

Overview



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October 1, 2012

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 2012/13. 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. This year, the annual budget process also became the background for enhancing the City's vision for the future, as outlined within the Georgetown 2030 Plan, by defining what makes Georgetown what it is...the "City of Excellence".

The City of Excellence

This year, the City Council worked to develop a strategic vision for the City that more specifically refines elements of the Georgetown 2030 Plan by creating strategic areas to focus upon. This vision resulted from the development of a 5 year Business Plan (Plan) which the Council requested during last year's budget process. The Plan was created utilizing the various City planning documents; as well as each City department's Strategic Plan. Financial projections were then established and the resulting "tax impact" was determined. The Plan was then presented to City Council as the basis for the "City of Excellence". From that presentation, the City Council defined a City of Excellence is ***"one that maximizes its citizen's quality of life"***. This definition was further expanded into 5 separate strategic areas in which to focus the City's resources:

- Public Safety
- Transportation
- Economic Development
- Utilities
- Signature Destination

The 2012/13 Annual Budget supports this definition and its strategic areas through thoughtful and deliberate planning and careful allocation of resources. This year's budget, while still fiscally conservative, expands services where needed and provides the framework for future growth and development

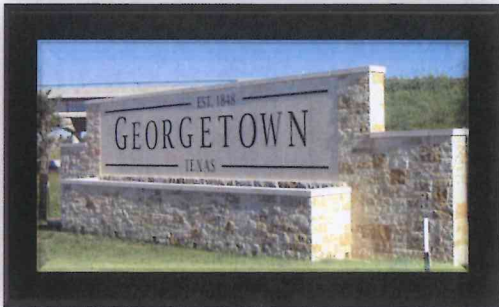
2011/12 Year in Review

While the Texas economy has fared better overall than most of the nation during the recent recession, the Georgetown economy has remained relatively stable and the City's financial conditions have remained steady. Slower economic growth has become the "new normal". In October 2008, the City implemented its "Budget Contingency Plan" to ensure that quality services would continue and that all City obligations would be met. The 2011/12 Annual Budget assumed the continuation of slow economic growth and included minimal service level increases and conservative revenue projections.

In January 2012, revenues began to grow, as the City recognized increases in sales taxes. This was followed by increased building activity and other development related revenues. Sales tax revenues ended the year over 6% higher than the previous year, the biggest single year increase since 2007. Development related revenues increased by over 34% and was over 167% higher than was originally budgeted. The City issued 664 residential permits with a value of \$171 million, compared to 509 permits in the previous year. Recreation related revenues also continued to increase based on the City's new cost recovery policy that implements a 50% cost recovery goal. The City's total General Fund revenue for 2011/12 was 1.9% higher than budgeted.

Suddenly, several new apartment complexes were under construction, fueled by increased demand in the local housing market. New development was occurring in the downtown area with the completion of the El Monumento signature restaurant along the San Gabriel River and the announcement that Grape Creek Winery would be opening on the Downtown Square. Housing starts were up in neighborhoods throughout the community. New health care facilities, such as assisted living centers, were underway near Sun City. Developers announced plans to move forward with a Sheraton Hotel Conference Center and high-end luxury apartments at the Rivery. HEB, a regional grocery, announced they intend to build a future store in Georgetown's southeast quadrant, which will be their 3rd location within the City. Economic development opportunities were once again promising.

While development activity increased, the City continued to plan for future needs. The City took advantage of favorable market conditions and issued debt to fund the voter approved Public Safety Facility, as well as, equipment, and to refund previous issued debt, thus recognizing future savings in debt service payments. A feasibility study was directed to determine future uses for the old Albertson's building the City purchased in 2008. The City agreed to partner with the Texas Department of Transportation (TXDOT) to purchase the right of way for the expansion of FM 1460 to Round Rock.



