison of Residential Water & Wastewater Rates Resolution](#)



COUNCIL AGENDA ITEM MEMORANDUM

08/30/12
Item #7
Special Agenda
Page 1 of 1

DEPT./DIVISION SUBMISSION & REVIEW:

William A. Jones, III, Mayor

ITEM DESCRIPTION: Recognition and Presentation of Proclamation:

7. Present Proclamation to Richard Skopik, P.E., District Engineer, recognizing 34 years of service with Texas Department of Transportation.

STAFF RECOMMENDATION:

ITEM SUMMARY: Richard Skopik, P.E., is the district engineer for the Waco District of the Texas Department of Transportation. Mr. Skopik earned his bachelor's degree in civil engineering from Texas A&M University in 1978 and joined TxDOT's Tyler District that same year. In 1982, he moved to the design section and after receiving his license as a professional engineer in 1983, he advanced to the position of district design engineer in 1986. In 1993 Mr. Skopik was promoted to deputy district engineer in the Tyler District managing transportation-related projects and activities on a highway system of more than 3,000 centerline miles.

In 1998, he was selected as Waco District Engineer where he has led the development and implementation of the district's I-35 Expansion Plan to relieve congestion and improve safety along the 94-mile Central Texas corridor.

Mr. Skopik serves as a policy board member for the Killeen/Temple area and the Waco area, working to resolve transportation issues within two urbanized areas. He also serves on various statewide management committees in the areas of highway-construction specifications, transportation planning research and most recently developing the agency's first environmental management system.

FISCAL IMPACT: None

ATTACHMENTS: None