

# ANNUAL OPERATING BUDGET

FOR FISCAL YEAR  
OCTOBER 1, 2006 - SEPTEMBER 30, 2007



Jack Gorden, Jr.  
Mayor

City Council

R. L. Kuykendall  
Ward 1

Rose Faine Boyd Mayor  
Pro-Tem, Ward 2

Lynn Torres  
Ward 3

Don Langston  
Ward 4

Rufus Duncan, Jr.  
Ward 5

Phil Medford  
Ward 6

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



# 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



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August 25, 2006

Honorable Mayor and City Council Members:

Submitted herewith is the Fiscal 2006/2007 Operating Budget for the City of Lufkin. This budget, while conservative, does maintain and enhance 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, natural gas and electricity.

Our revenue projections for next year remain relatively conservative with an estimated increase in sales tax of 3% and an increase in ad valorem property tax of .58%. The projected ending General Fund Balance at the conclusion of Fiscal Year 2005/2006 is \$9,343,465. The projected Fund Balance for Fiscal Year 2006/2007 is projected to be \$8,047,963. The twenty-five percent (25%) Fund Balance Reserve is \$6,322,011; therefore, the projected Fund Balance at the conclusion of FY 2007 will be \$1,725,952 above the required policy reserve. Thus, the City is in very good position to meet unexpected expenditures and to fund capital projects.

This budget is balanced by using (\$1,756,276) from the various beginning fund balances for FY 2007 as listed in the following table:

General Fund	(\$1,295,502)
Water Wastewater Fund	\$3,974
Solid Waste/Recycling Fund	(\$275,714)
Hotel/Motel Tax Fund	(\$43,802)
Other Funds	(\$145,232)
Total	(\$1,756,276)

The budget proposes a three percent (3%) cost of living adjustment in all departments with the exception of the Police Department. Due to the fact that the Police Department sworn officer salaries fall below other cities similar in size to Lufkin, a proposed increase of eight percent (8%) will be initiated on October 1, 2006 and an additional raise averaging eight percent (8%) per officer will become effective on April 1, 2007. This significant increase in police salaries should enable our department to maintain existing qualified personnel and attract excellent applicants for future positions.

## **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 2006/2007 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 City's current electrical contract expires in October 2006 and the City anticipates rates increasing approximately sixty-five percent (65%). The total anticipated impact on the Water and Wastewater Fund for electrical increases is approximately \$975,000, which would require a seven percent (7%) rate increase to offset additional electrical charges. The City Council directed Staff to propose an increase in water and sewer rates by three percent (3%) and to budget for a Water and Wastewater Rate Analysis to determine what additional expenses must be included in future water and wastewater rate hikes. To offset the additional electrical cost, the General and Administrative Revenue in the General Fund is being reduced by \$525,630 from the Water and Sewer Fund to allow for only a three percent (3%) increase in water and sewer rates for Fiscal Year 2007. Additionally, the transfer to the Water and Sewer Debt Reserve Fund will reduce by \$175,000 to assist in holding the rate increase to three percent (3%). In essence, this action reduces the General Fund Unobligated Fund Reserve by not requiring water and wastewater to transfer all the funds necessary to fully fund all of its indirect costs.

In addition to the three percent (3%) water and sewer rate increase for all classes of customers, the final year of the Rate Analysis Study performed by Reed, Stowe and Yanke, LLC is also included in this proposed budget. This increase is in the industrial customer rate and increases the rate from \$1.70 to \$1.75 per thousand gallons.

## **BOND SALES**

In the first quarter of 2007, the City anticipates issuing the final portion of the 1999 Capital Improvement Program bonds. A total of \$6.515 million, including cost of issuance, is planned and will include \$2.1 million for tax supported projects, \$1.74 million to complete the road projects authorized in FY 2001, and \$800,000 to complete utility projects.

An additional \$1.8 million is required for a new fire station, fire pumper, track excavator and street gradeall. This portion of the debt issue will be paid out over a three or four year period.

## **AMORTIZATION**

The city implemented an Equipment Amortization and Replacement Policy during FY 2006. Initial funding for this policy came from the General Fund (\$547,544), Water Wastewater Fund (\$387,791) and the Solid Waste/Recycling fund (\$686,909). Although equipment was planned to be replaced during the 2006/2007 Fiscal Year, all acquisitions will only occur after the Fleet Service Director has reviewed each piece of equipment to insure the need for replacement and the amounts budgeted are appropriate to cover the cost of the proposed expenditures. In FY 2007 the City will purchase all rolling stock equipment from the Equipment Acquisition and Replacement Fund for the departments shown on the following table:

<b>DEPARTMENT</b>		<b>DESCRIPTION</b>	<b>AMOUNT</b>
<b>Police</b>			
Purchase	One	1/2 Ton Truck	\$ 18,500
Purchase	Nine	Patrol Cars	198,000
Purchase	One	Pickup Truck	18,500
			<u>235,000</u>
<b>Fire</b>			
Purchase	One	MED UNIT	90,000
Purchase	One	BUSH TRUCK	50,000
			<u>140,000</u>
<b>Street</b>			
Purchase	One	6 Yard Dump Truck	90,000
Purchase	One	TRACTOR - 50 HP	18,500
Purchase	One	ASPHALT DISTRIBUTOR	30,000
Purchase	One	1 Ton 2WD DIESEL W/UTILITY BDY	25,000
Purchase	One	3/4 Ton 2WD Truck	20,500
			<u>184,000</u>
<b>Parks</b>			
Purchase	One	TRACTOR	17,000
Purchase	One	UTILITY TRUCK	12,000
Purchase	One	PICK UP TRUCK	15,500
			<u>44,500</u>
<b>Zoo</b>			
Purchase	One	GOLF CART	7,500
Purchase	One	1/2 TON VAN	18,000
Purchase	One	1/2 TRUCK	15,750
Purchase	One	TRUCK	15,750
			<u>57,000</u>
		<b>Total General Fund</b>	<u><u>\$ 660,500</u></u>
<b>Utility Collections</b>			
Purchase	One	1/2 TON TRUCK	\$ 15,750
<b>Water Distribution</b>			
Purchase	TWO	BACKHOES	96,000
<b>Wastewater Treatment</b>			
Purchase	One	1/2 TON PICKUP	15,750
<b>Water Production</b>			
Purchase	One	1/2 TON PICKUP	15,750
<b>Sewer Collection</b>			
Purchase	One	UNLOADER W/CONCRETE BREAKER	25,000
Purchase	Two	BACKHOES	96,000
Purchase	One	6 YD DUMP TRUCK	53,500
Purchase	One	BACKHOE	48,000
Purchase	One	6 YD DUMP TRUCK	53,500
Purchase	One	TRUCK TRACTOR	55,000
			<u>331,000</u>
		<b>Total Water Wastewater Fund</b>	<u><u>\$ 474,250</u></u>

**Solid Waste**

Purchase	Two	SIDE LOADERS	\$ 300,000
Purchase	One	1/2 TON PICKUP	30,000
Purchase	One	FRONT LOADER	153,313
Purchase	One	GRAPPLE TRUCK	153,313
Purchase	One	GRAPPLE TRUCK	131,831
Purchase	One	ROLL-OFF TRUCK	99,088
			<u>867,545</u>

**Recycling**

Purchase	One	DOZER	<u>208,805</u>
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**Total Solid Waste/Recycling Fund** \$1,076,350

**TOTAL ALL FUNDS** \$2,211,100

**SIGNIFICANT CHANGES****General Fund**

1. Information Technology – cost of new Server for the AS400 System - \$188,520. Includes maintenance costs.
2. Animal Control - New shelter software - \$6,000. Building maintenance costs include \$8,000 for replacement of cabinets, linoleum and painting throughout the shelter.
3. Street Department – Two new positions totaling \$65,999. A Street Sweeper position to operate a second street sweeper and assist other crews on a part-time basis. A Utilities Tech position to assist with concrete repairs and curb and gutter work.
4. Parks and Recreation – Signage for Bronaugh Park and other City Parks, \$10,000. Fencing at Morris Frank and Ellen Trout Parks totaling \$6,900. Spray Play resurfacing \$7,000. Utility Cart and Trailer for pesticide application \$6,800.
5. Fleet Maintenance – Reclassification of 2 garage employees from Solid Waste to be moved to the Fleet Maintenance shop for centralized maintenance \$72,785. Repair and Replacement of shop doors \$10,000. Purchase of new Diagnostic Machine \$14,000.
6. Zoo – Addition of new Grounds Maintenance position \$25,924.

**Water/Wastewater Fund**

1. Water Distribution – Additional costs of Front End Loader to replace existing backhoe used to fill trucks with roadbase and fill material - \$9,000.
2. Sewer Collection – Addition of new Office Assistant II for the warehouse \$29,280.

**Solid Waste/Recycling Fund**

1. Solid Waste – Approximately 3.5% increase in landfill charges.

**Other Funds**

1. Hotel/Motel Tax Fund – Civic Center - New Tables and carts \$14,453. Remodel both dressing rooms and bath areas in the dressing rooms to ADA specifications \$22,000. Tint front windows in Lobby to assist with heating and cooling costs \$9,776.
  
2. Water/Wastewater Depreciation Fund:

a. Roof Repairs to Buildings at WWTP -	\$61,000
b. Air Compressor for Sewer Collection-	18,000
c. R-8 Base Kit for GPS Unit -	24,000
d. 3 Raw Sewage Pumps – Motors/Drives	70,000
e. Rehab of Ellen Street Elevated Tower	266,175
f. Rehab of 2 Ground Storage Tanks	225,000
g. Continuation of radio read meter program	226,825
  
3. Solid Waste/Recycling Depreciation Fund – Purchase of small street sweeper for downtown use by Main Street \$33,000.

**Citywide Changes**

3% cost of living adjustment for all employees (except Police)

General	\$ 286,019
Water/Wastewater	75,122
Solid Waste	30,116
Hotel/Motel	5,807
Economic Development	4,401
Security & Technology	730

Police Department increase

8% in October 2006	\$272,538
Additional required for equalization in April 2007	134,916

Increased Electrical Costs – Approximately 65%

General	\$680,425
Water/Wastewater	979,613
Solid Waste	12,000
Hotel/Motel	30,000

Increased Fuel Costs	
General	\$92,756
Water/Wastewater	23,798
Solid Waste	5,100

A decrease in Liability Insurance payments of approximately \$26,000.

Annual Cost to the Departments for the implementation of the Equipment

Amortization Fund:

General	\$590,629
Water/Wastewater	351,276
Solid Waste	596,524

In conclusion, the 2006/2007 Fiscal Year Budget reflects the Council's continuing progressive attitude that insures City services will be enhanced and taxes and rates will be maintained at the lowest feasible levels.

