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September 1, 2014

Dear Center Resident:

Welcome to the City of Center financial plan and budget for fiscal year 2015. We expect this document will provide significant information in an easy to read and understand format. I know that the City staff has worked 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 accomplishes 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 the general direction for the City. Finally, the budget is an operations guide, providing insight into what services the City departments provide and how they accomplish those tasks.

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 into the community in areas such as public safety, 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 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





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Date: August 15, 2014  
To: Mayor, City Council Members and Residents of Center  
From: Chad D. Nehring, City Manager  
Subject: FY 2015 Budget Transmittal Letter

#### GENERAL COMMENTS ON FY 2015 BUDGET

As anticipated last year, the continued growth and expansion of the energy industry has not continued. While the City continues to see new development, particularly retail and service-oriented, revenues have continued to recede over the last two years. After record sales tax receipts three years ago, retail sales are correcting and reverting to 2009-2010 levels. This is now the third consecutive year taxable values have increased within the City as a result of the building activity during the peak of the energy industry expansions and recent annexation policy. The City has continued to experience modest additional development and major value increase from annexed properties. The growth and economic increases during the last several years have allowed the Council and staff to focus on major infrastructure spending, explore sustainable community growth opportunities, and improve programs and services while reducing growth of operational costs.

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, particularly during a time of great fluctuation in sales tax revenues, insures funding of planned minimum service levels throughout the year and minimizes future needs for drastic budgetary adjustments.

The Council's underlying budget philosophies which provided direction on budget creation can be found on Page 23.

#### REVENUES

Revenues of the General Fund consist of many different sources projected to generate \$5,426,750 in FY 2015. This represents a slight increase (less than 1%) in total revenues from FY 2014. Most notable are the declines in budgeted sales tax revenues as well as the reallocation of property tax from debt to maintenance and operations.



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Revenue Category	FY 2015 Proposed Budget Revenue	Percent of Budget
Property Taxes	874,000	16.1
Sales Taxes	1,844,050	34.0
Sanitation Charges	1,310,600	24.1
Franchise Fees	445,000	8.2
Law Enforcement	207,800	3.8
Transfers	480,000	8.9
Airport Revenues	196,200	3.6
Interest Earnings	2,500	0.05
Grants	4,000	0.07
Permits	8,450	0.16
Miscellaneous	2,100	0.04
Usage Fees	52,050	0.96

### Sales Tax

The largest source of general fund revenues is 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 26. Combined sales tax receipts are budgeted at \$2,950,000, identical to FY 2014 estimated receipts. Remaining conservative with these projections allows for adjustments to operations and capital expenditures deemed necessary through the year.

### Property Tax

Ad valorem appraised values slightly increased this year with additional value from new construction, tax abatement agreements beginning to expire and newly annexed properties. In spite of appraised value increases, the total taxable value declined slightly. The filed version of the budget projects the property tax rate of \$0.53000/\$100, which is slightly higher than the effective tax rate of \$0.510418. Please review the table on Page 30 for comparative tax rates of similar cities.

For additional information on property tax revenues, including the Maintenance and Operation/Interest and Sinking rate split, taxable and appraised values, the relationship between sales tax and property tax revenues, comparative property tax rates, and a sample resident's tax bill please examine the section beginning on Page 28.

Warranting special attention is a recent trend with the City's appraised values versus the adjusted taxable values. The City's tax base is not affected, unlike other taxing entities, by volatile mineral values. The City's adjusted taxable value fluctuates based on changes to existing improvements (appreciation or depreciation). In most years, this aging or depreciation is offset by new construction,



property appreciation, 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	0.60410	151,844,181	0.586514	148,489,667
2004	0.56210	169,059,857	0.545751	167,738,527
2005	0.53675	183,209,901	0.521121	188,650,972
2006	0.53600	189,050,972	0.541534	186,838,082
2007	0.52330	199,725,654	0.523367	199,429,040
2008	0.50870	212,508,699	0.508798	212,253,207
2009	0.47600	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	0.50000	225,067,201	0.51024	214,032,398
2013	0.51000	276,756,657	0.510048	241,653,359
2014	0.500000	279,996,022	0.497781	263,443,994
2015	0.53000	283,665,362	0.510418	262,257,968

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 apparent with the adjusted taxable value differing significantly from total appraised value. It is further evidenced by the effective tax rate continuing to be very near 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 was growing rapidly with property values steadily increasing. With economic trends and indicators reflecting tightening fiscal conditions, it is recommended the Council revisit the fiscal policy of reducing reliance on property taxes. For more information on the TIRZ District #1, please reference Page 94.

#### Solid Waste Revenues

The current solid waste service contract with Republic Waste was renewed four years ago and remains in effect through June 2015. Contractor rate adjustments were presented in the FY 2013 Budget, in accordance with the contract for services in the amount of 1.2% but were not requested for FY 2014 nor FY 2015. Thus no customer rate adjustments are projected for this budget.



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### Utility Fund Revenues

Revenues are estimated to increase 6% from the FY 2014 budget. While most of this decline is from projected sales volume decreases, the revenue reduction is minimized by projected rate increases for this fiscal year. Utility rate increases are recommended to insure sufficient income for sewer operations and debt payment coverage. 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. The age of the system in combination with the extreme pressures placed on it since the 2011 drought continue to generate demands for major maintenance items and annual equipment replacement.

Please reference Page 63 in the budget for more information about water consumption and a comparison of utility rates on Page 64.

### EXPENDITURES

The greatest challenge to budgeting is providing consistent levels of service and improvements without increasing expenditures disproportionately to revenues. Fuel and utility costs have increased and personnel expenses continue to grow. This year staff worked hard to decrease budgeted expenses in recognition of continued declining revenues.

#### 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 to 54% of General Fund expenses and 31% of Utility Fund expenses. The proposed budget maintains current employee benefits with the health insurance plan meeting budget allocations and a COLA of 2%.

Further in the budget document, one can find an Organizational Chart (Page 17) a Staffing Chart (Page 18). Personnel cost summaries and prior year actual expenses are listed on the Expenditure Overview on Page 37. Additionally, personnel costs are highlighted for each department on their individual pages.



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## Utility Fund Expenses

Transfer expenses to the General Fund and I&S (Debt) 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 only a 3.5% decrease of the cost to operate the City's utility. This year's budget, however, reverts to the historic practice of deferring major maintenance and capital upgrades to minimize rate increases and balance expenditures with revenue projections. Some critical items are continuing to show signs of maintenance need and this budget submittal establishes some resources to address the most pressing of those demands.

## DEBT SERVICE

The City's debt service is similar to last fiscal year and the projected debt service requirements for FY 2015 are \$1,117,425. 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, reference the Debt section starting on Page 87.

## 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, excepting periodic upgrades or special projects approved by Council.

## 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 83 for more information.

## CLOSING COMMENTS

The City is striving to continue to improve both infrastructure and service delivery to the tax payers and our utility customers. This budget reflects those desires and goals and continues to build on past successes without jeopardizing future growth and opportunities. Fund balances are near goals and



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debt levels are reasonable despite significant expenditures from debt issuances and fund balances for the Civic Center, public facilities, fire apparatus acquisition 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. Priorities used to define budget development include:

- Stabilization of tax rate and decreased reliance on volatile sales tax revenues;
- Completion of 2012-2014 Capital Improvements Program projects;
- Optimization of utility rates and decreasing subsidy of sewer operations;
- Maintaining personnel benefits to attract and retain qualified employees;
- Service levels to provide for the operation and maintenance of park enhancements;
- Maintenance of major assets including public facilities;
- Enhancement 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.



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## **FY 2015 BUDGET PROFILE OF CENTER, TEXAS**

Although the FY 2015 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, work and do 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 boards and commissions, and determining the general 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.



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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 is intended to 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.

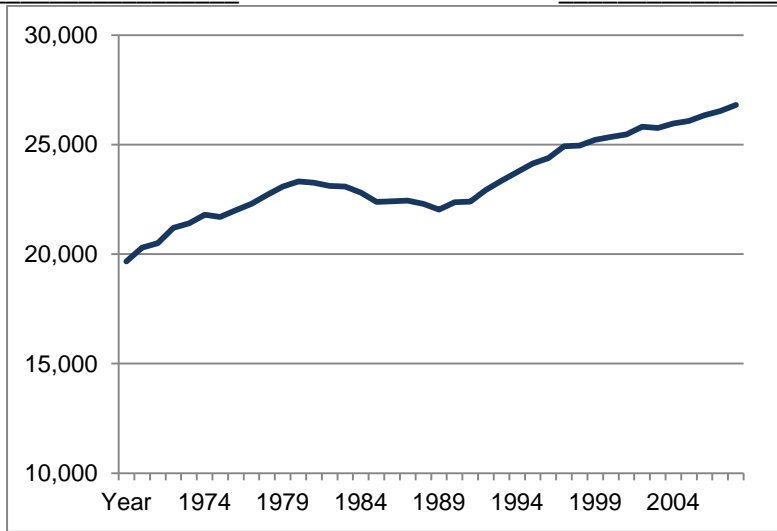
The economy of Center has evolved through four distinct stages. The first stage was cotton; Center boasted a number of cotton gins. Cotton production eventually was superseded by timber production; there were two pulpwood mills located in the city. In the 1950's the poultry industry was introduced in 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.

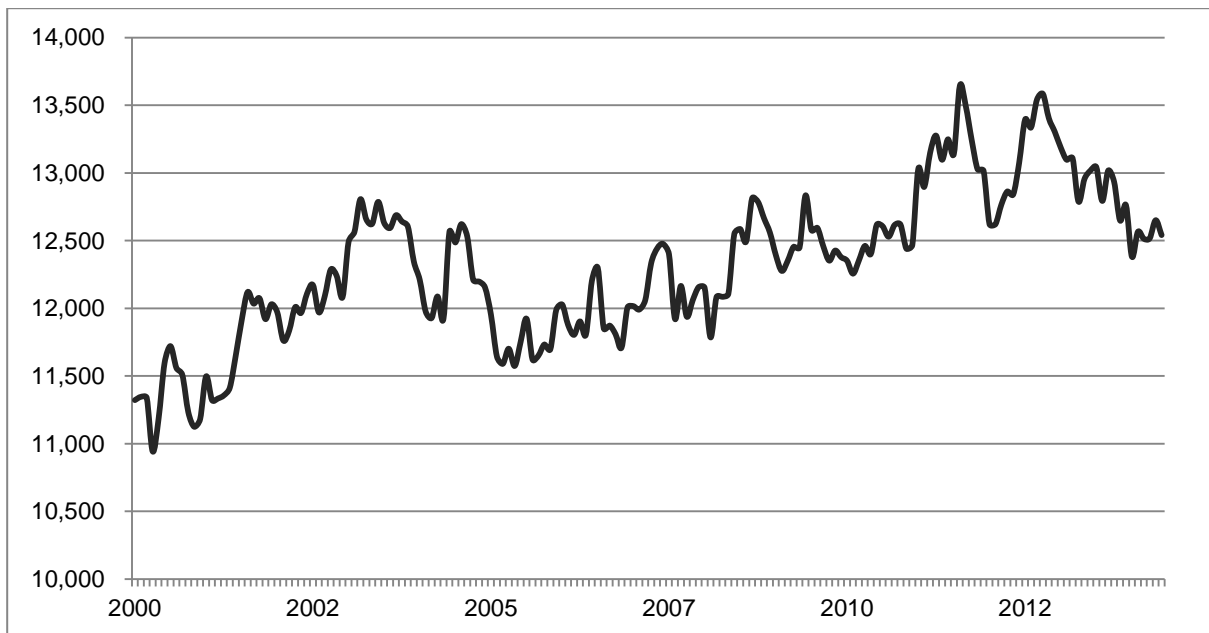
The first peak in population in the late 1970's and early 1980's represent a relative prosperous time in the State of Texas prior to the oil bust. The population of the county continued to decline through the late 1980's until making a correction in the early 1990's. The trend of population growth has increased since then, reflecting the overall population growth and demographic changes in the State of Texas.



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

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 has declined from record levels but continues to maintain a labor force over 12,500. The months where the number is above 12,500 would seem to indicate the time period where gas development was strong in the county and there were simply more individuals working in the county.

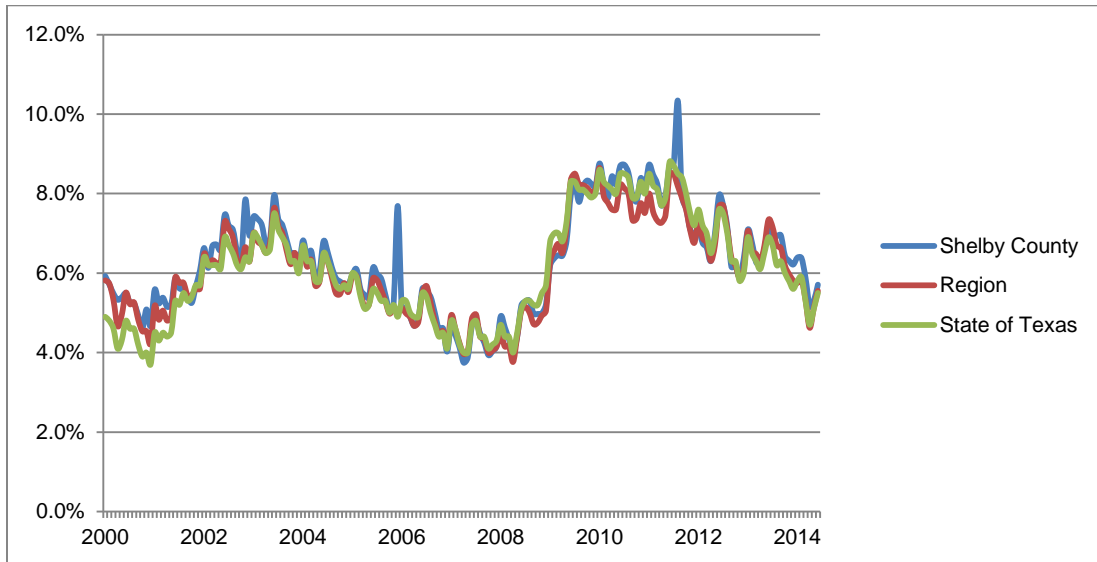


Graph 2 – Size of the labor force – Shelby County – January 2000 to June 2014  
Source: Texas Workforce Commission

Unemployment

The unemployment rate in Shelby County has remained stubbornly high following the 2009 recession. Along with the nationwide 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. Starting in March 2014, the unemployment rate was consistently below 6%, returning to more normal levels. It is anticipated that the unemployment rate will continue to improve over the short term.

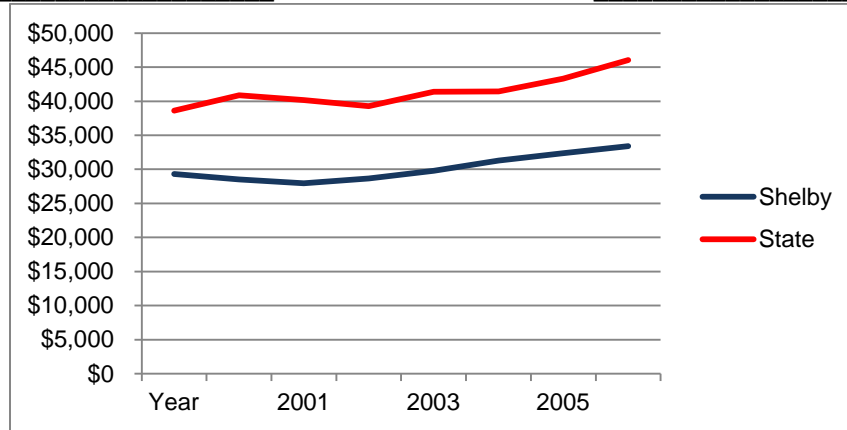
The unemployment rate closely parallels that of the State. When the unemployment rate of the State rises or falls, Shelby County makes a similar move both in terms of timing and magnitude.



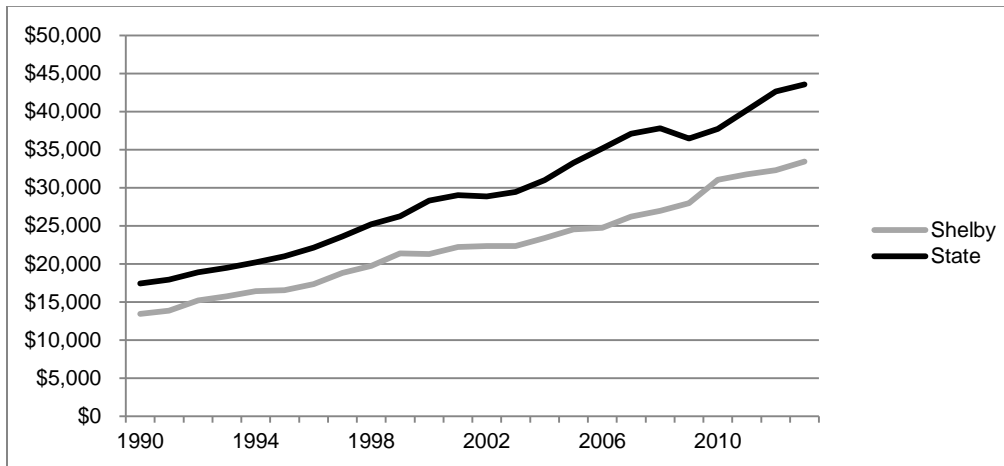
Graph 3 – Unemployment Rate of Shelby County and State of Texas – Not Seasonally Adjusted – January 2000 to June 2014  
Source: Texas Workforce Commission

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 – 2013  
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	34	1,635	\$50,390,507
Biomedical/Biotechnical (Life Sciences)	22	796	\$29,421,122
Business & Financial Services	64	220	\$14,315,309
Energy (Fossil & Renewable)	57	763	\$38,764,649
Forest & Wood Products	29	512	\$24,217,090
Transportation & Logistics	37	324	\$13,612,077
Fabricated Metal Product Mfg	6	166	\$8,973,974

Table 1 – Shelby County Industrial Clusters – 2012  
Source: statsamerica.org/innovation/anydata

### 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
Port-A-Cool LLC	Manufacturing	350
Wal-Mart Supercenter	Retail	258
Shelby County	Government	110
General Shelters of Texas	Manufacturing	80
City of Center	Government	74
Hallmark – Center Fixture Operations	Manufacturing	67
Spartan Structures	Manufacturing	60
Pilgrim’s Pride – Center Hatchery	Poultry	22

Table 2 - Center Major Employers  
Source: Shelby County Chamber of Commerce

### 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 3 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Agriculture, forestry, fishing	8.92	9.41	10.01	9.98	9.90	8.67	9.61
Mining, oil & gas extraction	0.38	0.68	1.03	1.17	1.32	1.66	1.92
Manufacturing	3.49	3.60	3.56	3.39	3.10	3.06	3.22
Retail trade	1.22	1.21	1.21	1.19	1.17	1.13	1.09

Table 3 – 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.

