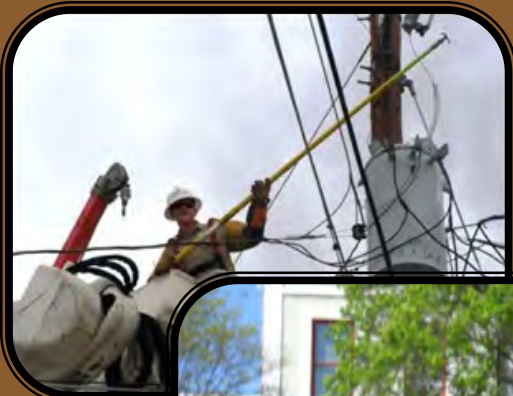


City of Excellence

Utilities



Public
Safety



Signature Destination



Economic
Development



Transportation

Annual Budget 2013—2014

Location



Georgetown is the northern most “gateway” to the gently rolling hills of Central Texas. While Georgetown offers the amenities and charm of a small community rooted in values of days gone by, it is strategically and centrally located in the middle of the four major metropolitan areas of Texas. Austin is 26 miles south, Dallas is three hours north, Houston is three hours southeast and San Antonio is just one-and-a-half hours south, placing Georgetown in a very advantageous position for cultural and economic development. Traveling to and from Georgetown is easy, as it is at the crossroads of IH-35 going north/south and State Highway 29 going east/west. Access to Georgetown via the Austin-Bergstrom International Airport was made much easier with the opening of State Highway 130, the toll road from Georgetown to San Antonio that parallels IH-35.

City of Georgetown Annual Budget Georgetown, Texas

**Fiscal Year
October 1, 2013 through September 30, 2014**

MAYOR

George Garver

MAYOR PRO TEM

Tommy Gonzalez

District 7

COUNCIL MEMBERS

Patty Eason

District 1

Vacant

District 2

John Hesser

District 3

Steve Fought

District 4

Jerry Hammerlun

District 5

Rachael Jonrowe

District 6

Tommy Gonzalez

District 7

CITY MANAGER

Paul Brandenburg

CITY ATTORNEY

Bridget Chapman

OTHER CITY OFFICIALS

Jim Briggs

General Manager for Utilities

Laurie Brewer

Assistant City Manager

Micki Rundell

Chief Financial Officer

John Sullivan

Fire Chief

Wayne Nero

Police Chief

City of Georgetown City Council 2013 - 2014

The Mayor and seven City Council members, as the elected representatives of the City of Georgetown, formulate public policy to meet community needs and assure orderly development in the City. The City Council is responsible for appointing the City Manager, City Attorney, City Secretary and the Municipal Court Judge, as well as various citizen boards and commissions.



*Front Row: Rachael Jonrowe, District 6, Patty Eason, District 1, Mayor George Garver, Vacant District 2
Back Row: Jerry Hammerlun, District 5, Steve Fought, District 4, John Hesser, District 3, Tommy Gonzalez, District 7*





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Georgetown
Texas**

For the Fiscal Year Beginning

October 1, 2012

Christopher P. Morrell

President

Jeffrey R. Egan

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the City of Georgetown for its annual budget for the fiscal year beginning October 1, 2012.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications medium.

The award is valid for a period of one year only. The City of Georgetown has received the Distinguished Budget Presentation Award for the last twenty four consecutive years. We believe our current Annual Budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



Mission Statement

To preserve and enhance the quality of life and unique character of Georgetown by:

Preserving the rich heritage and natural resources;

Promoting well-planned development, cost-effective professional management and competent, friendly services; and

Protecting its citizens, the environment and all other assets.

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User's Guide to the Budget

The primary purpose of this document is to plan both the operating and capital improvement plans in accordance with the policies of the City of Georgetown. By adopting this budget, the City Council establishes the level of services to be provided, the amount of taxes and utility rates to be charged and various programs and activities to be undertaken.

The **Overview** section includes the City Manager's budget message with an overview of the previous year, as well as, program and financial information about the Annual Budget. This section also includes variance analysis and a summary analysis of the City's major funds.

The **City Summary** section includes information about Georgetown's long-range planning process, the City Council's priority areas and how they are interlinked to the City's comprehensive plan, along with the budget adoption process and organizational chart. An overview of the City's new focus on the *City of Excellence* and an in-depth Community Profile is also included with this section.

The **Financial Summary** provides revenue and expense information in both summary and detail format. This document is presented not by Fund, but by Function. Charts illustrating the operational relationship by Fund are included. Fund summaries that compare financial information over a multi-year period are provided.

The City's budgeted *governmental* funds include the ***General Fund*** which accounts for all financial resources except those required to be accounted for in another fund, and include basic governmental services, such as Police, Fire and Parks functions among others, 12 ***Special Revenue Funds*** (SRF) account for specific revenues that are legally restricted for specified purposes, the ***Debt Service Fund*** to account for the payment of general long-term debt principal and interest, and various ***Capital Project Funds*** used to account for the acquisition or construction of major capital facilities other than those financed by enterprise activities. In addition, the City budgets for *proprietary* funds including ***Internal Service Funds*** used to account for goods or services provided by one internal department to another, and ***Enterprise Funds*** used to account for the City's "business like" activities including all the utility funds and the airport.

The next 7 sections are dedicated to each **functional area** or Division of City operations. Each section includes a summary "Uses and Expenses" for each Division, indicating in which fund the operation is included, as well as, a summary of personnel within that Division. The Division Summary is followed by individual department narrative pages which outline the goals and strategies for the upcoming year, and include performance measurement information and the departmental budget.

The **Capital Projects** section provides information about the upcoming capital improvement program (CIP), including five year capital improvement plans for all utility and general capital improvements, as well as, anticipated funding requirements and operating budget impacts.