During the summer of 2012, the City was approached by the Chisholm Train Special Utility District (CTSUD) which provides water service to several areas within the City; as well as, the City's extra territorial jurisdiction (ETJ) and future growth centers, about the possibility of merging with the City's water system. A detailed feasibility study was completed in August and a Memo of Understanding was approved by the City Council in October 2012 to move forward with the consolidation of the systems. This consolidation will provide opportunities for the City's future growth and development, as well as, consistent service to that regional area for years to come.

The historic downtown continues to serve as a focal point for the community, as new and expanded business make the "Square" their home. The City's Main Street Program is set to celebrate its 30th anniversary in November 2013 in recognition of the City's continued commitment to the historic preservation of the "Jewel of Georgetown", the Downtown Square. The old historic fire station is being renovated into a community arts center that should be completed in early 2013. The old truck bays next to that facility will become home of Thundercloud Subs and include an expanded wine and brewpub within the facility. In addition, Grape Creek Winery is scheduled to open in February 2013 in the renovated former City Office Building at the corner of 7th and Main. Directly across the street, Gumbo's, an upscale seafood restaurant has opened. The City has plans to expand and upgrade several sidewalks, further enhancing the unique character and community feel of the area. An update to the Downtown Master Plan, originally developed in 2002 is also planned for 2013.



Knowing that long-range planning is critical to the future success of Georgetown, the City updated several of its major planning documents, including its development codes and utility system plans. Providing the financial means to manage long-term growth and maintain the City's unique quality of life were the driving factors in undertaking the "City of Excellence" vision. Through this vision, the City will manage its resources and plan for its future.

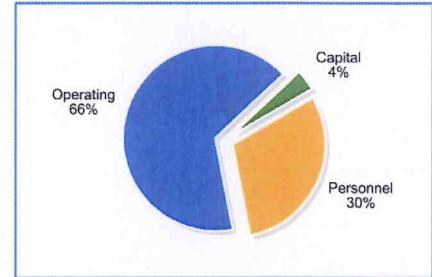
The 2012/13 Budget Process

The City Council began the 2012/13 budget process with the annual capital improvement planning updates and review of the City's master plans. The City Council's long-term goals were reviewed and the base budget was developed. Impacts of new growth and increased service demands were addressed and the City's departments updated their 5 year strategic plans to address these issues. Plans to revise the strategic process were developed focusing on key elements that would define the goals for the coming year. From this information, the 5 year

General Fund Business Plan was developed. The Plan included the costs for all projects that are either needed to address community growth, such as a future Fire Station; or projects approved by the voters but not yet implemented, such as major transportation projects and construction of the new 70,000 square foot Public Safety and Training Complex. On-going commitments, such as funding public safety compensation and other operational impacts were included. The goal was to project the future tax rate necessary to fund the forecasted Plan. This forecast, which was aligned with existing City Council goals and priorities, then became the foundation for the "City of Excellence" that was affirmed by the City Council. The proposed 2012/13 Annual Budget supported the elements that are critical to the implementation of the City of Excellence, and included a recommended tax rate that was effectively the same as in previous year. During the budget adoption process, the City Council for the first time, elected to increase taxes above the recommended rate to help in funding future needs of the City of Excellence Plan. This increase in tax revenue was not appropriated within the 2012/13 Annual Budget.

2012/13 Budget Overview

After several years of "no increases" the 2012/13 Annual Budget includes funding to meet needs that had not been addressed in recent years. This budget addresses maintenance of City parks, expansion of City facilities and increased compensation for City staff, all of which had been "put on hold" awaiting better economic conditions. While the overall budget is less than the previous year, General Fund spending increases by over 10%, due to the opening of the new Fire Station 5, increased park maintenance and increases in compensation, including over \$250,000 for public safety.



The total 2012/13 Annual Budget is \$189.9 million, which is 5.4% LESS than the amended 2011/12 budget. 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 opening Fire Station No. 5, compensation plan implementation, capital projects for the downtown area and parks system improvements; as well as, the design of the Public Safety Operations and Training Complex are included. However, purchased power costs and overall capital project spending will be lower in 2012/13 creating a net overall decline in the total recommended operating and capital budget for the City.