### Building Permits as an Indicator

As a source of municipal revenue, building permit receipts are not a major contributor to City coffers. However, they can be used as a measure of the City’s growth patterns. Up to 2007, there were not many permits issued and their value was not great. Corresponding to the oil and gas development activity following 2007, there was a surge in the number of building permits issued and with higher values. Much of the commercial values reflected in Table 4 represent the recent hotel construction activity.

Year	Residential		Commercial/Industrial		Total	
	# Permits	\$ Value	# Permits	\$ Value	# Permits	\$ Value
2002	5	48,000	7	101,970	12	149,970
2003	3	10,150	7	291,100	10	301,250
2004	33	2,811,090	6	8,660,000	39	11,471,090
2005	4	441,710	11	2,311,000	15	2,752,710
2006	3	21,500	7	3,745,754	10	3,767,710
2007	15	738,800	11	535,160	26	1,273,960
2008	11	686,513	23	13,104,921	34	12,781,434
2009	10	499,359	25	13,989,157	35	14,488,516
2010	10	2,005,614	16	2,233,795	26	4,239,409
2011	10	470,000	18	22,774,492	28	23,244,492
2012	19	1,269,866	12	4,205,686	31	5,475,552
2013	13	803,350	4	854,000	17	1,657,350
2014 - YTD	7	409,400	5	3,455,400	12	3,864,800

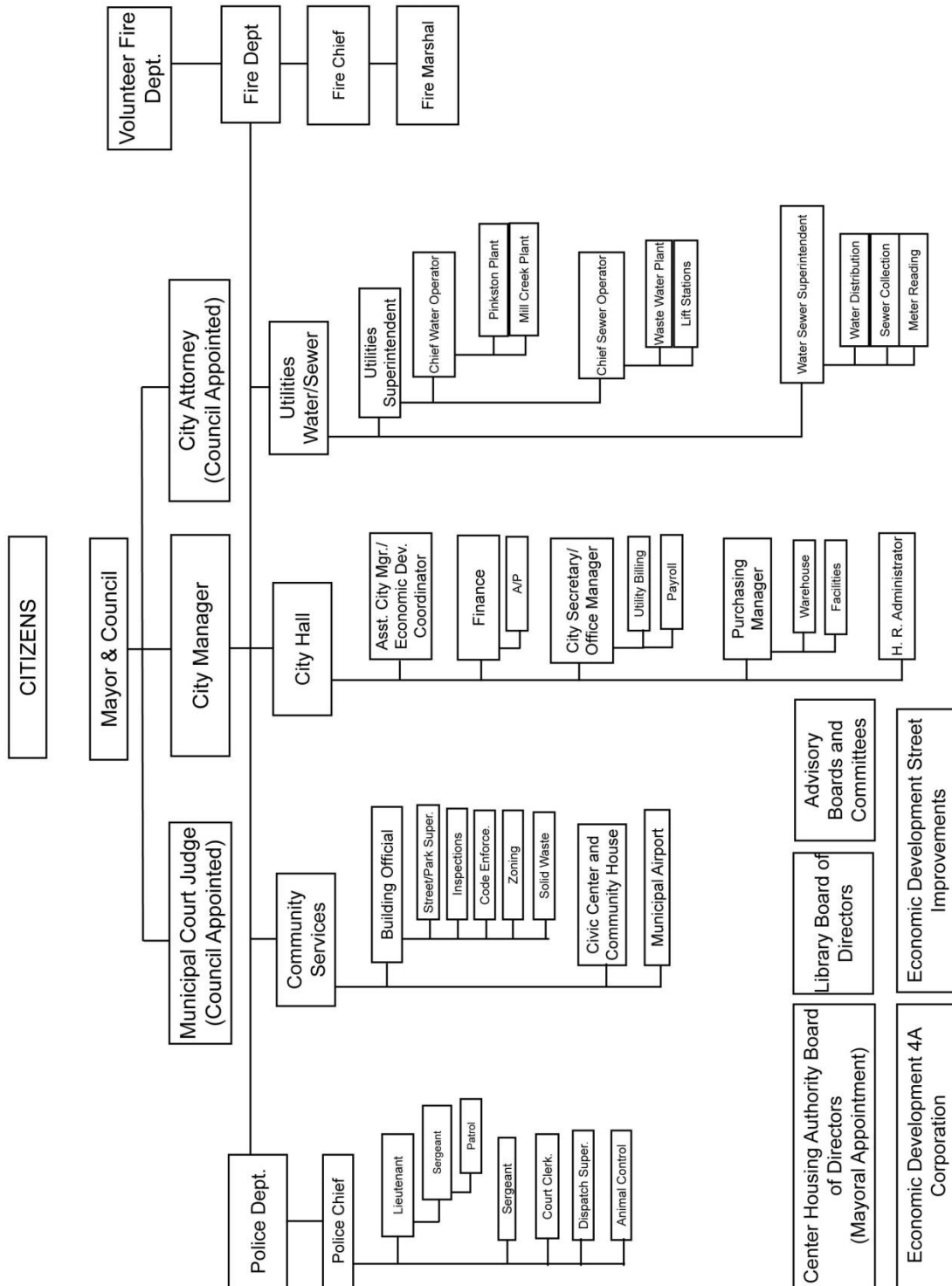
Table 4 – Building permits issued  
Source: City of Center

After a dismal 2013, current activity shows strengthening private investment and construction activity into 2015.





**FY 2015 BUDGET  
ORGANIZATIONAL CHART**





**FY 2015 BUDGET  
STAFFING CHART**

Department	Job Title	Full Time Equivalent			
		FY 2012 Adopted Budget	FY 2013 Adopted Budget	FY 2014 Amended Budget	FY 2015 Proposed Budget
<b>City Hall</b> (Includes annex and warehouse)	City Manager	1	1	1	1
	Asst. City Manager	1	1	1	1
	City Secretary	1	1	1	1
	Finance Officer	1	1	1	0
	City Attorney (contract)	0	0	0	0
	Purchasing Agent	1	1	1	1
	HR Manager	1	1	1	1
	Clerks	5	4	3.5	4.5
	IT Consultant	0.25	0.25	0.25	0.25
	<b>Subtotal - City Hall</b>		<b>11.25</b>	<b>10.25</b>	<b>9.75</b>
<b>Police Department</b>	Police Chief	1	1	1	1
	Municipal Court Judge (contract)	0	0	0	0
	Lieutenant	1	1	1	1
	Detective (1 Sgt)	3	3	3	3
	Patrol Sergeant	3	3	3	3
	Patrol Officer	11	11	8	8
	Dispatchers	4.5	4.5	5	5.5
	Court Clerk/Admin. Assistant	2.5	2.5	2	2
	Evidence Room Technician	0.5	0.5	0.50	0.5
	Janitor	1	1	1	1
<b>Subtotal - Police Department</b>		<b>27.50</b>	<b>27.50</b>	<b>24.50</b>	<b>25.0</b>
<b>Fire Department</b>	Fire Chief	1	1	1	1
	Fire Investigator	1	1	0	0
	Fire Fighter	4	4	5	5
<b>Subtotal - Fire Department</b>		<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Street Department</b>	Foreman	1	1	1	1
	Street Maintenance	4	4	3	3
	<b>Subtotal - Street Department</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>4</b>
<b>Municipal Airport</b>	Airport Manager	1	1	1	1
	<b>Subtotal - Airport</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Parks Department</b>	Parks Maintenance	1	1	1	1
	<b>Subtotal - Parks</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>



<b>Inspection Services</b>					
	PW Superintendent	1	1	1	1
	Code Compliance Officer	1.5	1	1	1
	Clerk	1	1	0	0
	<b>Subtotal - Inspection Services</b>	<b>3.5</b>	<b>3</b>	<b>2</b>	<b>2</b>
<b>Civic Center</b>					
	Civic Center Director	1	1	1	1
	Assistant	1.5	1.5	0.5	0.5
	<b>Subtotal - Civic Center</b>	<b>2.5</b>	<b>2.5</b>	<b>1.5</b>	<b>1.5</b>
<b>TOTAL GENERAL FUND</b>		<b>57.75</b>	<b>56.25</b>	<b>49.75</b>	<b>50.25</b>
<b>UTILITY FUND</b>					
<b>Water Production</b>					
	Chief Operator	1	1	1	1
	Lead Operator	1	1	1	1
	Plant Operators	6.5	6	5	5
	<b>Subtotal - Water Production</b>	<b>8.50</b>	<b>8</b>	<b>7</b>	<b>7</b>
<b>Water Distribution</b>					
	Equipment Operator	1	1	1	1
	Maintenance	3	3	3	3
	<b>Subtotal - Water Distribution</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Sewer Collection</b>					
	Equipment Operator	1	1	1	1
	Maintenance	2	2	2	1
	<b>Subtotal - Sewer Collection</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>
<b>Sewer Treatment</b>					
	Chief Operator	1	1	1	1
	Plant Operator	2	2	2	2
	Electrician/Plant Operator	1	1	1	1
	<b>Subtotal - Sewer Treatment</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Public Works</b>					
	Utilities Director	1	1	1	1
	Distribution & Collection Super	1	1	1	1
	Plumbing Inspector	0	0	0	0.5
	<b>Subtotal - Public Works</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2.5</b>
<b>TOTAL UTILITY FUND</b>		<b>21.50</b>	<b>21</b>	<b>20</b>	<b>19.50</b>
<b>TOTAL CITY EMPLOYEES</b>		<b>79.25</b>	<b>77.25</b>	<b>69.75</b>	<b>69.75</b>





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## BUDGET FORMAT

The budget format for the FY 2014 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 2012 Actual** - Actual revenues, expenditures, and fund balances recorded for the period ending September 30, 2012.

**FY 2013 Actual** - Actual revenues, expenditures, and fund balances recorded for the period ending September 30, 2013.

**FY 2014 Amended Budget** – The budget as approved and amended by the City Council for the current fiscal year ending September 30, 2014, including revenues, expenditures, and fund balances.

**FY 2015 Proposed** – Budgeted amounts for each category for the fiscal year ending September 30, 2015.

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 budget employs the following prime accounts:

**Personnel** – All costs associated with city employees, including salary/wages, retirement contributions (TMRs), health insurance, Social Security, workers compensation 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.



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### **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 May 12, 2014 – Provide budget material to Department Heads

Week of June 1, 2014 – Department Heads return completed work budgets to the accounting department

June 2 through July 10, 2014 – City Manager reviews budget data with Council, Department Heads, and Staff

July 14, 2014 –City Council is provided the first draft of the proposed budget

August 11, 2014 – Council may consider a the tax rate above the effective rate

August 15, 2014 – Proposed budget filed with the City Secretary; proposed budget is available for public review. Notice of Public Hearings are published in the Light & Champion.

August 25, 2014 - Council holds first public hearing for proposed property tax increase

September 8, 2014 – City Council holds second public hearing for proposed property tax increase and public hearing for budget

September 22, 2014 – Council adopts tax levy and proposed budget

October 1, 2014 – 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.

For additional information about the City, to download important forms and applications and to view meeting agendas, please visit the City of Center website at [www.centertexas.org](http://www.centertexas.org)



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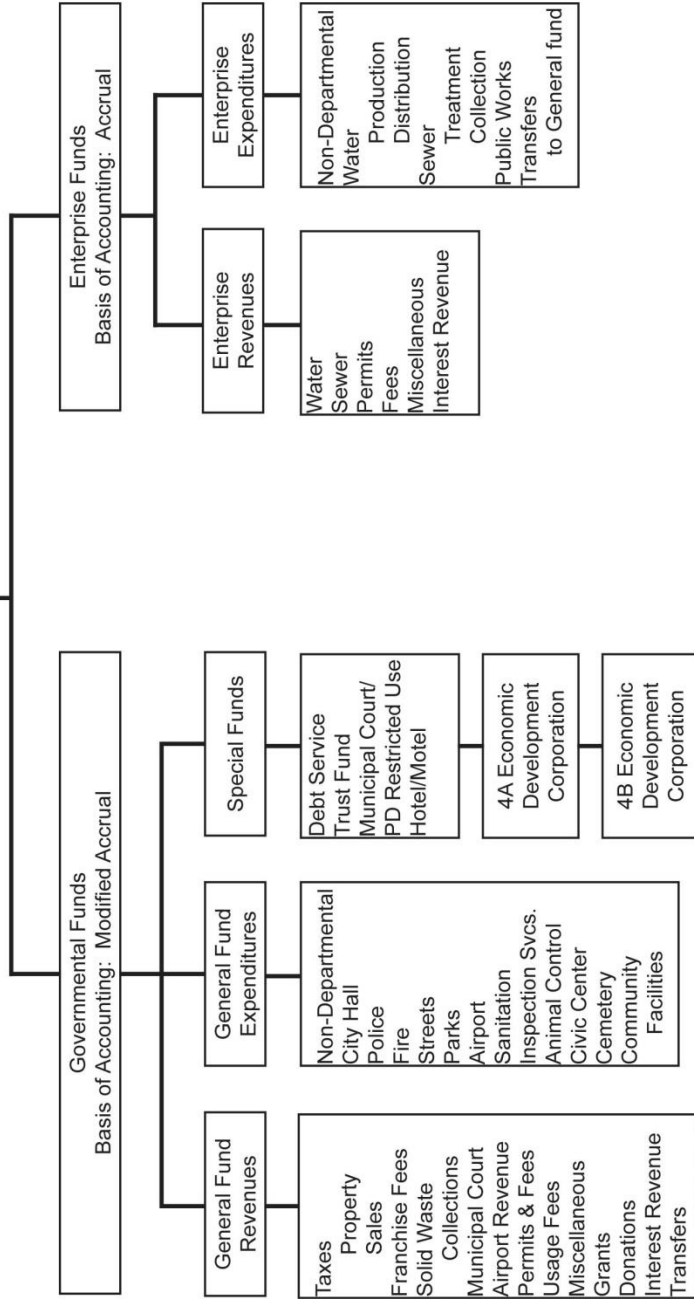
## **FY 2015 BUDGET PHILOSOPHY**

The City Council annually adopts a spending and tax collection plan to fund service provision for the citizens and businesses of Center. Over the long term, the Council has made taxing and spending decisions operating with established principles or philosophical foundation. These values provide guidance for staff in developing the City's budget.

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.
2. Providing a reasonable property tax rate that minimizes the property tax burden on citizens and commercial property while seeking to stabilize 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 moderate growth of financial reserves to a targeted 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 2015 BUDGET  
GENERAL FUND REVENUE OVERVIEW**

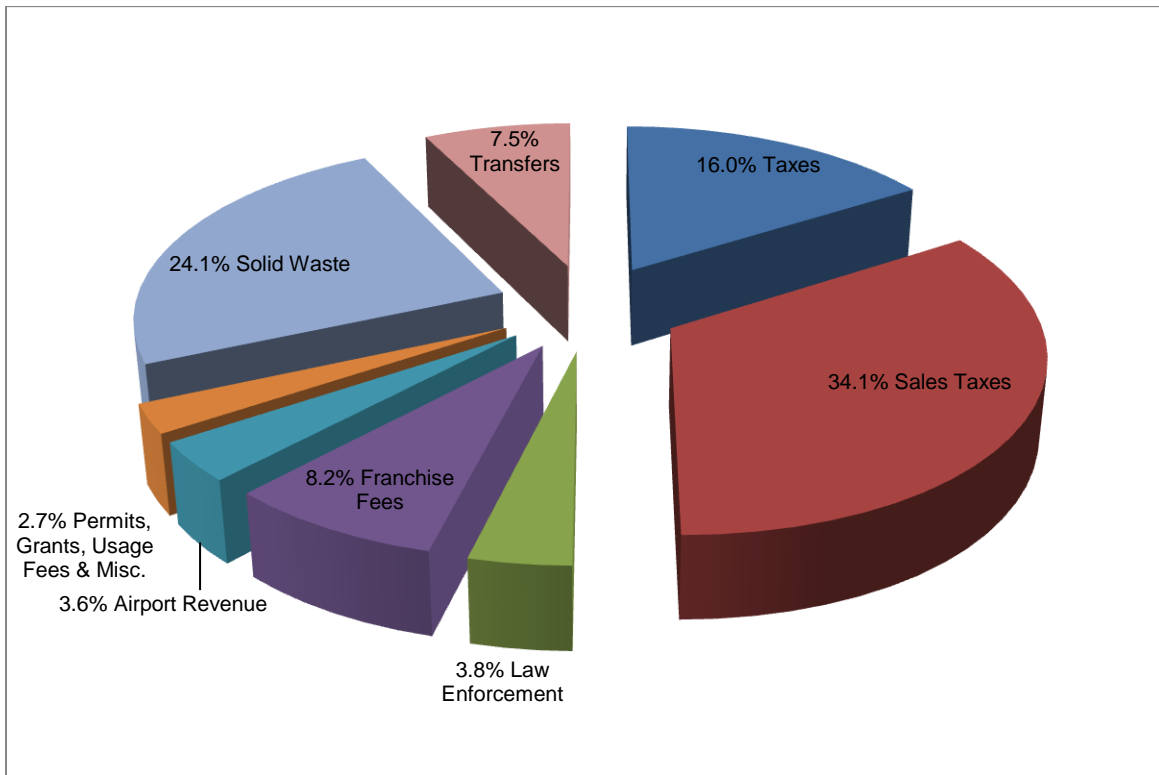
The General Fund provides financing for the City’s governmental services, which excludes water and wastewater utility operations. General Fund services consist of all public safety functions, including police, animal control, and fire services; community services, including sanitation, streets, parks, 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 82.4%, of general fund revenues are collected from categories: sales tax receipts, property tax payments, franchise fees, and solid waste collections.



Graph 1 - FY 2015 Proposed Budget – Revenue Sources



<b>Top Revenue Sources</b>		
Sales Taxes	1,848,050	34.1%
Property Tax	870,000	16.0%
Franchise Fees	445,000	8.2%
Solid Waste Collections	1,310,600	24.1%
<b>Total</b>	<b>4,473,650</b>	<b>82.4%</b>
<b>Total Revenue</b>	<b>5,426,750</b>	

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 34% of the City's general fund revenue. FY 2015 sales tax revenues are budgeted at \$1,843,750, which closely follows the FY 2014 estimate. Please see table 2 for a description of historic total 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 Actual	3,498,572
FY 2013 Actual	3,022,640
FY 2014 Estimated	2,950,000
FY 2015 Proposed	2,950,000

Table 2 – Total City sales tax receipts

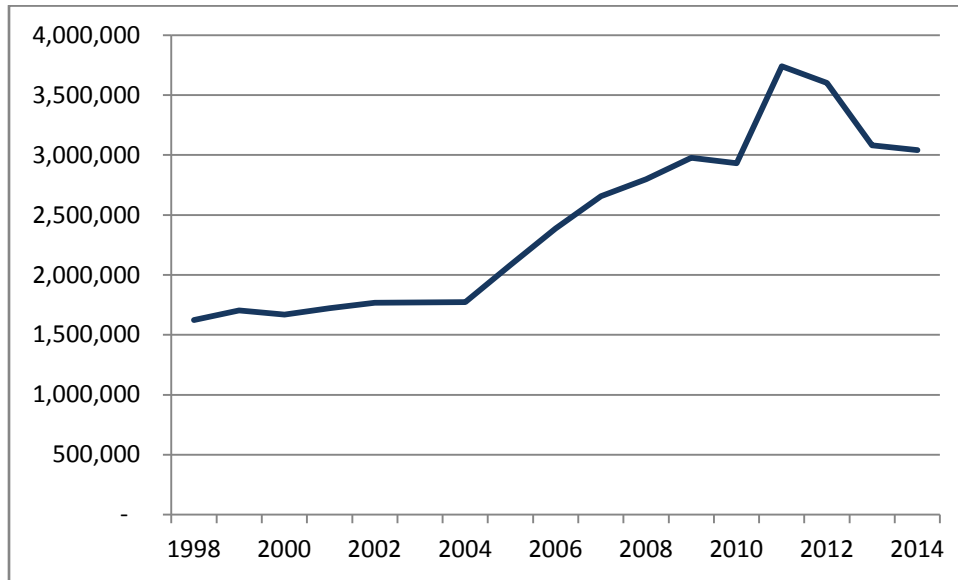
Total City sales tax receipts are split four ways to fund different activities. One cent, or one half of the total receipts, is dedicated to the City's general fund operations. One half cent, or 25% of total receipts, is dedicated to fund the City's 4B Economic Development Corporation. One quarter cent, or 12.5% of total revenues, is dedicated to fund the City's 4A Economic Development Corporation. Finally, the last quarter cent, or 12.5% of revenues, is dedicated to provide property tax relief for Center tax payers and is included in the General Fund sales tax totals above.