Respectfully submitted,

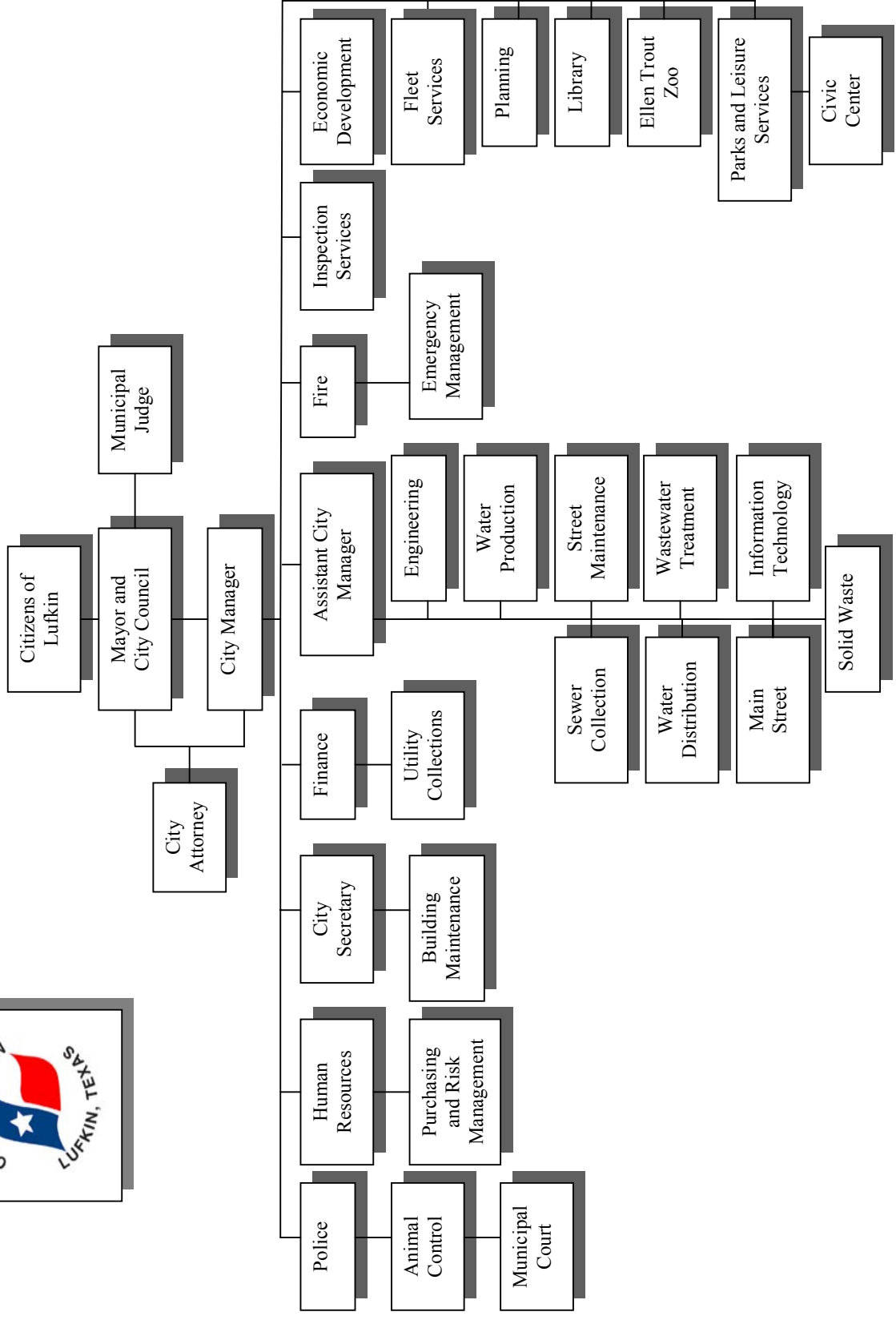


Paul L. Parker  
City Manager

PLP/jet



**CITY OF LUFKIN, TEXAS  
ORGANIZATION CHART**



## 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.

Departments	Responsibility Centers					
	General Government	Public Works	Public Utilities	Public Safety	Community Development	Culture & Recreation
General Government						
City Manager						
Finance						
Legal						
Municipal Court						
Tax						
Human Resources						
Municipal Building						
Information Technology						
Police						
Fire						
Inspection Services						
Assistant City Manager						
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						





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Lufkin  
Texas**

For the Fiscal Year Beginning

**October 1, 2005**

President

Executive Director

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, 2005.

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.



# **READER'S GUIDE TO THE 2006-2007 CITY OF LUFKIN OPERATING BUDGET**

## **OVERVIEW**

The **READER'S GUIDE** is intended to facilitate the readability of the Fiscal 2007 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:

- *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 2007 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 2007 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 2007 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.

## 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 8,631 students. Three private schools also serve the area.

Angelina College, a two-year college established in 1968, offers exemplary nursing and technical training programs to its students. Fall 2006 enrollment totaled approximately 5,000 with over 250 students enrolled in health care programs.

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.

### **Community Facilities and Attractions**

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

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.

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.

**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 2007 are reflected in the following table.

Fiscal 2007 Ad Valorem Tax Rates	
Taxing Entity	Tax Rate per \$100 Assessed Value
Angelina County	\$0.441200
City of Lufkin	\$0.555478
Lufkin Independent School District	\$1.447500
Angelina College	\$0.119000
<b>Total</b>	<b>\$2.563178</b>





## **DESCRIPTION OF FUND STRUCTURE AND CITY FINANCES**

Governmental accounting systems are operated on a “fund” basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The funds contained in this budget are segregated into two *Fund Types*: Governmental Funds and Proprietary Funds. Governmental funds are used for most government activities while proprietary funds are based on the premise that the city service will be conducted as a business with user fees covering expenditures. Listed below are descriptions of the funds maintained by the City and included in this document.

This budget was developed and will be implemented and monitored on a modified accrual basis in accordance with Generally Accepted Accounting Principals (GAAP). Budgetary control is maintained at the category, or object class, level (personnel services, supplies, maintenance, etc.) for each department. Open encumbrances lapse at September 30<sup>th</sup> of each year. Those encumbrances carried forward to the next fiscal year are re-appropriated in the subsequent year and the budget is increased to reflect these carried forward encumbrances. Unspent and unencumbered appropriations lapse at the end of the fiscal year.

### **GOVERNMENTAL FUNDS**

**General Fund** – accounts for all financial resources except those to be accounted for in another fund. Property and other taxes, franchise fees, fines, licenses and fees for services provide the resources necessary to fund the typical municipal services such as Public Safety, Parks and Leisure, Administration, Public Works and Community Development activities. The General Fund budget is prepared on a modified accrual basis wherein the obligations of the City are budgeted as expenditures, but revenues are recognized and recorded only when they are available and measurable.

**Special Revenue Funds** – account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The City budgets eight special revenue funds. The Civic Center Fund receives its primary revenues from Hotel/Motel tax revenues. The Ellen Trout Zoo Building Fund receives admissions fees and donations from Zoo patrons to be used specifically for improvements and exhibits to the Zoo. The Special Recreation Fund receives user fees from athletic associations and leagues for maintenance of the athletic fields and facilities. The Municipal Court Security/Technology Fund receives a set fee from each fine collected in Municipal Court. These funds are used for to purchase security equipment as well as salaries for security employees and to purchase computer equipment and software for the Municipal Court. The Animal Control Kurth Grant Fund is supported solely by the Kurth Foundation. These funds are to be used for the support of the Kurth Memorial Animal Shelter. The Animal’s Attic Gift Shop revenues are strictly donations. These contributions are used to purchase vaccines and medicines for animals in the Shelter. The Economic Development Fund receives its revenue from a portion of the sales taxes collections received by the City. These funds are for the economic development and promotion of business within the City. Finally the Equipment Acquisition and Replacement Fund revenues are transferred from the departments

and are accrued from the depreciation of equipment. Accumulated funds are to be used to replace and purchase new equipment, vehicles and machinery. The Special Revenue Funds are governmental fund types and therefore these budgets are prepared on a modified accrual basis as outlined in the General Fund section above.

**Debt Service Fund** – accounts for the accumulation of monies that are set aside to pay principle, interest and fees on debt incurred through the sale of bonds and other debt instruments. Proceeds from these tax and revenue bonds are used to make long-term capital improvements to streets, drainage systems, water, wastewater and solid waste projects. The Debt Service Fund is classified as a governmental fund type and its budget is therefore prepared on a modified accrual basis as stated in the General Fund section above.

**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 2007 BUDGET PREPARATION  
CALENDAR OF EVENTS**

<u>DATE</u>	<u>ACTION</u>	<u>RESPONSIBILITY</u>	<u>DESCRIPTION</u>
Scheduled as needed	HTE Training	Department Heads, Applicable Staff and Budget Team	Training will be held in the department requesting the training.
April __ 2006	Revenue Estimates	Budget Team	Distribute Budget Revenue Estimates to responsible departments.
April __ 2006 9:00AM	Budget Kickoff Council Chambers Room 102	City Manager Budget Team	Initial Budget meeting to establish guidelines for the 2007 budget process, discuss budget format and requirements and distribute budget instruction manuals and materials.
April 26, 2006	Revenue Estimates and 2006 Revised Budget Expenditure Estimates	Department Heads and Applicable Staff	Completed Revenue estimates and current year annualized expenditures are due in HTE from responsible departments.
June 20, 2006	Council Retreat Kurth Lake House	Selected Staff, City Manager, City Council	Staff, Council meeting to discuss goals and objectives and establish direction for the 2007 budget year.
Tentative May 15 2006	Completed FY 2007 Budget Drafts and Supplemental Requests	All Departments	Departmental FY 2007 budget drafts due to be completed in HTE. Accounting will begin to prepare for budget review.
May 18, 2006	Send Budget Review Schedule to Department Heads	Budget Team	Schedule of meetings will be developed and sent to department heads
May 22-31, 2006	Departmental FY 2007 Budget and Supplemental Request Reviews	City Manager, Department Heads, Staff, & Budget Team	Staff and Budget Team to meet with each Department Head to review departmental budgets.
<b>July 6, 2006</b>	<b>Council Budget Workshops</b>	<b>City Council &amp; City Staff</b>	<b>Council review of departmental budget requests.</b>
<b>July 11, 2006</b>	<b>Council Budget Workshops</b>	<b>City Council &amp; City Staff</b>	<b>Discussion on Council areas of focus for FY 2006</b>

August 1, 2006	Budget Submission to Council	City Manager	Draft budget and transmittal letter submitted to Council. Council sets public hearing on budget.
<b>August 7, 2006</b>	Effective and Rollback Tax Rates Published	Finance Director/ Tax Assessor/Collector	The effective tax rate for fiscal 2007 is published in the local newspaper.
August 23, 2006	Notice of Public Hearing on Budget	Finance Director/City Secretary	1 <sup>st</sup> ¼ Page notice in newspaper, Website and TV. Must be published at least 7 days before public hearings.
<b>August 29, 2006 (requires special called meeting of City Council)</b>	Public Hearing on FY 2007 Proposed Budget	City Council	A public hearing is held by Council to receive public input regarding the 2006/2007 Operating Budget.
	1 <sup>st</sup> Reading of Budget Ordinance*		First reading of Budget Ordinance.
	1 <sup>st</sup> Reading of Water & Sewer Rate Ordinance*		First reading of proposed ordinance amending Code of Ordinances making changes to the water & sewer rates and providing an effective date.
	1 <sup>st</sup> Reading of Tax Ordinance		First reading of proposed tax rate ordinance.
September 5, 2006	2 <sup>nd</sup> Reading of Budget Ordinance*	City Council	Second reading of Budget Ordinance and adoption.
	2 <sup>nd</sup> Public Hearing* on Tax Rate		Second reading of proposed tax rate ordinance and adoption.
	2 <sup>nd</sup> Reading of Water & Sewer Rate Ordinance*		Second reading of proposed ordinance amending Code of Ordinances making changes to the water & sewer rates providing effective date, and adoption.
October 31, 2006	Distribution of Final Budget Document	Budget Team	Final Budget Document published.

