



**FY 2013 PROPOSED BUDGET
CITY OF CENTER, TEXAS
PRINCIPAL OFFICIALS**

MAYOR

David Chadwick

CITY COUNCIL

Joyce Johnson – District 1 Charles Rushing – District 4
Charlie Byndom – District 2 Jim Forbes – At Large
Howell Howard – District 3 Leigh Porterfield – At Large

CITY MANAGER

Chad D. Nehring

CITY SECRETARY

Barbara Boyd

CITY ATTORNEY

James Payne



ACKNOWLEDGEMENTS

Special thanks to all the City employees who contributed to this budget.

ASSISTANT CITY MANAGER

James P. Gibson

FINANCE OFFICER

Robin Folsom Andrews

POLICE CHIEF

Jim Albers

FIRE CHIEF

Keith Byndom

BUILDING OFFICIAL/STREET SUPERINTENDENT

Fred Stansberry

UTILITIES SUPERINTENDENT

John Holt

WATER DISTRIBUTION SUPERVISOR

Glynn Bragg

JOHN D. WINDHAM CIVIC CENTER DIRECTOR

Tommy Hughes

PURCHASING MANAGER

Michael Boyd



**FY 2013 PROPOSED BUDGET
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August 13, 2012

Dear Center Resident:

Welcome to the City of Center operating budget for fiscal year 2013. We expect this document will provide significant information in an easy to read and understand format. I know that the City staff has worked long and hard to make this budget a success. The Council and I express our gratitude to those that have participated in this budget process.

A budget serves many purposes. It is a financial planning tool; a way for the City Council to allocate finite resources in a way that accomplish our goals. It is a communication device; providing information to the Council and public on how the City operates. The budget is also a policy document, whereby the Council establishes certain policy goals and a direction for the City. Finally, the budget is an operations guide, providing insight into what the City departments do and how they accomplish their jobs.

Center is a Home Rule city that provides a full range of municipal services to its citizens. As such, Center is very progressive in using tax payer money to make long term investments back into the community in areas such as public safety improvements, parks, community facilities, and major infrastructure.

Planning the future of our City is not a spectator sport; I would encourage everyone to attend a City Council meeting, or consider volunteering for service on a board or committee.

I do hope that you enjoy the new budget format and if you have any questions you may contact the City Manager, Chad D. Nehring at 936/598-2941.

Sincerely,

David Chadwick
Mayor, City of Center





Date: August 13, 2012
To: Mayor, City Council Members and Residents of Center
From: Chad D. Nehring, City Manager
Subject: FY 2013 Proposed Budget Transmittal Letter

GENERAL COMMENTS ON FY 2013 PROPOSED BUDGET

The City's growth through additional development and expansion of the energy industry has not continued to materialize and could now be termed as correcting to a new normal. While the City continues to see some new development, particularly retail and service-oriented as well as a major expansion of the Tyson Plant, revenues have stalled and slipped from last year's levels. After record sales tax revenues last year, retail sales are correcting and by no means reverting even to 2010 levels. This is now the fourth year of taxable value decline the City has experienced even with recent development. The growth and economic increases during the last several years have allowed the focus of the Council and staff to increase major infrastructure spending, explore sustainable community growth opportunities, improve programs and service delivery.

Budget development is challenging when planning for modest growth in expenditures while desiring to minimize the tax rate, maintain equitable utility fee structures, and striving for improved services while meeting imposed mandates and state/federal requirements. Continued development and expanded services generally dictates future revenue growth but also correlates to added service responsibilities and financial demands. Remaining conservative in revenue projections insures funding of planned minimum service levels throughout the year.

With City Council guidance, staff developed budget priorities which provided direction on budget creation. These priorities can be found on Page 25.

REVENUES

Revenues of the General Fund consist of many different revenue sources projected to generate \$5,706,100 in FY 2013. This represents a 0.17% increase in total revenues from FY 2012.



Revenue Category	FY 2013 Proposed Budget Revenue	FY 2012 Adopted Budget Revenue	Percent Change
Property Taxes	602,250	554,000	8.71%
Sales Taxes	2,219,050	2,312,800	(4.05%)
Sanitation Charges	1,299,000	1,269,000	2.36%
Franchise Fees	505,000	492,000	2.64%
Municipal Court	230,750	224,200	2.92%
Transfers	390,000	390,000	0
Airport Revenues	223,300	188,100	18.71%
Interest Earnings	10,000	15,500	(35.48%)
Grants	45,200	41,700	8.39%
Permits	22,800	47,500	(52%)
Miscellaneous	83,400	77,700	7.34%
Usage Fees	75,350	83,850	(10.14%)

Sales Tax

The largest source of revenues is from sales tax receipts. More detail regarding sales tax revenues, how this revenue is distributed, and how sales tax revenue is created can be found on Page 30. Combined sales tax receipts are budgeted at \$3,550,000 equating to FY 2012 estimated receipts of \$3,545,667. Remaining conservative with these projections allows for adjustments to operations and capital expenditures deemed necessary through the year or in the short term.

Property Tax

Ad valorem appraised values increased this year only due to additional value from new construction. The City will generate less revenue by maintaining the same tax rate. The filed version of the budget projects the property tax rate of \$0.50/\$100, which is below the effective tax rate of \$0.510048, as has been an expressed desire of Council.

For additional information on property tax revenues, including the Maintenance and Operation/Interest and Sinking rate split, property tax and appraised value split, the relationship between sales tax and property tax revenues, comparative property tax rates, and a resident's total property tax bill please reference Page 31.

Warranting special attention is a recent trend with the City's appraised values versus the adjusted taxable values. The other taxing entities' volatility in adjusted taxable value is based on changes in mineral values and large tracts of land. The City's adjusted taxable value fluctuates year over year based on the change of existing improvements (appreciation or depreciation). In most years, this aging or depreciation is offset by new construction, property appreciations, or annexations, as seen in years 2008 and 2009 with the adjusted taxable value equating closely to the taxable appraised values.



Tax Year	Adopted Tax Rate	Appraised Value	Calculated Effective Tax Rate	Adjusted Taxable Value
2001	0.5995	142,671,690	0.593386	137,618,495
2002	0.622856	140,069,602	0.62131	137,434,057
2003	0.6041	151,844,181	0.586514	148,489,667
2004	0.5621	169,059,857	0.545751	167,738,527
2005	0.53675	183,209,901	0.521121	188,650,972
2006	0.536	189,050,972	0.541534	186,838,082
2007	0.5233	199,725,654	0.523367	199,429,040
2008	0.5087	212,508,699	0.508798	212,253,207
2009	0.476	227,529,570	0.476192	225,944,348
2010	0.49025	224,839,614	0.49025	219,376,798
2011	0.49025	221,532,434	0.501454	218,547,452
2012	0.5	225,067,201	0.51024	214,032,398
2013	0.5	227,364,330	0.510048	216,121,397

During FY 2009, the property tax scenario began changing for the City with the creation of TIRZ #1 and actual reductions in total appraised value from lowered valuations or lost value (e.g. Armstrong plant). While the last two years have exhibited notable increases in appraised values, those gains have been entirely from new construction, value increases within the TIRZ #1 district and annexations. This is obvious from the adjusted taxable value staying low compared to total appraised values and when compared to the prior year adjusted value and evidenced by the effective tax rate continuing to be higher than the prior year's tax rate. The policy of minimizing the tax rate at or below the effective rate was fiscally sound while sales tax revenue and property values were growing rapidly. With economic trends and indicators reflecting tightening fiscal conditions, it is recommended the Council revisit the fiscal policy of reducing reliance on property taxes.

Solid Waste Revenues

The current solid waste service contract with Allied Waste was renewed last year and remains in effect through June 2015. Contractor rate adjustments were presented in accordance with the contract for services in the amount of 1.2% and customer rate adjustments are necessary to accommodate this increase in costs. This will equal a \$0.20 increase per month to residential customers.

Utility Fund Revenues

Revenues are estimated to increase 8.2% from the FY 2012 budget. While some of this growth is projected from volume sales increases, most is projected from rate increases for this fiscal year. Utility rate increases are recommended directed mostly to large volume users. The costs of utility operations are impacted by increases in the cost of materials, chemicals, electricity, fuel, and



construction/maintenance. All of these non-personnel costs have seen continuous increases over recent years as a result of increased regional and international demand for commodities. Combined with the extreme test of our system during last year's drought conditions, there are significant demands for major maintenance items and equipment replacements in this year's budget.

Please reference Page 65 in the budget for more information about water consumption and a comparison of utility rates.

EXPENDITURES

The greatest challenge to budgeting is consistently providing improved levels of services and improvements without increasing expenditures disproportionately to revenues. Fuel and utility costs have continued to increase sharply and personnel expenses continue to grow. This year staff worked hard to minimize increases in expenses while recognizing the flattening of revenue growth.

Major capital item purchases are listed on the individual department pages. The graph below shows approximately how much in capital expenditures will be made by category and by fund.

Capital Expenditure	General Fund	Utility Fund	Total
Technology/Study	29,000	50,000	79,000
Facilities	18,000	158,000	176,000
Equipment	62,000	134,750	196,750
Vehicles	38,000	----	38,000
System Work	----	77,000	77,000
TOTAL	147,000	419,750	566,750

Personnel

Compensation and benefits are the most significant portion of the City's expenditure budget. Personnel costs are the single most difficult aspect of budget preparation. The employees are the greatest asset of the organization. Personnel related costs equate 56.2% of General Fund expenses and 31% of Utility Fund expenses. The proposed budget provides a 3% cost of living adjustment for all employees and maintains current employee benefits with health insurance plan adjustments to meet budget allowances.

Further in the budget document, one can find an Organizational Chart (Page 19) a Staffing Chart (Page 20-21). Personnel cost summaries and prior year actual expenses are listed on the Expenditure Overview on Page 39. Personnel costs are highlighted for each department on their individual pages.



Utility Fund Expenses

Transfer expenses to the General Fund make up nearly one fourth of all utility expenses. Personnel costs are also substantial, representing one third of all expenses.

Operational expenses continue increasing, including mandated operational changes, fuel, chemicals, equipment and lab testing fees. Even with staff striving to reduce costs, there is still a net increase of cost to operate the City's utility. This year's budget continues the trend of not deferring major maintenance and capital upgrades, staying away from past practices of acquiring these items only as emergency expenses. Some critical items are continuing to show signs of maintenance need and this budget submittal establishes some increased resources to address the most pressing of these growing demands.

DEBT SERVICE

The City's debt service is similar to last fiscal year and the projected debt service requirements for the next three years. Funds are budgeted to cover current debt payments, interest requirements and related expenses. For more information regarding the City's projected debt payment structure and debt benchmark data from other cities, reference the Debt section starting on Page 85.

TRUST FUND

The Trust Fund is composed of two main sources: the Cemetery Trust Fund and Hotel/Motel Fund. At this time, the Cemetery Fund is only accruing interest with no proceeds directed towards expenses and is projected to be continued in this manner indefinitely.

Hotel/Motel Taxes

Revenues in this fund are generated from the "bed tax" at hotels and motels within the City. Occupants pay a tax of 7% on the cost of their room, which is remitted directly to the City. Discretionary fund expenditures are overseen by the Hotel Advisory Board which makes funding recommendations to the City Council. Please see the Trust Fund section starting on Page 82 for more information.

CLOSING COMMENTS

The City is striving to continue to improve both infrastructure and service delivery to the tax payers and utility customers. This budget reflects those desires and goals and continues to build on past successes without jeopardizing future growth and opportunities. Fund balances remain strong and debt levels are reasonable despite significant expenditures from debt issuances and fund balances for



the Civic Center, fire truck purchases and park improvements. This continues to provide the City with adequate reserves to maintain a sound financial rating and be prepared for emergency situations in accordance with the fund balance policy adopted by the Council. Some of our accomplishments include:

- Continued reduction and minimized reliance on property tax revenues;
- Completion of 2012 Capital Improvements Program projects;
- Optimization of utility rates;
- Maintaining personnel benefits to attract and retain qualified employees;
- Expansion of services to provide for the operation of park enhancements;
- Continuing funding toward street and utility system maintenance items;
- Improvement of major assets including public facilities and the vehicle fleet;
- Completing enhancements and major maintenance to portions of the utility system;
- Continuing funding toward enhancing the appearance of the community, and;
- Technology upgrades to improve service quality and maintain efficiency.

These objectives and budget priorities are accomplished while continuing a tradition of fiscal conservatism and responsibility. Center is a great place to live, work, visit, and do business because of its progressive spirit which meets its future needs while providing quality yet affordable services. Center is fortunate to have the community leaders, volunteers, and employees to pursue these goals and continue to improve the City.



FY 2013 PROPOSED BUDGET PROFILE OF CENTER, TEXAS

Welcome to the profile section of the City of Center budget. Although the FY 2013 budget document is primarily a financial document, it is also an opportunity to acquaint you with some of the history, highlights, facilities, and economy of Center, which make it a great place to visit, live, and own and operate a business.

City Government

The City of Center operates under a Home Rule Charter with a Council-Manager form of government. The governing body, the Center City Council, is composed of a Mayor, two council members elected “at-large” by city-wide elections, and four members elected from single member districts. The Mayor and Council members serve staggered two year terms. The Mayor and Council are responsible for casting a vision and direction for the city, enacting legislation in the form of ordinances and resolutions, adopting and amending budgets, making appointments to the different boards and commissions, and determining the policies of the City.

The Center City Council meets on the second and fourth Mondays of each month at 5:00 in the council chambers at City Hall, located at 617 Tenaha Street in Center, Texas.

History of Center

Shelby County was one of the original thirteen counties in Texas, being organized by the Republic of Texas Congress in 1837. The county was named for Isaac Shelby, an American military hero and Governor of Kentucky. Shelby County eventually became one of the most populous and prosperous counties in the state because of its proximity to Louisiana and location along the Sabine River.

The settlement which eventually became the City of Center was originally called White Cottage. A post office was established at this settlement on April 6, 1848.

Al Johnson, an East Texas state representative, introduced a bill to have all county seats be as close to the center of the county as possible. R.L. Parker, the County Clerk at the time, arranged to have the county surveyed and the center located. A vote was held in Shelby County to move the seat of county government from Shelbyville, the original county seat, to the center of the county. The result of the vote was in favor of relocating the county seat. The people in Shelbyville organized to protect the county records. However, one night in 1866, a group of men led by Parker entered into the courthouse, confiscated all of the records and relocated them to a log cabin near White Cottage. Shortly after the incident, the community became known as Center, primarily to reflect the requisite location of the county seat.

The Center post office opened in October 1866. In 1869, Confederate veteran Captain Jesse Amason donated fifty acres of land for the town site of Center.

On the night of May 31, 1882, a fire erupted at the courthouse and the building was a complete loss. The county contracted with J.J.E. Gibson, an Irish immigrant, to construct a new courthouse and jail. In November 1885, the new courthouse was completed and remains standing to this day. The courthouse serves as an icon in the downtown city square and has been the hub of commerce and public life in the community ever since.



The City of Center was incorporated in 1893, however, the result of this incorporation was dissolved and the city was reincorporated by means of another charter election in 1901. The city developed and adopted a home rule charter April 7, 1984.

Economy of Center

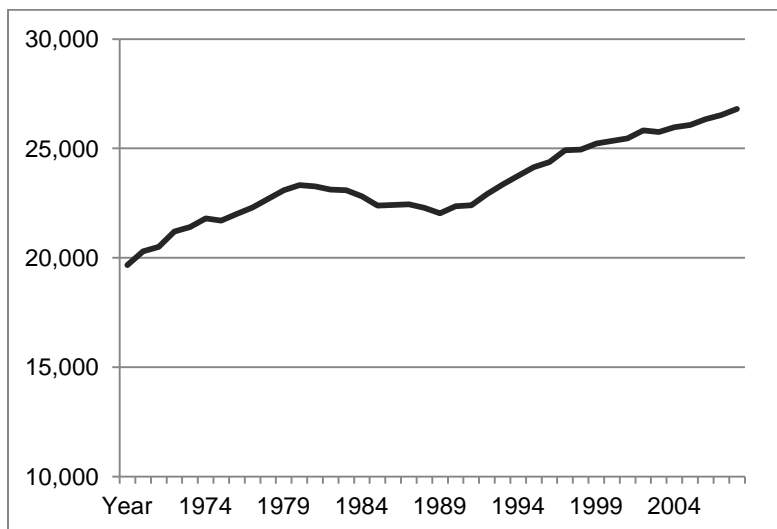
This section of the profile will provide a brief snapshot of the Center and Shelby County economy. The topics discussed will be population change in Shelby County including how this population change occurred, the size of the local labor force and the unemployment rate, and per capita and household income. Finally, data will be presented which will describe the different industry clusters in Shelby County and the location quotients of the County.

The economy of Center has evolved through four distinct stages. The first stage was cotton; Center boasted a number of cotton gins. Cotton production eventually was superseded by timber production; there were two pulpwood mills located in the city. In the 1950's the poultry industry was introduced in Center as the timber industry became less lucrative. In the early 2000's, the Haynesville Shale gas formation was discovered in Shelby County and natural gas production activity became a staple of the economy.

One of the recurring trends that is illustrated in this section is just how bound Shelby County's economy is to the State of Texas. This is indicated in nearly all of the economic factors discussed below.

Population

The population of Shelby County has changed dramatically over the last 40 years. As graph 1 indicates, the population of the county has increased 36% over this time period, representing about a 1% increase each year.



Graph 1 – Population trends in Shelby County
Source: Texas Workforce Commission

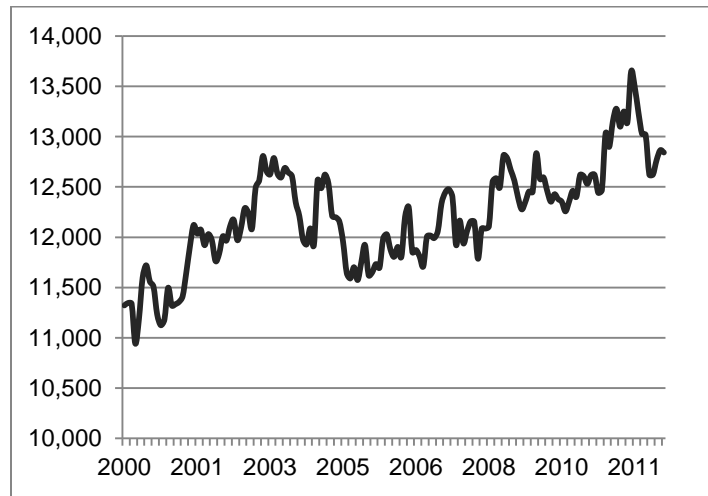
The first peak in population in the late 1970's and early 1980's represent a relative prosperous time in the State of Texas prior to the oil bust. The population of the county continued to decline through the



late 1980's until making a correction in the early 1990's. The trend of population growth has increased since then, reflecting the overall population growth and demographic changes in the State of Texas.

Labor Force

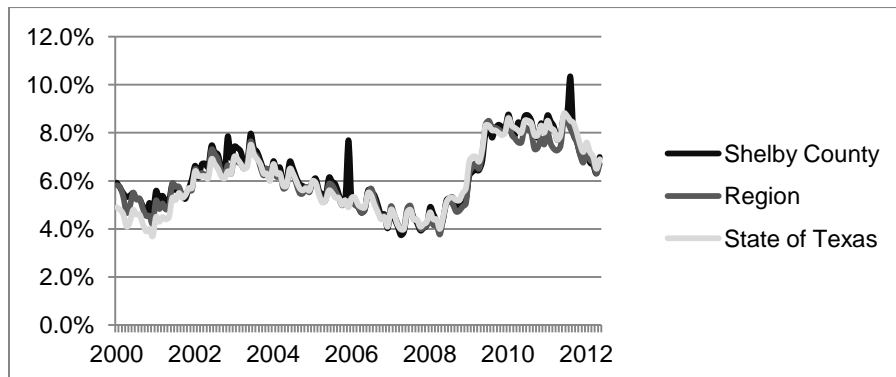
The size of the labor force in a given area can indicate the relative health of the local economy. As graph 2 indicates, the size of the Shelby County labor force is at a record level and continues to maintain a labor force around 13,000. This is significant because it reflects that Shelby County is a place with growing employment opportunities, even through the recent national recession.



Graph 2 – Size of the labor force – Shelby County
Source: Texas Workforce Commission

Unemployment

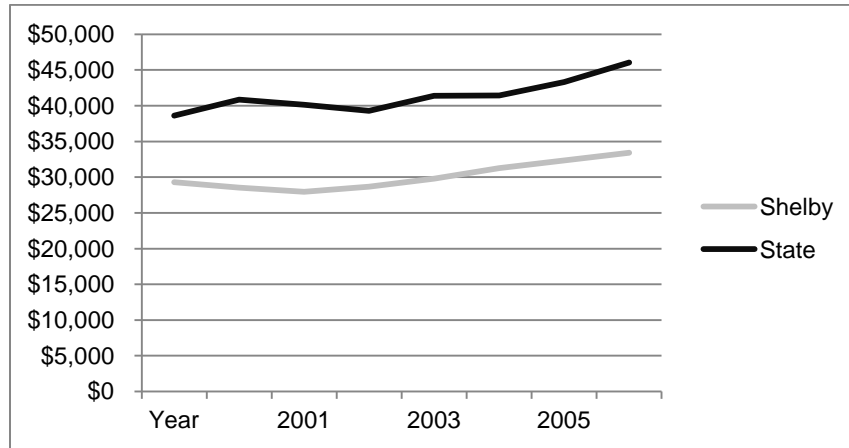
The unemployment rate in Shelby County has remained stubbornly high. Along with the nationwide recession and economic downturn, Shelby County has also felt its share of hard times. However, the unemployment rate is not nearly as high as other counties in the state or the Deep East Texas Region. The unemployment rate closely parallels that of the State. When the unemployment rate of the State rises or falls, Shelby County makes a similar move both in terms of timing and magnitude.