In fact, the property tax relief sales tax removes approximately \$0.14 from the City's property tax rate.

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Proposed
City Sales Tax – 1 cent	1,511,320	1,475,000	1,475,000
Sales Tax for Property Tax Relief – ¼ cent	377,830	368,750	368,750
<b>Total Sales Tax to General Fund</b>	<b>1,889,150</b>	<b>1,843,750</b>	<b>1,828,125</b>
4A EDC – ¼ cent	377,830	368,750	368,750
4B Street EDC – ½ cent	755,660	737,500	737,500
<b>TOTAL CITY SALES TAX COLLECTIONS</b>	<b>3,022,640</b>	<b>2,950,000</b>	<b>2,950,000</b>



Total sales tax receipts were in a correction mode in FY 2013, experiencing a 19% slide from the FY 2011 peak. Sales tax collections in FY 2011 and 2012 represent a 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 commercial and retail establishments. The City anticipates 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 in 2008.

The State of Texas Comptroller of Public Accounts provides information to the City detailing where our sales taxes are generated. The data set begins in October 2010 and runs through the most recent available month, May 2014, 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	FY 2013	FY 2014 - YTD
Agriculture, Forestry & Fishing	0.1	0.0	0.0	0.0
Mining, Utilities & Construction	6.9	11.5	6.4	6.5
Manufacturing	8.8	6.9	5.9	8.8
Wholesale and Retail	61.7	60.6	64.6	61.1
Information, Financial and Professional Services	9.6	8.5	10.1	11.3
Education and Health Care	0.0	0.0	0.0	0.0
Accommodations and Food	7.9	8.9	10.4	9.8
Other	1.3	1.6	1.9	1.8
Public Administration	0.5	0.5	0.6	0.6

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



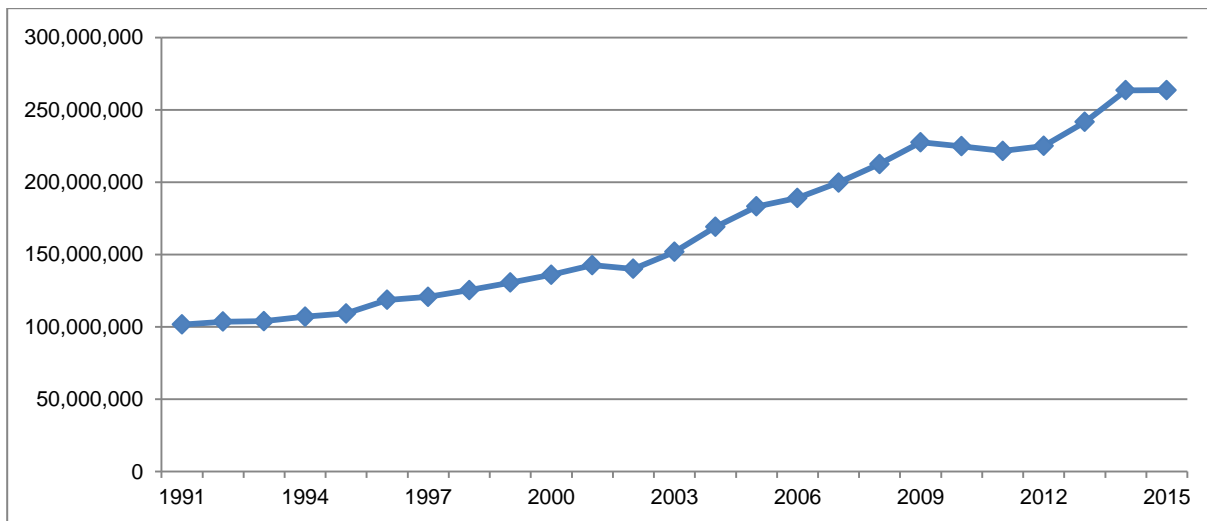
Property Taxes

Table 4 exhibits the increases in appraised value from the 2001 tax year, and how the appraised taxable value has steadily increased over time. 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	0.599500	142,671,690
2002	0.622856	140,069,602
2003	0.604100	151,844,181
2004	0.562100	169,059,857
2005	0.536750	183,209,901
2006	0.536000	189,050,972
2007	0.523300	199,725,654
2008	0.508780	212,508,699
2009	0.476000	227,529,570
2010	0.490250	224,839,614
2011	0.490250	221,532,434
2012	0.500000	225,067,201
2013	0.510000	241,616,065
2014	0.500000	263,443,994
2015	0.530000	263,621,780

Table 4 – City tax rate history

Center to expand upon the data from Table 4, Graph 3 visually depicts the rise in the City's taxable value. Essentially, through such factors as annexation, development, and property appreciation, the taxable value of the City has risen 159% over the past 25 years.



Graph 3 – Certified Taxable Value History – 1993 - 2015



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 merged with other revenues to pay for the operation of the City each year. The second portion is 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 rates 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 that year.

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
2013	0.260500	0.249600	0.510000
2014	0.290953	0.209047	0.500000
2015	0.327787	0.202213	0.530000

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

Table 6 below shows how, over time, the composition of the Center tax base has slightly changed. Until the 2012 tax year, the highest percentage of value was in the single-family residential category. In 2013, this was eclipsed by commercial property. With recent annexations, the balance of residential property has rebounded. Balancing this decrease has been an increase in commercial values, which have skyrocketed 32% over the last three appraisal periods.

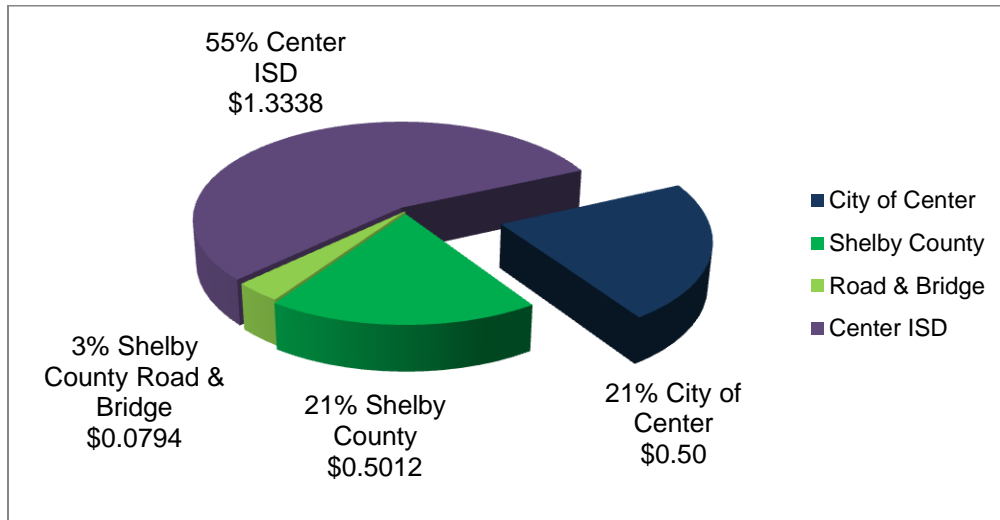
	2011	2012	2013	2014
Single family residential	33.58%	34.2%	29.66%	33.87%
Multi-family residential	0.74	0.73	0.67	0.59
Vacant lots	0.75	0.74	0.68	0.75
Acreage	2.85	2.44	2.36	2.64
Farm & ranch improvements	0.41	0.41	0.54	1.45
Commercial	26.51	30.76	33.74	34.94
Industrial	5.34	4.67	4.75	4.54
Personal – commercial	12.72	12.12	11.45	12.90
Personal – industrial	12.30	8.91	11.59	14.39
Mobile homes	0.77	0.74	0.63	0.62
Inventory	0.99	1.17	1.16	1.32

Table 6 – Composition of Center tax base

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 2014 tax rates and how the City's rate stands in comparison.



Graph 4 – City of Center taxing entities tax rate comparison - 2014

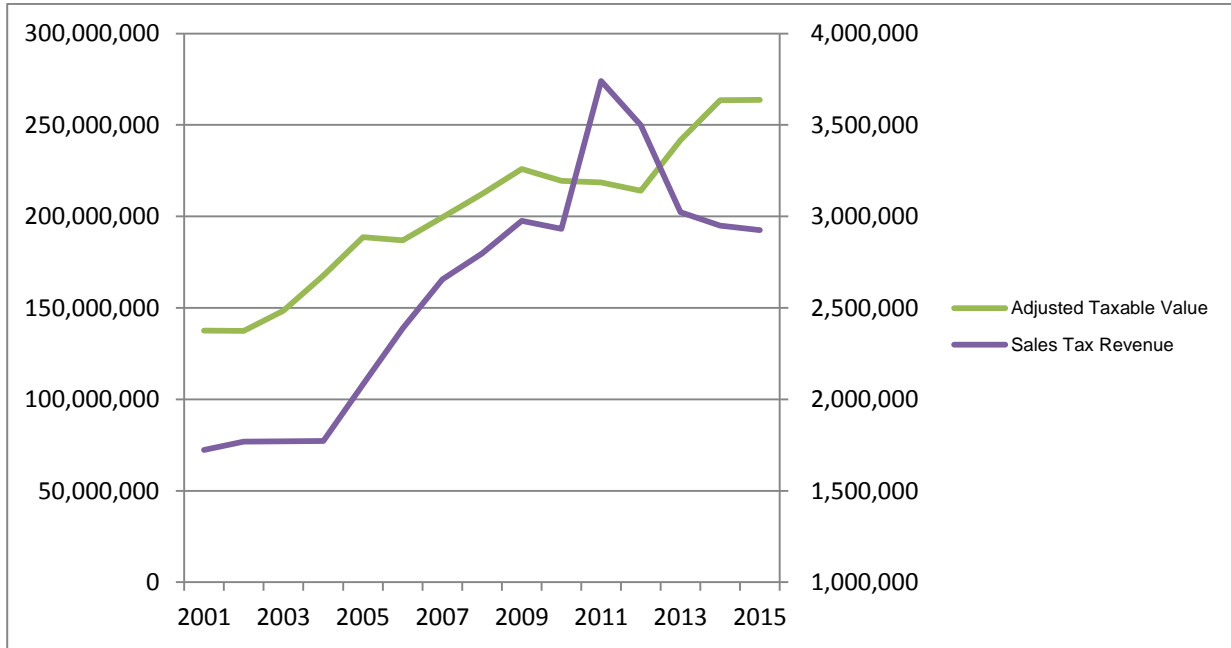
The City of Center portion of a property owner's total tax bill is approximately 21% without adjusting for exemptions. The City of Center provides a very competitive tax rate compared to other cities of similar size as depicted in Table 7.

City	Population	Total Net Taxable	Gross Tax Rate
Carthage	6,851	650,803,050	0.4600000
Cleveland	7,675	300,792,514	0.7800000
Crockett	6,621	248,371,472	0.5451400
Diboll	5,359	177,076,506	0.5674250
Gilmer	5,000	272,394,409	0.6354240
Gladewater	6,514	309,891,224	0.6445020
Groesbeck	4,366	114,975,265	0.7518000
Jasper	7,714	294,025,545	0.3201000
Liberty	8,743	538,347,602	0.5900000
Madisonville	4,428	159,967,555	0.5289000
Mexia	7,539	260,091,820	0.7600000
Mineola	4,522	211,823,975	0.5356400
Mount Vernon	2,662	91,900,325	0.6043820
Nacogdoches	34,047	1,393,825,410	0.5639000
Navasota	7,816	286,096,563	0.5000000
Pittsburg	4,500	202,548,870	0.5284880
Whitehouse	7,859	367,919,682	0.6721100
<b>Average</b>	<b>7,777</b>	<b>345,932,458</b>	<b>0.5875183</b>
<b>CENTER</b>	<b>6,000</b>	<b>266,313,627</b>	<b>0.5000000</b>



Table 7 – Property tax rate comparison Source: 2014 TML Tax and Debt Survey

The final area of analysis depicts the relationship between sales and property tax revenues (not counting the I&S portion). Graph 5 illustrates this relationship where Center’s adjusted taxable values started a significant increase in 2004 coupled with the rapid rise in sales tax revenues. The City’s tax structure is such that the sales tax for property tax relief correspondingly increased. This allowed for the City to reduce its property tax rate (Reference Table 5) and, in essence, provide a form of enhanced property tax relief for taxpayers. Further, due to annexations, new development and general property appreciation, the adjusted taxable values also increased which places further downward pressure on tax rates. This trend continued for the next five to six years and has leveled off. One can see that the decline in sales tax receipts has now temporarily reversed the trend and in order to maintain service levels, the City must look to property tax revenue to solidify overall funding. The FY 2015 Budget looks to raise property tax rates slightly to compensate.



Graph 5 – Relationship between sales tax and property tax revenues

### Cost of Services to City Property Tax Payers

This brief section seeks to show City of Center property tax payers the relative value of the services and benefits of living in the City. For a home valued at \$100,000, the property receives a 20% homestead exemption and will pay an estimated \$424 in annual City property taxes, or \$35 per month, at the proposed \$0.53 tax rate.

Of that monthly amount, they will pay:

- \$11.31 for 24/7 police protection;
- \$3.08 for fire protection services;
- \$2.31 for street maintenance;
- \$0.67 for maintenance and operation of City park facilities;



\$0.91 for building inspection and code enforcement;  
\$0.53 for the maintenance and operation of the Library, Community House and Senior Center,  
and;  
\$6.23 for the general administration of the City.

#### 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 allow 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 from prior year revenues.

#### Solid Waste Collection Fees

The current solid waste contract with Allied Waste was renewed in 2011 and remains in effect through June 2015. In FY 2014, solid waste rate adjustments were made by the City. No rate changes are anticipated in FY 2015.



**FY 2015 BUDGET  
REVENUE SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Taxes	606,703	656,325	772,000	870,000
Sales Taxes	2,190,101	1,892,969	1,833,550	1,848,050
Law Enforcement	228,802	182,601	219,900	207,800
Franchise Fees	432,522	428,977	445,500	445,000
Airport Revenues	258,870	285,800	263,850	196,200
Permits & Fees	23,974	10,977	19,550	8,450
Interest Revenue	7,260	3,834	7,500	2,500
Usage Fees	82,286	59,865	80,100	52,050
Miscellaneous	23,409	12,775	10,250	2,100
Donations	27,906	26,600	25,000	0
Solid Waste	1,286,312	1,286,060	1,310,000	1,310,600
Transfers	455,814	547,536	450,000	480,000
Grants	63,899	199,161	5,700	4,000
<b>TOAL REVENUE</b>	<b>5,687,858</b>	<b>5,593,475</b>	<b>5,380,950</b>	<b>5,426,750</b>

**FY 2015 BUDGET  
REVENUE DETAIL**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Taxes				
Property Tax - Current	524,164	593,963	707,000	815,000
Property Tax - Delinquent	55,989	38,367	40,000	30,000
Property Tax - Penalty	26,550	23,995	25,000	25,000
<b>Total - Taxes</b>	<b>606,703</b>	<b>656,325</b>	<b>772,000</b>	<b>870,000</b>
General Fund Sales Tax	1,749,286	1,510,786	1,450,000	1,475,000
Mixed Beverage Tax	3,135	4,103	3,250	4,000
Discount Sales	360	384	300	300
M&O Sales Tax	437,321	377,696	380,000	368,750
<b>Total - Sales Taxes</b>	<b>2,190,101</b>	<b>1,892,969</b>	<b>1,833,550</b>	<b>1,848,050</b>
Law Enforcement				
Court Service Fees	6,193	9,980	7,500	7,000
Court Administrative Fee	1,625	5,120	3,500	3,000
Court Fines	193,905	143,069	175,000	175,000
Warrant Fees	13,022	8,773	12,500	10,000
Collection Agency Revenue	0	2,016	2,000	0
Arrest Fees	6,807	6,835	7,000	6,000
Court Cost Fees	1,210	1,688	1,500	1,400
Restitution	485	15	250	0
Prisoner Phone Commiss.	145	110	150	200
Police Department Copies	1,276	1,114	1,250	1,000
Judicial Support Fee	891	610	750	1,000
Child Safety Fee	0	0	5,000	0
Time Payment Fees	3,243	3,271	3,500	3,200
<b>Total - Law Enforcement</b>	<b>228,802</b>	<b>182,601</b>	<b>219,900</b>	<b>207,800</b>



Franchise Fees				
Suddenlink – PEG fee	0	0	6,500	0
Suddenlink	32,966	33,989	25,500	31,500
Centerpoint	33,923	34,627	40,000	40,000
AT&T	97,218	91,214	90,000	90,000
Deep East Texas Co-Op	0	9,619	20,000	20,000
SWEPCO	261,752	251,656	255,000	255,000
Telecom Taxes	6,663	7,872	8,500	8,500
<b>Total - Franchise Fees</b>	<b>432,522</b>	<b>428,977</b>	<b>445,500</b>	<b>445,000</b>
Airport Revenues				
Fuel Sales	230,598	260,985	235,000	175,000
Airport Donations	0	93	0	0
Airport Misc Fees	40	270	250	100
Airport Gate Entry	60	50	100	100
Hangar Lease	28,172	24,402	28,500	21,000
<b>Total - Airport Revenues</b>	<b>258,870</b>	<b>285,800</b>	<b>263,850</b>	<b>196,200</b>
Permits and Fees				
Garage Sale Permits	370	362	350	200
Zoning Variance Fees	300	302	500	500
Demolition Permits	225	150	250	200
Construction Permits	14,939	6,308	4,000	4,000
Electrical Permits	2,925	2,650	3,000	2,500
Alcohol License	4,260	195	4,250	250
Relocation Permit	175	100	250	200
Wrecker Permits	0	0	0	0
Miscellaneous Permits	250	250	250	200
Event Permit	200	200	200	200
Vendor Permits	330	460	500	200
Misc. License & Permit Fee	0	0	0	0
State Inspections	0	0	0	0
<b>Total - Permits and Fees</b>	<b>23,974</b>	<b>10,977</b>	<b>19,550</b>	<b>8,450</b>
Interest Revenue				
Sanitation Interest	0	0	0	0
General Fund	7,260	3,834	1,500	2,500
Other	0	0	0	0
<b>Total - Interest</b>	<b>7,260</b>	<b>3,834</b>	<b>7,500</b>	<b>2,500</b>
Usage Fees				
City Ball Park	1,000	1,000	2,000	2,000
Community House Security	0	0	0	500
Community House Rental	10,075	650	10,000	10,000
Suddenlink	3,600	3,600	3,600	3,600
Senior Citizens Center	150	50	250	0
Civic Center	54,240	40,562	50,000	27,500
Caterer Usage Fee	6,371	6,744	7,500	4,500
Civic Center OT Fee	0	200	250	200
Civic Center Additional Cost	1,950	1,459	2,000	1,250
Civic Center - Officer	6,850	5,600	4,500	2,500
<b>Total - Usage Fees</b>	<b>82,286</b>	<b>59,865</b>	<b>80,100</b>	<b>52,050</b>