\* Requires 72 hour Open Meeting Notice

# **BUDGET PROCESS**

## **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 1<sup>st</sup> through September 30<sup>th</sup>. 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.

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 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.

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 27<sup>th</sup> 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 1<sup>st</sup> 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 2007

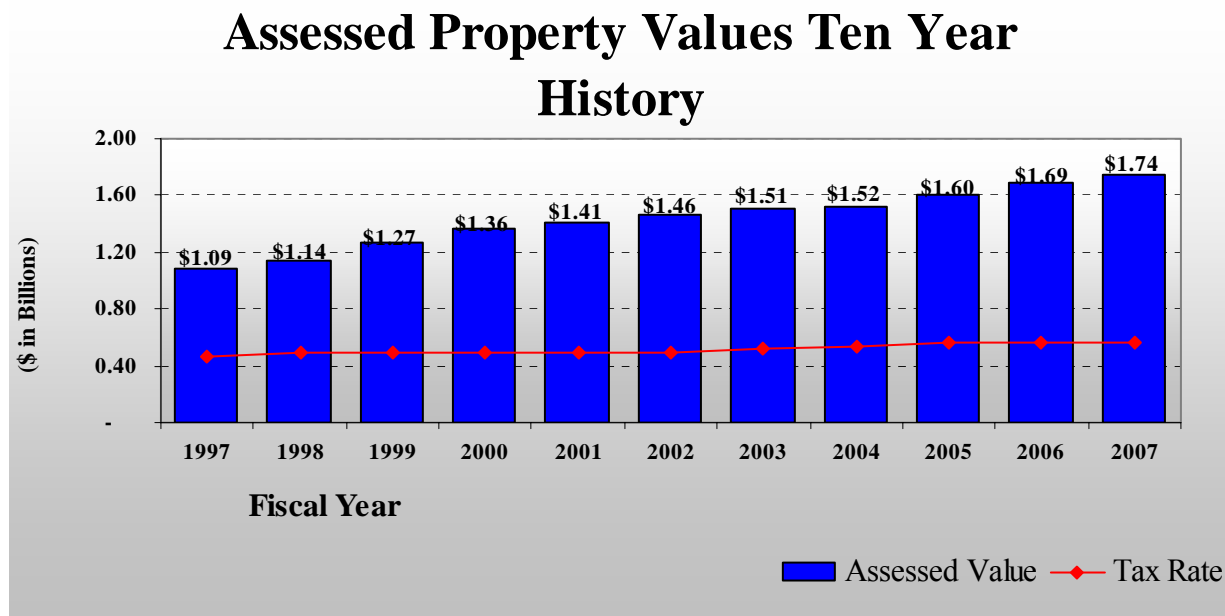
On an ongoing basis throughout the fiscal year, Finance staff monitors and reviews all revenues at a detailed level regarding collection versus budget estimate, and probability of collection. Early in the budget process, a complete set of revenue assumptions is prepared. These assumptions provide the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

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.



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 2007 is \$1,700,764,888 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 2007 is \$0.555478 per \$100 valuation. The Fiscal 2007 operating and maintenance tax rate of \$0.353278 per \$100 valuation will generate \$5,557,154 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 23.07% of total projected revenue for Fiscal 2007. 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 2007.

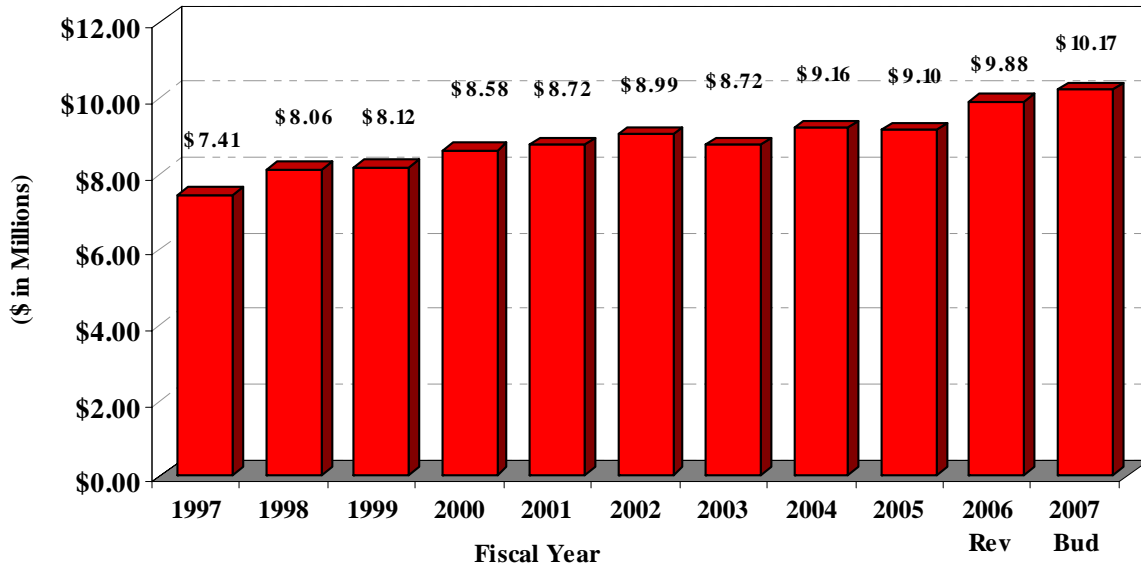
ANALYSIS OF TAX COLLECTIONS									
Tax Roll	Tax Rate Per \$100/value	Tax Levy	Current Collections	Current Collections to Tax Levy	Delinquent Collections	Penalty & Interest	Total Collections	Total Coll./ Curr. Coll.	
1996-97	0.486977	4,716,166	4,598,985	96.81%	107,651	75,181	4,791,867	101.6%	
1997-98	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	8,052,878	8,243,686	96.38%	102,814	80,834	8,427,334	104.6%	
2005-06	0.558500	8,553,198	<b>In process of collection.</b>						
<b>Fiscal 2007</b>		<b>Tax Rate</b>		<b>Distribution</b>		<b>Revenues</b>			
General Fund		\$0.353278		63.60%		5,557,154			
Debt Service Fund		0.202200		36.40%		3,218,705			
<b>TOTAL</b>		<b>\$0.555478</b>		<b>100.00%</b>					

## 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 46.06% of total revenues.

Revenues from sales taxes are anticipated to increase by approximately 3.0% in Fiscal 2007. The total projected sales tax revenue is \$11,096,200 compared to the revised estimate of \$10,773,040 for Fiscal 2006. However, the net projected sales tax revenue is estimated to be \$10,171,517. This net amount reflects the allocation of \$924,683 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 2007 is net of the Economic Development allocation.

## Sales Tax Collections Ten Year History



### 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 2007 are anticipated to be \$2,727,800, decreasing slightly from the revised revenue estimate of \$2,871,541 for Fiscal 2006.

### 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 and wastewater rates have been increased by 3.0% for all customers. In Fiscal 2007, 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 the anticipation of a large increase in electricity rates pending agreement of a new contract. A new rate study is proposed for Fiscal 2007 in order to better assess revenues needed to support the water and wastewater operations of the City in the future.

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 2006 revised Water and Wastewater revenues are estimated to be \$13,725,148, an increase of 0.30% over Fiscal 2005 actual revenues of \$13,684,405. Fiscal 2007 revenue is projected to be \$14,059,274 a 2.43% increase over the Fiscal 2006 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 2007 budget. Total revenues for the Fund are estimated to be \$5,697,800, slightly lower than the Fiscal 2006 revised estimate of \$5,860,052.

## **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 2007, a slight decrease from the Fiscal 2006 revised estimate of \$562,500.

## **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 2007 revenues for the Recreation Fund are projected to be \$156,550, an increase of 1.51% from the revised Fiscal 2006 estimate of \$154,227 and are estimated to be sufficient to cover the costs of operation and provide a fund balance of \$24,690.

## **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 2007, excluding interest income, are anticipated to be \$155,250, which remains in line with the Fiscal 2006 revised estimate of \$155,587.

# 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.

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 2006. Completed Objectives are in blue.

## **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.

### **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.

**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.

**Status:**

Objective 1      Three projects are currently under construction. Those projects are 9/14 (Fuller Springs and Whitehouse Dr.) which is approximately 90% complete. 15 (Burke) is 85-90% complete and Project 5 (Lotus Lane) is also 90% complete. These projects are estimated to be completed by late Fall 2006

Objective 2      Project 12-13 has been completely engineered and has been bid. This project should begin in late fall of Fiscal 2007.

**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.

**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 2007.

Objective 3. Construction began on this project December 2003. Approximately 85% of the project has been completed. This project was completed in Fiscal 2006.

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 and was completed in April 2006. Whitehouse Drive construction is to be completed in late fall of Fiscal 2007. Lotus Lane should be bid out by Spring 2007.

**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.

**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 apparatuses 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.

- 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.](#)
- Objective 5 Continue hiring, which has been indefinitely postponed, for 4-man sub stations.
- 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.
- Objective 7 [A ladder truck was purchased and delivered during Fiscal 2006.](#)
- 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:**

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

**Status:**

- Objective 1 Remodeling of the Police Department was begun during the summer of Fiscal 2006 and continues into Fiscal 2007 with completion of the project estimated to be during early spring.
- Objective 2 [The Communications Office remodel was completed during Fiscal 2006.](#)

**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.

**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.

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.

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 and again in FY 2006.

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.
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.

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

**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.

**Status:**

- Objective 1A The parking area was expanded in Fiscal 2002 to alleviate the overcrowded parking situation.
- 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.
- 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.

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.

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.

Objective 3C A new primate and Komodo dragon exhibit was completed during Fiscal 2006. 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.

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.

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.

**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.

**Status:**

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.

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.

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.

- 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 2006.
- 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.
- Objective 2B The worn carpet in the Civic Center was replaced in March of 2004.
- Objective 2C The stage curtain and back drapes were replaced in Fiscal 2006. This step completed the color scheme change.
- 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. Lighting was replaced in Fiscal 2006.

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

**Objectives:**

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

**Status:**

- 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.
- 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.

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

**Objective:**

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

**Status:**

- 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.

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.

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

**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

**Status:**

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.

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.

**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.

**Status:**

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.

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

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.

**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.

**Status:**

- 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 was purchased from the Union Pacific railroad.
- 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.



## **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.

## 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 2007 Work Program** – The major planned accomplishments for the coming fiscal year.
6. **Performance Measures** – Specific quantitative measures of work performed within a department.