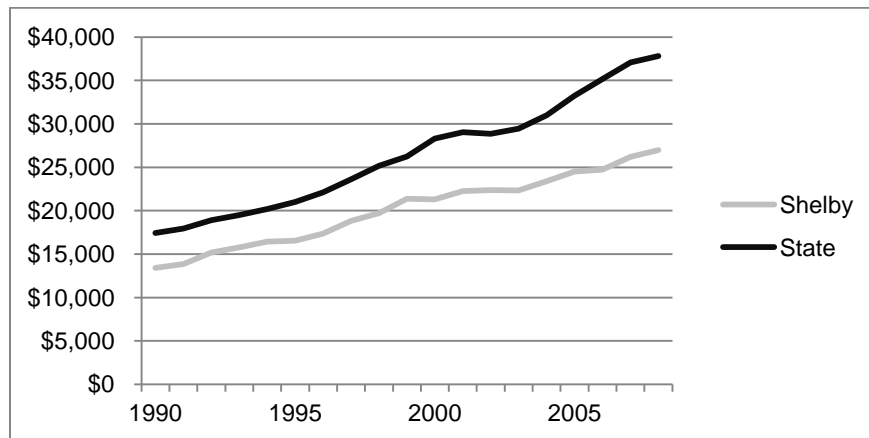
Graph 3 – Unemployment Rate of Shelby County and State of Texas – Not Seasonally Adjusted
Source: Texas Workforce Commission

Income

There are two primary measurements of income that will be used for the budget's illustrative purposes: per capita and household income. The trend that will be highlighted is that both measurements of income in Shelby County are far exceeded by that of the State of Texas. This is the one economic indicator which Shelby County does not parallel the State. Graph 4 shows the household income and graph 5 shows the per capita income.



Graph 4 – Household income of Shelby County and the State of Texas – 2000 – 2007
Source: Texas Workforce Commission



Graph 5 – Per capita income of Shelby County and the State of Texas – 1990 – 2008
Source: Texas Workforce Commission



Economic Clusters

An economic cluster, according to information from the U.S. Economic Development Administration, are geographic concentrations of competing, complimentary, or interdependent firms and industries that do business with each other and/or have common needs for talent, technology, and infrastructure. This analysis can be beneficial for a small community in an attempt to identify its unique clusters.

A total of seven industrial clusters were identified based on the data accessed. The seven strongest industrial clusters in Shelby County are: Agribusiness, Food Processing and Technology; Biomedical Life Sciences; Business and Financial Services; Energy; Forest and Wood Products; Transportation and Logistics; and Fabricated Metal Product Manufacturing.

Industry	Number of Firms	Number of Employees	Total Amount of Wages
Agribusiness, Food Processing & Technology	35	1779	\$53,949,799
Biomedical/Biotechnical (Life Sciences)	17	703	\$25,184,077
Business & Financial Services	57	204	\$17,365,122
Energy (Fossil & Renewable)	54	602	\$26,982,426
Forest & Wood Products	30	477	\$18,867,121
Transportation & Logistics	37	319	\$11,480,114
Fabricated Metal Product Mfg	7	269	\$13,925,272

Major Employers

The Center local economy has a relatively strong industrial base. In the Deep East Texas region, Center is the only small city with an employer that has over 1,000 employees. In addition, there is also a healthy mix of smaller and medium sized businesses in the City. Table 2 lists the major employers in the immediate Center area.

Employer	Product	Number of Employees
Tyson Foods	Poultry	1,400
Center Independent School District	Education	420
Wal-Mart Supercenter	Retail	258
Port-A-Cool LLC	Manufacturing	199
Shelby County	Government	110
Shelby Regional Medical Center	Health Care	83
General Shelters of Texas	Manufacturing	80
City of Center	Government	80
Hallmark Fixtures – Center	Manufacturing	67
Ameri-Tech Building Systems	Manufacturing	60
Pilgrim’s Pride – Center Hatchery	Poultry	22



Location Quotient

The location quotient of a community looks at the proportion of a type of worker in a given area and the percentage of a worker in a comparison area such as the state or nation and divides those two numbers. A quotient greater than or equal to 1 indicates that there is a strong proportion of an occupation in comparison to another area. Table 1 examines those workers in four different industries and creates a multi-year location quotient table compared to the State of Texas.

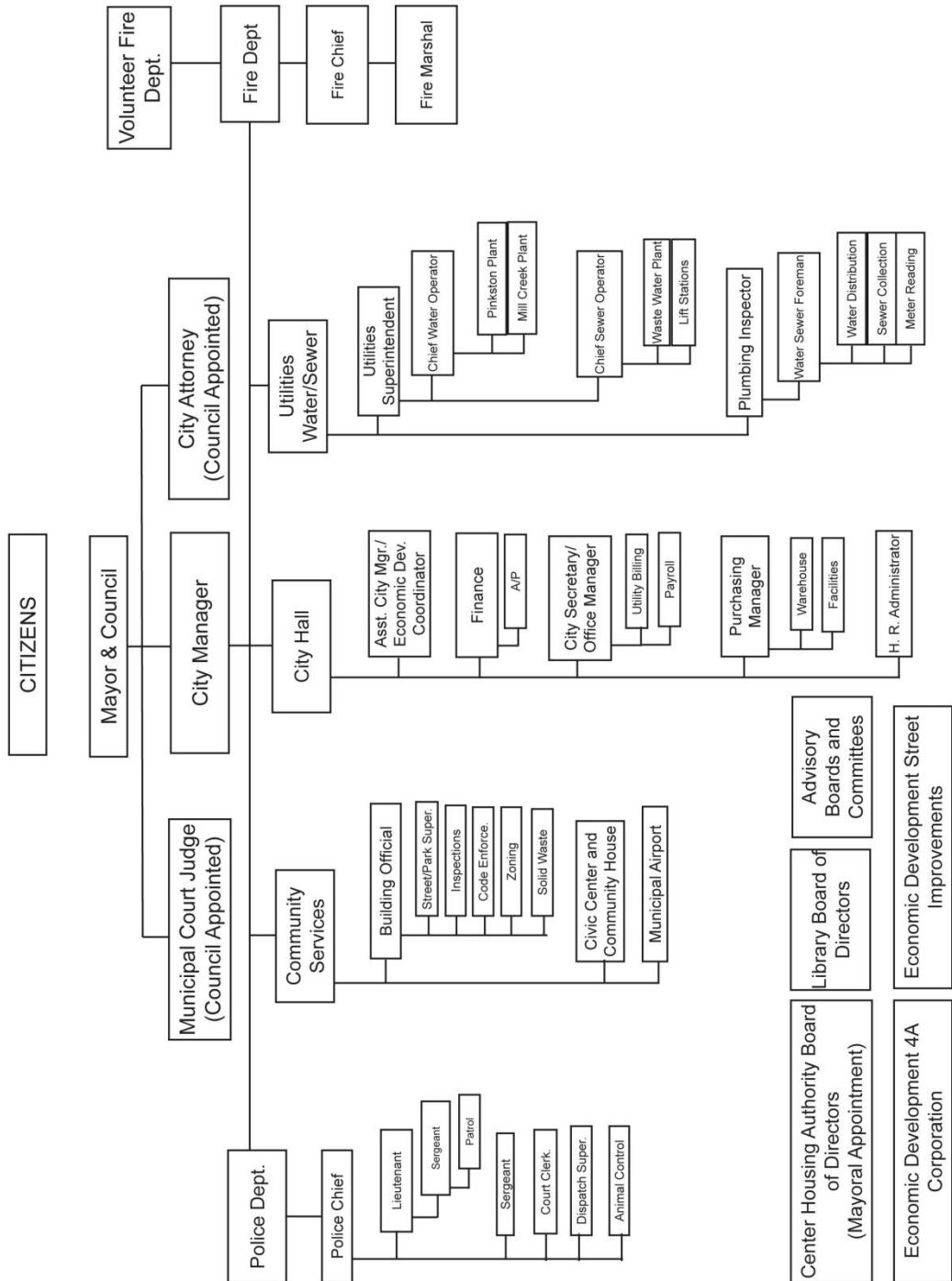
<u>Industry</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Agriculture, forestry, fishing	10.24	10.16	8.92	9.41	10.01	9.98	9.90
Mining, oil & gas extraction	0.33	0.68	0.38	0.68	1.03	1.17	1.32
Manufacturing	3.08	3.17	3.49	3.60	3.56	3.39	3.10
Retail trade	1.34	1.24	1.22	1.21	1.21	1.19	1.17

Table 1 – Location Quotients in Shelby County
Source: Bureau of Labor Statistics

These two points of data indicate the strength of the industrial and manufacturing base in Shelby County.



**FY 2013 PROPOSED BUDGET
ORGANIZATIONAL CHART**





**FY 2013 PROPOSED BUDGET
STAFFING CHART**

		Full Time Equivalent	
Department	Job Title	FY 2012 Adopted Budget	FY 2013 Proposed Budget
City Hall (Includes annex and warehouse)	City Manager	1	1
	Asst. City Manager	1	1
	City Secretary	1	1
	Finance Officer	1	1
	Purchasing Agent	1	1
	HR Manager	1	1
	Clerks	5	4
	IT Consultant	0.25	0.25
Subtotal - City Hall		11.25	10.25
Police Department	Police Chief	1	1
	Municipal Court Judge	0.25	0.25
	Lieutenant	1	1
	Detective	3	3
	Sergeant	4	3
	Patrol Officer	11	12
	Dispatchers	4.5	4.5
	Court Clerk/Secretaries	2.5	2.5
	Evidence Room Technician	0.25	0.25
	Janitor	1	1
Subtotal - Police Department		28.5	28.5
Fire Department	Fire Chief	1	1
	Fire Investigator	1	1
	Fire Fighter	4	4
Subtotal - Fire Department		6	6
Street Department	Foreman	1	1
	Street Maintenance	4	4
Subtotal - Street Department		5	5
Municipal Airport	Airport Manager	1	1
	Subtotal - Airport		1
Parks Department	Parks Maintenance	1	1
	Subtotal - Parks		1
Inspection Services	PW Superintendent	1	1
	Code Compliance Officer	1.5	1
	Clerk	1	1
	Subtotal - Inspection Services		3.5



Civic Center	Civic Center Director	1	1
	Part Time Assistants	1.5	1.5
	Subtotal - Civic Center	2.5	2.5
TOTAL GENERAL FUND		58.75	57.25
UTILITY FUND			
Water Production	Chief Operator	1	1
	Lead Operator	1	1
	Plant Operators	6.5	6
	Subtotal - Water Production	8.5	8
Water Distribution	Crew Leader	1	1
	Maintenance	3	3
	Subtotal - Water Distribution	4	4
Sewer Collection	Crew Leader	1	1
	Maintenance	2	2
	Subtotal - Sewer Collection	3	3
Sewer Treatment	Chief Operator	1	1
	Plant Operator	2	2
	Electrician/Plant Operator	1	1
	Subtotal - Sewer Treatment	4	4
Public Works	Utilities Director	1	1
	Distribution & Collection Super	1	1
	Subtotal - Public Works	2	2
TOTAL UTILITY FUND		21.5	21
TOTAL CITY EMPLOYEES		80.25	78.25



BUDGET FORMAT

The budget format for the FY 2012 Budget is very different than previous City of Center budgets. This budget document seeks to present much more information for the reader to better understand the operations of the City of Center.

The information included in the budget is organized into columns (financial data over time) and budget units. The financial information contained in the budget is as follows.

FY 2010 Actual - Actual revenues, expenditures, and fund balances recorded for the period ending September 30, 2010.

FY 2011 Actual - Actual revenues, expenditures, and fund balances recorded for the period ending September 30, 2011.

FY 2012 Budget – The budget as approved and amended by the City Council for the current fiscal year ending September 30, 2012, including revenues, expenditures, and fund balances.

FY 2013 Proposed – Budgeted amounts for each category for the fiscal year ending September 30, 2013.

Other City budgets in the past did not create prime account categories. This is a line item which gives a sub-total amount to expense accounts of a similar nature. For example, all accounts associated with personnel costs are sub-totaled to "Personnel Services". This allows the reader to look at a single number and be able to draw conclusions. This budget employs the following prime accounts:

Personnel – All costs associated with city employees, including salary/wages, retirement contributions (TMRS), health insurance, Social Security, workers comp insurance, etc.

Supplies – All costs associated with purchasing materials to fulfill department objectives

Contractual – All costs associated with securing outside contractual services

Utilities – All costs associated with the operations of a building such as electricity, gas and phone

Maintenance – All costs associated with maintaining equipment, rolling stock, buildings, and infrastructure

Sundry – All costs miscellaneous to the operations of the department

Capital – All costs associated in capital purchases of major equipment, buildings, or other assets

BUDGET PROCESS

The budget process began with requests to the different department heads for budget proposals and capital requests. City staff consolidated those requests and compared them to revenue estimates for the upcoming year. The first draft of the budget showed that all requests could be funded, cost of living wage rate adjustment provided, and projected increases in health insurance while projecting a slight budget surplus. The City Council held extensive budget workshops to prioritize the budget requests and to provide their input on funding priorities.

A more detailed budget calendar is listed on the following page.



BUDGET ADOPTION

The budget must be adopted by the City Council prior to October 1 each year in order to set the property tax rate. Public hearings are held and when completed, it is given final approval by the Mayor and City Council.

AMENDING THE BUDGET

As the fiscal year progresses, situations may sometimes arise that were not anticipated and affect the budget. From time to time, the City Manager may present the council with requests for budget amendments.

BUDGET CALENDAR

Week of April 9, 2012 – Provide budget material to Department Heads

Week of May 7, 2012 – Department Heads return completed work budgets to the accounting department

May 14 through June 30, 2012 – City Manager reviews budget data with Council, Department Heads, and Staff

July 9, 2012 –City Council is provided the first draft of the proposed budget

July 25, 2012 – Council may vote to increase the tax rate

August 1, 2012 – Proposed budget filed with the City Secretary; proposed budget is available for public review.

August 27, 2012 – City Council holds public hearing for budget (Only necessary if adopting a rate higher than the effective tax rate)

September 10, 2012 – City Council holds public hearing for budget adopts tax rate, and approves budget

October 1, 2012 – New budget is implemented

FOR MORE INFORMATION

The budget document summarizes and condenses a substantial amount of information in order to avoid a cumbersome document. However, there are times that more detailed information may be needed or further explanation required. In these instances citizens and users may contact City Hall at 936/598-2941 to have their questions answered. City Hall is open Monday through Friday from 8:30 a.m. to 4:30 p.m.





FY 2013 PROPOSED BUDGET PRIORITIES

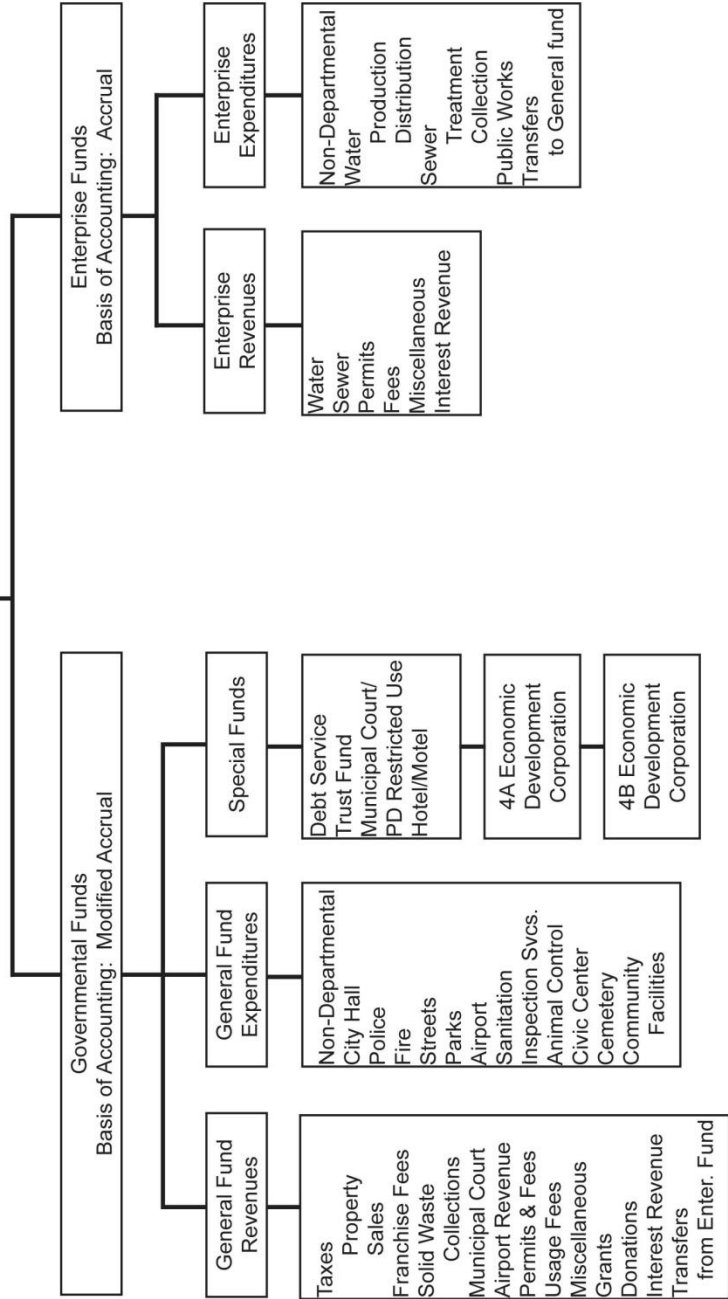
In the FY 2013 Proposed Budget, the administration presents its priorities to City Council for a period of discussion and review. The Proposed Budget incorporates those priorities as follows:

1. The realignment of organizational priorities to focus more efforts on those capital projects that will affect long term growth of the City. These projects include quality of life and sustainable growth projects (parks, athletic facilities, sidewalks and trails) that seek to make Center a more desirable place to live. Complete upgrades to community facilities including City Hall and Community House. Please reference the CIP section for more information.
2. Providing a reasonable property tax rate that continues to reduce the property tax burden on citizens and commercial property while seeking to minimize any tax rate fluctuations.
3. Sustaining current levels of service that our citizens have come to expect of the City.
4. Ensuring a competitive city workforce by maintaining a competitive pay and benefits schedule.
5. The maintenance of financial reserves at the current level, to ensure that the city has sufficient cash to continue operations through a short term disruption of income. This is to ensure our ability to provide uninterrupted services during times of disaster or emergency.
6. Continue to be good stewards of the tax payer's money by keeping a balanced budget where expenditures do not exceed revenue and maintaining a solid and improving credit rating.





Fund Structure



Definitions

Accrual System - A system of accounting in which revenues and expenses are recorded at the time they occur, rather than the time cash is received or expended by the City.

Modified Accrual System - A system of accounting in which revenues are recognized and recorded in the accounts when they are measurable, available, and collectable in the fiscal year.





**FY 2013 PROPOSED BUDGET
GENERAL FUND REVENUE OVERVIEW**

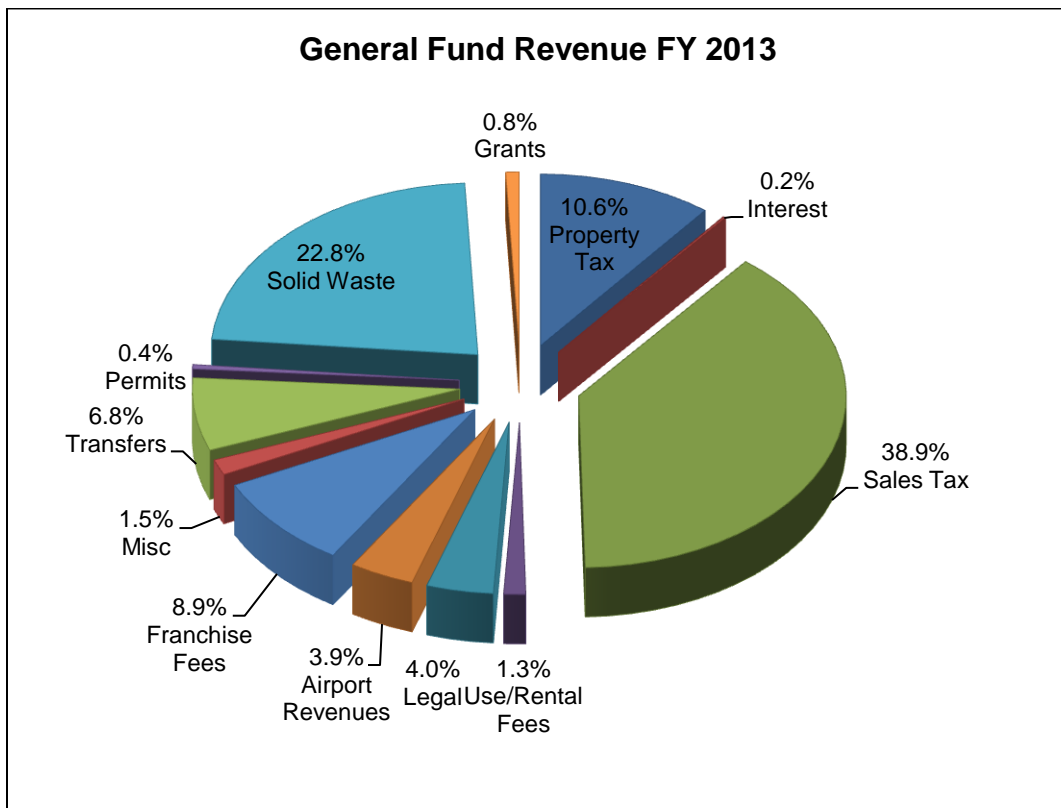
The General Fund provides financing for the City's governmental services, which excludes water and wastewater utility operations. General Fund services consist of all public safety functions, including police, animal control, and fire services; community services, including sanitation, streets, parks, inspections, planning, library, airport and code enforcement; and administrative functions, which includes general management, finance, human resources and purchasing. The City's main governmental buildings are maintained and operated as assets within the General Fund.