Miscellaneous				
Lease Mineral Rights	0	909	0	0
Fire Call Reimbursement	0	778	0	0
RR DR Park Complex	0	5,000	0	0
Returned Check Fee	0	25	0	0
Insurance Claims	8,098	2,795	0	0
Worker's Comp Discount	7,095	651	1,000	1,000
Other	5,482	558	2,200	1,100
Copies	3	13	100	0
Proceeds Sale of Assets	2,705	2,019	1,000	0
DETEC Capital Rebate	26	27	0	0
<b>Total - Miscellaneous</b>	<b>23,409</b>	<b>12,775</b>	<b>10,250</b>	<b>2,100</b>
Donations				
Police Department	0	100	0	0
Fire Department	27,906	26,500	25,000	0
<b>Total - Donations</b>	<b>27,906</b>	<b>26,600</b>	<b>25,000</b>	<b>0</b>
Solid Waste				
Admin/Billing Fee	54,792	54,821	57,500	55,200
Residential Charges	364,864	378,660	380,000	390,000
Penalty 10% A/R	36	2,008	250	200
Recycling Receivable	873	912	1,000	0
Garbage Bag Sales	1,275	1,268	1,250	1,200
Commercial Charges	864,472	848,391	870,000	864,000
<b>Total - Solid Waste</b>	<b>1,286,312</b>	<b>1,286,060</b>	<b>1,310,000</b>	<b>1,310,600</b>
Transfers				
Interfund - Water	275,000	275,000	275,000	350,000
EDC Street Admin Fee	10,000	10,000	15,000	25,000
Economic Devel. Admin	55,814	42,500	55,000	50,000
Intrafund Transfer	0	105,036	0	0
H/M Community House	5,000	5,000	5,000	5,000
H/M Civic Center	110,000	110,000	100,000	50,000
<b>Total - Transfers</b>	<b>455,814</b>	<b>547,536</b>	<b>450,000</b>	<b>480,000</b>
Grants				
Airport RAMP Grant	0	8,109	5,000	2,000
DETCOG Solid Waste	9,800	2,647	0	0
COPS grant	53,774	65,202	0	0
COPSYNC Grant	0	26,177	0	0
Police Training	325	0	0	1,500
DOJ Grant	0	1,786	0	0
Arson Investigator	0	0	700	500
Homeland Security	0	95,240	0	0
<b>Total - Grants</b>	<b>63,899</b>	<b>199,161</b>	<b>5,700</b>	<b>4,000</b>
<b>TOTAL REVENUE</b>	<b>5,687,858</b>	<b>5,593,475</b>	<b>5,632,450</b>	<b>5,426,750</b>





**FY 2015 BUDGET  
EXPENDITURE OVERVIEW**

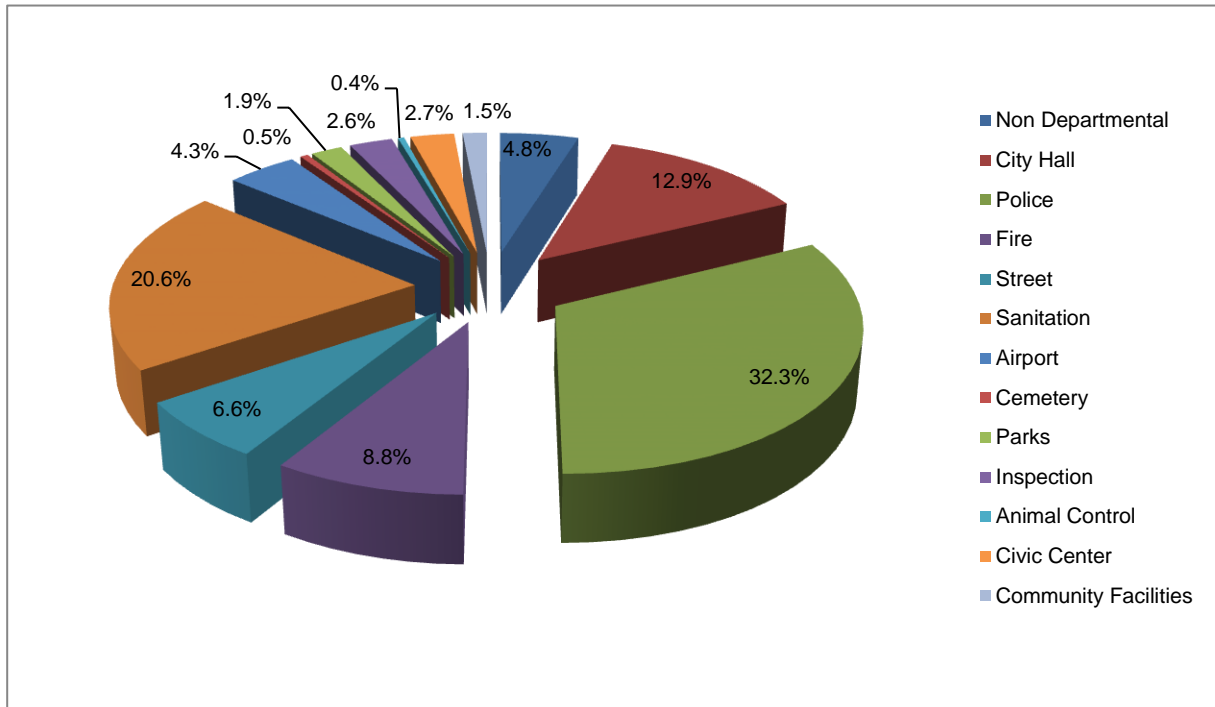
The City of Center general fund is organized into thirteen different departments. For the purposes of this document, each department will have its own section describing its mission statement, what their function is within the organization, some of their achievements for the past fiscal year, and department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

This budget includes increases in operational department budgets primarily in utilities and maintenance but also relating to personnel services, including retirement pension funding, health insurance with a 2% COLA. All other notable items are specifically listed on each department's page.

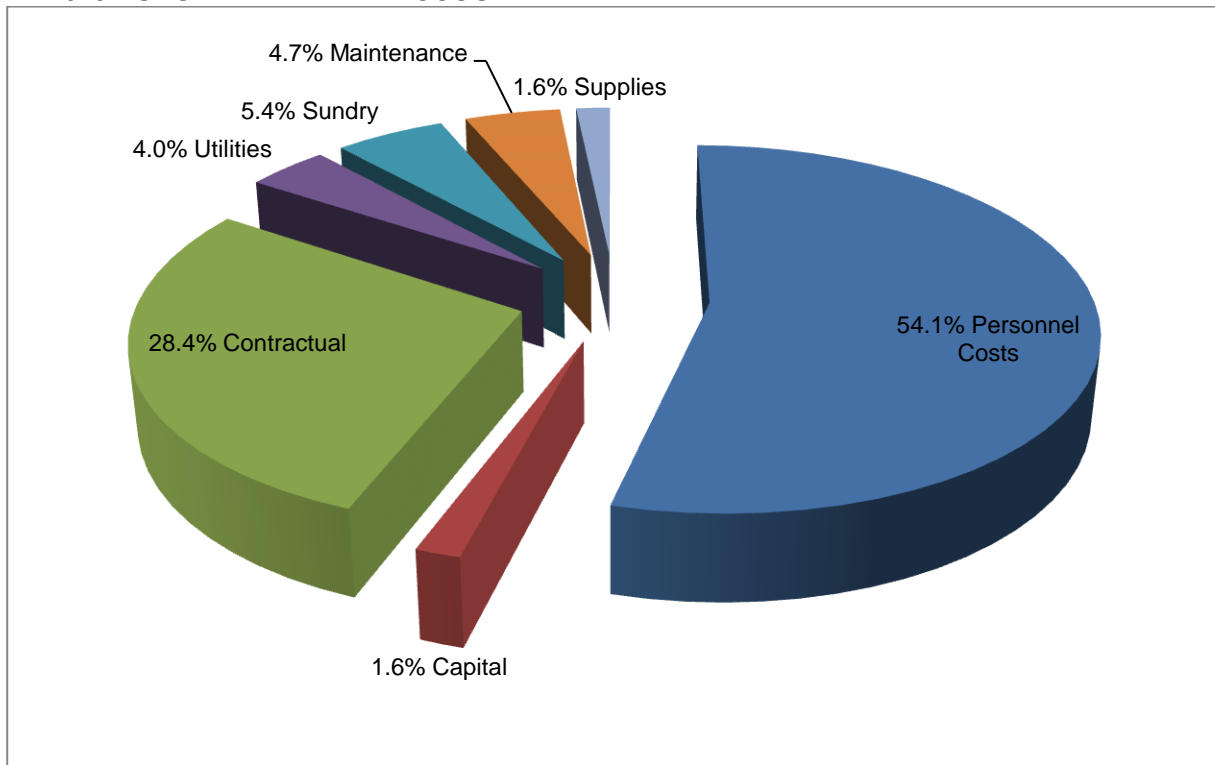
Each department's page will provide financial data on each prime account. There is also a description of the capital purchases within each department and a discussion of differences between last year's budget and the FY 2014 Amended Budget.

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
<b>BY DEPARTMENT</b>				
Non Departmental	333,054	296,251	254,300	260,825
City Hall	773,583	754,478	657,020	702,700
Police Department	1,845,453	2,129,399	1,787,550	1,754,575
Fire Department**	454,030	442,036	461,100	477,850
Street Department	431,988	394,429	362,900	358,850
Sanitation	1,112,747	1,109,107	1,100,700	1,115,500
Airport	256,636	276,674	251,400	234,900
Cemetery	37,807	24,000	25,300	26,300
Parks	130,668	104,743	111,100	104,700
Inspection Services	167,349	169,116	142,600	143,400
Animal Control	17,498	20,831	17,850	20,950
Civic Center	180,333	157,820	143,850	145,750
Community Facilities	85,795	74,922	74,850	80,450
<b>TOTAL</b>	<b>5,826,941</b>	<b>5,953,805</b>	<b>5,390,520</b>	<b>5,426,750</b>
<b>BY ACCOUNT CATEGORY</b>				
Personnel Services	3,128,531	3,188,288	2,947,845	2,937,150
Supplies	92,919	73,090	84,550	88,950
Contractual	1,592,050	1,611,007	1,528,850	1,542,750
Utilities	183,493	194,045	205,100	218,650
Sundry	364,666	309,786	309,500	293,875
Maintenance	241,442	230,003	230,150	255,900
Capital Items	223,838	347,586	84,525	89,475
<b>TOTAL</b>	<b>5,826,941</b>	<b>5,953,805</b>	<b>5,390,520</b>	<b>5,426,750</b>

**FY 2015 BUDGET EXPENDITURES – BY DEPARTMENT**



**FY 2015 BUDGET – BY PRIME ACCOUNT**





**FY 2015 BUDGET  
REVENUES OVER/(UNDER) EXPENDITURES**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
<b>REVENUES</b>				
Property Tax	609,838	656,325	772,000	870,000
Sales Taxes	2,190,101	1,892,969	1,833,550	1,848,050
Law Enforcement	228,802	182,601	219,900	207,800
Franchise Fees	432,522	428,977	445,500	445,000
Airport Revenues	258,870	285,800	263,850	196,200
Permits & Fees	23,974	10,977	19,550	8,450
Interest Revenue	7,260	3,834	7,500	2,500
Usage Fees	82,286	59,865	80,100	52,050
Miscellaneous	90,498	66,543	81,550	78,300
Donations	27,906	26,600	25,000	0
Solid Waste	1,285,037	1,284,792	1,308,750	1,309,400
Transfers	390,000	495,036	380,000	405,000
Grants	63,899	199,161	5,700	4,000
<b>TOTAL REVENUE</b>	<b>5,687,858</b>	<b>5,593,475</b>	<b>5,380,950</b>	<b>5,426,750</b>
<b>EXPENDITURES</b>				
Non Departmental	463,431	296,251	254,300	260,825
City Hall	773,583	754,478	657,020	702,700
Police Department	1,845,453	2,129,399	1,787,550	1,754,575
Fire Department**	454,030	442,036	461,100	477,850
Street Department	431,988	394,429	362,900	358,850
Sanitation	1,112,747	1,109,107	1,100,700	1,115,500
Airport	256,636	276,674	251,400	234,900
Cemetery	37,807	24,000	25,300	26,300
Parks	130,668	104,743	111,100	104,700
Inspection Services	167,349	169,116	142,600	143,400
Animal Control	17,498	20,831	17,850	20,950
Civic Center	180,333	157,820	143,850	145,750
Community Facilities	85,795	74,922	74,850	80,450
<b>TOTAL</b>	<b>5,957,318</b>	<b>5,953,805</b>	<b>5,390,520</b>	<b>5,426,750</b>



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**FY 2015 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 2014 ACCOMPLISHMENTS**

- Focused on completion of 2013 CIP projects including:
  - Park expansions
  - Downtown Streetscape and sidewalks
  - Utility system upgrade projects
- Completed the City Comprehensive Plan update
- Financial stabilization

**FY 2015 GOALS**

- Implement Comprehensive Plan objectives
- Continue implementation and update of the Long Range Annexation Plan
- General community beautification programs and projects
- Downtown sidewalks / Streetscape financing
- Long term financial forecast
- Utility planning and projects



**FY 2015 BUDGET  
NON DEPARTMENTAL**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	8,457	14,901	4,400	2,700
Supplies	2,341	781	2,250	2,700
Contractual	184,113	207,399	169,900	178,700
Utilities	0	0	0	0
Sundry	122,069	66,413	71,250	70,225
Maintenance	0	0	0	0
Capital Items	16,074	6,757	6,500	6,500
Fund Transfers	130,377	14,400	0	0
<b>Total</b>	<b>463,431</b>	<b>310,651</b>	<b>254,300</b>	<b>260,825</b>

**PERFORMANCE MEASURES**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
City Council Meetings	22	23	20
Council Workshops/Special Meetings	8	8	10
Ordinances Passed	19	17	18
Resolutions Passed	32	25	33

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Reduction in Council Per Diem (\$2,700) due to monthly Council payment
- Increase in Office (\$700) and elimination of Wearing Apparel (\$250)
- Increases in Auditing (\$1,500), Election (\$300), Property Insurance (\$2,000), Legal (\$5,000) and Software Maintenance (\$5,000). Creation of Other (\$5,000) with offsetting decrease in Special Projects (\$10,000).
- Creation of Easement Acquisition (\$500), and increases in Subscriptions & Dues (\$500), Insurance Deductible Claims (\$1,500), Publishing (\$1,000) with reductions in Other (\$5,000),



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**FY 2015 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 2014 ACCOMPLISHMENTS**

- Managed CIP Projects
  - AWOS – FAA Grant
  - Disaster Recovery – MLK Drive Reconstruction
  - Lakewood Sewer
  - Highway 7/Loop 500 Sewer
- The FY 2013 audit report was completed with an unqualified opinion
- Improved the City's financial condition during the fiscal year

**FY 2015 GOALS**

- Develop additional promotional materials and expand website
- Review the City's purchasing policy manual
- Manage Capital Improvements Projects
  - 2011 Texas Water Development Board Hwy 96 interceptor and lift station elimination project
  - Downtown Development Plan
  - Disaster Recovery – MLK Drive
  - Texas Capital Fund grant projects



**FY 2015 BUDGET  
CITY HALL**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	690,759	670,810	589,620	627,200
Supplies	12,753	12,888	12,750	13,600
Contractual	22,014	19,841	20,900	22,500
Utilities	17,563	17,795	15,700	18,500
Sundry	17,649	13,733	14,600	14,600
Maintenance	1,911	5,833	1,650	5,300
Capital Items	10,934	13,578	1,800	1,000
<b>Total</b>	<b>773,583</b>	<b>754,478</b>	<b>657,020</b>	<b>702,700</b>

**PERFORMANCE MEASURES**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Open Records Requests	8	6	4	7
Average Number of Utility Accounts	2,495	2,523	2,477	2,464
Number of Water Taps	34	5	6	11
Number of Sewer Taps	25	7	6	3
Average Work Order Completions	1 Day	1 Day	1 Day	1 Day

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Adopted Budget**

- Increases in Personnel Services with the addition of one new clerk in City Hall resulting in increases in Salaries (\$29,650), Pension Fund (\$4,445), and Social Security (\$2,140)
- Increase in Office (\$1,000)
- Increases in Rentals (\$1,000) and Mowing (\$500)
- Increases in Electricity (\$1,500), Natural Gas (\$500), and Telephone (\$1,000)
- Decrease in Training & Travel (\$1,000) with an offsetting increase in Subscriptions & Dues (\$1,000)
- Increase in Building Maintenance (\$1,500) and Computer Maintenance (\$1,900)
- \$800 increase in Capital Furniture



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**FY 2015 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 2014 ACCOMPLISHMENTS**

- Formed the Center Police Law Enforcement Explorers Post for youth
- Acquired COPSYNC mobile laptop in car camera and criminal information system

**FY 2015 GOALS**

- Replace older computers within the department
- Replace one fleet vehicle and equipment
- Expand training opportunities and offerings



**FY 2015 BUDGET  
POLICE DEPARTMENT**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	1,543,811	1,592,665	1,513,175	1,466,600
Supplies	37,509	33,026	29,250	30,950
Contractual	31,503	78,160	70,600	75,500
Utilities	30,847	36,018	37,200	38,200
Sundry	18,117	13,761	12,600	15,200
Maintenance	94,566	96,310	82,300	86,200
Capital Items	89,101	279,460	42,425	41,925
<b>Total</b>	<b>1,845,453</b>	<b>2,129,399</b>	<b>1,787,550</b>	<b>1,754,575</b>

**PERFORMANCE MEASURES**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014 YTD</b>
Citations Issued	2,498	3,148	2,206
Average Warrants Outstanding	2,227	1,838	1,902
Average Value of Outstanding Warrants	498,150	485,900	474,170
Average Response Time	2.95	3.3	4.69
Calls for Service	3,835	6,130	3,713
Felony Arrests	137	129	106

