

# Overview



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October 1, 2011

To the Honorable Mayor Garver, Members of the City Council and Citizens of Georgetown:

We are pleased to present to you the City of Georgetown Annual Budget for 2011/12. The Annual Budget is the outline of the programs and services to be provided by the City during the coming year. We believe that the 2011/12 Annual Budget is a sound financial plan that addresses current economic conditions and maintains the requested level of services needed for our growing community. This budget also continues the direction established by our citizens to meet existing challenges and effectively plan for future needs in an affordable manner. The budget and the process used to develop it ensure all of our resources are directed to the programs, policies and issues outlined by the Georgetown 2030 Plan. National and global economic projections indicate a long, slow recovery ahead. Georgetown and Central Texas continue to fare much better and continues to experience modest, but slow growth. In response, the City has begun a shift in focus for 2011/12 from budget contingency mode to the “new reality” of lower, slower growth for the foreseeable future.

### **2010/11 Year in Review**

The City has operated under its “Budget Contingency Plan” for the past three years, due to national and local economic conditions. The national economy slowed below original expectations as 2011 progressed. Revenues and expenditures were projected conservatively for 2010/11 with a 14.8% decrease in the total 2011 budget, with no change in the property tax rate. Though there were no new programs in 2010/11, the conservative projections left the City with a good base to begin planning for the future. An example of looking toward the future was the \$29.5 million bond referendum, passed overwhelmingly by voters in May 2011 to design and construct a new, modern public safety and training complex.

Residential growth has continued, but at a much slower pace than the previous boom years. The City issued 509 residential permits with a value of \$127,005,130, compared to 550 permits valued at \$137,517,449 in 2009/2010. While development activity slowed, the City continued to plan for future needs. The City took advantage of favorable market conditions and issued debt to fund the construction of Fire Station 5 the replacement and expansion of Fire Station 2, the Williams Drive widening joint project with Williamson County and vehicle and equipment purchases.



While the national and state economic conditions continued to flounder, the local Georgetown economy has fared much better and continues to plan for recovery. Future development includes a major hotel/convention center, expected to begin after 2013 at the Rivery, providing much needed meeting space to the community, as well as, improvements to Rivery Park. One new hotel has opened and one has been renovated and expanded along IH35 that will jump-start the implementation of the Williams Drive Gateway Master Plan Redevelopment Project. Several other smaller commercial and retail centers either were under construction or newly completed in 2011.



The historic downtown area continues to provide a focal point for the community, as new and expanded business make the “Square” their home. The Downtown Georgetown Association continues to be active since preservation of the historic square continues to be an important priority for the City Council, as it truly is the “Jewel of Georgetown”. The relocation of Fire Station 1 provided an available historic building with unique economic development opportunities being considered by the Georgetown Economic Development Corporation.

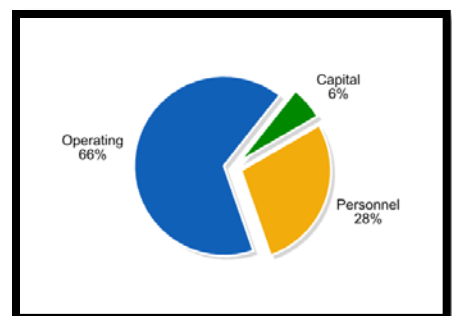
This slower growth economy has provided the City with a unique opportunity to initiate and focus on planning initiatives to ensure the City is prepared for future growth. An updated 5-year City Facilities Plan was evaluated by Council in June 2011 and was adopted as part of the budget process. The City adopted the Parks Master Plan in March 2009 to continue to preserve river corridors and expand parks and green space. A Garey Park Master Plan also targets a specific major park and will include an amphitheatre, equestrian areas, trails and meeting areas. Utility Master Plans, including Water and Wastewater, were updated in June 2009. Community Development continues to develop and implement Elements of the Georgetown 2030 Plan, the latest update of the City’s comprehensive plan, adopted in February 2008. This Plan provides vision for the future and is designed to address growth issues facing the community over the next 20+ years. This year-long project required citizens throughout the community to come together and agree on what made Georgetown unique and provides a foundation for policies, strategies and actions needed to ensure that the Georgetown of 2030 is as special as it is today. While managing growth will continue to challenge City leaders, the commitment to provide residents with that “something special” that makes for a truly unique hometown feeling will last far beyond the current budget cycle.