General Fund revenues come from multiple sources but are mostly derived from sales taxes on the purchases of goods and services within the City. The City's largest expenditure category is compensation to City personnel who ensure the provision of the services mentioned. The modified accrual basis of accounting is used for the General Fund.

GENERAL FUND REVENUE

The City of Center receives operating revenue from multiple streams. Much like a well-organized business, the City does not solely rely on one large revenue source, but rather, the revenue is diversified.

Graph 1 and Table 1 both illustrate how the vast majority or 80%, of general fund revenues are collected from four categories: sales tax receipts, property tax payments, franchise fees, and solid waste collections.



Graph 1



Top Revenue Sources

Sales Taxes	2,218,750	38.7%
Property Tax	619,750	10.8%
Franchise Fees	505,000	8.8%
Solid Waste Collections	1,297,500	22.6%
Total	4,641,000	80.1%

Total Revenue 5,733,100

Table – 1 - Top City Revenue Sources

Sales Taxes

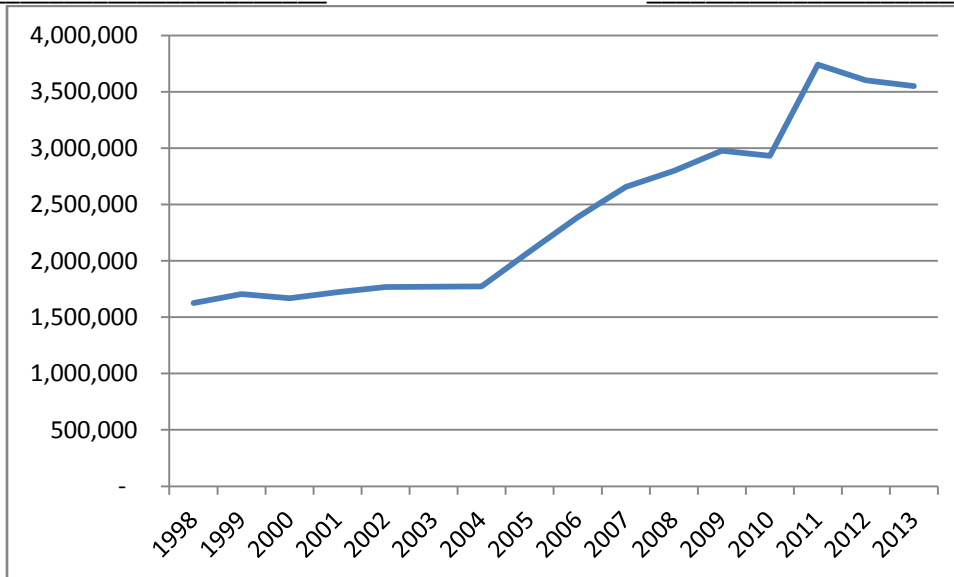
The largest source of City revenues is from sales tax receipts, which are projected to account for 39% of the City’s general fund revenue. FY 2013 sales tax revenues are budgeted at \$3,550,000, which represents about a 0.71% increase from the FY 2012 estimate. Please see table 2 for a description of overall City sales tax receipts.

FY 2007 Actual	2,655,690
FY 2008 Actual	2,798,156
FY 2009 Actual	2,975,713
FY 2010 Actual	2,931,706
FY 2011 Actual	3,739,425
FY 2012 Estimated	3,601,172
FY 2013 Proposed	3,550,000

Table 2 - City sales tax receipts

Total City sales tax receipts are split up four ways to fund different operations. One cent, or one half of the total receipts, are dedicated to the City’s general fund operations. One half cent, or 25% of total receipts, are dedicated to fund the City’s 4B Economic Development Corporation. One quarter cent, or 12.5% of total revenues, are dedicated to funding the City’s 4A Economic Development Corporation. Finally, the last quarter cent, or 12.5% of revenues, are dedicated to providing property tax relief for Center tax payers.

Total sales tax receipts were in a correction mode in FY 2012, experiencing a 3.70% dip from the FY 2011 peak. Sales tax collections in FY 2011 represent a one year windfall where the City experienced a tremendous increase in receipts, shattering the \$3 million barrier. This growth is directly attributed to the oil and gas activity in Shelby County and the corresponding industrial and commercial development within the community. When considering this trend in a broader context, it is apparent that the overall trend is positive and the City expects modest average growth.



Graph 2 – Total sales tax collection history

Looking to the future, the City expects continued expansion of restaurant and retail establishments. The City eagerly expects that once the price and demand of natural gas increases there will be additional drilling activity in the region. Center is now even better positioned to capture those sales tax dollars than during the initial surge of the energy industry into the area starting in 2009.

The State of Texas Comptroller of Public Accounts provides upon request information to the City that details where our sales taxes are generated. The data set begins in October 2010 and runs through the most recent available month, July 2012, providing insight to sales tax generated by industrial classification code. Table 3 provides the percent of receipts by industry code for the given fiscal year.

Industry Classification	Percent Sales Tax Generated	
	FY 2011	FY 2012 – YTD
Agriculture, Forestry & Fishing	0.1	0.0
Mining, Utilities & Construction	6.9	11.5
Manufacturing	8.8	6.9
Wholesale and Retail	61.7	60.6
Information, Financial and Professional Services	9.6	8.5
Education and Health Care	0.0	0.0
Accommodations and Food	7.9	8.9
Other	1.3	1.6
Public Administration	0.5	0.5

Table 3 – Percent of Sales Tax Generated Each Year by Industry Classification Code
Source: Texas State Comptroller of Public Accounts

Property Taxes

Table 4 exhibits the increases in appraised value from the 2001 tax year, the peak in the 2009 tax year and several recent years of slight decline. The table also shows how the property tax rate has declined as the total taxable values have increased. One reason for this decline is the effect of the ¼ cent sales tax for property tax relief has generated enough to allow continued rate reductions.



Tax Year	Tax Rate	Appraised Taxable Value
2001	.599500	142,671,690
2002	.622856	140,069,602
2003	.604100	151,844,181
2004	.562100	169,059,857
2005	.536750	183,209,901
2006	.536000	189,050,972
2007	.523300	199,725,654
2008	.508780	212,508,699
2009	.476000	227,529,570
2010	.490250	224,839,614
2011	.490250	221,532,434
2012	.500000	225,067,201
2013	.500000	227,364,330

Table 4 – City tax rate history



Graph 3

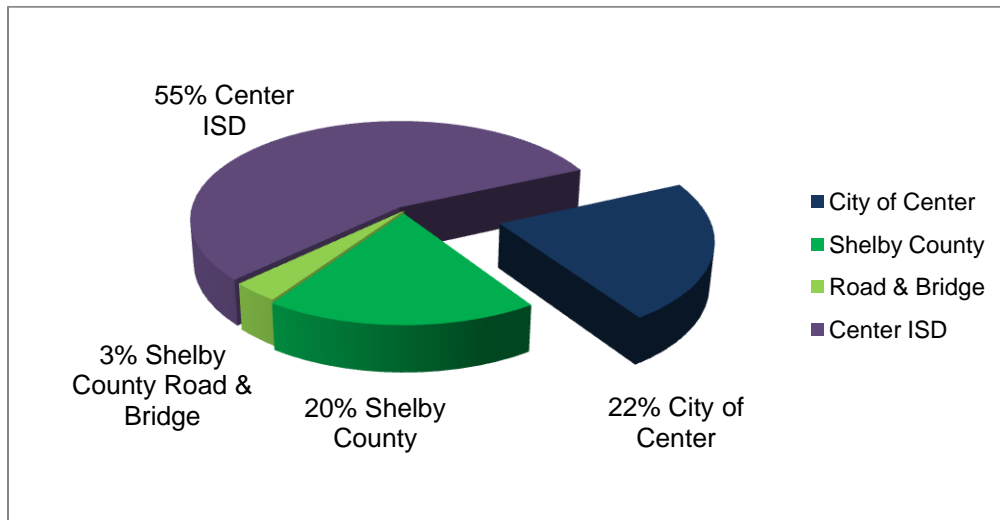
The City's total property tax rate is divided into two portions. The first is the Maintenance and Operations rate (M&O) and this part of the property tax levy is deposited into the City's general fund and is co-mingled with other funds to pay for the operation of the City each year. The second portion is called the Interest and Sinking rate (I&S); proceeds from this levy are deposited into a separate fund and is used to pay back debt that has been secured with property tax revenues. Table 5 shows how the I&S and the M&O rate fluctuate from year to year and the goal is to have the two operate in a balance. The reason why the I&S rate is higher than normal for the 2012 tax year is that the City took on additional property-tax secured debt in 2012; please see Capital Improvements Program for an explanation of the associated projects.



Tax Year	M & O Rate	I & S Rate	Total Tax Rate
2001	0.375800	0.223700	0.599500
2002	0.401200	0.221700	0.622900
2003	0.392953	0.211147	0.604100
2004	0.340300	0.221800	0.562100
2005	0.327890	0.208860	0.536750
2006	0.327536	0.208464	0.536000
2007	0.326500	0.196800	0.523300
2008	0.296540	0.212240	0.508780
2009	0.276600	0.199400	0.476000
2010	0.293350	0.196900	0.490250
2011	0.337800	0.162200	0.490250
2012	0.251000	0.249000	0.500000

Table 5 – City M&O and I&S Rate History

Many citizens are often unclear as to how much of their total tax bill represents City taxes compared to other taxing entities. For those property taxpayers in the City, there are three property tax entities: the City, the Center Independent School District, and Shelby County, which also includes a separate Road and Bridge Tax. Graph 2, provides a graphical representation of the most recent tax rates and how the City's rate stands in comparison.



Graph 4 – City of Center taxing entities tax rate comparison

The City of Center portion of a property owner's total tax bill is approximately 22% without adjusting for exemptions.

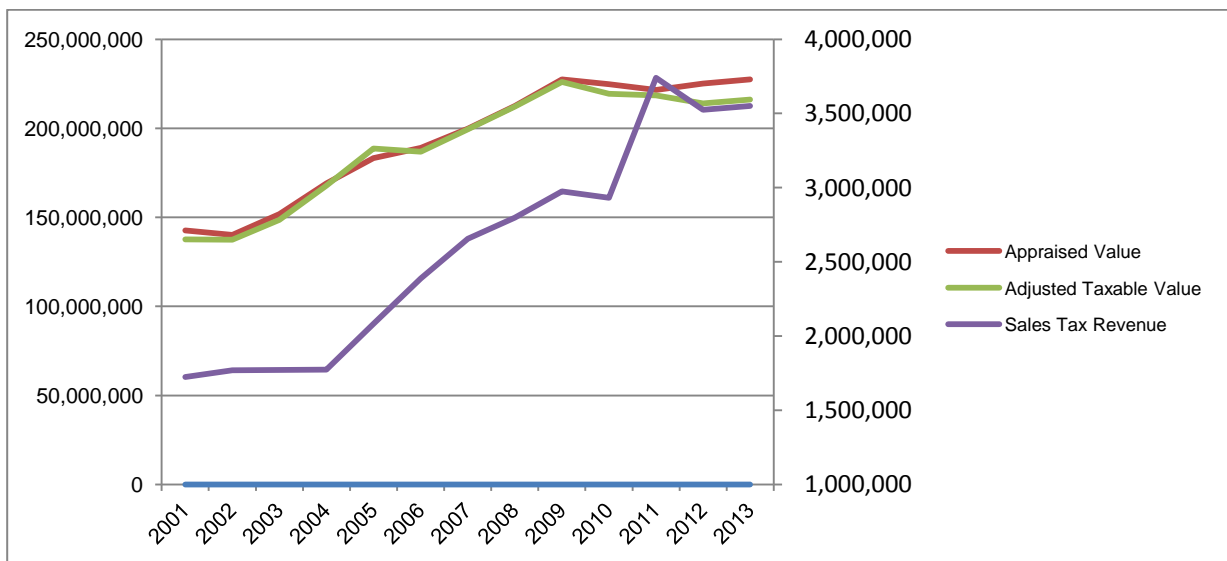
The City of Center provides a very competitive tax rate compared to other cities of similar size as evidenced in Table 6.



City	Population	Total Net Taxable	Gross Tax Rate
Nacogdoches	33,173	1,352,367,680	0.5690000
Lindale	5,097	380,949,449	0.4933000
Liberty	8,397	482,496,738	0.5900000
Dayton	7,242	689,628,372	0.6304000
Cleveland	8,053	320,261,606	0.6850000
Grand Saline	3,228	63,776,614	0.7861400
Athens	12,710	634,745,864	0.6003870
Vidor	11,440	287,694,350	0.7500000
Jasper	7,657	272,894,161	0.6314000
Atlanta	5,429	259,125,223	0.6600000
Rusk	5,551	105,000,000	0.4800000
Diboll	4,800	178,400,000	0.5663930
Average	9,398	418,945,005	0.6201683
Center	5,781	225,067,201	0.5000000

Table 6 – Property tax rate comparison
Source: TML Tax and Debt Survey

The final area of analysis regarding sales and property tax revenues (not counting the I&S portion) is to examine the relationship between these two revenue streams. Graph 3 illustrates this relationship where Center’s appraised and taxable property values started a significant increase starting in 2004. This was approximately the same time period where City sales tax revenues began an upward march. This trend continued for the next five to six years and has leveled off.



Graph 5 – Relationship between sales tax and property tax revenues



Franchise Fees

Franchise fees are essentially access rights or lease payments from utility companies for the use of City owned and maintained right-of-way. Utility companies locate their service lines along City streets which basically allows them to use City property to provide their services. The franchise fee is paid by the customer on the utility bill but remitted to the City. These revenues are predominately slated towards street repairs and right-of-way maintenance and are relatively stable with prior year revenues.

Solid Waste Collection Fees

The current solid waste contract with Allied Waste was renewed last year and remains in effect through June 2015. Solid waste rate adjustments were made by Allied Waste which precipitated a customer rate increase of 1.2%.



**FY 2013 PROPOSED BUDGET
REVENUE SUMMARY**

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Taxes	681,270	781,958	554,000	623,750
Sales Taxes	1,832,635	2,337,497	2,312,800	2,219,050
Law Enforcement	198,959	229,213	224,200	230,750
Franchise Fees	473,970	446,199	492,000	505,000
Airport Revenues	143,844	206,175	188,100	223,300
Permits & Fees	41,035	68,684	47,500	22,800
Interest Revenue	23,696	12,454	15,500	10,000
Usage Fees	31,158	76,962	83,850	73,850
Miscellaneous	82,618	85,822	74,200	66,900
Donations	13,602	51,950	5,000	25,000
Solid Waste	1,230,324	1,298,106	1,267,500	1,297,500
Transfers	317,082	373,357	390,000	390,000
Grants	44,228	78,540	41,700	45,200
TOAL REVENUE	5,114,422	6,046,920	5,696,350	5,733,100

**FY 2013 PROPOSED BUDGET
REVENUE DETAIL**

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Taxes				
Property Tax - Current	631,467	711,408	502,500	557,250
Property Tax - Delinquent	27,809	40,132	30,000	40,000
Property Tax - Penalty	18,331	26,634	17,500	22,500
Mixed Beverage Tax	3,663	3,784	4,000	4,000
Total –Taxes	681,270	781,958	554,000	623,750
General Fund Sales Tax				
General Fund Sales Tax	1,465,853	1,869,713	1,850,000	1,775,000
Discount Sales	319	356	300	300
M&O Sales Tax	366,463	467,428	462,500	443,750
Total – Sales Taxes	1,832,635	2,337,497	2,312,800	2,219,050
Law Enforcement				
Court Service Fees	5,320	10,898	10,000	7,500
Court Administrative Fee	990	910	1,000	1,000
Court Fines	166,320	190,994	185,000	195,000
Warrant Fees	13,191	11,162	12,500	12,500
Arrest Fees	5,920	6,782	7,000	7,000
Court Cost Fees	1,205	1,547	1,500	1,500
Restitution	518	186	500	500
Prisoner Phone Commiss	470	1,468	1,500	250
Police Department Copies	1,245	1,246	1,200	1,250
Judicial Support Fee	0	392	0	750
Time Payment Fees	3,623	3,628	4,000	3,500
Total - Law Enforcement	198,959	229,213	224,200	230,750



Franchise Fees				
Suddenlink – PEG fee	0	0	0	6,500
Suddenlink	42,281	40,701	42,000	34,500
Centerpoint	53,094	40,217	50,000	52,000
AT&T	100,155	98,651	102,500	100,000
Deep East Texas Co-Op	0	0	0	15,000
SWEPSCO	270,343	260,600	290,000	290,000
Telecom Taxes	8,097	6,030	7,500	7,000
Total - Franchise Fees	473,970	446,199	492,000	505,000
Airport Revenues				
Fuel Sales	133,000	181,241	162,500	195,000
Airport Misc Fees	174	516	500	200
Airport Gate Entry	100	10	100	100
Hangar Lease	10,570	24,408	25,000	28,000
Total - Airport Revenues	143,844	206,175	188,100	223,300
Permits and Fees				
Garage Sale Permits	352	394	300	300
Zoning Variance Fees	1,200	600	1,500	1,000
Demolition Permits	50	200	200	200
Construction Permits	30,373	59,860	35,000	12,500
Electrical Permits	3,350	6,200	5,000	3,000
Alcohol License	4,005	695	4,000	4,500
Relocation Permit	750	225	500	250
Wrecker Permits	50	20	50	100
Taxi Permits	50	0	50	0
Miscellaneous Permits	195	0	200	250
Event Permit	100	200	200	200
Vendor Permits	530	290	500	500
Misc. License & Permit Fee	30	0	0	0
State Inspections	0	0	0	0
Total - Permits and Fees	41,035	68,684	47,500	22,800
Interest Revenue				
Sanitation Interest	494	337	500	0
General Fund	23,191	12,117	15,000	10,000
Other	11	0	0	0
Total - Interest	23,696	12,454	15,500	10,000
Usage Fees				
City Ball Park	1,000	1,000	1,000	1,000
Community House Security	300	0	0	0
Community House Rental	5,850	10,000	10,000	8,000
Suddenlink	3,600	3,600	3,600	3,600
Senior Citizens Center	125	0	250	250
Civic Center	16,705	44,830	50,000	51,000
Caterer Usage Fee	1,978	7,882	10,000	7,000
Civic Center - Officer	1,600	9,650	9,000	3,000
Total - Usage Fees	31,158	76,962	83,850	73,850



Miscellaneous				
Lease Mineral Rights	3,000	0	0	0
Refunds/Returns	8,794	7,365	0	0
Recreation Program Fee	8,080	0	0	0
Penalty 10% A/R	32	0	0	0
Garbage Bag Sales	1,608	1,511	1,500	1,500
Building Demo/Clean Up	5,728	9,103	0	0
RR DR Park Complex	5,000	5,000	0	0
Returned Check Fee	25	30	0	0
Insurance Claims	1,000	0	0	0
Worker's Comp Discount	8,564	8,175	8,500	8,000
Other	3,779	3,919	10,000	3,200
Copies	297	162	200	200
Recycling Receivable	78	1,444	1,500	1,500
Proceeds Sale of Land	13,750	0	0	0
DETEC Capital Rebate	384	30	0	0
EDC Street Admin Fee	10,000	10,000	10,000	10,000
Economic Devel. Admin	12,500	39,083	42,500	42,500
Total - Miscellaneous	82,618	85,822	74,200	66,900
Donations				
Recreation Activity	5,702	0	0	0
Police Department	1,500	0	0	0
Fire Department	6,400	51,950	5,000	25,000
Total - Donations	13,602	51,950	5,000	25,000
Solid Waste				
Admin/Billing Fee	50,763	53,613	52,500	52,500
Residential Charges	364,485	366,995	375,000	370,000
Commercial Charges	815,076	877,498	840,000	875,000
Total - Solid Waste	1,230,324	1,298,106	1,267,500	1,297,500
Transfers				
Interfund - Water	250,000	270,000	275,000	275,000
Interfund - Airport	2,082	8,357	0	0
H/M Community House	3,000	5,000	5,000	5,000
H/M Civic Center	62,000	90,000	110,000	110,000
Total - Transfers	317,082	373,357	390,000	390,000
Grants				
JAG Funds	18,871	0	0	0
State Energy Program	0	33,603	0	0
COPS grant	0	41,154	38,000	41,500
Police Training	3,859	3,122	3,000	3,000
DOJ Grant	2,545	0	0	0
Arson Investigator	637	661	700	700
Homeland Security	18,316	0	0	0
Total - Grants	44,228	78,540	41,700	45,200
TOTAL REVENUE	5,114,422	6,046,920	5,696,350	5,733,100



**FY 2013 PROPOSED BUDGET
EXPENDITURE OVERVIEW**

The City of Center general fund is organized into thirteen different departments while two departments have become inactive. For the purposes of this document, each department will have its own section describing its mission statement, what their function is within the organization, some of their achievements for the past fiscal year, and department goals and objectives for the next fiscal year.

