

ANNUAL OPERATING BUDGET

FOR FISCAL YEAR
OCTOBER 1, 2005 - SEPTEMBER 30, 2006



Louis A. Bronaugh
Mayor

City Council

R. L. Kuykendall
Ward 1

Rose Faine Boyd Mayor
Pro-Tem, Ward 2

Lynn Torres
Ward 3

Don Langston
Ward 4

Jack Gorden, Jr.
Ward 5

Dennis Robertson
Ward 6

Paul L. Parker, City Manager
Douglas R. Wood, CGFM, Director of Finance

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CITY OF LUFKIN

Vision Statement

Guided by City Council Leadership, we will be an organization that offers an excellent quality of life for its citizens.

Our Mission

To meet the needs of the citizens.

Our Values

We will COMMUNICATE -

Throughout the organization
To create solutions
Everyone's input is valued

We will have INTEGRITY -

We are trustworthy
We have a willingness to serve
We have a commitment to fairness

We will be held ACCOUNTABLE -

We accept responsibility for our actions and results

We will strive for TEAMWORK -

We will work together harmoniously toward common goals

We will demonstrate a strong WORK ETHIC -

We display a daily effort in applying required skills to complete assigned tasks

We will be INNOVATIVE -

We encourage and support change through seeking better ways to do our jobs

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Paul L. Parker
City Manager
City of Lufkin



300 East Shepherd
P. O. Drawer 190
Lufkin, Texas 75902-0190
(936) 633-0211
Fax: (936) 634-4774
Email: pparker@cityoflufkin.com

September 6, 2005

Honorable Mayor and City Council Members:

Submitted herewith is the Fiscal 2005/2006 Operating Budget for the City of Lufkin. This budget, while conservative, does maintain current service levels. As you are aware, the economy has fared better this year than originally projected. However, the City has also had several unexpected increases in expenditures, especially gasoline and diesel costs.

Our revenue projections for next year remain relatively conservative with an estimated increase in sales tax of three and one-half percent (3.5%) and an increase in ad valorem property tax of five percent (5.4%). This budget is balanced as presented. This assumes the conservative revenue estimates are correct and that department heads will expend all of their proposed budgets.

The projected ending General Fund Balance at the conclusion of Fiscal Year 2004/2005 is \$7,953,977. The projected Fund Balance for Fiscal Year 2005/2006 is projected to be the same. The twenty-five percent (25%) Fund Balance Reserve is \$5,874,318; therefore, the projected Fund Balance at the conclusion of FY 2006 will be \$ 2,079,659 above the required policy reserve. Therefore, the City is in very good position to meet unexpected expenditures and the Council may desire to use a portion of these funds for capital projects such as the new fire station on Old Union Road.

The budget proposes a three percent (3%) cost of living adjustment. In addition, the budget includes a three percent (3%) increase in Fire Retirement Contributions, increasing the contribution to Firemen's Pension from 11% to 14%, which is the rate contributed for all other City employees. Liability Insurance payments have also increased by approximately \$25,000.

RATE INCREASES

Through the leadership of the Mayor and City Council and the delivery of quality services by the employees of the City of Lufkin, the proposed property tax rate for Fiscal Year 2005/2006 will remain the same as the last year at 0.5585 per one hundred dollar valuation. Therefore, unless citizens' valuations have been adjusted within the past year or they have made substantial improvements to their property they will not pay any additional property taxes.

The Budget does not include any increase in water rates. However, it does implement the fourth year of the Rate Analysis Study performed by Reed, Stowe, and Yanke, LLC. The average sewer rate increase for residential rates will increase from \$2.72 per thousand gallons to \$2.98 per thousand gallons, commercial rates will increase from \$3.00 per thousand gallons to \$3.30

per thousand gallons, and the industrial rate will increase by approximately 6.25%. There is no proposed rate increase for solid waste services.

PERSONNEL ADJUSTMENTS

Four new positions are proposed in the 2005/2006 Budget. A janitorial position is being created in the General Fund Building Maintenance Department, replacing an existing janitorial contract. This position will actually reduce spending by approximately \$10,000 and increase security and janitorial services. A second position is added in the Wastewater Treatment Plant to provide additional preventative maintenance. The Wastewater Treatment Plant continues to age and requires a higher level of preventative maintenance. Also proposed in this budget in the Utilities Department is a journeyman electrician position to assist the City's master electrician in maintaining the electrical systems throughout the water and wastewater systems. In addition, this position will be utilized by all other City departments to provide general electrical assistance. Presently the City expends between \$50,000 and \$80,000 per year for electrical contractors. This position will perform the majority of the previously contracted electrical work and thus mitigate the impact of this position on the overall expenditures of the City.

The final position to be added to the City is in the Solid Waste/Recycling Fund, which will be a position that was recommended in the recent study to monitor recycling trash containers to eliminate contamination, and this position will be utilized to help sell and promote recycling services.

SIGNIFICANT CHANGES

Major significant changes in the FY 2005-2006 City of Lufkin's Operating Budget are reflected in comparison of the **2005 Revised** and the **2006 Budget**.

Citywide Changes

- I. Three percent (3%) cost of living adjustment for all employees. Breakdown for each Fund is as follows:

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<u>A. General Fund</u>	<u>\$ 378,621</u>
<u>B. Water-Wastewater Fund</u>	<u>\$ 68,088</u>
<u>C. Solid Waste-Recycling Fund</u>	<u>\$ 30,967</u>
<u>D. Hotel Motel Tax Fund</u>	<u>\$ 5,766</u>
<u>E. Economic Development Fund</u>	<u>\$ 3,067</u>
<u>F. Security & Technology Fund</u>	<u>\$ 628</u>

- II. Texas Municipal Retirement System increase of annual premium from 13.21% to 13.72%. The effect on each Fund is as follows:

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<u>A. General Fund</u>	<u>\$ 42,872</u>
<u>B. Water-Wastewater Fund</u>	<u>\$ 7,428</u>
<u>C. Solid Waste-Recycling Fund</u>	<u>\$ 3,291</u>
<u>D. Hotel Motel Tax Fund</u>	<u>\$ 620</u>
<u>E. Economic Development Fund</u>	<u>\$ 321</u>

III. Three percent (3%) increase in Fire Retirement Contributions from 11% to 14% (\$89,821). Formatted: Bullets and Numbering

IV. An increase in Liability Insurance payments of approximately \$25,000. Formatted: Bullets and Numbering

General Fund Changes

I. A Janitorial position is added to the Building Maintenance Department. This position is added to replace the contract services performed by Goodwill Industries. The reduction of the contract services will be a cost saving measure for the City.

II. Information Technology has a total overall increase of \$33,421. The approximate breakdown is as follows:

A. Supplies increase \$5,332. This is due to a need for new racks and enclosures for the server room. Formatted: Bullets and Numbering

B. Maintenance increases \$13,243 due to a need for a new back-up tape drive for the AS-400 System and increased server space.

C. Miscellaneous Services increase by \$6,235. This increase is a result of increased costs for upgrades, equipment rental, tower climbs, repairs and the installation of a cable management system.

III. The Police Department has an overall increase of \$163,810. The significant changes are as follows:

A. Increases in the cost of uniforms due to the change in supplier. Formatted: Bullets and Numbering

B. Twenty-two (22) new Tough book Laptops for vehicles will be purchased, increasing capital outlay by \$112,464 (lease purchase). Staff recommends internal financing from the Solid Waste Depreciation Fund.

C. Purchase arbitrator mobile digital video system for patrol units. Lease purchase 19 units at \$7,750 per unit, totaling \$147,250. Staff recommends internal financing from the Solid Waste Depreciation Fund. Three year lease at a cost of \$49,083 for the first year, of which \$35,000 will be paid from the Police Forfeited Fund.

D. Supplies increase by \$46,006 due to the increased cost of motor vehicle fuel.

IV. The Fire Department budget increases \$899,564.

A. This increase is primarily due to the purchase of an aerial ladder truck. The cost of the aerial truck is approximately \$640,000 and is partially funded by the Fire Act Grant (\$576,000). This item is carried over from FY 2005. Formatted: Bullets and Numbering

B. Other increases are seen in maintenance and repairs at \$21,750.

C. Purchase of an ambulance at \$90,000.

D. Purchase of a defibrillator at \$12,000.

V. Public Works Administration has been transferred to the Solid Waste/Recycling Fund (\$158,651).

- VI. Engineering increases their overall budget by \$33,339.
- A. Overtime increases \$7,410 due to the large number of projects needing to be overseen by engineering staff.
 - B. Maintenance increases by \$7,807 due to the upgrade of AutoCAD.
 - C. Capital outlay increases by \$19,000 for the purchase of a new truck to replace two older units.
- VII. The Street Department has a capital outlay request to purchase two ½ ton trucks (\$19,000 each) for maintenance and street repairs (Bob and Mize drainage improvements \$90,200). Continue to install preemptive emergency devices at selected traffic signals (\$22,000). Repairs to bridge at Chambers Park (\$45,000).
- VIII. Parks and Recreation increases their overall budget by \$163,383. This increase is contributed to the items listed below:
- A. Park Maintenance costs increase by \$29,665 to cover the costs of repairs to the bridge at Kiwanis Park, as well as repairs to Herty Park and completion of the concession area at Kit McConnico Park.
 - B. Tennis court resurfacing (\$10,000).
 - C. Play equipment for unspecified park (\$30,000).
 - D. Two tractors (\$16,000 each for a total of \$32,000).
 - E. One ½ ton pickup (\$19,000).
 - F. Replacement of Parks Administration roof (\$32,500).
- IX. Ellen Trout Zoo increases its overall budget by \$34,659 largely due to the increased costs of freight and food supplies for animals. Also, \$6,200 is allotted for the purchase of a new zero-turn lawn tractor for grounds maintenance.
- X. The Kurth Memorial Library budget has minor increases due to the assumed cost of the Innovative Computer Maintenance Contract. This contract is \$18,400 and was previously paid by grant funds. The library service divisions have been combined into one division for the ease of distribution of expenses for supplies and materials.
- XI. Transfer from Animal Control Kurth Grant Fund of \$90,000 to General Fund for non-personnel expenses in the Animal Control Department.

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Water-Wastewater Fund Changes

- I. Utility Collections budget increases slightly for the purchase of new credit card terminals, registers and printers.
- II. Water Utilities increases expenditures by \$137,380. A portion of this increase is for GIS Mapping and Aerials at \$55,000. Other increases are seen due to rising fuel costs and approximately \$15,000 for the increase in concrete prices for repair work to driveways, sidewalks, etc.

III. The Wastewater Treatment Plant expenses increase by \$164,746. Chemical costs continue to rise, causing the supply budget to increase. Landfill charges increase due to the increase in sludge disposal. Capital outlay increases for the purchase of a new dump trailer (\$7,500), a new steam cleaner (\$6,200), replacement of digester mixers (four at \$16,000 each for \$64,000), a new secondary return pump (\$15,000), and a lawn mower (\$8,500).

A new maintenance position has been included to assume the responsibility of preventive maintenance at the Wastewater Treatment Plant.

IV. Water production increases are for painting the Ellen Street elevated storage facilities (\$175,000), replacing the switch gear at Well #10 (\$15,000) and replacing a booster pump at Plant #1 (\$12,000).

V. Sewer Utilities capital outlay will increase due to projects requiring sewer line replacement on Bonita and Thompson Streets (\$73,000) and purchase of an updated sewer camera and transport locator (\$17,000). A journeyman electrician position has been added to assist with citywide electrical needs.

Water and Wastewater Depreciation Fund

I. Continuation of radio read meter program (\$429,400).

II. Purchase one ½ ton pickup for utility collections (\$19,000).

III. Replace Kit McConnico parking lot (\$60,000).

IV. Purchase one 1½ ton 4-yard dump truck (\$45,000).

V. Replace motor grader 160hp (\$165,000).

VI. Infrared camera (\$25,000).

VII. Kiln Street water distribution line replacement (\$45,200).

VIII. Chestnut and Denman water distribution line replacement (\$45,000).

IX. Belt press to replace original Water-Wastewater Treatment belt press (\$230,000).

X. Weir baffles for final clarifier (\$35,000).

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Solid Waste Changes

I. Purchase of 96-gallon carts for residential collection (\$45.00 per cart for a total of \$45,000).

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Solid Waste – Recycling Fund Changes

I. Public Works Administration is moved to Solid Waste, increasing Fund costs by \$158,651.

II. Recycling increases capital outlay costs by \$60,000 for the purchase of scales.

Other Funds Changes

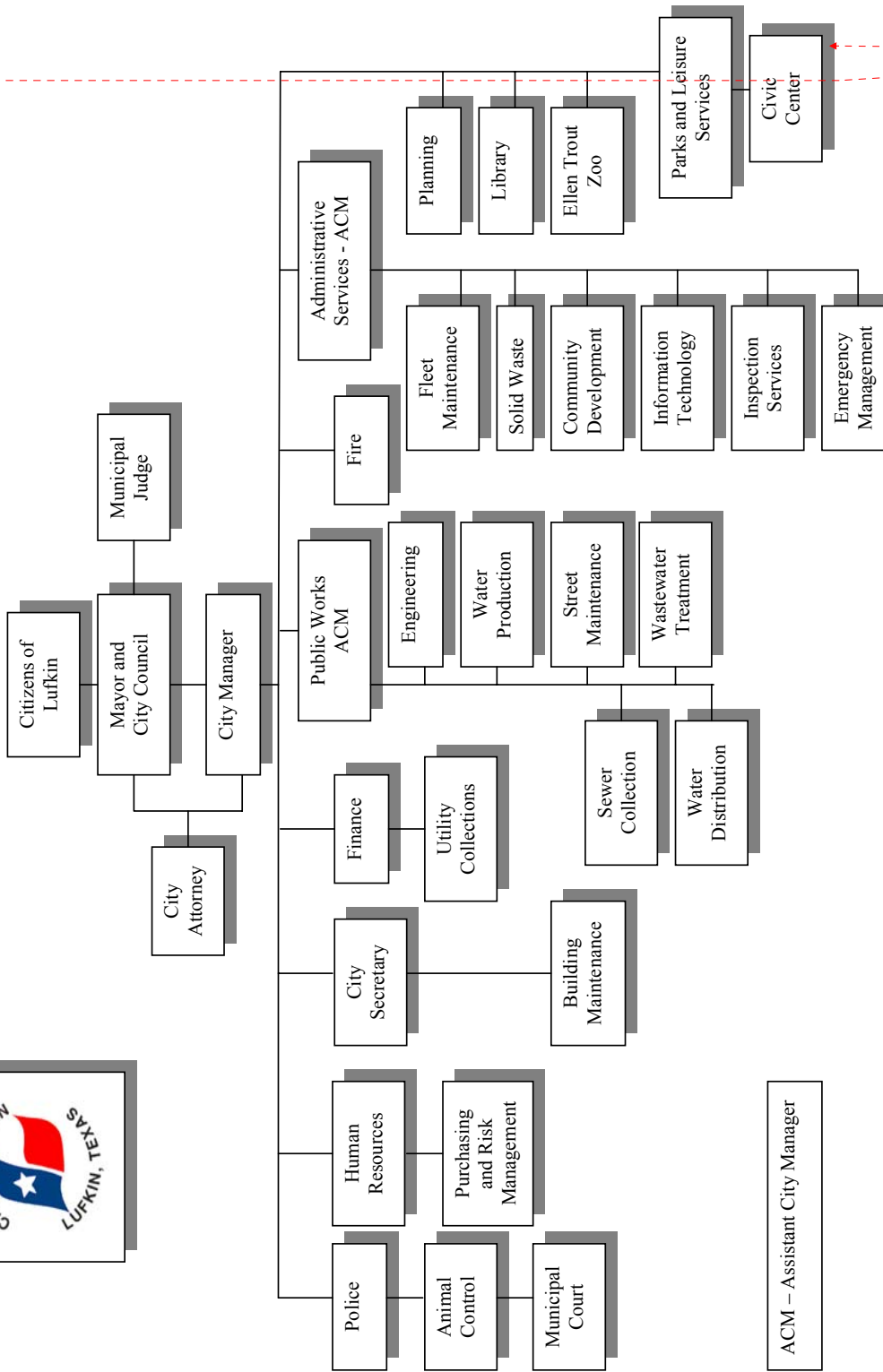
- I. Zoo Building Fund includes purchase of a portable building for clinic (\$10,500).
- II. Animal Control Kurth Grant Fund purchase of an Animal Control officer's truck (\$25,000) and a unit bay for the truck (\$6,000), and a portion of the purchase price of an evacuation/adoption trailer (\$20,000).
- III. Animal's Attic Gift Shop includes the remaining balance of the purchase price of an evacuation/adoption trailer (\$7,000).
- IV. Solid Waste Depreciation Fund construction of a recycling storage facility (\$600,000).
- V. Solid Waste Depreciation Fund construction of a multi-use Service Center (\$3,000,000).

Respectfully submitted,

Paul L. Parker

Paul L. Parker
City Manager,
City of Lufkin

**CITY OF LUFKIN, TEXAS
ORGANIZATION CHART**



ACM – Assistant City Manager

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September 21, 2004¶

Honorable Mayor and City Council Members:¶

Submitted herewith is the approved Fiscal 2005 Operating Budget for the City of Lufkin. This budget, while conservative, does maintain current service levels. As you are aware this has been a very challenging Budget, due primarily to the new Economic Development Tax, a three percent cost of living adjustment for all City employees, an electrical rate increase, and Texas Municipal Retirement System rate adjustment impacts the General Fund for approximately \$1,296,000. In addition to these major budget increases, there are numerous other increases due to inflation such as gasoline costs, natural gas costs, etc. ¶

Through the diligent efforts of our City department heads, City employees, and the Accounting Department, we are able to present to you a 2004-2005 Budget. This budget indicates expenditures over revenues of only \$656,426. This amount reduces the estimated ending fund balance of \$7,341,765 for Fiscal 2003-2004 to the projected Fund Balance at the conclusion of Fiscal 2004-2005 of \$6,685,339. This is above the Fund Balance Policy reserve of 25% or \$5,808,286. Positive signs indicate the recovery of the local economy with some strong recovery in sales tax receipts and a significant growth in the taxable value of real property tax base.¶

As mentioned previously, this Budget includes a three percent cost of living adjustment. City employees have not received an adjustment for the past two years. The Budget also includes the first year of the implementation of the Economic Development initiative approved by the citizens of Lufkin.¶

RATE INCREASES¶

Through the leadership of the Mayor and City Council and the deliverance of quality services by the employees of the City of Lufkin, the proposed property tax rate for 2004/2005 will remain the same as last year at 0.5585 per one hundred dollar valuation. Therefore, unless citizens' valuations have been adjusted within the past year, or they have made substantial improvements to their property, they will not pay any additional property taxes.¶

Department Matrix

The table below reflects the correlation between departments and the service centers. Listed across the top are the responsibility centers. Listed along the left side of the matrix are the departments, or service centers. Appropriate areas have been shaded in distinguishing colors to indicate which departmental responsibility centers.

