

... "Red Poppy Capital of Texas"

Annual Budget
2014 - 2015

## History of the Red Poppies

Georgetown is the "Red Poppy Capital of Texas," certified by local residents and the Texas Legislature. Red poppies have been a part of Georgetown's landscape for over ninety years. Red poppies grow naturally in street and highway right-of-ways, in vacant lots and park lands, and in native and cultivated areas of our citizen's yards. Georgetown is one of the few locations in the United States where red poppies reseed themselves from year to year.

**Each April as the poppies bloom**, Georgetown celebrates with the annual Red Poppy Festival, held on the beautiful historic downtown Square. Festival activities include live entertainment, arts and crafts, food, a children's center, a car show, and a parade/cruise.

History of Red Poppies: Seeds from poppies in Europe were sent to Georgetown right after World War I. Henry Purl Compton (known as "Okra") who served in the American Expeditionary Forces sent them to his mother. She planted them at her home which is now 507 East 7th Street. From there, they were spread (by birds, bees, and people!) down the river and over much of Old Town.

**Preservation**: They are the species papaver rhoeas, and are the emblem of the American Legion made famous by John McCrea's poem "In Flanders Fields.

Red Poppies are part of the heritage so important to Georgetown's present and future. In the 1980's organizations like the Red Poppy Garden Club, City of Georgetown, and the Williamson County Sun began the preservation and spread of poppies all over town by giving away and selling millions of seeds of related American species. The latter grow and reseed themselves as well as those from Flanders Fields. Only "specialists" can tell the difference.

**Planting**: September through November is the best time to plant the red poppy seeds for blooming in the Spring. Poppies grow best in direct sunlight. To plant the seeds, sprinkle the seeds in the desired area, then water. The plants will grow about two to three inches by December.

**Blooming**: Central Texas wildflowers bloom from Spring until Fall; how early or how late depends on the weather. Most years our Red Poppies bloom in late March through April, as do the Bluebonnets and Indian Paintbrushes.



## City of Georgetown Annual Budget Georgetown, Texas

Fiscal Year October 1, 2014 through September 30, 2015

#### **MAYOR**

Dale Ross, CPA

#### MAYOR PRO TEM

Rachael Jonrowe District 6

#### **COUNCIL MEMBERS**

Patty Eason	District 1
Keith Brainard	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 Laurie Brewer Micki Rundell John Sullivan Wayne Nero General Manager for Utilities Assistant City Manager Chief Financial Officer Fire Chief Police Chief



## City of Georgetown **City Council** 2014 - 2015

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, and City Secretary, as well as various citizen boards and commissions.



Patty Eason District 1



John Hesser



Dale Ross Mayor



Rachael Jonrowe Mayor Pro-Tem District 6



Keith Brainard District 2



District 3



Steve Fought District 4



Jerry Hammerlun District 5



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, 2013

Executive Director

Affrey R. Enow

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, 2013.

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 five 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, costeffective 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 <u>Overview</u> 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 <u>City Summary</u> 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 <u>City of Excellence</u> and an in-depth Community Profile is also included with this section.

The <u>Financial Summary</u> 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 <u>functional area</u> 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 <u>Capital Projects</u> 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 <u>Debt</u> 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 <u>Statistical</u> 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 <u>Reference</u> 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 <u>Glossary and Index</u> 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, 2014

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

We are pleased to present to you the City of Georgetown Annual Budget for 2014/15. 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 **2014/15 Annual Budget** is the next step in the City's goal in becoming the *City of Excellence* and continues the groundwork that began in 2012. 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.



Council defined this vision by identifying five focus areas in September 2012 to guide both the annual budget and long term planning process. The adopted 2014/15 Annual Budget continues significant efforts toward meeting this bold vision, and addressing the Council's Five Focus Areas – Economic Development, Public Safety, Signature Destination and Transportation and Utilities. This vision for Georgetown was affirmed when the national real estate website Movoto.com which named Georgetown the No. 3 best suburban city in the United States in the fall of 2013. The site specifically mentioned the City's low cost of living and safe community environment. The major highlights for this year's budget include:

- > Tax rate adopted tax rate of \$0.4340 over ½ cent below 2013 rate of \$0.4395.
- > Utility rates no proposed increases in Electric, Stormwater Drainage, Water or Wastewater.
- ➤ Proposed General Fund budget is \$51.7 million, a 4.0% increase over 2013/14.
- Nine new fire fighters and two transitional response vehicles (TRV's) to provide a Fire-based Paramedic Program. This proposed program is paid from fees and will not impact the General Fund in the 2014/15 budget.
- > Three new officers in Police to establish a new Crime Deployment Unit to rapidly respond to crime issues as they are identified.
- Completion and operations of the new Public Safety Operations and Training Complex (PSOTC), that is scheduled to open in January 2015.