The **Debt** section provides summary schedules for each of the City's bond types, such as tax supported and self-supporting certificates of obligation, and utility revenue bonds. The City's debt management policy and an overall outstanding debt summary is also included.

The **Statistical** section includes various miscellaneous data, as well as, graphs illustrating the historical property tax revenue and related information. This section also includes the City's key indicators data and peer benchmarking information.

The **Reference** section includes the City's Fiscal and Budgetary Policy, which guide not only the development of the City's annual budget, but also much of the City's financial operations. This policy is updated annually as part of the budget process. Financial ratio comparisons are included, along with personnel summaries, program summaries, and contingency reserve calculations. This section also includes utility rate schedules and copies of the ordinances adopting both the budget and tax rate. The City also includes budgets for both of its component units within this section.

A **Glossary and Index** section is included to provide definitions of budget terminology along with a listing of acronyms used throughout the budget, as well as, an alphabetical listing of topics and related page numbers.

Overview



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October 1, 2013

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 2013/14. The Annual Budget is the outline of the programs and services to be provided to our citizens during the upcoming year. It also lays the groundwork for future growth and development through the planning of capital improvements and new service level expansions. The annual budget process is the one year foundation for enhancing the City's vision for the future, as outlined within the Georgetown 2030 Plan. The City Council has defined that vision and goal as the **City of Excellence**.

The City of Excellence

The **2013/14 Annual Budget** is the next step in the City's goal in becoming the **City of Excellence** and continues the groundwork that began last year. The business planning process undertaken by staff and City Council began moving the City forward to a five year outlook for prosperity and success. In developing a **five-year financial model** and business plans, City Council and staff focus on capitalizing on the positive momentum in the local and state economy, while leveraging the City's financial and staff resources to meet its longer term vision. The **City of Excellence** is the City's target for meeting the needs and expectations of our citizens.

In September 2012, Council further defined this vision and identified **five focus areas** to guide both the annual budget and long term planning process. The adopted **2013/14 Annual Budget** continues significant efforts toward meeting this **bold vision**, and addressing the Council's Five Focus Areas. This vision for Georgetown was recently affirmed by the national real estate website Movoto.com which **named Georgetown the No. 3 best suburban city in the United States**. The site specifically mentioned the City's low cost of living and safe community environment. The key initiatives in this year's budget include:

➤ **Economic Development**

- Ensure retention and development of local businesses by adding a part-time **Economic Development Program Manager** to improve service response and expand recruitment efforts.
- Work with the **Texas Life-Sciences Collaboration Center (TLCC)** to support growth of TLCC existing businesses and plan for future expansions.

➤ **Public Safety**

- Construction and completion of the new \$29.5 million **Public Safety Operations and Training Complex (PSOTC)**, to be operational in October 2014.
- Enhancing Fire Services and safety with the addition of two **Fire and Life Safety Inspectors** and an **Emergency Management Coordinator**.
- Planning and implementation of an **Emergency Warning System** that includes expanded outdoor sirens and a community contact system.



➤ **Signature Destination**

- New investments to **improve the historic downtown** by extending and improving sidewalks and lighting, and begin the redesign process on the GCAT building to meet city facility needs for Municipal Court.
- **Address downtown parking** to help businesses and tourism with \$350,000 to **construct a surface parking lot at 8th & MLK** and \$400,000 to develop and design a **new downtown parking facility**.
- Update the **Downtown Master Plan** to focus new revitalization efforts including potential design for a new downtown civic center facility in future years.
- Significant new spending in **Parks** to reconstruct the **Creative Playscape** in San Gabriel Park, complete the **River Trails Expansion** currently underway and **make \$925,000 of improvements** to maintain and enhance existing neighborhood parks and pools.



➤ **Transportation**

- Implement the partnership with Capital Metro to continue the City's **On- Demand Transit System**.
- Invest **\$2 million to improving sidewalks** including preparing a **City-wide Sidewalk Plan** and leveraging \$850,000 in grant funding to expand sidewalks outside the downtown area.
- Continue **well-maintained City streets** with \$2.9 million in repair and rehabilitation projects.

➤ **Utilities**



- Establish a new department and staff to continue **electric wholesale power** management to ensure low cost, reliable power for the customers.
- Complete the **Chisholm Trail Special Utility District (CTSUD) acquisition** to manage water operations and supply in north and west developments in Georgetown and the surrounding area.
- Implementation of an **Enterprise Asset Management (EAM) system** in utilities to better manage the City's \$281 million investment in utility infrastructure.
- Expand the **conservation program** with the addition of a home energy auditor and expanded programs.

The proposed **2013/14 Annual Budget** includes additional programs needed to achieve and support the goals within the Five Focus Areas including:

- Implement final phases of the City's **compensation plan**, and continue to maintain the new pay system in 2013/14;
- Support a City-wide professional **leadership development** training program;
- Redesign the **City's website and complete the internal Intranet** site; and
- Begin a new **self-insurance program** to better manage the quality and cost of employee health insurance.

2012/13 Year in Review

The Texas economy has continued to fare better overall than most of the nation and Georgetown is no exception. After a few years of cautious growth and a lean outlook, steady and strong growth took hold in the Georgetown economy during 2012/13. The 2012/13 Annual Budget included minimal service level increases and assumed conservative revenue projections while still enabling the City to meet the growing demands.

The City continues to experience positive increases in sales tax revenues and development related fees that reflect the steady and strong economic growth. Sales tax revenues ended the year over 10% higher than the previous year, the biggest single year increase since 2007. Development related revenues increased by over 18.1% and

was over 52% higher than was originally budgeted. The City issued 777 residential permits with a value of \$219 million, compared to 664 permits in the previous year. The City's total General Fund revenue for 2012/13 was 1.3% higher than budgeted.