### **The 2011/12 Budget Process**

The City Council began its 2011/12 budget process in April 2011, with the review of the 2010 Citizen Quality of Life Survey results. This biennial survey, the City’s fifth such survey, was conducted in February 2010 to provide feedback on City programs, services and community needs. After reviewing this feedback, the City Council prepared strategic goals to meet the Georgetown 2030 plan. While revenue was not available for significant new programs, phased strategies for multi-year projects, as well as, new strategies for 2011/12 were then compiled with estimated project costs included. Capital improvements funded through the issuance of voter approved debt were considered and approved. This year’s priorities are centered on transportation improvements, expanding public safety facilities, limiting the property tax burden and preparing the utilities for future growth. Using the City’s fiscal and budgetary policy, the City Manager and management team focused on balancing the budget in the new economic environment by focusing resources and planning on the issuance of debt to address transportation, public safety and utility growth. This year’s process included detailed priority and cost management sessions to not only keep the 2011/12 budget balanced, but to make substantial progress to mitigate a projected 2012/13 General Fund shortfall as the City grows into the costs of fully staffed and operational Fire Station 5.

### **2011/12 Budget Overview**

The 2011/12 Annual Budget is an operational and financial plan for the programs and services provided by the City during the coming year. The adopted \$178 million budget includes funding for all services, including utilities, as well as capital improvements for the upcoming year. Of that amount, approximately \$133.6 million is for continued operations, which includes \$39.1 million for purchased power costs. In addition, the budget includes \$16.9 million for debt payments and \$19.1 million for capital improvement projects. Operating interfund charges/transfers, which include internal service fund transfers, are approximately \$8.6 million. The 2011/12 Operating Plan is approximately 14.8% lower than the 2010/11 amended budget.



The modest growth allowed the addition of limited new programs and enhanced services in public safety, parks and other areas. Overall, on-going operating costs decreased due to the savings resulting from the continued “freeze” of vacant positions per the Budget Contingency Plan started after the 2008 recession. A total of 19 positions are frozen for all of 2011/12 along with 5 positions frozen for a partial year, pending review of revenues at mid-year. A few positions have been added where needed for safety or workload reasons. Capital Improvement costs vary due to project timing and the scope of projects in each fiscal year.

## **Budgetary Variances**

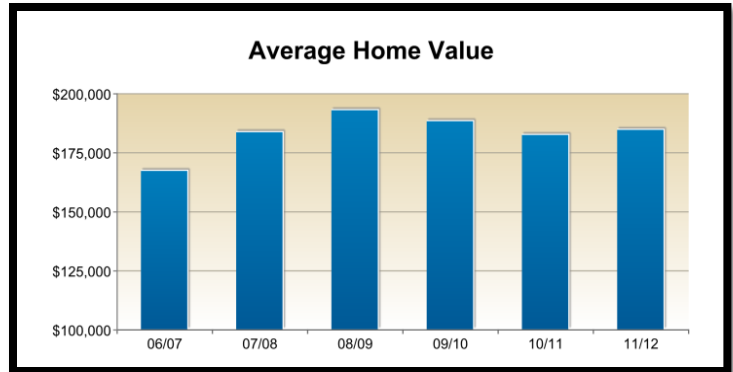
- **Georgetown Utility Systems** – Operations increased 3.58% due to the addition of four positions in Electric Service for efficiency, reliability and system growth. Personnel resources are also shifted here from Community Development for the inspection of utility projects. The major focus for the division will continue to be capital maintenance and service improvements. The AMI/CIS project will continue to impact 2011/12 operations until completed in 2013.
- **Transportation Services** – This division includes an 18.05% increase due to the timing of construction projects and the transfer of the Airport into this division. This transfer allows for the continuity of transportation services. Three positions continue to be frozen in this division. This staffing shortfall will become more critical as the City addresses maintenance issues of large arterials in the City, such as Williams Drive.
- **Community Development** – The 7.87% decrease is related to reallocation of resources to GUS to fill the need of inspectors on various utility projects that previously would have been outsourced. Five frozen positions remain until the economy improves and building and development activity resumes a normal state.
- **Fire Services** – The budget for Fire Services increased 5.8%. The 2011/12 budget includes funding for twelve firefighters to staff the new Fire Station 5, which is expected to open late summer of 2012. Nine of these positions were previously funded by a grant from FEMA/Department of Homeland Security. The City recognizes the full expense for these firefighters beginning July 2012. The step increases for the division are also included. There is still one frozen administrative position in Fire.
- **Management Services** – The 10.01% decrease is primarily due to the transfer of the Airport to the Transportation Services division. As in the last budget cycle, the merit based bonus program is not being funded in 2011/12. This program was reevaluated at mid-year of 2011 and was funded with excess revenues from the previous year. It is hoped that revenues at mid-year 2012 will warrant funding this program again.
- **Finance & Administration** – The budget for this division decreased 0.42%. The Vehicle Services department added a part time parts and service writer position to address workload issues and increase mechanic efficiency. An open Municipal Court clerk position is frozen until April 2012.
- **Community Services** – The Georgetown Library will be adding a Bookmobile Librarian, resulting in a 1.3% increase overall. This position is grant funded through the Texas State Library & Archives for the first year. Two positions from prior year remain frozen, one in the Library and one parks maintenance worker. The Director of Community Services is now also frozen
- **Police Services** – Police increased 0.79% over prior year. Fuel and mileage expenses were increased to address rising fuel costs. Five positions are currently frozen, including four police officers, of which one is a warrant officer assigned to Municipal Court, and one administrative assistant. Step increases for sworn positions are also included.
- **Capital Improvements** – The \$19.1 million budget reflects over \$14.9 million less in new project funding for capital improvements than the 2010/11 original budget. Improvements for the upcoming year include the design work for the Public Safety Facility that was approved by voters in May 2011, \$2.4 million in electric system improvements, \$5.2 million in water system improvements and EARZ compliance and \$3.75 million for the continued funding of the AMI (meter replacement) program. The additional payment for the Williams Drive widening is also included.
- **Debt Payments** – The 0.63% increase is related to Certificates of Obligations issued in May 2011, as well as General Obligation Bonds issued October 2010. Utility debt service also increased due to the debt issue for the plant expansion in Water Services in May 2010.
- **Interfund Charges** – These amounts vary from year to year due to project funding and source of funds.