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Departments	Responsibility Centers					
	General Government	Public Works	Public Utilities	Public Safety	Community Development	Culture & Recreation
General Government						
Administration						
Finance						
Legal						
Municipal Court						
Tax						
Human Resources						
Municipal Building						
Information Technology						
Police						
Fire						
Inspection Services						
Public Works Admin						
Animal Control						
Engineering						
Streets						
Parks						
Fleet Maintenance						
Planning & Zoning						
Zoo						
Community Development						
Library						
Utility Collections						
Water Distribution						
Wastewater Treatment						
Water Production						
Sewer Collection						
Solid Waste						
Recycling						
Civic Center						
Special Recreation						
Zoo Building						
Court Security/Technology						
Animal Control Kurth Grant						
Animal Attic Gift Shop						
Economic Development						

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The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Lufkin for its annual budget for the fiscal year beginning October 1, 2003.

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 communication device.

The award is valid for the period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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READER'S GUIDE TO THE 2005-2006 CITY OF LUFKIN OPERATING BUDGET

OVERVIEW

The **READER'S GUIDE** is intended to facilitate the readability of the Fiscal 2005 Operating Budget by the citizens of Lufkin. It is designed to enhance the effectiveness of this document as a communications device. The Introduction section includes the City Manager's letter of transmittal to the City Council. Included in this section are the following subjects:

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- *Organization of the Budget Document*
- *City of Lufkin Profile*
- *Description of Fund Structure and City Finances*
- *The Operating Budget Calendar*
- *The Budget Process*
- *Key Revenue Assumptions and Trends*
- *Strategic Planning*
- *Adoption of and Amendments to the Budget*
- *Guide to the Detail Budget Pages*

ORGANIZATION OF THE BUDGET DOCUMENT

A brief summary of the information contained in the various sections of the budget document is outlined below:

The **MANAGER'S MESSAGE** is a formal transmittal letter designed to summarize key budget decisions and major initiatives of the Fiscal 2006 Budget.

The **READER'S GUIDE** provides information pertaining to the various sections located in this document. This section provides demographic and local economic information about the City of Lufkin, describes the fund structure of the City, explains the budget process and budget calendar, describes the key revenue assumptions, explains the strategic planning process, describes the process of adopting and amending the budget, and explains the detail budget pages.

The **BUDGET OVERVIEW** discusses major revenue and expenditure projections, including primary strategies planned for operations in Fiscal 2006 and the financial plan for achieving them. Also, a summary of the ending working capital for each fund is provided along with a discussion of how the current budget relates to the City's Financial Policies.

The **FUND SUMMARIES** section provides historical and graphical comparisons and budgeted projections for all revenues and expenditures within each fund.

The **DETAIL SECTION** provides the budget detail for each department and departmental division within the appropriate fund category. The budget detail includes financial and personnel data, departmental/divisional mission statements, descriptions of service, objectives and performance measures.

The **CAPITAL IMPROVEMENTS PROGRAM** section summarizes the Fiscal 2005 Capital Improvements Program (CIP) emphasizing the impact of capital projects on the operating budget.

The **DEBT SERVICE** section provides a listing of the City's outstanding general obligation and Water/Wastewater Fund debt.

The **APPENDIX** contains ordinances adopting this budget and establishing the tax rate for the current fiscal year, provides a copy of the City Financial Policies, a glossary of frequently used terms, chart of accounts, personnel historical comparisons and General and Administrative (G&A) allocation calculations.

CITY OF LUFKIN PROFILE



The City of Lufkin is located on US Highway 59, 120 miles north of Houston, 166 miles southeast of Dallas and 110 miles southwest of Shreveport, Louisiana. As the County Seat of Angelina County, Lufkin enjoys a strong retail, commercial and industrial base. Known as a progressive city, Lufkin offers its citizens an abundance of recreational opportunities. Its natural resources, (including pine and hardwood forests, lakes and rivers), provide opportunities for hunting, fishing and water sports. A rich heritage, strong civic pride and a government committed to community development make Lufkin the perfect place for commercial and residential life.

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Climate

Average temperature in January - low 38°, high 59°.
 Average temperature in July - low 72°, high 94°.
 Average precipitation – 38.9 inches per year.

Population

Lufkin is the commercial hub of a 10 county rural market region, serving over 300,000 residents. Population in the county during the last 20 years has grown by twenty-five percent, fourteen percent of that growth occurring in the City of Lufkin. The following table reflects population growth for Lufkin and Angelina County over the last three decades.

Population Growth			
	1980	1990	2000
City of Lufkin	28,562	30,206	32,709
Angelina County	63,987	69,884	80,130

City Government

The City of Lufkin is a Home Rule city operating as a Council-Manager form of government. The Council consists of a Mayor and six council members. The City provides fire and police protection. The insurance key rate is .20. Standard and Poor’s and Moody’s Investment Service have rated the City’s General Obligation bonds A2 and A+ respectively.

Education

The Lufkin Independent School District operates eleven elementary schools, one junior high school, and one high school. Total LISD enrollment is 8,646 students. Three private schools also serve the area.

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Angelina College, a two-year college established in 1968, offers exemplary nursing and technical training programs to its students. Fall 2005 enrollment totaled approximately 5,000 with over 250 students enrolled in health care programs.

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Stephen F. Austin State University, located in Nacogdoches, 20 miles north of Lufkin, is a four-year university offering courses in many different fields. Total enrollment is approximately 11,000 students.

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Community Facilities and Attractions

The Pitser Garrison Civic Center is located on the corner of 2nd and Paul streets offering meeting, banquet and concert facilities with a capacity of 2,000.

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Kurth Memorial Library, located on Raguet Street in Lufkin, houses the Ora McMullen Genealogical Collection.

Ellen Trout Zoo, located on the north side of Loop 287 at Ellen Trout Drive, is an impressive, accredited zoo facility featuring many exotic animals.

The Texas Forestry Museum, located at 1903 Atkinson Drive, and the Museum of East Texas, located across from the Civic Center, provide a pictorial and narrative history of the East Texas area.

Recreation

Lake Sam Rayburn, located southeast of Lufkin, is the largest manmade lake in Texas with 560 miles of shoreline impacting five counties.

The Dallas Morning News and Golf Digest rate Crown Colony Golf Course the #2 golf course in Texas.

Utilities

TXU Electric Service provides electric service to the City and surrounding area offering ample electric power supply at competitive rates to residential, commercial and industrial customers.

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TXU Energy Delivery provides electric transmission and distribution services to the area. Deregulation of the electric industry required TXU Energy to split its corporate structure into two companies: a regulated company (the wires portion, i.e. TXU Energy Delivery); and a deregulated company (the electric production portion, i.e. TXU Electric Service).

Entex provides natural gas service to both residential and commercial/industrial customers within the City.

The City of Lufkin provides water, sewer, solid waste and recycling services to all customers within the city.

Consolidated Communications Telephone Company offers a 100% digital switching, fiber optic network with SONET.

Transportation

Private airport service is available at Angelina County Airport, which offers a 100 ft. by 5,400 ft. lighted, grooved asphalt runway. Nine over-the-road carriers serve the area. The Angelina & Neches River and Southern Pacific Railroads provide rail service.

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Taxation

The Angelina County Appraisal District appraises property within Angelina County. Ad valorem taxes are assessed per \$100 of assessed value. Tax rates of the various taxing entities for Fiscal 2006 are reflected in the following table.

Fiscal 2006 Ad Valorem Tax Rates	
Taxing Entity	Tax Rate per \$100 Assessed Value
Angelina County	\$0.4412
City of Lufkin	\$0.5585
Lufkin Independent School District	\$1.5740
Angelina College	\$0.1155
Total	\$2.6892

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Capital Project Funds – account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed directly by proprietary and trust funds. The Capital Project Funds are classified as governmental fund types and their budgets are therefore prepared on a modified accrual basis as previously stated in the General Fund section.

PROPRIETARY FUNDS

Enterprise Funds – account for operations that are financed and operated in a manner similar to private business in that the cost of providing goods and services (expenses, including depreciation) to the general public be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, manage control, accountability or other purposes. The Water/Wastewater Fund and the Solid Waste & Recycling Fund are enterprise funds maintained by the City of Lufkin. The budget basis for enterprise funds is on an accrual basis. Expenses of these funds are recognized as encumbrances when a commitment is made. Revenues are recognized when they are obligated to the City (for example, water user fees are recognized as revenues when service is provided).

Comparison between Budget and Financial Reporting

The Comprehensive Annual Financial Report (CAFR) of the City shows the status of the City’s finances on the basis of GAAP. In most cases this conforms to the way in which the City prepares its budget. Exceptions are as follows:

- A** Compensated absences liabilities that are expected to be liquidated with expendable available financial resources are accrued as earned by employees (GAAP) as opposed to being expended when paid (Budget).
- B** General and Administrative charges (G&A) are recognized as direct expenses of the Water/Wastewater and Solid Waste/Recycling Enterprise Funds on a GAAP basis as opposed to being accounted for and funded by operating transfers into the General Fund from the Water/Wastewater and Solid Waste/Recycling Enterprise Funds on the Budget basis.
- C** Principal payments on long-term debt within the Enterprise Funds are applied to the outstanding liability on a GAAP basis, as opposed to being expended on a Budget basis.
- D** Capital outlay within the Enterprise Funds are recorded as assets on a GAAP basis and expended on a Budget basis
- E** Depreciation expense is recorded on a GAAP basis only.
- F** The CAFR shows fund expenses and revenues on a GAAP basis.

CITY OF LUFKIN
FY 2006 BUDGET PREPARATION
CALENDAR OF EVENTS

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<u>DATE</u>	<u>ACTION</u>	<u>RESPONSIBILITY</u>	<u>DESCRIPTION</u>
<u>Scheduled as needed</u>	<u>HTE Training</u>	<u>Department Heads, Applicable Staff and Budget Team</u>	<u>Training will be held in the department requesting the training.</u>
<u>April 6, 2005</u>	<u>Revenue Estimates</u>	<u>Budget Team</u>	<u>Distribute Budget Revenue Estimates to responsible departments.</u>
<u>April 6, 2005 9:00AM</u>	<u>Budget Kickoff Council Chambers Room 102</u>	<u>City Manager Budget Team</u>	<u>Initial Budget meeting to establish guidelines for the 2006 budget process discuss budget format and requirements and distribute budget instruction manuals and materials.</u>
<u>April 26, 2005</u>	<u>Revenue Estimates and 2005 Revised Budget Expenditure Estimates</u>	<u>Department Heads and Applicable Staff</u>	<u>Completed Revenue estimates and current year annualized expenditures are due in HTE from responsible departments.</u>
<u>TBA</u>	<u>Council Retreat Pine Island Hunting Lodge</u>	<u>Selected Staff, City Manager, City Council</u>	<u>Staff, Council meeting to discuss goals and objectives and establish direction for the 2006 budget year.</u>
<u>May 16, 2005</u>	<u>Completed FY 2006 Budget Drafts and Supplemental Requests</u>	<u>All Departments</u>	<u>Departmental FY 2006 budget drafts due to be completed in HTE. Finance will begin to prepare for budget review.</u>
<u>May 18, 2005</u>	<u>Send Budget Review Schedule to Department Heads</u>	<u>Budget Team</u>	<u>Schedule of meetings will be developed and sent to department heads</u>
<u>May 23-31, 2005</u>	<u>Departmental FY 2006 Budget and Supplemental Request Reviews</u>	<u>City Manager, Department Heads, Staff, & Budget Team</u>	<u>Staff and Budget Team to meet with each Department Head to review departmental budgets.</u>
<u>June 21, 2005</u>	<u>Council Budget Workshops</u>	<u>City Council & City Staff</u>	<u>Council review of departmental budget requests.</u>
<u>July 5, 2005</u>	<u>Budget Submission to Council</u>	<u>City Manager</u>	<u>Draft budget and transmittal letter submitted to Council. Council sets public hearing on budget.</u>

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<u>DATE</u>	<u>ACTION</u>	<u>RESPONSIBILITY</u>	<u>DESCRIPTION</u>
<u>July 30, 2005</u>	<u>Effective Tax Rate Published</u>	<u>Finance Director/ Tax Assessor/Collector</u>	<u>The effective tax rate for fiscal 2006 is published in the local newspaper.</u>
<u>August 2, 2005</u>	<u>Public Hearing</u>	<u>City Council</u>	<u>A public hearing is held by Council to receive public input regarding the 2005/2006 Operating Budget.</u>
<u>August 16, 2005</u>	<u>1st Reading of Budget Ordinance</u>	<u>City Council</u>	<u>First reading of Budget Ordinance.</u>
<u>September 6, 2005</u>	<u>2nd Reading of Budget Ordinance</u>	<u>City Council</u>	<u>Second reading of Budget Ordinance.</u>
<u>October 31, 2005</u>	<u>Distribution of Final Budget Document</u>	<u>Budget Team</u>	<u>Final Budget Document published.</u>

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BUDGET PROCESS

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DEFINITION AND AUTHORITY

The budget is an essential element of financial planning, control and evaluation for the City and reflects and supports the policies and direction provided by Council. Budget appropriations are matched with anticipated revenues to fund expenditures necessary to provide citizen services while maintaining unencumbered fund balances consistent with Council Financial Policies. The City Charter establishes the City’s fiscal year as October 1st through September 30th. By Charter, the City Manager is required to submit to Council, at least forty-five days prior to the end of the fiscal year, a proposed budget reflecting a complete financial plan for the ensuing fiscal year. The Council is required to adopt the budget no later than the twenty-seventh day of September. Should the Council not take action on or prior to the twenty-seventh day of September, the budget, as submitted, is deemed adopted by the Council.

BUDGET PREPARATION

The City’s budget process consists of four major phases that are followed in order to obtain the desired results. They include:

1. Planning/Preparation
2. Administrative Review
3. Presentation/Approval
4. Execution/Monitoring

These four phases comprise the budget cycle:

The Planning/Preparation phase of the budget cycle begins in January. At this point the administrative staff begins formulating goals and assessing needs for the coming budget year. Once these goals are agreed upon and needs have been identified, budget instructions are created for departments to follow. These instructions, departmental budget files, budget forms, and other budget information are distributed to department heads in a “Budget Kickoff Meeting” that is held in the month of April. Departmental budgets are completed and returned to the Finance Department by a specific date in late May.

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Administrative Review occurs in early to mid June once departmental budgets are returned to the Finance Department. They are reviewed for content and mathematical accuracy by Finance Department staff. Necessary corrections and changes are made and departmental budgets are forwarded to administrative staff for review. The administrative staff schedules meetings with each individual department manager. At this meeting they turn in and justify departmental work plans for the coming year and explain how their plans accomplish Council priorities as well as present justification for their requests. These Departmental budgets are then reviewed by the City Manager, where suggestions for improvement are made; items are eliminated that do not meet effectiveness tests, and whether supplemental requests are a necessity for the upcoming budget year.

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The Presentation/Approval phase entails staff presentation to Council of an overview of the revenues, expenditures and fund balances of each operating fund of the City, a summary of major changes such as rate and fee increases/decreases, and recommendations regarding

organization-wide salary adjustments. The Council is provided a listing of all departmental supplemental requests and significant changes. At this time, Council decisions are made based on previous performance and overall necessity. During the month of August and September, City Council holds public hearings on the budget that allow citizens to voice their opinions and concerns on all aspects of the preliminary budget. After citizen input has been received, staff prepares the final budget and City Council formally adopts the budget prior to the 27th of September.

The budget process then moves into the Execution/Monitoring phase. This phase requires the administrative staff to review the adopted budget and note any policy or program changes Council may have made that differ from the preliminary budget. These are reviewed and discussed with department heads. The adopted budget becomes effective on October 1st for the new fiscal year. During the ensuing twelve-month period, the budget is under review to ensure that spending levels are maintained at, or below, the budget allowances.

KEY REVENUE ASSUMPTIONS AND TRENDS FOR FISCAL 2006

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On an ongoing basis throughout the fiscal year, Finance staff monitors and reviews all revenues at a detailed level regarding collection versus budget estimate, and probability of collection. Early in the budget process, a complete set of revenue assumptions is prepared. These assumptions provide the basis for revenue projections throughout the budget process and include the expectations for local economic and population growth and service levels.

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The City of Lufkin receives revenues from a variety of sources. The Budget Overview section of this document provides a detailed explanation of the individual revenues for each fund. This section highlights significant revenue issues included in this year's budget for the major funds.

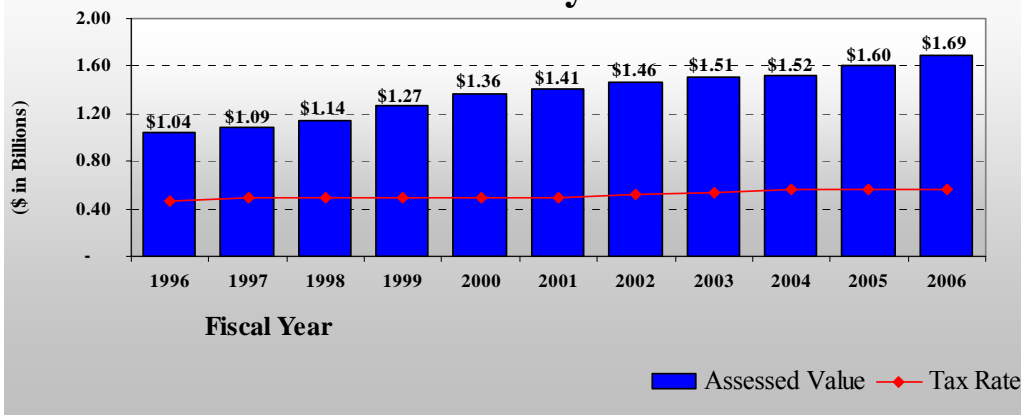
GENERAL FUND

AD VALOREM TAXES AND ASSESSED PROPERTY VALUES

The City's property tax is levied each October 1, based on the assessed value of all real and business personal property located within the City. The Angelina County Appraisal District establishes and certifies the appraised values at or near 100% of estimated market value. Homeowners aged 65 and over, and disabled persons and veterans are eligible, and may qualify for tax exemptions. The Angelina County Appraisal District can provide additional information on the eligibility requirements for these exemptions.

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Assessed Property Values Ten Year History



Ad valorem tax revenue is determined by two major factors: the total assessed value established by the Appraisal District and the tax rate established by the Lufkin City Council. Because total assessed property values have increased during the past several years, the City has been able to hold the tax rate relatively constant for several consecutive years.

The City's total assessed property value for Fiscal 2006 is \$1,688,682,483 according to the Appraisal District. This represents an increase of approximately \$89.81 million and includes new property coming on-line, and an increase in existing property values. The City's tax rate for Fiscal 2006 is \$0.5585 per \$100 valuation. The Fiscal 2006 operating and maintenance tax rate of \$0.3563 per \$100 valuation will generate \$5,487,299 of ad valorem tax revenue to the General Fund. Ad valorem tax revenue is the second largest revenue source to the General Fund, accounting for 23.08% of total projected revenue for Fiscal 2006. The General Fund allocation of total ad valorem tax revenue equals approximately 64% of total ad valorem tax collections; the remaining 36% is allocated to the General Obligation Debt Service Fund for the retirement of bond indebtedness.

The table below provides a ten-year history of Lufkin's ad valorem tax rate, levy, and collections, as well as the projected tax collection and distribution of revenues for Fiscal 2006.

