

FROM THE OFFICE OF CITY ADMINISTRATOR MARVIN GREGORY

2011-2012 FISCAL YEAR BUDGET

SUMMARY

The budget is a financial plan for 12-months of operations that matches all planned revenues and expenditures with the services provided to the residents of the City based on established budgetary policies. The City Charter as amended establishes the City of River Oaks' fiscal year as being October 1st through September 30th beginning on October 1, 2010. Upon receipt of the proposed operational budget for the next 12-months, the City Council set the date for the Public Hearing on September 13, 2011.

At the hearing, the Council will give all interested persons an opportunity to be heard for, or against, any expenditure account or revenue estimate.

BUDGET PREPARATION

The City Administrator's Office performs the functions of preparing and analyzing the 2011-2012 budgets. The budget process is initiated in July with distribution of budget preparation packages to department heads and directors. In August, the City Administrator prepares back-up information for the City Council and schedules work sessions to discuss the direction of the budget for the upcoming fiscal year. Work sessions begin in August with the department supervisor to review line items for both the current budget and the proposed budget to determine if service levels were to be maintained, improved, or reduced. Revenues are projected as accurately as possible in order to set priorities for proposed expenditures. Issues are addressed in workshops beginning in August between the City Staff and City Council.

BUDGET BASIS

The City uses a modified zero-based budgeting approach in developing its annual budget. The City Administrator and Department Heads must identify and prioritize programs, projects, and equipment necessary to accomplish their goals and objectives plus those established by City Council. The budget must be developed within the limitations of available resources. Each Department Head is responsible for divisions that are under their scope of authority. Each line item of maintenance and operations are justified on budget worksheets. All capital items are separately identified and justified. The City Council retains final authority on the budget.

PUBLIC HEARING AND BUDGET ADOPTION

A public hearing on the budget is conducted according to state and local laws. A public hearing was held on September 13, 2011 to adopt the Operational Budget for 2011-2012 beginning October 1, 2011 and ending September 30, 2012. A notice of the public hearings was published in the local newspaper of general publication (River Oaks News) and was posted at City Hall and on the City's web page at www.riveroakstx.com.

BUDGET AMENDMENT

Once the annual budget has been adopted, there are several methods by which the budget may be amended. In the internal form, the City Administrator is authorized by the City Council to make adjustments between line items within an operating department. In no case, however, may the budget adjustments result in the budgeted expenditures exceeding the lawfully adopted expenditures appropriated for the fund.

The City Council may amend the budget by ordinance during the fiscal year if such expenditures are necessary to protect public property or the health, safety, or general welfare of the citizens of River Oaks.

Multi-year projections have become an integral part of the budget process as estimates of future financial operating conditions are provided to the City Council. Historical data, as reconciled, plus growth assumptions for each line item are combined to provide projections that indicate the City's future fiscal position. The multi-year projections identify any potential problem in matching projected revenues with anticipated growth in expenditures.

PROPERTY TAX RATE

This 12-month operational budget must be adopted prior to setting a tax rate. Normally, a property tax rate is proposed by the City Council. The tax rate consists of two components: a rate for funding maintenance and operations expenditures and a rate for debt service. State Property Tax law dictates certain procedures that must be followed when proposing and adopting a tax rate. The City must annually calculate and publicize its "effective tax rate" and "rollback tax rate." The City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until it has held a public hearing on the proposed increase following notice to the taxpayers. The effective tax rate is the rate that will produce last year's total tax levy as adjusted from this year's total taxable values. The rollback tax rate is the rate that will produce last year's maintenance and operations tax levy as adjusted from this year's value multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values divided by the anticipated tax collection rate.