1.	→	FUND: <b>General</b>	DEPARTMENT: <b>Fire</b>	←	2.
3.	→	<b>MISSION STATEMENT</b>			
	→	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.	→	<b>DESCRIPTION OF SERVICES</b>			
	→	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.	→	<b>FISCAL 2007 WORK PROGRAM</b>			
	→	Continued cross-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.			
6.	→	<b>PERFORMANCE MEASURES</b>	2004-2005 ACTUAL	2005-2006 REVISED	2006-2007 BUDGET
	→	Emergency Medical Calls	4,008	4,520	4,650
	→	Non-Emergency Medical Calls	3,283	2,017	1,500
	→	Fire Calls	1,080	1,220	1,280



## 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:		DEPARTMENT:			
General		Fire			
7. →	<b>EXPENDITURES</b>	2004-2005 ACTUAL	2005-2006 BUDGET	2005-2006 REVISED	2006-2007 BUDGET
	Personnel Services	\$3,410,398	\$3,753,290	\$3,558,844	\$3,696,086
	Benefits	811,181	946,361	912,678	931,221
	Supplies	226,527	230,717	217,976	225,967
	Maintenance of Equipment	117,626	131,750	109,906	112,050
	Miscellaneous Services	148,366	171,749	156,635	172,310
	Sundry Charges	439	1,100	450	600
	Debt Service	32,079	32,080	19,340	-
	Capital Outlay	11,952	-	28,843	-
	<b>TOTAL</b>	<b>\$4,858,568</b>	<b>\$5,267,047</b>	<b>\$5,004,672</b>	<b>\$5,138,234</b>
8. →	<b>AUTHORIZED POSITIONS</b>	2004-2005 ACTUAL	2005-2006 BUDGET	2005-2006 REVISED	2006-2007 BUDGET
	Fire Chief	1	1	1	1
	Assistant Fire Chief	1	1	1	1
	Office Manager	1	1	1	1
	Account Specialist/Hyd Supvr	1	1	1	1
	Hydrant Maintenance	1	1	1	1
	Battalion Chief	5	5	5	5
	Captain	18	18	18	18
	Lieutenant	21	21	21	21
	Firefighter	34	38	34	35
	Office Assistant	1	1	1	1
	<b>FULL TIME</b>	<b>84</b>	<b>88</b>	<b>84</b>	<b>85</b>
	<b>PART TIME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>TOTAL</b>	<b>84</b>	<b>88</b>	<b>84</b>	<b>85</b>
9. →	<b>SIGNIFICANT CHANGES</b>				
	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.

<b>FUND:</b> <b>General</b>	<b>DEPARTMENT:</b> <b>Fire</b>	<b>DIVISION:</b> <b>Administration</b>			← 10.
<b>DIVISION DESCRIPTION</b>					
The Administration Division oversees the day to day operations of the Lufkin Fire Department					
<b>EXPENDITURES</b>					
	2004-2005 <b>ACTUAL</b>	2005-2006 <b>BUDGET</b>	2005-2006 <b>REVISED</b>	2006-2007 <b>BUDGET</b>	
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	
<b>TOTAL</b>	<b>\$405,957</b>	<b>\$496,167</b>	<b>\$513,818</b>	<b>\$471,541</b>	
<b>AUTHORIZED POSITIONS</b>					
	2004-2005 <b>ACTUAL</b>	2005-2006 <b>BUDGET</b>	2005-2006 <b>REVISED</b>	2006-2007 <b>BUDGET</b>	
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	
<b>FULL TIME</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	
<b>PART TIME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	

## CITY OF LUFKIN Fiscal Year 2006-2007

The total Fiscal 2006-2007 budget appropriations are \$53,857,414. This is an increase of \$2,515,297 or 4.90% over the Fiscal 2005-2006 approved budget and a decrease of \$1,4754,934 from the Fiscal 2005-2006 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.

Summary of Major Changes, Fiscal 2006 Budget to Fiscal 2007 Budget		
Salary and Benefit Changes:		\$ 934,744
3% Cost of Living Adjustment	\$ 402,194	
Police Salary Survey Increase	430,547	
New Positions:		
General Fund	77,523	
Water and Sewer Fund	24,480	
Supplies		(271,852)
Structure and Equipment Maintenance		497,133
Miscellaneous Services		3,497,151
Sundry Charges		416,138
Debt Service		(564,547)
Transfers Out		(2,235,234)
Capital Outlay		241,764
<b>TOTAL</b>		<b>\$ 2,515,297</b>

A total of four full-time positions were added for Fiscal 2007 operating budget and are listed as follows:

<b>Position</b>	<b>Department</b>	<b>Status</b>
<b>Utilities Tech</b>	Street	<b>Added</b>
<b>Street Sweeper</b>	Street	<b>Added</b>
<b>Grounds Maintenance</b>	Zoo	<b>Added</b>
<b>Office Assistant II</b>	Sewer Collections	<b>Added</b>

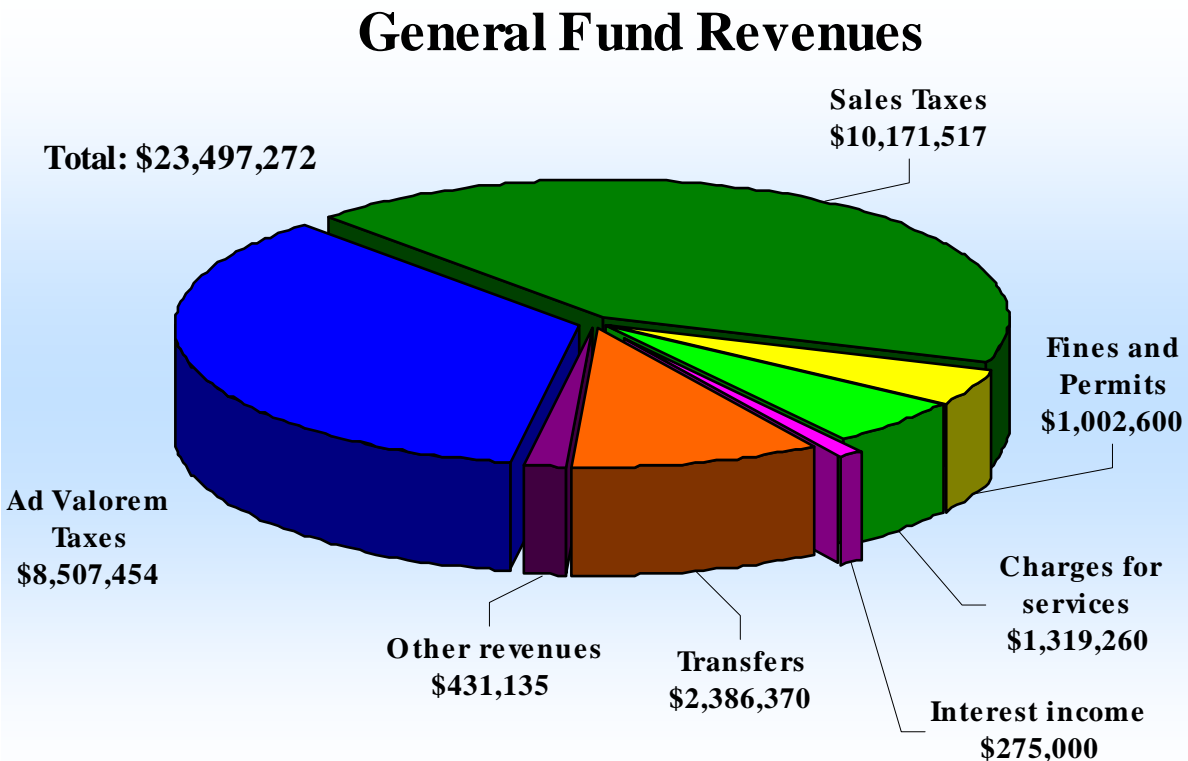


# GENERAL FUND

## REVENUES

The General Fund consists of eight major revenue classifications: **Taxes** – include Ad Valorem, Sales, and Mixed Beverage Taxes; **Franchise Taxes** – paid to the City by utility companies for the right to use rights-of-way; **Licenses and Permits** – consist of business licenses, permit and inspection fees; **Charges for Service** – include Emergency Medical Service (EMS) and false alarm fees; **Fines and Forfeitures** – include fines assessed for misdemeanor traffic, parking, animal control, and code enforcement violations; **Other Revenues** – include animal shelter fees, park fees, and inter-governmental revenue such as grants received from other governmental agencies; **Miscellaneous Revenue** – consists of interest income from investment of idle cash and various smaller revenue sources not applicable to other revenue classifications; and, **Intra-Governmental Revenue** – revenues received from other funds within the City for services provided.

Revenues for Fiscal 2007 are estimated to be \$24,093,336. This represents a 5.37% decrease from revised estimates for Fiscal 2006 of \$25,461,598 and a 1.17% increase over Fiscal 2005 actual revenues of \$23,815,795. The following graph represents total revenues by major category.

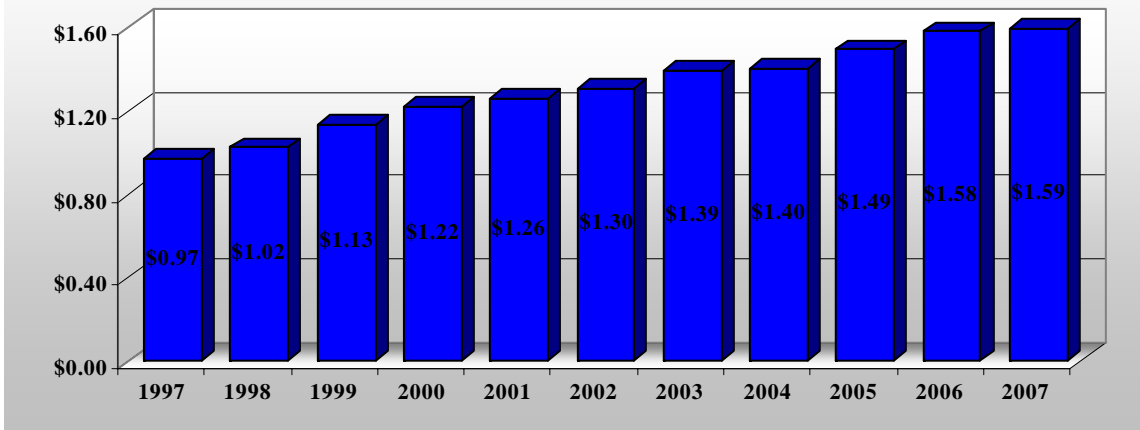


## AD VALOREM TAXES

Ad Valorem Taxes are the City's second largest General Fund revenue source and are based on assessed property values. The City's taxable assessed property value for Fiscal 2007 is

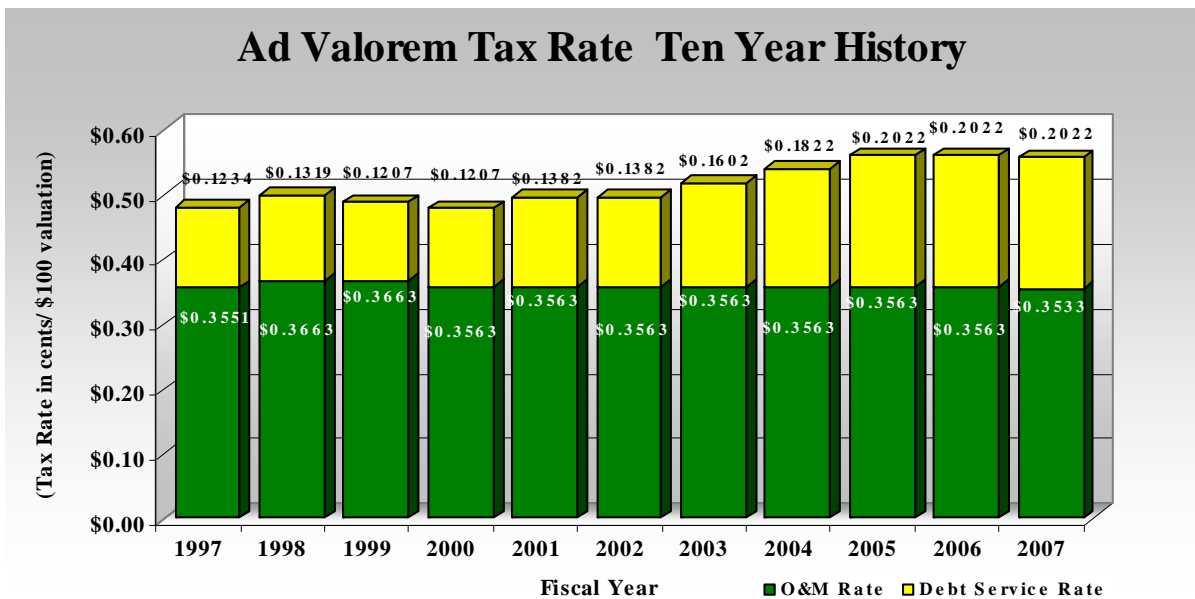
\$1,592,262,292, an increase of 0.82% over the previous year's tax roll. New construction values, of approximately \$8.76 million and \$4.15 million of property reappraisals, by the Angelina County Appraisal District, are the reason for the increase. The following graph represents a ten-year history of property values for the City of Lufkin.