- > Investment of \$7.9 million in new Downtown, Sidewalk, Parks and City Facility Capital Projects:
  - o **Downtown parking** will be addressed including a new paved lot at the corner of 8<sup>th</sup> & MLK, across from the Georgetown Library, and \$400,000 to study options for design of a downtown parking garage.
  - Downtown Master Plan implementation includes Downtown West Phase I, including Municipal Court, for \$1.7 million.
  - Significant efforts in Parks to upgrade VFW Park, construct a Splash Pad in the southeast part of Georgetown, renovate Williams Drive pool, start design on the next phase of the River Trails, and several other upgrades at various City parks.
  - Sidewalks will be constructed on 2<sup>nd</sup> Street and 11<sup>th</sup> Street.
- Infrastructure investment of \$22.9 million in Utilities and \$12.1 million in Transportation, including the final \$4.3 million needed to fund the construction of improvements to FM 1460, expected to begin in February 2015 with a 2 year construction time.
- Continued efforts to maintain competitive, low electric rates for the City's customers, with power supplies that include both wind and solar energy.
- Add 2 positions in Conservation to implement the water conservation programs needed to make best use of the City's long term water supplies.
- Maintain the City's employee Compensation Plan by including both merit increase funds at 2% of salaries and cost-of-living increases (COLA) of 2.5% in 2014/15;
  - Funding for the cost-of-living portion is covered by a 0.75% across-the-board reduction in all city departments.
  - Civil Service staff in Fire and Police will receive scheduled steps, plus an additional one percent COLA and increases in starting pay.
- Supports a City-wide professional Leadership Development training program focused on service delivery for a City of Excellence.
- The expansion of City's water services, as well as, management of growth in rapidly expanding areas to the City's west and north with the September 12, 2014 Chisholm Trail Special Utility District acquisition and merger.

The proposed **2014/15 Annual Budget** includes additional programs needed to achieve and support the goals within the Five Focus Areas including:

- > Complete the redesign the City's website and expand the new internal Intranet site; and
- ➤ Continue the City's **self-insurance program**, implemented last year, to better manage the quality and cost of employee health insurance, with no employee rate increases in 2014/15.

#### 2013/14 Year in Review

The Texas economy has continued to fare even better than most of the nation and Georgetown is no exception. After a few years of cautious growth and a lean outlook, strong and steady growth took hold in the Georgetown economy during late 2012/13. The 2013/14 Annual Budget included noticeable service level increases and conservative revenue projections while still enabling the City to meet its growing demands. In May 2014, the US Census Bureau named Georgetown the 7<sup>th</sup> fastest growing city in the country.

Georgetown continues to experience positive increases in sales tax revenues and development related fees that reflect the continued economic growth. Sales tax revenues for 2013/14 are expected to end the year 12% higher than the previous year, which compounds the 13% year over year increase from the year before. Development related revenues increased by over 66% from the prior year. The City issued 1,252 residential permits in 2013/14 compared to 932 in the prior year. Of those new permits, 701 were inside the City limits with an estimated value of \$173 million. The City's total General Fund revenue for 2013/14 is expected to be 4.8% higher than budgeted.

New housing developments outside the City continued to expand with the City's adoption of a new Municipal Utility District (MUD) policy to ensure controlled growth that benefits the entire community. Within the City limits, the new 750 acre Hillwood community and a new expansion to Sun City were approved in July 2014.

The significant housing growth throughout the community was matched with commercial and retail growth. New health care facilities, such as assisted living centers, were completed near Sun City. Two new behavioral hospitals, **Rock Springs Hospital** and **Georgetown Behavior Health Institute**, were completed during the year and will add about \$35 million to the City's tax roll. **Texas Life Sciences Collaboration Center (TLCC)** completed their second building with plans for a 3<sup>rd</sup> one in the coming year. **Radiation Detection Company**, a biomedical firm, announced a new 15,000 square foot headquarters in Georgetown.

The agreements for the **Sheraton Hotel Conference Center** and high-end luxury apartments at the Summit at Rivery Park were approved by Council in January 2014. The **Georgetown South Tax Increment Reinvestment Zone** (TIRZ) was created in the summer of 2014, with water, wastewater and road improvements soon to follow on the 603 acre site on south IH-35. This development is significant because it opens the next phase of retail and commercial development that is adjacent to the new Bass Pro Shop site at the Round Rock Outlet Mall. **Pecan Branch Center**, a new 900,000 sq ft retail development to be located at Lakeway and IH-35, received its first approvals in September 2014. New development continues in the **downtown area** with the opening of **many small shops and cafes** that further enhance the City's historic old-town district.