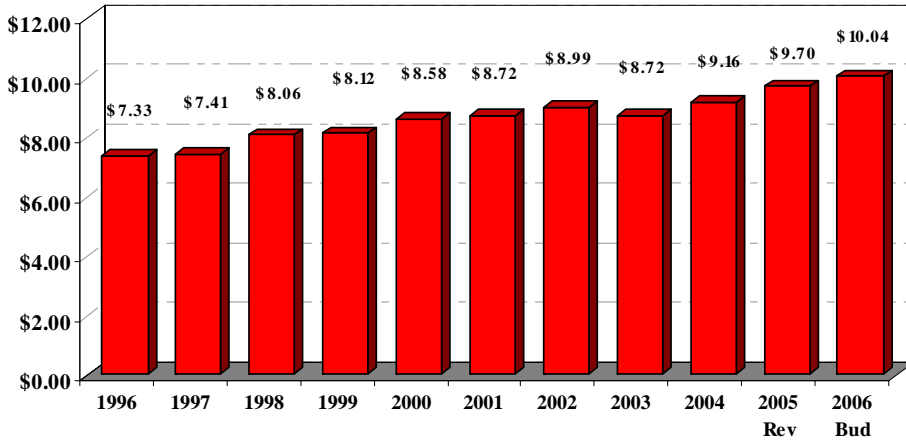
ANALYSIS OF TAX COLLECTIONS								
Tax Roll	Tax Rate Per \$100/value	Tax Levy	Current Collections	Current Collections to Tax Levy	Delinquent Collections	Penalty & Interest	Total Collections	Total Coll./ Curr. Coll.
1995-96	0.468900	4,526,481	4,395,303	95.56%	119,701	81,874	4,596,878	101.6%
1996-97	0.486977	4,716,166	4,598,985	96.81%	107,651	75,181	4,791,867	101.6%
1997-98	0.486977	4,981,607	4,857,968	97.51%	103,113	75,528	5,038,614	101.1%
1998-99	0.486977	5,516,858	5,397,946	97.84%	108,732	98,613	5,605,291	101.6%
1999-00	0.494500	5,965,894	5,817,570	97.51%	119,156	89,808	6,026,534	101.1%
2000-01	0.494500	6,160,278	5,989,032	97.19%	121,391	93,088	6,203,511	100.7%
2001-02	0.516500	6,557,609	6,515,261	99.35%	118,760	102,763	6,736,874	102.7%
2002-03	0.538500	7,199,180	7,166,816	99.55%	130,091	98,330	7,395,237	102.7%
2003-04	0.558500	7,791,797	7,596,818	97.50%	185,864	117,270	7,899,952	101.4%
2004-05	0.558500	8,553,198						
In process of collection.								
Fiscal 2006		Tax Rate	Distribution		Revenues			
General Fund		\$0.3563	63.80%		5,454,768			
Debt Service Fund		0.2022	36.20%		3,037,700			
TOTAL		\$0.5585	100.00%					

SALES TAXES

The City of Lufkin receives 1.5% of the 8.25% sales tax revenue paid to the Texas State Comptroller for the sale of all taxable goods and services within the City limits. Sales tax revenue continues to be the largest revenue source for the City's General Fund, representing 41.11% of total revenues.

Revenues from sales taxes are anticipated to increase by approximately 3.5% in Fiscal 2006. The total projected sales tax revenue is \$10,039,500 compared to the revised estimate of 9,700,000 for Fiscal 2005. However, the net projected sales tax revenue is estimated to be \$9,202,875. This net amount reflects the allocation of \$836,625 to City's Economic Development plan. The chart on the following page reflects sales tax collections for the last 10 years. The estimated revenue for FY 2006 is net of the Economic Development allocation.

Sales Tax Collections Ten Year History



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FRANCHISE FEES

The City of Lufkin maintains agreements with various utilities that require them to compensate the City for use of City streets, alleys and easements. It also maintains an Industrial District Agreement with a paper manufacturer, which provides an annual payment of \$50,000 per year, escalating at a compounding rate of ten percent per year, the first payment having been made October 1, 1998. Subsequent payments scheduled September 30, 1999 through 2012. The franchise agreements require the utilities to compensate the City between 2% and 4% of their gross receipts for use of the City's rights-of-way. Total Franchise and Agreement Fees for Fiscal 2006 are anticipated to be \$2,552,180, remaining relatively flat compared to the Fiscal 2005 revised estimate of \$2,575,942.

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WATER/WASTEWATER FUND

The City provides water and sewer services to its citizens for which it collects monthly charges. These charges are based on metered water consumption multiplied by the appropriate water and wastewater rates. Water rates have not been increased, while wastewater rates have been increased by 15.39% for commercial and 4.5% for industrial customers, residential customers will not have an increase in rates. In Fiscal 2006, in order to meet the working cash balance requirements of the Council Financial Policies, through providing adequate funds to repay debt associated with major water and wastewater capital improvements. These rate increases were recommended as a result of a water/wastewater utility cost of service and rate design study commissioned by Council during Fiscal 2002.

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Water/Wastewater revenue includes charges for water and wastewater consumption as well as fees for water and sewer taps, water meters, service connections and wastewater pretreatment testing. Total Fiscal 2005 revised Water and Wastewater revenues are estimated to be \$12,589,546, an increase of 1.89% over Fiscal 2004 actual revenues of \$12,355,897. Fiscal 2006 revenue is projected to be \$13,040,149 a 3.58% increase over the Fiscal 2005 revised revenue estimate because of an increase in customer growth and rate increases in water and wastewater rates.

SOLID WASTE AND RECYCLING FUND

The City of Lufkin is the exclusive provider of solid waste and recycling services for residential, commercial and industrial corporate citizens. Charges for service are billed on a monthly basis to all users. Residential garbage is picked up once weekly on Mondays or Tuesdays and recycled materials are picked up once weekly on Thursdays or Fridays. Commercial and industrial customer garbage and recycled materials are picked up on predetermined route schedules based on customer pickup frequency.

No increases in solid waste and recycling rates are included in the Fiscal 2006 budget. Total revenues for the Fund are estimated to be \$5,263,100, remaining relatively flat compared to the Fiscal 2005 revised estimate of \$5,267,000.

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CIVIC CENTER FUND

The City receives hotel/motel tax receipts that are generated from a 7% tax levy added to the cost of occupancy on hotel and motel rooms within the City. State law restricts use of these tax receipts to tourism promotion, capital construction, operation of recreation facilities, and cultural activities. The City's seventeen hotels and motels are expected to generate \$548,000 of hotel/motel tax receipts in Fiscal 2006, matching the Fiscal 2005 revised estimate of \$548,000.

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RECREATION FUND

The Recreation Fund was established several years ago as a self-supporting unit wherein recreation activity costs are supported through user fees. This fund provides Parks' management segregated cost data to assist in determining the adequacy of the fees and facilitate tracking costs of the various activities.

Revenues are derived from user fees charged for softball, volleyball, basketball, gymnastics, recreation classes, and special events. Total Fiscal 2006 revenues for the Recreation Fund are projected to be \$130,518, a decrease of 4.98% from the revised Fiscal 2005 estimate of \$137,363 and are estimated to be sufficient to cover the costs of operation and provide a fund balance of \$16,980.

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ELLEN TROUT ZOO FUND

The Ellen Trout Zoo Fund was established as a funding mechanism to make capital improvements and expand the Zoo through additional exhibits. Sources of revenue include admission fees, donations, animal sales and adoptions, and other miscellaneous fees.

Revenues for Fiscal 2006, excluding interest income, are anticipated to be \$150,000, which is a decrease of \$13,286 from the Fiscal 2005 revised estimate of \$163,286. This is the result of a slight decrease in donations.

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STRATEGIC PLANNING

The Lufkin City Council is elected to set policy and make decisions regarding City services to its citizens. In so doing, the Council must set priorities they believe are in the best interest and represent the desires of the citizens they represent. A retreat is held, early in the budget process each year, in which Council and staff discuss concerns, short and long term needs, philosophies and policies. Through these planning sessions and discussions, Council is able to develop a prioritized ranking of those needs they believe to be most important to the community and provide staff direction with which to formulate the coming year's budget.

The first Council Retreat was held in May 1999. The focus of the retreat was to identify community needs, establishing priorities, developing goals and identifying objectives for meeting those goals. Primary to this process was adoption of a continuing capital improvements program (CIP) tailored to address specific goals. Subsequently, these goals were reorganized and non-CIP items were added to create a more complete strategic planning model. As certain projects were completed, unforeseen significant needs were moved to the forefront and other less critical projects were delayed. Ultimately, the once five-year CIP has evolved into a continuous plan which will be updated each budget year.

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The following is a list of the goals and objectives including those originally established by Council in 1999, objectives covered in subsequent conferences, and aspects that staff feels are imperative to the overall fitness of the city. This is the status of these projects as of fiscal year-end 2005. Completed Objectives are in blue.

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Goal: Improve drainage and correct problems within the City of Lufkin

Objectives:

1. Continue to monitor development within the City in order to insure that all drainage requirements are being met.
2. Maintain all regional detention facilities and remove volume as needed to meet the needs of new development.
3. Evaluate possible construction of two regional detention ponds.

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Status:

- Objective 1. All new developments are required to complete and submit a drainage study if the impervious improvements exceed 14,000 square feet or if under that amount, there has been isolated flooding situations. All drainage studies are maintained by the Engineering Department and may be utilized by other developers as needed.
- Objective 2. Developers are allowed to purchase volume from the regional detention facilities if the development is within close enough proximity of the pond. This practice helps to offset the cost of on-site detention and assists the developer in not having to use valuable developable land for detention. The developer submits the standard drainage study and then requests that they be allowed to purchase volume from that pond within the closest tributary. The City then contracts out the actual removal of volume from the pond as required.

Objective 3 The Engineering Department will continue to evaluate possible funding sources, whether through CIP monies or grants provided through FEMA.

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Goal: Replace approximately 65 miles of asbestos cement water mains within the City's utility service area.

Objectives:

1. Continue with replacement of asbestos cement waterlines, design and engineering.
2. Construct new water mains.

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Status:

Objective 1. Three identified projects are currently engineered and ready for construction by Fall 2005. Those projects are 9/14 (Fuller Springs and Whitehouse Dr.) Duplichain Contractors should start project August 22, 15 (Burke) Oscar Crawford Construction should start project work September 1 and 8A (Atkinson Dr/U.S. Highway 103 E.) J & D Construction should start project work in mid September. Project 12/13 is completely engineered and should be bid by late Fall 2005. Project 2B is at 98% completion and should be finalized by the end of FY 2005. This will complete the Brookhollow Subdivision waterline replacement.

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Deleted: Four identified projects are currently being engineered and should be ready for construction by Spring 2005. Those projects are 12/13 (Crown Colony), 9/14 (Fuller Springs and Whitehouse Dr.), 15 (Burke) and 8 (Atkinson Dr./U.S. Highway 103 E.). Project 2B is currently under construction which will complete the Brookhollow Subdivision.

Objective 2. Project 5 is completely engineered and should be ready to bid by January 2006. This project will be done in conjunction with the Lotus Lane Reconstruction project.

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Goal: Develop and implement street improvements for better mobility within the city.

Objectives:

1. Conduct inventory of all streets and classify by quality standards Street Improvement Plan. This is a perpetual project.
2. Prepare recommendations for street overlay program and submit to Council by March of each year.
3. Implement first phase of street improvement program by summer 2004.
4. Implement street improvements as approved by City Council in Fiscal 2004.
5. Implement improvements to the central business district that were approved in the TEA 21-grant award.
6. Continue schedule of activities for street improvements approved by voters in the 2001 May election.

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Status:

Objective 1. An inventory of all streets has been completed utilizing the US Corp of Engineers computer program, "MicroPaver". A pavement condition index was developed for each street. This activity is now an ongoing part of the street maintenance program and an inventory is completed every two years.

Objective 2. A prioritized list of street construction is currently being developed using two categories – reconstruction and overlay. This list will be presented to Council in February ~~2006~~.

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Objective 3. ~~Construction began on this project December 2003. Approximately 85% of the project has been completed. Estimated completion date is October 2005.~~

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Objective 4. ~~Voters approved a bond proposal of four streets in May 2001. The streets include Abney Avenue, Angelina Street, Lotus Lane, and Whitehouse Drive. Abney Street has been bid and construction should be completed by December 2005. Whitehouse Drive will be bid the end of August 2005, with construction to begin November 2005. Lotus Lane should be bid out by Spring 2006.~~

Deleted: This task will begin with approval by Council of the list of streets to be presented in February 2005.

Goal: Provide safe, secure environment for citizens of Lufkin.

Objectives:

1. ~~Provide~~ vehicular rotation schedule for public safety vehicles.
2. Replace fire rescue pumpers and ~~provide~~ rotation schedule for ambulance replacements through CIP planning.
3. Expand community and neighborhood policing projects on an ongoing basis.
4. Coordinate with Angelina College in developing a fire academy for training new personnel and recruits.
5. Increase fire staff to accommodate the two man in-two man out rule established by Texas State Legislature.
6. Construct new Fire Station on Old Union Road. ~~Relocate~~ existing Fire Station #4 to a more efficient area.
7. Replacement of Fire vehicles in a timely manner to avoid costly maintenance and downtime from worn out equipment.
8. Acquire grants to assist with the purchase of new Fire equipment for emergency situations.

Deleted: ¶ Objective 5. Construction began on this project December 2003. Approximately 1/3 of the project has been completed. Estimated completion date is April 2006.

¶ Objective 6. Voters approved a bond proposal of four streets in May 2001. The streets include Abney Avenue, Angelina Street, Lotus Lane, and Whitehouse Drive. Angelina Street has been completed. Abney Street has been bid and construction should begin October 2004. Whitehouse Drive will be bid October 2004, with construction to begin January 2005. Lotus Lane should be bid out by Spring 2005¶

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Status:

Objective 1. ~~Both the Fire and Police departments have developed rotation schedules for their fleets and, as budget constraints allow, have been able to maintain the rotation schedules.~~

Objective 2A. ~~A fire pumper was purchased and placed in service during the summer of 2000. An ambulance replacement schedule was developed and placed into the Capital Improvements Program for funding. Four have been purchased and a fifth is scheduled for purchase in early Fiscal 2006.~~

Objective 2B. ~~Proposal is being developed for apparatus rotation. Example: With five stations, ordering one pumper every four years will provide a 20-year life span for equipment. Some current apparatus are older than the 20-year replacement goal.~~

Objective 3 In 1999, there were three active neighborhood associations in Lufkin. The Lufkin Community Policing (CP) Officers became active in these groups and have assisted in organizing seven new associations to date. The CP Section has responsibility for following up on all registered sex offenders residing within the city limits of Lufkin. Sex offenders' location and registration status is contentiously monitored and any violations of the law are immediately acted upon.

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Deleted: also partnered with the North Lufkin Neighborhood association to develop a program where juvenile offenders would engage in community service by painting houses occupied by the elderly who could not afford to do so. Supplies were purchased through a grant, which enabled the homes to be painted free of charge. Since the program began in 2000, an average of five houses per year have been painted each summer. In addition, quarterly meetings were established with the Hispanic community to build better relations. CP officers began offering a program in 2001 that teaches the penal code, traffic laws, 911 information and other topics to assist the Hispanic citizens.

Objective 4 A Fire Academy has been successfully developed at Angelina College. Recruits can receive Fire and EMT Basic certification through the Academy. Paramedic training is also available through the College EMS training program.

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Objective 5 Continue hiring, which has been indefinitely postponed, for 4-man substations.

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Objective 6 Land was purchased in Fiscal 2002. City staff and a local architect firm are working on a new Fire Station Design on Old Union Road, which will replace existing Station #4 on the Southwest Loop.

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Deleted: No timetable has been established for the construction of this new facility.¶

Objective 7 A ladder truck has been ordered and is scheduled for delivery around March 2006.

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Objective 8 Various Homeland Security grants have been awarded. The Fire Department has purchased equipment that will be useful in a number of emergency situations.

Goal: Remodel and refurbish Lufkin Police Department.

Objectives:

- The Police Department has a long range goal to remodel the old jail area of the department to allow for much needed office space.
- The Communication Office will be remodeled and equipped with updated technology.

Status:

Objective 1 Funds were not available through the capital improvement program to complete renovations in FY 2005. Future plans for renovation will be considered in FY 2007.

Objective 2 The plans for the remodel project are currently being drawn by a local architect. After completion of the plans, the construction phase will be implemented. During the construction process, communications operators will work out of the Emergency Operations Center. The project is expected to be completed in late Fall 2005.

Goal: Establish reliable, broad based communications for public safety and citizen information purposes.

Objectives:

1. Upgrade and replace the current police communications system. Project to include purchase and installation of a new radio system for data transmission, which allows field reports to be transmitted electronically, as well as "on-line" driver's license and license plate checks from the field.
2. Complete the update of each City department's web site. Provide training for one staff member from each department in Microsoft Front Page to maintain the department's web page.
3. Expand online services for citizen use: including online building permits, inquiry and payment of utility accounts, recreation class schedules, fine payments, and ambulance service fee payments.

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Status:

Objective 1A Staff negotiated with AT&T to build a CDPD system. The "build out" was completed in March 2001. Hardware and software were purchased for police vehicles. The project was complete in May 2002 and is operational.

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Objective 1B In 2004, AT&T will upgrade the Police Departments existing CDPD network to a GPRS network, which will greatly exceed the capabilities of the existing CDPD network by providing many enhanced benefits and services such as a wider coverage area and higher-speed data transfer.

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Objective 2. Each department within the City has received training in Microsoft Front Page and been given responsibility for updating their web pages. The City's web site can also now be viewed in Spanish and is also handicap accessible. The City updated its Web Site in the fall of 2003.

Objective 3. The City implemented an on-line interactive application in Fiscal 2002 that allows utility customers to view and pay their bills via the Internet. The City's Municipal Court system is now a live site and is now capable of paying fines on-line, as well as in person.

Goal: Provide increased beautification and quality of life projects for the citizens and visitors of Lufkin.

Objectives:

1. Implement improvements to the Kit McConnico Park as outlined in the Park Master Plan. Complete Phase 1B project by Spring 2005.
2. Develop entryway beautification program by utilizing the Angelina/Beautiful Clean program and funding from TxDOT grant program. Continue maintenance contracts and projects that will work toward presenting Lufkin as a clean and beautiful city.
3. Seek certification as a 2000 National Main Street City through the Texas Main Street Program and the Texas Historic Commission.

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4. Develop funding sources for increased color, planting and maintenance of public areas, major travel corridors and entryways.

Status:

Objective 1 ~~Construction is complete for the Phase 1B portion of the project. Improvements include four lighted baseball fields, four lighted soccer fields, concession and restroom facilities, parking lots and utility improvements. League play for soccer and adult softball are scheduled to begin in September 2005. Maintenance programs are in place and being modified as needed.~~

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Objective 2 ~~The City was given responsibility for maintaining state highway rights-of-way for Fiscal 2001 and subsequent years. Maintenance is provided by contract. The Tree Board has suggested increased pruning of street trees for safety. Ornamental trees will be pruned with cooperation of Angelina Beautiful Clean. The City continues to work with beautification groups to provide new projects, maintain existing projects, and plan for future projects.~~

Deleted: Construction is underway for the Phase 1B portion of this project. Improvements include four lighted baseball fields, four-lighted soccer fields, concession and restroom facility, parking lots and utility improvements.
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Objective 3 ~~The City's Main Street Director submitted an application to the Texas Main Street Program for consideration as a 2000 National Main Street City. The City was awarded that recognition and has received that award for the past five years.~~

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Deleted: The Parks department conducted a study of the entryways into the city in order to develop a master plan for approval by Council. The plan is being implemented as funds become available. The City was also given responsibility for maintaining state highway rights-of-way for Fiscal 2001 and subsequent years. Maintenance is provided by contract. The tree Board has suggested increased pruning of street trees for safety. Ornamental trees will be pruned with cooperation of Angelina Beautiful Clean.