## Revenue Overview

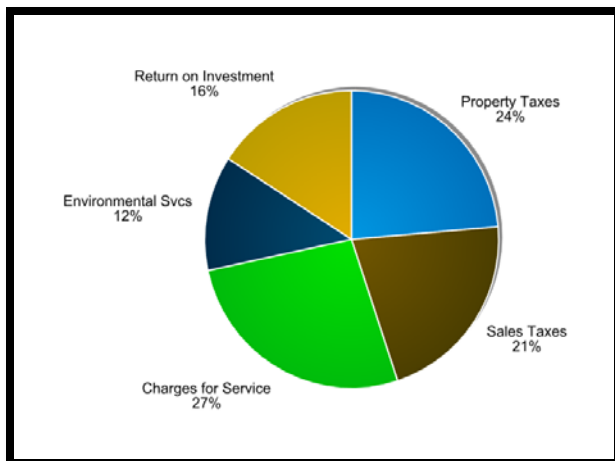
2011/12 continues the City Council's commitment to maintaining an affordable tax burden, with the adoption of a **property tax rate of \$0.3875**, which is an increase of \$0.03128 increase over the prior year's rate of \$0.35622, the majority of which is funding new debt. This represents a 5% increase over the City's effective tax rate of \$0.36901. The *Effective Rate* is the rate needed to collect the same amount of revenue as collected in the previous year based on the current year's assessed valuation.

The proposed 2011 rate of \$0.3875 includes \$0.2229 for operations and maintenance which is a 1.4% increase in funding. Interest and sinking (I&S) increased by 21% to \$0.1646. The impact of voter approved bonds for street and parks improvements issued in October 2010 and Certificates of Obligation issued in May 2011 for fire facilities, vehicles, road improvements, and other projects are being realized in the 2011/12 tax rate. The impact is less than \$0.03.

The assessed **property valuation** is \$4.318 billion, of which \$93 million is new or annexed property. The 2011 assessed valuation is 2.1% higher than the 2010 ending valuation of \$4.229 billion. The 2011 total includes \$122 million of property still under ARB Review (60% of the \$203 million total ARB outstanding). Existing property value was nearly flat in 2011. The average taxable home value for 2011 in Georgetown was \$184,959, which is a 1.18% increase over the 2010 average taxable value of \$182,799.



Frozen property value also increased from \$1.157 billion in 2010 to \$1.256 billion in 2011, an 8.5% increase from previous year. Currently, 28.4% of all assessed value in Georgetown is now frozen, up from 27.4% in 2010. The impact of frozen valuation will continue to be a factor in managing the City's property tax rate for the foreseeable future



The 2011/12 Annual Budget includes a 1.0% overall increase in **total sales tax**, compared to projected collections for 2010/11. Sales tax revenue has rebounded the past several months, with year ending revenue projected to be 5.4% higher than in 2010. The increase represents \$78,000 of additional revenue and reflects an expectation of a modest, but slow economic recovery.

Sales Tax revenue now funds 21% of the General Fund budget. Due to the volatility of this revenue stream, the City monitors this revenue source carefully and has several contingency options available if revenues are significantly less than projected. In addition, the City maintains 90+ days of contingency reserve funding within the General Fund to offset any potential revenue shortfall.