Housing starts were up in neighborhoods throughout the community. New health care facilities, such as assisted living centers, were underway near Sun City. Two new behavioral hospitals, one built by **Springstone**, and the other operated by **Signature Healthcare** will add about \$35 million to the City's tax role. **Texas Life Sciences Collaboration Center (TLCC)** broke ground on their second building this summer. Developers are moving forward on plans for a **Sheraton Hotel Conference Center** and high-end luxury apartments at the Summit at Rivery Park. Promising economic development opportunities continue in Georgetown and all of Central Texas. New development continues in the downtown area with the opening of **Grape Creek Winery** and **Thundercloud Subs** in the **Downtown Square**, and **El Monumento** at the southern gateway to the City's historic old-town district.



As development activity increased, the City continued efforts to meet those future needs. In October 2012, **Fire Station 5** on D.B. Wood Road in west Georgetown was opened for operations and in August 2013 the City broke ground on its \$29.5 million **PSOTC** located adjacent to Fire Station 5. The City also completed the construction of the new Fire Station 2, replacing the outgrown and inadequate facility that was originally built in the 1970's. The City invested in the first phases of the Compensation Plan including significant adjustments to Public Safety. The next major step in the City's Parks Master Plan was accomplished with the purchase of **90 acres for a future west side active park and recreation area**. The City has purchased most of the right of way for the **expansion of FM 1460** to Round Rock in partnership with the Texas Department of Transportation (TXDOT) and is nearing substantial completion of the design for the road.

The City took advantage of **favorable debt market conditions** and issued all of the voter approved debt to fund the PSOTC, \$5 million of voter approved parks bond, as well as, refunding previously issued debt. By issuing the public safety debt ahead of schedule, the citizens will realize \$5 million in interest savings over current market conditions. The City took advantage of higher than budgeted tax revenues and 2011/12 fund balances to **cash fund \$1.2 million in public safety vehicles and equipment** that had originally been scheduled for debt financing. The former Albertson's

building, purchased in 2008, has been sold creating additional financial capacity for other city needs.

During 2012, the City was approached by the **Chisholm Trail Special Utility District (CTSUD)** about the possibility of merging with the City's water system. The CTSUD provides water service to several areas within the City and the City's extra territorial jurisdiction (ETJ) and future growth centers. A detailed feasibility study was completed and the City Council gave final approval to the merger agreement in September 2013. This consolidation with the **7,300 customer district**, expected to be completed in late spring 2014, will provide opportunities for the City's future growth and development, and ensures consistent service and water supply to that regional area for years to come.



The City of Georgetown had historically purchased 90% of its wholesale power from the Lower Colorado River Authority (LCRA) through a Wholesale Power Agreement (WPA) that was set to expire in 2016. Georgetown had opted not to renew that agreement and had lined up new power supply options. Due to on-going contractual issues, the **City of Georgetown agreement with LCRA was terminated** in September 2012. The result has been **significantly lower purchased power costs** with much of those savings being passed on to the City's customers. This new future in wholesale power will not only provide lower electric rates for customers, it will also allow the City to leverage its energy services for economic development efforts.

The **historic downtown** continues to serve as a focal point for the community, as new and expanded business make the downtown square their home. The City's Main Street Program celebrated its 30th anniversary in recognition of the City's continued commitment to the historic preservation of the **"Most Beautiful Town Square in Texas."**



The renovation of the old historic fire station to house a community arts center and splash pad will be completed in October 2013. The City's added focus on arts and culture was recognized in September 2013, when the **Texas Commission on the Arts designated the downtown area as a cultural district**, one of just 24 in the state.

The 2013/14 Budget Process

The 2013/14 Annual Budget reaffirms the direction that began at a September 2012 Council Retreat, when the Council defined the vision of the **City of Excellence** and identified five areas for focus in achieving the desired vision. That focus was used to develop the biennial citizen survey completed in January 2013. The focus areas, citizen survey results, impacts of new growth and increased service demands were then used to update 5-year business plans within each of the five focus areas. All of this input was used to kick off the annual capital improvement planning updates and review of the City's master plans. The City Council's priorities and the survey results were affirmed in April 2013. From this direction, service improvements, new projects and base budgets were developed. The 5-year General Fund financial plan was updated to include the costs for all projects that are needed to address community growth, maintaining existing programs and infrastructure and the five focus areas. All of those efforts came together in the proposed 2013/14 Annual Budget to support the elements that are critical to the implementation of the **City of Excellence**.

2013/14 Budget Overview

The 2013/14 Annual Budget addresses the Council's five focus areas, as well as, the demands driven by growth. The total 2013/14 Annual Budget is \$220.7 million, which is 9% more than the amended 2012/13 budget. General Fund spending increased by over 10% for growth in sanitation customers, added sidewalk funding, increased park maintenance and the full year of costs for the compensation plan that was implemented during 2012/13.

This budget **meets all fiscal and budgetary compliance requirements** including (1) on-going expenses are being funded only with on-going revenues, and (2) contingency reserve requirements are met. Sufficient funds for compensation plan implementation, capital projects for the downtown area and parks system improvements; as well as, the construction of the PSOTC are included. Purchased power costs and overall capital project spending will be higher in 2013/14 to meet continued customer and system growth.