As development activity increased, the City continued efforts to meet those future needs. In August 2013 the City broke ground on its \$29.5 million **Public Safety Operations Training Center (PSOTC)** located adjacent to the new Fire Station 5. The new facility will be opened in January 2015. Fire Services were expanded in 2013/14 with 3 new Fire & Life Safety Inspectors and an Emergency Management Coordinator added during the year.

Major steps in the City's Parks Master Plan were accomplished with completion of new Creative Playscape in July 2014 and the next section of the San Gabriel River Trails system in October 2014. Park expansions and improvements also included the McMaster Athletic Complex, River Ridge Pool, San Jose Park and



Chautauqua Park. Business planning and preliminary design are underway for the 90 acre Westside Park, purchased in March 2013, and Garey Park, with final land donations completed in December 2013.

Many transportation projects were completed, including \$2 million of major sidewalk projects. The City completed the purchase of the right of way for the **expansion of FM 1460** to Round Rock in partnership with the Texas Department of Transportation (TXDOT). The design and construction bidding for the road were completed and ready for construction to begin in early 2015. In addition, the City Council established a Citizen Road Bond Committee to review the City's transportation needs and develop a potential Road and Sidewalk Bond package to possibly take to City voters in May 2015 to address long-term traffic issues within the Community.

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), as well as a large portion of Western Williamson and Southern Bell Counties. In September 2014, the City defeased almost \$14M in the District's debt, thus allowing the consolidation of District assets by the City. With consolidation, the City added 7,500 new water customers and over 375 sq miles of new service territory. This consolidation will provide for regional water planning to ensure the adequate resource management and allow for future growth within the region.

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 contracted for new sources of 2016 and beyond. Due to on-going contractual issues, the **City of Georgetown terminated** its LCRA agreement 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. The lawsuit relating to the early termination of wholesale agreement was settled in May 2014 solidifying the City's ability to manage its future power supply. The City has been able to solidify power sources and has secured power contracts that not only provide stable, low cost power to our customers, but also focuses on renewable energy sources such as wind and most recently solar. The City is in the final stages of developing a long-term solar contract that will stabilize rates for the next 20 years.

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 30<sup>th</sup> anniversary last year 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 station to house community arts center and



splash pad were 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 City again took advantage of revenues in excess of budget and reduced planned new Certificate of Obligation debt by \$1.6 million in 2013/14. The former Albertson's building, purchased in 2008, was sold creating additional financial capacity for planned city facility needs. The City completed its implementation of the 2013 Compensation Plan and enacted merit increases for the first time in many years. Other significant internal improvements include the implementation of the first phase of an Enterprise Asset Management system, with Water Services going live in October 2014. Electric system management will go live in early 2015.

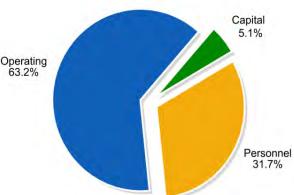
#### The 2014/15 Budget Process

The 2014/15 Annual Budget confirms the direction of the Council-defined vision of the *City of Excellence* and the five focus areas for achieving the desired vision. That focus was used to further define near term goals at the February 2014 Council Retreat. 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 2014. 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 2014/15 Annual Budget to support the elements that are critical to the implementation of the *City of Excellence*.

#### 2014/15 Budget Overview

The \$231.1 million 2014/15 Annual Budget capitalizes on the expanding local economy and the successful efforts of many of the 2013/14 goals and projects. This budget addresses Council's 2014/15 Strategic Goals, detailed in the City Summary section of this document, as well as the needs of a rapidly growing community. Many new programs and expansions are included in 2014/15 Annual Budget. The total reflects a slight overall decrease over the amended 2013/14 budget due to the timing of capital projects.

- Major revenues continue to be strong due to the continued growth of the local economy. This revenue growth has allowed the funding of major programs with only minimal tax impacts for 2014/15.
- Funds for downtown improvements, parks and public safety initiatives are included as well as funding for merit increases and cost of living adjustments as outlined in the compensation portion of the Fiscal & Budgetary policy.
- Overall capital project spending will drop slightly in 2014/15 due to project timing; however, infrastructure and facility needs will continue to be met.



- 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.
- The Chisholm Trail Special Utility District purchase was completed on September 12, 2014, after the final
  adoption of the budget and is not currently reflected in this budget. The estimated \$5.5 million in
  operating costs for the 7,500 customer district will be fully supported by revenues from those customers.
  The budget will be amended in January 2015 to reflect this major accomplishment.

The significant variances by division are summarized in the following section. All division budgets are impacted by employee salary and benefit increases including an expected 10% increase in employee health insurance costs. An overview of personnel and compensation is summarized in a later section. During the downturn, most operating costs remained relatively stable or declined due to budget tightening measures. In 2014/15, overall increases due to growth (19.6% population increase since 2008) and escalating costs are beginning to impact departments citywide including fuel prices, janitorial services and supplies.