The City will begin a **water and wastewater rate review** in 2011/12 to determine what rates will be needed to fund the costs of operating the system. Wastewater rates have not been adjusted since the implementation of the flat rate sewer program in 2007. Increases in maintenance costs related to Edwards' Aquifer repairs, as well as annexation costs, have impacted the cost of operations. An increase in the water volumetric rate may be needed to help fund the increased cost of raw water and plant operations, as well as, the cost of plant improvements made from 2010 - 2013 to accommodate system growth. The costs associated with the 2006 annexations are also a factor. The baseline volumetric rate has not been adjusted since 2003. Water and Wastewater rate adjustments are not expected until 2012/13.

The City began an **electric rate** analysis in August 2011. The components of the City's Electric rate were adjusted in January 2008; however, ongoing changes in ERCOT distribution fees and other costs require frequent analysis to ensure both cost recovery and ongoing competitive rates. The Power Cost Adjustment (PCA) is changed as needed due to the increased fuel and transmission costs. A PCA adjustment was implemented in late September 2011 to adjust for current higher costs. The rate stabilization fund that was established last fiscal year is expected to be used beginning in 2013/2014 as the current contract with the Lower Colorado River Authority nears the end of the contract period. The City will continue to review costs annually to ensure each element of the rate is recovered and the City maintains its competitive position.

The **Stormwater rates** analysis was completed in September 2011. This analysis included an evaluation of the current commercial and residential calculations for impervious cover, which had not been reviewed since the fee was established in 1995. The stormwater drainage fee was last adjusted in November 2004. The cost of maintenance of detention ponds continues to increase, and other environmental mandates are expected to be forthcoming, which may impact rates. The results of the study are expected to be brought to the Council in January, with a recommended rate adjustment of \$0.50 proposed for March 2012.

**Garbage and recycling rates** are not expected to increase for the current year; however, the City will begin the process to bid and negotiate the contract for solid waste and recycling services. The City conducted a survey in June to analyze the community's expectations regarding solid waste services and recycling. The results of this survey will be used to ensure the new contract will meet the needs of Georgetown's citizens. The new contract for service and any rate changes are expected to be completed in time for the 2012/13 budget adoption process.

### **Budget Program Highlights**

The 2011/12 budget process focused primarily on maintaining service levels across the organization and limited new programs and service expansions as allowed by the current economic conditions. The major program initiatives, linked to the Georgetown 2030 Plan (*paraphrased in **bold italics***) for the 2011/12 Annual Budget are outlined as follows:

- **Community Development**

The division will **continue efforts for community long-range planning** by coordinating updates to the Unified Development Code, and adopting the Housing and two other Elements of the Comprehensive Plan. The division will also work with Information Technology to implement an automated case management system. The new software system will improve customer service and help position Georgetown for future growth opportunities. The Building Inspection Department will coordinate the adoption of the 2009 International Building and 2011 National Electric Codes during the upcoming year. Staff will also review and begin the public hearing process to adopt the 2012 International Property Maintenance Code and the 2012 Fire Code.

- **Community Services**

This division will continue to **expand and coordinate the parks and recreation system** by planning projects for the implementation of the recently updated Parks and Open Space Master Plan. The first phase of the Hike/Bike Trail system expansion will be completed in 2011/12. The division will continue to explore options for acquiring Lake Georgetown Parks from the United States Army Corp of Engineers, and other potential parkland in central Georgetown. The Convention and Visitor's Bureau will **continue revitalization and economic development** through promoting Georgetown as a venue for sports activities and tournaments and distributing Georgetown promotional items.

- **Finance and Administration**

The division will **continue implementation of the City's Facility Plan** and also **improve emergency response levels** by coordinating the design and construction for Fire Station No. 5. The division will **increase operational efficiency and financial integrity** through further implementation of the Information Technology Master Plan, including implementing Microsoft Exchange as the new messaging/calendaring platform and various other city systems to continue to improve efficiency and internal customer service.



- **Fire Services**

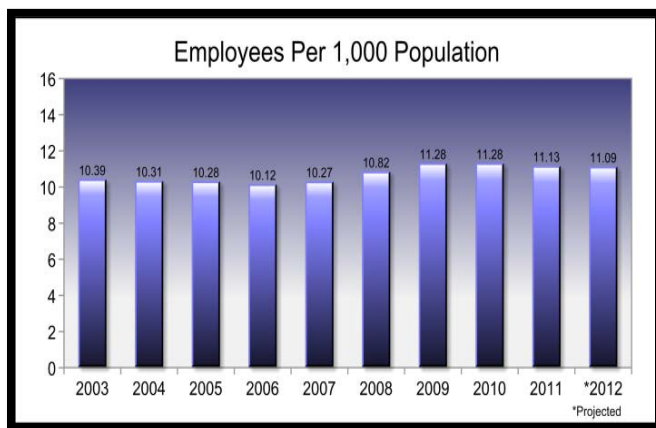
Georgetown will see **improved emergency response levels** with the opening of Fire Station 5, on the west side of the City, the reconstruction of Fire Station 2 in central Georgetown and completion of a new training facility. All new facilities are expected to be complete and open by the end of the budget year. Three new fire fighter positions are added to complete the new station staffing begun in 2010/11 using Assistance to Firefighter grant funds. The division will also coordinate with the Williamson County Emergency Services District (ESD) #8 to forecast the needs of the growing Extra Territorial Jurisdiction (ETJ).