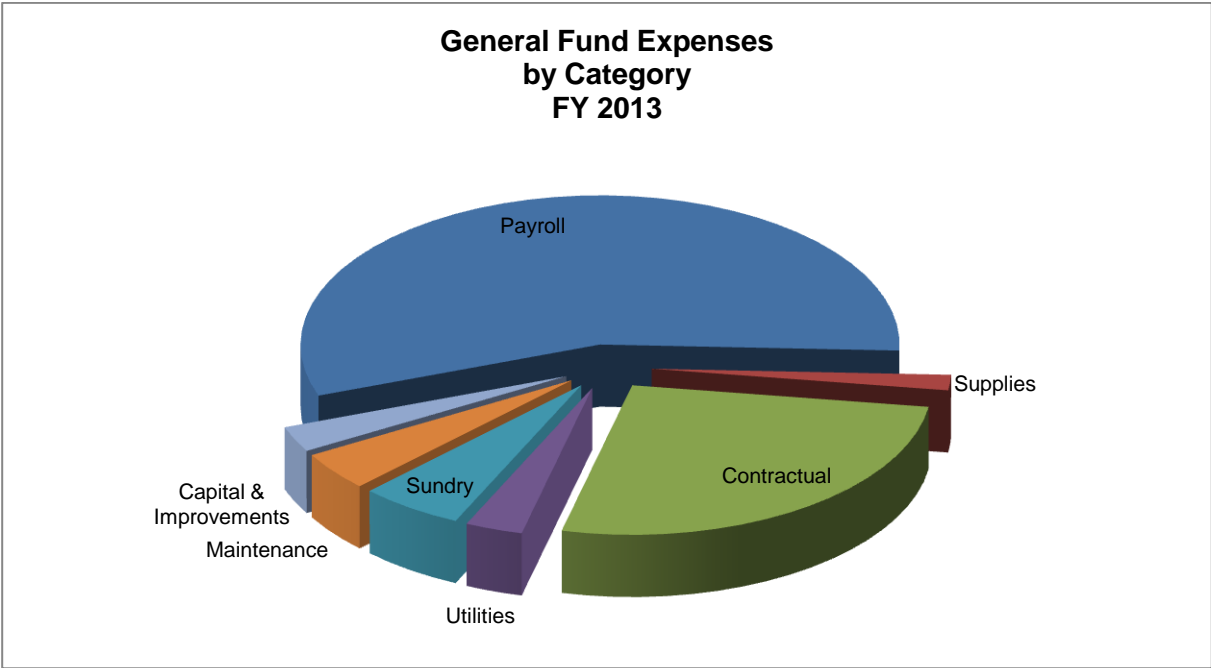
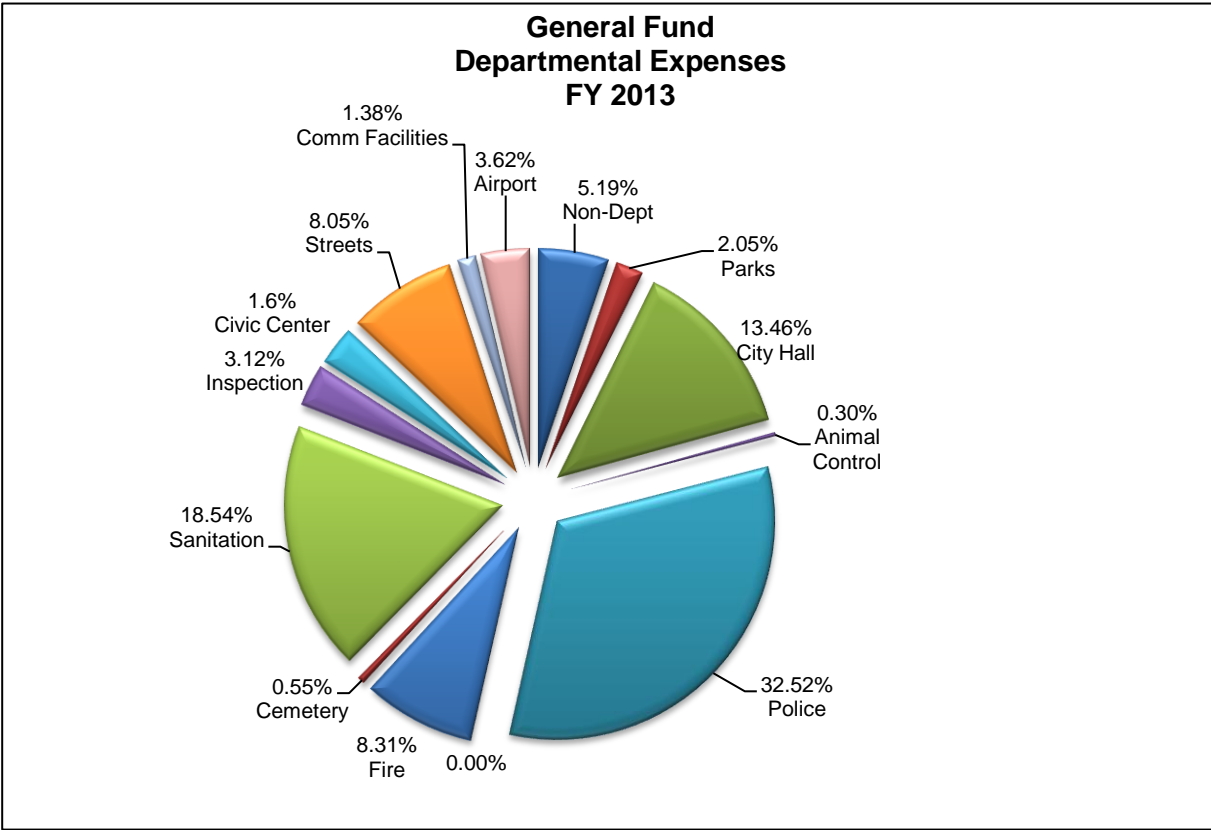
This budget includes increases in operational department budgets relating to personnel services. All full-time wage scales are increased by 3% to adjust for cost of living increases tied to changes in the Consumer Price Index. The City employee compensation package also includes retirement pension funding and health insurance. This budget also includes a premium increase of 8% for health insurance benefits. All other notable items are specifically listed on each department's page.

Each department's page will provide financial data on each prime account. There is also a description of the capital purchases within each department and a discussion of differences between last year's budget and the FY 2013 Proposed Budget.

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
BY DEPARTMENT				
Non Departmental *	792,903	364,039	285,250	323,400
City Hall	660,365	699,918	794,550	768,970
Police Department	1,732,216	1,765,510	1,819,150	1,855,515
Fire Department**	409,101	668,336	462,700	473,020
Street Department	457,218	470,583	480,900	459,130
Sanitation	1,044,402	1,082,706	1,022,750	1,057,750
Airport	166,125	226,565	190,650	206,580
Cemetery	32,552	31,075	33,600	31,400
Parks	253,466	124,258	148,700	116,880
Inspection Services	180,122	167,795	203,300	178,160
Animal Control	12,586	15,465	16,100	16,845
Emergency Management	0	0	1,000	0
Recreation Program	19,484	0	0	0
Civic Center	93,935	179,432	167,150	166,800
Community Facilities	85,110	113,188	80,100	78,650
TOTAL	5,939,584	5,908,869	5,705,900	5,733,100
BY ACCOUNT CATEGORY				
Personnel Services	2,813,578	3,016,164	3,153,000	3,206,730
Supplies	88,434	88,985	99,650	95,095
Contractual	1,507,910	1,521,034	1,454,650	1,537,150
Utilities	165,899	184,518	180,050	177,200
Sundry	223,390	274,842	276,400	320,200
Maintenance	256,903	251,313	267,700	238,300
Capital Items**	359,605	468,010	273,450	158,425
Fund Transfers	523,865	104,003	0	0
TOTAL	5,939,584	5,908,869	5,705,900	5,733,100

* FY 2010 Actual included use of fund balance transfer towards cost of capital projects: John D. Windham Civic Center and Center Park

** FY 2011 Actual included Fire Department pumper truck purchase





**FY 2013 PROPOSED BUDGET
REVENUES OVER/(UNDER) EXPENDITURES**

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
REVENUES				
Property Tax	681,270	781,958	554,000	623,750
Sales Taxes	1,832,635	2,337,497	2,312,800	2,219,050
Law Enforcement	198,959	229,213	224,200	230,750
Franchise Fees	473,970	446,199	492,000	505,000
Airport Revenues	143,844	206,175	188,100	223,300
Permits & Fees	41,035	68,684	47,500	22,800
Interest Revenue	23,696	12,454	15,500	10,000
Usage Fees	31,158	76,962	83,850	73,850
Miscellaneous	82,618	85,822	74,200	66,900
Donations	13,602	51,950	5,000	25,000
Solid Waste	1,230,324	1,298,106	1,267,500	1,297,500
Transfers	317,082	373,357	390,000	390,000
Grants	44,228	78,540	41,700	45,200
TOTAL REVENUE	5,114,422	6,046,920	5,696,350	5,733,100
EXPENDITURES				
Non Departmental *	792,903	1,766,324	285,250	323,400
City Hall	660,365	699,918	794,550	768,970
Police Department	1,732,216	69,271	1,819,150	1,855,515
Fire Department**	409,101	668,336	462,700	473,020
Street Department	457,218	470,583	480,900	459,130
Sanitation	1,044,402	1,082,706	1,022,750	1,057,750
Airport	166,125	226,565	190,650	206,580
Cemetery	32,552	31,075	33,600	31,400
Parks	253,466	124,258	148,700	116,880
Inspection Services	180,122	167,795	203,300	178,160
Animal Control	12,586	15,465	16,100	16,845
Emergency Management	0	0	1,000	0
Recreation Program	19,484	0	0	0
Civic Center	93,935	179,432	167,150	166,800
Community Facilities	85,110	113,188	80,100	78,650
TOTAL	5,939,584	5,908,869	5,705,900	5,733,100
Beginning Fund Balance	2,022,694	1,197,532	1,335,583	1,326,033
Difference Over/(Under)	(825,162)	138,051	(9,550)	0
Ending Fund Balance	1,197,532	1,335,583	1,326,033	1,326,033

* FY 2010 Budget included use of fund balance transfer towards cost of capital projects:
John D. Windham Civic Center and Center Park

** FY 2011 Actual included Fire Department pumper truck purchase



**FY 2013 PROPOSED BUDGET
NON DEPARTMENTAL - #601**

The Non-Departmental function of the City of Center pays for those areas that are general to the entire organization, such as the annual audit, insurance, and the City Council reimbursements.

The Mayor and six Council members act as the elected representatives of the citizens of Center to formulate public policy to meet community needs and assure orderly development in the City.

DESCRIPTION

- Appoint the City Manager, City Attorney, Municipal Court Judge and various citizen boards and commissions.
- Adopt the City's annual budget and ad valorem tax rate.
- Adopt City ordinances and resolutions.
- Establish the fees and rates for City goods and services.
- Approve purchases and contracts as prescribed by the City Charter and State Law.

FY 2012 ACCOMPLISHMENTS

- Went through City-wide redistricting process and created new Council District boundaries
- Completed first round of annexations as part of Long Range Annexation Plan
- Appointed new City Attorney
- Appointed new Municipal Court Judge and Associate Judge
- Completed Downtown Streetscape Master Plan
- Opened Mini Park renovation

FY 2013 GOALS

- Focus on completion of 2012 CIP projects including:
 - City Hall renovation
 - Community House expansion
 - Park expansions
- Update the City's Comprehensive Plan
- Creation of New Subdivision Ordinance



**FY 2013 PROPOSED BUDGET
NON DEPARTMENTAL**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	4,548	17,200	8,400	8,400
Supplies	2,558	7,331	5,800	4,250
Contractual	169,848	153,914	146,200	181,300
Utilities	0	0	0	0
Sundry	58,363	69,270	79,850	110,950
Maintenance	2,738	0	0	0
Capital Items	30,982	12,321	45,000	18,500
Fund Transfers	523,865	104,003	0	0
Total	792,903	364,039	285,250	323,400

*** FY 2010 Budget included use of fund balance transfer towards cost of capital projects:
John D. Windham Civic Center
Center Park

PERFORMANCE MEASURES

	FY 2011
City Council Meetings	22
Council Workshops/Special Meetings	8
Ordinances Passed	19
Resolutions Passed	32

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Reduction in Office Supplies (\$500) and Election Expenses (\$1,000)
- Increases in Election Costs (\$1,500), Legal Expenses (\$ 3,000), and Software (\$3,000)
- Budgeted for existing business development agreements sales tax revenue sharing expense (\$30,000)
- Eliminated Entryway Signs (\$25,000)
- Budgeted for the update of the City's Comprehensive Plan (\$25,000)



FY 2013 PROPOSED BUDGET
CITY HALL - #602

To provide professional management and administration of the City, implementing City Council policy decisions by directing, coordinating, monitoring, and evaluating all City government activities.

DESCRIPTION

- Execute the policies established by the City Council and administers the affairs of the City consistent with the City Charter.
- Prepare and maintain minutes, ordinances, resolutions, and proclamations.
- City elections conducted by designated election official.
- Responsible for the collection, investment, disbursement & documentation of all City funds.
- Monitor and approve all City purchases, expenditures, and budget.
- Prepare the City employee payroll and administer employee benefits programs.
- Prepare annual City budget

FY 2012 ACCOMPLISHMENTS

- Completed the update of the employee personnel policy handbook
- The audit report was completed with an unqualified opinion
- Purchased new server and accounting software update
- Purchased and installed new payment kiosk at City Hall

FY 2013 GOALS

- Develop additional promotional materials and expand website
- Review the City's purchasing policy manual
- Manage Capital Improvements Projects
 - TxDOT Pedestrian/Bicycle Path
 - 2011 Texas Water Development Board Hwy 96 interceptor and lift station elimination project
 - 2012 Bond CIP projects



**FY 2013 ADOPTED BUDGET
CITY HALL**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	551,842	617,838	692,250	684,170
Supplies	13,033	11,144	14,450	13,500
Contractual	21,121	20,267	19,800	19,400
Utilities	15,106	15,702	15,400	15,000
Sundry	15,790	14,894	16,850	16,100
Maintenance	16,730	1,664	10,800	2,800
Capital Items	26,744	18,409	25,000	18,000
Total	660,365	699,918	794,550	768,970

PERFORMANCE MEASURES

	FY 2010	FY 2011	FY 2012
Open Records Requests	N/A	8	4
Average Number of Utility Accounts	2,454.75	2,499.08	2,519.29
Number of Water Taps	9	34	5
Number of Sewer Taps	4	25	7
Water Complaints	8	15	67
Sewer Stoppages	157	169	131
ACH Customers	364	366	379
Billing Errors (Adjustments)	6	31	2
Average Work Order Completions	1 Day	1 Day	1 Day

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Elimination of one clerk position in Personnel with offsetting increases from cost of living adjustment
- Reduction in Building Maintenance (\$8,000)

CAPITAL ITEMS

- Remodel finishings (\$15,000)



**FY 2013 PROPOSED BUDGET
POLICE DEPARTMENT - #603**

To preserve order and protect life and property through the enforcement of laws and municipal ordinances.

DESCRIPTION

- Oversee all major criminal investigations within the City.
- Respond to calls from the public requesting police emergency services.
- Respond to traffic-related incidents and accidents; issues citations for traffic violations
- Provide assistance to victims of crime or persons in distress.
- Provide assistance to surrounding law enforcement agencies

FY 2012 ACCOMPLISHMENTS

- Purchased two replacement fleet vehicles
- Facilitated the creation of a Shelby County Crimestoppers program
- Expanded uniform personnel with Department of Justice grant funded position
- Conducted the first warrant round up

FY 2013 GOALS

- Replace older computers within the department
- Replace two fleet vehicles and equipment
- Expand training opportunities and offerings
- Replace and upgrade in-car camera systems



**FY 2013 PROPOSED BUDGET
POLICE DEPARTMENT**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	1,437,070	1,499,933	1,552,400	1,580,190
Supplies	43,473	41,300	36,550	33,550
Contractual	21,374	16,090	19,900	51,800
Utilities	27,019	28,807	27,300	27,300
Sundry	24,509	18,021	17,500	17,000
Maintenance	81,209	84,998	77,500	81,750
Capital Items	97,561	76,361	88,000	63,925
Total	1,732,216	1,765,510	1,819,150	1,855,515

PERFORMANCE MEASURES

	FY 2012 - YTD
Citations Issued	1,863
Average Warrants Outstanding	2,227
Average Value of Outstanding Warrants	\$499,272
Average Response Time	2.95 minutes
Calls for Service	2,633
Felony Arrests	105

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Increases in personnel costs due to COLA and health insurance premium increases
- Adjustment from payroll to contract payments for municipal court judge
- Increase in Fuels (\$10,000)
- Reductions in Vehicles from FY 2012 (\$15,000), Building (\$3,000) and Computer (\$3,000)

CAPITAL ITEMS

- Radio and camera replacement (\$17,000)
- Two investigator vehicles (\$38,000)



**FY 2013 PROPOSED BUDGET
FIRE DEPARTMENT - #604**

Protect lives and property from fire and man-made or natural disasters. Provide emergency management procedures for the City and investigate all suspicious fires within the City.

DESCRIPTION

- Respond to and extinguishes structure, vehicle, grass and brush fires in the City of Center (primary) and surrounding rural areas (secondary).
- Respond to other emergency situations in conjunction with the Police department and other emergency agencies.
- Assist in fire prevention activities.
- Coordinate all planning and preparedness activities for emergency management.
- Investigate fires to determine cause and origin.

FY 2012 ACCOMPLISHMENTS

- Promoted the CodeRED Emergency Notification system in partnership with Farmers State Bank
- Purchased new ladder truck
- Increased the number of volunteers in the Center Volunteer Fire Department
- Improved inspections and training program
- Began Revenue Rescue program

FY 2013 GOALS

- Improve training for firefighters
- Improve safety systems for firefighters
- Enhance emergency management planning and response
- Provide more fire prevention classes for local residents and school systems
- Work with consultant to enhance the City's ISO rating



**FY 2013 PROPOSED BUDGET
FIRE DEPARTMENT**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	341,083	359,617	347,850	360,620
Supplies	6,793	10,949	9,400	11,500
Contractual	9,765	9,923	12,300	13,800
Utilities	11,154	9,892	11,050	12,800
Sundry	5,198	4,429	14,300	13,200
Maintenance	16,841	25,957	27,600	31,600
Capital Items	18,268	247,570	40,200	29,500
Total	409,101	668,336	462,700	473,020

PERFORMANCE MEASURES

	FY 2010	FY 2011	FY 2012
Number of Calls	292	320	332
Fires and Explosions	133	150	230
Fire Fighter Accidents	0	0	0
Percent Response under 5 Minutes	50.2	51	52
Response Area (Square Miles)	525	525	525

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Increases in personnel costs due to COLA and health insurance premium increases
- Increases in Maintenance categories for costs of fleet expansion

CAPITAL ITEMS

- Emergency equipment (\$25,000)



**FY 2013 PROPOSED BUDGET
STREET DEPARTMENT - #605**

To provide and maintain a transportation system of streets, alleys and sidewalks for safe and efficient vehicular and pedestrian traffic, and to provide and maintain a storm water management system to efficiently convey storm water and prevent flooding.