### Taxable Assessed Property Values Ten Year History



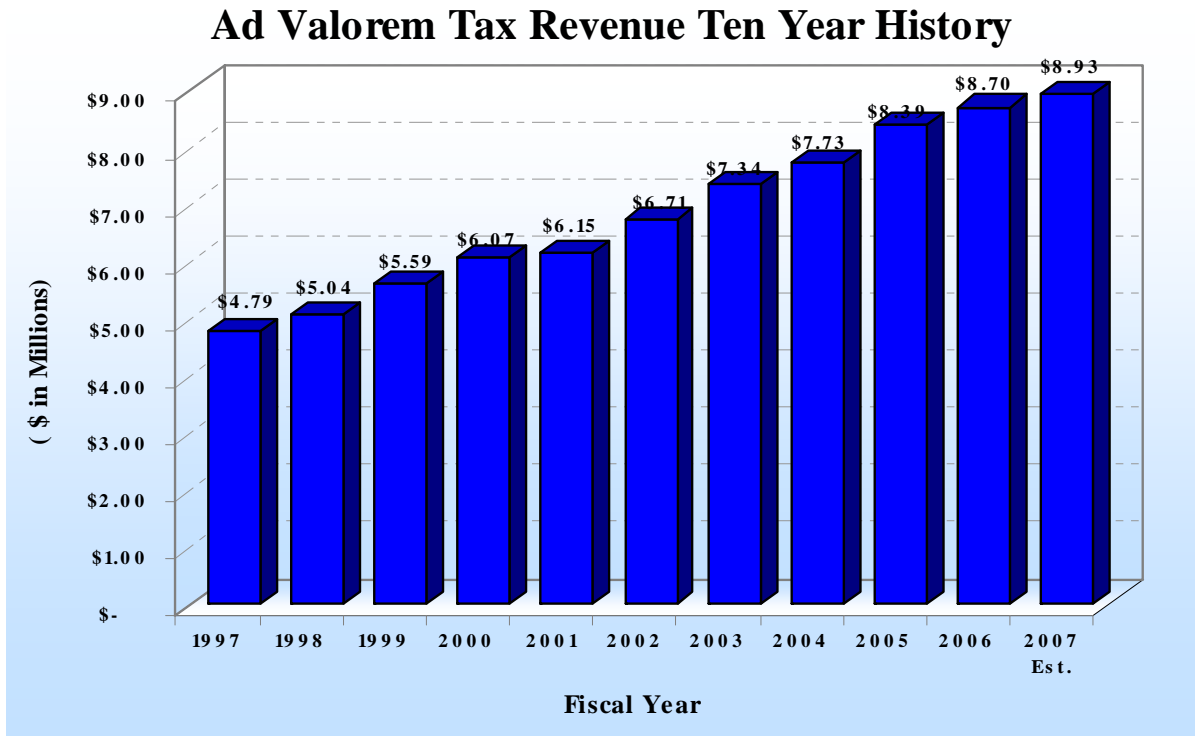
Ad Valorem taxes are divided between general operating and maintenance requirements and general obligation debt service. The City's tax rate for Fiscal 2007 is \$0.555478 per \$100 of assessed property values. The tax rate for general operations for Fiscal 2007 is \$0.35327; the tax rate for debt service is \$0.2022.

### Ad Valorem Tax Rate Ten Year History



Ad Valorem tax revenue for operating and maintenance purposes is projected to be \$5,557,154, an increase of 1.88% over Fiscal 2005 budget. Ad Valorem tax revenue for debt service purposes is projected to be \$3, 218,705. Total revenue from Ad Valorem taxes is estimated to be \$8,932,359. As mentioned earlier, this increase is due to reappraisals and new construction

values. Ad Valorem taxes represent approximately 23.71% of all General Fund revenues. The following graph reflects the City’s Ad Valorem tax revenue history for the most recent 10-year period.



**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 \$11,096,200 in Fiscal 2007, a 3.00% increase over the revised estimate of \$10,733,040 for Fiscal 2006 and a 12.71% increase over Fiscal 2006 actual collections of \$9,845,238. 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.

City of Lufkin voters approved a portion of this half-cent increase, which began in December 2004, to be set-aside. 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 2007, \$924,683 is transferred to this program. This is the third year this will be implemented.

**FRANCHISE FEES**

Franchise fees are paid to the City of Lufkin by local utilities (TXU Electric Delivery, Centerpoint Energy, Consolidated Communications, Sudden-Link 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,

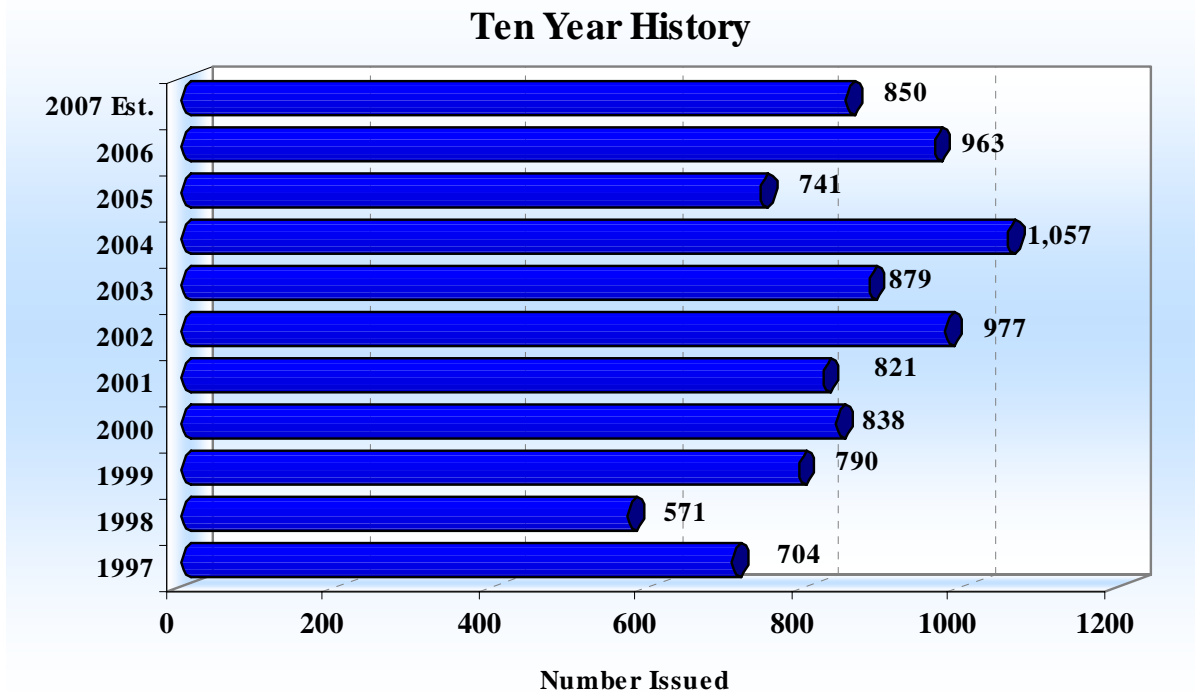
the first payment having been made October 1, 1998 with subsequent payments scheduled September 30, 1999 through 2012. Total Franchise and Agreement Fees for Fiscal 2007 are anticipated to be \$2,727,800, slightly below the Fiscal 2006 revised estimate. The table below reflects a five-year history of Franchise Fee collections for the City of Lufkin.

Five Year Franchise Fee History					
Source	Actual Fiscal 2003	Actual Fiscal 2004	Actual Fiscal 2005	Revised Fiscal 2006	Est. Fiscal 2007
<b>TXU Energy Delivery</b>	\$1,799,458	\$1,807,543	\$1,913,741	\$1,910,132	\$1,956,900
<b>Centerpoint Energy</b>	166,518	185,324	210,129	268,399	230,000
<b>Consolidated Communications</b>	285,000	286,826	295,875	285,000	285,000
<b>Sudden-Link Cable</b>	213,077	217,033	218,419	298,830	136,000
<b>Abitibi In-Lieu-of- Tax</b>	80,526	88,826	97,435	107,180	117,900
<b>Taxi Cabs</b>	2,000	2,093	1,866	2,000	2,000
<b>Total</b>	<b>\$2,546,579</b>	<b>\$2,587,645</b>	<b>2,737,465</b>	<b>\$2,871,541</b>	<b>\$2,727,800</b>

### LICENSES AND PERMITS

Licenses and Permits include fees charged for business licenses, general construction permits, inspection of electrical, plumbing and mechanical installations, as well as code enforcement and other miscellaneous fees. This revenue makes up approximately 0.9% of the total General Fund revenues and is estimated to be \$206,100 for Fiscal 2007, a 17.27% decrease of the revised estimate of \$249,512 for Fiscal 2006. Building permits and inspection fees are anticipated to level out, for the next fiscal year, based on several planned projects and developments. The following graph reflects the number of building permits issued during the past ten years.

**Building Permits Issued  
Ten Year History**





### **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 \$1,141,400 for Fiscal 2007, a 6.40% increase over the Fiscal 2006 revised estimate of \$1,072,700.

### **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 2007 are \$796,500, a 1.0% increase over the revised estimate of \$788,669 for Fiscal 2006. 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.

### **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 \$684,735 for Fiscal 2007, a decrease of \$495,958 from the Fiscal 2006 revised estimate of \$1,180,693.

### **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 2007 are estimated to be \$21,400; police related grants 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 \$2,296,370 in Fiscal 2007, decreasing 16.384% from the Fiscal 2006 revised estimate of \$2,761,227. This decrease results from the decreased FY 2007 budgets for those departments that provide these services and a revision to the percentage charged for those allocated services.

# GENERAL FUND

## EXPENDITURES

General Fund expenditures for Fiscal 2007 are estimated to be \$25,288,043, which is \$248,484 or 0.97% less than revised totals for Fiscal 2006 of \$25,536,527. This minimal decrease is attributed to the efforts of the departments to keep budgets flat for Fiscal 2007.