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Adopted Budget**

- Personnel Services are reduced following the reduction in force in early FY 2014. Decreases in Salaries (\$421,375), Health Insurance (\$14,260), with offsetting increase in Overtime (\$9,500)
- Growth in Materials (\$500) and Office (\$1,000)
- Reduction in Janitorial (\$1,000), Other (\$1,500) with increases in Rental (\$6,000) and Software Maintenance (\$2,000).
- Increase in Telephone (\$1,000)
- Augment in Training & Travel (\$1,000), Subscription & Dues (\$400) and Other (\$500)
- Maintenance accounts experience an overall increase by \$3,900 due to increases in Equipment (\$1,000) and Vehicle (\$5,000) with decreases in Fuel (\$2,000)



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**FY 2015 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 2014 ACCOMPLISHMENTS**

- Maintained the number of volunteers in the Center Volunteer Fire Department
- Improved inspections and training program
- New ISO rating (3) obtained for all structures in the City

Updated the Emergency Management Plan

Developed annual hose and equipment testing program

**FY 2015 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 schools



**FY 2015 BUDGET  
FIRE DEPARTMENT**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	361,199	368,009	363,950	368,650
Supplies	5,168	6,060	8,650	8,800
Contractual	27,764	9,093	11,500	11,400
Utilities	10,070	13,814	12,500	16,500
Sundry	6,608	7,143	10,400	11,900
Maintenance	25,954	27,794	29,100	35,100
Capital Items	17,266	10,124	25,000	25,500
<b>Total</b>	<b>454,030</b>	<b>467,100</b>	<b>467,100</b>	<b>477,850</b>

**PERFORMANCE MEASURES**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014 - YTD</b>
Number of Calls	320	332	315	109
Fires and Explosions	150	230	165	43
Fire Fighter Accidents	0	0	0	0
Percent Response under 5 Minutes	51	52	52.5	55
Response Area (Square Miles)	525	525	525	525

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Adopted Budget**

- Adjustments in Personnel Services attributed mainly to COLA raises in Salaries (\$3,775) and Volunteer Pension Fund (\$2,800) with slight decrease in Health Insurance (\$3,270)
- Increases in Furniture (\$500) and Wearing Apparel (\$1,000) with corresponding reduction in Safety (\$500)
- Increase in Telephone (\$3,500) and Electricity (\$400)
- Net addition in Sundry due to Education (\$500) and Training (\$1,500) with slight decrease in Other (\$500)
- Increases in Equipment (\$3,000), Fuel (\$2,000), and Vehicle Maintenance (\$500)



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**FY 2015 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.
- Plan and supervise the annual street maintenance and reconstruction program funded by the 4B EDC
- Install and maintains traffic control signs and paving markers.
- Mow rights-of-way and maintain street and alley shoulders.
- Manage the street sweeping contract

**FY 2014 ACCOMPLISHMENTS**

- Managed the annual street reconstruction program, a 4B EDC funded project
- Continued the community banner beautification project
- Completed the upgrade of Roughrider Drive and extended pavement to Center Softball Complex
- Assisted the Water Department on several major water leaks

**FY 2015 GOALS**

- Plan, design, and construct directional and entryway signage around the City.
- Maintain the pedestrian right of ways
- Roadway tree trimming
- Street signage replacement
- Complete the reconstruction of MLK Drive
- Manage the annual street reconstruction program
- Oversee the construction of the Lillian Street culvert replacement
- Continue to provide assistance to other departments as needed



**FY 2015 BUDGET  
STREET DEPARTMENT**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	184,804	197,704	176,700	178,250
Supplies	14,079	2,511	13,100	13,200
Contractual	62,938	48,353	20,600	8,000
Utilities	71,912	69,904	72,500	75,500
Sundry	473	512	1,700	1,700
Maintenance	77,999	60,570	72,300	77,200
Capital Items	19,783	14,875	6,000	5,000
<b>Total</b>	<b>431,988</b>	<b>394,429</b>	<b>362,900</b>	<b>358,850</b>

**PERFORMANCE MEASURES**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Unpaved Streets – Linear Miles	0	0	0
Gravel Streets	1.5	0.65	0.65
Asphalt Streets	33.83	34.55	34.55
Concrete Streets	8.7	8.83	8.83
Area Amount of Street Reconstruction (Square Yards)	15,957	20,744	0

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Adopted Budget**

- Slight increases in Personnel Services attributed to COLA raises; no other personnel adjustments
- Elimination of Street Sweeping (\$13,000).
- Increase in Electricity (\$3,000)
- Reduction in Patching Material (\$2,000), Fuel (\$1,500) with increases in Equipment (\$3,000), Street Repairs (\$2,500) , and Signs (\$1,000)
- Reduction in Capital Signs by \$1,000



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**FY 2015 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 2014 ACCOMPLISHMENTS**

- Provide a courtesy vehicle to pilots and patrons of the airport
- Maintain the facility in a neat and professional manner
- Received TxDOT grant to purchase an AWOS system and initiated construction

Repaired runway lighting through RAMP Grant program

**FY 2015 GOALS**

- Ensure Airport Master Plan improvements are included in TxDOT Aviation Capital Improvements Program (CIP)
- Begin engineering design for CIP improvements
- Continue to provide great service to visitors and fuel customers
- Complete installation of the AWOS system



**FY 2015 BUDGET  
CENTER MUNICIPAL AIRPORT**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	45,669	46,775	48,050	48,050
Supplies	1,305	628	1,400	1,900
Contractual	9,821	3,943	3,500	1,900
Utilities	9,141	11,667	9,650	12,650
Sundry	185,560	193,059	181,600	156,600
Maintenance	5,139	4,383	7,200	9,800
Capital Items	0	16,218	0	4,000
<b>Total</b>	<b>256,636</b>	<b>276,674</b>	<b>251,400</b>	<b>234,900</b>

**PERFORMANCE MEASURES**

<b>Fuel Sold</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
100 LL (gallons)	18,989.7	18,210.7	18,887.6	16,497.5
Jet A (gallons)	25,270.9	29,655.1	36,424.5	11,506.5

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Slight overall increases in Personnel Services attributed to 2% COLA
- \$500 increase in Equipment
- Reduction in Janitorial (\$1,600)
- Increases in utility costs through Electricity/DETEC (\$2,500) and Telephone (\$500)
- Lower fuel sales necessitate reduction in Airport Fuel (\$25,000)
- Additional funds for Building Maintenance (\$2,500)
- Funding for TxDOT RAMP Grant Maintenance costs (\$4,000)



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**FY 2015 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, trails and recreation areas.
- Pick up trash and debris within City parks, trails 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 2014 ACCOMPLISHMENTS**

- Received a Texas Parks and Wildlife grant for expansion at Center Park and closed the project
- Completed construction of Center Park softball fields project
- Completed Phase I trail system design (TxDOT Traffic Enhancement Project)
- Provided assistance for State baseball tournaments

**FY 2015 GOALS**

- Continue assistance to state baseball/softball tournaments
- Maintain quality appearance of park system and sprayground
- Seek funding opportunities for continued improvements



**FY 2015 BUDGET  
PARKS DEPARTMENT**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	38,716	41,387	41,900	41,800
Supplies	2,740	3,030	2,000	3,100
Contractual	40,043	34,755	31,300	29,200
Utilities	10,625	13,129	22,600	15,000
Sundry	0	0	0	0
Maintenance	10,223	11,304	13,300	15,600
Capital Items	28,320	1,139	0	0
<b>Total</b>	<b>130,668</b>	<b>104,743</b>	<b>111,100</b>	<b>104,700</b>

**PERFORMANCE MEASUREMENTS**

<u>Number of amenities</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Baseball fields	9	9	9
Softball fields	3	3	3
Playgrounds	3	4	4
Pavilions	3	4	4
Tennis courts	4	4	4
Basketball courts	1	1	1
Sprayground	0	1	1
Total park area (in acres)	122.4		
Developed park area	84.5		

Developed park area per 1,000 residents

Center	14.1
Mt. Pleasant	11.3
Lufkin	8.3
Mt. Vernon	3.8

Source: MHS Planning: Center Parks Master Plan 2011

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Few changes in Personnel Services attributed to 2% COLA
- Increased funding for Materials (\$1,000)
- Elimination of Engineering (\$2,000)
- Reduced funding for DETEC Electricity (\$6,500) attributed to negotiated rate stabilization
- Creation of Fuel (\$2,500)



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**FY 2015 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 2014 ACCOMPLISHMENTS**

Represented the City on several re-zones and specific use permit applications

**FY 2015 GOALS**

- Participate in HOME program if funds become available
- Continue to respond quickly to plan reviews and inspections to accommodate additional growth in the City
- More vigorous enforcement of the high grass and weeds and abandoned house ordinances  
Thorough inspection of the new urgent care facility and new Ford dealership



**FY 2015 BUDGET  
INSPECTION SERVICES**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	148,688	149,543	117,200	119,200
Supplies	4,654	2,664	4,500	4,000
Contractual	473	1,789	2,500	2,500
Utilities	4,769	5,020	5,800	5,800
Sundry	1,986	3,052	3,400	2,700
Maintenance	6,358	7,048	8,900	8,900
Capital Items	420	0	300	300
<b>Total</b>	<b>167,349</b>	<b>169,116</b>	<b>142,600</b>	<b>143,400</b>

**PERFORMANCE MEASUREMENTS**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
New Construction Permits Issued	15	16	11	11
Remodel Permits Issued	12	2	8	1
Demolition Permits Issued	11	5	6	0
New Addresses Issued	N/A	47	5	45

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Adopted Budget**

- Minimal increases in Personnel Services attributed to 2% COLA
- Lessening in Office (\$500)
- Reduction in Training & Travel (\$1,000) offset by increase in Subscriptions & Dues (\$300)



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**FY 2015 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 facilities.

**FY 2014 ACCOMPLISHMENTS**

- The last 12 months of operation saw 159 events with over 20,900 people in attendance
- Developed an effective web presence through Facebook and internet site
- Created a diversified calendar explaining how the facility is used
- Created and maintained relationships with local businesses and organizations to have meetings at the facility
- Began attending trade shows and bridal shows to promote the facility
- Completion of Community House renovation and restoration project

**FY 2015 GOALS**

- Complete the restoration and renovation of the Community House
- Further development of marketing program, particularly to weddings, through bridal shows
- Initiate the use of industry-specific software to facilitate the reception and coordination of event scheduling
- Identify and pursue marketing opportunities to businesses and organizations not currently utilizing the facility
- Increase the Center's social media presence
- Recruit and train additional staff



**FY 2015 BUDGET  
CIVIC CENTER**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	106,428	106,494	92,850	84,700
Supplies	9,089	5,867	6,450	6,450
Contractual	13,883	13,761	12,000	10,500
Utilities	19,464	18,359	20,800	22,800
Sundry	2,941	4,364	3,750	5,750
Maintenance	10,078	7,293	6,500	11,300
Capital Items	18,450	1,682	1,500	4,250
<b>Total</b>	<b>180,333</b>	<b>157,820</b>	<b>150,050</b>	<b>145,750</b>

**PERFORMANCE MEASURES**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Event Days Used	159	159	105	
Approximate Attendance	18,248	20,900	13,500	
Cancellations	9	9	2	

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Reduction in Salaries due to elimination of part time position offset by COLA (\$5,600) and other reductions in Health Insurance (\$500), Pension Fund (\$900), and Social Security (\$900)
- Reductions in Insect Control (\$500) and PD Security (\$1,000)
- Enhancement in Electricity (\$500) and Telephone (\$1,000)
- Funding for advertising costs in Publishing (\$2,000)
- Repaid of outdoor digital sign and other maintenance items increases Building Maintenance (\$4,300)
- Purchase of new computer and other event-related items increases capital (\$2,750)



**FY 2015 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**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	0	0	0	0
Supplies	0	633	500	0
Contractual	1,090,407	1,098,757	1,091,000	1,105,000
Utilities	0	0	0	0
Sundry	6,673	4,606	6,000	10,500
Maintenance	5,369	5,043	3,200	0
Capital Items	10,298	68	0	0
<b>Total</b>	<b>1,112,747</b>	<b>1,109,107</b>	<b>1,100,700</b>	<b>1,115,500</b>

**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 2014 ACCOMPLISHMENTS**

- Provided weekly garbage service with no service interruptions
- Delivered recycling container to recycling plant on a weekly basis
- Conducted a successful electronics recycling day

**FY 2015 GOALS**

- Continue to provide excellent customer service and on-time trash pickups.
- Purchased a new truck for the recycling program
- Partner with the Shelby County Chamber of Commerce for the annual electronics recycling day

**PERFORMANCE MEASUREMENTS**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Number of Trips – Recycling Program	52	60	51	8
Materials Recycled – Tonnage	36.03	35.1	36.46	10.1



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**FY 2015 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**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	0	0	0	0
Supplies	0	0	300	300
Contractual	37,150	24,000	24,000	25,000
Utilities	0	0	0	0
Sundry	0	0	0	0
Maintenance	657	0	1,000	1,000
Capital Items	0	0	0	0
<b>Total</b>	<b>37,807</b>	<b>24,000</b>	<b>25,300</b>	<b>26,300</b>

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Increase in Cemetery Mowing (\$1,000)



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**FY 2015 BUDGET**  
**ANIMAL CONTROL - #612**

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

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	0	0	0	0
Supplies	2,713	4,901	2,700	3,250
Contractual	11,059	12,087	11,000	13,000
Utilities	146	151	150	200
Sundry	2,590	2,336	2,000	2,500
Maintenance	0	275	1,000	1,000
Capital Items	991	1,081	1,000	1,000
<b>Total</b>	<b>17,498</b>	<b>20,831</b>	<b>17,850</b>	<b>20,950</b>

**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.




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**FY 2015 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.

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	0	0	0	0
Supplies	567	103	700	700
Contractual	60,883	59,068	60,050	59,550
Utilities	8,956	8,189	8,200	13,500
Sundry	0	808	2,200	2,200
Maintenance	3,188	4,151	3,700	4,500
Capital Items	12,201	2,603	0	0
<b>Total</b>	<b>85,795</b>	<b>74,922</b>	<b>74,850</b>	<b>80,450</b>

**FY 2014 ACCOMPLISHMENTS**

- Made plumbing repairs at the Senior Center.
- Completed renovation work on the Community House

**FY 2015 GOALS**

- Participate in the development of community facilities per the Capital Improvements Program.
- Seek funding for Senior Center roof repairs

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Elimination of Senior Center Insect Control (\$400)
- Increases in electricity costs for Community House (\$2,500) and Senior Center (\$2,500)
- Enhancement in Library Building Maintenance (\$800)





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**FY 2015 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.

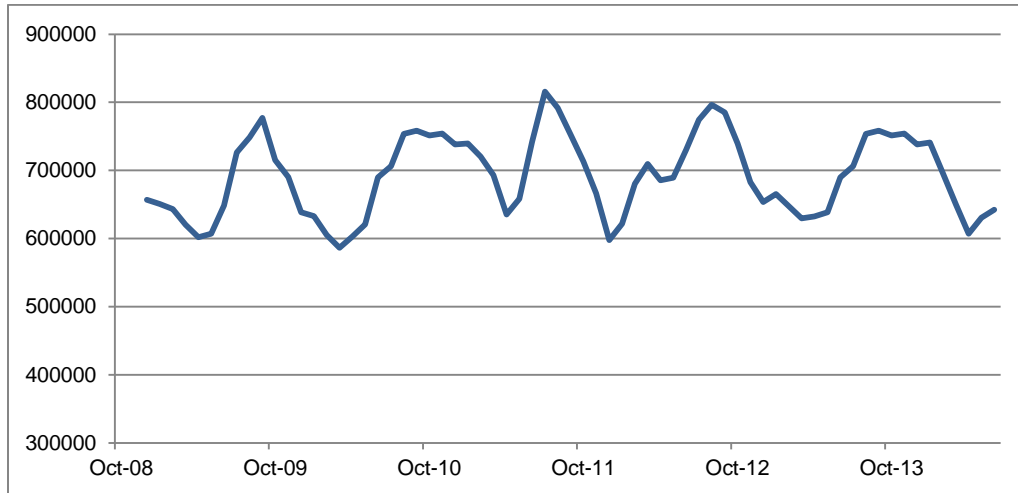
This budget provides funding for all positions with a cost of living adjustment to all employees, and takes into account increases in operating costs such as a higher price of fuel, utilities and chemicals. A marginal rate increase for residential and business customers is included in this year's budget.

**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 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 adjustments are being proposed to offset growth in Consumer Price Index (inflation) which results in increased cost of materials, supplies and utilities.



Graph 1 – Monthly Water consumption. October 2008 through June 2014

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 particularly in light of the fact that most systems have some groundwater production which is significantly less expensive to treat.

City	Population	Water 5,000 Gal	Sewer 5,000 Gal	Total
Mexia	7,539	34.75	47.15	81.90
Groesbeck	4,366	48.12	27.21	75.33
Whitehouse	7,859	47.39	21.52	68.91
Mount Vernon	2,662	31.66	35.70	67.36
Mineola	4,522	38.50	24.62	63.12
Navasota	7,816	35.50	26.66	62.16
Diboll	5,359	32.58	26.04	58.62
Pittsburg	4,500	33.00	25.00	58.00
Carthage	6,851	26.25	31.55	57.80
Crockett	6,621	32.50	25.30	57.80
Liberty	8,743	26.74	24.64	51.38
Gladewater	6,514	25.75	24.00	49.75
Cleveland	7,675	26.50	23.05	49.55
Gilmer	5,000	26.62	21.21	47.83
Nacogdoches	34,047	20.06	25.02	45.08
Madisonville	4,428	22.70	19.75	42.45
Jasper	7,714	20.89	19.12	40.01
<b>AVERAGE</b>	<b>7,777</b>	<b>31.15</b>	<b>26.33</b>	<b>57.47</b>
<b>CENTER</b>	<b>6,000</b>	<b>27.24</b>	<b>23.11</b>	<b>50.35</b>

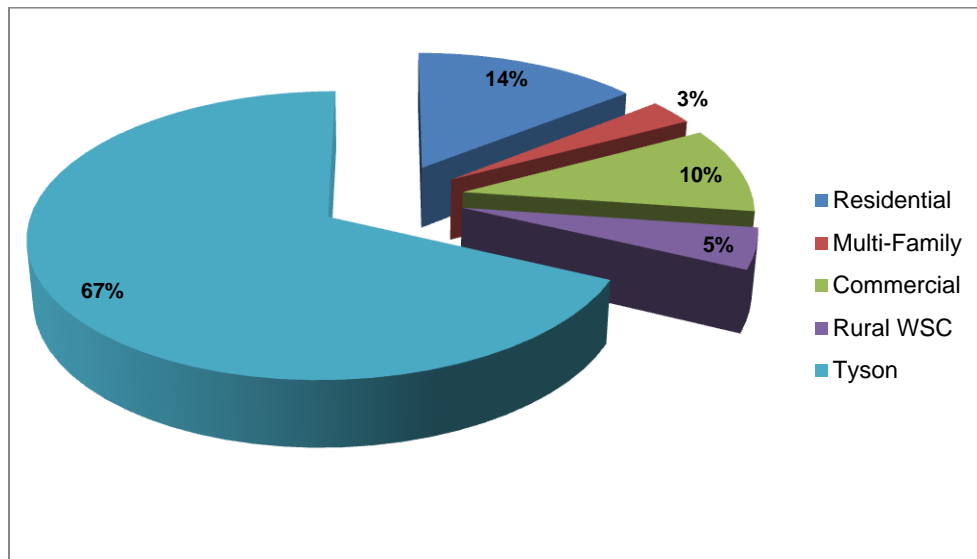
Table 1 – 2014 Utility rate comparison  
Source: Texas Municipal League 2014 Annual Utility Rate Survey



It is also enlightening to examine water consumption 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Residential	16%	16%	18%	15%	15%	14%
Multi-Family	3%	4%	3%	3%	3%	3%
Commercial	11%	12%	12%	11%	11%	10%
Rural Water Supply	7%	7%	8%	8%	5%	5%
Tyson	63%	62%	60%	63%	64%	67%

Table 2 – Percentage by customer class to total water consumption



FY 2014 Year to Date Water Consumption by Customer Class

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.