DESCRIPTION

- Repair streets for damage caused by water line breaks and failure of road base material.
- Prepare street driving surfaces for annual street maintenance program.
- Reconstruct streets to upgrade driving surface and drainage.
- Install and maintains traffic control signs and paving markers.
- Mow rights-of-way and maintains street and alley shoulders.
- Manage the street sweeping contract

FY 2012 ACCOMPLISHMENTS

- Completed annual street reconstruction program, a 4B EDC funded project
- Started community banner beautification project
- Made safety improvements on Ellington Street
- Executed Community Development Block Grant to pave most remaining gravel City streets
- Completed realignment of Austin Street, a 4A EDC funded project

FY 2013 GOALS

- Plan, design, and construct directional and entryway signage around the City.
- Begin construction of TxDOT Traffic Enhancement sidewalk and trail project
- Begin planning of additional pedestrian trails and sidewalks in the City
- Complete the annual street reconstruction program funded through the 4B Street EDC
- Reconstruct MLK Boulevard in accordance with the Disaster Recovery Grant



**FY 2013 PROPOSED BUDGET
STREET DEPARTMENT**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	199,638	179,864	199,300	221,580
Supplies	4,714	3,659	14,600	14,600
Contractual	73,321	56,629	68,500	67,500
Utilities	72,525	74,719	70,500	70,500
Sundry	308	677	2,800	2,300
Maintenance	91,502	93,010	109,650	76,650
Capital Items	15,210	62,025	6,000	6,000
Total	457,218	470,583	471,350	459,130

PERFORMANCE MEASURES

	FY 2010	FY 2011	FY 2012
Unpaved Streets – Linear Miles	2.14	0	0
Gravel Streets	11.61	6.61	1.5
Asphalt Streets	22.08	28.72	33.83
Concrete Streets	7.7	8.7	8.7
Streets Reconstructed (Square Yards)	--	16,588	15,957

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Increases in personnel costs due to COLA and health insurance premium increases
- Reduction in Special Projects (\$9,500)
- Reductions in Patching Material (\$18,000) and Street Repairs (\$12,000)

CAPITAL ITEMS

- Street sign replacement (\$4000)



**FY 2013 PROPOSED BUDGET
CENTER MUNICIPAL AIRPORT - #607**

The mission of the Center Municipal Airport is to provide sufficient air service facilities to aid in local real estate sales, industrial development, business management, banking, and recreation. The airport also serves as a fueling station for pilots on an as needed basis.

DESCRIPTION

The Center Municipal Airport consists of one 5,501' lighted runway; other airport facilities include 34 hangars, 1 office and terminal building which includes a pilot's lounge, and one fueling station.

FY 2012 ACCOMPLISHMENTS

- Provide a courtesy vehicle to pilots and patrons of the airport
- Coordinate with the Shelby County Chamber of Commerce to put on the annual Fly-In event
- Maintain the facility in a neat and professional manner
- Adopted the Center Municipal Airport Master Plan

FY 2013 GOALS

- Work with the engineer to implement the Center Municipal Airport Master Plan
- Replace the runway lights
- Continue to provide great service to all who use the airport
- Purchase and install an automated weather system
- Replace the fence surrounding the airport property



**FY 2013 PROPOSED BUDGET
CENTER MUNICIPAL AIRPORT**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	43,188	44,319	45,500	47,230
Supplies	736	845	1,850	1,400
Contractual	3,043	12,915	3,250	3,500
Utilities	6,457	8,488	7,850	7,650
Sundry	102,006	151,622	119,600	139,600
Maintenance	9,760	7,764	11,600	7,200
Capital Items	935	612	1,000	0
Total	166,125	226,565	190,650	206,580

PERFORMANCE MEASURES

Fuel Sold	FY 2011	YTD – FY 2012
100 LL (gallons)	18,989.7	13,562.0
Jet A (gallons)	25,270.9	20,272.3
Diesel (gallons)	293.0	132.9

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Increases in personnel costs due to COLA and health insurance premium increases
- Increases in Airport fuel costs for resale (\$20,000)



**FY 2013 PROPOSED BUDGET
PARKS DEPARTMENT - #609**

To provide clean, safe, and well-maintained outdoor recreation space and park lands to the citizens of Center.

DESCRIPTION

- Manage contract for mowing all City parks and recreation areas.
- Pick up trash and debris within City parks and recreation areas.
- Maintain and repair City park facilities and playground equipment as needed.
- Maintain athletic fields and irrigation systems.
- Provide pest and weed control within City parks and facilities.

FY 2012 ACCOMPLISHMENTS

- Applied for Texas Parks and Wildlife grant for expansion at Center Park
- Completed land acquisition process for expansion at Center Park
- Completed construction of Mini-Park enhancements
- Restored restrooms and repainted equipment at Perry Sampson Park
- Cleared out brush and undergrowth by Center Park

FY 2013 GOALS

- Continue assistance to state baseball/softball tournaments
- Complete Phase I trail system design (TxDOT Traffic Enhancement Project)
- Start construction of Center Park softball fields project



**FY 2013 PROPOSED BUDGET
PARKS DEPARTMENT**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	36,227	37,597	38,650	40,180
Supplies	2,052	1,619	2,950	1,700
Contractual	44,804	58,003	48,600	44,100
Utilities	8,320	10,437	10,000	9,500
Sundry	1	400	0	0
Maintenance	21,898	11,530	6,000	11,400
Capital Items	140,165	4,673	42,500	10,000
Total	253,466	124,258	148,700	116,880

PERFORMANCE MEASUREMENTS

<u>Number of amenities</u>	<u>FY 2011</u>	<u>FY 2012</u>
Baseball fields	9	9
Softball fields	3	3
Playgrounds	3	4
Pavilions	3	3
Tennis courts	4	4
Basketball courts	1	1
Sprayground	0	1
Total park area (in acres)	103.4	
Developed park area	65.5	

Developed park area per 1,000 residents

Mt. Pleasant	11.3
Center	11.1
Lufkin	8.3
Mt. Vernon	3.8

Source: MHS Planning: Center Parks Master Plan 2011

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Increases in personnel costs due to COLA and health insurance premium increases
- Reduction in Mowing Contract (\$3,500)
- Increase in Grounds Maintenance (\$5,000)
- Redirection of Park Projects funding to CIP

CAPITAL ITEMS

- Equipment replacement (\$10,000)



**FY 2013 PROPOSED BUDGET
INSPECTION SERVICES - #610**

To monitor the orderly growth of the City and foster compliance with the City's development standards and ordinances.

Enforce the City's building, plumbing, electrical and City ordinances and state law to ensure the construction and maintenance of safe residential and commercial structures.

DESCRIPTION

- Review plans and specifications for subdivisions and building projects within the city.
- Represent the City staff and keeps records and minutes for the Planning and Zoning Commission and the Zoning Board of Adjustments.
- Issue permits for building, plumbing, and electrical construction. Also issue permits for garage sales, demolition, and house moving.
- Inspect construction work within the City to verify compliance with adopted codes and standards.
- Initiate and investigate complaints on properties found to be in violation of City ordinances.
- Provide for mosquito spraying/vector control

FY 2012 ACCOMPLISHMENTS

- Completed HOME Grant by reconstructing 5 new houses

FY 2013 GOALS

- Participate in HOME Grant by reconstructing 6 new houses
- Continue to respond quickly to plan review requests and inspections to accommodate additional growth in the City
- Conduct an update of the City's Zoning Ordinance



**FY 2013 PROPOSED BUDGET
INSPECTION SERVICES**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	160,002	148,890	170,500	153,760
Supplies	3,330	3,243	6,600	5,400
Contractual	348	348	500	500
Utilities	5,211	4,635	6,500	5,500
Sundry	3,978	3,262	6,200	3,600
Maintenance	4,709	5,694	9,000	8,900
Capital Items	2,544	1,723	4,000	500
Total	180,122	167,795	203,300	178,160

PERFORMANCE MEASUREMENTS

	FY 2010	FY 2011	FY 2012
New Construction Permits Issued	21	15	16
Remodel Permits Issued	10	12	2
Demolition Permits Issued	N/A	11	5
New Addresses Issued	N/A	N/A	47

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Personnel cost increases are offset by elimination of part time position
- Reduction in Training and Travel (\$1,500)
- Elimination of capital items: Computer, Equipment, and Furniture and Fixtures (\$3,500)



**FY 2013 PROPOSED BUDGET
CIVIC CENTER - #616**

Manages, maintains, and schedules the use of the Windham Civic Center and the Community House.

DESCRIPTION

- Manage the Windham Civic Center and the Community House, including coordinating events, bookings, lease agreements, and marketing.
- Ensure condition of facilities for events by working with City staff and outside contractors.
- Oversight and scheduling of maintenance and custodial functions at the Windham Civic Center and Community House.
- Schedules and coordinates leasing of other City park facilities.

FY 2012 ACCOMPLISHMENTS

- The first 12 months of operation saw 209 events with over 13,700 people in attendance
- Developed an effective web presence through Facebook and internet site
- Completed panoramic photo project and promotional videos
- Developed the reputation for being the premier facility in Shelby County to host a variety of events
- Installed new drop down screens and projector system
- Developed virtual tour of the Civic Center placed on the website
- Completed a facility marketing plan by UT-Tyler

FY 2013 GOALS

- Pursue a diversified calendar to expand how the facility is used
- Foster relationships with local businesses and industry for them to have meetings and events at the facility
- Begin attending trade shows and bridal shows to promote the facility
- Create new Civic Center brochure and wedding-specific marketing materials
- Development of Community House renovation and restoration project



**FY 2013 PROPOSED BUDGET
CIVIC CENTER**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	39,562	110,907	98,150	110,600
Supplies	8,973	7,885	5,650	6,650
Contractual	11,314	20,723	11,750	12,200
Utilities	9,801	21,443	22,250	20,800
Sundry	7,491	4,140	2,100	2,050
Maintenance	2,597	8,668	6,500	6,500
Capital Items	14,197	5,667	20,750	8,000
Total	93,935	179,432	167,150	166,800

PERFORMANCE MEASURES

	FY 2010	FY 2011	FY 2012 - YTD
Event Days Used	59	159	132
Approximate Attendance	6,168	18,248	16,580
Cancellations	0	9	7

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Increases in personnel costs due to COLA and health insurance premium increases
- Personnel increases are offset by decreases in Capital Items
- Other line items are essentially at FY 2012 funding levels

CAPITAL ITEMS

- Purchase of additional Pipe and Drape (\$6,000)



**FY 2013 PROPOSED BUDGET
SANITATION DEPARTMENT - #606**

Since 1992, the City has contracted with a private firm for garbage collection services. The Solid Waste department contains the funding for this contract as well as funding for a portion of billing and administrative personnel costs.

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	0	0	0	0
Supplies	0	0	0	0
Contractual	1,038,943	1,073,005	1,010,000	1,045,000
Utilities	0	0	0	0
Sundry	3,161	5,058	10,000	10,000
Maintenance	2,298	4,643	2,750	2,750
Capital Items	0	0	0	0
Total	1,044,402	1,082,706	1,022,750	1,057,750

DESCRIPTION

- This department is responsible for collecting and disposing of the municipal solid waste generated in Center.
- The Sanitation Department is also provides funding for the demolition of dilapidated structures within the City and for the recycling program, managed by staff from the Inspection Department.

FY 2012 ACCOMPLISHMENTS

- Delivered recycling container to recycling plant on a weekly basis
- Created a structure demolition reimbursement grant
- Purchased an additional recycling trailer with a TCEQ Regional Solid Waste Grant

FY 2013 GOALS

- Continue to provide excellent customer service and on-time trash pickups.
- Conduct a recycling public education and awareness campaign

PERFORMANCE MEASUREMENTS

	FY 2011	FY 2012
Number of Trips – Recycling Program	52	60
Materials Recycled – Tonnage	36.03	36.05



**FY 2013 PROPOSED BUDGET
CEMETERY DEPARTMENT - #608**

The Cemetery Department of the City of Center is responsible for the annual maintenance and mowing of all City cemeteries.

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	0	0	0	0
Supplies	72	0	600	400
Contractual	32,480	29,800	33,000	27,000
Utilities	0	0	0	0
Sundry	0	1,275	0	4,000
Maintenance	0	0	0	0
Capital Items	0	0	0	0
Total	32,552	31,075	33,600	31,400

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Reduction in Mowing Contract (\$6,000)



FY 2013 PROPOSED BUDGET
ANIMAL CONTROL - #612

To control and contain stray animals within the City limits through enforcement of City ordinances.

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	0	0	0	0
Supplies	578	889	1,200	1,445
Contractual	9,792	11,337	10,000	11,000
Utilities	123	134	100	150
Sundry	2,093	1,796	2,000	2,000
Maintenance	0	16	1,800	1,250
Capital Items	0	1,292	1,000	1,000
Total	12,586	15,465	16,100	16,845

DESCRIPTION

- Provides pickup and transport of stray animals within the City limits.
- Provides disposal of dead animals within the City limits.
- Follows through on all animal bite reports and ensures that animal owners follow State quarantine laws.
- Completes and maintains information for reporting to City management and State agencies.
- Provides information for prosecution of cases involving cruelty of animals.



**FY 2013 PROPOSED BUDGET
COMMUNITY FACILITIES - #617**

The Community Facilities budget provides funding for the maintenance, operations and upkeep of three different facilities within the City: The Fannie Brown Booth Memorial Library, the Community House, and the Center Senior Nutrition Center. This department also provides some limited funds to the Lakes Area Art League.

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	0	0	0	0
Supplies	198	120	0	700
Contractual	55,107	58,079	61,300	60,050
Utilities	10,184	10,263	9,100	8,000
Sundry	0	0	5,200	3,400
Maintenance	6,622	7,368	4,500	3,500
Capital Items	13,000	37,358	0	3,000
Total	85,110	113,188	80,100	78,650

FY 2012 ACCOMPLISHMENTS

- Replaced the roof and air conditioner at the Lakes Area Art League Center.
- Began design work for renovations to the Community House
- Paved the parking lot at the Senior Nutrition Center.

FY 2013 GOALS

- Participate in the development of community facilities per the Capital Improvements Program.

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Reductions in account categories offset with an increase in Capital Items

CAPITAL ITEMS

- Repair of plumbing system at the Senior Center (\$3,000)



**FY 2013 PROPOSED BUDGET
WATER/SEWER UTILITY FUND**

FUND NARRATIVE

The Water/Sewer Utility Fund is an enterprise fund that includes all water and wastewater system operations. The City provides water and wastewater service within its designated CCN area to all visitors, businesses and approximately 6,000 residents, including some outside the City limits.

The City produces consumable water from two surface water treatment plants at Lake Pinkston and Old City Lake. The water is transported to the City and is distributed by over 87 miles of water lines.

The City operates one wastewater treatment plant, located on the northeast side of the City. The wastewater collection system utilizes eleven lift stations throughout the City. The City has received funding approval from the Texas Water Development Board to construct a large lift station at one of the lowest points in the area. This will allow for the removal of seven lift stations and the option of constructing a replacement or secondary wastewater treatment plant on the south side of the City.

As the City has experienced rapid growth, there has been a corresponding expansion of the City's utility services area. The City now provides water and wastewater service to more households and businesses than ever before.

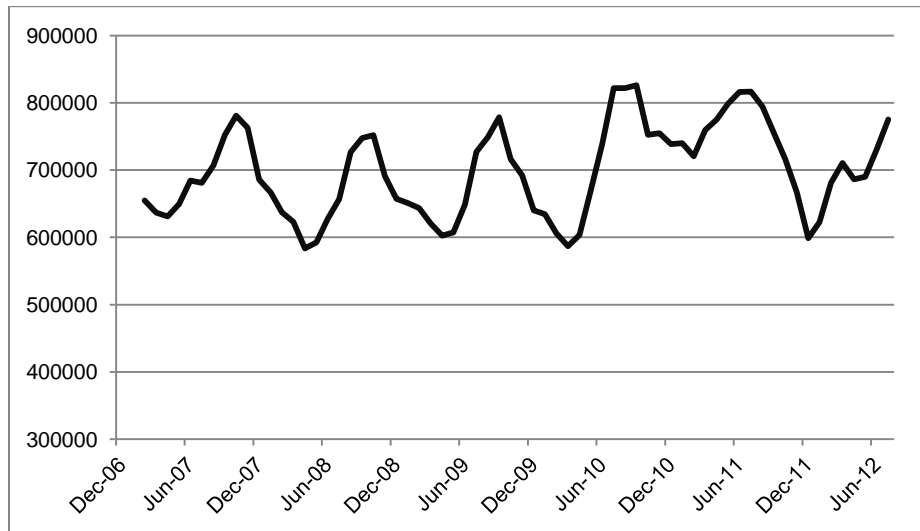
This budget provides funding for all positions with a cost of living adjustment to all employees, and takes into account increases in operating costs such as a higher price of fuel, utilities and chemicals. A marginal rate increase for residential and business customers is included in this year's budget.

UTILITY FUND REVENUE

Utility revenue is collected by the City as a result of water sales to customers and fees for wastewater (sewer) collection and treatment. Approximately 97% of total revenues into this fund originate from water sales and wastewater fees of which water sales account for 73%.

Water sales and wastewater fees are calculated based on metered water consumption. The City has recently completed a transition to radio read water meters which greatly reduces the costs and increases the reliability compared to manually reading each of the approximately 2,500 meters in the system. The meter reading is used to calculate water consumption and is also used to calculate the wastewater fee. Graph 1 in this section illustrates the amount of water consumed. One can witness the peaks during the summer months and the low consumption times of the year during the winter. In this graph, one can also observe the effects of the severe drought of 2010-2011, where water consumption never dipped to its traditional low. Another factor effecting consumption is the Tyson Foods plant expansion, which was also completed in the summer of 2011. This expansion has created additional demand for the City's water. This information leads to the conclusion that the City's revenue stream from water sales is very stable.

While most growth in revenue derives from increased consumption, water rate increases for most customer classes are being proposed.



Graph 1 – Water consumption

It is also helpful to explore how the City’s utility rates compare with other similar-sized communities in the region. Table 1 provides this information which shows that Center’s residential utility rates are competitive with other cities. The data also indicate that Center’s residential utility rates are well below the state average for cities

City	Population	Water 5,000 gal	Wastewater 5,000 gal	Total
Winnsboro	3,909	30.00	25.55	55.55
Hallsville	3,010	37.20	15.75	52.95
Crockett	7,142	30.00	22.80	52.80
Carthage	6,813	23.85	28.50	52.35
Atlanta	5,745	31.27	19.51	50.78
Rusk	5,085	24.90	20.20	45.10
Diboll	5,541	25.85	20.25	46.10
Livingston	6,430	24.00	18.00	42.00
Average		28.38	21.32	49.70
State Average		26.44	22.57	49.01
Center	5,781	24.15	20.48	44.63

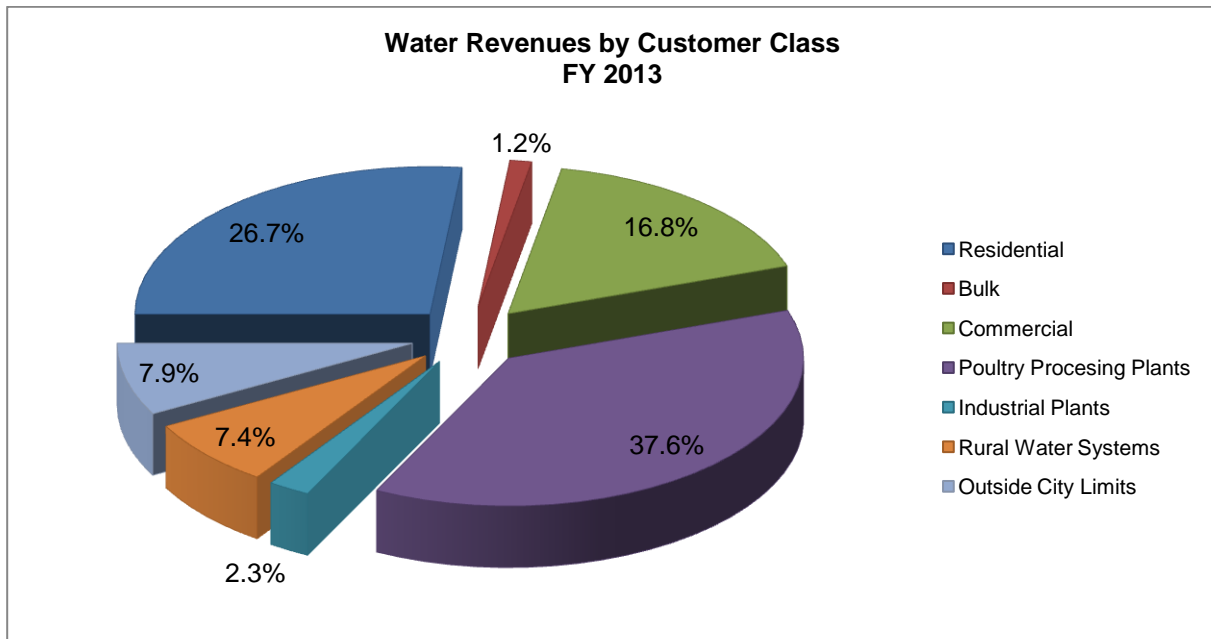
Table 1 – 2012 Utility rate comparison
Source: Texas Municipal League 2012 Annual Utility Rate Survey

It is also enlightening to examine water revenue by customer class. The City’s single largest water customer class is Poultry, which is chiefly consumption from Tyson Foods. The other customer classes are detailed in Table 2 as a percentage of total water sales.