Objective 4 ~~Increased maintenance standards and funding for programs, increased awareness in litter programs and beautification by all groups using City facilities is a result of the continued cooperative efforts with Angelina Beautiful Clean and the Lufkin Landscape Taskforce.~~

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Deleted: Trees were added to Grace Dunn Richardson, Morris Frank, Kiwanis, Ellen Trout and Mantooth Parks

- ~~Wildflowers and trees were planted at Ellen Trout Park.~~
- ~~Kiwanis Park had new azaleas planted along Tulane.~~
- ~~The main parking lot was improved at Morris Frank Park.~~
- ~~Kit McConnico Park play equipment was installed in 2005.~~
- ~~The Landscape Task Force has started constructing various projects of their master plan for Chambers Park in 2005.~~

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Deleted: Chambers and Kiwanis parks both received spray play areas to their current playground equipment in 2002 and 2003, respectively.
Deleted: Gulf Park was closed and playground equipment moved to the Ward Street Park in 2004.

Goal: Maintain the Ellen Trout Zoo to be deemed worthy of its slogan as the "Finest Small City Zoo in the Nation."

Objectives:

1. Expand current facilities to accommodate upcoming features and increased attendance.
2. Develop funding for new exhibits through private and public donations and new innovations.
3. Develop and create new exhibits to increase attendance and interest in the zoo.

Deleted: New play equipment was installed in 2004 at Morris Frank park,
Deleted: Gaslight Boulevard was completed by the Landscape Task Force and returned to the City for maintenance in 2004.
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Objective 1A ~~The parking area was expanded in Fiscal 2002 to alleviate the overcrowded parking situation.~~

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Objective 1B. Restrooms were added in Fiscal 2004 to the new African area to provide patrons with facilities in the back area of the zoo. These were opened to the public in May 2004 and have received very favorable reviews.

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Objective 2. The Zoo increased admission fees in April 2003 to shoulder the burden of increasing costs on both the implementation of new exhibits and recurring costs on the city's General Fund.

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Objective 3A. The zoo will begin expansion with the development of an African area. This area has since completed both a giraffe and White rhino exhibit in Fiscal 2001. The giraffe exhibit has had a new arrival with the birth of a new male giraffe in late 2002.

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Objective 3B. The hippoquarium and crocodile exhibits were completed during 2003. These exhibits are fully functional and the zoo has already increased the hippopotamus population with the birth of a new hippo in late September 2003.

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Objective 3C. A new primate and Komodo dragon exhibit will be developed and completed during Fiscal 2005. Plans are underway for the outdoor portion of this exhibit to be completed in 2005. An African aviary will be constructed in 2005 by the Lufkin Rotary Club and will take the place of the scheduled primate exhibit.

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Objective 3D. In late 2004 work will begin on the botanical exhibit. This exhibit is dedicated to the memory of Nancy Wannamacher. This will also provide the public with additional seating.

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Objective 3E. Design and fundraising will begin for the new Education Center and office complex at a new location in the southern part of the zoo near the newly completed parking lot.

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Goal: Refurbish the existing, near thirty-year old Civic Center while keeping the establishment accessible and functional for scheduled events.

Objectives:

1. Replace existing equipment and fixtures such as the HVAC unit, moveable walls, telescoping seating and sound system.
2. Update the color scheme by replacing the upholstery on seating, carpeting and drapes in the stage area.
3. Improve the lighting equipment by adding additional, up to date, stage lighting.

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Objective 1A. A new HVAC unit replaced the 25-year-old unit in Fiscal 2001. This new unit is more energy efficient by only heating and cooling areas as needed.

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Objective 1B. New movable walls replaced non-functioning existing walls in Fiscal 2002. The new walls are reliable and provide, on a consistent basis, areas that are more accommodating to patrons.

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Objective 1C. Telescoping seating replaced damaged seating in Fiscal 2002. The new seating provided a safer place for patrons to sit and the new design is easier to operate for Civic Center employees.

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Objective 1D. The sound system will be replaced in Fiscal 2006. The new system will provide a better sound and will have new technological advances that the current one lacks. The sound system was replaced in Fiscal 2004.

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Objective 2A. When the telescoping seating mechanism was changed, the color scheme for the existing seating was also updated to reflect an elegantly modern scheme. This update was completed in Fiscal 2002.

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Objective 2B. The worn carpet in the Civic Center was replaced in March of 2004.

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Objective 2C. The stage curtain and back drapes are scheduled for replacement in Fiscal 2005. This step will complete the color scheme change.

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Objective 3. Eight new Stage Lights will be placed intermittently along side remaining front-track stage lights of the area. These new lights provide a better quality of lighting with greater control of maneuverability for customers.

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Goal: Instill a love for reading in the community, while maintaining the new state of the art Kurth Memorial Library facility.

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Objectives:

1. Acquire reading materials that encourage reading and increasing knowledge in an innovative, welcoming environment.
2. Provide educational programs to the community.

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Objective 1. The Library is under the constant process of providing an ethnic diversity to its shelves through obtaining books written in Spanish. Also, books on audio to assist beginning readers provide the community with opportunity. As the need arises, the library is prepared to acquire books of varying ethnic cultures as to inspire a love of reading.

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Objective 2. The Library is committed in providing quality educational programs for school children. This allows children opportunities to visit the library with peers, and will hopefully instill an appreciation of books that will continue for years. The Library also instructs the community using the Internet as a learning tool.

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Goal: Implement improvements to the Emergency Management System as to provide a safe environment for the citizens of Lufkin.

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Objective:

- 1. Continue to improve the mitigation, response and recovery activities of the Emergency Management office.

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Objective 1A The National Weather Service designates the City of Lufkin as a Storm Ready community. This means that the city is ready to respond in the event that hazardous weather threatens.

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Objective 1B The city will expend the Office of Domestic Preparedness Grant of \$277,000 in improving the equipment capabilities of the Fire, Police, Public Works Administration, and the Emergency Management Departments.

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Objective 1C A Mitigation Action Plan will be developed as required by the State of Texas and FEMA.

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Goal: Develop operational procedures as to improve the collection of waste throughout the city.

Objectives:

- 1. Revise the Solid Waste Collection Ordinance for the City of Lufkin.
- 2. Reconstruct the collection routes

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Objective 1 Information has been collected from other cities. Staff will work as a team on the update. Target date for completion is the end of November 2004.

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Objective 2 Route audits will be performed. GPS equipment will be installed on each collection vehicle to gather statistical information. Further planning of the routes will result in increased efficiency.

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Goal: Improve the operations of the City of Lufkin Recycling Department.

Objectives:

- 1. Complete the study of and install automated equipment for upgrading the recycling process.
- 2. Continue to monitor wastewater disposal with emphasis on the feasibility of bio-solids composting.
- 3. Implement educational opportunities in the community through the use of the Recycling Coordinator.

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Objective 1 Visits to an automated plant to gather information to upgrade the recycling process is complete. Management plans to visit additional sites. A consultant will advise on the installation of equipment that has been approved by City Council.

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Objective 2 A composting study is complete. An engineering firm performed the study to determine the possibilities of composting.

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Objective 3 Recycling coordinator is going into the schools for educational opportunities. Applications for grants will be submitted with local foundations to buy educational supplies.

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Goal: Attract new businesses and provide positive growth to the City of Lufkin and surrounding area.

Objectives:

1. Propose an Economic Development (ED) Plan.
2. Develop funding for ED Plan.
3. Implement ED Plan by Summer 2004.

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Objective 1A Proposed during Council discussions late Fiscal 2003.

Objective 1B Workshop was scheduled for early Fiscal 2004. The citizens voted to implement the ED plan in February 2004.

Objective 2 Determination for the funding was determined after workshop. Funding has been determined to be 1/8th of a cent from a portion of the sales tax revenue.

Objective 3 Implementation of the ED began in the summer of 2004, with the appointment of a Board of Directors for the Economic Development Corporation.

Goal: Construction of new Public works facility.

Objectives

1. Identify a location.
2. Identify funding source for a new Service Center
3. Complete architectural and civil design plans.
4. Coordinate construction process.

Status

Objective 1 The new Public Works Service Center will be located at the existing 300 Amey St. property. Additional land has been secured along Birch St. which is adjacent to this facility. Also, an additional tract of land is being negotiated from the Union Pacific railroad. This land should be secured by October 2006.

Objective 2 Funding for this project is to be provided from the Solid Waste Fund.

Objective 3 Architectural and Civil construction plans will be completed by Goodwin-Lasiter.

Objective 4 All underground utility, storm and dirt work will be accomplished by City of Lufkin crews. Building construction will be contracted

out. Construction of the administration building will be completed and then the existing facility will be moved to the new area. Warehouse buildings will be constructed after the administration facility is moved.

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BUDGET ADOPTION AND AMENDMENT PROCESS

The City Charter establishes the City's fiscal year as October 1 through September 30. By Charter, the City Manager is required to submit to Council, at least forty-five days prior to the end of the fiscal year, a proposed budget reflecting a complete financial plan for the ensuing fiscal year. The Council is required to adopt the budget no later than September 30. Should the Council not take action on or prior to that date, the budget, as submitted by the City Manager, automatically becomes the legal operating budget for the City.

The City Charter, Article V, Section 3, Appropriations, provides for a budget amendment process. It states, in part,

“The Council may transfer any unencumbered appropriation balance or portion thereof from one office, department, or agency to another, at any time. The City Manager shall have authority, with council approval, to transfer appropriation balances from one expenditure account to another within a single office, department or agency.”

Thus, if during the year situations arise whereby additional funds are needed by a department, a Budget Amendment Request is prepared and submitted to Council for approval stating the reasons that additional funds are required.

If only line item changes are required within a departmental budget, the department head submits a Budget Adjustment Request to the City Manager for approval. The Request reflects the account(s) from which funds are requesting to be transferred and the account(s) to which funds will be transferred. Reasons for the transfer are stated, and the City Manager approves or disapproves the request. All approved changes are forwarded to the Finance Department for entry into the financial system.

Deleted: Possible funding may be determined through the City's Enterprise Funds. Funding should be determined by mid 2005.¶
Objective 2. A suitable location should be determined by late 2005. ¶
Objective 3. Construction is scheduled to begin in early 2006.¶

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A GUIDE TO THE DETAIL BUDGET PAGES

1. **Fund** – The fiscal entity in which the department operates.
2. **Department** – The department in which the division operates.
3. **Mission Statement** – The departmental commitment to the citizens and organization in meeting the needs of the community.
4. **Description of Services** – A short overview and explanation of the services provided to the organization and/or citizens by the department.
5. **Fiscal 2006 Work Program** – The major planned accomplishments for the coming fiscal year.
6. **Performance Measures** – Specific quantitative measures of work performed within a department.

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1.	FUND: General	DEPARTMENT: Fire	2.
3.	MISSION STATEMENT		
	The mission of the Lufkin Fire Department is to protect and serve the citizens of Lufkin and Angelina County through fire suppression and rescue, emergency medical services, fire and accident prevention, hazardous material mitigation, and public information and education.		
4.	DESCRIPTION OF SERVICES		
	Lufkin Fire and EMS responds to fires, medical emergencies, and hazardous materials incidents in the City of Lufkin, and contractually provides emergency medical service to Angelina County. Emergency work includes extinguishing fires, mitigation of hazardous materials incidents, fire inspections and plan review, arson investigation, Fire and EMS training, planning to reduce the impact of natural disasters, public information and educational safety programs.		
5.	FISCAL 2006 WORK PROGRAM		
	Continued across-the-board training in fire, EMS and hazardous materials. Community smoke detector program through donations by local businesses. Testing of apparatus, equipment and hose. Maintenance of quarters, apparatus and equipment. Training of Lieutenants as Fire Inspectors, to improve inspections. Fire Department Staff, Officers and Line Personnel all contribute to the Emergency Management planning, training and mitigations.		
16.	PERFORMANCE MEASURES	2005 ACTUAL	2006 REVISED
	Emergency Medical Calls	4,008	4,520
	Non-Emergency Medical Calls	3,283	2,017
	Fire Calls	1,080	1,220
		2006 BUDGET	2006 BUDGET
		4,650	1,500
		1,280	1,280

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A GUIDE TO THE DETAIL BUDGET PAGES

7. **Expenditures** – Summary budget data by expenditure category for personnel services, benefits, supplies, maintenance of structures and equipment, miscellaneous services, sundry charges, debt service and capital outlay.
8. **Authorized Positions** – Full time and part time position listings for current and past budget years.
9. **Significant Changes** – Highlights of proposed major changes, enhancements of service or a new service, method of improving efficiency or effectiveness of an existing service for the coming budget year.

FUND: General		DEPARTMENT: Fire				
7. →	EXPENDITURES	2003-2004 ACTUAL	2004-2005 BUDGET	2004-2005 REVISED	2005-2006 BUDGET	Deleted: 2002
	Personnel Services	\$3,410,398	\$3,753,290	\$3,558,844	\$3,696,086	Deleted: 3
	Benefits	811,181	946,361	912,678	931,221	Deleted: 3
	Supplies	226,527	230,717	217,976	225,967	Deleted: 4
	Maintenance of Equipment	117,626	131,750	109,906	112,050	Deleted: 2003
	Miscellaneous Services	148,366	171,749	156,635	172,310	Deleted: 2004
	Sundry Charges	439	1,100	450	600	Deleted: 4
	Debt Service	32,079	32,080	19,340	-	Deleted: 4
	Capital Outlay	11,952	-	28,843	-	Deleted: 5
	TOTAL	\$4,858,568	\$5,267,047	\$5,004,672	\$5,138,234	
8. →	AUTHORIZED POSITIONS	2003-2004 ACTUAL	2004-2005 BUDGET	2004-2005 REVISED	2005-2006 BUDGET	Deleted: 2
	Fire Chief	1	1	1	1	Deleted: 3
	Assistant Fire Chief	1	1	1	1	Deleted: 3
	Office Manager	1	1	1	1	Deleted: 4
	Account Specialist/Hyd Supvr	1	1	1	1	Deleted: 3
	Hydrant Maintenance	1	1	1	1	Deleted: 4
	Battalion Chief	5	5	5	5	Deleted: 4
	Captain	18	18	18	18	Deleted: 4
	Lieutenant	21	21	21	21	Deleted: 5
	Firefighter	34	38	34	35	
	Office Assistant	1	1	1	1	
	FULL TIME	84	88	84	85	
	PART TIME	0	0	0	0	
	TOTAL	84	88	84	85	
9. →	SIGNIFICANT CHANGES					Deleted: 5
	The filling, of 3 firefighter positions, is delayed until Fiscal 2006.					

A GUIDE TO THE DETAIL BUDGET PAGES

10. Division – The cost center that provides the activity, function or services.

11. Division Description – The division’s primary service responsibility and mission.

12. Expenditures - Summary division budget data by expenditure category for personnel services, benefits, supplies, maintenance of structures and equipment, miscellaneous services, sundry charges, debt service and capital outlay.

13. Authorized Positions - Full time and part time position listings for current and past budget years for the division.

FUND: General	DEPARTMENT: Fire	DIVISION: Administration		
DIVISION DESCRIPTION				
The Administration Division oversees the day to day operations of the Lufkin Fire Department				
EXPENDITURES				
	2003-2004 ACTUAL	2004-2005 BUDGET	2004-2005 REVISED	2005-2006 BUDGET
Personnel Services	\$118,501	\$152,695	\$163,941	\$182,293
Benefits	60,320	70,705	80,735	90,273
Supplies	28,200	28,500	28,990	29,000
Maintenance of Equipment	106,179	108,350	119,865	127,275
Miscellaneous Services	120,512	125,417	119,263	43,900
Sundry Charges	2,251	500	1,024	800
Debt Service	0	0	0	0
Capital Outlay	0	0	0	0
TOTAL	\$405,957	\$496,167	\$513,818	\$471,541
AUTHORIZED POSITIONS				
	2003-2004 ACTUAL	2004-2005 BUDGET	2004-2005 REVISED	2005-2006 BUDGET
Fire Chief	1	1	1	1
Assistant Fire Chief	1	1	1	1
Office Manager	1	1	1	1
Office Assistant	1	1	1	1
FULL TIME	4	4	4	4
PART TIME	0	0	0	0
TOTAL	4	4	4	4

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CITY OF LUFKIN
Fiscal Year 2005-2006

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The total Fiscal 2005-2006 budget appropriations are \$56,040,717. This is an increase of \$4,759,652 or 9.28% over the Fiscal 2004-2005 approved budget and \$8,801,190 or 18.63% over the Fiscal 2004-2005 revised estimate. Details of the major components of the increases and decreases of the revised budget to proposed budget are summarized below and explained in the individual Fund narratives following this summary.

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Summary of Major Changes, Fiscal <u>2005</u> Budget to Fiscal <u>2006</u> Budget		
Salary and Benefit Changes:		\$ <u>854,502</u>
3% Cost of Living Adjustment	\$ <u>487,137</u>	
Increase in TMRS rate	<u>54,532</u>	
<u>Increase in Fire Pension rate</u>	<u>89,821</u>	
New Positions:		
General Fund	<u>23,156</u>	
<u>Water and Sewer Fund</u>	<u>64,066</u>	
<u>Solid Waste / Recycling Fund</u>	<u>24,159</u>	
Supplies		<u>804,303</u>
Structure and Equipment Maintenance		<u>182,378</u>
Miscellaneous Services		<u>10,053</u>
Sundry Charges		<u>2,688,609</u>
Debt Service		<u>168,096</u>
Transfers Out		<u>252,981</u>
Capital Outlay		<u>(201,270)</u>
TOTAL		\$ <u>4,759,652</u>

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A total of four full-time positions were added for Fiscal 2006 operating budget and are listed as follows:

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Position	Department	Status
<u>Janitor</u>	<u>Building Maintenance</u>	<u>Added</u>
<u>Electrician</u>	<u>Sewer Rehabilitation</u>	<u>Added</u>
<u>Maintenance Technician</u>	<u>Water Pollution Control</u>	<u>Added</u>
<u>Skilled Laborer</u>	<u>Recycling</u>	<u>Added</u>

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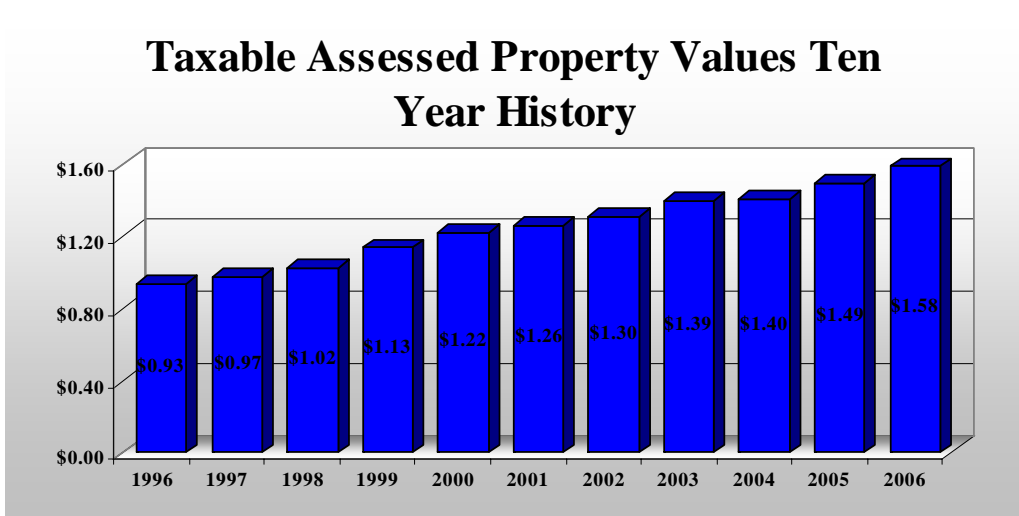
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Angelina County Appraisal District, are the reason for the increase. The following graph represents a ten-year history of property values for the City of Lufkin.