Three positions were 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 2005 Actual	FY 2006 Revised	FY 2007 Budget	% Change Budget/ Revised
General Government	\$ 2,856,541	\$ 3,041,503	\$ 3,216,096	5.74%
Public Safety	12,356,448	13,034,939	13,029,206	<0.04%>
Public Works	4,246,719	4,913,739	5,074,172	3.26%
Culture and Recreation	2,647,425	3,125,291	3,219,812	3.02%
Community Development	307,777	335,196	348,426	3.95%
Non-Departmental	416,580	1,085,859	400,331	<63.13%>
<b>Total</b>	<b>\$ 22,831,490</b>	<b>\$ 25,536,527</b>	<b>\$ 25,288,043</b>	<b>&lt;0.97%&gt;</b>

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 2007 budget with Fiscal 2006 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 68.01% of total General Fund expenditures for Fiscal 2007. Total Personnel Services expenditures are estimated to be \$17,197,391, a 4.52% increase over the revised Fiscal 2006 estimate of \$16,453,231. 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.), 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 6.14% of all General Fund expenditures and are projected to be \$1,553,562 in Fiscal 2007. This is an 9.11% increase from the revised estimate for Fiscal 2006 of \$1,423,903.

### **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 \$1,708,324 for Fiscal 2007, and represents a 16.56% decrease over the Fiscal 2006 revised estimate of \$2,047,469. This category of expenditures is 6.76% 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 16.65% of General Fund expenditures and is estimated to be \$4,210,454 for Fiscal 2007. This is a 44.65% increase from the Fiscal 2006 revised estimate of \$2,910,788.

### **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 \$129,012 for Fiscal 2007, a 4.71% decrease from the revised estimate of \$135,389 for Fiscal 2006.

### **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 decreases by 72.74% from \$1,035,556 in Fiscal 2006 to \$291,489 in Fiscal 2007. Several lease purchase obligations were retired in Fiscal 2006. 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. 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 payments negotiated in bulk. The Solid Waste Recycling Replacement and Renewal Fund will

finance purchased items for Fiscal 2007 internally at an interest rate less than market but greater than current investment earnings rate.

Debt Service – Lease Payments					
Department	Item	Year	Principal	Interest	Total
<b>Police:</b>	Patrol Vehicles (FY2005)	3 of 3	\$ 73,130	\$ 2,340	\$ 75,470
	Laptop Computers (FY2006)	2 of 3	37,488	2,399	39,887
	Video Systems (FY 2006)	2 of 3	48,217	3,086	51,303
<b>Street:</b>	Dump Truck (FY2005)	3 of 3	27,500	880	28,380
	<b>Total</b>		<b>\$ 186,335</b>	<b>\$ 8,705</b>	<b>\$ 195,050</b>

### 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 2007 is estimated to be \$207,811 a decrease of \$1,325,380 over the Fiscal 2006 revised totals of \$1,533,191. 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 2007 include the following:

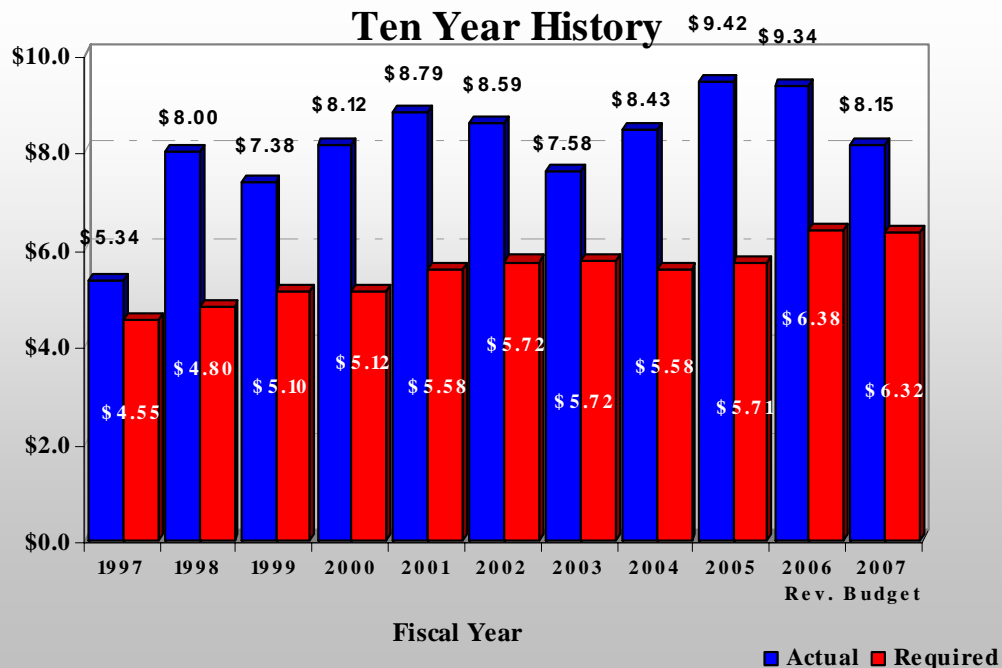
CAPITAL EXPENDITURES	
Department/Item	Budget Amount
<b>Information Technology:</b>	
Router	\$ 15,000
Tape Drive	7,000
Switches	18,811
Enterprise Server	100,000
Operating System Software for new server	12,000
<b>Subtotal</b>	<b>\$ 152,811</b>
<b>Street:</b>	
Striping Machine	\$ 35,000
<b>Subtotal</b>	<b>\$ 35,000</b>
<b>Parks and Recreation:</b>	
Utility Cart	\$ 6,000
<b>Subtotal</b>	<b>\$ 6,000</b>
<b>Fleet Maintenance:</b>	
Diagnostic Machine	\$ 14,000
<b>Subtotal</b>	<b>\$ 14,000</b>
<b>Total Capital</b>	<b>\$ 207,811</b>

## 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 2007 General Fund fund balance is estimated to be \$8,148,759, which represents approximately 120 days of expenses or 32.22% of General Fund expenditures. The City has consistently met its fund balance policy for the last eight 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.

### General Fund Balance Actual vs. Required



# 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 2005 Actual	Fiscal 2006 Budget	Fiscal 2006 Revised	Fiscal 2007 Budget	% Change Budget to Revised
Water Revenues	\$ 6,557,924	\$ 6,538,574	\$ 6,539,853	\$ 6,736,051	3.00%
Wastewater Revenues	6,435,766	6,600,907	6,600,907	6,841,844	3.65%
Water Connections	69,621	90,000	90,000	75,000	-16.67%
Sewer Connections	29,828	20,800	25,000	25,000	0%
Service Charges	214,345	206,800	183,832	193,505	5.26%
Misc. Revenue	87,797	22,200	124,597	26,400	-78.81%
Interest Income	69,824	60,000	65,000	60,000	-7.69%
Intra-Governmental	219,300	89,919	95,959	101,474	5.75%
<b>Total Revenues</b>	<b>\$13,684,405</b>	<b>\$13,629,200</b>	<b>\$13,725,148</b>	<b>\$14,059,274</b>	<b>2.43%</b>

The table above reflects a comparison of Water/Wastewater Fund revenues for Fiscal 2005 Actual, Fiscal 2006 Budget and Revised, and Fiscal 2007 Budget Estimate. Fiscal 2007 total revenues are estimated to be \$14,059,274 an increase of 2.43% over Fiscal 2006 revised estimates of \$13,725,148. Water revenues for Fiscal 2007 are estimated to be \$6,736,051, a 3% increase about the Fiscal 2006 revised estimate.

Wastewater revenues are estimated to be \$6,841,844, an increase of 3.65% over Fiscal 2006 revised estimate of \$6,600,907.

The City Council approved a 3% increase in both water and sewer rates with the anticipation of a rate study to be performed during Fiscal 2007. The rate study is expected to provide information for future increases over a period of several years according to anticipated growth and expansion in the City.

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 \$379,905, or 22.22% under the Fiscal 2006 revised estimates of \$488,429.

An Intra-governmental transfer of \$101,474 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.

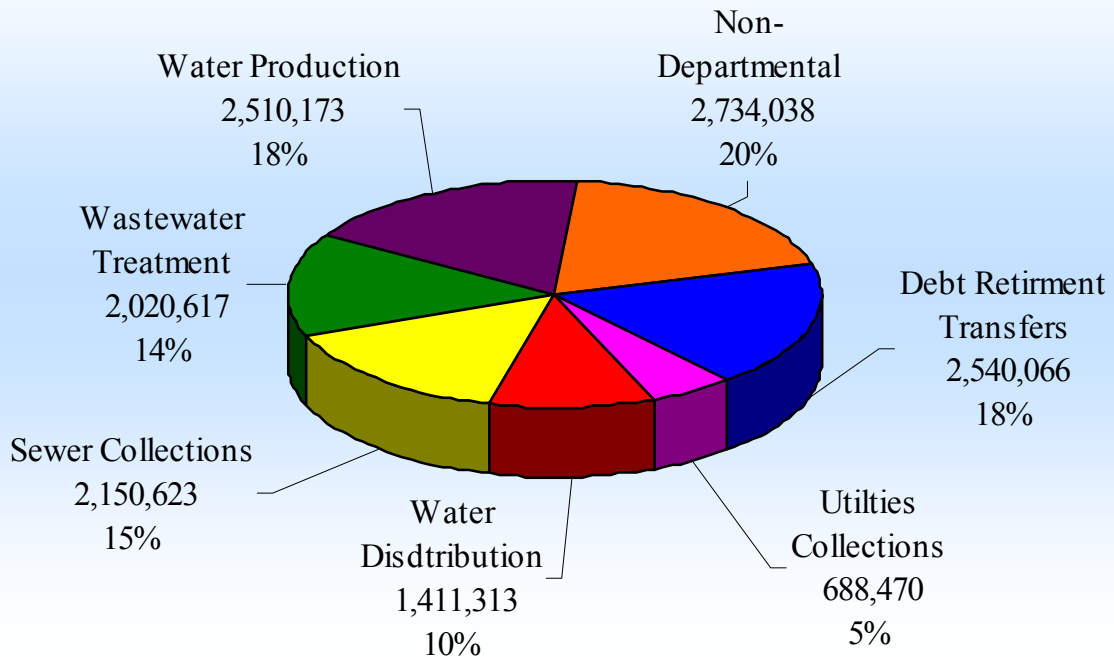
# WATER/WASTEWATER FUND

## EXPENSES

The Water/Wastewater Fund expenses for Fiscal 2007 are estimated to decrease 4.73% from revised estimates for Fiscal 2006. Total projected expenses are estimated to be \$14,055,300, compared to the revised estimate for Fiscal 2006 of \$14,753,409. The Water/Wastewater Fund consists of six departments: Utility Collections, Water Distribution, Water Production, Sewer Collections, Wastewater Treatment, and Non-Departmental. Other expenses include Intra-governmental and Debt Retirement Transfers.