Year to Year Division Review

	12/13 Amended Budget	13/14 Proposed Budget	Variance over Prior Year
Downtown & Community Services	9,648,125	10,574,611	9.6%
Finance & Administration	14,207,274	15,966,409	12.4%
Fire Services	8,801,611	9,716,713	10.4%
Georgetown Utility Systems	41,730,818	44,756,539	7.3%
Purchased Power (GUS)	34,550,709	36,768,008	6.4%
Management Services	7,819,663	8,241,132	5.4%
Police Services	11,075,051	11,893,073	7.4%
Transportation	8,640,411	9,756,743	12.9%
Capital Improvements	37,651,407	42,576,237	13.1%
Debt Payments	17,613,349	19,128,461	8.6%
Interfund Charges & Transfers	10,349,878	11,310,491	9.3%
TOTAL BUDGET	202,088,296	220,688,417	9.2%

- **Downtown & Community Services** – This division includes Parks & Recreation, CVB, Downtown, Public Communications, Housing and Historic Preservation functions. The 9.6% divisional increase is primarily due to shifting the Public Communications department to this division starting in 2013/14. The Public Communications department's \$366,286 budget includes \$100,000 for a one-time project to implement a



full re-design of the City's web site to improve customer service and provide better citizen information. Other items of note include: (1) CVB will use HOT revenues to expand its research and marketing campaigns (\$45,000); (2) Parks and Recreation will continue to increase its repair and rehabilitation efforts and minor improvements (\$106,600) to make sure the City's investment in existing and new parks are well maintained; and (3) the Library's operating budget includes \$52,500 for operations of the new Arts & Culture Center, opening in October 2013.

- **Finance & Administration** – The budget for this division increased 12.4% primarily due to higher than usual vehicle and equipment purchases and additional staff. (1) Vehicles. The next phase of the Vehicle Service Center action plan is implemented, which more evenly spaces the purchase of new vehicles throughout the year and better meets the operating needs of departments. This shift creates a one-time increase in expense with 16 new police vehicles, compared to 11 in 2012/13, and \$355,000 in additional Electric heavy equipment and vehicles. The Fleet budget also includes an additional \$379,000 for the purchase of a new Jet/Vac Sewer truck. (2) Staffing. The division will also add six new FTE's to support programs being implemented in other departments. Three new FTE's are added in IT and Purchasing to support the new Enterprise Asset Management system being implemented in Water and Electric Services; one new FTE will start late in the fiscal year to provide maintenance to the new PSOTC; and one position each to support the fully implemented new automated metering system for Customer Care and the self-insurance program for employee health benefits. Most of the increases are funded by the Electric and Water Funds.



- **Fire Services** – The budget for Fire Services increased 10.4%. The 2013/14 budget includes \$89,280 in funding for a new Emergency Management Coordinator position and two Life and Safety Inspectors, all to start late in the fiscal year. The new compensation and step plan adopted during 2012/13 increased the base salary budget by approximately \$628,000 for the division, as a full 12 months of those costs are recognized in 2013/14

- **Georgetown Utility Systems (GUS)** – Utility operations increased 7.3% over the prior year. This budget continues to increase as a result of continued across-the-board additions of 400 to 600 new utility customers each year. The division will also add five new positions to meet customer growth and changing industry demands. Energy Services includes the addition of a Power Supply Manager to oversee the \$36.8 million annual power purchasing functions and two new linemen to keep up with the expanding electric customer base. Conservation will add a Home Energy Auditor to provide competitive conservation services. A Deputy General Manager position is added to provide organizational oversight and leadership support for the division. Funding to implement the new Enterprise Asset Management system of \$1.02 million is also included in the 2013/14 budget. Additional costs associated with the acquisition of Chisholm Trail Special Utility District (CTSUD) are not included in the 2013/14 Annual Budget. Upon completion of the transaction in late Spring 2014, the City will amend the budget to appropriate the increase in expenses and recognize the associated revenues.
- **Purchased Power** – This reflects the actual cost of electricity the City purchases and resells to its customers. After the City ended its wholesale power contract with LCRA in September 2012, purchased power costs dropped noticeably, resulting in lower expense than was originally budgeted in 2012/13. Most of this cost saving was passed on to customers. FY 2013/14 reflects the projected higher volume of electric sales to customers.
- **Management Services** – The final phases and maintenance portion of the compensation program adopted in 2012/13 are included in this division's budget. Most of the 5.4% increase is a result of the \$366,000 required to fund that program for all General Fund departments. These funds will be transferred to the appropriate departments during the year under the comp plan guidelines. The budget also includes \$100,000 for a city-wide employee development and training program that will be a key element to integrating **City of Excellence** standards for supervisors and managers. A part time position is converted to full time in the City Manager's Office to provide a dedicated Risk and Safety Manager for the City.



- **Police Services** – Police increased 7.4%. The new compensation and step plan adopted during 2012/13 increased the base salary budget by approximately \$412,000 for the division, as a full 12 months of those costs are recognized in 2013/14. The balance of the increase is for three part-time to full-time position upgrades in Animal Services to meet the level of staffing recommended by the Humane Society for basic cleaning tasks for the number animals cared for at the shelter. Step increases for sworn positions are also included.

- **Transportation** – This division includes a 12.9% increase for its functions, which include the Streets Maintenance department, Transportation Administration, Airport and Stormwater Drainage. (1) Transportation & Streets. A city-wide sidewalk study and two sidewalk construction projects are added for a total of \$1.1 million. These programs are supported by \$850,000 of grant funds. The implementation of the Capital Metro partnership for on demand transit services for \$159,500 will be implemented in 2013/14. These services were previously provided by the Capital Area Rural Transit System (CARTS) with costs shifting to the City as a result of the new 2010 census designation that makes Georgetown part of the Austin urbanized area. A new Assistant Transportation Director position is added to address the planning and construction of City's roadway system. Streets Maintenance added \$210,848 for equipment and