Over \$1.2M is included in the 2012/13 Annual Budget to fund the compensation study that was completed in August 2012. The study, the first undertaken by the City in almost 10 years, compared positions to "market" and revised job descriptions for all City employees. The City also revised its pay structure and plans to update its performance evaluation system within the next few years. The City Council elected to implement the new compensation plan over 2 fiscal years. Actual employee increases will be based on needed market adjustments; as well as, past performance. By doing so, the City will reward and retain its high-performers.

This budget continues the discipline of efficiency developed during the recent economic downturn. Department budgets were closely reviewed and 17 positions frozen during the 2008 recession were eliminated from the staffing plan.

Budgetary Variances

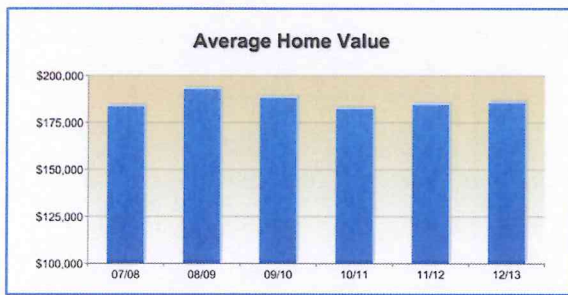
- **Georgetown Utility Systems** – Operations increased 8.61% due to the addition of five positions. The Systems Engineering Department added three positions to meet current demands and manage priorities including selection and implementation of the new Asset Management System. A Utility Safety position has been added to develop and oversee safety and training programs for GUS. The major focus for the division will continue to be capital maintenance and service improvements. The Automated Metering Infrastructure (AMI) replacement project will be completed in 2013.
- **Transportation Services** – This division includes a 0.41% decrease. Additional maintenance and mowing at the Airport have been added to address maintenance concerns facing the Airport. Airport operations and financial condition are currently being evaluated as the financial capacity and asset condition of the Airport has been declining for several years. An evaluation of Airport operations and financial condition is underway will be presented in early 2013, with implementation planned for 2013/14. In order to address the maintenance of the City's transportation system; four previously frozen positions have been funded for 2012/13 in the Street Department. Savings in other areas resulted in a net decrease.

- **Downtown & Community Services** – This division is newly structured to include the Library, Parks & Recreation, Convention and Visitors Bureau (CVB), Downtown, Housing and Historic Preservation functions. The internal shifting has been completed and the percentages reflect on historical amounts. There is a 1.2% decrease for this division. Operational efficiency with the shifting of the departments resulted in savings that negate the approved service levels. Additional funding was added for rehabilitation of the parks, holiday lighting, expanded summer camps, advertising and a part time visitor center position.
- **Fire Services** – The budget for Fire Services increased 3.72%. The 2012/13 budget includes 100% funding for twelve firefighters to staff the new Fire Station 5, which was completed September 2012. Nine of these positions were previously funded by a grant from FEMA/Department of Homeland Security. The City begins absorbing full cost of these positions on October 1, 2012. The compensation step increases for the division are also included.
- **Management Services** – The 12.14% increase is primarily due to funding of the compensation study recommendations in the 2012/13 fiscal year. The remainder is scheduled to be funded in 2013/14. Funding was also added to expand the digitizing of records across the City. An administrative assistant has been added in the Legal Department to address the workload demands and service levels.
- **Finance & Administration** – The budget for this division decreased 2.26%. The Vehicle Services Department added a mechanic and increased the part time service writer position to full time to address workload issues and increase mechanic efficiency. The net decrease experienced in this division is related to the timing of vehicle purchases that vary from year to year depending on the replacement schedule.
- **Police Services** – Police increased 2.82%. Animal Services upgraded a part time position to full time to meet the level of staffing recommended by the Humane Society for basic cleaning tasks for the number animals cared for at the shelter. Funding has also been added to replace bullet proof vests that are beyond the warranty period. Compensation step increases for sworn positions are also included.
- **Capital Improvements** – The 28.72% decrease in capital improvements are due to the timing of construction projects. This budget includes \$3.1 million in electric system improvements, \$5.9 million in water system improvements and wastewater improvements related to Edwards Aquifer Recharge Zone (EARZ) compliance and \$1 million for an asset management system. The General Capital Projects budget includes funding for the public safety facility, downtown and parks improvements.
- **Debt Payments** – The 3.78% increase is related to Certificates of Obligations and General Obligation Bonds issued in May 2012. The City issued \$12.5 million in GO Bonds to fund the first phase of the Public Safety facility, approved by the voters in May 2011. \$17.5 million in authorization remains to be issued. The City also refunded a large portion of debt in June 2012 resulting in savings that helped negate the increase related to the new debt. The Utility funds debt service requirements also decreased due to this refunding.
- **Interfund Charges** – These amounts vary from year to year due to project funding and source of funds.