### Water-Wastewater Expenses by Department

Total \$14,055,300

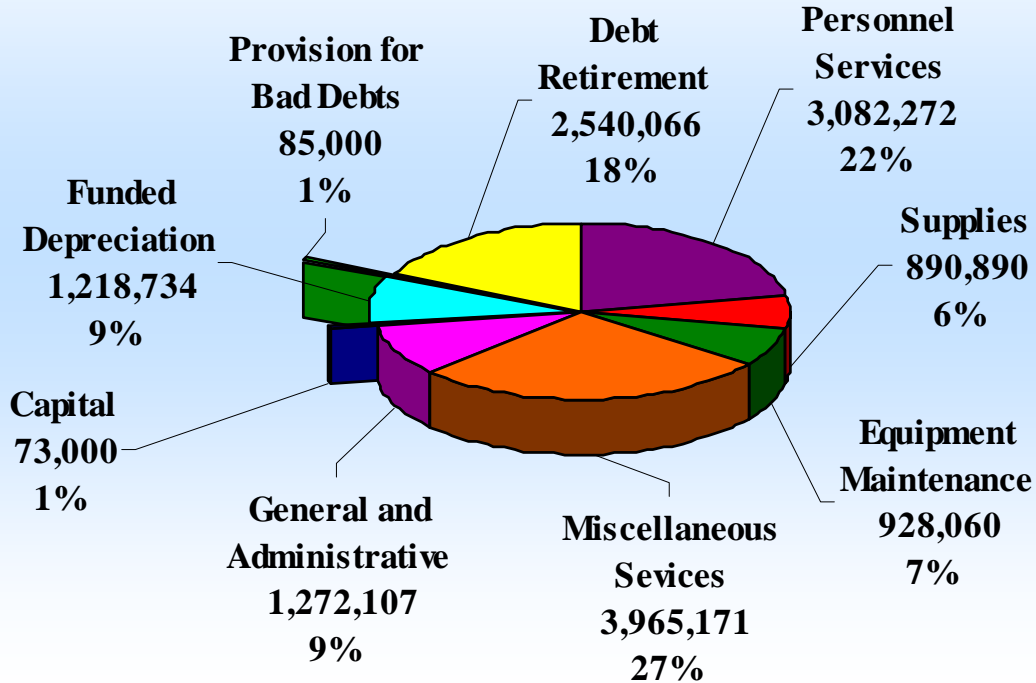


Departmental expenses are divided into major categories to assist managers in analyzing and controlling their departmental costs. As discussed in the General Fund Expenditure section, these categories include Personnel Services, Benefits, Supplies, Structure Maintenance, Equipment Maintenance, Miscellaneous Services, Sundry Charges, Debt Service, and Capital Outlay.

The following chart provides a breakdown of expenses by category. The Sundry categories are combined and are budgeted for no expenditures. Total expenses are \$14,055,300.



## Water-Wastewater Fund Expenses by Category Fiscal 2007



### PERSONNEL SERVICES

Personnel Services include salary and benefit costs for all employees within the Water/Wastewater Fund. Expenses for Fiscal 2007 are estimated to be \$3,082,272 and represent an increase of 3.41% over Fiscal 2006 revised estimates of \$2,980,543.

### 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 \$890,890 in Fiscal 2007 compared to \$813,869 for the Fiscal 2006 revised estimate. This is a 9.46% increase.

### EQUIPMENT & STRUCTURE MAINTENANCE

Expenses for the maintenance of equipment and structures fall into this category. Total expenses for Fiscal 2007 are estimated to be \$928,060, which represents a 14.45% decrease from the revised estimate of \$1,084,757 for Fiscal 2006.

### 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 \$3,965,171, a 56.39% increase over the Fiscal 2006 revised estimate of \$2,535,409. 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.

### 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 \$85,000 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.

### 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 2007 are estimated to be \$73,000, a decrease from the Fiscal 2006 revised estimate of \$496,455. The following list of capital items are scheduled for purchase in Fiscal 2007.

Department/ Items	Budget Amount
<b>Water Utilities:</b>	
Additional Costs for 2 Yrd Front Loader	\$ 9,000
<b>Subtotal</b>	<b>\$ 9,000</b>
<b>Sewer Collection:</b>	
Materials for Distribution Lines	\$ 50,000
Rain Gauge Equipment	14,000
<b>Subtotal</b>	<b>\$ 64,000</b>
<b>Total Capital</b>	<b>\$ 73,000</b>

### 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 2007 are projected to be \$2,490,841, a decrease of 31.66% from revised totals of \$3,644,567 for Fiscal 2006.

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 2007 is \$1,272,107 and is derived by formula. This is a decrease of 29.17% 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 2007 is budgeted at \$1,218,734. This is a \$629,861 decrease from the \$1,848,595 transfer in Fiscal 2006.

#### **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 \$2,540,066 will be made in Fiscal 2007. This is a decrease of 6.79% from the revised estimate of \$2,725,018 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 \$1,732,845. The working capital balance in the Water/Wastewater Fund is projected to be \$3,348,872 in Fiscal 2007, which is \$3,974 less than the working capital of \$3,344,898 for the 2006 revised amount.

# 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 2007 are estimated to be \$5,697,800, a 2.77% decrease from Fiscal 2006 revised estimates of \$5,860,052. Collection revenues comprise approximately 98.36% of total revenues in the Solid Waste and Recycling Fund. An explanation of each revenue source and comparison with the Fiscal 2006 revised estimate follows.

## 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 2006 revised revenues to Fiscal 2007 revenues.

<b>SOLID WASTE AND RECYCLING FUND</b>			
<b>Comparison of Collection Revenues</b>			
<b>Collection Classification</b>	<b>Fiscal 2006 Revised</b>	<b>Fiscal 2007 Budget</b>	<b>% Change Budget To Revised</b>
Residential Collections	\$ 1,850,100	\$ 1,850,000	0.05%
Commercial Collections	1,880,000	1,880,000	0.00%
Commercial Can Pickups	225,000	225,000	0.00%
Commercial Non-Compacted Pick ups	550,000	550,000	0.00%
Commercial Compacted Roll-Offs	650,000	650,000	0.00%
Commercial Special Pickups	12,000	12,000	0.00%
Commercial Recycling Revenues	150,000	160,000	6.67%
Sanitation Container Revenues	10,500	10,000	-4.76%
Garbage Bag Sales	22,500	22,500	0.00%
Sale of Recycled Materials	200,000	210,000	5.00%
Miscellaneous Income	32,677	3,300	-89.90%
Interest Income	90,000	90,000	0.00%
Inter-governmental Revenues	152,275	0	-100%
<b>Total Revenues</b>	<b>\$ 5,860,052</b>	<b>\$ 5,697,800</b>	<b>2.77%</b>

No rate increases are included in solid waste and recycling rates for Fiscal 2007. 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 Fiscal 2007 are estimated to be \$5,327,000, an increase of 0.19% over revised estimates of \$5,317,100.

### **RESIDENTIAL COLLECTION REVENUES**

Residential revenues are estimated to be relatively flat for Fiscal 2007. Revenues of \$1,850,000 are estimated for Fiscal 2007, a 0.05% decrease from revised estimates of \$1,850,100 for Fiscal 2006.

### **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 2007 are anticipated to be \$3,317,000, remaining flat with the 2006 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 2006 is \$45,500. The Fiscal 2007 is estimated to be \$45,000.

### **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 2007 revenues are estimated to be \$22,500; this estimate remains in line with the Fiscal 2006 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 \$200,000. Revenue estimates for Fiscal 2007 are slightly more at \$210,000.

### **INTEREST INCOME**

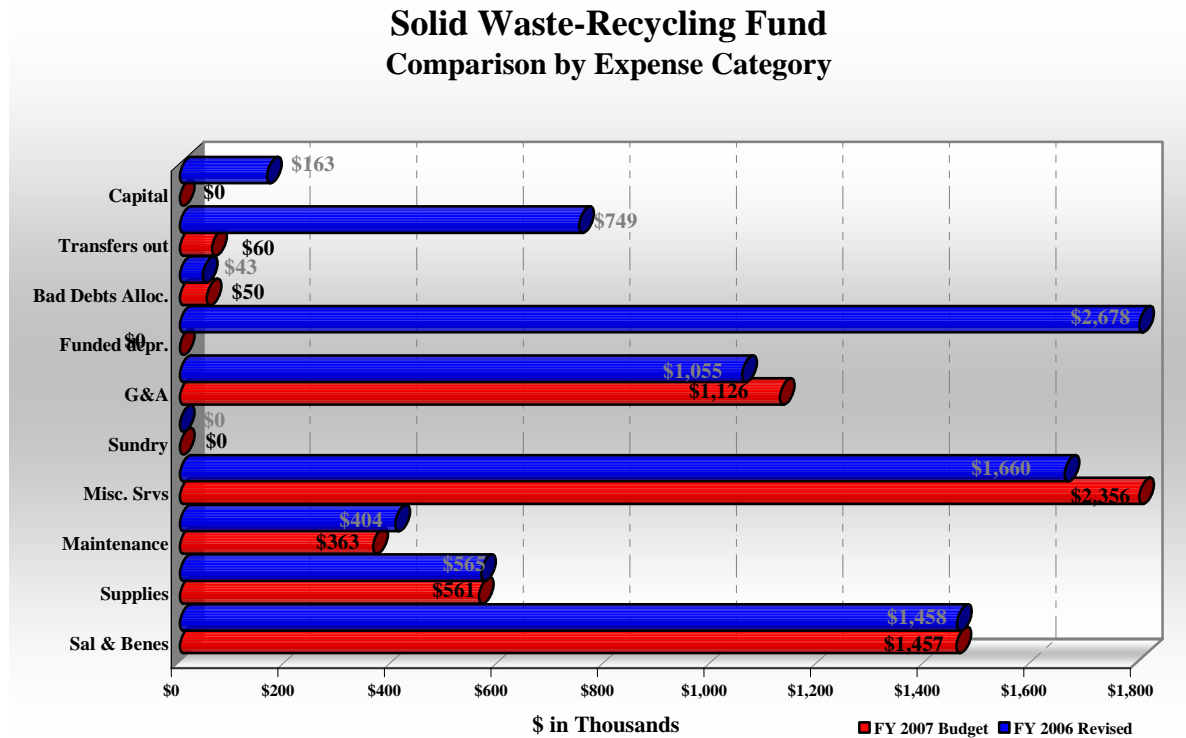
Interest Income is earned from the investment of idle funds. Interest income for Fiscal 2007 is estimated to be \$90,000 remaining flat with the revised Fiscal 2006 estimate. The investment rate has been estimated at 3.5%.

# 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 decrease 31.93% compared to Fiscal 2006 revised estimates, from \$8,775,289 to the Fiscal 2007 Budget estimate, \$5,973,514. The following graph reflects a comparison of Fiscal 2006 revised and Fiscal 2007 budget estimates by expenditure category.



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 2007 are estimated to be \$1,457,119 and represent a decrease of 0.09% from Fiscal 2006 revised estimates of \$1,458,489. The 3% cost of living increase in Fiscal 2007 is offset by a savings due to a number of vacant positions in Fiscal 2006.

## SUPPLIES

In Fiscal 2007, expenses for materials and supplies are estimated to be \$561,105, a decrease of 0.64% from the revised estimate of \$564,712 for Fiscal 2006.

## 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 10.17% is anticipated in this expenses category. The Fiscal 2007 estimate is \$363,150 compared to the revised estimate for Fiscal 2006 of \$404,250. The decrease is due primarily to fewer repairs and proper scheduling of existing and newly purchased equipment.

### **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 2007 are estimated to be \$2,356,335, a representing an increase of 41.93% over the Fiscal 2006 revised estimate of \$1,660,191.

### **SUNDRY CHARGES**

These charges include bad debts. Sundry charges budgeted for Fiscal 2007 are estimated at \$50,100, an increase of \$7,500 over the Fiscal 2006 revised estimate of \$42,500.