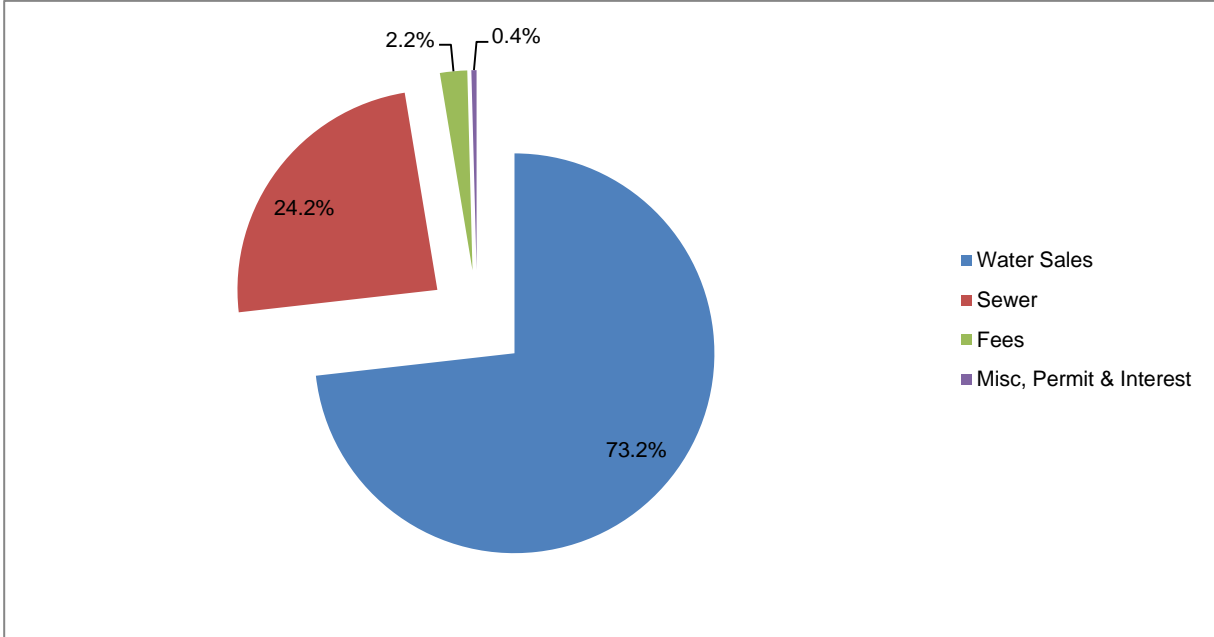
	Gross Water Sales
FY 2013	2,298,983
FY 2012	2,286,144
FY 2011	2,413,344
FY 2010	2,188,823
FY 2009	2,062,428

Table 3 – Annual amount of water sales

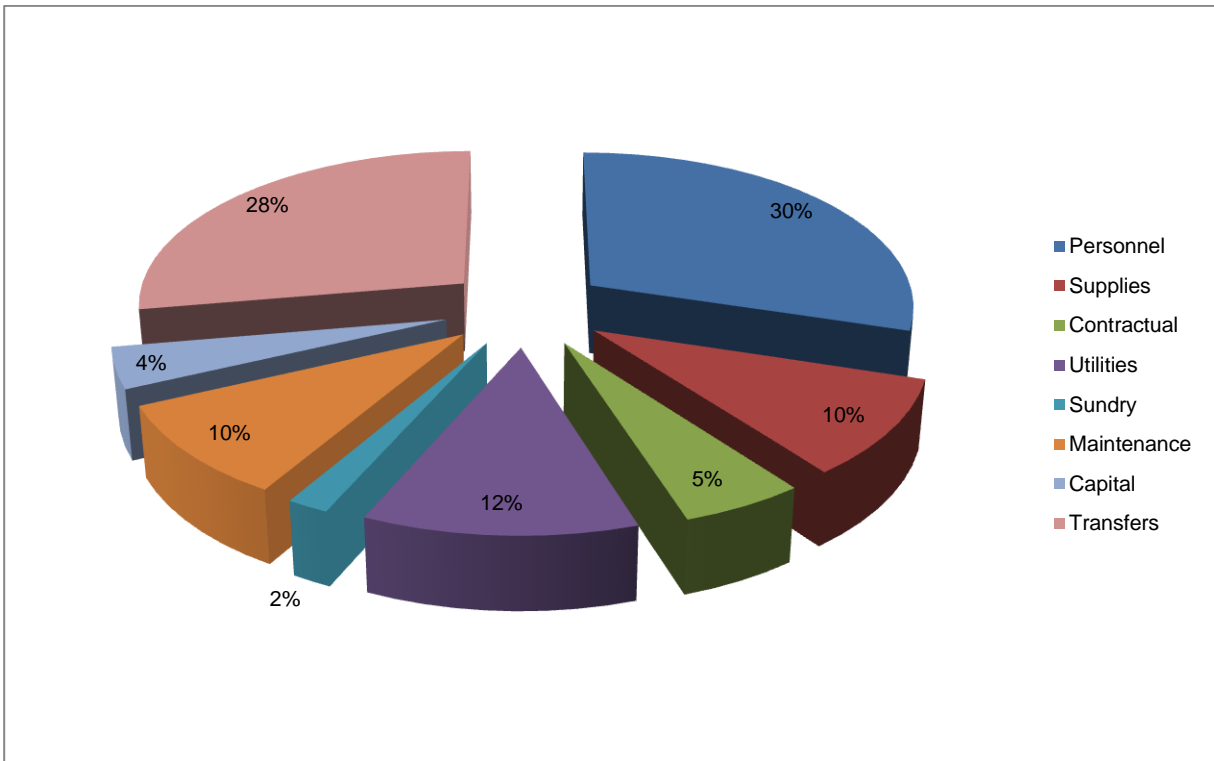
### **UTILITY FUND EXPENDITURES**

This budget includes increases in operational department budgets relating to personnel services. All full-time non-exempt wage scales are increased by 2% to adjust for cost of living increases. The City employee compensation package also includes retirement pension funding and health insurance. All other notable items are specifically listed on each department's page.

**FY 2015 Proposed Budget – Utility Revenues**



**FY 2015 Proposed Budget – Utility Expenditures by Prime Account**





**FY 2015 BUDGET  
REVENUE DETAIL**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
<b>Water</b>				
Residential Water	601,346	605,544	620,000	645,000
Bulk Water Sales	792	689	1,000	2,000
Commercial Sales	388,207	639,642	320,000	355,000
Poultry Processing	877,880	1,085,724	1,105,000	1,150,000
Rural Water Systems	178,070	101,468	95,000	85,000
Industrial	41,751	17,864	0	0
Outside City Limits	188,786	250,173	155,000	155,000
<b>Total Water</b>	<b>2,276,832</b>	<b>2,599,696</b>	<b>2,296,000</b>	<b>2,392,000</b>
<b>Sewer</b>				
Billed Sewer	663,276	821,614	685,000	775,000
Contractual Disposal	82,711	29,104	10,000	15,000
<b>Total Sewer</b>	<b>745,987</b>	<b>850,718</b>	<b>695,000</b>	<b>790,000</b>
<b>Miscellaneous</b>				
Returned Check Fee	1,300	990	1,000	1,000
Insurance Claims	0	1,433	0	0
Worker's Comp Discount	4,058	204	4,000	0
Other	22,681	-8	1,000	1,000
DETEC Capital	2,042	2,245	0	0
Sale of Equipment/Land	1,860	21,665	0	0
<b>Total Miscellaneous</b>	<b>31,941</b>	<b>26,529</b>	<b>6,000</b>	<b>2,000</b>
<b>Permits</b>				
Plumbing Insp. Permit	2,675	1,925	2,650	1,600
<b>Total Permits</b>	<b>2,675</b>	<b>1,925</b>	<b>2,650</b>	<b>1,600</b>
<b>Interest</b>				
Interest Water Fund	3,815	1,920	3,500	1,000
Interest Water Refund	934	786	1,000	1,000
<b>Total Interest</b>	<b>4,749</b>	<b>2,706</b>	<b>4,500</b>	<b>2,000</b>
<b>Fees Taps &amp; Charges</b>				
Administrative Fees	5,975	4,920	6,000	5,000
10% Charges	44,500	42,457	45,000	42,500
10% A/R	984	-18	100	100
Reconnect Fees	16,800	14,667	15,000	15,000
After Hours Fee	75	125	100	100
Water Taps	9,535	4,695	7,500	6,000
Sewer Taps	2,410	1,800	2,500	2,000
Lake Pinkston Lease	76	76	100	100
Lease Mineral Rights	54,257	9,981	8,000	9,000
<b>Total Fees</b>	<b>134,612</b>	<b>78,703</b>	<b>84,300</b>	<b>79,800</b>
<b>TOTAL REVENUE</b>	<b>3,196,797</b>	<b>3,661,686</b>	<b>3,088,450</b>	<b>3,267,400</b>





**FY 2015 BUDGET  
REVENUE SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Water	2,276,832	2,599,696	2,296,000	2,392,000
Sewer	745,987	850,718	695,000	790,000
Miscellaneous	31,941	26,529	6,000	2,000
Permits	2,675	1,925	2,650	1,600
Interest	4,749	2,706	4,500	2,000
Fees	134,612	78,703	84,300	79,800
<b>TOTAL</b>	<b>3,196,797</b>	<b>3,661,686</b>	<b>3,088,450</b>	<b>3,267,400</b>

**FY 2015 BUDGET  
EXPENDITURE SUMMARY**

<b>BY DEPARTMENT</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Non-Departmental	840,827	1,094,904	848,315	945,100
Water Production	1,305,819	1,110,809	1,111,119	1,162,475
Water Distribution	290,636	296,197	276,557	306,475
Sewer Collection	268,921	271,737	189,779	160,150
Sewer Treatment	475,172	486,495	512,027	528,025
Public Works	157,377	158,607	161,718	165,175
<b>TOTAL</b>	<b>3,338,753</b>	<b>3,418,749</b>	<b>3,099,515</b>	<b>3,267,400</b>

**BY ACCOUNT CATEGORY**

Personnel Services	1,017,703	1,031,079	1,009,365	982,125
Supplies	327,274	303,043	312,350	328,175
Contractual	247,413	245,600	171,450	175,700
Utilities	325,757	341,580	347,335	384,800
Sundry	57,171	762,376	45,400	59,400
Maintenance	361,653	292,886	276,800	316,350
Capital Items	207,719	106,318	112,750	121,750
Fund Transfers	794,063	0335,866	824,065	899,100
<b>Total</b>	<b>3,338,753</b>	<b>3,418,749</b>	<b>3,099,515</b>	<b>3,267,400</b>



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**FY 2015 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 7 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 3.4 million gallons and peak production capacity is 3.5 million gallons. The Mill Creek plant is staffed 5 days a week, 8 hours a day and treats water from Lake Center (Old City Lake). Average daily production is 200,000 gallons a day with peak production capability of 1.4 million gallons a day.

**FY 2014 ACCOMPLISHMENTS**

- Optimized the Pinkston Water Treatment Plant to treat majority of water requirement due to staffing reductions
- Had zero production related TCEQ violations

Replaced two of the three raw water pumps on the Pinkston shallow end

**FY 2015 GOALS**

- Continue to operate without any TCEQ violations
- Complete water system master plan
- Replace operator position lost during previous fiscal year



**FY 2015 BUDGET  
WATER PRODUCTION**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	410,716	395,421	363,934	364,400
Supplies	273,684	248,628	253,000	263,975
Contractual	144,275	91,845	92,000	86,800
Utilities	233,647	249,376	258,235	285,350
Sundry	16,366	10,299	14,850	14,850
Maintenance	172,512	71,301	87,350	91,350
Capital Items	54,619	43,939	41,750	55,750
<b>Total</b>	<b>1,305,819</b>	<b>1,110,809</b>	<b>1,111,119</b>	<b>1,162,475</b>

**PERFORMANCE MEASURES**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Total Gallons of Treated Water Produced	1.1 billion gallons	974 million gallons	1.033 billion gallons
TCEQ Violations	0	0	0
<b>Treatment Plant Capacity</b>			
Mill Creek	1.4 mgd	1.4 mgd	1.4 mgd
Pinkston	3.5 mgd	3.5 mgd	3.5 mgd
Storage Tank Capacity	6.25 million gallons	6.25 million gallons	6.25 million gallons

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Minimal increases in Personnel Services due to 2% COLA
- Increase in Chemicals (\$10,975)
- Reductions in Laboratory Tests (\$2,000), Engineering (\$8,000) and elimination of Special Projects (\$10,000) with offsetting increases in Alternative Disposal for lagoon cleaning (\$15,000)
- Increase in DETEC Electricity (\$32,000) with an offsetting decrease in SWEPCO Electricity (\$5,000)
- Reduction in Building Maintenance (\$2,000) coupled with an increase in Pumping Equipment (\$5,000)
- Purchase of new utility truck (\$17,500) with a slight (\$5,000) reduction in Capital Equipment



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**FY 2015 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 2014 ACCOMPLISHMENTS**

- Installed and repaired electronic water meters
- Replaced Utilities Supervisor following retirement
- Performed numerous leak repairs, including 4 on the 18" water line

**FY 2015 GOALS**

- Continue meter replacement program
  - Staff development and training
- Maintain current infrastructure



**FY 2015 BUDGET  
WATER DISTRIBUTION**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	132,938	170,155	174,557	177,125
Supplies	2,927	3,457	4,900	6,300
Contractual	2,079	7,038	4,500	4,800
Utilities	2,302	1,644	2,600	3,000
Sundry	880	1,637	2,500	3,000
Maintenance	85,629	85,376	62,500	90,250
Capital Items	63,880	26,890	25,000	22,000
<b>Total</b>	<b>290,636</b>	<b>296,197</b>	<b>276,557</b>	<b>306,475</b>

**PERFORMANCE MEASURES**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Miles of water lines maintained	87	90	90
Number of fire hydrants	287	290	291

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Minimal increases in Personnel Services due to 2% COLA
- Additional funding in Minor Tools (\$500) and Chemicals (\$500) with slight decrease in Laboratory (\$500)
- Creation of Miscellaneous Other (\$500)
- Funding enhancements in Water Meter Maintenance (\$10,000), Water Lines (\$13,000), Preventative (\$1,000), Fuel (\$1,000), and Fire Hydrants (\$2,000)
- Increase in Capital Equipment (\$2,500), Other Equipment (\$2,500), Pumping Equipment (\$1,000) with offsetting decreases in Water Lines (\$2,000) and Water Meters (\$6,000)



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**FY 2015 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 2014 ACCOMPLISHMENTS**

- 100% staff replacement
- One manhole replaced

**FY 2015 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
- Staff training and development
- Eliminate 8 lift stations from the collection system as part of the TWDB sewer system project
- Install a super-lift station to replace the smaller lift stations



**FY 2015 BUDGET  
SEWER COLLECTION**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	139,206	119,100	127,379	90,600
Supplies	1,588	2,271	2,600	3,750
Contractual	9,498	88,439	2,800	2,400
Utilities	18,433	19,239	18,200	21,400
Sundry	30	930	1,000	1,500
Maintenance	31,459	35,508	35,800	40,500
Capital Items	68,706	6,250	2,000	0
<b>Total</b>	<b>268,921</b>	<b>271,737</b>	<b>189,779</b>	<b>160,150</b>

**PERFORMANCE MEASURES**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Miles of sewer line maintained	72	75	75
Number of lift stations	14	14	14
Number of manholes	454	460	460

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Reallocation of personnel results in a net reduction in Salaries (\$25,525), Health Insurance (\$6,500), and Social Security (\$1,400)
- Funding in Chemicals (\$500), Wearing Apparel (\$300) and Equipment (\$100)
- Slight reduction in Uniforms (\$400)
- Increases in electricity costs in SWEPCO (\$2,000) and DETEC (\$1,000)
- Enhanced funding in Sewer Manholes (\$2,000), Vehicle Maintenance (\$2,000), and Sewer Lines (\$2,500) with minimal decrease in Fuel (\$2,500)
- Elimination of Capital Pumping Equipment (\$2,000)



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**FY 2015 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 2014 ACCOMPLISHMENTS**

- Maintain operations despite loss of operator position
- No outstanding plant TCEQ violations

**FY 2015 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.
- Replace lost operator position
- Institute industrial pretreatment standards and monitoring



**FY 2015 BUDGET  
SEWER TREATMENT**

**DEPARTMENT SUMMARY**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	198,733	206,724	204,527	207,025
Supplies	35,369	33,261	38,050	38,050
Contractual	71,374	44,517	57,200	63,200
Utilities	61,137	62,225	58,800	64,300
Sundry	17,431	14,265	21,250	21,250
Maintenance	70,616	96,763	89,700	91,700
Capital Items	20,513	28,740	42,500	42,500
<b>Total</b>	<b>475,172</b>	<b>486,495</b>	<b>512,027</b>	

**PERFORMANCE MEASURES**

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Amount of Wastewater Treated	331 m gallons	363 m gallons	370 m gallons
Amount of Sludge Disposed	1,000 cubic yards	1,000 cubic yards	1050 cubic yards
Permitted Capacity of the Plant	1.7 mgd	1.7 mgd	1.7 mgd
Average Discharge of the Plant	0.7 mgd	0.7 mgd	0.7 mgd

**HIGHLIGHTS – FY 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Slight increases in Personnel Services due to COLA adjustments
- Enhancement in Alternative Sludge Disposal (\$5,000) and Special Projects (\$1,000)
- Increase in SWEPCO Electricity (\$5,000)
- Decrease in Tire Maintenance (\$1,500) with offsetting increase in Pumping Equipment (\$3,000)