- **Georgetown Utility Systems (GUS)**

The division will **increase operational efficiency** with the implementation of the new Automated Metering Infrastructure (AMI) system that requires upgrading and expansion of fiber optic data networks to accommodate smart grid applications and completing the RFP process for a new asset management system. Environmental Services and Water Services will **expand recycling opportunities and environmental programs** through the development of a Request for Proposals for solid waste and recycling services based upon defined services. Working with Transportation Services, the division will assist in implementing a fiber network for use in **alleviating traffic congestion** through various capital improvements and signalization planning. By negotiating future power supply contracts, the department will **improve the quality of services while keeping property taxes low** for our residents. In addition, GUS will continue to pursue purchase of substations to allow for lower transmission and transformation costs.

- **Management Services**



Management Services provides oversight to all divisions and also includes several stand-alone departments that are not included elsewhere. Recently implemented video enhancements to allow for live web streaming of council meetings will enhance **effective governance**. The City Manager's Office will continue to implement the Downtown Masterplan and the Williams Drive Gateway Masterplan to **continue efforts for community long-range planning** and with continued work with local, regional, state and federal partners to develop funding strategies for future road projects to **improve the quality of services while keeping property taxes low**.

- **Police Services**

Police will strive to **improve emergency response levels** through design of a new public safety facility with bonds approved by voters in May 2011. The division will also **increase operational efficiency** by implementing a leadership development program, implementing the new Lexipool Policy Management System, and enhancing officer training and communication programs.

- **Transportation Services**

The division is responsible for helping to **alleviate traffic congestion**. As part of this process, the division will implement a traffic management program to include signals, signs and markings, speed limits and other traffic calming measures. The division will also develop a plan for a traffic operations center to ensure proper maintenance and synchronization of signals throughout the City. The division will update the Overall Transportation Plan and oversee roadway infrastructure expansion, as well as, capital maintenance to improve mobility within the city.



## Capital Projects

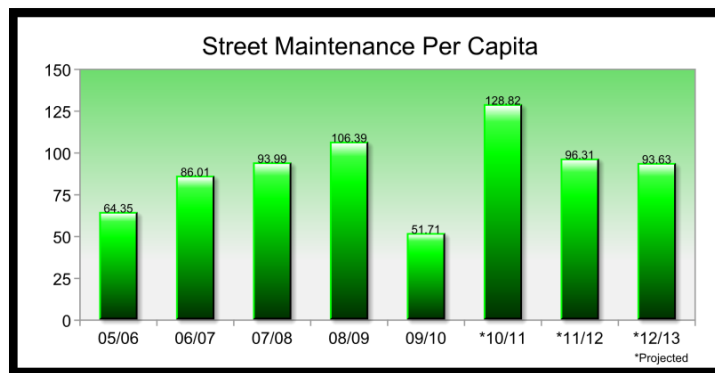
Capital improvements account for 10.72% of the City's 2011/12 budget. The major projects, by type are listed below:

### General Capital Projects

General capital projects are those that are funded through the general tax base, versus utility capital projects, funded through utility rates. The following projects are included as general capital projects for 2011/12:

- Transportation Improvements:
  - \$1.2 million for final phase of Williams Drive widening (joint project with Williamson County)
  - \$820,000 for Southwest Bypass from Leander to IH 35
  - \$2.0 million for first phase of FM 1460 widening from Quail Valley to Inner Loop
- City facility improvements:
  - \$2.5 million for Public Safety Facility design
  - \$380,000 for renovate City offices
- Parks Improvements:
  - \$200,000 grant from Texas Parks and Wildlife for trail system expansion
- Equipment and public safety vehicles:
  - \$1.4 million for replacement police vehicles, fire pumper truck and related equipment