#### Year to Year Division Review

	13/14 Amended Budget	14/15 Adopted Budget	Variance Over Prior Year
Downtown & Community Services	10,708,585	14,902,190	39.16%
Finance & Administration	16,186,549	14,340,345	-11.41%
Fire Services	9,716,713	11,847,155	21.93%
Georgetown Utility Systems (GUS)	44,776,119	47,069,849	5.12%
Purchased Power (GUS)	36,768,008	37,073,038	0.83%
Management Services	8,009,134	9,093,230	13.54%
Police Services	11,927,558	13,403,311	12.37%
Transportation	9,772,558	9,735,567	-0.38%
Capital Improvements	55,190,923	40,443,900	-26.72%
Debt Payments	19,128,461	20,410,401	6.70%
Interfund Charges & Transfers	13,123,186	12,805,301	-2.42%
TOTAL BUDGET	\$ 235,307,794	\$ 231,124,287	-1.8%

• **Downtown & Community Services** – This division includes Parks & Recreation, CVB, Downtown, Public Communications, Housing and Historic Preservation, and Facilities Maintenance functions. Much of the 39.16% increase is due to the shifting of the \$2.9 million Facilities Maintenance department and Internal Service Fund to this division beginning in 2014/15. This transition was made to capitalize on combining efforts of the Parks Maintenance with the Facilities Maintenance departments. The existing departments saw a 12.3% increase to continue efforts in meeting Council goals for its Signature Destination focus area and growth. Significant changes include: (1) the addition of a full time marketing/media specialist (\$42,105) to coordinate with all City departments and market Georgetown as the *City of Excellence*; (2) HOME grant matching funds (\$24,000) and the Historic Resource Survey Update (\$50,000); and (3) CVB will add staff late in the year in preparation for the new Rivery/Sheraton Conference Center and to expand its research and marketing campaigns (\$69,400) all from Hotel Occupancy Tax (HOT) tax revenues. Parks and Recreation will continue to increase its repair and rehabilitation efforts (\$150,000) to make sure the City's investment in existing parks are well maintained; as well as conduct ADA assessments and playground



audits to further identify maintenance needs (\$52,150); and add three full-time and two part-time staff for trail maintenance and aquatics, as those programs expand with the addition of Sunday operations at the Recreation Center. The Facilities Maintenance department added a building technician late in 2014 to provide maintenance support for the new PSOTC scheduled to open January 2015. The full year of that position salary and benefits, plus 9 months of janitorial and other support for the new 76,000 square foot facility adds an additional total of \$333,000 to that department in 2014/15.

• Finance & Administration – The budget for this division decreased due to the transfer of the \$2.9 million Facility Maintenance function discussed above. The remaining departments increased 4.22% primarily due additional city-wide building maintenance and technology support costs. The division will add two new FTE's within Information Technology, a Systems Administrator and a Desktop Technician, to provide support to the expanding technology needs for City departments and new systems being developed and implemented in GUS, Customer Care and Fleet. The IT budget also includes \$230,000 for public safety emergency communications software that will significantly improve dispatch and response times for fire related emergency calls.

• **Fire Services** - The budget for Fire Services increased 21.93%. The 2014/15 budget includes \$1.4 million to implement the fire-based paramedic program as prioritized within Council's strategic goals. The program

includes adding nine paramedic trained fire fighters, two TRV's, a contract medical an electronic patient management software system (ePCR) required to maintain proper on-site patient care and meet HIPAA requirements, and related training, supplies and equipment. Based on current business plan projections, all of these incremental program costs will be covered by transport fee revenues within four years; therefore, there is no current General Fund impact. The new budget also reflects a full year of compensation for the Emergency Management Coordinator position and Life and Safety Inspectors that were budgeted to start late in the 2013/14 fiscal year.



- Georgetown Utility Systems (GUS) Utility operations increased 5.12% over the prior year. The addition of CTSUD operations is not included in this comparison. 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 add 10 new positions to meet customer growth and changing industry demands. Energy Services includes the addition of four additional technical and project management staff and support costs (\$475,000) to operate the expanding power supply and customer demands of the system. Conservation Services includes two new positions, a Landscape Inspector and Conservation Program Analyst, along with additional water conservation education programs and drought research for a total of \$345,000 to implement the City's new water conservation measures. A Building Plans Examiner is added in the Inspections department to keep up the increased number of residential and commercial building permits. Water Operations will add a two-person crew and related equipment for \$231,000 to meet customer and system growth in water. Finally, an office specialist dedicated to records management in GUS is also included.
- **Purchased Power** This reflects the actual cost of electricity the city purchases and resells to its customers. The increase reflects the expected increase in sales from customer growth. In FY 2013/14, the City expects 560,000 mWhs in power sales and projects that to grow to 581,000 mWhs in FY 2014/15. Actual sales can be highly variable due to weather conditions.
- Management Services The merit and cost-of-living increases that are part of the City's adopted



compensation program are in this division's budget. Most of the 13.54% increase is a result of the \$274,000 required to fund that program for all General Fund departments. These funds will be transferred to the appropriate departments during the year under the compensation plan guidelines. The Planning department includes one new full time planner to focus on Council's priority to improve the UDC process as well as accommodate increased growth and development projects. A part-time position is converted to full-time in Economic Development to provide a full-time Business Development Manager to focus on specific Council priorities in that area, including retaining and assisting existing businesses within the community. An administrative assistant position is added to assist with records management.