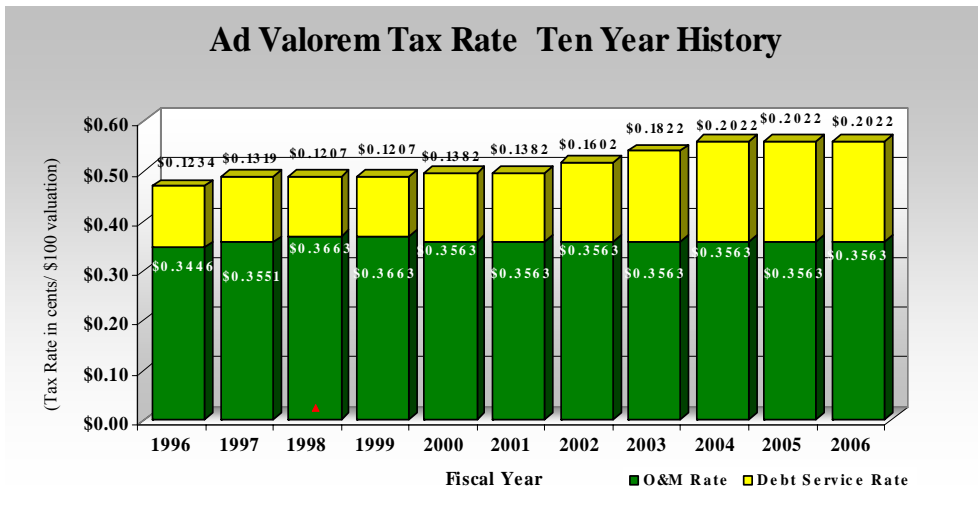
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Ad Valorem taxes are divided between general operating and maintenance requirements and general obligation debt service. The City's tax rate for Fiscal 2006 is \$0.5585 per \$100 of assessed property values. The tax rate for general operations for Fiscal 2006 is \$0.3563; the tax rate for debt service is \$0.2022.

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Ad Valorem tax revenue for operating and maintenance purposes is projected to be \$5,582,268, an increase of 4.83% over Fiscal 2005 budget. Ad Valorem tax revenue for debt service purposes is projected to be \$3,002,829. Total revenue from Ad Valorem taxes is estimated to be

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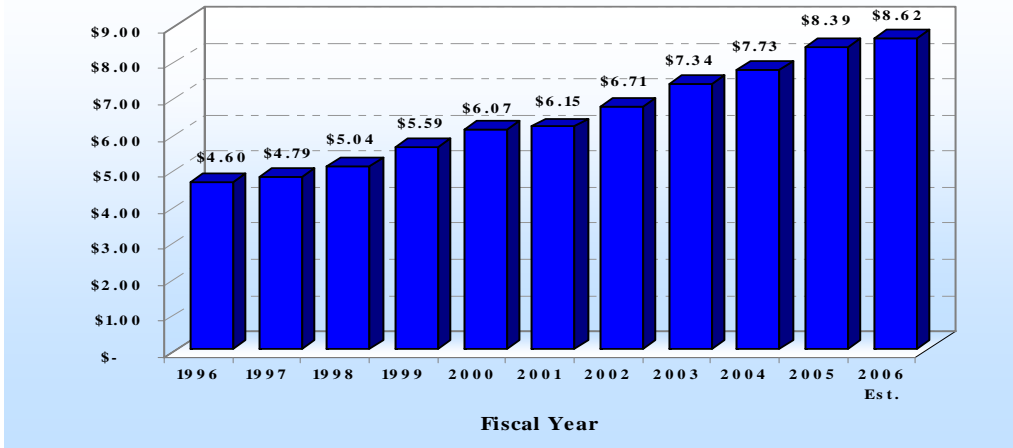
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\$8,619,968. As mentioned earlier, this increase is due to reappraisals and new construction values. Ad Valorem taxes represent approximately 23.76% of all General Fund revenues. The following graph reflects the City's Ad Valorem tax revenue history for the most recent 10-year period.

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Ad Valorem Tax Revenue Ten Year History



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SALES TAXES

Sales Tax is the largest revenue source of the General Fund and makes up almost 40% of all General Fund revenues. The graph on the following page reflects a ten-year history of the sales tax growth experienced in the City of Lufkin. Sales tax is estimated to be \$10,039,500 in Fiscal 2006, a 3.50% increase over the revised estimate of \$9,700,000 for Fiscal 2005 and a 9.59% increase over Fiscal 2004 actual collections of \$9,160,681. The City receives one and one-half cents for each dollar used to purchase goods and services within the City. Several years ago, Texas passed legislation to allow cities the option of increasing the local sales tax from 0.1% to 1.5%. This adoption, in 1987 was approved by voters, and required cities to reduce the property tax rate by an amount equal to the additional sales tax revenue.

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City of Lufkin voters approved a portion of this half-cent increase, beginning in December 2004, to be set-aside, in 2003. One-eighth of every penny collected in sales tax is allocated to an Economic Development program, which is designed to attract new businesses to the area to stimulate local economy. Fiscal 2006, \$836,625 is transferred to this program. This is the second year this will be implementation.

FRANCHISE FEES

Franchise fees are paid to the City of Lufkin by local utilities (TXU Electric Delivery, Entex, TXU Communications, Cox Cable, and all taxi cab services) for the right to use city streets, alleys, and rights-of-way. The franchise agreements require the utilities to compensate the City between 2% and 4% of their gross receipts. The City also maintains an Industrial District Agreement with a paper manufacturer, which provides an annual payment of \$50,000 per year, escalating at the compounding rate of ten percent per year, the first payment having been made October 1, 1998 with subsequent payments scheduled September 30, 1999 through 2012. Total

CHARGES FOR SERVICE

The City of Lufkin provides emergency medical service (EMS) to Lufkin citizens and parts of Angelina County. A fee is collected from citizens who use this service and the County is charged a contract fee of \$175,560 for EMS services provided in the County. The City provided ambulance transfer service to Lufkin residents until June 1999 when this service was sold to Memorial Medical Center of East Texas. The City's EMS service fees are projected to total \$1,071,045 for Fiscal 2006, a 0.42% decrease compared to the Fiscal 2005 revised estimate of \$1,075,560.

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FINES AND FORFEITURES

The City operates a Municipal Court that collects fines for class "C" misdemeanors, traffic violations, parking tickets, warrant fees, and code enforcement violations. The Municipal Court Judge, appointed by Council, assesses the fines. Estimated revenues for Fiscal 2006 are \$749,750, a 1.0% increase over the revised estimate of \$742,400 for Fiscal 2005. The increase in revenue over the past four years is attributed the utilization of the Omni System. This system connects the city to several state databases, which enables the city to collect a higher percentage of fines.

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MISCELLANEOUS REVENUES

Miscellaneous revenues include Animal Shelter fees, Park revenues and income from charges for accident reports, records checks, zone changes, city housing rental, salary reimbursement, and interest income. These revenues are expected to generate \$934,564 for Fiscal 2006, a decrease of \$11,917 from the Fiscal 2005 revised estimate of \$946,481.

INTERGOVERNMENTAL REVENUES

Intergovernmental revenues include grants from federal and state agencies for various public safety, recreational and community-oriented programs. Most of the grants received by the City have been related to public safety, specifically police grants. Grant revenues fluctuate from year to year, depending on the types of grants offered by the various agencies and the availability of funds.

Revenues for Fiscal 2006 are estimated to be \$348,400; one police and several fire department related grants are anticipated in this fiscal year and local donations makeup this revenue.

INTRA-GOVERNMENTAL REVENUES

Intra-governmental revenues represent transfers among Funds and General & Administrative charges assessed by the General Fund to other funds in recognition of services rendered such as administration, personnel, accounting, data processing, etc. These revenues are projected to total \$2,761,227 in Fiscal 2006, an increase of 9.35% over the Fiscal 2005 revised estimate of \$2,525,012. This increase results from the increased FY 2006 budgets for those departments that provide these services and a revision to the percentage charged for those allocated services.

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GENERAL FUND

EXPENDITURES

General Fund expenditures for Fiscal 2006 are estimated to be \$23,497,272, which is \$186,741 or 0.80% more than revised totals for Fiscal 2004 of \$23,310,531. This minimal increase is attributed to rising costs in Texas Municipal Retirement System, a 3% cost of living adjustment, increased cost in electricity, gasoline and natural gas.

One position was added, all positions added are shown in more detail on Page 36.

The following table provides a comparison of departmental expenditures by organizational classification. Detailed departmental expenditures are provided in the detail budget pages.

GENERAL FUND EXPENDITURE COMPARISON BY CATEGORY				
Category	FY 2004 Actual	FY 2005 Revised	FY 2006 Budget	% Change Budget/ Revised
General Government	\$ 2,592,710	\$ 3,105,273	\$ 2,778,252	<10.53%>
Public Safety	11,579,780	12,599,543	13,137,137	4.27%
Public Works	3,731,103	3,971,553	3,793,087	<4.49%>
Culture and Recreation	2,585,948	2,871,756	3,020,466	5.18%
Community Development	286,903	304,089	337,069	10.85%
Non-Departmental	736,658	432,220	431,261	<0.22%>
Total	\$ 21,513,102	\$ 23,284,434	\$ 23,497,272	0.91%

Expenditures are separated into major categories for analysis and control. These categories include Personnel Services, Benefits, Materials and Supplies, Equipment and Structure Maintenance, Miscellaneous Services, Sundry Charges, Debt Service, and Capital Outlay. The following paragraphs provide a comparison of Fiscal 2006 budget with Fiscal 2005 revised expenditure estimates.

PERSONNEL SERVICES

This category of expenditures includes salaries and benefits for all employees within the General Fund. Included in Personnel Services are salaries, overtime pay, certificate pay, car allowance, and longevity pay. Benefits include social security payments, retirement, and employee health insurance. Personnel Services remains the General Fund's largest expenditure and accounts for 69.87% of total General Fund expenditures for Fiscal 2006. Total Personnel Services expenditures are estimated to be \$16,417,024, a 3.38% increase over the revised Fiscal 2005 estimate of \$15,880,696. This is attributed to the 3% cost of living adjustment and filling of unfilled approved positions.

SUPPLIES

Supplies are defined as articles or commodities that are consumed or materially altered when used and include office supplies, publications (blueprints, catalogs, magazines, newspapers, etc.),

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postage, printing, stationary, food supplies, vehicle fuels, minor tools (hand tools, axes, etc.), minor utensils (brooms, cones, glassware, etc.), cleaning supplies, medical supplies and all new equipment, not meeting the City's capitalization policy. Supplies represent 5.22% of all General Fund expenditures and are projected to be \$1,227,592 in Fiscal 2006. This is an 8.41% increase from the revised estimate for Fiscal 2005 of \$1,132,356.

EQUIPMENT & STRUCTURE MAINTENANCE

All expenditures for the maintenance and repair of equipment and structures fall into this category. Equipment includes furniture, machinery, equipment (backhoes, tub grinders, fuel trailers, playground equipment, lawn mowers, etc.), small instruments (survey equipment, calculators, etc.), motor vehicles, books, meters, computer and copy machines, and telephone equipment. Structure expenditures include materials and commodities purchased in their existing state to be used in the course of maintaining buildings and structures owned by the City, as well as, contracts for maintenance and repairs of these items. Structures include items such as limited to bridges, sanitary sewers, storm sewers, streets, swimming pools, and parking lots. These expenditures are estimated to be \$1,673,147 for Fiscal 2006, and represent a 17.29% decrease over the Fiscal 2005 revised estimate of \$2,022,818. This category of expenditures is 7.12% of total appropriations in the General Fund.

MISCELLANEOUS SERVICES

Miscellaneous Services include activities performed by persons or entities other than municipal employees or departments. They are typically performed under contract to the City and include items such as communications (messaging, telephones, etc.), insurance, advertising, freight service, electricity, heating fuel, and custodial services. This category of expenditures represents 11.67% of General Fund expenditures and is estimated to be \$2,742,987 for Fiscal 2006. This is a 0.98% decrease from the Fiscal 2005 revised estimate of \$2,770,223.

SUNDRY CHARGES

Sundry Charges are those expenditures for which the City of Lufkin has a legal or moral obligation and include items such as contributions, gratuities, damages, witness fees, and other such charges. The City contributes funding to several local non-profit organizations. Several of the larger contributions go to Angelina County Child Protective Services, City/County Health Unit, Senior Citizen Center, Transit System, and the Economic Development Program. Total Sundry expenditures are estimated to be \$126,837 for Fiscal 2006, a 2.46% decrease from the revised estimate of \$130,037 for Fiscal 2005.

DEBT SERVICE AND TRANSFERS

Debt Service represents lease purchase payments for capital assets and transfers to other funds supported by General Fund monies. This category of costs increased .05% from \$391,657 in Fiscal 2005 to \$391,860 in Fiscal 2006. Several lease purchase obligations were retired in Fiscal 2005. While new capital items are scheduled for purchase this fiscal year, an alternative source of funding is utilized. These alternatives include supplementing the purchase of police vehicles with seized funds and the new aerial ladder truck will be primarily funded with a Federal Government grant. Transfers to other funds include the Hotel Motel Tax Fund and \$90,200 for construction projects funded by local revenues.

All lease purchase payments that affect General Fund accounts have been moved to a centralized account in the Non-Departmental section of the budget. The following table recaps these obligations. This decision was made due to the economic savings the City receives from lease

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payments negotiated in bulk. The Solid Waste Recycling Replacement and Renewal Fund will finance purchased items for Fiscal 2006 internally at an interest rate less than market but greater than current investment earnings rate.

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Debt Service – Lease Payments					
Department	Item	Year	Principal	Interest	Total
Police:	<u>Patrol Vehicles (FY2004)</u>	<u>3 of 3</u>	\$ <u>37,143</u>	\$ 2,693	\$ <u>39,836</u>
	<u>Patrol Vehicles (FY2005)</u>	<u>2 of 3</u>	<u>73,141</u>	2,056	<u>75,197</u>
Street:	<u>Dump Truck (FY2005)</u>	<u>2 of 3</u>	<u>27,500</u>	879	<u>28,379</u>
	Total		\$ <u>137,784</u>	\$ <u>5,628</u>	\$ <u>143,412</u>

CAPITAL OUTLAY

Capital Outlay expenditures include items of a permanent nature, having a life of more than one year and costing in excess of \$5,000. This includes items such as land, equipment, buildings, and structures. Total Capital Outlay for Fiscal 2006 is estimated to be \$917,825, a decrease of \$38,822, over the Fiscal 2005 revised totals of \$956,647. This category of costs varies from year to year depending upon departmental needs for new or replacement capital. Capital items to be purchased in Fiscal 2006 include the following:

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CAPITAL EXPENDITURES	
Department/Item	Budget Amount
Police:	
<u>Panasonic Tough book Laptops (22)</u>	\$ <u>112,464</u>
<u>In Car Video Systems (3)</u>	<u>147,250</u>
Subtotal	\$ <u>259,714</u>
Fire:	
<u>Aerial Ladder Truck (Balance Remaining after partial pmt.)</u>	\$ <u>352,000</u>
<u>Total Cost - \$640,000 Grant Proceeds - \$576,000</u>	
<u>Ambulance</u>	<u>90,000</u>
<u>Defibrillator</u>	<u>12,000</u>
Subtotal	\$ <u>454,000</u>
Engineering:	
<u>½ Ton Pickup Truck</u>	\$ <u>19,000</u>
Subtotal	\$ <u>19,000</u>
Street:	
<u>½ Ton Pickup Truck (2)</u>	\$ <u>38,000</u>
<u>Traffic Pre-emption Devices</u>	<u>22,000</u>
Subtotal	\$ <u>60,000</u>

Department/Item	Budget Amount
Parks and Recreation:	
Playground Equipment	\$ 30,000
<u>Tractors (2)</u>	<u>32,000</u>
<u>½ Ton Pickup</u>	<u>19,000</u>
Subtotal	\$ 81,000
Information Technology:	
Computer Related Equipment	\$ 37,811
Subtotal	\$ 37,811
Zoo	
<u>Riding Mower</u>	<u>6,300</u>
Subtotal	\$ 6,300
Total Capital	\$ 917,825

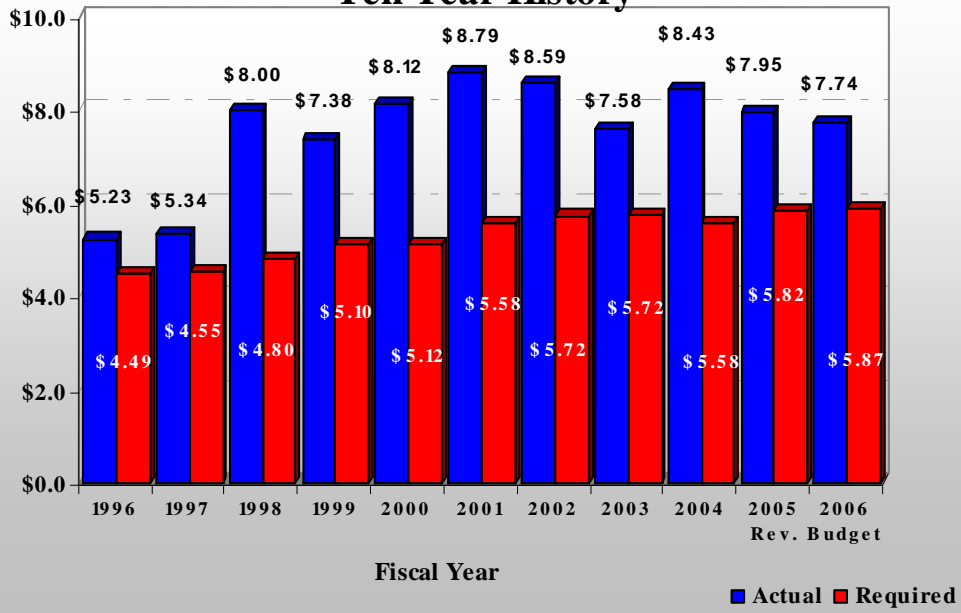
FUND BALANCE

The City's Financial Policies require that the General Fund maintain a fund balance that is equivalent of 90 days or 25% of General Fund Expenditure Budget. However, during the development of the Fiscal 2004-2005 Budget, Council modified the policy to enable the city to reduce the fund balance requirement up to 5% as considered necessary. This balance is reserved for use in emergency situations such as natural disasters, for additional budget appropriations, unanticipated expenditure needs or for other uses so identified by Council as appropriate. More importantly, the fund balance is maintained to reflect the City's fiscal strength and financial commitment to its citizens, financial institutions and bondholders. The Fiscal 2006 General Fund fund balance is estimated to be \$7,744,001, which represents approximately 120 days of expenses or 32.96% of General Fund expenditures. The City has consistently met its fund balance policy for the last seven years and is committed to continuing that trend.