### Street Improvements and Maintenance



### 2011/12 Street Maintenance / Rehabilitation Projects

#### **East 13<sup>th</sup> Street**

- Hutto to End

#### **Peach Tree Lane**

- East University to End

#### **14<sup>th</sup> Street**

- Maple Street to Olive Street

#### **East 14<sup>th</sup> Street**

- Myrtle Street to College Street

#### **Virginia Street**

- East 16<sup>th</sup> to East 19<sup>th</sup> Street

#### **West 18<sup>th</sup> Street**

- South Main Street to Austin Avenue

#### **West 21<sup>st</sup> Street**

- South Austin Avenue to Leander Road

#### **Railroad Avenue**

- West 10<sup>th</sup> Street to West University

#### **9<sup>th</sup> Street**

- MLK Jr, to South Main Street

#### **2<sup>nd</sup> Street**

- Austin Avenue to Pine Street

#### **West 4<sup>th</sup> Street**

- Rock Street to Church Street

#### **West 19<sup>th</sup> Street**

- Main Street to Austin Avenue

#### **West 11<sup>th</sup> Street**

- Main Street to Rock Street

The City's street maintenance program is funded through a dedicated 1/4 cent sales tax and the General Fund. The 1/4 cent sales tax for street maintenance was reauthorized by voters in November 2010 for 4 additional years and will be considered for re-authorization again in November 2014.

## Utility Capital Projects

The City will fund over \$13.1 million for utility and infrastructure improvements in 2011/12. The majority of these projects are a part of the City's on-going capital expansion and upgrades to ensure quality services to the citizens as determined by the Utility Master Plans.

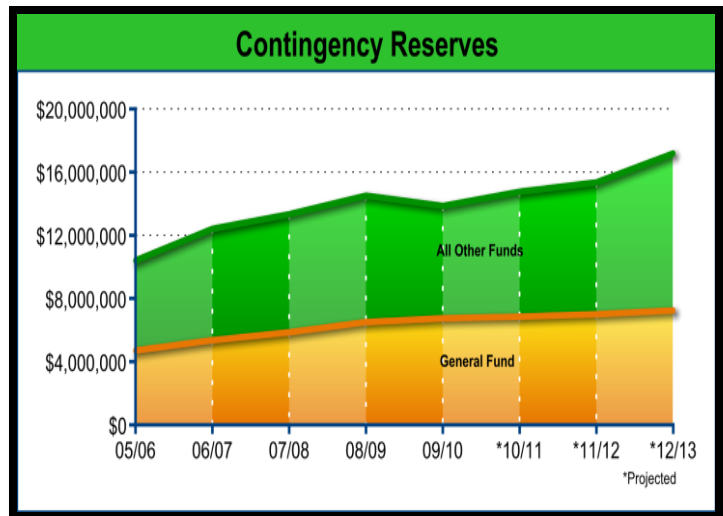
**Electric** – Improvements are scheduled throughout the system.

**Water Services** – Improvements include line and pump upgrades, mandated Edward's Aquifer Recharge Zone testing and repairs, Lake Water Plant expansion, as well as sewer projects necessitated by the 2006 Annexation process.

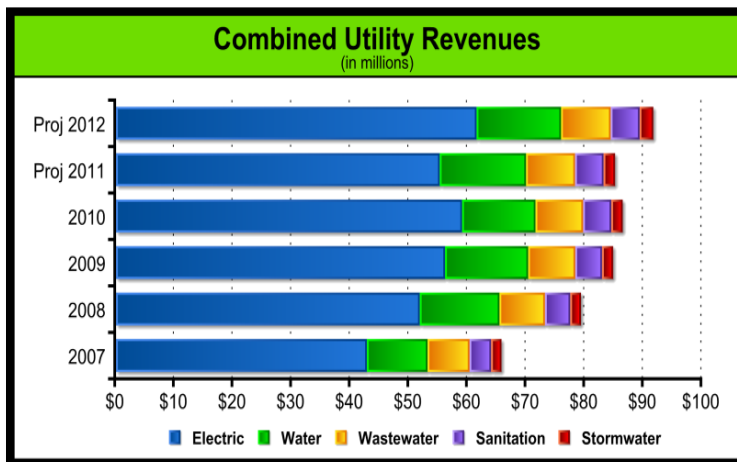
**Stormwater Drainage** – Funds drainage improvements including Stormwater Master Plan improvements.

## Financial Highlights

The City is committed to sound financial planning and direction, and uses the City's Fiscal and Budgetary Policy to guide the budget process and financial administration. This policy is reviewed and updated annually as part of the budget process and requires all funds be self-sustaining, meaning on-going operating revenues must fund on-going expenses. Also, the policy has substantial debt coverage requirements. All enterprise funds that have debt commitments are required to maintain 1.5 times coverage, meaning excess operating revenues must equal 1.5 times the annual debt service payment. The 2011/12 Annual Budget meets the Council's goal that each utility system is a self-supporting operation that provides a desirable and affordable level of service. All of the City's enterprise funds, including the Airport, are self-supporting and policy compliant in 2011/12.