Customer Class	FY 2010	FY 2011	FY 2012
Poultry	38%	36%	37.6%
Residential – In Town	28%	28%	26.7%
Commercial	16%	16%	16.8%
Outside city limits	9%	8%	7.9%
Rural water supply	6%	7%	7.4%
Misc. Industrial	3%	5%	3.5%

Table 2 – Percentage by customer class to total water sales



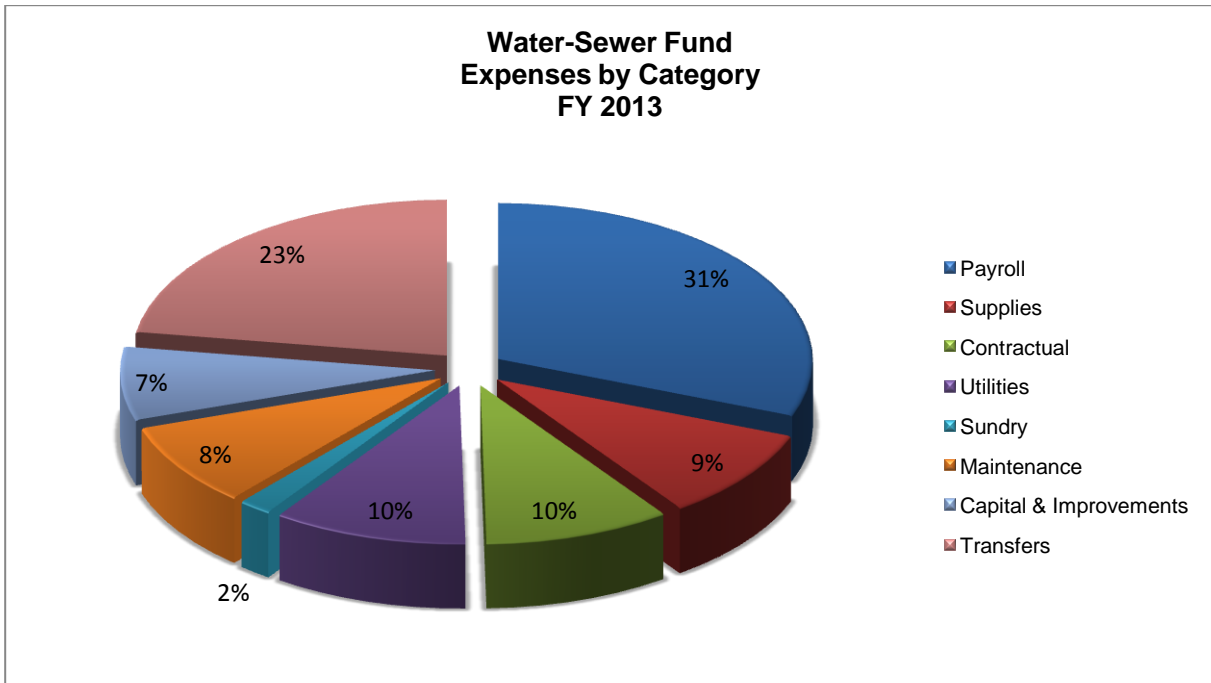
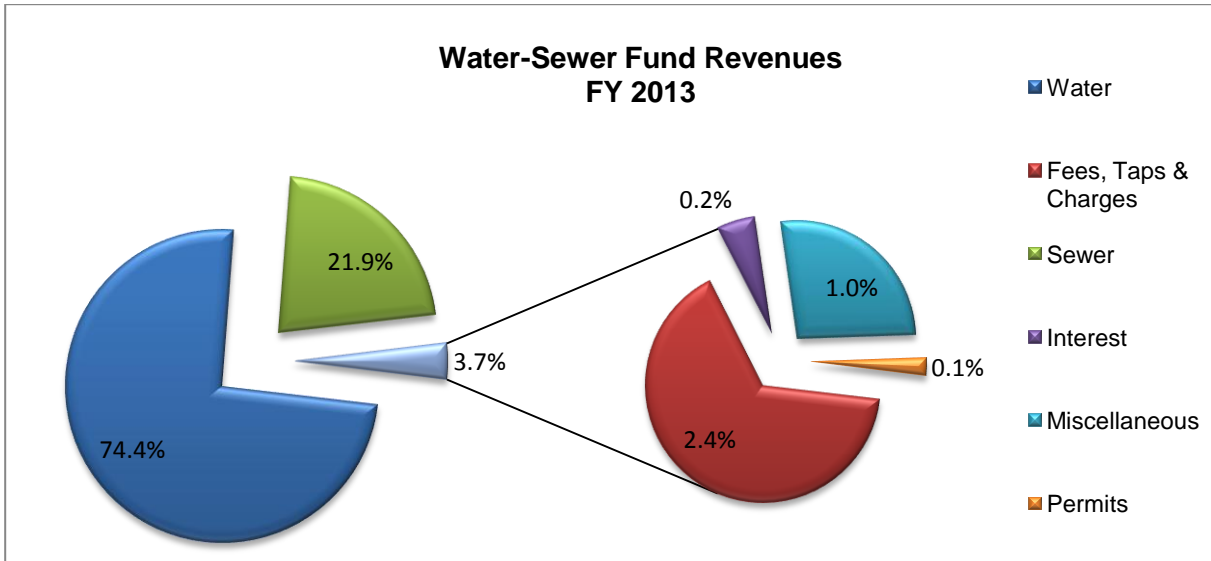
Finally, the total amount of water sales is illustrated in Table 3, which provides historical data on the amount of water revenue that the City receives.

	Gross Water Sales
FY 2011	2,418,147
FY 2010	2,252,937
FY 2009	2,062,428
FY 2008	1,980,253
FY 2007	1,837,824

Table 3 – Annual amount of water sales

UTILITY FUND EXPENDITURES

This budget includes increases in operational department budgets relating to personnel services. All full-time wage scales are increased by 3% to adjust for cost of living increases tied to changes in the Consumer Price Index. The City employee compensation package also includes retirement pension funding and health insurance. This budget also includes a premium increase of 8% for health insurance benefits. All other notable items are specifically listed on each department's page.





**FY 2013 PROPOSED BUDGET
REVENUE DETAIL**

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Water				
Residential Water	627,863	671,810	637,500	675,000
Bulk Water Sales	16,318	23,174	30,000	30,000
Commercial Sales	354,169	388,448	370,000	425,000
Poultry Processing	851,568	858,833	880,000	950,000
Rural Water Systems	138,092	171,675	150,000	187,500
Industrial	78,863	99,538	120,000	58,000
Outside City Limits	186,064	204,669	185,000	200,000
Total Water	2,252,937	2,418,147	2,372,500	2,525,500
Sewer				
Billed Sewer	686,476	685,023	670,000	685,000
Contractual Disposal	131,391	129,718	100,000	60,000
Total Sewer	817,867	814,741	770,000	745,000
Miscellaneous				
Returned Check Fee	1,425	1,205	1,500	1,500
Worker's Comp Discount	3,120	3,230	3,000	4,000
Other	569	1,347	1,000	1,000
DETEC Capital	991	2,176	0	0
State Energy Grant	0	6,700	0	0
Total Miscellaneous	6,105	14,658	5,500	6,500
Permits				
Plumbing Insp. Permit	3,750	6,700	3,500	3,000
Total Permits	3,750	6,700	3,500	3,000
Interest				
Interest Water Fund	10,920	5,206	7,500	5,000
Interest Water Refund	1,793	1,393	1,500	1,500
Total Interest	12,713	6,599	9,000	6,500
Fees Taps & Charges				
Administrative Fees	6,420	6,735	6,500	6,500
10% Charges	47,680	48,448	45,000	45,000
10% A/R	4,761	(443)	2,000	1,000
Reconnect Fees	15,225	18,303	15,000	17,000
After Hours Fee	449	150	500	100
Water Taps	12,400	42,120	15,000	10,000
Sewer Taps	4,915	7,275	5,000	3,000
Lake Pinkston Lease	76	76	100	100
Lease Mineral Rights	(80,000)	80,000	0	27,000
Total Fees	11,926	202,664	89,100	109,700
TOTAL REVENUE	3,105,298	3,463,509	3,249,600	3,396,200



**FY 2013 PROPOSED BUDGET
REVENUE SUMMARY**

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Water	2,252,937	2,418,147	2,372,500	2,525,500
Sewer	817,867	814,741	770,000	745,000
Miscellaneous	6,105	14,658	5,500	6,500
Permits	3,750	6,700	3,500	3,000
Interest	12,713	6,599	9,000	6,500
Fees	11,926	202,664	89,100	109,700
TOTAL	3,105,298	3,463,509	3,249,600	3,396,200

**FY 2013 PROPOSED BUDGET
EXPENDITURE SUMMARY**

BY DEPARTMENT	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Non-Departmental	789,017	864,860	761,500	793,500
Water Production	1,163,252	1,288,097	1,193,750	1,260,550
Water Distribution	407,217	314,874	328,900	268,030
Sewer Collection	280,506	302,283	222,750	261,220
Sewer Treatment	464,648	541,742	585,150	649,610
Public Works	159,967	161,651	157,550	163,290
TOTAL	3,264,606	3,473,507	3,249,600	3,396,200

BY ACCOUNT CATEGORY

Personnel Services	940,603	997,523	1,032,100	1,048,250
Supplies	371,773	293,482	300,600	315,300
Contractual	251,014	283,641	290,750	324,150
Utilities	269,780	315,886	309,100	338,500
Sundry	58,139	58,100	58,950	58,050
Maintenance	318,233	296,785	292,100	289,200
Capital Items	316,176	401,014	231,000	255,750
Fund Transfers	738,889	827,077	735,000	767,000
Total	3,264,606	3,473,507	3,249,600	3,396,200



**FY 2013 PROPOSED BUDGET
WATER PRODUCTION - #636**

To provide an adequate supply of treated water for the City of Center residents and businesses that meets all federal and state regulations, in the most efficient manner possible

DESCRIPTION

The Water Production Department consists of 8 full time operators who operate and maintain the city's two surface water treatment plants, 8 storage tanks, 3 raw water pump stations, 3 treated water pump stations, and both of the city owned lakes. All operators must be certified by the Texas Commission on Environmental Quality. The Pinkston plant is staffed 24 hours a day, 7 days a week and treats water from Lake Pinkston. Average daily production is 2.5 million gallons and peak production capacity is 3.5 million gallons. The Mill Creek plant is staffed 5 days a week, 16 hours a day and treats water from Lake Center (Old City Lake). Average daily production is 500,000 gallons a day with peak production capability of 1.4 million gallons a day.

FY 2012 ACCOMPLISHMENTS

- B level certification obtained by existing city operator, giving the city a total of 4 B level certified operators.
- Began tank inspections with live divers instead of remote cameras, which provide more details about tank conditions.
- Had zero production related TCEQ violations.

FY 2013 GOALS

- Continue to operate without any TCEQ violations
- Encourage staff development and have one more operator certified to B level.



**FY 2013 PROPOSED BUDGET
WATER PRODUCTION**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	382,897	389,723	414,300	410,800
Supplies	306,824	239,015	238,800	254,800
Contractual	116,755	197,989	130,200	180,750
Utilities	183,364	229,770	214,750	241,250
Sundry	19,425	11,750	15,100	15,100
Maintenance	104,744	115,429	105,850	105,600
Capital Items	49,243	104,421	74,750	52,250
Total	1,163,252	1,288,097	1,193,750	1,260,550

PERFORMANCE MEASURES

	FY 2010	FY 2011
Total Gallons of Treated Water Produced	1.029 billion gallons	1.1 billion gallons
TCEQ Violations	0	0
Treatment Plant Capacity		
Mill Creek	1.4 mgd	1.4 mgd
Pinkston	3.5 mgd	3.5 mgd
Storage Tank Capacity	6.25 million gallons	6.25 million gallons

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Increases in personnel costs due to COLA and health insurance premium increases
- Increases in Chemicals (\$15,000)
- Increases in Alternative Sludge Disposal (\$50,000) and Engineering (\$25,000) with an offsetting decrease in Special Projects (\$25,000)
- Increase in Electricity (\$25,000)

CAPITAL ITEMS

- Building and Grounds (\$5,000)
- Technology – Computer and SCADA controls (\$11,500)
- Pumps and Chemical Equipment (\$31,250)



**FY 2013 PROPOSED BUDGET
WATER DISTRIBUTION - #637**

The Water Distribution Department's mission is to maintain the potable water supply of the City with a minimum system pressure of 35 psi in compliance with TCEQ regulations, and rapidly respond to customer service calls

DESCRIPTION

- Set water taps and meters for new accounts and customers
- Inspect and replace isolation valves
- Responsible for the flushing of the water system
- Install water mains as needed
- Repair leaks and broken lines
- Comply with TCEQ rules for operation, maintenance, and training

FY 2012 ACCOMPLISHMENTS

- Looped Hwy 87 E to Hwy 7 E with an 8" water line to promote growth around Loop 500
- Looped Express Drive to Hwy 87 W for new hotel development
- Upgraded water lines as needed
- Upgraded water meters to electronic read from manual read

FY 2013 GOALS

- Continue to upgrade water mains to accommodate the growth of Center
- Continue the process of upgrading the meter system and installing replacement meters
- Continue the installation and replacement of fire hydrants
- Installation of additional isolation valves
- Expand and enhance the line flushing program



**FY 2013 PROPOSED BUDGET
WATER DISTRIBUTION**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	160,819	151,897	172,500	167,830
Supplies	3,074	2,542	4,300	4,100
Contractual	3,796	2,140	4,100	4,200
Utilities	1,226	2,947	2,500	2,600
Sundry	1,135	3,336	3,900	2,900
Maintenance	69,456	84,745	62,100	59,400
Capital Items	167,711	67,267	79,500	27,000
Total	407,217	314,874	328,900	268,030

PERFORMANCE MEASURES

	FY 2011	FY 2012
Miles of water lines maintained	84	87
Number of fire hydrants	282	287

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Funding is at FY 2012 levels for most operational accounts
- Reductions in Capital in Vehicles (\$25,000), Water Lines (\$8,000), Water Meters (\$14,000), Equipment (\$6,000)

CAPITAL ITEMS

- Replacement fire hydrants (\$4,000)
- Replacement pumps (\$3,000)
- Small water line projects (\$12,000)
- Meter replacements (\$8,000)



**FY 2013 PROPOSED BUDGET
SEWER COLLECTION - #638**

Provide an efficient wastewater collection system to protect the public health, safety, and water quality of the community.

DESCRIPTION

- Maintains the City's wastewater collection system, to include mains, manholes and clean-outs.
- Installs and repairs sewer taps as needed.
- Replaces deteriorated sections of mains and service lines.
- Available 24 x 7 for customer service calls

FY 2012 ACCOMPLISHMENTS

- Expanded sewer service in the city by construction two new lift stations
 - Hwy 87 E
 - Northeast section of Loop 500 and Hwy 7 E
- Provided sewer service to new business on Hwy 96 S
- Maintained preventative maintenance program of inspecting each manhole once a month

FY 2013 GOALS

- Start a program to identify areas of I & I in the collection system and plan for remediation
- Install a curbside cleanout for each residential and commercial customer
- Upgrade sewer mains
- Provide for additional growth in the city



**FY 2013 PROPOSED BUDGET
SEWER COLLECTION**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	116,199	128,401	122,600	130,620
Supplies	4,177	1,636	6,150	3,500
Contractual	27,897	4,952	7,650	7,800
Utilities	20,303	13,939	18,900	19,600
Sundry	711	553	1,250	500
Maintenance	30,546	25,897	32,200	27,200
Capital Items	80,673	126,906	34,000	72,000
Total	280,506	302,283	222,750	261,220

PERFORMANCE MEASURES

	FY 2011	FY 2012
Miles of sewer line maintained	70	72
Number of lift stations	11	14
Number of manholes	434	454

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Funding is at FY 2012 levels with increases in Capital Items

CAPITAL ITEMS

- Replacement Backhoe (\$55,000)
- Small sewer line projects (\$15,000)



**FY 2013 PROPOSED BUDGET
SEWER TREATMENT - #639**

To process the wastewater stream generated by the City of Center residents and businesses, to federal and state requirements, in the most efficient manner possible.

DESCRIPTION

The Wastewater Treatment Department consists of 4 full time operators who operate and maintain the city's wastewater plant and 15 associated pump stations. All operators must be certified by the Texas Commission on Environmental Quality. On average the wastewater plant processes 800,000 gallons of wastewater per day, but during high flow periods flows in excess of 2,000,000 gallons per day have been treated. The current wastewater plant is an extended aeration activated sludge plant which utilizes a belt press for sludge processing. Annually about 1,100 cubic yards of sludge is disposed of in a landfill.

FY 2012 ACCOMPLISHMENTS

- Employment of B level certified operator as chief operator.
- Construction of 2 additional lift stations to provide sewer service along Loop 500 and Hwy 87 East where commercial development is increasing.
- Re-permitting current treatment plant with the TCEQ.
- Continued to increase bulk waste revenue through adding customers.

FY 2013 GOALS

- Work to consistently meet the all permit limitations, especially mercury, which are set by the TCEQ.
- Begin construction on the new southside lift station project.



**FY 2013 PROPOSED BUDGET
SEWER TREATMENT**

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	145,914	184,086	190,950	202,060
Supplies	31,251	35,944	37,700	40,250
Contractual	86,278	68,057	133,200	115,700
Utilities	54,711	59,291	63,300	63,800
Sundry	17,542	23,340	29,250	29,250
Maintenance	112,990	68,908	90,500	95,550
Capital Items	15,961	102,116	40,250	103,000
Total	464,648	541,742	585,150	649,610

PERFORMANCE MEASURES

	FY 2010	FY 2011
Amount of Wastewater Treated	357 million gallons	331 million gallons
Amount of Sludge Disposed	1,100 cubic yards	1,000 cubic yards
Permitted Capacity of the Plant	1.7 mgd	1.7 mgd
Average Discharge of the Plant	0.8 mgd	0.7 mgd

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Increases in personnel costs due to COLA and health insurance premium increases
- Decrease in Special Projects (\$25,000) and Engineering (\$5,000)
- Other funding is at FY 2012 levels

CAPITAL ITEMS

- Building grounds (\$75,000)
- Equipment and pump replacement (\$22,000)



**FY 2013 PROPOSED BUDGET
PUBLIC WORKS ADMINISTRATION - #641**

To provide administrative functions, oversight and support of Water and Sewer departmental operations.

To provide timely billing and collection of City provided water, sewer and refuse services in a courteous and responsive manner.

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	136,126	138,366	131,750	136,940
Supplies	1,722	1,900	3,650	2,650
Contractual	5,742	6,221	7,100	7,200
Utilities	10,177	9,939	9,650	11,250
Sundry	1,142	3,115	1,450	2,300
Maintenance	497	1,804	1,450	1,450
Capital Items	4,561	305	2,500	1,500
Total	159,967	161,651	157,550	163,290

DESCRIPTION

- Provides supervision for the staff of the Water and Sewer departments.
- Oversight and inspection of City infrastructure projects.
- Funds Warehouse and Vehicle Maintenance building



**FY 2013 PROPOSED BUDGET
NON-DEPARTMENTAL - #634**

The Non-Departmental function of the City of Center pays for those areas that are general to the entire city, such as the annual audit and the City Council reimbursements.

DEPARTMENT SUMMARY

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Personnel Services	(1,352)	5,050	0	0
Supplies	24,725	12,446	10,000	10,000
Contractual	10,545	4,282	8,500	8,500
Utilities	0	0	0	0
Sundry	18,184	16,005	8,000	8,000
Maintenance	0	0	0	0
Capital Items	0	0	0	0
Fund Transfers	738,889	827,077	735,000	767,000
Total	790,992	864,860	761,500	793,500

DESCRIPTION

- Pays for the postage for all utility bills.
- Pays for the utility billing and accounting software.
- Provides funding for the interfund transfers to the General Fund and the Debt Service Fund.

HIGHLIGHTS – FY 2013 Proposed Budget Change From FY 2012 Adopted Budget

- Increase in Fund Transfers for debt service (\$32,000)





**FY 2013 PROPOSED BUDGET
LAW ENFORCEMENT SPECIAL FUNDS**

The City is authorized by State Law to collect two additional fees in addition to the state fee and local court costs and fines. One of these fees, the Court Technology fee, is to be used to fund enhancements to and additional technology equipment for the municipal court. The Court Security fee is used primarily to fund projects to enhance security features at the Municipal Court. Finally, when the police department seizes and is awarded from the court certain assets, such as vehicles and cash, the assets may be used to pay for certain law enforcement related expenses.

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Revenues	15,156	19,219	15,000	17,000
TOTAL REVENUES	15,156	19,219	15,000	17,000
Court Technology				
Contractual	7,113	3,809	2,250	2,250
Sundry	468	1,747	2,250	2,250
Capital	0	0	500	500
Total	7,581	5,556	5,000	5,000
Court Security				
Sundry	68	0	0	0
Capital	949	2,500	4,000	4,000
Total	1,017	2,500	4,000	4,000
Seized Asset Fund				
Supplies	0	129	200	200
Utilities	550	579	600	600
Sundry	8,875	2,000	5,200	5,200
Maintenance	672	0	0	0
Capital	0	0	0	1,700
Total	10,097	2,708	6,000	7,700
TOTAL EXPENDITURES	18,695	10,764	15,000	16,700



**FY 2013 PROPOSED BUDGET
TRUST FUND**

FUND NARRATIVE

The Trust Fund is a special revenue fund for the purpose of managing the Hotel Occupancy Tax and Cemetery Trust Funds. The City collects a 7% Hotel Occupancy Tax from the hotels located inside of the city limits. The expenditures of the Hotel Occupancy Taxes are managed by a Hotel/Motel Advisory Board. State law allows only certain types of expenditures to be paid from this tax revenue. Essentially, any expenditure has to promote the tourism industry of the community and “put heads in beds”.