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**FY 2015 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**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	135,910	137,128	138,968	141,975
Supplies	1,871	2,270	1,800	2,600
Contractual	6,130	4,726	6,700	4,000
Utilities	10,238	9,096	9,500	10,750
Sundry	1,794	950	1,800	1,800
Maintenance	1,435	3,938	1,450	2,550
Capital Items	0	499	1,500	1,500
<b>Total</b>	<b>157,377</b>	<b>158,607</b>	<b>161,718</b>	<b>165,175</b>

**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 2014 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**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2015 Proposed Budget</b>
Personnel Services	201	2,551	0	1,000
Supplies	11,835	13,156	12,000	13,500
Contractual	14,058	9,034	8,250	14,500
Utilities	0	0	0	0
Sundry	20,670	734,296	4,000	17,000
Maintenance	0	0	0	0
Capital Items	0	0	0	0
Fund Transfers	794,063	335,866	824,065	899,100
<b>Total</b>	<b>840,827</b>	<b>1,094,904</b>	<b>848,315</b>	<b>945,100</b>

**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 2015 Proposed Budget Change From FY 2014 Amended Budget**

- Increase in Postage attributed to recent rate rise (\$1,500)
- Funding of Legal (\$1,500) and increase in Software Maintenance (\$4,750)
- Funding of Governmental Fees (\$1,500) and EOY Expenses (\$10,000) with increase in Credit Card Processing (\$2,500)
- Substantial increase in General Fund Transfer (\$75,000)





**FY 2015 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.

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Adopted Budget</b>	<b>FY 2015 Proposed Budget</b>
<b>Court Technology</b>				
Court Tech Fee	5,928	5,869	5,000	5,000
Interest	23	12	0	0
<b>Court Tech Total</b>	<b>5,951</b>	<b>5,881</b>	<b>5,000</b>	<b>5,000</b>
<b>Expenses</b>				
Supplies	240	220	0	0
Contractual	2,049	17,298	2,500	2,500
Sundry	1,287	1,756	2,000	2,000
Capital	854	0	700	700
<b>Total</b>	<b>4,430</b>	<b>19,274</b>	<b>5,200</b>	<b>5,200</b>
<b>Beginning Fund Balance</b>	<b>23,214</b>	<b>24,735</b>	<b>11,342</b>	<b>11,142</b>
<b>Revenues Over/(Under) Expenses</b>	<b>1,521</b>	<b>(13,393)</b>	<b>(200)</b>	<b>(200)</b>
<b>Ending Fund Balance</b>	<b>24,735</b>	<b>11,342</b>	<b>11,142</b>	<b>10,942</b>
<b>Court Building Security</b>				
Building Security Fee	4,446	4,402	4,000	4,000
Interest	27	21	0	0
<b>Building Security Total</b>	<b>4,473</b>	<b>4,423</b>	<b>4,000</b>	<b>4,000</b>
<b>Expenses</b>				
Sundry	580	512	500	500
Capital	0	0	2,500	0
<b>Total</b>	<b>580</b>	<b>512</b>	<b>3,000</b>	<b>500</b>
<b>Beginning Fund Balance</b>	<b>9,313</b>	<b>13,206</b>	<b>17,117</b>	<b>18,117</b>
<b>Revenues Over/(Under) Expenses</b>	<b>3,893</b>	<b>3,911</b>	<b>1,000</b>	<b>3,500</b>
<b>Ending Fund Balance</b>	<b>13,206</b>	<b>17,117</b>	<b>18,117</b>	<b>21,617</b>



	FY 2012 Actual	FY 2013 Actual	FY 2014 Adopted Budget	FY 2015 Proposed Budget
<b>Law Enforcement Seizure Fund</b>				
Judgment Forfeiture	1,342	0	0	3,000
Interest	41	17	10	0
<b>Building Security Total</b>	<b>1,383</b>	<b>17</b>	<b>10</b>	<b>3,000</b>
<b>Expenses</b>				
Cell Phone	687	702	700	600
Investigation Expense	2,000	6,000	0	5,200
Vehicle Maintenance	15	0	0	0
Capital Equipment	1,760	0	0	0
<b>Total</b>	<b>4,461</b>	<b>6,702</b>	<b>700</b>	<b>5,800</b>
<b>Beginning Fund Balance</b>	<b>18,700</b>	<b>15,622</b>	<b>8,937</b>	<b>8,247</b>
<b>Revenues Over/(Under) Expenses</b>	<b>(3,078)</b>	<b>(6,685)</b>	<b>(690)</b>	<b>(2,800)</b>
<b>Ending Fund Balance</b>	<b>15,622</b>	<b>8,937</b>	<b>8,247</b>	<b>5,447</b>



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## FY 2015 BUDGET TRUST FUND

### FUND NARRATIVE

The Trust Fund is a special fund established by the City to collect and hold funds related to a special project or activity whereby the City assumes a fiduciary responsibility. Primarily, the Fund is composed of two parts: the Hotel Occupancy Tax Revenues and the Fairview Cemetery Perpetual Fund.

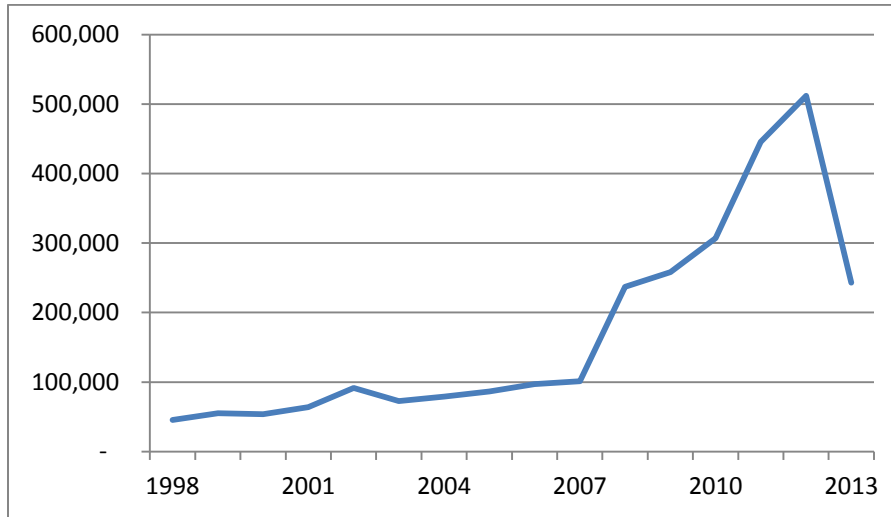
The City collects a 7% Hotel Occupancy Tax when a person rents a room from a hotel located inside of the city limits. The State of Texas collects an additional 6%, making the total tax rate 13%. The expenditures of the Hotel Occupancy Taxes are managed by a City Council-appointed Hotel/Motel Advisory Board. The Texas Local Government Code is very specific on allowable uses of these funds and 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”.

In fact, the State Law is so specific as to the use of the funds that any expenditure must pass a two part test. The first part is that expenditures must promote tourism and the convention and hotel industry in the City. All expenditures must further fall into one of seven statutory categories:

1. The acquisition of sites and the construction and maintenance of convention center facilities and visitor information centers;
2. Expenses associated with the registration of convention delegates;
3. Advertising, solicitations, and promotions that attract tourists and convention delegates to the City;
4. Promotion of the arts;
5. Historical preservation projects;
6. Sporting events that promote tourism in counties of less than one million population, and;
7. Transportation systems that transport tourists from hotels to the commercial center of the City, convention center or other hotels, provided the system does not serve the general public.

The largest type of expenditure in this fund, allowed under category 1, is the debt payment and the maintenance/ operational costs of the John D. Windham Civic Center. The increased revenues generated from Hotel Occupancy Taxes pays the entirety of the facility's debt obligation and greatly subsidizes the facility's operation costs. Additionally, the revenues 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, allowed under category 3. The fund has also contributed toward community beautification projects and attracting baseball tournaments to the City, also allowed under category 3. In FY 2014, the Board voted to expend \$50,000 for the Center Softball Complex, similar to an expense in FY 2013 for the Center ISD baseball fields.

Graph 1 below highlights the increase in hotel occupancy tax revenues, beginning in approximately 2008 and peaking in 2012 at over \$500,000. This was driven primarily by the influx of temporary workers needed for the development of the local gas fields. With the dramatic fall of natural gas prices, drilling activity has subsequently subsided. However, looking to FY 2015, these revenues are expected to slightly rise.



Graph 1 – Hotel Occupancy Tax Revenues  
FY 1998 – FY 2013

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 Fairview Cemetery and donations. This trend will continue into the future. However, special projects require specific approval of Council.



**FY 2015 BUDGET  
HOTEL OCCUPANCY FUND**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Proposed Budget</b>
<b>Revenues</b>					
Hotel/Motel Taxes	511,739	243,187	205,000	205,000	205,000
PP Tyson Foods	2,000	0	0	0	0
Donations	12	224	0	0	0
Interest Hotel/Motel	2,668	1,843	1,250	800	1,250
Interfund Transfer	0	0	0	0	0
<b>Total</b>	<b>516,419</b>	<b>245,254</b>	<b>206,250</b>	<b>205,800</b>	<b>206,250</b>
<b>Expenditures</b>					
Other	7,325	1,500	0	0	0
Downtown Banners	9,246	2,743	0	0	0
CISD Recreation Facilities	0	50,000	0	0	0
Baseball Tournaments	32,500	35,000	13,000	19,000	15,000
Website Contribution	0	213	0	0	0
Community Events	0	7,000	5,000	1,000	5,000
Chamber of Commerce	0	19,727	20,000	20,000	20,000
Downtown Streetscape	25,000	0	0	0	0
Downtown Lights	0	2,807	2,250	200	0
Civic Center Ops	110,000	110,000	100,000	100,000	50,000
Athletic Facilities	0	0	50,000	50,000	0
Community House Ops	5,000	5,000	5,000	5,000	5,000
Transfer - Civic Center Debt	140,000	139,500	134,500	134,500	134,500
<b>TOTAL - Hotel Motel</b>	<b>329,071</b>	<b>373,489</b>	<b>329,750</b>	<b>329,700</b>	<b>229,500</b>
<b>Beginning Fund Balance</b>	<b>225,809</b>	<b>413,157</b>	<b>258,369</b>	<b>284,922</b>	<b>161,022</b>
<b>Revenue Over/(Under)</b>					
<b>Expenditures</b>	<b>187,348</b>	<b>(128,235)</b>	<b>(123,000)</b>	<b>(123,900)</b>	<b>(23,250)</b>
<b>Ending Fund Balance</b>	<b>413,157</b>	<b>284,922</b>	<b>135,369</b>	<b>161,022</b>	<b>137,772</b>

**FAIRVIEW CEMETERY FUND**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Amended Budget</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Proposed Budget</b>
<b>Revenues</b>					
Interest Cemetery	1,012	849	500	625	500
<b>Total</b>	<b>1,012</b>	<b>849</b>	<b>500</b>	<b>625</b>	<b>500</b>
<b>Ending Balance</b>	<b>135,717</b>	<b>136,566</b>	<b>137,066</b>	<b>137,191</b>	<b>137,691</b>





**FY 2015 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**

City	Population	Total Net Taxable	Gross Tax Rate	Total GO & CO Debt	Debt per capita	Debt as a % of total net taxable
Carthage	6,851	650,803,050	0.4600000	973,165	142	0.1%
Cleveland	7,675	300,792,514	0.7800000	6,150,000	801	2.0%
Crockett	6,621	248,371,472	0.5451400	0	0	0.0%
Diboll	5,359	177,076,506	0.5674250	5,770,000	1,077	3.3%
Gilmer	5,000	272,394,409	0.6354240	4,460,000	892	1.6%
Gladewater	6,514	309,891,224	0.6445020	1,976,017	303	0.6%
Groesbeck	4,366	114,975,265	0.7518000	10,607,000	2,429	9.2%
Jasper	7,714	294,025,545	0.3201000	8,990,000	1,165	3.1%
Liberty	8,743	538,347,602	0.5900000	10,575,000	1,210	2.0%
Madisonville	4,428	159,967,555	0.5289000	4,660,000	1,052	2.9%
Mexia	7,539	260,091,820	0.7600000	0	0	0.0%
Mineola	4,522	211,823,975	0.5356400	9,370,000	2,072	4.4%
Mount Vernon	2,662	91,900,325	0.6043820	4,445,000	1,670	4.8%
Nacogdoches	34,047	1,393,825,410	0.5639000	8,110,000	238	0.6%
Navasota	7,816	286,096,563	0.5000000	10,439,000	1,336	3.6%
Pittsburg	4,500	202,548,870	0.5284880	1,000,000	222	0.5%
Whitehouse	7,859	367,919,682	0.6721100	978,500	125	0.3%
<b>Average</b>	<b>7,777</b>	<b>345,932,458</b>	<b>0.5875183</b>	5,206,099	867	0
<b>CENTER</b>	<b>6,000</b>	<b>266,313,627</b>	<b>0.5000000</b>	<b>7,111,314</b>	<b>1,185</b>	<b>2.7%</b>

Table 1 – Peer City Comparison Source: 2014 Texas Municipal League Annual Tax and Debt Survey



Table 1 of this section provides a comparison of other cities in the East Texas region who have incurred debt, most of which 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.

The City of Center's Debt Policy (Appendix A on Page 107) states that the City shall not incur property tax supported debt in an amount exceeding 4% of the net taxable value. For 2015, the City's outstanding debt balance will be at 2.7% of net taxable value, well below established debt levels.

**DEBT SERVICE FUND HIGHLIGHTS**

Revenue

The proposed City tax rate is to increase to \$0.53 per \$100 of taxable value. The interest and sinking rate is projected to decrease to \$0.202213 and the maintenance and operation rate is projected to increase to \$0.327787.

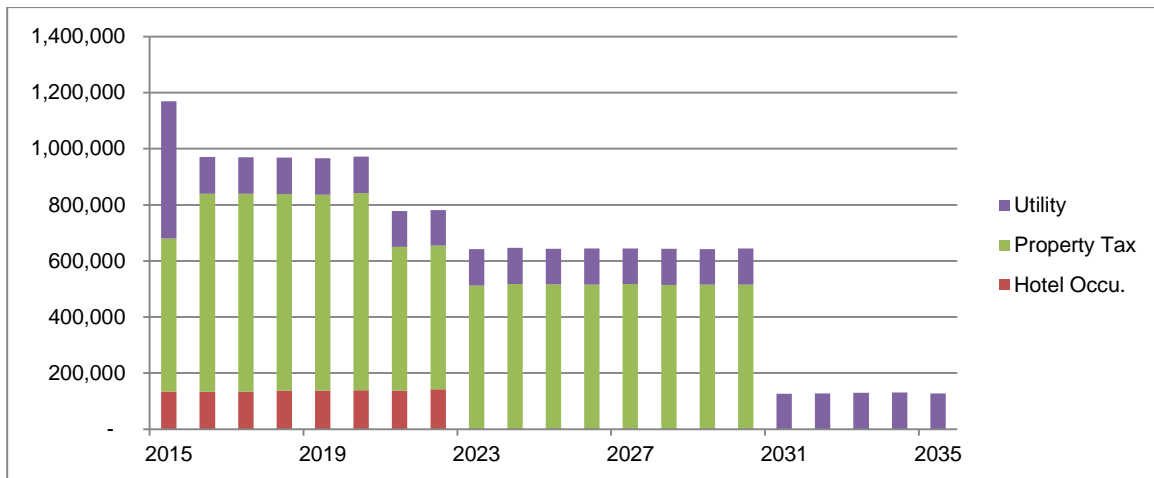
The inter-fund transfer from the water utility fund is projected to remain constant at \$490,500.

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 also remain the same.

In FY 2014, the City received some pledged revenues for the Softball Complex, which the 2014 tax notes were secured to complete the project. The FY 2015 Proposed Budget allocates some of those funds (\$23,400) to make the interest payment for that debt instrument.

Expenditures

Graph 1 of this section illustrates the total projected debt service and from which revenue source the debt will be supported.



Graph 1 – Total existing debt service payments FY 2015 - 2035



**FY 2015 BUDGET  
DEBT SERVICE FUND**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Proposed Budget</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Proposed Budget</b>
<b>Revenue</b>					
Taxes - Current Year	534,785	534,000	524,550	515,000	504,700
Interest - Debt Service	11,722	2,500	5,000	1,400	500
Transfer - Fund Balance	0	0	0	0	20,000
Interfund Transfers - Water	460,000	492,000	490,500	490,500	490,500
Interfund Transfers - Hotel/Motel	140,000	139,500	134,500	134,500	134,500
Interfund Transfers – Park Fund	0	0	0	0	22,400
<b>Total - Revenue</b>	<b>1,146,507</b>	<b>1,168,000</b>	<b>1,154,550</b>	<b>1,141,400</b>	<b>1,172,600</b>
<b>Expenditures</b>					
Principal 2003 CO's	40,000	40,000	0	0	0
Principal 2005 Refunding	150,000	0	0	0	0
Principal 2007 CO's	85,000	90,000	90,000	90,000	95,000
Principal 2011 Refunding	25,000	170,000	175,000	175,000	180,000
Principal 2011 CO's	95,000	85,000	95,000	95,000	70,000
Principal 2012 CO's	0	0	10,000	10,000	30,000
Principal 2012 Refunding	414,000	429,000	426,000	426,000	412,000
Principal 2012 GO Refunding	0	0	65,000	65,000	90,000
Interest 2014 Tax Notes	0	0	0	0	23,400
Interest 2011 Refunding	23,101	27,400	23,950	23,950	20,400
Interest 2011 CO's	103,893	130,150	128,350	128,350	126,700
Interest 2012 CO's	12,332	40,730	40,730	40,730	40,750
Interest 2012 Refunding	8,086	19,765	13,073	13,073	6,450
Interest 2012 GO Refunding	0	29,524	36,525	36,525	35,225
Interest 1998 CO's	37,641	0	0	0	0
Interest 2003 CO's	83,741	81,541	0	0	0
Interest 2005 Refunding	2,663	0	0	0	0
Interest 2007 CO's	53,806	48,994	44,044	44,044	39,000
Debt Issuance Costs	167,301	0	0	0	0
Annual Bank Agent Fees	3,673	4,625	4,500	4,500	2,500
<b>Total - Expenditures</b>	<b>1,305,237</b>	<b>1,167,205</b>	<b>1,152,550</b>	<b>1,152,172</b>	<b>1,171,425</b>





**CITY OF CENTER  
FY 2015 BUDGET  
CAPITAL IMPROVEMENT PROGRAM**

In FY 2012, the City Council approved a slate of projects that would substantially enhance the quality of life in Center. That same year, the Council authorized the issuance of tax supported bonds to make a substantial investment into the City's wastewater collection system. These steps represent the beginnings of the City's annual Capital Improvements Program (CIP). Although the City has always re-invested in itself, by adopting a CIP the Council and Citizens can easily see how much is invested and how local dollars are leveraged with donations and grant money to go farther.

This section will describe the assorted revenue streams that fund the CIP. These include bond funds, grant monies, local tax dollars, and contributions from the community. Information about each of the projects is then presented, first as an expenditure summary followed by a description of each project, how they will be funded, how much they will cost and a schedule.