The City-wide contingency reserves have been increased from \$14,750,000 to \$15,341,000. The increase is attributed to increases in utility operations and debt service expenses and represents 75 days city-wide operating expenses. Included in the total contingency is \$7 million within the General Fund, representing 90 days of operating expenses. Capital improvements and purchased power costs are excluded from the contingency calculation.



The City's overall revenue continues to increase, primarily due to increased utility revenues and slightly increasing sales tax and property tax. The City's overall customer base for its electric, sanitation, wastewater and water services has increased at a rate of 4-7% for the last four years. The City continues to conservatively projecting a 3% increase in electric revenue growth and a 1-2% increase in water. Since weather conditions affect the electric and water revenues significantly, revenue projections use conservative growth estimates to avoid budget shortfalls, and employs a rolling average consumption method to factor out any weather aberrations.

## **General Fund**

General Fund **revenues** are expected to increase in 2011/12 through increased property taxes due to new property and increases in sales taxes due to slow, but continued economic growth. Return on investment transfers are expected to increase due to overall customer growth and higher revenues in the City's utility system, particularly the Electric system as it expands services within the Round Rock service area. Most other revenue is expected to remain stable. A review of parks and recreation fees will be conducted during 2011/12; however, rate increases have not been projected in this budget.

General Fund **expenditures** have risen in 2011/12 primarily due to increased operating expenditures for Public Safety. Ending **fund balance** is expected to be \$7.5 million, which is 6.9% higher than the contingency reserves required by the fiscal policy. Funds above the required contingency will be used in funding one-time expenses in 2012/13.

## **Electric and Water Services Funds**

Growth demands continue to impact service levels within the City's two largest utility funds. Operational costs continue to increase as the infrastructure expands. Annexation within the City's outlying area requires expansion of City services, and creates additional demands on the City's existing utility facilities.

The City's **Electric Fund** continues to generate **revenues** sufficient for operations and maintenance and system improvements. Growth within the southern-most electric service area continues to expand. The City became the electric provider for several large developments within the City of Round Rock, including an outlet mall, as well as, a regional hospital in 2006.



**Operating expenses** within the Electric utility are higher than the ending projected expenses for 2011. A primary reason for the change is that the cost of purchased power increased from prior year, due to changes in the City's power contract with the Lower Colorado River Authority (LCRA) that limited the City's ability to mitigate higher LCRA fuel costs. The \$10.6 million ending balance for 2011 is due to timing of capital projects and higher than budgeted revenues and includes \$5 million that was set aside in 2010 to fund a rate stabilization reserve in 2011/12.

Growth, as well as, increased environmental mandates has also impacted the **Water Services Fund**, which includes the City's water, wastewater and irrigation utilities. **Revenues** are expected to increase over the current year due to customer growth and demand. Water revenues were much higher than projected in 2010/11 due to extremely hot and dry summer weather conditions.

Water utility **expenses** continue to increase due to increased operational and debt service costs, as well as increases in long-term water supply cost and operating costs associated with the operation of the Williamson County Raw Water Line. Contracting for additional water with the Brazos River Authority has ensured the availability of a long-term water supply for Georgetown. Expenses in the wastewater utility have increased due to Edwards Aquifer compliance issues and increasing treatment plant operational costs. The expansion of effluent for irrigation purposes, which provides large commercial customers a non-potable water supply for irrigation needs, has been completed to help mitigate the demand on the City's water plants for treated water. The City continues to pursue options for regional wastewater service on the City's western boundary and is taking a leadership role in developing methods to promote sanitary sewer service and eliminate the proliferation of septic thus ensuring water quality for the Georgetown area. These actions will become critical as growth resumes within the area of the community.

Budgeted ending working capital for 2011 is \$3.1 million higher due to the timing of capital improvements and weather related revenues.

### **Stormwater Drainage Fund**

**Revenue** is expected to increase due to customer growth and is sufficient to fund the on-going operations of the utility in the upcoming year. A rate analysis was conducted in 2011 to evaluate calculations for impervious cover and future environmental mandates. **Expenses** in the fund are expected to increase as the City takes on maintenance of several large facilities, including the recently constructed downtown drainage pond. Projected ending **working capital** is less than previous year due to the cash funding of capital improvements.

### **Airport Fund**

The Airport Fund is financially self-supporting and funds its on-going operations, as well as provides a times coverage ratio for its debt service coverage. **Revenues** are expected to increase due to increased fuel and terminal sales. Ending **working capital** is expected to increase slightly.



### **Internal Service Funds**

The internal service funds provide administrative services and asset management for information, facility, and fleet services to City programs and departments by charging lease and administrative fees. These fees are incorporated in each department's budget.