One type of expenditure, and the largest in this fund, is the debt payment and maintenance/operational costs of the John D. Windham Civic Center. The increased revenues generated from Hotel Occupancy Taxes have been so dramatic that this facility and its’ operation is fully funded by Hotel Occupancy Taxes. The revenues additionally fund some of the operation and maintenance of the Community House. A portion of funding is provided to the Shelby County Chamber of Commerce to underwrite some of their community promotion and tourism activities and advertising. The fund has also contributed toward community beautification projects and attracting baseball tournaments to the City.

The Cemetery Trust Fund does not have any operational expenditure, but rather collects interest into the fund, which was created from perpetual care maintenance fees on plots at Eastview Cemetery. This trend will continue into the future.

Hotel/Motel Tax Revenue

Hotel Occupancy Taxes are collected when a person rents a room at a local hotel. The City receives a 7% tax and the State of Texas collects an additional 6%; therefore the total rate is 13%. All hotels inside of the City of Center collect this tax. The Local Government Code is very specific on allowable uses of this money. The general guidance is that any expenditure should put “heads in beds” and support the local tourism/travel industry.

The revenues generated from this tax have increased dramatically with the construction of new hotel properties in Center in recent years.

These funds are managed by the Hotel/Motel Advisory Board, appointed by the City Council which makes recommendations for the expenditure of these funds. Primary use of this money is for the debt and operation of the Windham Civic Center, community advertising initiatives lead by the Shelby County Chamber of Commerce, support for local athletic organizations, and the local art league.



**FY 2013 PROPOSED BUDGET
TRUST FUND**

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Revenues				
Hotel/Motel Taxes	306,818	445,509	575,000	485,000
PP Weaver	10,000	0	0	0
PP Weaver	10,000	0	0	0
PP Middleton	15,000	0	0	0
PP Motley	15,000	0	0	0
PP Tyson Foods	0	23,000	0	0
Cemetery Donations	0	12	0	0
Interest Hotel/Motel	1,309	260	500	1,250
Interest Cemetery	2,673	1,513	1,500	750
Interfund PP	16,500	0	0	0
Total	377,301	470,294	577,000	487,000
Expenditures				
Hotel Motel				
Other	15,110	38,315	25,000	40,000
Downtown Banners	0	25,004	0	0
CISD Rec Program	0	0	0	0
Baseball Tournaments	0	18,806	20,000	25,000
Website Contribution	0	1,300		0
Community House Improvements	0	0	0	0
Chamber of Commerce	1,500	27,936	35,000	40,000
Transfer - Civic Center Constr.	435,615	0	0	0
Civic Center Ops	62,000	90,000	110,000	110,000
Community House Ops	3,000	5,000	5,000	5,000
Transfer - Civic Center Debt	120,000	140,000	140,000	139,500
TOTAL - Hotel Motel	637,225	346,361	335,000	359,500





**FY 2013 PROPOSED BUDGET
DEBT SERVICE FUND**

From time to time, cities will often incur various amounts of debt to fund major capital expenses. Capital expenses are typically classified in one of two ways either they are assets that have a very large purchase price or a long life expectancy. The City of Center has incurred debt to pay for projects in both of these categories.

Why Debt?

In today's economic environment, there is a great debate over debt and its place in government operations. In short, debt to pay for daily governmental operations is irresponsible; this is a value that the leadership of the City of Center does not subscribe to. The responsible uses of debt to pay for items that will improve the quality of life in the City or to contribute to further economic and community development are, however, values that City leadership upholds.

The justification for issuing debt to make these purchases fall under a pay-as-you-use perspective. This view believes that future citizens who enjoy the use of certain infrastructure have an obligation to pay for it. For example, a family living in the City five years from now, should help pay for the improvements to the park where they take their children to play. The following sections will illustrate how the City of Center is being responsible with the debt it has issued and intends to issue.

Measures of Capacity – Peer Comparisons

Table 1 of this section provides a comparison of other cities in the East Texas region who have incurred certificate of obligation (CO) debt. Some of the cities are larger than Center, but most are of a comparable size. The table indicates that Center has one of the lowest levels of debt, a tax rate that is below the average of the comparison cities, an outstanding debt per capita ratio that is below the other cities and an outstanding debt to taxable value ratio that is below that of the comparison cities.

City	Population	Total Net Taxable	Gross Tax Rate	Total Certificates of Obligation	Outstanding CO Debt Per Capita	Outstanding CO Debt as % of Taxable Value
Nacogdoches	33,173	1,352,367,680	0.5690000	9,610,000	289.69	0.71%
Liberty	8,397	482,496,738	0.5900000	10,445,000	1,243.90	2.16%
Dayton	7,242	689,628,372	0.6304000	8,735,000	1,206.16	1.27%
Cleveland	8,053	320,261,606	0.6850000	7,170,000	890.35	2.24%
Vidor	11,440	287,694,350	0.7500000	7,360,000	643.36	2.56%
Jasper	7,657	272,894,161	0.6314000	7,335,000	957.95	2.69%
Atlanta	5,429	259,125,223	0.6600000	8,775,000	1,616.32	3.39%
Diboll	4,800	178,400,000	0.5663930	2,890,000	602.08	1.62%
Average	10,774	480,358,516	0.6352741	7,790,000	931.23	2.08%
Center	5,781	227,364,330	0.5000000	4,570,000	790.52	2.01%

Table 1 – Comparison of Center debt to other cities
Source: 2012 Texas Municipal League Annual Tax and Debt Survey



DEBT SERVICE FUND HIGHLIGHTS

Revenue

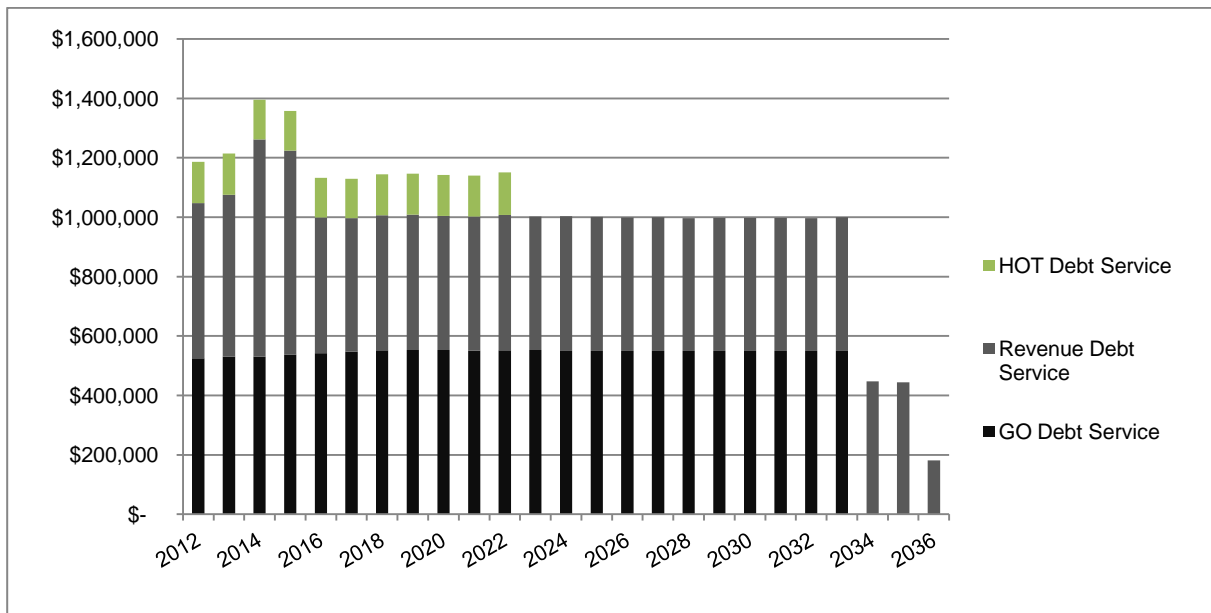
The proposed City tax rate is to remain at \$0.50 per \$100 of taxable value. However, the interest and sinking rate is projected to increase to \$0.255 and the maintenance and operation rate is projected to decrease to \$0.245. In other words, the City will be able to take on additional tax supported debt without having to raise the overall tax rate. The increases in sales tax revenue are being diverted to pay a larger share of the maintenance and operation of the City, thereby freeing up resources to pay additional annual debt service.

The inter-fund transfer from the water utility fund is projected to slightly increase to \$492,000 from \$460,000.

Finally, the inter-fund transfer from hotel occupancy tax receipts, which are to retire the debt from the construction of the Windham Civic Center, are projected to remain at last year’s budget levels.

Expenditures

Graph 1 of this section illustrates the total projected debt service.

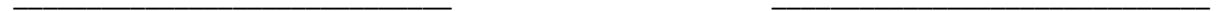


Graph 1 – Total existing debt service payments FY 2012 - 2023



**FY 2013 PROPOSED BUDGET
DEBT SERVICE FUND**

	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Revenue				
Taxes - Current Year	422,530	340,814	530,000	534,000
Interest - Debt Service	2,276	1,779	1,800	2,500
Interfund Transfers - Water	380,000	445,000	460,000	492,000
Interfund Transfers - Hotel/Motel	120,000	140,000	140,000	139,500
Total - Revenue	924,805	927,594	1,131,800	1,168,000
Expenditures				
Principal 1998 CO's	355,000	370,000	385,000	0
Principal 2003 CO's	35,000	35,000	40,000	40,000
Principal 2005 Refunding	140,000	145,000	150,000	0
Principal 2007 CO's	75,000	80,000	85,000	90,000
Principal 2011 Refunding	0	0	205,000	170,000
Principal 2011 CO's	0	0	0	85,000
Principal 2012 Refunding	0	0	0	429,000
Interest 2011 Refunding	0	0	0	27,400
Interest 2011 CO's	0	0	0	130,150
Interest 2012 CO's	0	0	0	40,730
Interest 2012 Refunding	0	0	0	19,765
Interest 1998 CO's	107,915	92,118	75,283	0
Interest 2003 CO's	87,591	85,666	83,741	81,541
Interest 2005 Refunding	61,855	56,868	51,668	0
Interest 2007 CO's	62,606	58,344	53,806	48,994
Annual Bank Agent Fees	2,254	2,254	2,275	4,625
Total - Expenditures	927,222	925,249	1,131,773	1,167,205





**CITY OF CENTER
FY 2013 PROPOSED BUDGET
CAPITAL IMPROVEMENT PROGRAM**

In FY 2012, the City approved a slate of projects for completion that would substantially enhance the quality of life in Center and make a significant investment into the sewer collection system.

Due to the unprecedented levels of sales tax revenues generated in FY 2011, the Council elected to shift more of the City operations' funding to sales tax revenue thereby freeing up resources from property taxes which could be employed to fund additional debt.

The funding of these projects came from two different sources. The City took on an additional \$4 million in Certificates of Obligation debt and the City was authorized by the Texas Water Development Board to issue \$2.3 million in revenue backed debt. In FY 2012, the City also restructured other debt instruments.

This section will explain each component project in detail and provide an update on each project, if available.

**CITY OF CENTER
CAPITAL IMPROVEMENT PROJECTS**

BUDGET SUMMARY

City Hall Renovations	\$391,500
Mini-Park Enhancements	545,000
Fannie Brown Booth Library Expansion	200,000
Community House Renovation	480,000
Downtown Landscaping	105,000
New Ladder Truck	585,000
TxDOT Sidewalk Match	250,000
Sidewalk Project	270,500
Center Park Expansion	1,173,000
SUBTOTAL – Tax supported bonds	\$4,000,000
Remainder Library Project	220,000
SUBTOTAL – Other Sources	\$220,000
Southside Sewer Expansion Project	\$2,283,000
SUBTOTAL – Utility supported bonds	\$2,283,000
TOTAL ALL PROJECTS	\$6,503,000



CLOSED AND COMPLETED PROJECTS

Projects completely finished in FY 2012 include: Purchase of new ladder truck, renovation to Mini-Park, the Center Park playground, and the development of the Downtown Streetscape Master Plan.

ANNUAL PROJECT EXPENDITURES

Project Name	Original Project Budget	FY 2012 - YTD
Mini Park	545,000	338,474
Ladder Truck	585,000	584,240
Downtown Streetscape	105,000	25,113
Center Park Playground	50,000	56,085
Sidewalk Project	270,500	11,100
Community House	480,000	9,125
Center Park Expansion	900,000	3,040
City Hall Renovation	391,500	110
TOTAL		1,027,286

FORTHCOMING PROJECTS

CITY HALL RENOVATIONS Project Budget **\$391,500**

This project would construct new city council chambers as an extension of the existing City Hall facility. Also proposed are some interior renovations to include additional office space, maximizing space to allow for storage, reface the front of the building, repaint the interior and repaint parts of the exterior. Also involved would be some work in the parking lot and sidewalks.

COMMUNITY HOUSE RENOVATION Project Budget **\$480,000**

The Community House facility is in dire need of renovation. This project would fund the cost of enhancements and renovations to the facility. The project was identified in the Parks Master Plan. The project would also pave the parking lot in front of the Community House.

DOWNTOWN STREETScape MASTER PLAN Project Budget **\$105,000**

This project was re-tasked to fund half the cost of developing the Center Downtown Streetscape Master Plan. The estimated cost of this project is approximately \$2.3 million. Funding alternatives are being explored.

TxDOT SIDEWALK AND TRAIL PROJECT Project Budget **\$250,000**

The City received a grant from TxDOT to construct a sidewalk and trail system to tie together the downtown square to some of the educational and retail areas of the City. This project would fund the City's match for the grant.



SIDEWALK PROJECT

Project Budget **\$270,500**

There are many old and non-functional sidewalks running through town. The City wishes to be more pedestrian-friendly and to promote walkability round town. Overall, the sidewalk project will allow for pedestrian traffic to move safely off the street and link together different parts of the City. There are many sections of sidewalk in these three areas that simply need reconstruction. These three sidewalks are also included in the Parks Master Plan as part of a larger city wide trail system.

Proposed sidewalks

Library to Timpson Street – 3,500 linear feet

Community House to Downtown – 1,200 linear feet

MLK Drive to Downtown – 3,500 linear feet

PARK EXPANSIONS

Remaining Project Budget **\$1,123,000**

The City is currently in negotiations with a landowner for the purchase of land. This land would allow for the expansion of athletic fields and amenities, as outlined in the Parks Master Plan. This expansion would allow for the construction of three softball fields, concession and restroom facilities, and one playground area. This project would also fund improvements at Perry Sampson Park, such as cover the basketball courts, repair the lights, and improve the entrance area. Finally, this project would also retask Community Park to provide football, soccer, and practice fields where softball fields currently are located.

FANNIE BROWN BOOTH MEMORIAL LIBRARY EXPANSION Project Budget **\$420,000**

This project would seek to fund an expansion of the Fannie Brown Booth Library. IRS tax regulations stipulate that only 5% of tax exempt bond proceeds can be used on a private use (i.e. independent library with exclusive building use) project. Therefore, at most \$200,000 of the project is eligible to be paid from the Series 2012 bond issuance. The remaining project cost would have to be financed from other sources.

SOUTHSIDE SEWER EXPANSION PROJECT

Project Budget **\$2,283,000**

The City currently operates and maintains a total of 11 lift stations arranged throughout the City. This project would reorient some of the sewer collection system and lay some additional sewer lines to provide sewer service to additional areas. A new lift station would be constructed at one of the lowest parts of the area. The lift station would then pump the wastewater across to the existing treatment plant. This work would eliminate most of the lift stations in the City's system.





**FY 2013 PROPOSED BUDGET
CENTER ECONOMIC DEVELOPMENT CORPORATIONS**

FUND NARRATIVE

The City of Center operates two distinct economic development corporations, a 4A and a 4B corporation as identified by Chapter 342 of the Texas Government Code. The 4B corporation is dedicated to using sales tax revenue to reconstruct and rehabilitate City streets and thoroughfares. The 4A corporation is more of the traditional economic development corporation in that it helps fund projects to locate and expand industry. The 4B EDC collects a ½ cent sales tax on all taxable purchases inside of the City, and the 4A EDC collects a ¼ cent tax.

4A ECONOMIC DEVELOPMENT CORPORATION

In 1996, the voters in Center adopted a resolution authorizing the creation of a 5-member EDC Board, which is appointed by the City Council.

In FY 2009, the 4A EDC agreed to provide the funding to create a Tax Increment Financing District (TIF) to pay for the construction of Civic Center Drive. The TIF borrowed the money from the EDC, and this infrastructure development was meant to create more developable area around the new Civic Center. The additional tax generated from increased values is directed to repaying the EDC. This is reflected as a payable due from the TIF.

Many years ago, the City agreed to set aside \$1 million to be applied as match for the Loop 500 extension project from SH7 East to US Hwy 96 North. It is anticipated that the extension of the Loop will allow additional land to be developed for industrial and commercial use. The EDC released those funds during FY 2012 and construction of the Loop is scheduled to begin in Fall 2012.

The EDC entered into an agreement with a private developer to provide assistance for infrastructure construction in a private industrial park based on job creation. The final payment is scheduled to be made in FY 2013.

The EDC has also provided the funding for sewer service extension in the northeast part of the City and along SH 87 South, in conjunction with the new energy industry-related development in that area. The EDC provided some assistance in the past years for hotel development. The EDC helped to underwrite the cost of the annual East Texas Energy Expo.

Finally, the EDC makes payments to the City to offset the costs of administration and staff services.

4B ECONOMIC DEVELOPMENT CORPORATION

The Street EDC makes annual debt payments in conjunction with a Series 1997 bond, which was used to resurface many streets in Center. This debt was fully retired in FY 2012.

In the FY 2012 Budget, the Street EDC provided the match for the Community Development Block Grant to pave almost all remaining dirt and gravel streets in Center. There is also in excess of \$600,000 dedicated to the annual street maintenance program.

Finally, the Street EDC makes payments to the City to offset the costs of administration and staff services.



**FY 2013 PROPOSED BUDGET
4A ECONOMIC DEVELOPMENT CORPORATION**

	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Proposed Budget
Fund Balance from Prior Year	1,957,859	1,293,960	1,674,484	842,643
REVENUE				
Sales Tax Collection	477,075	462,500	454,500	443,750
Interest Earnings	25,325	12,000	0	12,000
TIF Note Payments (P&I)	0	20,000	27,520	27,520
Other Income	0	0	0	0
TOTAL REVENUE & FUND BALANCE	2,460,259	1,788,460	2,156,504	1,325,913
EXPENDITURES				
Payroll	39,083	42,500	42,500	42,500
Supplies	191	100	200	250
Contractual	13,690	13,050	11,050	13,550
Sundry	10,852	5,500	6,490	4,750
Promotions	7,299	1,000	19,293	19,500
Projects & Commitments				
Anticipated Development Assistance	0	300,000	59,620	250,000
Hwy 7/ Loop 500 Industrial Park	151,970	100,000	92,252	10,000
Bell Supply Rebate Agreement	2,643	0	25,917	15,000
Cline Clinic Development Assistance	0	0	0	45,000
Austin Street Development Assistance	0	0	49,540	0
Tyson Expansion Project	100,000	0	0	20,000
Industrial Development Hwy 87 & Loop 500	435,763	0	0	0
Hampton Street	13,242	0	0	0
Industrial Intersection Improvements	0	0	0	22,000
Loop 500 Project – TxDOT	0	0	1,000,000	0
Project Engineering	11,042	0	7,000	10,000
TOTAL EXPENSES & COMMITMENTS	785,775	462,150	1,313,862	452,550
Revenues Over/(Under) Expenditures	(283,375)	32,350	(831,842)	30,720
ENDING FUND BALANCE	1,674,484	1,326,310	842,643	873,363
Loop 500 - Dedicated Funds	1,000,000	1,000,000	0	0
Due from TIF Note	409,427	394,190	394,190	378,496
Fund Balance after Payable/Receivable	1,083,912	720,500	1,236,833	1,251,859



**FY 2013 PROPOSED BUDGET
4B ECONOMIC DEVELOPMENT CORPORATION**

	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Proposed Budget
Investments & Cash	304,680	370,545	655,205	585,018
Reserved Funds	175,000	175,000	0	0
<u>BEGINNING FUND BALANCE</u>	479,680	545,545	655,205	585,018
REVENUE				
Sales Tax Collection	954,151	925,000	895,000	887,500
Interest Earnings	3,716	4,500	3,450	2,500
ANNUAL REVENUE	957,867	929,500	898,450	892,500
EXPENDITURES				
Administration	10,000	10,000	10,000	10,000
Supplies	95	100	150	100
Contractual	1,050	1,050	1,050	1,050
Sundry	2,500	2,250	2,650	3,000
Debt Service	165,083	279,585	279,908	0
Projects & Commitments				
2012 Street Program	0	0	0	480,000
2012 Downtown Program	0	0	0	50,000
2012 New Street Construction	0	0	0	140,000
Rough Rider Reconstruction	0	0	0	300,000
2011 Grant Match – Dirt/Gravel	0	150,000	115,063	0
2011 Street Program	0	450,000	532,316	0
2010 Street Program	580,930	0	0	0
Engineering and Design	22,684	30,000	27,500	30,000
TOTAL EXPENSES	782,342	922,985	968,637	1,014,150
<u>NET GAIN (LOSS)</u>	175,525	6,515	(70,187)	(124,150)
<u>ENDING FUND BALANCE</u>	655,205	552,060	585,018	460,868





BUDGET GLOSSARY

Account number: A code made up of numbers used to classify how specific dollar amount are categorized as revenue or expenditures. Typically, similar revenues or expenditures are classified into the same account

Accounting system: The methods and records established to identify, assemble, analyze, classify, record and report the City's transactions and to maintain accountability for the related assets and liabilities.