- **Police Services** Police increased 12.37% primarily due to two major additions in 2014/15. Three officers, along with related training, equipment and supplies, totaling \$331,246, are added to implement a Crime Deployment Unit to specifically address one of Council's top public safety strategic goals. The operating budget increased by \$484,000 for utilities, janitorial, maintenance and related on-going and start-up expenses for the opening of the new 76,000 square foot PSOTC scheduled to be completed in January 2015.
- Transportation This division has a slight decrease of 0.38% due to the completion of the sidewalk study and a grant funded sidewalk project in 2013/14. (1) <u>Transportation & Streets</u>. These departments include \$80,000 to support the road bond package scheduled to be presented to Council in January 2015 and to voters in May 2015; an additional \$117,000 for the next phase of the Capital Metro partnership for on demand transit services; and \$274,000 for new equipment in Streets; (2) <u>Stormwater Drainage</u>. Additional operating expenses and heavy equipment for a total of \$91,700 are added to meet increasing federal requirements of the MS4 permit; (3) <u>Airport</u>. Changes in operating conditions in recent years have caused the financial condition of the Airport as a self-sustaining enterprise to decline. While the proposed budget assumes a restructuring



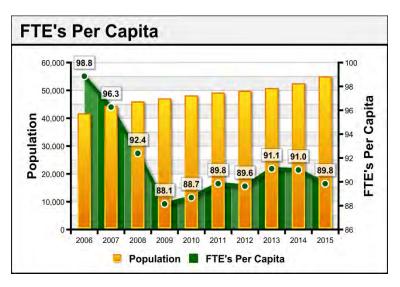
of existing positions, new operating guidelines and noticeable increases in hangar and tie down fees, significant additional operational changes will be required to make this a self-sustaining operation. Capital projects for the Airport will be debt funded and supported by property tax revenues in future years. A

separate business plan proposal has been developed with changes expected during the year. The Airport fund is expected to require a temporary subsidy for its operations beginning in 2014/15.

- Capital Improvements Capital Improvements can fluctuate year to year due to the timing of large projects. The 26.72% decrease in capital improvements is due to the completion of several large utility projects, as well as substantial completion of the PSOTC. The 2014/15 projects are summarized in a later section.
- Debt Payments The 6.7% increase is a direct result of voter approved General Obligation bonds issued in 2013/14. 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 34 new or upgraded positions proposed to be added for fiscal year 2014/15. These positions include nine paramedic trained firefighters in Fire Services and four full time and one part-time position in Police Services for new Crime Deployment Unit, Enforcement, and volunteer coordinator. Ten new positions in GUS have been added to accommodate system growth and changing industry demands in Energy and Water Services, expansion of the City's conservation programs and increased permit applications. Finance and Administration has added two new support staff positions to support expanding needs and new systems added in IT. In Management Services, one half-time position is upgraded to full-time in Economic Development, one Planner has been added to support growth in



the City, and one records management administrative assistant in the City Secretary's department. Downtown and Community Services proposes to add five full-time and two part-time positions to support expanding programs, including Sunday operations at the Recreation Center, and a marketing coordinator for the new Conference Center. All of these positions have been added to meet the service needs of the City and five Focus Areas established by the City Council.

During the recession, 17 positions were frozen and then eliminated by 2012/13. Despite declining or flat revenues during the recession, population and customer growth slowed, but continued throughout those years. 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. While 2013/14 and 2014/15 showed a rebuilding of that staff base required to meet those needs, the FTE's per capita continues to be well below prerecession levels. This reflects the City's continued commitment to providing lean, effective services.

Employee compensation and benefits make up a substantial amount of the City's budget. A 10% increase is budgeted for employee health insurance resulting from the Affordable Care Act and industry wide increases. The City-wide cost of this increase is \$365,691 in 2014/15 with \$216,164 of that cost borne by the General Fund. This budget also continues funding of the City's retirement plan. Due to TMRS's change to a more conservative valuation method, the City's funded pension liability dropped from 86.7% to 81.3%. To reduce the City's unfunded liability in future years, the budget includes retirement funding at 12.0% of salaries, in lieu of the 11.83% required by TMRS. The additional \$42,446 in funds will be set aside for a lump sum contribution to be made at the end of calendar year 2014 to begin to increase the City's funded pension liability.