The following graph provides a ten-year history of the City's General Fund fund balance compared with the fund balance required by Council Financial Policies. The actual fund balances in Fiscal 1998 and 1999 greatly exceeded the required fund balances because actual departmental expenditures were less than the amounts budgeted. In each year there were unspent budgeted funds resulting from employee vacancies in the public safety departments and uncompleted construction projects in the public works departments. These projects were completed in the subsequent years. In Fiscal 2000, the actual fund balance exceeded the estimated fund balance as a result of an increase of actual revenues over budgeted revenues. Sales taxes, franchise fees municipal court revenues and interest income were the primary contributing factors. Also, the City received additional grant revenues that were not anticipated during preparation of the Fiscal 2000 budget. In Fiscal 2001, the City sold some investments for a gain of about \$800,000 and earned approximately \$500,000 in interest income. Together these two items accounted for the higher than expected fund balance.

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General Fund Balance Actual vs. Required Ten Year History



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WATER/WASTEWATER FUND

REVENUES

The City provides water and sewer service to residents within the city limits and provides wholesale water to several adjacent communities. In January 1999, the City assumed ownership and operating responsibility for the Burke Water Supply Corporation, which provides water needs to the Burke community and surrounding area. The City currently pumps water from 12 (twelve) ground water wells that have thus far met the needs of the City's water customers.

Additionally, the City owns water rights on Lake Sam Rayburn for up to 28,000 acre-feet of water per day. The City entered into a water storage contract with the United States for 43,000 acre-feet on Sam Rayburn in 1970 and 1976. The 1970 contract grants the City 18,000 acre-feet of storage for present water supply and the 1976 contract grants an additional 25,000 acre-feet of storage for future water demands. In 2003 the City completed a comprehensive water needs assessment and an evaluation of future water demands. It is anticipated that the City will need to begin withdrawing water from Lake Rayburn sometime between 2015 and 2020. The City also has authority for 28,000 acre-feet of water from Sam Rayburn Reservoir. This contract was negotiated in 1968 for a term for 46 years. To date, the City has not taken water under this contract.

Water/Wastewater Revenue Comparisons					
Revenue	Fiscal 2004 Actual	Fiscal 2005 Budget	Fiscal 2005 Revised	Fiscal 2006 Budget	% Change Budget to Revised
Water Revenues	\$ 6,139,467	\$ 6,243,945	\$ 6,405,356	\$ 6,405,356	0.00%
Wastewater Revenues	5,877,942	5,902,190	5,902,961	6,363,993	7.81%
Water Connections	95,991	61,800	44,200	43,200	-2.26%
Sewer Connections	26,930	22,000	21,300	20,800	-2.35%
Service Charges	90,290	61,800	76,908	76,800	-0.14%
Pretreatment Charges	125,277	134,120	140,000	130,000	-7.14%
Misc. Revenue	119,477	14,000	94,503	22,200	-76.51%
Interest Income	92,439	11,900	39,400	60,000	52.28%
Intra-Governmental	84,790	87,300	87,300	89,919	3.00%
Total Revenues	\$ 12,652,603	\$ 12,539,055	\$ 12,811,928	\$ 13,212,268	3.12%

The table above reflects a comparison of Water/Wastewater Fund revenues for Fiscal ~~2004~~ Actual, Fiscal ~~2005~~ Budget and Revised, and Fiscal ~~2006~~ budget estimate. Fiscal ~~2006~~ total revenues are estimated to be a ~~\$13,212,268~~ increase of ~~3.12%~~ over Fiscal ~~2005~~ revised estimates of ~~\$12,811,928~~. Water revenues for Fiscal ~~2006~~ are estimated to be ~~\$6,405,356~~, remaining in line with the Fiscal ~~2005~~ revised estimate.

Wastewater revenues are estimated to be ~~\$6,363,993~~, an increase of ~~7.81%~~ over Fiscal ~~2005~~ revised estimate of ~~\$5,902,961~~. Sewer rates have been increased this year based on the cost of service and rate study commissioned by Council in Fiscal 2002. The study called for an average system wide sewer rate increase of about 16%, which is spread out over a 5-year period. Residential sewer rates increase 2%, while commercial and industrial rates increase by 15.39% and 4.5, respectively. This is the ~~fi~~th year of this increase.

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These increases are required primarily because of the capital construction underway in both the water and wastewater utilities. The replacement of approximately 65 miles of asbestos cement water lines, which has been mandated by the Texas Commission on Environmental Quality (TCEQ), as well as infiltration/inflow correction of the sewer system are major capital projects currently under construction.

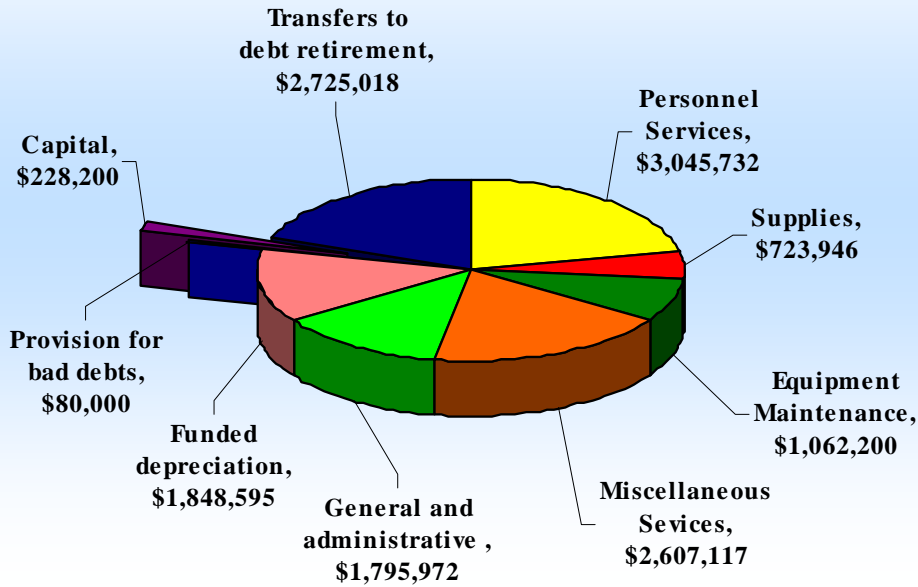
Other revenues include new water and sewer connections, service charges, sewer pre-treatment testing charges, interest income and miscellaneous revenues. These revenue estimates combined equal \$~~353,000~~, or ~~15.21%~~ under the Fiscal 2005 revised estimates of \$~~416,311~~.

An Intra-governmental transfer of \$~~89,919~~ is from the Solid Waste Fund. This transfer represents an administrative charge recognizing the collection of sanitation fees for the Solid Waste/Recycling Fund. These revenues are collected through the Utility ~~Collections~~ department.

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Water-Wastewater Fund Expenses by Category Fiscal 2006

Total: \$14,116,780



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PERSONNEL SERVICES

Personnel Services include salary and benefit costs for all employees within the Water/Wastewater Fund. Expenses for Fiscal 2006 are estimated to be \$3,045,732 and represent an increase of 5.76% over Fiscal 2005 revised estimates of \$2,879,861.

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SUPPLIES

Supplies are defined as articles or commodities that are consumed or materially altered when used and include office supplies, publications (blueprints, catalogs, magazines, newspapers, etc.), postage, printing, stationary, food supplies, vehicle fuels, minor tools (hand tools, axes, etc.), minor utensils (brooms, cones, glassware, etc.), cleaning supplies, medical supplies and all new equipment, not meeting the city's capitalization policy. Materials and supplies are estimated to be \$723,946 in Fiscal 2006 compared to \$672,674 for the Fiscal 2005 revised estimate. This is a 7.62% increase.

EQUIPMENT & STRUCTURE MAINTENANCE

Expenses for the maintenance of equipment and structures fall into this category. Total expenses for Fiscal 2006 are estimated to be \$1,062,200, which represents a 10.56% decrease from the revised estimate of \$1,187,650 for Fiscal 2005.

MISCELLANEOUS SERVICES

Miscellaneous Services includes a variety of expenses such as telephone communications, custodial services, advertising, and other expenses. Expenses in this category are estimated to be \$2,607,117, a 3.54% increase over the Fiscal 2005 revised estimate of \$2,520,163. This is due to an increase in contract labor to assist with sewer line repair projects. The Pineywoods Groundwater Conservation District, which encompasses Angelina and Nacogdoches Counties and includes representatives of both counties, the cities of Lufkin and Nacogdoches and the business community, formed July 2001, to monitor ground water use and conduct usage and recharge studies of the Carrizo-Wilcox Aquifer, from which Lufkin gets all of its water requirements. Fees for these services are derived come from this category.

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SUNDRY CHARGES

Sundry Charges include legal and moral obligations of the City and include contributions, gratuities, judgments, bad debts, etc., incurred by the City. Expenses in this category are estimated to be \$80,000 for water and sewer bad debts. This estimate is based on several years of past experience of 0.01% of total water and sewer revenues. The City continues to maintain an excellent utility billing collection rate.

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CAPITAL OUTLAY

Capital Outlay includes physical assets having a life of more than one year and a value greater than \$5,000. Total capital expenses for Fiscal 2006 are estimated to be \$228,200, an increase from the Fiscal 2005 revised estimate of \$74,915. The following list of capital items are scheduled for purchase in Fiscal 2006.

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Department/ Items	Budget Amount
Water Pollution Control:	
Dump Trailer	\$ 7,500
Steam Cleaner	6,200
Lawn Mower	8,500
Digester Mixers	64,000
Secondary Return Pump	15,000
Subtotal	\$ 101,200
Water Production:	
Switch Gear	\$ 15,000
Booster Pump	12,000
Subtotal	\$ 27,000
Sewer Collection:	
Locator	\$ 7,000
Materials for Distribution Lines	73,000
Land Survey	5,000
Camera	10,000
Man Can for Manholes	5,000
Subtotal	\$ 100,000
Total Capital	\$ 228,200

INTRA-GOVERNMENTAL TRANSFERS

Intra-Governmental Transfers include General and Administrative (G&A) Charges and Funded Depreciation transfers to the Water/Wastewater Renewal/Replacement Fund. Total transfers for Fiscal 2006 are projected to be \$3,644,567, an increase of 14.35% over revised totals of \$3,187,290 for Fiscal 2005.

G&A Transfers represent charges for service by certain General Fund departments to departments in the Water/Wastewater Fund and are made to cover the cost of accounting, purchasing, information technology, fleet maintenance, engineering, and human resources assistance. The amount budgeted for Fiscal 2006 is \$1,795,972, and is derived by formula. This is an increase of 7.04% based on the budgeted costs of service departments within the General Fund. An allocation table of G&A calculations can be found in the Appendix, on page 349 of this document.

Depreciation transfers to the Water/Wastewater Renewal & Replacement Fund represent cash transfers in an amount equal to actual depreciation expense incurred in the operating fund in the second preceding year. These cash transfers are restricted in use. Approximately one-half the amount transferred each year may be used for replacement of capital items. The other one-half is retained to provide future funding for major plant replacements. The transfer for Fiscal 2006 is budgeted at \$1,848,595. This is a \$339,211 increase from the \$1,509,384 transfer in Fiscal 2005. Council reduced this amount to compensate for the phased implementation of the industrial sewer rate increases approved in January of 2002.

TRANSFERS TO DEBT SERVICE

This category of expenses includes transfers to the Revenue Bond Retirement and Reserve Fund for payment of long term debt issued by the City's Utility System. Transfers of \$2,725,018 will be made in Fiscal 2006. This is an increase of 7.59% over the revised estimate of \$2,532,800 and is attributable to continued borrowings relating to the asbestos cement water line replacement project. Standard and Poor's and Moody's Investment Service have rated the City's Revenue Supported bonds A2 and A+, respectively. A comprehensive discussion of Utility System debt can be found in the Debt Service Fund section of this document.

WORKING CAPITAL BALANCE

Council Financial Policies require that the City's Enterprise Funds maintain a working capital balance of 45 days of budgeted expenses or \$1,764,598. The working capital balance in the Water/Wastewater Fund is projected to \$2,461,573 in Fiscal 2006, which is \$904,512 less than the working capital of \$3,366,085 for the 2005 revised amount.

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SOLID WASTE AND RECYCLING FUND

REVENUES

The City's Solid Waste and Recycling departments provide both residential and commercial solid waste service to the entire city. The Solid Waste and Recycling Fund includes revenues from residential collection service, commercial and roll-off container collection services, garbage bag sales, sale of recycled materials, miscellaneous income and interest income. Total revenues for Fiscal 2006 are estimated to be \$5,343,100, a 0.37% increase over Fiscal 2005 revised estimates of \$5,323,294. Collection revenues comprise approximately 92.87% of total revenues in the Solid Waste and Recycling Fund. An explanation of each revenue source and comparison with the Fiscal 2005 revised estimate follows.

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SANITATION COLLECTION REVENUES

Sanitation collection includes one solid waste and one recycling pickup per week to residential customers in the City. Commercial collection service includes two-, three-, four-, six- and eight-yard containers that are picked up on a predefined commercial route schedule that allows the customer to choose the frequency, size and number of containers he/she requires. In Fiscal 1999, the City purchased new utility billing software that provides greater flexibility in accounting for revenues. As a result of this flexibility, more clearly defined customer and rate classes have been established and revenues for each rate class have been budgeted. The following table provides a comparison of Fiscal 2005 revised revenues to Fiscal 2006 revenues.

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SOLID WASTE AND RECYCLING FUND Comparison of Collection Revenues			
Collection Classification	Fiscal 2005 Revised	Fiscal 2006 Budget	% Change Budget To Revised
Residential Collections	\$ 1,700,100	\$ 1,750,100	2.94%
Commercial Collections	1,710,000	1,760,000	2.92%
Commercial Can Pickups	200,000	200,000	0.00%
Commercial Non-Compacted Pick ups	550,000	550,000	0.00%
Commercial Compacted Roll-Offs	550,000	500,000	-9.09%
Commercial Special Pickups	23,240	20,000	-13.94%
Commercial Recycling Revenues	170,000	170,000	0.00%
Sanitation Container Revenues	55,000	52,000	-5.45%
Garbage Bag Sales	20,000	20,000	0.00%
Sale of Recycled Materials	250,000	250,000	0.00%
Miscellaneous Income	46,454	1,000	-97.85%
Interest Income	58,500	80,000	-0.29%
Total Revenues	\$ 5,323,294	\$ 5,343,100	0.37%

No rate increases are included in solid waste and recycling rates for Fiscal 2006. The current residential rate is \$13.92 per month plus sales tax of \$1.15. Commercial rates vary with the size, number and frequency of container service selected by the customer. Collection revenues for

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Fiscal 2006 are estimated to be \$4,950,100, an increase of 0.95% over revised estimates of \$4,903,340.

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RESIDENTIAL COLLECTION REVENUES

Residential revenues are estimated to be relatively flat for Fiscal 2006. Revenues of \$1,750,100 are estimated for Fiscal 2006, a 2.94% increase over revised estimates of \$1,700,100 for Fiscal 2005.

COMMERCIAL COLLECTION REVENUES

Commercial Collection includes commercial front load containers, 90 gallon can pickups, roll off containers (both compacted and non-compacted), special pickups that include customer requests outside their regular route pickup, requested pickups outside the city limits and recycling pickups. Total commercial collection revenues for Fiscal 2006 are anticipated to be \$2,810,000, remaining flat with the 2005 revised estimates.

SANITATION CONTAINER REVENUES

The Solid Waste Department purchases two-, three-, four-, six- and eight-yard commercial containers in bulk quantities for resale to its commercial customers at slightly above the City's cost. Revenue from the sale of these containers is recorded in this account. This revenue source has been relatively constant in previous years. The revised estimate for 2005 is \$12,000. The Fiscal 2006 is estimated to be \$12,000.

GARBAGE BAG SALES

The City sells plastic garbage bags to citizens for both solid waste and recycled materials. Newcomers to the City are given their first two rolls of garbage bags free. Subsequent rolls are sold to the general public for \$5.50 each, which includes a slight markup to the City's cost of the bag to cover handling charges. Revenues from this source are typically consistent from year to year. Fiscal 2006 revenues are estimated to be \$20,000; this estimate remains in line with the Fiscal 2005 revised estimate.

SALE OF RECYCLED MATERIALS

Recycled materials include paper products, aluminum and metal cans, plastics and compost. Sales of these materials fluctuate with market demand and thus can fluctuate widely from year to year. The revised revenues are estimated at \$250,000. Revenue estimates for Fiscal 2006 remain the same at \$250,000.

INTEREST INCOME

Interest Income is earned from the investment of idle funds. Interest income for Fiscal 2006 is estimated to be \$80,000 compared to the revised Fiscal 2005 estimate of \$58,500. The investment rate has been estimated at 3.5%.

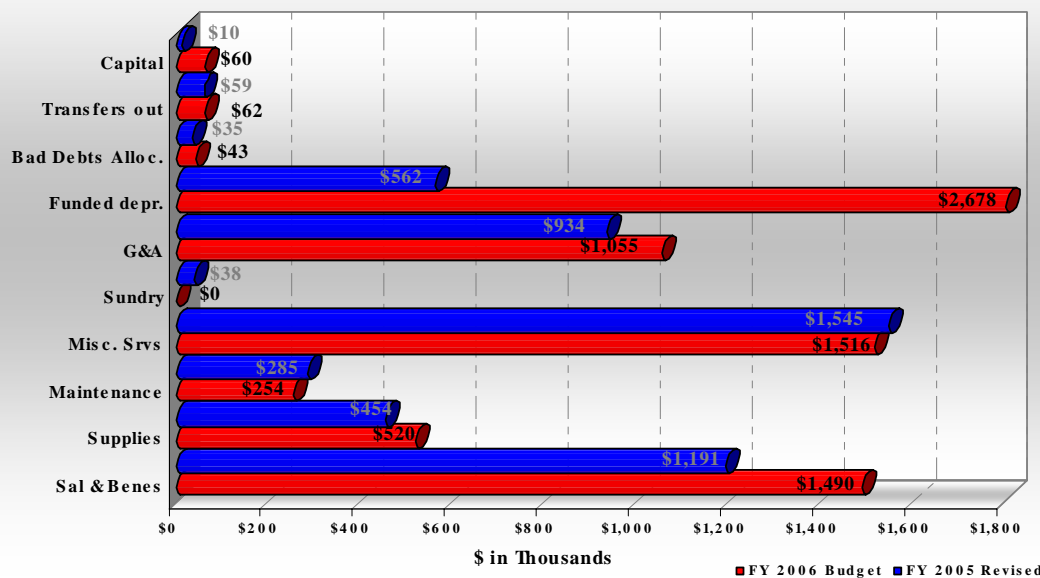
SOLID WASTE AND RECYCLING FUND

EXPENSES

The Solid Waste and Recycling Fund include two operating departments: Solid Waste and Recycling. These departments are responsible for the pickup and disposal of disposable and recyclable materials within the City of Lufkin. These departments are located at the Southpark Business Park on FM 819 between Loop 287 and US 59 South.