**REVENUES**

	<b>Budget</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Proposed</b>
2014 Tax Notes	850,000	0	0	850,000	
Series 2011 Bond Proceeds	4,000,000	4,000,000	0	0	0
TWDB Bond Proceeds	2,283,000	0	0	2,283,000	0
<b>Subtotal Bond Proceeds</b>	<b>7,133,000</b>	<b>4,000,000</b>	<b>0</b>	<b>3,133,000</b>	<b>0</b>
TDA Downtown Grant	150,000	0	0	0	150,000
TxDOT Aviation Grant	195,000	0	0	0	195,000
TxDOT STEP Grant	865,202	0	808,522	56,680	0
<b>Subtotal Grant Funds</b>	<b>1,210,202</b>	<b>0</b>	<b>808,522</b>	<b>56,680</b>	<b>345,000</b>
Interest Earned	20,000	20,166	8,514	108	0
<b>Subtotal Interest Revenue</b>	<b>20,000</b>	<b>20,166</b>	<b>8,514</b>	<b>108</b>	<b>0</b>
4A Center EDC Contribution	150,000	0	50,000	0	100,000
4B Street EDC Contribution	50,000	0	0	0	50,000
General Fund Contribution	250,000	220,000	0	73,500	0
Utility Fund Contribution	25,000	0	0	0	25,000
Hotel Advisory Board Contribution	75,000	25,000	0	50,000	0
<b>Governmental Funds</b>	<b>550,000</b>	<b>245,000</b>	<b>50,000</b>	<b>123,500</b>	<b>175,000</b>
Airport Contributions	33,200	0	0	23,200	10,000
<b>Project Donations</b>	<b>33,200</b>	<b>0</b>	<b>2,750</b>	<b>23,200</b>	<b>10,000</b>
<b>TOTAL CIP REVENUES</b>	<b>8,946,402</b>	<b>4,265,166</b>	<b>869,786</b>	<b>3,336,488</b>	<b>530,000</b>



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## Revenue Notes

Series 2011 Bond Proceeds – The original funding mechanism for the FY 2012 -2014 CIP projects. Bond funds paid for either entire projects or provided the cash match for other projects. Reference individual project narratives to see how the funds were employed.

Texas Water Development Board Bond Proceeds – In FY 2011, the City was approved the issuance of \$2.28 million in TWDB bond monies to fund the Southside Sewer Project.

Texas Department of Agriculture Grant – The City completed an application in FY 2013 for the Downtown Revitalization Grant to help pay for a portion of the Downtown sidewalk project.

Texas Department of Transportation Aviation Grant – In FY 2013, the City received \$195,000 grant to go towards the purchase of an Automated Weather Observation System (AWOS) for the Center Municipal Airport.

Texas Department of Transportation STEP Grant – The City designed over 3 miles of sidewalks and trails and this project was funded by a State Transportation Enhancement Program Grant in FY 2011.

Center 4A Economic Development Corporation Contribution – The Center EDC agreed to contribute \$50,000 to the Downtown Streetscape Phase 2 project. Further the EDC agreed to contribute up to \$100,000 for the completion of the Loop 500 sewer lift station replacement project.

General Fund Contribution – The City's general fund contributed \$250,000 to go to the Center Softball Park project, which was used for land acquisition.

Utility Fund Contribution – The City's Utility Fund contributed up to \$25,000 towards the Loop 500 sewer lift station replacement project.

Hotel Advisory Board Contribution - The Center Hotel Advisory Board agreed to contribute \$25,000 of Hotel Occupancy Tax revenues to the Downtown Streetscape Phase 1 project. And this body agreed to contribute an additional \$50,000 towards the Center Softball Park project.

Airport Contributions – Since the Center Municipal Airport is located outside of the City limits, the City does not collect any additional property tax. Therefore, the City has asked, from time to time, for property owners to make contributions for certain airport improvements. Collectively, \$33,200 has been pledged as match funds for the AWOS project, which will mostly be funded with the TxDOT aviation grant.



**EXPENDITURES**

Project	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimated	FY 2015 Proposed	Future Years
<b>Completed Projects</b>					
Fire Truck	584,200	0	0	0	0
Mini Park	521,251	25,419	0	0	0
Downtown Streetscape 1	50,000	0	0	0	0
Center Park Ball Playground	56,730	0	0	0	0
City Hall	110	438,816	36,297	0	0
Community House	4,516	556,339	145,628	0	0
Downtown Streetscape 2	0	100,000	0	0	0
Lakewood Sewer	0	0	223,341	0	0
Center Park Expansion	19,813	1,303,072	461,223	0	0
TxDOT Sidewalk Project	90,768	1,063,255	57,075	0	0
<b>Subtotal Ongoing Projects</b>	<b>1,327,388</b>	<b>3,486,901</b>	<b>923,564</b>	<b>0</b>	<b>0</b>
<b>Anticipated Projects</b>					
Downtown Sidewalks	0	0	0	200,000	0
Southside Sewer Project	0	4,700	31,020	2,283,000	0
Loop 500 Sewer	0	0	125,000	0	0
Airport AWOS System	0	0	0	130,000	0
<b>Subtotal Anticipated Projects</b>	<b>0</b>	<b>4,700</b>	<b>156,020</b>	<b>2,613,000</b>	

**TOTAL**

**UPCOMING PROJECTS**

**Southside Sewer System**

The City developed a plan to eliminate seven sewer lift stations, reverse the flow of the wastewater collection and provide for one large lift station to pump to the treatment plant. This project would also allow the City to expand its wastewater collection system. This project is scheduled to begin in FY 201 and be complete in FY 2017.

**Center Municipal AWOS**

An AWOS is an automated weather system, which provides real-time weather and condition data for pilots flying in our area. This system will increase the desirability of the Center Municipal Airport as a place to stop to refuel and make our airport a more desirable place for business. The City received a TxDOT Aviation grant to fund the purchase and installation of the system and all matching funds are generated from donations and private contributions.

**Downtown Sidewalks**

The City has applied for a Downtown Revitalization Grant to construct sidewalks in Downtown. The 4B EDC is providing the grant match.

**Loop 500 Sewer**

The 4A EDC is committing funds for the replacement of a lift station at Loop 500. This will allow for more area of the Loop to receive sewer service.





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**CITY OF CENTER  
FY 2015 BUDGET  
PARK FUND**

In 2014, the City Council voted to create a Park Fund, in order to properly account for park-specific grants and donations, and to not intermingle these funds with other monies.

In 2014, the City received a Texas Department of Parks and Wildlife grant for the Center Softball Complex. The area athletic associations have also made pledges to offset park construction costs. These resources are deposited into the fund for the Council to decide how best to spend it.

For FY 2015, the budget proposes using a small portion to make the first payment on a debt instrument used for the Softball Complex construction.

	<b>FY 2014 Estimate</b>	<b>FY 2015 Proposed Budget</b>
<b>Revenues</b>		
Grant - TPWD	100,000	0
Donations	35,000	37,500
Interest	100	250
<b>Total Revenue</b>	<b>135,100</b>	<b>37,750</b>
<b>Expenditures</b>		
Transfer to Debt Service	0	22,400
<b>Total Expenditures</b>	<b>0</b>	<b>22,400</b>
<b>Beginning Fund Balance</b>	<b>0</b>	<b>130,100</b>
<b>Revenues Over/(Under) Expenditures</b>	<b>135,100</b>	<b>20,350</b>
<b>Ending Fund Balance</b>	<b>130,100</b>	<b>150,450</b>



**FY 2015 BUDGET  
TAX INCREMENT FUND**

**FUND NARRATIVE**

A Tax Increment Reinvestment Zone (TIRZ or TIF) is a financing tool enabled by the Texas Legislature in Chapter 311 of the Texas Tax Code, to assist cities in developing or redeveloping blighted areas with substandard infrastructure within their boundaries. Cities may create a TIRZ in areas where the absence of public infrastructure inhibits development.

How Does It Work?

A geographical area is designated as the TIRZ and the area's taxable value is calculated; this represents the base value. The taxing entity still receives the full base value of the property. Typically, the TIRZ borrows money to fund improvements, such as streets and utilities. Any future improvements or development of the property will cause the value to rise; this is the tax increment. The property tax amount is calculated on the increment and then dedicated towards the repayment of the loan. The TIRZ is dissolved once the debt is retired, all projects are complete or expiration of its created term.

TIRZ #1 was created to expedite the development of the vacant properties that have the potential for valuable commercial development. TIRZ #1 consists of a 72.29 acre tract of primarily vacant and agricultural land on the west side of the City. US 96 makes up the eastern boundary, Roughrider drive is the southern boundary, the Center ISD property (Center High School) serves as the western boundary. The TIRZ #1 has a term of 20 years, beginning on July 15, 2010 and expiring July 14, 2030.

The Center EDC funded the initial debt for the TIRZ project. A 3,800 foot street (Civic Center Drive), water, sewer, and drainage improvements were made. The participating taxing entities who contribute to the debt payments are the City of Center, Shelby County, and the Shelby County Road and Bridge. The City, acting as the TIF administrator uses the increment to calculate annual payments credited back to the EDC.

Since the TIF's creation, two new hotels have been constructed with other developments being planned.

<b>TIF FUNDED IMPROVEMENTS -</b>	
Civic Center Drive	\$410,000
Drainage Issues	61,300
Surveying, Engineering & Testing	55,000
<b>Total</b>	<b>\$526,300</b>
<b>ACTUAL PROJECT EXPENDITURES</b>	<b>\$409,427</b>

Due to the decline in the zone's property values in 2014, it became necessary to execute an amendment to the loan agreement in order to reduce the annual payments to a level more commensurate with generated revenues. Also a stipulation was added that the TIF leave in reserve an amount less than or equal to one half of the refinanced payment amount.



**FY 2015 BUDGET  
TAX INCREMENT FINANCING DISTRICT #1**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Adopted Budget</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Proposed Budget</b>
Total Increment Amount	3,376,361	4,472,081	2,672,881	2,692,953	1,980,023
TIF Revenue					
City of Center	16,882	22,808	13,100	16,021	12,457
Shelby County	15,909	22,414	13,500	16,701	12,985
Road & Bridge	2,681	3,551	2,000	2,544	1,978
<b>TOTAL</b>	<b>35,472</b>	<b>48,773</b>	<b>28,600</b>	<b>35,266</b>	<b>27,420</b>
Debt Payments	47,997	47,997	47,997	10,108	28,223
<b>Expenditures Over/(Under)</b>	<b>(12,525)</b>	<b>776</b>	<b>(19,397)</b>	<b>25,158</b>	<b>(803)</b>
<b>Revenues</b>					
Reserve Amount	0	0	0	13,408	12,605
<b>Loan Balance</b>	<b>373,713</b>	<b>336,927</b>	<b>299,037</b>	<b>336,927</b>	<b>318,811</b>

Payment #	Due Date	Beginning Balance	Scheduled Payment	Principal	Interest	Ending Balance
1	02-01-2015	336,926.74	28,223.20	18,115.40	10,107.80	318,811.34
2	02-01-2016	318,811.34	28,223.20	18,658.86	9,564.34	300,152.48
3	02-01-2017	300,152.48	28,223.20	19,218.63	9,004.57	280,933.85
4	02-01-2018	280,933.85	28,223.20	19,795.19	8,428.02	261,138.67
5	02-01-2019	261,138.67	28,223.20	20,389.04	7,834.16	240,749.63
6	02-01-2020	240,749.63	28,223.20	21,000.71	7,222.49	219,748.92
7	02-01-2021	219,748.92	28,223.20	21,630.73	6,592.47	198,118.18
8	02-01-2022	198,118.18	28,223.20	22,279.66	5,943.55	175,838.53
9	02-01-2023	175,838.53	28,223.20	22,948.05	5,275.16	152,890.48
10	02-01-2024	152,890.48	28,223.20	23,636.49	4,586.71	129,254.00
11	02-01-2025	129,254.00	28,223.20	24,345.58	3,877.62	104,908.48
12	02-01-2026	104,908.41	28,223.20	25,075.95	3,147.25	79,832.47
13	02-01-2027	79,832.47	28,223.20	25,828.23	2,394.97	54,004.24
14	02-01-2028	54,004.24	28,223.20	26,603.07	1,620.13	27,401.17
15	02-01-2029	27,401.17	28,223.20	26,579.13	822.03	0

Original Principal Borrowed from Center EDC: \$409,427

Interest Rate: 3%

Cumulative Interest: \$70,546

June 2014 Loan Amendment

Principal Refinanced: 336,926.74

Interest Rate: 3%

Cumulative Interest \$86,421.27





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**FY 2015 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 the traditional economic development corporation in that it helps fund projects to locate and expand industry to create primary jobs. 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.

During Summer 2013, the Shelby Regional Medical Center closed; responding to this development, Tenet Healthcare has broken ground on a new Emergency Room facility in Center. The Center EDC has agreed to pay some of the utility extension costs and rebate a portion of the local permitting fees.

The Center EDC is sponsoring two Texas Capital Fund grant projects. The first is the relocation of an existing car dealership onto US 96 and the other is an assisted living facility.

The Center EDC has also agreed to sponsor the new AWOS system at Center Municipal Airport. The EDC helped to underwrite the cost hosting a series of Natural Gas Vehicle Consortium meetings.

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

**4B ECONOMIC DEVELOPMENT CORPORATION**

In FY 2012, the Street EDC fully retired its Series 1997 bond, which was used to reconstruct many streets in Center.

Each year, the Street EDC allocates nearly \$600,000 for street reconstruction projects. In FY 2013, a portion of Roughrider Drive was widened and reconstructed in concrete.

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



**FY 2015 BUDGET**  
**4A ECONOMIC DEVELOPMENT CORPORATION**

	<b>FY 2013 Actual</b>	<b>FY 2014 Adopted Budget</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Proposed Budget</b>
<b><u>REVENUE</u></b>				
Sales Tax	377,696	380,000	368,750	368,750
Interest	2,549	3,000	2,100	2,000
TIF Note Payments (P&I)	10,108	30,000	10,000	28,225
<b>TOTAL REVENUE</b>	<b>390,353</b>	<b>413,000</b>	<b>380,850</b>	<b>398,975</b>
<b><u>EXPENDITURES</u></b>				
Administration	42,500	55,000	55,000	50,000
Supplies	100	250	0	0
Contractual	4,001	13,800	4,200	6,300
Sundry	19,646	32,750	10,150	30,200
Projects & Commitments				
Development Assistance	0	200,000	0	180,000
Hwy 7/Loop 500 Industrial Park	47,476	10,000	0	0
Cline Clinic Development Assistance	38,901	0	0	0
ET Ace	1,270	0	13,500	0
Industrial Intersection Improvements	22,747	50,000	0	0
Tyson Sidewalk	19,787	0	0	0
Loop 500 Boring	0	0	45,870	0
TCF Grant Match - Center Motors	0	0	0	15,000
TCF Grant Match - CP Homes	0	0	0	25,000
AWOS Maintenance	0	0	0	2,500
TENET Medical Project	0	0	75,000	0
Loop 500 Lift Station	0	0	0	100,000
Project Engineering	49,250	10,000	3,000	10,000
Loop 500 Match/Transfer to City	14,890	0	0	0
<b>Subtotal</b>	<b>194,321</b>	<b>270,000</b>	<b>137,370</b>	<b>332,500</b>
<b>TOTAL EXPENDITURES</b>	<b>260,568</b>	<b>371,800</b>	<b>206,720</b>	<b>419,000</b>
Beginning Fund Balance	881,923	1,011,708	1,011,708	1,185,838
Revenues Over/(Under) Expenditures	129,785	41,200	174,130	(20,025)
Ending Fund Balance	1,011,708	1,052,908	1,185,838	1,165,813
Due from City - TIF Balance	336,927	336,927	336,927	336,927
Net Fund Balance	674,781	715,981	848,911	828,886

**GOALS**

Market the Community, seek cost effective advertising methods, attract outside investment, assist entrepreneurs in starting a business in Center



**FY 2015 BUDGET**  
**4B ECONOMIC DEVELOPMENT CORPORATION**

	<b>FY 2013 Actual</b>	<b>FY 2014 Adopted Budget</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Proposed Budget</b>
<b>REVENUE</b>				
Sales Tax	755,393	760,000	737,500	737,500
Interest	1,540	1,500	1,500	1,500
<b>TOTAL REVENUE</b>	<b>756,933</b>	<b>761,500</b>	<b>739,000</b>	<b>739,000</b>
<b>EXPENDITURES</b>				
Administration	10,000	15,000	15,000	25,000
Supplies	100	100	0	0
Contractual	1,050	1,050	1,050	1,050
Sundry	2,821	3,000	2,750	2,750
<u>Projects &amp; Commitments</u>				
Annual Street Program	652,576	500,000	500,000	500,000
Downtown Program	0	100,000	0	50,000
Grant Match Sidewalk Construction	0	100,000	0	50,000
New Street Construction	0	0	0	0
Roughrider Reconstruction	334,141	0	84,577	0
Engineering	43,849	30,000	35,000	35,000
<b>TOTAL EXPENDITURES</b>	<b>1,044,537</b>	<b>749,150</b>	<b>638,377</b>	<b>663,800</b>
<b>BEGINNING FUND BALANCE</b>	<b>544,930</b>	<b>257,327</b>	<b>257,327</b>	<b>357,950</b>
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	<b>(287,604)</b>	<b>12,350</b>	<b>100,623</b>	<b>75,200</b>
<b>ENDING FUND BALANCE</b>	<b>257,327</b>	<b>269,677</b>	<b>357,950</b>	<b>433,150</b>





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## 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.



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**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.



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**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.



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**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.



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## 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 25 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.



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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 25 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.



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**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.

Fund balance will be calculated by taking the total General Fund expenditure budget and deducting the Solid Waste and Airport departments. The rationale is that both of these departments receive a commensurate amount of funding from their own operations. The City collects revenues to fund the Solid Waste provider contract which is approximately equal. The City now receives as much revenue from airport fuel sales to make the Center Municipal Airport self-sustaining.

The goal for this policy is that the City would retain in reserves a minimum of 25% and 33% optimally. This equates to 45 to 90 days of operating reserves which would allow the City to continue providing services without receiving additional funding.

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.

**Fund Balance Analysis**

	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Proposed</b>
Fund Balance as of October 1	1,450,426	1,382,900	1,008,179	1,240,179
Revenues	5,841,366	5,579,090	5,480,500	5,426,750
Expenditures	(5,908,892)	(5,953,811)	(5,248,500)	(5,426,750)
Fund Balance as of September 30	1,382,900	1,008,179	1,240,179	1,240,179
Adjusted Total Expenditures				
75 %Solid Waste	817,805	824,068	787,500	828,750
Adjusted Total	<b>5,091,087</b>	<b>5,129,743</b>	<b>4,461,000</b>	<b>4,598,000</b>
Fund Balance Goal				
Minimum (25%)	1,272,772	1,282,436	1,115,250	1,149,500
Optimal (33%)	1,680,059	1,692,815	1,472,130	1,517,340
Goal Attainment				
Minimum (25%)	109%	79%	111%	108%
Optimal (33%)	82%	60%	84%	82%
Percent Liquid Fund Balance at Year End	56%	46%	71%	73%





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## **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.)



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## 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.



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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



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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.