The City receives the certified appraisal value from Tarrant Appraisal District in July of every year. As a result, a proposed tax rate is chosen to maintain the current level of city services and to fund a decreased level of capital needs. This budget is based on historical collections in previous years. Historically, 80% of ad valorem tax collections are in the months of December and January each year. The remaining 20% is collected throughout the year and amounts to approximately \$50,000 monthly. **This year's projected revenue is set at \$1,788,542 based on a proposal to adopt the effective tax rate of \$0.853006 per \$100 of value for the next year on a 96% collection rate.**

PROPOSED GENERAL FUND 2010-2011 FISCAL YEAR BUDGET:

Staff has prepared for consideration a **General Fund Budget** with projected total revenues of **\$4,147,970** and projected total expenditures in the amount of **\$4,153,551** resulting in a **deficit budget proposal of \$5,581**.

The contributing factors resulting in a deficit budget include the following:

1. Decreased interest revenues and a slowing economy
2. Increased cost in equipment upgrades

Tex-Pool Investments:

The balance in the Tex-Pool Investment for the General Fund is **\$3,262,359.23** through the third quarter of the 2010-2011 Fiscal Year up from **\$3,172,891.55** this same time last year.

PROPOSED WATER FUND 2009-2010 FISCAL YEAR BUDGET

Staff has prepared for consideration a **Water Fund Budget** with projected total revenues of **\$2,772,094** and projected total expenditures in the amount of **\$2,739,878** resulting in a **surplus balance of \$32,216**.

Tex-Pool Investments:

The balance in the **Tex-Pool Investment** for the Water Fund is **\$1,748,392.21** through the 3rd quarter of the 2010-2011 Fiscal Year. Series 93 Water and Sewer Reserve **Account 02-1243** has a balance of **\$180,543,031** through the 3rd quarter of the 2010-2011 Fiscal Year. Series 93 Interest and Sinking **Account 02-1230** has a balance of **\$180,967.77** through the 3rd quarter of the 2010-2011 fiscal Year. City must maintain enough in the Sinking and Interest Account to make the annual bond payment or else they must deposit one-twelfth of the payment each month into the account to accommodate the payment. The balance is sufficient enough to make the Annual Bond Payment on the Water Plant without having to do that.

Rate Decrease: The proposed 2011-2012 Fiscal Year Budget does include a residential sewer rate decrease of 3.8% and a commercial sewer rate decrease of 3.4%. There will be no rate increases in the 2011-2012 Fiscal Year budget.

PROPOSED ECONOMIC DEVELOPMENT CORPORATION 2010-2011 FISCAL YEAR BUDGET:

The Economic Development Corporation (EDC) has submitted a proposed budget with projected total **revenues of \$151,255** and projected **total expenditures in the amount of \$176,718** resulting in a **deficit budget proposal of \$25,463**.

The contributing factors resulting in a deficit budget include the following:

1. Proposed Projects amounting to \$175,618

Tex-Pool Investments:

The balance in the **Tex-Pool Investment** for the EDC Reserve Fund thru the 3rd Quarter of the 2010-2011 Fiscal Year is **\$224,648.45**. There are adequate funds available in the Reserves to offset the deficit if in fact all the projects are completed within this fiscal year.

Checking Account:

In addition to the reserves there was an ending balance of **\$88,452.66** in Bank of Texas checking account at the end of the last quarter for operational expenditures.

PROPOSED CRIME CONTROL AND PREVENTION DISTRICT 2010-2011 FISCAL YEAR BUDGET:

The Crime Control and Prevention District has submitted a proposed budget with projected **total revenues of \$152,540 and projected total expenditures of \$121,849** resulting in a **budget surplus balance of \$30,691**.

Checking Account:

There was an ending balance of **\$138,760.21** in Bank of Texas checking account at the end of July 2010 for operational expenditures.

APPROVAL OF ALL CITY BUDGETS:

Following the Public Hearing on September 13, 2011 the City Council will take action on the adoption of the 2011-2012 Operational Budget by the adoption of **Ordinance 901-2011** for all city budgets as are herein provided for in the following tables for the period beginning October 1, 2011 and ending September 30, 2012. All City Budgets must be approved prior to the start of the fiscal year on October 1, 2011.

LINE BY LINE REVENUES AND EXPENDITURES:

The following tables details the line by line revenues and expenditures of the General Fund, Water Fund, Economic Development Corporation and of the Crime Control and Prevention District.