Expenses for the Fund are projected to increase 50.13% compared to Fiscal 2005 revised estimates, from \$5,113,910 to the Fiscal 2006 Budget estimate, \$7,677,511. The following graph reflects a comparison of Fiscal 2005 revised and Fiscal 2006 budget estimates by expenditure category.

**Solid Waste-Recycling Fund
Comparison by Expense Category**



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The following narrative provides an explanation of expenses.

PERSONNEL SERVICES

Personnel Services include salary and benefit costs for all employees within the Solid Waste/Recycling Fund. Expenses for Fiscal 2006 are estimated to be \$1,489,982 and represent an increase of 25.07% over Fiscal 2005 revised estimates of \$1,191,326. This increase is due to two items. The first, a 3% cost of living increase for all employees. Second, is the Fiscal 2005 savings due to a number of vacant positions.

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SUPPLIES

In Fiscal 2006, expenses for materials and supplies are estimated to be \$520,200, an increase of 14.51% above the revised estimate of \$454,300 for Fiscal 2005. This increase is the result of the rising cost of fuel prices.

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proper maintenance of new sanitation
vehicles (... [135])

EQUIPMENT & STRUCTURE MAINTENANCE

The Solid Waste and Recycling Fund operates a fleet of automated garbage trucks equipped with sophisticated hydraulics and mobile data terminals that require both routine and non-routine maintenance of a technical nature. A decrease of 10.80% is anticipated in this expenses category. The Fiscal 2006 estimate is \$254,350 compared to the revised estimate for Fiscal 2005 of \$285,150. The decrease is due primarily to fewer repairs and proper scheduling of existing and newly purchased equipment.

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MISCELLANEOUS SERVICES

The major expenditure in miscellaneous services is county landfill charges the City pays for use of the Angelina County Landfill. These charges are based on cubic yards of refuse dumped at the landfill site. Miscellaneous Services expenses for Fiscal 2006 are estimated to be \$1,515,613, a slight decrease of 1.87% from the Fiscal 2005 revised estimate of \$1,544,562.

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to the County Landfill charges increasing
by approximately 11% during the budget
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SUNDRY CHARGES

These charges include bad debts. There are no Sundry charges budgeted for Fiscal 2006.

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CAPITAL OUTLAY

Capital outlay of \$60,000 is included in the Fiscal 2006 Solid Waste Department budget. The following table identifies these capital items.

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Solid Waste and Recycling Department Capital Items		
Department	Item	Cost
Solid Waste		
	<u>No Items Requested</u>	
Subtotal		\$ <u>0</u>
Recycling		
	<u>Scales</u>	\$ <u>60,000</u>
Subtotal		\$ <u>60,000</u>
Total Capital		\$ <u>60,000</u>

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There are other major capital purchases budgeted in the Solid Waste & Recycling Renewal & Replacement Fund for Fiscal 2006. These purchases are included and discussed in the Capital Improvements Program section of this document on page 295.

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INTRA-GOVERNMENTAL CHARGES

Intra-Governmental Transfers include General and Administrative (G&A) charges, cash transfers to the Solid Waste & Recycling Renewal & Replacement Fund (Funded Depreciation) and transfers to the General Obligation Debt Service Fund. Total transfers for Fiscal 2006 are projected to be, \$3,837,456, an increase of 141.28% over the revised estimate of \$1,590,472 for Fiscal 2005.

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General and Administrative charges represent charges for service by certain General Fund departments to departments in the Solid Waste & Recycling Fund and are made to cover the cost of accounting, purchasing, data processing, engineering, and human resources assistance. This expenditure is derived by formula and is \$1,055,174 for Fiscal 2006, an increase of 12.92% from the revised 2005 amount. An allocation table of G&A calculations can be found in the Appendix on page 334.

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Transfers to the Solid Waste & Recycling Renewal & Replacement Fund represent cash transfers in an amount equal to actual depreciation expense incurred in the operating fund in the second preceding year. These cash transfers are restricted in use. Approximately one-half the amount transferred each year may be used for replacement of capital items. The other one-half is retained to provide future funding for major plant replacements. The transfer for Fiscal 2005 will be \$2,677,993, an increase of 376.495% over the Fiscal 2005 transfer. This large increase is due to the proposed construction of a new Public Works Service Center.

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Two transfers are budgeted for Fiscal 2005-06. The first, a transfer of \$61,789 will be made to the General Obligation Debt Service Fund, which represents the Solid Waste Fund's portion of a tax supported Certificate of Obligation bond issue, a portion of the proceeds having been used for construction of the Solid Waste Facility built in 1999. The second transfer is \$42,500 made to the Insurance Loss Fund.

WORKING CAPITAL BALANCE

Council Financial Policies require that the City's Enterprise Funds maintain a working capital balance of 45 days of budgeted expenses. The working capital balance in the Solid Waste & Recycling Fund is projected to be \$3,368,455 in Fiscal 2006, which exceeds the required working capital balance of \$959,689 by \$2,408,766.

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OTHER FUNDS

There are seven other funds for which the City Council appropriates fiscal expenditures. They are the Hotel/Motel Tax Fund, the Special Recreation Fund, the Ellen Trout Zoo Building Fund, the Court Security/Technology Fund, the Animal Control Kurth Grant and Animal Attic Gift Funds and the Economic Development Fund.

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The Hotel/Motel Tax Fund is used to provide funding for the operation and maintenance of the Pitsier Garrison Civic Center. Space in the Civic Center is leased to various organizations for business conferences, concerts, organizational meetings and school graduations. Operation of the Museum of East Texas, Texas Forestry Museum, Lufkin Convention and Visitors Bureau, and the Angelina County Exposition Center are partially funded by revenues from the Hotel/Motel Tax Fund, i.e. hotel/motel taxes.

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The Special Recreation Fund was established to account for the revenues and operating and maintenance expenses of the softball, basketball, gymnastics and other athletic leagues. Approximately 5,000 adults and children participate in the various programs offered by the recreation staff. Revenues generated by these recreation and sports programs are retained by the fund to pay operating and maintenance expenses and to upgrade facilities.

The Ellen Trout Zoo Fund is used to account for donations to the Zoo and for revenues generated from admissions receipts. These funds are used to make physical improvements to the Zoo and to acquire animals for display.

The Court Security/Technology Fund was developed as a Municipal Court fund. The Security revenues generated are used to finance items for the purpose of providing security services for the building housing the Municipal Court. The Technology revenues are to be used exclusively for the purchase and maintenance of computer systems including network, hard, software, imaging systems, electronic kiosks, electronic ticket writers and document management systems for the Municipal Court.

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The Animal Control Kurth Grant Fund is used to account for contributions received from the Kurth Foundation for the financing and benefit of the Kurth Memorial Animal Shelter and Animal Services.

The Animal Control Animal Attic Gift Shop Fund was developed to account for donations to the Kurth Memorial Animal Shelter and the use of such donations in support of the animals in the shelter.

The Economic Development Fund was established to account for the sales tax portion allocated to economic development within the City. Revenues to the fund are derived from 1/8th of each cent of sales tax collections in the City.

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HOTEL/MOTEL TAX FUND

REVENUES

The Civic Center Fund collects revenues from several sources. Total estimated revenue for Fiscal 2006 is projected to be \$721,611, a 7.2% increase, from the Fiscal 2005 revised estimate of \$673,042. These funds come from hotel/motel occupancy tax, fees from use of the Civic Center, and services offered to patrons by the Civic Center such as catering, security and concessions.

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HOTEL/MOTEL OCCUPANCY TAX

The City charges a 7% room rental occupancy tax to hotels and motels within the City of Lufkin. The Lufkin Board of Development divides this revenue among five different organizations through recommendations to City Council. The Board of Development consists of six individuals appointed by Council. The hotel/motel occupancy tax revenue is projected to be relatively flat at \$548,000 in Fiscal 2006.

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RENTAL AND USE FEES

Fees received from rental of the Civic Center facilities are projected to be \$80,000 for Fiscal 2006. This represents an increase of \$2,000 over revised estimates of \$78,000 for Fiscal 2005.

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CATERING SERVICE FEES

The Civic Center provides catering services for activities held within the building. These services are available to any party renting the facility. These revenues are estimated to be \$5,000 in Fiscal 2006, an increase of \$1,000 over the 2005 revised estimate.

OTHER REVENUES AND FEES

Other revenues and fees include security fees, concessions, equipment replacement charges, and miscellaneous revenue. For a fee, the Civic Center offers security services and provides refreshment concessions to those renters requesting the service. In the event Civic Center equipment is broken or destroyed during use by renters, they are required to pay an equipment replacement fee. These revenues and fees, taken together, are estimated to total \$33,500 in Fiscal 2006.

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INTEREST INCOME

Interest income is earned from investment of idle cash in the Fund. The investment rate for Fiscal 2006 is estimated to be 1.2%.

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HOTEL/MOTEL TAX FUND

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CIVIC CENTER

EXPENDITURES

PERSONNEL SERVICES

Personnel Services are expected to increase 3.49% in Fiscal 2006. Increases in employee longevity pay, insurance premiums, retirement contribution rates and a 3% cost of living adjustment are the cause the increase in these expenditures.

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SUPPLIES

Materials and supplies expenditures are anticipated to be \$18,350 in Fiscal 2006, an increase of 6.54% over the Fiscal 2005 revised estimate of \$17,223.

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EQUIPMENT & STRUCTURE MAINTENANCE

The Civic Center maintains sound equipment, heating and air conditioning equipment, and stage equipment. Fiscal 2006 expenditures are projected to be \$10,200 compared to the revised Fiscal 2005 estimate of \$86,537, this is an 88.21% decrease in this expenditure category. This large decrease is attributed to ADA code requirement changes being completed in Fiscal 2005.

MISCELLANEOUS SERVICES

Miscellaneous services include items such as electricity, heating fuel, building insurance, custodial services and other contract services. The Fiscal 2006 estimate of \$107,957, is an increase of 6.04% over the Fiscal 2005 revised estimate of \$101,808.

SUNDRY CHARGES

Council allocates a portion of the hotel/motel tax to several local agencies in support of economic development, tourism and community enhancement. These agencies include the Angelina County Exposition Center, the Museum of East Texas, the Texas Forestry Museum, and the Lufkin Convention and Visitors Bureau. The chart on the subsequent page reflects the Fiscal 2004 actual, Fiscal 2005 revised and Fiscal 2006 budget amounts for these activities.

CAPITAL OUTLAY

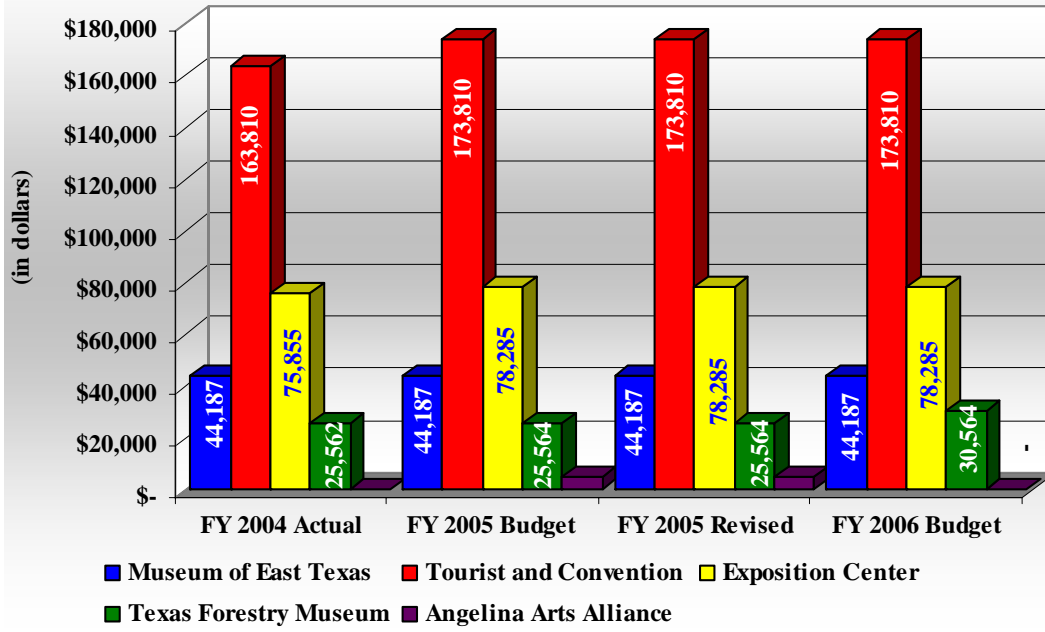
There are no capital expenditures scheduled for Fiscal 2005.

FUND BALANCE

The fund balance for the Civic Center Fund is estimated to be \$32,301 for Fiscal 2005. Council Financial Policies require a fund balance equal to 12.5% of expenditures, or \$89,347. Because demand for these funds from competing agencies has increased over the years, Council permitted an exception in this Fund to its financial policy for Fiscal 2005. However, Council will review the allocation procedure for these funds with the Board of Development during 2005 and make necessary adjustments to comply with the policy in future years.

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Civic Center Agency Contributions



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ZOO BUILDING FUND

REVENUES

The Zoo Building Fund is used to record transactions associated with new construction, renovation, upgrades and expansion to the Ellen Trout Zoo facilities. Revenues are generated from admission fees, sales of animals, safari classes, animal adoptions, concessions, miscellaneous revenue, interest income and donations. Approximately 84% of the total revenue is generated from admission fees. Donations vary from year to year, but are usually less than \$5,000 per year.

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ADMISSION FEES

Admission fees were increased in April 2003. Currently fees are \$3 for adults and \$1.50 for children between the ages of 4 and 14. (Children under 4 are admitted free.) The fees were increased from \$2 for adults and \$1 for children between the ages of 4 and 14. Revenues from admission fees are expected to be \$135,500 for Fiscal 2006.

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DONATIONS

Individuals and organizations such as "Friends of the Zoo" make donations. Donors are given free passes to the Ellen Trout Zoo and to other zoos around the country. Projected revenue for Fiscal 2006 totals \$2,000, and reflects normal donation levels.

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SAFARI CLASSES

The Zoo holds educational safari classes that provide the student an inside look at the care and handling of the animals and operation of the Zoo. The fees charged for these classes are applied to the cost of providing them. Fees are projected to be \$7,000 in Fiscal 2006, a slight decrease, compared to the Fiscal 2005 revised estimate of 7,180.

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ANIMAL ADOPTION DONATIONS

Zoo patrons make animal adoption donations to help support their favorite animal at the Zoo. The funds are used to purchase food and supplies for the animal, and a plaque is erected with the donor's name. Donations for Fiscal 2006 are estimated to be \$1,500.

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MISCELLANEOUS REVENUES

These revenues include sale of animals, concessions and other miscellaneous items that the Zoo Building Fund receives. Total combined miscellaneous revenues for Fiscal 2006 are estimated to be \$3,500 remaining in line with the Fiscal 2005 revised estimates.

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INTEREST INCOME

Interest income is anticipated to be \$10,000 for Fiscal 2006, compared to the revised estimate of \$12,800 for Fiscal 2005. This is based on an investment rate of 1.2%.

ZOO BUILDING FUND

EXPENDITURES

PERSONNEL SERVICES

No personnel salaries or benefits are charged to this fund.

SUPPLIES

Supplies include plant and landscape materials and educational supplies used in various Zoo educational programs. Expenditures are expected to remain at \$15,300 in Fiscal 2006, remaining flat with the revised 2005 estimate.

EQUIPMENT & STRUCTURE MAINTENANCE

Expenditures in this category are projected to increase from \$64,950 in Fiscal 2005 to \$69,100 in Fiscal 2006. This represents an increase of 6.39%. This is a direct result of the expansion of zoo exhibits aging and requiring miscellaneous maintenance.

MISCELLANEOUS SERVICES

Miscellaneous services are projected to be \$8,800 for Fiscal 2006. This represents a small decrease from the Fiscal 2005 revision of \$9,100.

SUNDRY CHARGES

There are no expenditures budgeted in this category.

CAPITAL OUTLAY

Expenditures for this category are \$10,500 for Fiscal 2006, which is a decrease of 76.14% from the revised 2005 estimate of \$44,000.

FUND BALANCE

Council Financial Policies require the Zoo Building Fund to maintain a fund balance of zero or greater because this fund serves as a construction fund for zoo expansion projects and depends heavily on contributions for its income. However, excess funds are retained from year to year and applied to various projects or used as grant matches. The Fund has maintained fund balances in previous years and is anticipated to have a fund balance of \$1,172,812 at Fiscal 2006 year-end.

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COURT SECURITY/TECHNOLOGY FUND

REVENUES

The Court Security/Technology Fund revenues are generated through the Municipal Court. By Ordinance an assessment of \$7.00 is included in the cost of each fine. \$3.00 of each assessment is to be used for Security and \$4.00 is to be used for Technology purposes in the Municipal Court. Fiscal Year 2006 revenues are estimated at \$125,600.

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COURT SECURITY/TECHNOLOGY FUND

COURT SECURITY EXPENDITURES

PERSONNEL SERVICES

The Court Security portion of this fund allows for the salary of the City Marshall, a part-time position within the Municipal Court. Current year expenditures are expected to be \$21,998.

SUPPLIES

Court Security supplies are anticipated to be \$5,400 in Fiscal 2006.

EQUIPMENT & STRUCTURE MAINTENANCE

Expenditures in this category are expected to be \$15,000 in Fiscal 2006.

MISCELLANEOUS SERVICES

Anticipated costs of Miscellaneous services are \$7,100 for Fiscal 2006.

SUNDRY CHARGES

There are no expenditures budgeted in this category.

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CAPITAL OUTLAY

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COURT SECURITY/TECHNOLOGY FUND

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COURT TECHNOLOGY EXPENDITURES

PERSONNEL SERVICES

There are no expenditures budgeted in this category.

SUPPLIES

Court Technology supplies are anticipated to be \$3,900 in Fiscal 2006.

EQUIPMENT & STRUCTURE MAINTENANCE

Expenditures in this category are expected to be \$14,500 in Fiscal 2006.

MISCELLANEOUS SERVICES

Anticipated costs of Miscellaneous services are \$5,000 for Fiscal 2006.

SUNDRY CHARGES

There are no expenditures budgeted in this category.

CAPITAL OUTLAY

There are no expenditures budgeted in this category.

FUND BALANCE

Council Financial Policies requires the Court Security/Technology Fund to maintain a fund balance of zero or greater. However, excess funds are retained from year to year and applied to various security, and technology equipment purchases. The Fund has maintained fund balances in previous years and is anticipated to have a fund balance of \$76,122 at Fiscal 2006 year-end.

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ANIMAL CONTROL KURTH GRANT FUND

REVENUES

The revenues for this fund are strictly contributions received as a grant through the Kurth Foundation in support of the Kurth Memorial Animal Shelter. Current Year revenues are estimated to be \$105,000.

EXPENDITURES

Expenditures in the fund are for the non-salaried operations of the Kurth Memorial Animal Shelter. Fiscal Year 2006 expenditures include the purchase of equipment, shelter supplies and a transfer to the General Fund to subsidize the costs of supplies needed for shelter operations.

ANIMAL ATTIC GIFT FUND

REVENUES

Animal Attic Gift Fund revenues are donations received from individuals for the support of animals at the shelter. Current year revenues are expected to be approximately \$2,200.