The final components of the 2012 Compensation and Market Salary review were implemented in 2013/14. The 2014/15 budget reflects the merit increases and biennial cost of living adjustments to maintain the compensation program and prevent the significant pay program adjustments that had to be implemented in the prior two years. Merit funds of 2% of salaries and cost of living funds of 2.5% for civilian staff are included. For Fire and Police,

starting pay will be increased, along related step classification system adjustments, plus a 1% cost of living adjustment is included. The 2014/15 budget includes an additional \$990,430 to maintain public safety steps, merit increases and cost of living adjustments. All operating departments took a 0.75% reduction of personnel and operating budget in order to fund the cost of living increases, displaying another example of the City's efforts to continue cost effective service delivery. Employee merit and cost of living adjustments will be implemented in February 2015.

#### Revenue Overview

The City's economic conditions have resulted in significant revenue growth. The population growth and strong economy development efforts have resulted in significant increases in tax revenues, development related fees and utilities revenues in 2013/14 and are expected to continue into 2014/15. A noticeable portion of the residential growth is occurring outside the City's corporate limits; however, that growth is expected to continue to attract major retailers and commercial development within the City. While the City, region and state continue to experience significant growth, revenue projections remain conservative as worldwide economic and political issues continue to loom as potential limiting factors.

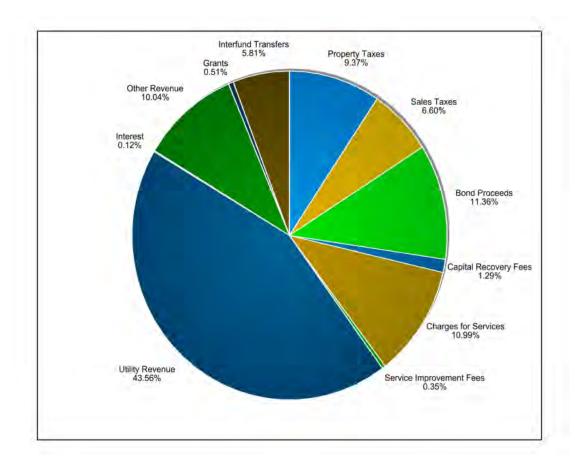
City Council adopted a property tax rate to fund the next year of the *City of Excellence* Vision. The adoption of a *property tax rate of \$0.4340 per \$100 of valuation* for 2014/15 is a \$0.0055 cent decrease over the prior year's rate of \$0.4395. This represents a 2.49% increase over the City's effective tax rate of \$0.423440. 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. This adopted rate funds approximately 22.42% of General Fund operations; in the prior year the property tax rate funded 20% of operations. *Georgetown remains among the lowest property tax rates in the area.* 

The 2014 assessed property valuation totals \$5.3 billion, of which \$163.1 million is new or annexed property. The 2014 assessed valuation is 11.9% higher than the 2013 ending valuation of \$4.7 billion. The 2014 total includes \$209 million of property still under Arbitration Review Board (ARB) review. Existing property value increased 7.4%. The 2014 average taxable home value in Georgetown was \$210,184, which is a 10.1% increase over the 2013 average taxable value of \$190,802. The tax impact to the average existing homeowner is an increase of \$50.79 annually, or \$4.24 per month.



"Frozen" property value also increased from \$1.432 Billion in 2013 to \$1.662 Billion in 2014, a 16.01% increase from previous year. "Frozen" property are those properties whose property tax revenue is capped due to exemptions for over age 65 and disabled taxpayers. Currently, 31.6% of all assessed value in Georgetown is now frozen, up from 30.7% in 2013. The impact of frozen valuation will continue to be a factor in managing the City's property tax rate for the foreseeable future.

The adopted 2014 rate of \$0.4340 includes \$0.20738 for operations and maintenance which is less than the \$0.21597 rate in 2013. The debt portion of the adopted rate includes \$0.22662 for Interest and Sinking (I&S) that funds debt payments on outstanding tax supported bonds. This I&S rate is substantially unchanged from last year's I&S rate of \$0.22353. The City issued \$2.3M in new Certificate of Obligation (CO) debt and \$4.8M in new General Obligation (GO) debt in 2014.



The 2014/15 Annual Budget includes a 5% overall increase in *total sales tax*, compared to projected collections for 2013/14, as compared to an expected 12% increase over 2012/13. The increase represents \$669,000 of additional revenue in 2014/15. With no significant new retail or commercial sales tax generators expected in 2014/15, the growth projections remain conservative.

Sales Tax revenue funds 24% 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.

**No water or electric rate increases or adjustments are proposed for 2014/15.** During 2013/14, the City restructured its water and electric rates to meet both competitive needs in the power industry and to promote conservation efforts in both water and electric. These changes resulted in little impact to customer bills, but left the City in a much more pro-active and competitive position for both utilities.