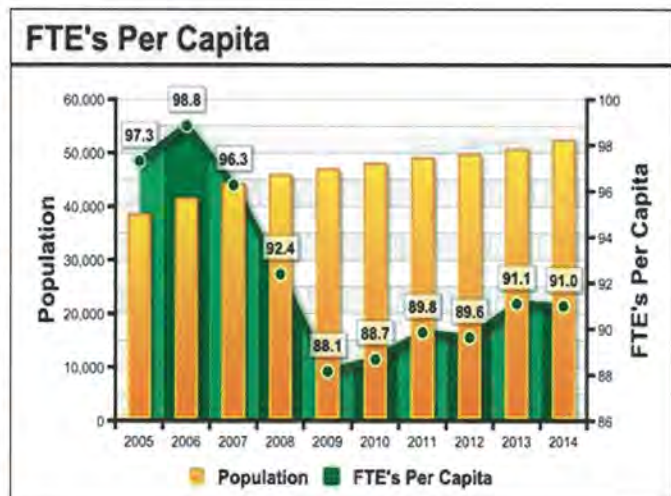


maintenance to repair the city's expanding street network and arterial roadways. (2) Stormwater Drainage. Two new crew members and heavy equipment for a total of \$285,809 are added to meet increasing federal requirements and City growth. (3) Airport. Changes in operating conditions in recent years have caused the financial condition of the Airport as a self-sustaining enterprise to decline. The proposed budget implements the results of a detailed operations review presented in to Council in August 2013. The plan includes a restructuring of existing positions, new operating guidelines and noticeable increases in hangar and tie down fees. Capital projects for the Airport will be debt funded and supported by property tax revenues in future years; however, the Airport fund is not projected to require a General Fund subsidy for its operations in 2013/14.

- **Capital Improvements** – Capital improvements can fluctuate year to year due to the timing of large projects. The 13.1% increase in capital improvements includes \$2.6 million in substation improvements in Electric, \$5.9 million for the Sequoia Elevated Storage Tank in Water and an estimated \$17 million for the completion of the PSOTC. Parks and downtown projects totaling \$5.9 million are also reflected in the 2013/14 capital budgets. All of these projects were reviewed as part of the Utility, Transportation and General Capital Projects workshops presented to Council in June 2013.
- **Debt Payments** – The 8.6% increase is a direct result of voter approved General Obligation bonds issued in 2012/13. The \$22 million total debt issue included the final \$17 million for the PSOTC and \$5 million of Parks bonds.
- **Interfund Charges** – These amounts vary from year to year due to project funding and source of funds.

Staffing Overview

There are 19.25 new or upgraded positions proposed to be added for fiscal year 2013/14. These positions include three new positions in Fire Services for Emergency Management and Fire & Life Safety Inspections; five new positions in Utilities to accommodate system growth in Energy Services and expansion of the City's conservation program, and six new support staff positions in Finance and Administration to support new programs implemented by front line operating divisions. In Management Services, one half-time position is upgraded to full time for a Risk and Safety Manager and a contract employee is converted to half time in Economic Development. Police includes upgrades from part-time to full time for three positions in Animal Services. Transportation includes two new crew members in Stormwater Drainage and a new Assistant Transportation Director.



In previous years, 17 frozen positions had been eliminated due to the recession and related economic downturn. The growing economy and commensurate growth in customer base has pushed the need to begin to rebuild the full time equivalent (FTE) count to meet the City's growth and Council direction. The final remaining frozen positions, 2 police officers, are budgeted to be hired in late 2013/14 with associated costs included in the budget proposal.

Employee compensation and benefits make up a substantial amount of the City's budget. The City-wide cost of this increase is \$684,271 in 2013/14 with \$423,819 of that cost borne by the General Fund. A 25% increase is budgeted for employee health insurance resulting from the Affordable Care Act and industry wide increases. This budget also continues funding of the City's retirement plan. The City's funded pension liability is 86.7%, a continued improvement over 85% in the previous year and 81.8% two years earlier.

During 2012, City Council directed staff to conduct a compensation review, which had not been done in over 10 years. The review showed significant compensation variances to market in non-public safety positions, and further study also showed major adjustment needs in the public safety step and compensation plan.

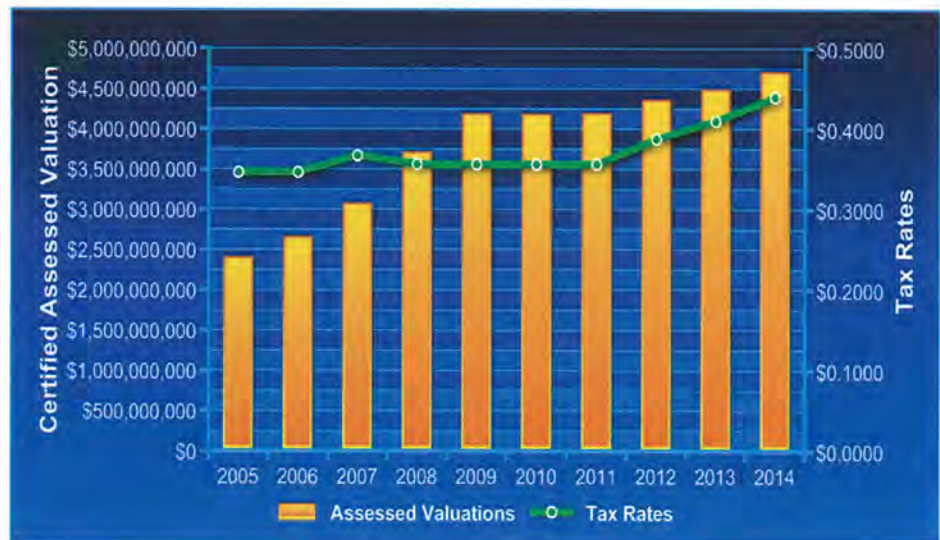
The 2012/13 budget included an additional \$1.1 million toward implementing this new program in both public safety and non-public safety. The 2013/14 proposed budget includes \$714,000 for the final two phases of the compensation study increases and money to maintain this program through merit and other adjustments.