Accounts payable: A short term (one year or less) liability reflecting amounts owed for goods and services received by the City.

Accounts receivable: An asset reflecting amounts due from other entities for goods and services provided by the City.

Accrual accounting: A system of accounting in which revenues and expenses are recorded at the time they occur, rather than the time cash is received or expensed by the City.

Ad Valorem taxes: Also known as property taxes, the taxes levied on all real and certain personal property according to the assessed value of the property and the established tax rate.

Appropriation: An authorization made by the City Council which permits the City staff to make expenditures and incur financial obligations.

Asset: The resources and property of the City that can be used or applied to cover liabilities.

Audit: An examination of the City's financial accounts and records. The City is required by law to have an audit completed each year by an independent certified public accountant.

Bond: A written promise to pay a specified amount of money (the principal) at a specified date or dates in time (maturity dates) and carrying interest at a specified rate. The most common form of bonds are general obligation bonds and certificates of obligation. Bonds are usually used to fund large construction projects that have a long life span and/or are too expensive for the City to pay for with cash. Some examples are public buildings, water and sewer infrastructure, and streets.

Bonded debt: The portion of indebtedness represented by unpaid bonds. Or, the amount of principal on all bonds issued by the City.

Budget: A financial plan for a specified period of time (the fiscal year for the City) that includes an estimate of proposed revenues, and estimate of anticipated expenditures, and an analysis of the undedicated fund balance.

Capital Improvements: Expenditures for the construction, purchase or renovation of City facilities or property, usually those projects which have a lifespan of greater than five to seven years.

Capital outlay: Expenditures resulting in the acquisition of or addition to the City's fixed assets.

Cash: Currency on hand and demand deposits with banks and other financial institutions.

Cash basis: A method of accounting in which transactions are recorded when cash is received or disbursed.



Certificates of Obligation (CO): A form of bond used to finance capital improvement projects or purchases. CO's are backed by the full faith and credit of the government issuing them. CO's can be issued by a vote of the City Council and are not necessarily voter approved.

Current taxes: Taxes that are levied and due within the ensuing fiscal year.

Debt service fund: A fund established to account for funds needed to make principal and interest payments on outstanding bonds.

Debt service requirements: The amount of money required to pay interest and principal on outstanding bonds. Sometimes the bond covenants (terms of the bond) may require special requirements such as cash reserves in the debt service fund.

Delinquent taxes – Property taxes remaining unpaid after the due date. Delinquent taxes incur penalties and interest at rates specified by law.

Department – A functional group of the City with related activities aimed at accomplishing a major City service or program.

Depreciation: The proration of the cost of a fixed asset over the estimated service life of the asset. Each period is charged with a portion of such cost, and through this process, the entire cost of the asset is ultimately charged off as an expense.

Effective tax rate: The rate that produces the same amount of property tax revenues compared to the prior year. Based on the total property valuation for the City and how much property tax was levied, the rate is determined by the laws of the State of Texas.

Encumbrance: The commitment of appropriated funds to purchase an item or service. Once an encumbrance is made, a purchase order is issued for the expenditure.

Enterprise fund: See proprietary fund.

Expense: Charges incurred, whether paid or unpaid, for operation, maintenance, interest and other charges which are made within the current fiscal year.

Equity: The difference between assets and liabilities of the fund.

Fiscal year (period): The time period designated by the City signifying the beginning and ending period for recording of financial transactions of the City. The City of Center's fiscal year begins on October 1 of each year and ends on September 30 of the following year.

Fixed assets: Assets of a long term character which are intended to be held or used, such as land, buildings, machinery, furniture and equipment.

Fund: A separate fiscal and accounting entity with their own resources and budgets necessary to carry out specific duties or programs to accomplish certain objectives.

Fund balance: The difference between fund assets and fund liabilities of government and trust funds. Fund balance for general fund usually equates to available cash. In essence, it is the City's cash reserve.



General fund: The largest fund within the City. It accounts for all resources except those that are required to be in a special fund. The general fund contains the activities commonly associated with municipal government, such as police, fire, streets, and parks.

General obligation bonds: Bonds that finance a variety of public capital improvement projects. The repayment of these bonds are typically pledged against property tax revenues. They are backed by the full faith and credit of the City. Voters must approve the issuance of general obligation bonds through a special called bond election.

Grant: Contributions or gifts of cash or other assets from another government to be used for a specific purpose, activity, or facility.

Infrastructure: Long term capital assets that normally are stationary in nature (fixed as compared to rolling stock) and can be preserved for a great number of years. Examples include water and sewer lines, roads, bridges, buildings, etc.

Inter-fund transfers: An amount of money transferred from one fund to another fund. For example, transferring money from the utility enterprise fund to the general fund.

Intergovernmental revenue: Revenues received from another governmental entity, such as county, state or federal governments.

Machinery and equipment: Property that does not lose its identify when removed from its location and is not changed materially or consumed immediately by use.

Maintenance: The act of keeping assets in a state of good repair. It includes preventative maintenance, normal periodic repairs, part replacement and so forth so that it continues to provide normal service.

Mission: The basic purpose of a department, the reason for its existence, what the department aims to accomplish.

Operating budget: Plans of current expenditures and the proposed means of financing them. The annual operating budget is the primary means by which most of the financing activities of the City are controlled.

Operating expense: Proprietary fund expenses related directly to the Fund's primary activities.

Operating income: The excess of proprietary fund operating revenues over operating expenses.

Operating revenues: Proprietary fund revenues directly related to the fund's primary activities. They consist primarily of user charges for goods and services.

Ordinance: A formal legislative enactment by the Center City Council.

Principal: The face value of a bond, payable on stated dates of maturity.

Property taxes: See Ad Valorem taxes.

Proprietary fund: Also referred to as an Enterprise Fund. A governmental accounting fund in which the services provided, such as water and sewer service, are financed and operated similarly to those in a private business. The intent is that the costs of providing these services be recovered through user charges.



Refunding: The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (advanced refunding).

Resolution: A special or temporary order of the Center City Council. Requires less formality than an ordinance and does not carry with it the force of law.

Revenue bonds: Bonds whose principal and interest are payable exclusively from earnings of a proprietary fund.

Special revenue fund: Accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Taxable value: The assessed value of property less any exemptions available on that specific property. The tax rate is applied to the taxable value to calculate a total tax levy.

Tax base: The total taxable value of all real and personal property in the City as of January 1 of each year as certified by the Shelby Central Appraisal District, less any exemptions.

Tax levy: The resulting product when the tax rate per one hundred dollars is multiplied by the tax base.

Tax rate: The amount of tax levied for each \$100 of taxable value.

TML: The Texas Municipal League is a voluntary coalition of Texas municipalities created for the purpose of furthering and enhancing causes of mutual interest to Texas cities. The League offers educational and training opportunities, legislative activities and legal advisement to its members. Additionally, the League has intergovernmental risk pools that offer insurance coverage.

TMRS: The Texas Municipal Retirement System provides retirement plans to its member cities. Each city selects its own plan and its contributions are computed on each individual city's plan and actuarial information.

User charges: The payment of a fee for direct receipt of a public service by the party benefiting from the service, such as water and sewer fees.



APPENDIX A

DEBT MANAGEMENT POLICY

INTRODUCTION

The purpose of this policy is to ensure that the City of Center is responsible with the debt it issues and with future debt; that it maintains sufficient amounts of financial reserves to meet its debt service obligations; and, that the City can fund long range capital projects.

By adopting this policy, the Center City Council agrees that some long-range projects should be funded by means of debt. Certain capital projects have a cost which exceeds the ability of the City to save funds and then pay cash. Inflationary costs may push the cost of the project up to a point where it is more financially feasible to pay for the project in current rather than future dollars. Also, the project may be needed in the short term, which precludes the option of saving and then paying cash. Finally, the financial burden of some projects should be borne by those individuals who are receiving the benefit of the project.

POLICY

The City may authorize Certificate of Obligation (CO) bonds in the amount necessary to purchase capital items or fund capital projects.

The City shall issue debt when the use of debt is appropriate and specifically approved by the Center City Council and expenditure of such debt proceeds shall be in strict accordance with the designated purpose.

In no case shall the term of issued debt be longer than a period of 20 years. If the debt issue is for a single project, the term of the debt shall be no longer than the expected life of the project.

Long term debt shall not be used to finance current operations. Long term debt may also not be used to pay personnel costs related to the project management associated with the debt issuance.

The Center City Council shall exhibit a willingness to raise the necessary revenue to fully fund the current year's annual debt service payment.

In the budgetary process, the City Council shall ensure that all debt instruments will be properly funded in accordance with the appropriate bond covenants.

For revenue or tax and revenue supported debt, if system revenues are actually on deposit in the Interest and Sinking Fund prior to the time when ad valorem taxes are levied, then the amount of ad valorem taxes which otherwise would have been required to be levied may be reduced to the extent and by the amount of revenue on deposit in the Interest and Sinking fund.

Debt Limitations

At no time shall the total general fund debt obligation of the City of Center exceed 4% of the total taxable value of property inside the Center City Limits.

In regards to Utility System debt, revenue backed debt may only be issued to fund utility system improvements only when:

1. The benefit is for the overall system, such as water treatment plants, wastewater treatment plants, or means to secure additional water supplies.



-
2. The proposed project can demonstrate the capability to support the debt service payments.
 3. The project will finance utility extensions to areas where the City has desired to annex property. At that point, the City may consider Combination Tax and Revenue Bonds.

Annual contributions to the debt service fund shall not exceed 20% of the total general fund or utility fund expenditure budget.

Debt may be used to finance improvements to extend service life of original capital improvements under the following conditions:

1. The original improvement is at or near the end of its expected service life.
2. The improvement extends the service life by at least 1/3 of the original service life.
3. The life of the financing is shorter than the life of the betterment.

Tax Rate

The City will maintain an overall tax rate at or below regional comparison cities. The Maintenance and Operations (M&O) tax rate and the Interest and Sinking (I&S) tax rate will remain relatively balanced.

Debt Structuring

The City will generally issue debt for a term not to exceed 20 years. In no case shall the term exceed the planned life of the asset purchased. The repayment schedule shall approximate level debt service unless operational matters or emergency situations dictate otherwise or if market conditions indicate a significant potential savings.

Bond Insurance

The City staff will analyze whether the cost of bond insurance outweighs the additional interest cost without bond insurance. The City staff shall recommend which approach saves the City the most in interest payment costs.

Disclosure

Full disclosure of economic conditions and operations shall be made to the bond rating agencies and other consumers of financial information. The City staff with the assistance of the financial advisor and bond counsel, shall prepare the necessary materials for presentation to the rating agencies, and shall aid in the production of Offering Statements.

The City will maintain communication with the financial advisor, bond counsel, and ratings agencies. The City will follow a policy of full disclosure in every financial report and official bond statement.

Debt Refinancing

It is incumbent upon the City Council to be good stewards of taxpayer and customer money. As such, it is the responsibility of the City Council and City Management to save as much money as possible on debt service payments. The Council may authorize the refinancing of debt when:

1. The debt instrument is eligible for refinance.
2. The interest rate will be lower than the current interest rate.
3. The City will realize substantial net savings compared to the existing debt instrument.
4. The refinance will not extend the life of the debt.



Capital Projects

The City will not engage in proposing additional capital projects, which would include incurring additional debt, until all projects in a debt issuance have been completed or will be completed within 3 months of debt package proposal.

Federal Requirements

The City will maintain procedures to comply with arbitrage rebate and other Federal requirements.



APPENDIX B
CITY FUND BALANCE POLICY

The City of Center recognizes the importance of maintaining an appropriate level of Unassigned Fund Balance. After evaluating the City's operating characteristics, diversity of tax base, reliability of non-property tax revenue sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk, and other contingent issues, the City establishes the following goals regarding the Unassigned Fund Balance of the General Fund for the City of Center, Texas.

The level of fund balance that the City strives to maintain as unassigned is an amount equal to approximately 25% of the City's General Fund Budget, i.e., an amount equal to approximately 3 (three) months of operating expenses from the current operating budget.

Once the City achieves its goal of an appropriate level of Unassigned Fund Balance, any excess funds may be utilized for other municipal fiscal purposes, including without limitation, additional capital improvement needs or tax rate stabilization or reduction purposes. For example, by applying excess fund balances towards payment of capital improvement expenses, the City will reduce the need to incur long-term debt and will avoid creating an operating funding gap for subsequent fiscal years.

This policy has been adopted by the City to recognize the financial importance of a stable and sufficient level of the Unassigned Fund Balance. However, the City, reserves the right to appropriate funds from the Unassigned Fund Balance for emergencies and other unanticipated requirements the City believes to be in the best interest of the City.



APPENDIX C INVESTMENT POLICY

INTRODUCTION

The purpose of this document is the investment policy and strategy for the City of Center in order to achieve the goals of safety, liquidity, yield, and public trust for all investment activity. The City Council of the City of Center shall review and adopt its investment strategies and the Policy not less than annually. This policy serves to satisfy the statutory requirement (specifically the Public Funds Investment Act, Texas Government Code 2256 (the "Act")) to define, adopt, and review a formal investment strategy and policy.

INVESTMENT STRATEGY

The City of Center maintains portfolios which utilize four specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios.

Investment strategies for operating funds and co-mingled pools containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. The dollar weighted average maturity of 6 months or less will be calculated using the stated final maturity date of each security.

Investment strategies for debt service funds shall have as their primary objective the assurance of investment liquidity adequate to cover the debt service obligations on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date and the next debt service date shall be fully funded before extensions are made. The maximum WAM shall be 9 months.

Investment strategies for debt service reserve funds shall have as their primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Securities should be of high credit quality and, except as may be required by the bond ordinance specific to an individual issue, of short to intermediate term maturities. The maximum WAM shall not exceed 9 months.

Investment strategies for special projects or special purpose fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date.

INVESTMENT POLICY

SCOPE

The investment policy applies to all financial assets of the City of Center. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund
- Special Revenue Fund
- Capital Project Fund
- Enterprise Funds
- Trust and Agency Funds
- Other funds as created from time to time

OBJECTIVES

The City of Center shall manage and invest its cash with four objectives, listed in order of priority: Safety, Liquidity, Yield, and Public Trust. The preservation of capital always remains the primary objective. All investments shall be designated and managed in a manner responsive to the public trust and consistent with State and Local law. (Public Funds Investment Act, Texas Government Code 2256.)



SAFETY

The primary objective of the City's investment activity is the preservation of capital in the overall portfolio. Each investment transaction shall be conducted in a manner to avoid capital losses, whether they be from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

LIQUIDITY

The City's investment portfolio shall be structured such that the City is able to meet all obligations in a timely manner. This shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

YIELD

The City's cash management portfolio shall be designed with the objective of regularly exceeding the average rate of return on three month U.S. Treasury Bills. The investment program shall seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment policies.

PUBLIC TRUST

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction which might impair public confidence in the City's ability to govern effectively.

RESPONSIBILITY AND CONTROL

FINANCE COMMITTEE

A Finance Committee, consisting of appointments by the City of Center Council shall review operational strategies and monitor results. The Finance Committee shall include in its deliberation such topics as: performance reports, economic outlook, portfolio diversification, maturity structure, potential risk to the City's funds and authorized brokers and dealers.

DELEGATION OF AUTHORITY AND TRAINING

The authority to manage the City's investment program is derived from a resolution of the City Council. The Director of Finance is designated as investment officer of the City and is responsible for investment decisions and activities. The City Manager is designated as investment officer in the same capacity as the Finance Director in the event the Finance Director is not available or needs assistance. The Director of Finance shall establish written procedures for the operation of the investment program, consistent with this Investment Policy. The investment officers shall attend at least one training session of 10 hours relating to the officer's responsibility under the Act within 12 months after assuming duties and every succeeding two-year period.

INTERNAL CONTROLS

The Director of Finance is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Director of Finance shall establish a process for annual independent reviews by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- A. Control of collusion.
- B. Separation of transaction authority from accounting to record keeping.



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- C. Custodial safekeeping.
 - D. Electronic transfer of funds and securities.
 - E. Clear delegation of authority to subordinate staff members.
 - F. Written confirmation for telephone (voice) transaction for investments and wire transfers.
 - G. Execution of a wire transfer agreement with the depository bank or third party custodian.

PRUDENCE

The standard of prudence to be applied by the investment officer shall be the “prudent investor” rule, which states: “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probably safety of their capital as well as the probable income to be derived.” In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration.

- A. The investment of all funds, or funds under the City’s control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment.
- B. Whether the investment decision was consistent with the written investment policy of the City.

The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally liable for a specific security’s credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

City staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. City staff shall disclose to the City Manager any material financial interests in financial institutions that conduct business with the City and they shall further disclose positions that could be related to the performance of the City’s portfolio. City staff shall subordinate their personal financial transactions to those of the City, particularly with regard to timing of purchases and sales.

An investment officer of the City who has a personal relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.

REPORTING

QUARTERLY REPORTING

The Director of Finance shall submit a signed quarterly investment report that summarizes current market conditions, economic developments and anticipated investment conditions. The report shall summarize investment strategies employed in the most recent quarter, and describe the portfolio in terms of investment securities, maturities, risk characteristics and shall explain the total investment return for the quarter. The report shall be signed by all investment officers.

ANNUAL REPORT

Within 60 days of the end of the fiscal year, the Director of Finance shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the City Manager and City Council.



The quarterly investment report shall include detail and a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the City Manager and City Council. The report will include the following:

- A. A listing of individual securities held at the end of the reporting period.
- B. The beginning and ending amortized book and market value of securities for the period.
- C. Average weighted yield to maturity of portfolio on investments as compared to the benchmark for the overall portfolio, which shall be the period coverage yield of the three month U.S. Treasury Bill.
- D. Additions and changes to the market value during the period.
- E. Listing of investments by market sector and maturity date.
- F. The percentage of the total portfolio which each type of investment represents.
- G. Statement of compliance of the City's investment portfolio with State Law and the investment strategy and policy approved by the City Council.
- H. Unrealized gain/loss on the portfolio (market value vs. book value).
- I. Diversification by maturity and market sector.

INVESTMENT PORTFOLIO

ACTIVE PORTFOLIO MANAGEMENT

The City shall pursue an active versus a passive portfolio management philosophy. This is, securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the trade. The investment officer will routinely monitor the contents of the portfolio, the available markets, and the relative value of competing instruments, and will make investment decisions and adjust the portfolio accordingly.

INVESTMENTS

Assets of the City of Center may be invested in the following instruments. At no time shall assets of the City be invested in any transaction or security not authorized for investment under the Act, as the Act may be amended from time to time.

Authorized

- A. Obligations of the United States of America, its agencies and instrumentalities with a maximum maturity of two years.
- B. Direct obligations of the State of Texas and agencies thereof with a maximum maturity of 3 years.
- C. Obligations of the States, agencies thereof, counties, cities and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than an "A" or its equivalent with a maximum maturity of 1 year.
- D. Certificates of Deposit of state and national banks doing business in Texas, guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations described in A through D above, which are intended to include all direct agency or



instrumentality issued mortgage backed securities rated AAA by a nationally recognized rating agency, and that have a market value of not less than the principal amount and accrued interest on the certificates.

- E. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities safekept with an independent third party, selected by the Director of Finance and/or City Manager. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank doing business in Texas.
- F. AAA rated constant dollar public fund investment pools meeting the requirements of Texas Government Code 016-2356.019.

Securities added to the Act shall not be authorized for City until this Policy is amended and adopted.

All securities will be obtained on a competitive bid basis.

Not Authorized

The City's authorized investment options are more restrictive than those allowed by State Law. State law specifically prohibits investment in the following investment securities.

- A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage backed security collateral and pays no principal.
- B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage backed security collateral and bears no interest (Principally only MBS).
- C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
- D. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index (Inverse floater MBS).

HOLDING PERIOD

The City of Center intends to match the maturity of investments with liquidity needs of the City. In no case will the average maturity of investments of the City's operating funds exceed 6 months. The maximum final stated maturity of any investment shall not exceed three years.

RISK AND DIVERSIFICATION

The City of Center recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification which shall be achieved by the following general guidelines.

- A. Risk of issuer default is controlled by limiting investments to high credit quality securities allowed by the Act, which are described herein.
- B. Risk of market price changes shall be controlled by avoiding over-concentration of assets in a specific maturity sector, limitation of average maturity of operating funds investments to 6 months, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities and Insured or Collateralized Certificates of Deposits.