Revenue Overview

City Council adopted a property tax rate to fund Year 1 of the City of Excellence Vision. The adoption of a **property tax rate of \$0.4100** for 2012/13 is an increase of \$0.02250 over the prior year's rate of \$0.3875. This represents a 3.14% increase over the City's effective tax rate of \$0.39752. The *Effective Rate* is the rate needed to collect the same amount of revenue as collected in the previous year based on the current year's assessed valuation.

The adopted 2012 rate of \$0.4100 includes \$0.23637 for operations and maintenance which is a 6.04% increase in funding. Interest and sinking (I&S) to fund debt service payments increased by 5.49% to \$0.17363. This increase is due to voter approved debt, as well as, Certificates of Obligation issued for public safety needs, including vehicles and equipment.

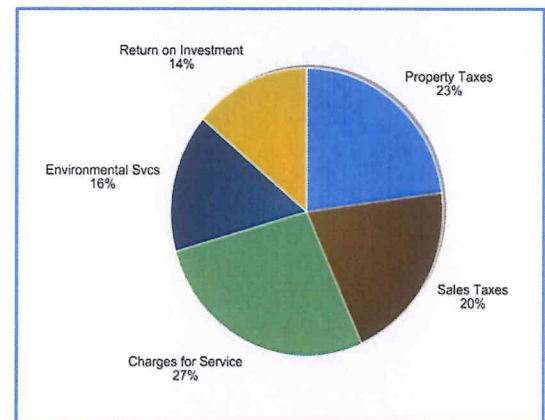


The 2012 assessed **property valuation** totals \$4.48 billion, of which \$90 million is new or annexed property. The 2012 assessed valuation is 2.98% higher than the 2011 ending valuation of \$4.35 Billion. The 2012 total includes \$63.8 Million of property still under Arbitration Review Board (ARB) Review (60% of the \$106 Million total ARB outstanding). Existing property value was relatively flat, with an increase of less than 1%. The 2012 average taxable home value in Georgetown was \$185,915, which is a 1% increase over the 2011 average taxable value of \$184,959.

"Frozen" property value also increased from \$1.253 Billion in 2011 to \$1.347 Billion in 2012, a 7.5% increase from previous year. Currently, 30.1% of all assessed value in Georgetown is now frozen, up from 28.8% in 2011. 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 2012/13 Annual Budget includes a 3.3% overall increase in **total sales tax**, compared to projected collections for 2011/12. The increase represents \$281,000 of additional revenue in 2012/13.

Sales Tax revenue funds 20% 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 constantly reviews **water and wastewater rates**. Regulatory and capital requirements will continue to put pressure on these rates in the future; however, no water or wastewater rate increases are recommended in 2012/13. Wastewater rates have not been adjusted since the implementation of the flat rate sewer program in 2007. Increases in maintenance costs related to Edwards' Aquifer repairs, as well as annexation costs have impacted the cost of operations. Recent hot weather and a long-running drought, has resulted in increased water sales to offset these costs for now. The baseline volumetric water rate has not been adjusted since 2003, but conservation rates have been extended. Because the potential consolidation with CTSUD is still in the preliminary stages, no financial impacts are included in the 2012/13 adopted budget.