Revenue Overview

City Council adopted a property tax rate to fund the next year of the **City of Excellence** Vision. The adoption of a **property tax rate of \$0.4395** for 2013/14 is an increase of \$0.02950 over the prior year's rate of \$0.4100. This represents a 6.03% increase over the City's effective tax rate of \$0.41449. 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. Despite the increase, Georgetown remains among the lowest property tax rates in the area.

This adopted rate funds approximately 21% of General Fund operations; in the prior year the property tax rate funded 23%. The **tax rate increase is due entirely to debt payments** for voter approved bonds issued for the PSOTC and Parks projects. Tax revenues available for the General Fund are reduced by \$225,000 in 2013/14 to help mitigate the rate impact of the new debt payments. The adopted 2013 rate of \$0.4395 includes \$0.21597 for operations and maintenance which is an 8.63% **decrease** in funding. The revenues from the improving economy and carefully prioritized General Fund spending allowed the City to mitigate the debt rate impacts to tax payers. Interest and sinking (I&S) to fund debt service payments increased by 28.74% to \$0.22353.

The 2013 assessed **property valuation** totals \$4.694 billion, of which \$124 million is new or annexed property. The 2013 assessed valuation is 4.78% higher than the 2012 ending valuation of \$4.48 billion. The 2013 total includes \$96.4 million of property still under Arbitration Review Board (ARB) review (60% of the \$161 Million total ARB outstanding). Existing property value was relatively flat, with an increase of 1.37%. The 2013 average taxable home value in Georgetown was \$190,802, which is a 2.6% increase over the 2012 average taxable value of \$185,915.

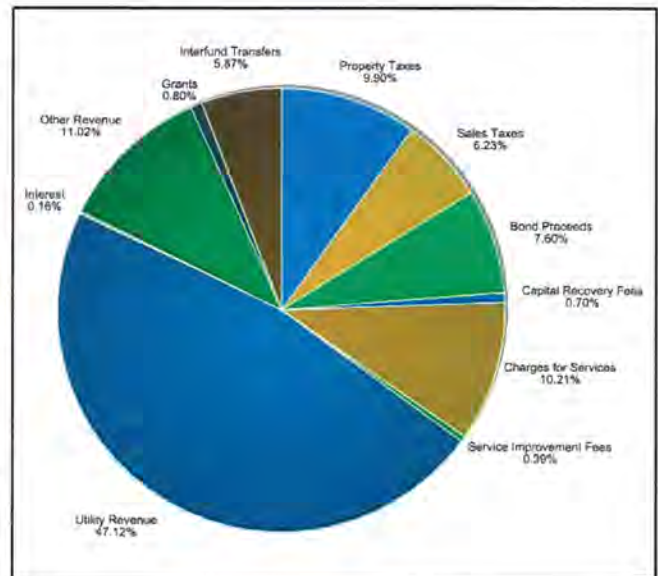


"Frozen" property value also increased from \$1.341 billion in 2012 to \$1.443 billion in 2013, a 7.6% increase from previous year. Currently, 30.7% of all assessed value in Georgetown is now frozen, up from 29.7% in 2012. The impact of "frozen" (over 65 or disabled) valuation will continue to be a factor in managing the City's property tax rate for the foreseeable future.

The 2013/14 Annual Budget includes a 3.1% overall increase in **total sales tax**, compared to projected collections for 2012/13. The increase represents \$367,500 of additional revenue in 2013/14.

Sales Tax revenue 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 conducted a detailed review of the rate methodology used in setting both its electric and water rates. The existing rates reflected an imbalance between cost recoveries for fixed versus variable cost components, with a substantial amount of fixed costs being collected within the variable component of the rates.



The rate imbalance and the competitive and regulatory nature of the electric utility will result in a cost restructure in the **electric rates** beginning with the new budget year. The base charge will increase to fund fixed costs, which will be offset by a reduction in the variable component (kWh). The overall cost impact from this adjustment to individual customers is projected to be minimal, if any.

The rate imbalance was also relevant to the City's **water rates**. The disproportionate recovery of fixed and variable costs within the City's current water rate structure resulted in over 50% of fixed costs being recovered in the volumetric water rate. This imbalance also impacts conservation efforts, which promote reduction in usage. If conservation is successful and there is a usage reduction, it would also result in a reduction in revenue needed to fund the fixed cost of operations. Therefore, a rate restructure was also part of the 2013/14 budget proposal. The restructured rates will be implemented in 2014, to coincide with the City's new conservation efforts and the planned consolidation of CTSUD.

This fixed/variable methodology is already in place for the City's sewer system. The flat rate sewer program was implemented in 2007 and recognizes fixed cost and a standard variable component. The residential **sewer rate** approved in 2007 of \$29.50 has not been increased since it was adopted. System growth has been funded through customer growth within the system. There is no sewer rate increase planned for the next few years or until the next major plant expansion substantially increases the fixed cost associated with the system.

The 2013/14 Annual Budget also includes a \$0.50 rate adjustment in the City's stormwater drainage fee, bringing the monthly fee to \$5.25. This increase is needed to fund the City's remediation plan for flooding in the Smith Branch Basin, as well as, other capital projects to manage water quality and drainage within the City.

Garbage rates were adjusted in 2012/13 with the new services and renewal of the sanitation contract with Texas Disposal Systems. No increases are proposed in 2013/14. The cost margin in services provided will be maintained in 2013/14.