Once again, no sewer rate changes are proposed. *The residential sewer rate approved in 2007 of \$29.50 has not been increased since it was adopted.* The flat rate sewer program was implemented in 2007 and recognizes fixed cost and a standard variable component. System growth has been funded through customer growth within the system. There is no sewer rate increase planned until the next major plant expansion substantially increases the fixed cost associated with the system.

No **stormwater drainage rate increases** are proposed for 2014/15. Small increases and more up-to-date commercial and residential calculations for impervious cover have been implemented in the previous two years. Expanding requirements of the federal MS4 permit are expected to require future increases.

**Garbage rates** were adjusted just slightly, by \$0.50 per month for residential customers. This increase was made to pass through a CPI increase from its provider, Texas Disposal Systems.

#### Capital Projects

Capital improvements account for 17.5% of the City's 2014/15 budget. The major projects, by type are summarized below.

#### **General Capital Projects**

General capital projects are those that are funded through the general tax base, versus utility capital projects, which are funded through utility rates. The following projects are included as general capital projects for 2014/15:

- Downtown Improvements:
  - \$1.3 million to implement Downtown West Phase I of the Downtown Master Plan to begin design and renovation of City facilities in that area.
  - \$741,000 for ADA sidewalks, improvements of the Downtown corridor, underground electric and master plan updates
  - \$750,000 for parking facility study/design and the MLK & 8<sup>th</sup> parking lot that began in late 2013/14.
- Sidewalk improvements:
  - \$250,000 for the 11<sup>th</sup> Street sidewalk
  - \$250,000 for the 2<sup>nd</sup> Street sidewalk
- City facility improvements:
  - \$1 million for Emergency Warning System, expected to be 75% grant funded
  - \$750,000 for expansion to the \$4 million Westside Service Center already underway and paid through water and electric revenues
- Parks Improvements:
  - \$1.3 million for construction of improvements to VFW Park
  - \$850,000 to renovate Williams Drive pool
  - \$300,000 for a splash pad to be located in the City's southeast quadrant
  - \$432,000 for improvements and design work at Founder's Park, Village Park, Blue Hole and Emerald Springs

#### **Utility Capital Projects**

The City will fund \$35.4 million for utility and infrastructure improvements in 2014/15. 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** – \$10.2 million in improvements to the system and purchases of transformers are planned for 2014/15

*Water* – Water mains improvements include \$1.7 million for design and easement acquisition for the Shell Road water line; and \$247,000 for rehabilitation projects to be completed in conjunction with street and sidewalk work on 2<sup>nd</sup> Street, W. 10<sup>th</sup> Street and 11<sup>th</sup> Street. Water pumping and storage improvements include \$1.7 million for the design and construction of the Rabbit Hill elevated storage tank that will serve the South Georgetown Tax Increment Reinvestment Zone (TIRZ), a major economic development project along the IH-35 corridor.



**Wastewater** - Edwards Aquifer Recharge Zone (EARZ) improvements of \$2.5 million will be continued in 2014/15, along with the construction of the \$1.0 million Snead Drive wastewater line and the \$2.0 million Berry Creek interceptor to expand capacity and services in those areas. A \$3.0 million major lift station and force main will be added at Westinghouse Road as part of the Georgetown South TIRZ project along with \$402,000 of other lift station upgrades and improvements in the City. No major plant expansions are included in 2014/15, but work may start as early as 2015/16 depending on growth.

**Stormwater Drainage** – The biggest project in this area for 2014/15 will be the property buy outs in the Smith Branch watershed, at an estimated cost of \$2.2 million. Infrastructure improvements and annual curb and replacements are budgeted at \$400,000. A regional flood study for \$400,000 is planned for 2014/15, which up to 50% of that project being grant funded.

#### **Street Improvements and Maintenance**



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

#### 2014/15 Street Maintenance / Rehabilitation Projects - \$2,995,000

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

• Austin to College Street

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

Main Street to Rock Street

#### Traffic Signal

- Williams Drive at Jim Hogg
- Includes intersection improvements

#### West 10<sup>th</sup> Street

Austin Ave. to Church Street

#### Stadium Drive/C.R. 152

Austin to Berry Springs

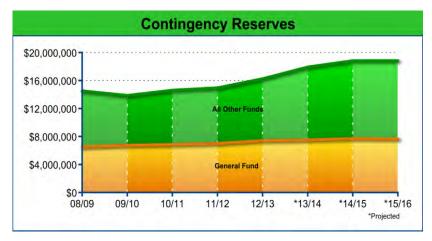
#### Street Maintenance

- Rejuvenator work \$501,000
- Chip Seal work \$378,000
- Hot-in Place Recycling work \$1,171,000

The City's street maintenance program is funded primarily through a dedicated 1/4 cent sales tax, as well as, 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. If voters do not reauthorize this sales tax, the City's street maintenance program will be revised to recognize the revenue reduction.