The City began an **electric rate** analysis in August 2011. The City's long standing contract with LCRA for purchased power was terminated in September 2012. This decision made the City more competitive in the marketplace and will lower future power costs. Purchased power costs fluctuate with the variances in the ERCOT Nodal market. The majority of the City's power purchases are hedged in price from multiple suppliers including LCRA, AEP, JPM, and Garland P&L. These hedges vary in term length from a single day to multiple years and are designed to give the utility flexibility in controlling energy costs as well as carbon exposure. Ongoing changes in ERCOT distribution fees and other costs require frequent analysis to ensure both cost recovery and ongoing competitive rates. The Power Cost Adjustment (PCA) is changed as needed due to fluctuations in fuel and transmission costs. A PCA adjustment was implemented in late September 2011 to adjust for current higher costs. The rate stabilization fund that was established fiscal year 2010/11 is available if needed to maintain stability in light of market volatility.

A Stormwater rate analysis was finalized in 2012. This analysis included an evaluation of the current commercial and residential calculations for impervious cover, which had not been reviewed since the fee was established in 1995. The Stormwater drainage fee was adjusted to \$4.75 per month for residential customers, and \$4.75 per 2808 square feet of impervious cover per month to non-residential customers in March 2012. The cost of maintenance of detention ponds continues to increase, and other environmental mandates are expected to further impact rates in future years.

Garbage and recycling rates for curbside garbage pick-up, include recycling and special pick-ups, as well as rents paid for use of the old landfill site are adjusted in 2012/13. The City renegotiated the contract with Texas Disposal Services during fiscal year 2011/12. The City is now offering single stream recycling at the curb for customers in an effort to reduce waste going to landfills. City residents will experience an 11% increase in rates to cover the increased cost of the new and expanded services. The City is projected to collect the same margin of revenue over expenses as in prior years with minimal impact to the General Fund.

Budget Program Highlights

The 2012/13 Annual Budget focuses primarily on maintaining service levels across the organization. Limited new programs and service expansions as allowed by the current economic conditions have been included. The major program initiatives, linked to the Georgetown 2030 Plan and Council's goals (*paraphrased in bold italics*) for the 2012/13 Annual Budget are outlined as follows:

- **Downtown & Community Services**

This division will implement major enhancements that will focus on Council's priorities of **economic development** and **signature destination**. The Parks and Recreation department will **continue implementation of the Parks, Recreation and Trails Master Plan and expand recreation opportunities throughout Georgetown** by focusing significant new resources toward rehabilitating and improving existing City parks left on hold during the recession including \$623,000 to reconstruct the Creative Playscape at San Gabriel Park; completing another phase of the River Trails system and locating and purchasing land for a future West Side Park. The division will also **implement the Downtown Master Plan** by completing the new Arts and Culture Center located in the historic original Fire Station building, improving and expanding sidewalks and lighting in the nationally recognized historic square, and review and update the City's Downtown Master Plan. The Convention and Visitor's Bureau will work **to establish Georgetown as a signature destination** by promoting Georgetown as a venue for sports activities and tournaments and distributing Georgetown promotional items.

- **Finance and Administration**

The division will **continue to develop and implement business plans to meet current and long term financial and program needs**. Financial models to implement those plans will continue to be updated and evaluated to identify challenges and opportunities for City divisions to meet Council's priorities and to provide **effective governance** and policy discussions at the Council level. The former Utility Billing Office has been restructured and renamed the Customer Care Center with a new focus on supporting Council's priority on **utilities** in both water and energy services.

- **Fire and Police Services**

Georgetown's Fire and Police Services will **provide innovative, responsive public safety services throughout Georgetown** through both facility enhancements and continued program development. With the opening of Fire Station 5 and new training facility in October 2012, **fire** response levels in western Georgetown will see dramatic improvements. The division will also coordinate with the Williamson County Emergency Services District (ESD) #8 to meet the needs of the growing Extra Territorial Jurisdiction (ETJ). Fire will enhance its innovative service approach by implementing a Fire Inspection training program within the department.