Capital Projects

Capital improvements account for 19.3% of the City's 2013/14 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 2013/14:

- Downtown Improvements:
 - \$871,000 for ADA sidewalks, improvements of the Downtown corridor and master plan update
 - \$750,000 for parking facility study/design and MLK & 8th parking lot

- City facility improvements:
 - \$700,000 for Emergency Warning System
 - \$300,000 for Land purchase for ESD Fire Station
 - \$200,000 for Collection Station safety improvements
- Parks Improvements:
 - \$1.5 million for design of Garey Park
 - \$1.5 million for various San Gabriel Park improvement projects, including river bank stabilization work
 - \$825,000 for various Park rehabilitation projects and updates
 - \$500,000 for new historic park development

Utility Capital Projects

The City will fund over \$17.8 million for utility and infrastructure improvements in 2013/14. 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.

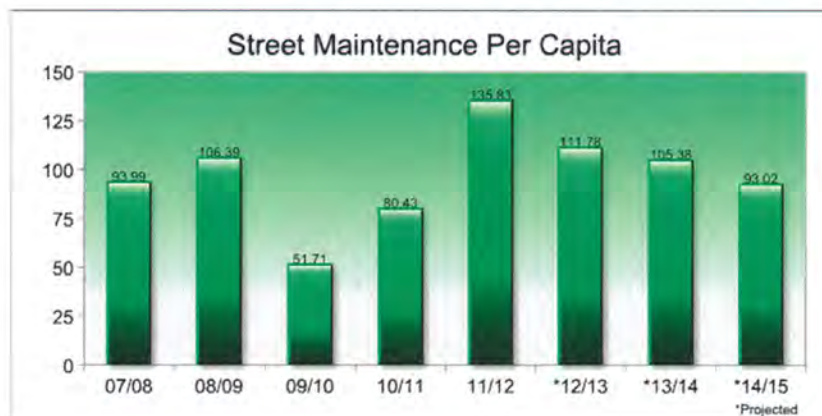
Electric – Improvements are scheduled throughout the system.

Water Services – Improvements include line and pump upgrades, mandated Edward's Aquifer Recharge Zone testing and repairs, Sequoia Elevated Storage Tank, as well as, sewer projects necessitated by the 2006 Annexation process.

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



Street Improvements and Maintenance



Lower per capita amount due to timing of Street Maintenance Projects in 09/10.

2013/14 Street Maintenance / Rehabilitation Projects

West 9th Street

- Rock Street to Main Street

West 2nd Street

- Austin Ave. to Myrtle Street

West 10th Street

- Austin Ave. to Church Street

West 11th Street

- Main Street to Rock Street

6th Street

- Austin Ave. to Main Street

2nd Street

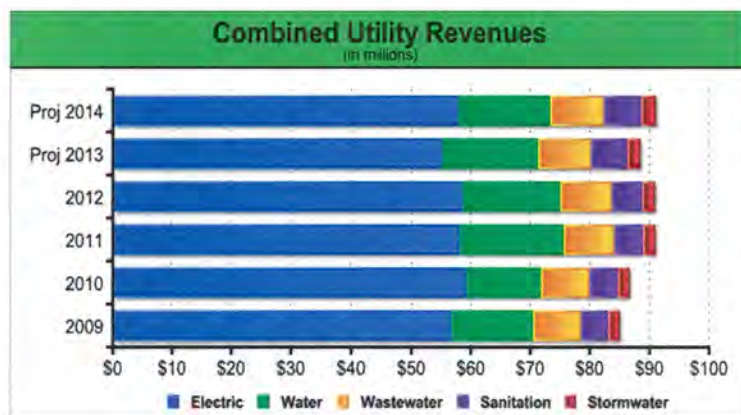
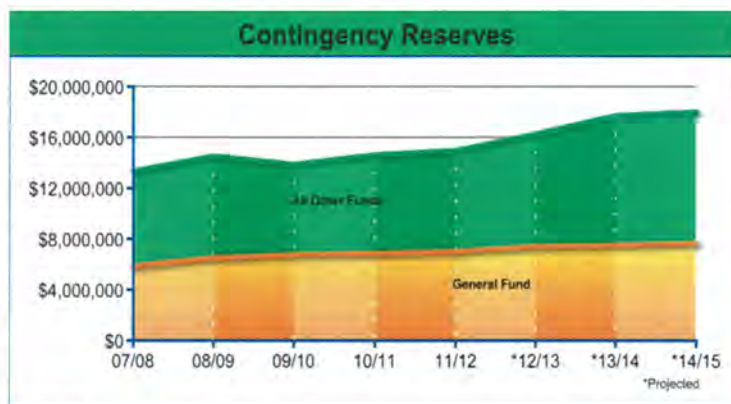
- Myrtle Street to College Street

The City's street maintenance program is funded through a dedicated 1/4 cent sales tax and designated funding from 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.

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 2013/14 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, except for the Airport, are self-supporting and policy compliant in 2013/14. Airport operations and financial condition were evaluated in 2012/13, with the first step of a new structure and business plan to be implemented in the 2013/14 Budget.

The City-wide contingency reserves have been increased from \$16,086,000 to \$17,700,000. 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 \$7.5 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; as well as, increasing sales tax and property tax. The City's customer base for its electric, sanitation, wastewater and water services has increased at a rate of 3 to 5% for the last four years. The City continues to conservatively project a 3% increase in electric system growth and a 1 to 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 2013/14 through increased property taxes due to new property and the increased property tax rate. Increases in sales taxes are expected due to continued economic growth within the region. Return on investment transfers from the City's utility systems is expected to increase due to continued customer growth and higher revenues within those systems. Most other revenue is expected to remain stable.

General Fund **expenditures** have risen in 2013/14 mainly due to increased operating expenditures for Public Safety and implementation of the City's compensation study. Ending **fund balance** is expected to be \$7.52 million, which is slightly higher than the \$7.5 million contingency reserves required by the fiscal policy. Funds above the required contingency will be used in funding one-time expenses in 2014/15.