EXPENDITURES

The anticipated expenditures of the Animal Attic Gift Fund include the purchase of equipment needed for shelter operations, such as an evacuation/adoption trailer for use at adoption events and during emergency/evacuation events.

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ECONOMIC DEVELOPMENT FUND

REVENUES

Revenues for the Economic Development Fund are derived from the City's Sales Tax Revenues and interest income. 1/8 of each cent of the City's Sales Tax Revenues are dedicated to the Economic Development Fund. Revenues for Fiscal 2006 are anticipated to be \$841,525.

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ECONOMIC DEVELOPMENT FUND

EXPENDITURES

PERSONNEL SERVICES

Salaries and benefits for the Economic Development Fund are anticipated to be \$110,271 in Fiscal 2006.

SUPPLIES

Expenditures for supplies are anticipated to be \$7,000 in Fiscal 2006.

EQUIPMENT & STRUCTURE MAINTENANCE

There are no expenditures budgeted in this category.

MISCELLANEOUS SERVICES

Anticipated costs of Miscellaneous services are \$97,700 for Fiscal 2006.

SUNDRY CHARGES

There are no expenditures budgeted in this category.

CAPITAL OUTLAY

There are no expenditures budgeted in this category.

FUND BALANCE

Council Financial Policies requires the Economic Development Fund to maintain a fund balance of zero or greater. However, excess funds are retained from year to year and are applied to the fund balance for future expansion projects to boost the economy and development of business with in the City of Lufkin. The anticipated fund balance at Fiscal 2006 year-end is \$1,247,727.



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Paul L. Parker
City Manager
City of Lufkin



300 East Shepherd
P. O. Drawer 190
Lufkin, Texas 75902-0190
(936) 633-0211
Fax: (936) 634-4774
Email: pparker@cityoflufkin.com

September 21, 2004

Honorable Mayor and City Council Members:

Submitted herewith is the approved Fiscal 2005 Operating Budget for the City of Lufkin. This budget, while conservative, does maintain current service levels. As you are aware this has been a very challenging Budget, due primarily to the new Economic Development Tax, a three percent cost of living adjustment for all City employees, an electrical rate increase, and Texas Municipal Retirement System rate adjustment impacts the General Fund for approximately \$1,296,000. In addition to these major budget increases, there are numerous other increases due to inflation such as gasoline costs, natural gas costs, etc.

Through the diligent efforts of our City department heads, City employees, and the Accounting Department, we are able to present to you a 2004-2005 Budget. This budget indicates expenditures over revenues of only \$656,426. This amount reduces the estimated ending fund balance of \$7,341,765 for Fiscal 2003-2004 to the projected Fund Balance at the conclusion of Fiscal 2004-2005 of \$6,685,339. This is above the Fund Balance Policy reserve of 25% or \$5,808,286. Positive signs indicate the recovery of the local economy with some strong recovery in sales tax receipts and a significant growth in the taxable value of real property tax base.

As mentioned previously, this Budget includes a three percent cost of living adjustment. City employees have not received an adjustment for the past two years. The Budget also includes the first year of the implementation of the Economic Development initiative approved by the citizens of Lufkin.

RATE INCREASES

Through the leadership of the Mayor and City Council and the deliverance of quality services by the employees of the City of Lufkin, the proposed property tax rate for 2004/2005 will remain the same as last year at 0.5585 per one hundred dollar valuation. Therefore, unless citizens' valuations have been adjusted within the past year, or they have made substantial improvements to their property, they will not pay any additional property taxes.

The Budget does include an increase in water rates of two percent to meet our Debt Service for the Asbestos Cement Waterline Replacement Program. The sewer rate for residential customers will remain unchanged. However, there is a slight increase in industrial and commercial rates, based on the Rate Analysis Study performed by Reed, Stowe, and Yanke, LLC. The average sewer rate increase for affected commercial and industrial customers is 15.39% and 4.5%, respectively. Angelina County increased landfill rates by 11%. However, the City of Lufkin will maintain current solid waste rates.

PERSONNEL ADJUSTMENTS

The City of Lufkin is continuing the hiring freeze during FY 2004/2005 in a limited capacity. Each position as it becomes vacant, through attrition or retirement, is reviewed to determine its necessity. This budget continues the hiring freeze on nine additional positions. Three positions are added: one to the Solid Waste/Recycling Fund and two to the General Fund.

SIGNIFICANT CHANGES

Major significant changes in the FY 2004-2005 City of Lufkin's Operating Budget are reflected in comparison of the **2004 Revised** and the **2005 Budget**.

Citywide Changes

3% cost of living adjustment for all employees. Breakdown for each Fund is as follows:

A. General Fund	\$ 371,182
Water-Wastewater Fund	\$ 63,362
Solid Waste-Recycling Fund	\$ 27,179
Civic Center Fund	\$ 5,446

Texas Municipal Retirement System increase of annual premiums from 12.09% to 13.21%. The effect on each Fund is as follows:

General Fund	\$ 85,000
Water-Wastewater Fund	\$ 16,524
Solid Waste-Recycling Fund	\$ 6,659
Civic Center	\$ 1,419

The costs of electricity, citywide, increase of approximately \$ 146,223. The breakdown for each Fund is as follows:

A. General Fund	\$ 78,356
Water-Wastewater Fund	\$ 49,925
Solid Waste-Recycling Fund	\$ 2,380

Civic Center Fund

\$ 15,562

General Fund Changes

General Government decreases contributions to various entities by \$37,000.

Municipal Court modified the Court Administrator's position. This position is split between this department and Animal Services, saving the city approximately \$21,600 in salaries and benefits.

Human Resources added a position to their personnel roster in 2003-04 for purchasing duties. This increases the Human Resources budget by approximately \$8,500.

Information Technology has a total of \$138,551 in increases. The approximate breakdown is as follows:

Supplies increase of \$36,399. This is a result of software upgrades and licensing compliance.

Maintenance increases of \$37,737 for air conditioner repairs and electrical grid realignment.

Miscellaneous Services increase of \$30,800. This is a result of increases for equipment rental costs, services for tower climbs to repair equipment, and shipping for end of lease PC's.

A \$25,000 increase in capital outlay is for the purchase of replacement equipment.

The Purchasing Department has an overall decrease of \$62,792, which is primarily effected by the retirement of the Purchasing Director. The Purchasing Department was eliminated during Fiscal 2003-2004, and the duties were transferred to Human Resources and the City Secretary.

The Police Department's budget increases by \$358,120. The breakdown is as follows:

Maintenance of equipment and structures increases \$13,481 primarily for the scheduled repairs to South Base.

A \$24,322 increase in miscellaneous services is for PC rental and training for various functions.

The purchase of eleven police cars increases capital outlay by \$242,000.

The Jail division is eliminated and reclassifies the Jailer position to Fleet Manager.

The Fire Department budget increases \$389,660. This is primarily for the lease-purchase of an aerial ladder truck. The cost is approximately \$640,000, which is off set by a \$450,000 grant. However, the Fire Department decreases the supplies budget by \$246,450.

Animal Services decrease the miscellaneous service category by \$7,637. This is accomplished by reducing travel, training, and special services.

Engineering reduce their staff by eliminating the Engineer in Training position, which reduce salaries and benefits by approximately \$50,000 overall. Miscellaneous services decrease by \$22,447 because of a reduction in Engineering Services costs.

The Street Department will lease-purchase a new dump truck for the maintenance division, with the cost budgeted at \$82,500. This department also reduces maintenance cost by \$45,134.

Parks and Recreation increase their overall budget by \$86,163. This is contributed to the items listed below:

A new Ground Maintenance position, at a cost of \$26,583, will maintain the newly completed facility at Kit McConnico.

Miscellaneous services increases by \$56,688 as a direct result of the addition of Kit McConnico electricity cost and the increase in electrical rates.

The Parks and Recreation Department also has several staffing changes.

A. All summer Ground Maintenance (eleven positions in total) will be contracted. This is contingent on the cost/benefit savings of this service change. This increase is countered by an approximate decrease in salaries and benefits.

One pool manager and four lifeguard positions are represented on the department's manning chart. However, funding for these positions is not in the budget. The lack of budgeting for this service hinged on future service provided by the Boys & Girls Club, through local funding, that funding did not materialize.

Ellen Trout Zoo is also changing the method in which summer employees are handled. Last year these positions were contracted services. These positions are funded as employees, increasing the salaries and benefits by approximately \$16,560. This increase is directly correlated with the decrease in miscellaneous services.

Water-Wastewater Fund Changes

The Wastewater Treatment Plant expenses increase by \$142,321 for chemical cost, a TCEQ mandated O&M manual and repairs to existing equipment.

Water Production has two major projects: the cleaning and rehab of Ellen Street and Kiln elevated storage facilities. These are mandated by the TCEQ, per an annual inspection. The approximate cost of these projects is \$228,000.

Sewer Collections eliminated the Electrician position from the departmental roster during Fiscal 2003-2004.

The Non-Departmental transfer to the depreciation fund increases from last year's transfer of \$305,600 to \$1,509,000. This is a result of an increase in working capital, which results from continuing control of expenditures and enhanced water and sewer revenue.

Solid Waste-Recycling Fund Changes

Landfill costs will increase 11%, or \$143,000 department-wide, for Solid Waste. The breakdown by division is as follows:

A. Residential collections	\$ 22,550
B. Commercial collections	\$ 42,350
C. Special collections	\$ 6,600
D. Roll off collections	\$ 71,500

A new position, Computer Technician, is added to the Solid Waste roster for an increase of approximately \$26,000.

The majority of the increase in salaries and benefits, excluding the above-mentioned position, is a result of filling positions that are currently vacant.

Recycling decreases its operating budget by \$508,759. This is the result of two decreases and one increase, listed below:

Recycling did not purchase the automation equipment for recycling in Fiscal 2003-2004 - \$425,000.

A decrease in equipment and structure maintenance.

An increase in food and transportation costs of \$24,600 for community service workers.

Other Funds Changes

The Civic Center Fund decreases overall expenditures by \$13,400 as a result of the items listed below:

A. Maintenance of equipment and structures decrease, as of current information, by \$26,490 from the Revised 2004 budget. This decrease is

attributed to completion of unscheduled ADA compliance items in the current budget year.

Sundry charges increase by \$15,000 due to the increase contributions to entities in Angelina County.

Miscellaneous Services increase of \$15,282 primarily for electrical costs. Capital outlay is reduced by \$27,220 in Fiscal 2004-2005.

Special Recreation purchase of capital equipment consisting of a tractor, a tiller and a mower to maintain the softball and soccer fields at a cost of \$41,000.

The Zoo Building Fund decreases the overall budget by \$97,195, which represents a reduction in capital outlay for next fiscal year.

Respectfully submitted,



Paul L. Parker
City Manager,
City of Lufkin

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**CITY OF LUFKIN
FY 2005 BUDGET PREPARATION
CALENDAR OF EVENTS**

<u>DATE</u>	<u>ACTION</u>	<u>RESPONSIBILITY</u>	<u>DESCRIPTION</u>
April 5, 2004	Revenue Estimates	Accounting Director	Distribute Budget Revenue Estimates to responsible departments.
April 5, 2004 2:00 p.m.	Budget Kickoff Council Chambers Room 102	(Interim) City Manager and Accounting Director	Initial Budget meeting to establish guidelines for the 2005 budget process, discuss budget format and requirements and distribute budget instruction manuals and materials.
April 23, 2004	Revenue Estimates and 2004 Revised Budget Expenditure Estimates	Department Directors and Applicable Staff	Completed Revenue estimates and current year annualized expenditures are due in HTE from responsible departments.

May 14, 2004	Completed FY 2005 Budget Drafts and Supplemental Requests	All Departments	Departmental FY 2005 budget drafts due to be completed in HTE. Accounting will begin to prepare for budget review.
May 18, 2004	Send Budget Review Schedule to Department Heads	Accounting Director	Schedule of meetings will be developed and sent to department Directors.
June 2-4, & 7- 8, 2004	Departmental FY 2005 Budget and Supplemental Request Reviews	City Manager, Department Directors, Administrative Staff, & Accounting Director	Administrative Staff and Accounting Director to meet with each Department Director to review departmental budgets.
June 25, 2004	Council Retreat Pine Island Hunting Lodge	City Council, City Manager, Administrative Staff, Applicable Department Directors	Staff, Council meeting to discuss goals and objectives and establish direction for the 2004 budget year.
July 12, 2004	Council Budget Workshop	City Council & City Staff	Council review of departmental budget requests.
July 20, 2004	Budget Submission to Council	City Manager	Draft budget and transmittal letter submitted to Council. Council sets public hearing on budget for public input.

<u>DATE</u>	<u>ACTION</u>	<u>RESPONSIBILITY</u>	<u>DESCRIPTION</u>
July 30, 2004	Receive Tax Rate from County Collector's Office	Accounting Director	Scheduled to receive calculated effective tax rate from Collector's office so item may be discussed at following Council meeting.
July 31, 2004	1 st Open Meetings Notice	City Secretary	72-hours notice for Open Meetings Notice, printed in local newspaper and posted in City Hall
August 3, 2004	Public Hearing	City Council	A public hearing is held by Council to receive public input regarding the 2004/2005 Operating Budget.
	Discussion of Proposed tax rate		Meeting of governing body to discuss tax rate; if proposed tax rate will exceed the rollback rate or 103% of the effective

tax rate (whichever is lower), take record vote and schedule public hearing.

August 10, 2004	1 st Notice of Public Hearing on Tax Increase	Angelina County Tax Collector's Office	"Notice of Public Hearing on Tax Increase": (1 st quarter-page notice in newspaper and on TV and website, if available) at least seven days before public hearing
August 10, 2004	Effective Tax Rate Published	Angelina County Tax Collector's Office	The effective tax rate for fiscal 2005 is published in the local newspaper.
August 14, 2004	2 nd Open Meetings Notice	City Secretary	72-hours notice for Open Meetings Notice, printed in local newspaper and posted in City Hall
August 17, 2004	Public Hearing 1 st Reading of Budget, Water, and Sewer Ordinances Discussion of Proposed tax rate	City Council	First reading of Budget, Water, and Sewer Ordinances. Public hearing; schedule and announce meeting to adopt proposed tax rate 14 days after public hearing.

<u>DATE</u>	<u>ACTION</u>	<u>RESPONSIBILITY</u>	<u>DESCRIPTION</u>
August 31, 2004	1 st Notice of Public Hearing on Tax Increase	Angelina County Tax Collector's Office	"Notice of Vote on Tax Rate" (1 st quarter-page notice in newspaper before meeting and on TV and website, if available, at least seven days before meeting) published before meeting to adopt tax rate
August 27, 2004	Preliminary Adoption of Proposed Tax Rate	Accounting Director	Preliminary adoption sent to Angelina County Tax Collector's office.

September 4, 2004	3rd Open Meetings Notice	City Secretary	72-hours notice for Open Meetings Notice, printed in local newspaper and posted in City Hall
September 7, 2004	2 nd Reading of Budget, Water, and Sewer Ordinances	City Council	Second reading of Budget, Water, and Sewer Ordinances
September 8, 2004	2 nd Notice of Public Hearing on Tax Increase	Angelina County Tax Collector's Office	"Notice of Vote on Tax Rate" (2 nd quarter-page notice in newspaper before meeting and on TV and website, if available, at least seven days before meeting) published before meeting to adopt tax rate
September 21, 2004	Adoption of Proposed Tax Rate	City Council	Meeting to adopt tax rate, Meeting is 3-14 days after public hearing. Taxing unit must adopt tax rate by September 30, or within 60 days of receiving certified appraisal roll.
October 31, 2004	Distribution of Final Budget Document	Accounting Director	Final Budget Document published.



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will be purchased, subject to grant approval, in early 2005. An ambulance is also
scheduled for refurbishment in early 2005

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A Homeland Security grant is in the process of approval. Through this grant the
Fire Department can purchase equipment that will be useful in a
number of emergency situations

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The recently closed jail will allow for additional office spaces and
a larger property room.

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using an equipment grant for radios and workstations. Some of the
costs will be covered from the Police forfeiture fund.

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This remodel of the jail area and addition of office spaces will begin in early
2006.

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The acquisition of the grants will take place in late 2005 and work is scheduled to
begin in early 2006.

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Nine positions are frozen and postponed to future years. The breakdown is as follows:

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Purchasing Director

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**Engineer in Training
Electrician**

**Engineering
Sewer Collections**

**Eliminated
Eliminated**

Grounds Maintenance	Electrician	Parks & Recreation Sewer Rehabilitation	Added
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Parks & Recreation			
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Computer Technician		Solid Waste	Added
Purchasing Coordinator		Human Resources	Added
Laborer	Maintenance	Streets	Frozen
Technician		Water Pollution Control	Added
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Streets			
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Accounting			
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(4) Firefighters		Fire Department	Frozen
Library Shelver		Library	Frozen
(2) Police Officer		Police Department	Frozen
Mammals Collections Mgr.		Ellen Trout Zoo	Frozen
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These expenditures represent 4.85% of General Fund expenditures and are estimated to be \$1,128,565 for Fiscal 2002. This is a decrease of 1.48% from the Fiscal 2001 revised estimate of \$1,145,532. The Fire department made roof and plumbing repairs to several of its fire substations during Fiscal 2001, which are non-recurring in Fiscal 2002.

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City Council approved a \$100,000 contribution to the Economic Development Partnership to be used by the Partnership for infrastructure construction projects. The City's contribution is divided between the General, Water/Wastewater and Solid Waste & Recycling Funds. The General Fund's portion of the contribution is \$57,000 and accounts for the increase in this expenditure category.	
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alternative sources of funding is	
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City's share for the Home Program grant of \$62,500	
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Subtotal	<u>\$ 7,000</u>

Police:		
Patrol Vehicles		\$252,000
Light Bars, Radar, Sirens, Video Cameras		
<u>26,950</u>		
Subtotal		<u>\$278,950</u>

Animal Control:		
3/4 Ton Pickup		\$ 30,000
Subtotal		<u>\$ 30,000</u>
Engineering:		
1 CAD Computer		\$ 4,000
Subtotal		<u>\$ 4,000</u>
Street:		
Parking Lot Purchase		\$ 50,000
Flood Control Equipment		11,400
Storm Sewer Drain Installations		54,000
Subtotal		<u>\$115,400</u>
Park:		
Play Equipment		\$ 24,000
Kiwanis Spray Play		77,000
Jones Park Basketball Court		65,000
Jones Park Tennis Court & Fence Replacement		115,000
Trailer for Horticulture		2,000
Front-cut Mower Replacement		13,000
Two Pickup Replacements		36,000
One Dump Truck Replacement		55,000
Subtotal		<u>\$387,000</u>
Total Capital		<u>\$822,350</u>

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decreases in gasoline	
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usage with the purchase and proper maintenance of new sanitation vehicles	
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This increase is attributed to the County Landfill charges increasing by approximately 11% during the budget year.	
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Roll-Off Containers	
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to remain flat at \$50 for Fiscal 2005

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This \$3,180 difference is attributed to no Fourth of July event scheduled in Fiscal 2004.

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use of the Brandon Center, special events, other

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These monies will be used to purchase new machinery and equipment to maintain the softball fields at existing and new park facilities. The table below lists the capital items.

Special Recreation Fund Capital Purchases	
Item	Cost
Field Master Drag	\$ 3,000
Tractor	15,000
Tri-Plex Mower	20,000
PTO Tiller	3,000
Total Capital	\$ 41,000