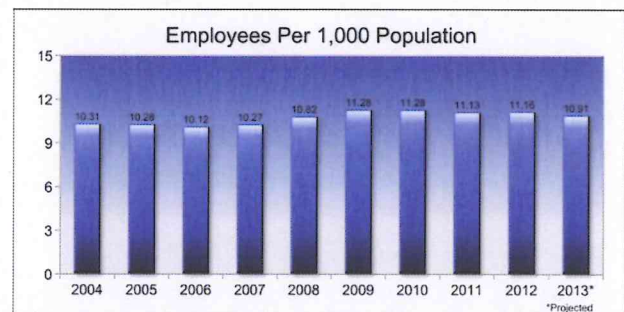
Police will continue toward its goal of becoming the standard in law enforcement **services** by implementing a leadership development program, developing and implement crime analysis capability in-house, and enhancing officer training and communication programs. During 2012/13, both departments will **enhance services throughout Georgetown** through the design and early construction phase of the **Public Safety and Training Facility** to be completed in late 2014.

- **Georgetown Utility Systems (GUS)**

Utilities are one of City Council's top five priorities. GUS continues to be one of the foundations to provide **quality growth and sustainable development** and ultimately the **quality of life** that Georgetown's citizen expect. The Water Services department will **develop long-term water strategies and policies to insure protection of this finite resource** by finalizing negotiations of the merger with CTSUD. The integration of CTSUD and City services is expected to be completed by summer of 2013 and will allow regional long-term distribution and supply planning for Georgetown and northern and western Williamson County. Energy Services will **pursue electrical contract negotiations and future energy options that enhance Georgetown's competitive advantage** through transitioning from a single wholesale power supplier to an energy market participant that provides more cost effective services for its customers. The division will continue to move Georgetown toward the **City of Excellence**, in coordination with Finance and Administration, by developing and implementing the Customer Care Master Plan.

- **Management Services**

Management Services provides oversight to all divisions and also includes several stand-alone departments that are not included elsewhere. The City Manager's office will oversee the **update and implementation of the overall Facility Plan for city services** to make efficient use of existing facilities and ensure effective services for the future. The division will **develop and maintain a competitive compensation program that provides for retention and rewards for the City's workforce**. The first phase of a newly completed market study is implemented with this adopted budget. The Economic



Development Department in conjunction with the City Manager and his executive team will focus on Council's **economic development** priority area by developing a targeted business plan that coordinates the City's utilities and other resources to enhance financial stability and take advantage of the now growing economy. The newly restructured Planning Department will complete UDC updates to include training and workshops for developers and staff, and adopt and implement Comprehensive Plan elements for Transportation, Public Safety, Facilities and Historic Preservationb that will continue to **create innovative programs and initiatives to stimulate residential and commercial development throughout the community**.

- **Transportation Services**

The division is responsible for **balanced transportation and efficient mobility** for the community. It will continue **proactive transportation planning mobility with transit programs and design, engineering, funding and construction of new thoroughfares that enhance connectivity, traffic flow and safety**. As part of this process, the division will implement a traffic management program to include signals, signs and markings, speed limits and other traffic calming measures. The division will also develop a plan for a traffic operations center to ensure proper maintenance and synchronization of signals throughout the City. The division will finalize the Overall Transportation Plan and oversee roadway infrastructure expansion, as well as, capital maintenance to improve mobility within the City. During 2012/13, Transportation Service will also coordinate with regional providers to finalize the transition plan to Urban-level Transit funding as a result of the 2010 Census.