#### 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 2014/15 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 2014/15. Airport operations and financial condition were evaluated in late 2012/13, with the first steps of a new structure and business plan implemented in the 2013/14 and major operational and rate adjustments expected in 2014/15.



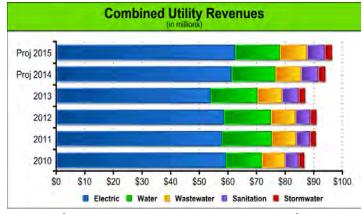
The City-wide contingency reserves have been increased from \$17.7 million to \$18.8 million. The higher requirement is due to increases in utility operations, debt service, as well as, increases related to new positions, compensation adjustments and insurance increases. The General Fund contingency is increased from \$7.5M to Total contingency represents 75 days city-wide expenditures, and 90 days of General Fund expenditures. Capital and purchased power, as well as, airport fuel, general debt service and the sanitation contract, 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 4 to 6% for the last four years. The City continues to conservatively project a 3% increase in electric system growth and a 5% 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 2014/15 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 and population expansion 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 2014/15 mainly due to increased operating expenditures for Public Safety and implementation of the City's



compensation plan. Ending *fund balance* is expected to be \$9.9 million, which is 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. This regional development continues to expand with the construction 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 2014 due to higher than expected system expansions costs, and a good indicator of the almost 600 new customers added in 2013/14. The \$13.9 million ending balance after contingency reserves for 2014 is due to timing of capital projects and favorable margins achieved in purchased power. Late in 2013/14, the City settled its dispute with the Lower Colorado River Authority, its former wholesale power provider, solidifying its position for future power purchase

options. This ending fund balance includes \$4,517,532.19 as the Electric Rate Stability Reserve, set aside to offset any potential and unexpected rate impacts to the City's Electric customers.

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 and wastewater customers increased over 1,200 connections each during 2013/14, an increase of 5.3% and 6.2% respectively. The growth in existing City utility service areas is expected to continue and further expand with the acquisition of that service area. Much of the CTSUD service area, located to the City's west and north, are also experiencing high levels of residential growth.



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 2014 is \$12.8 million 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. Projected ending **working capital** is slightly less than previous year due to added capital improvements. The requirements of MS4 permitting and the Smith Branch buy outs may require rate adjustments in future years.

#### 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.

Information Services Fund	\$ 4,294,067	Add and replace network and application technology and hardware. Fees fund computer support services and annual software maintenance contracts.
Facilities Maintenance Fund	\$ 2,875,849	Building maintenance and repairs to include HVAC, janitorial services and minor remodeling. Repairs and scheduled maintenance will be completed in 2014/15. For 2014/15, the facility maintenance costs for the new PSOTC are also included. The City now has 38 facilities that require on-going maintenance.
Fleet Management Fund	\$ 4,842,302	Add / replace 41 vehicles and equipment. This includes the purchase of public safety, streets, and other City vehicles and equipment.

#### **Proposed Debt**

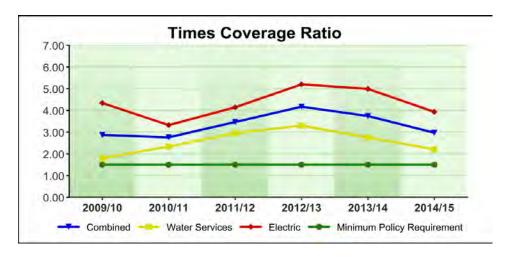
The budget proposes to issue General Obligation (GO) Bonds for the 1460 widening project, Certificates of Obligation (CO) for equipment and vehicle purchases, as well as, downtown projects and parking, airport improvements and park projects. The budget also proposes to issue Self Supporting COs and Utility Revenue bonds for various capital improvement projects.

4,371,000
694,000
1,150,000
870,000
,
900,000
7,985,000
400,000
2,215,000
750,000
3,365,000
E 722 000
5,723,000
7,990,000
13,713,000
376,000
\$ 25,439,000

The City's total tax-supported general obligation debt is \$103.1 million on September 30, 2014.

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 then 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 2.97 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 if directed by City Council.



#### Conclusion

The 2014/15 Annual Budget maintains the City's commitment to sound financial management as it continues its journey towards the **City of Excellence**, as envisioned 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, while maintaining an affordable cost of services. This budget also continues efforts 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 focuses resources to expand economic development activity to increase job opportunities and increases investment within the City. The **City of Excellence**, as further implemented with this budget, continues to focus 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 2014/15 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,

Paul E. Brandenburg City Manager Micki Rundell, CGFO Chief Financial Officer