Electric and Water Services Funds

Growth demands continue to impact service levels within the City's two largest utility funds. Operational costs also increase as the infrastructure expands. Annexation and growth 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. This regional development continues to expand with the announcement of a Bass Pro Shop complex to be complete in 2015.

Operating expenses within the electric utility are higher than the ending projected expenses for 2013, due to increased costs associated with system maintenance and anticipated additional purchased power costs to meet increased sales demand. The \$5.3 million ending balance for 2013 is primarily due to timing of capital projects.

Growth and, increased environmental mandates have 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 higher water demand. Water revenues were higher than projected in 2012/13 due to hot and dry summer weather conditions.

Water utility **expenses** will increase due to higher operational and debt service costs, as well as, increases in long-term water supply cost and operating costs associated with 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 systems thus ensuring water quality for the Georgetown area. These actions will become critical as growth increases within the area.



Projected ending working capital for 2013 is \$7.6 million due to the timing of capital improvements and weather related revenues.

Stormwater Drainage Fund

Revenue is expected to increase due to the adopted fee increase, as well as, 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. Projected ending **working capital** is greater than previous year due to added revenue intended to cash fund capital improvements.

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 base budget.

<i>Information Services Fund</i>	\$	3,238,338	<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>	\$	2,405,312	<i>Building maintenance and repairs to include HVAC, janitorial services and minor remodeling. Repairs and scheduled maintenance will be completed in 2013/14. The City now has 37 facilities that require on-going maintenance.</i>
<i>Fleet Management Fund</i>	\$	5,317,486	<i>Add / replace 45 vehicles and equipment. This includes the purchase of public safety, streets, and other City vehicles and equipment.</i>

Proposed Debt

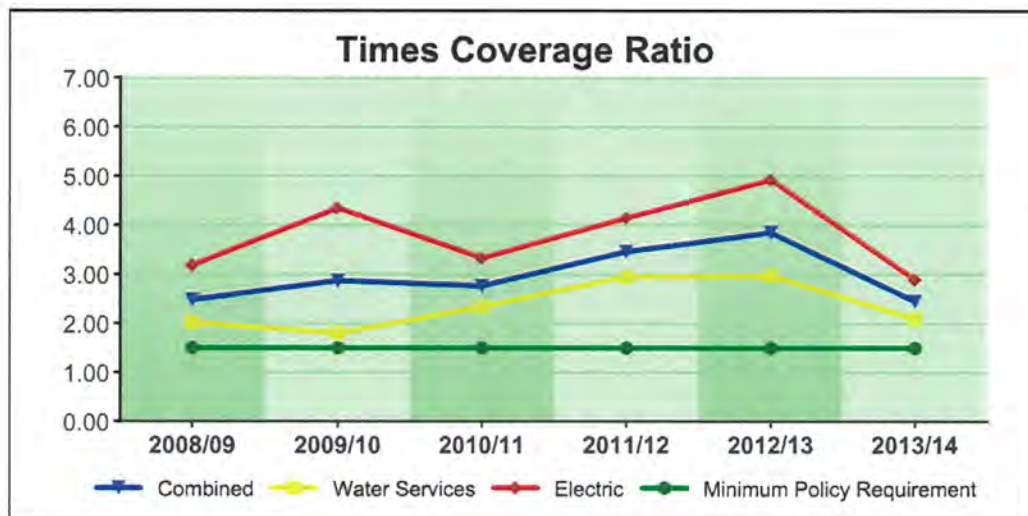
The budget proposes to issue Certificates of Obligation (CO) for equipment and vehicle purchases, as well as, downtown sidewalks and parking, and park projects. The budget also proposes to issue Self Supporting COs and Utility Revenue bonds for various capital improvement projects.

General Debt:	
CO - Equipment & public safety vehicles	1,436,000
CO - Facility, downtown and park improvements	1,916,000
Total Projected General Debt	3,352,000
Self Supporting Debt:	
CO - Stormwater	459,000
Total Projected Self Supporting Debt	459,000
Utility Debt:	
Revenue - Electric	3,840,300
Revenue - Water/Wastewater	6,946,200
Total Projected Utility Debt	10,786,500
Issuance Costs	287,640
TOTAL CITY-WIDE DEBT ISSUE	14,885,140

The City's total tax-supported general obligation debt is \$102.3 million on September 30, 2013.

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 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 a budgeted 2.12 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 less than previous years, the coverage is more than adequate. Excess coverage is used to fund system maintenance and various mandated improvements throughout the various utilities.



Conclusion

The 2013/14 Annual Budget maintains the City's commitment to sound financial management as it continues its journey towards the **City of Excellence**, as visioned by the City Council.

The Central Texas area continues to be among the fastest growing areas of the country. This budget ensures the quality services our citizens expect and focus the resources necessary to meet the demands of future growth and development. This budget works to preserve the very elements that make Georgetown special, such as the Downtown Square and other natural resources, while proactively addressing quality of life issues, including new sidewalks and expanded parks. This budget also includes resources to expand economic development activity to increase job opportunities, and investment within the City, all focused on maintaining the unique qualities that make Georgetown a special place to live.

Finally, we acknowledge the tremendous contributions and teamwork of all City staff in preparing the 2013/14 Annual Budget. The management team worked to develop programs that move the City towards implementation of the **City of Excellence** vision in which the quality of life for all Georgetown citizens is maximized. Most notably, we want to recognize the Finance and Administration Division for their long and dedicated hours in preparing the Annual Budget.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul E. Brandenburg", with a long, sweeping underline.

Paul E. Brandenburg
City Manager

A handwritten signature in black ink, appearing to read "Micki Rundell", with a stylized, looped design.

Micki Rundell, CGFO
Chief Financial Officer