Capital Projects

Capital improvements account for 15% of the City's 2012/13 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 2012/13:

- **Downtown Improvements:**
 - \$275,000 for ADA sidewalks, pocket parks and master plan update
 - \$400,000 for design of parking garage
 - \$400,000 for Art Center remodel

- City facility improvements:
 - \$12.5 million for Public Safety Facility design and preliminary construction
 - \$300,000 for possible design of a Civic Center Complex
- Parks Improvements:
 - \$1 million to purchase land for a Westside Park
 - \$623,000 for various Park rehabilitation projects and updates at McMaster and San Jose parks
 - \$500,000 to replace the Creative Playscape in San Gabriel Park

Street Improvements and Maintenance



2012/13 Street Maintenance / Rehabilitation Projects

14th Street

- Maple Street to Olive Street

West 18th Street

- South Main Street to South Austin Ave

West 21st Street

- South Austin Ave to Leander Street

Railroad Avenue

- West 10th Street to West University

9th Street

- MLK Jr to South Main Street

2nd Street

- Austin Ave to Pine Street

6th Street

- Austin Ave to Main Street

West 10th Street

- Main Street to Church Street

West 11th Street

- Main Street to Rock 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.

Utility Capital Projects

The City will fund over \$10.77 million for utility and infrastructure improvements in 2012/13. The majority of these projects are a part of the City's on-going capital expansion and upgrades to ensure quality services to the citizens as determined by the Utility Master Plans.

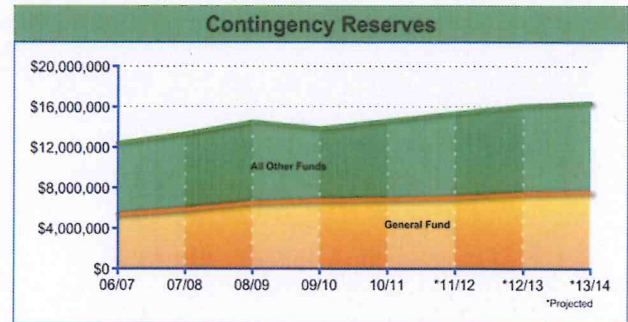
Electric – Improvements are scheduled throughout the system.

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

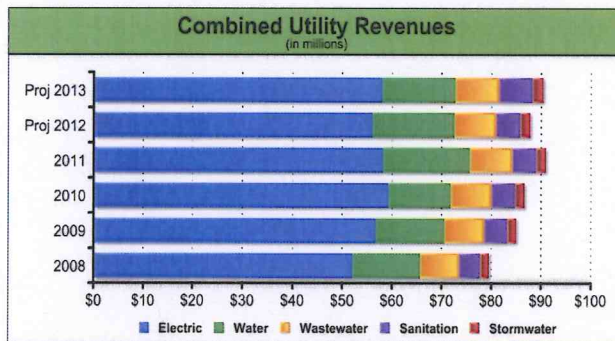
Stormwater Drainage – Funds drainage improvements including Stormwater Master Plan improvements.

Financial Highlights

The City is committed to sound financial planning and direction, and uses the City's Fiscal and Budgetary Policy to guide the budget process and financial administration. This policy is reviewed and updated annually as part of the budget process and requires all funds be self-sustaining, meaning on-going operating revenues must fund on-going expenses. Also, the policy has substantial debt coverage requirements. All enterprise funds that have debt commitments are required to maintain 1.5 times coverage, meaning excess operating revenues must equal 1.5 times the annual debt service payment. The 2012/13 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 2012/13. Airport operations and financial condition are currently being evaluated and will be addressed in the 2013/14 budget process.



The City-wide contingency reserves have been increased from \$15,341,000 to \$16,086,000. 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 \$7.4 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 1-2% 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 2012/13 through increased property taxes due to new property and the creased 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 2012/13 mainly due to increased operating expenditures for Public Safety and implementation of the City's compensation study. Ending **fund balance** is expected to be \$7.97 million, which is 7.7% higher than the contingency reserves required by the fiscal policy. Funds above the required contingency will be used in funding one-time expenses in 2013/14.

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.



Operating expenses within the Electric utility are higher than the ending projected expenses for 2012, due to increased costs associated system maintenance. The \$4.3 million ending balance for 2012 is due to timing of capital projects.

Growth, as well as, increased environmental mandates has also impacted the **Water Services Fund**, which includes the City's water, wastewater and irrigation utilities. **Revenues** are expected to increase over the current year due to customer growth and higher water demand. Water revenues were higher than projected in 2011/12 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 thus ensuring water quality for the Georgetown area. These actions will become critical as growth increases within the area.