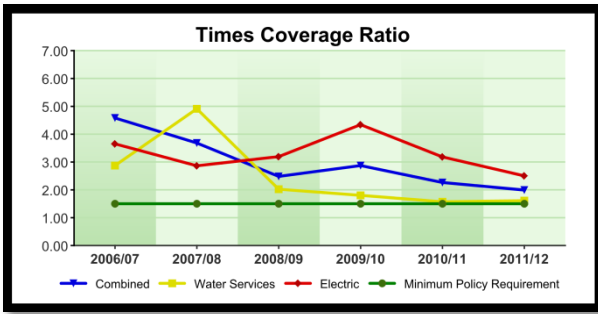
<i>Information Services Fund</i>	\$	2,657,227	<i>Add and replace network and application technology and hardware. Fees fund computer support services and annual software maintenance contracts.</i>
<i>Facilities Maintenance Fund</i>	\$	2,018,917	<i>Building maintenance and repairs to include HVAC, janitorial services and minor remodeling. Repairs and scheduled maintenance will be completed in 2011/12. The City now has 37 facilities that require on-going maintenance.</i>
<i>Fleet Management Fund</i>	\$	3,630,527	<i>Add / replace 30 vehicles and equipment. This includes the purchase of public safety, streets, and other City vehicles and equipment.</i>

### **Proposed Debt**

The 2011/12 proposed budget includes approximately \$6,170,000 in bonds planned May 2012 issuance to fund equipment and public safety vehicles, facility improvements and design and water system improvements. Certificates of Obligation will be issued to fund public safety vehicles. General Obligation bonds will be issued to fund \$2.5 million of design work for the new Public Safety Facility. This budget includes a bond issue for Water Services to fund system improvements.

These bonds may not be issued or amounts adjusted depending on available resources, changes in scope or fluctuations in construction costs. Delays in project timing, as well as, revenues from prior year being greater than anticipated could lower the total amount of the bond issue. Any excess fund balance, whether due to higher than projected revenues or expenses that were less than estimated can be used to further reduce the amount of debt issued.

The City has two voter approved bond packages to fund future needs. In 2008, a parks and road improvement bond package was approved. There is \$67 million of authorization remaining, but no additional debt for these programs is expected to be issued in 2011/12. A \$29.5 million public safety facility bond package was approved in May 2011 with the first phase of that debt, \$2.5 million for facility design, to be issued in May 2012. The City's debt per capita continues to be lower than most comparable cities. The City's total tax-supported general debt is estimated to be \$74.5 million by September 30, 2012, including new issues.



The utility debt coverage ratio, a standard measure of utility revenue debt capacity, or the number of times the debt service payment could be funded through net income from the utility, remains healthy at an budgeted 1.99 times, and exceeds the City's fiscal and budgetary requirement of 1.5 times coverage and the City's utility bond requirements of 1.35 times coverage. While the budgeted number is slightly more than previous years, the additional coverage is used in funding system maintenance and various mandated improvements throughout the various utilities.

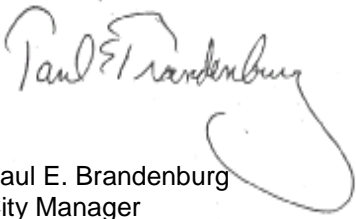
**Conclusion**

This budget continues the tradition of limiting tax increases to citizens while continuing to provide the expected high level of service. The City has been proactive in managing the recent economic crisis by implementing its Budget Contingency Plan and is now able to shift its focus to living within very modest growth while still expanding its capacity and planning for future growth. This approach has allowed Georgetown to continue to provide quality services at reasonable costs. While other surrounding communities were cutting services, personnel and raising taxes, Georgetown has maintained service levels without those impacts.

The 2011/12 operating budget provides the resources needed to continue to provide the service levels our citizens and customers expect. It also takes advantage of the current reduction in overall construction costs by continuing to fund infrastructure improvements necessary to meet the citizens' service needs. This budget continues to move the City forward with the growth in the region, while containing costs and thus ensuring City services continue in a cost effective manner.

Finally, we acknowledge the tremendous contributions and teamwork of all City staff in preparing the 2011/12 Annual Budget. The management team worked together to develop programs to achieve the goals set by City Council while adhering to the financial constraints of an ongoing Budget Contingency Plan. Each department worked to find savings in their operating budgets, and to make suggestions for program improvements. Most notably, we want to recognize the Finance and Administration Division for their long and dedicated hours in preparing the Annual Budget.

Respectfully submitted,

  
 Paul E. Brandenburg  
 City Manager

  
 Micki Rundell, CGFO  
 Chief Financial Officer



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