Projected ending working capital for 2012 is \$6.5 million higher due to the timing of capital improvements and weather related revenues.

Stormwater Drainage Fund

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

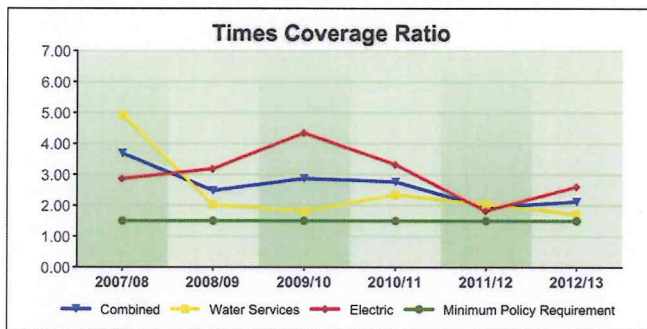
<i>Information Services Fund</i>	\$	2,550,861	<i>Add and replace network and application technology and hardware. Fees fund computer support services and annual software maintenance contracts.</i>
<i>Facilities Maintenance Fund</i>	\$	2,047,782	<i>Building maintenance and repairs to include HVAC, janitorial services and minor remodeling. Repairs and scheduled maintenance will be completed in 2012/13. The City now has 37 facilities that require on-going maintenance.</i>
<i>Fleet Management Fund</i>	\$	2,056,603	<i>Add / replace 33 vehicles and equipment. This includes the purchase of public safety, streets, and other City vehicles and equipment.</i>

Proposed Debt

The 2012/13 budget includes approximately \$15.5 million in new bonds. In October 2012, the City will issue \$12.5 million in General Obligation Bonds to continue funding the Public Safety Complex. One issue will be Certificates of Obligation (CO) for equipment and vehicle purchases, as well as, facility, downtown, and park improvements.

The City has two voter approved bond packages to fund future needs. In 2008, an \$81.5 million parks and road improvement bond package was approved. The City plans to issue \$500,000 in October 2012 for the purchase of land to establish a park on the west side of the IH-35. There will be \$66.5 million remaining of this authorization after these bonds are issued. A \$29.5 million public safety facility bond package was approved in May 2011. The first phase of this debt was issued in May 2012 with the second to be issued in October 2012. The City's debt per capita continues to be lower than most comparable cities. The City's total tax-supported general debt is estimated to be \$95.8 million by September 30, 2013, including new issues.

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.



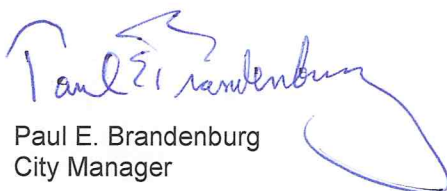
The utility debt coverage ratio, a standard measure of utility revenue debt capacity, or the number of times the debt service payment could be funded through net income from the utility, remains healthy at an budgeted 2.12 times, and exceeds the City's fiscal and budgetary requirement of 1.5 times coverage and the City's utility bond requirements of 1.35 times coverage. While the budgeted number is slightly more than previous years, the additional coverage is used in funding system maintenance and various mandated improvements throughout the various utilities.

Conclusion

The 2012/13 Annual Budget continues the City's commitment to sound financial management. The City has been proactive in managing the recent economic crisis by implementing its Budget Contingency Plan in 2008 that has allowed Georgetown to continue to provide quality services at reasonable costs. While other surrounding communities were cutting services, personnel and raising taxes, Georgetown has maintained service levels without those impacts. It is now time to shift focus. This budget begins a proactive plan to address long-term issues such as employee compensation and maintenance of City Parks and other facilities, while expanding its capacity and planning for future growth.

Finally, we acknowledge the tremendous contributions and teamwork of all City staff in preparing the 2012/13 Annual Budget. The management team worked to develop programs that move the City towards implementation of the City Council's "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



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