### **CAPITAL OUTLAY**

No Capital outlay is estimated for Fiscal 2007.

### **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 2007 are projected to be, \$1,185,705, a decrease of 73.54% from the revised estimate of \$4,481,865 for Fiscal 2006.

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 \$1,125,737 for Fiscal 2007, an increase of 6.69% from the revised 2006 amount. An allocation table of G&A calculations can be found in the Appendix on page 334.

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. There is no transfer for Funded Depreciation in Fiscal 2007 due to the implementation of the Equipment Acquisition and Renewal Fund.

One transfer is budgeted for Fiscal 2006-07. This transfer of \$59,968 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.

### **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 \$3,020,237 in Fiscal 2007, which exceeds the required working capital balance of \$736,460 by \$2,283,777.





## 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, the Economic Development Fund and the Equipment Acquisition and Replacement Fund.

The Hotel/Motel Tax Fund is used to provide funding for the operation and maintenance of the Pitser 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.

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.

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 1/8<sup>th</sup> of each cent of sales tax collections in the City.

The Equipment Acquisition and Replacement Fund was established to account for the depreciation on and the replacement of machinery, equipment and vehicles, with the exception of large cost items with a long depreciation life.

# **HOTEL/MOTEL TAX FUND**

## **REVENUES**

The Civic Center Fund collects revenues from several sources. Total estimated revenue for Fiscal 2007 is projected to be \$743,138, a 2.25% decrease from the Fiscal 2006 revised estimate of \$760,270. 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.

## **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 2007.

## **RENTAL AND USE FEES**

Fees received from rental of the Civic Center facilities are projected to be \$77,000 for Fiscal 2007. This represents an increase of \$4,000 over revised estimates of \$73,000 for Fiscal 2006.

## **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 2007, an increase of \$500 over the 2006 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 \$25,800 in Fiscal 2007.

## **INTEREST INCOME**

Interest income is earned from investment of idle cash in the Fund. The investment rate for Fiscal 2007 is estimated to be 5.25%.

# **HOTEL/MOTEL TAX FUND**

## **EXPENDITURES**

### **PERSONNEL SERVICES**

Personnel Services are expected to increase 2.61% in Fiscal 2007. A cost of living adjustment is the cause the increase in these expenditures.

### **SUPPLIES**

Materials and supplies expenditures are anticipated to be \$32,768 in Fiscal 2007, an increase of 100.1% over the Fiscal 2006 revised estimate of \$16,375.

### **EQUIPMENT & STRUCTURE MAINTENANCE**

The Civic Center maintains sound equipment, heating and air conditioning equipment, and stage equipment. Fiscal 2007 expenditures are projected to be \$45,176 compared to the revised Fiscal 2006 estimate of \$8,550. This large increase is attributed to necessary repairs and maintenance of Civic Center building including updating the dressing area.

### **MISCELLANEOUS SERVICES**

Miscellaneous services include items such as electricity, heating fuel, building insurance, custodial services and other contract services. The Fiscal 2007 estimate of \$131,016 is an increase of 38.06% over the Fiscal 2006 revised estimate of \$94,897 largely due to the anticipated cost of electrical services.

### **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 2005 actual, Fiscal 2006 revised and Fiscal 2007 budget amounts for these activities.

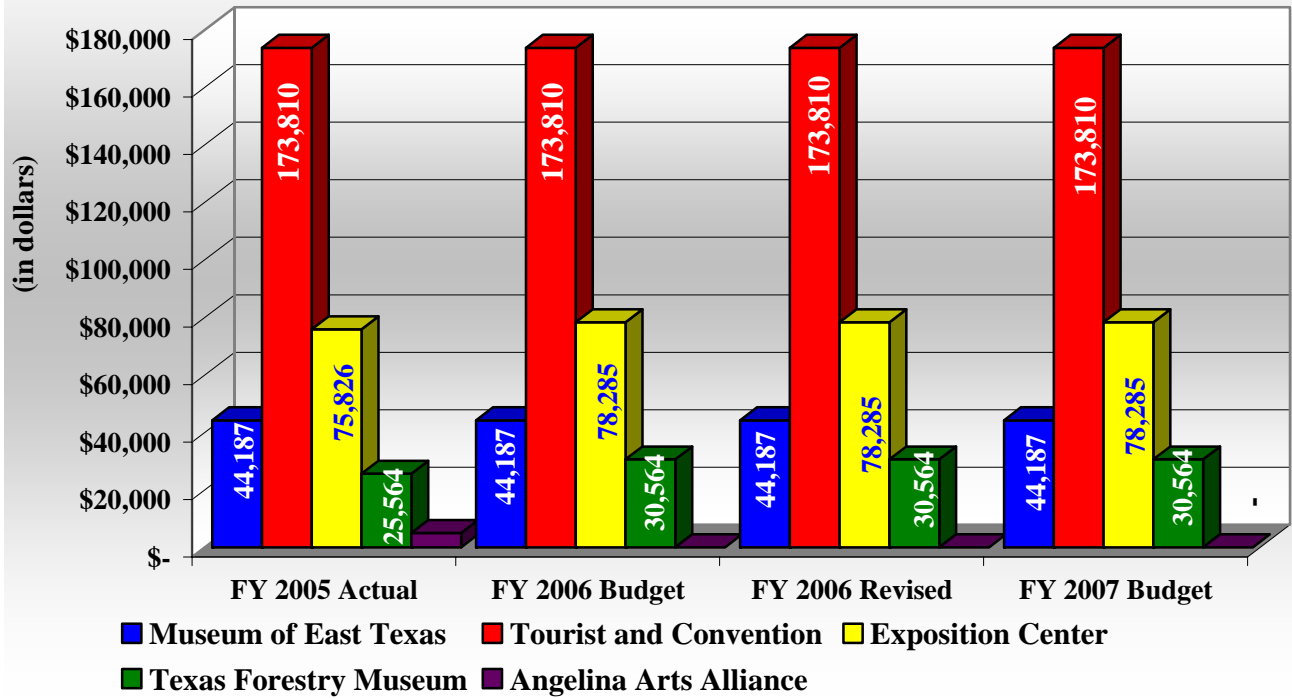
### **CAPITAL OUTLAY**

There are no capital expenditures scheduled for Fiscal 2007.

### **FUND BALANCE**

The fund balance for the Civic Center Fund is estimated to be \$19,244 for Fiscal 2007. Council Financial Policies require a fund balance equal to 12.5% of expenditures, or \$98,368. 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 2007 and make necessary adjustments to comply with the policy in future years.

## Civic Center Agency Contributions



# **SPECIAL RECREATION FUND**

## **REVENUES**

The Special Recreation Fund generates revenues from user charges and fees charged to participants in City sponsored league play such as softball, volleyball, basketball and gymnastics leagues. Total revenue is projected to be \$156,550 in Fiscal 2007, which is a 1.51% increase over the Fiscal 2006 revised estimate of \$154,227.

### **SOFTBALL**

Softball leagues have grown in popularity during the past decade. This growth has resulted in increased revenues. This growth is expected to continue slightly in Fiscal 2007. In Fiscal 2006, the revised revenue estimate totals \$90,900. The Fiscal 2007 revenue estimate is projected at \$92,000.

### **VOLLEYBALL**

Volleyball revenues are to remain flat in Fiscal 2007 at \$900.

### **BASKETBALL**

Basketball remains a steady income generator for the Special Recreation Fund. Estimated revenue for Fiscal 2007 of \$24,425 is an increase of 5.74% over the Fiscal 2006 revised revenue estimate of \$23,100.

### **GYMNASTICS**

Gymnastics, taught at the Recreation Center, is projected to generate revenues of \$12,125 for Fiscal 2007. This is a slight growth from the Fiscal 2006 revised estimate of \$11,900.

### **SPECIAL EVENTS**

Revenues from special events are anticipated to be \$2,300 for Fiscal 2007 remaining in line with to the Fiscal 2006 revised estimate.

### **OTHER REVENUES**

The Special Recreation Fund also generates revenues from recreation classes, other miscellaneous sources, as well as investment of idle funds. These revenues are projected to remain relatively flat in the upcoming Fiscal year, at 20,000.

### **INTEREST INCOME**

Interest income for Fiscal 2007 is estimated to be \$800 in line with the Fiscal 2006 revised estimate of the same amount.

# **SPECIAL RECREATION FUND**

## **EXPENDITURES**

### **PERSONNEL SERVICES**

No personnel salaries or benefits are charged to this fund.

### **SUPPLIES**

All equipment used in sports and recreation leagues is purchased in this expenditure category, and is projected to be \$28,725 in Fiscal 2007. This is an increase of 17.37% from the Fiscal 2006 revised estimate of \$24,473, and is due primarily to an increasing participation in the programs such as softball and basketball.

### **EQUIPMENT & STRUCTURE MAINTENANCE**

Expenditures in this category are projected to increase from \$7,400 in Fiscal 2006 to \$8,500 in Fiscal 2007. This represents an increase of 14.86%.

### **MISCELLANEOUS SERVICES**

Expenditures in this category are estimated to increase minimally at .14% in Fiscal 2007 to \$116,660, compared with the revised estimate of \$116,485 for Fiscal 2006. These expenditures fluctuate from year to year depending on participation, which is expected to increase.

### **SUNDRY CHARGES**

There are no expenditures anticipated in this category.

### **CAPITAL OUTLAY**

No Capital outlay for this fund is projected for Fiscal 2007.

### **FUND BALANCE**

Council Financial Policies require a fund balance in the Recreation Fund of 12.5% of expenditures, which for Fiscal 2007 is \$19,236. The fund balance estimate for Fiscal 2007 is \$24,690 which is \$5,454 above the required balance.

# 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 72% of the total revenue is generated from admission fees. Donations vary from year to year, but are usually less than \$5,000 per year.

### 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 \$140,000 for Fiscal 2007.

### 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 2007 totals \$1,000 and reflects normal donation levels.

### 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 2007, remaining in line with the Fiscal 2006 revised estimate.

### 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 2007 are estimated to be \$2,000.

### 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 2007 are estimated to be \$5,000 slightly below the Fiscal 2006 revised estimate of \$2,080.

### INTEREST INCOME

Interest income is anticipated to be \$40,000 for Fiscal 2007. This is based on an investment rate of 5.25%.

# **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 2007 remaining flat with the revised 2006 estimate.

### **EQUIPMENT & STRUCTURE MAINTENANCE**

Expenditures in this category are projected to remain flat from Fiscal 2006 to Fiscal 2007 at \$69,100.

### **MISCELLANEOUS SERVICES**

Miscellaneous services are projected to be \$8,800 for Fiscal 2007. Representing no change from the Fiscal 2006 revision.

### **SUNDRY CHARGES**

There are no expenditures budgeted in this category.

### **CAPITAL OUTLAY**

Expenditures for this category are \$10,500 for Fiscal 2007, which is the same as the revised 2006 estimate.

### **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 \$1,315,909 at Fiscal 2007 year-end.



# **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 2007 revenues are estimated at \$49,000.

# **COURT SECURITY/TECHNOLOGY FUND**

## **COURT SECURITY/TECHNOLOGY 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 \$22,222.

### **SUPPLIES**

Court Security supplies are anticipated to be \$3,200 in Fiscal 2007.

### **EQUIPMENT & STRUCTURE MAINTENANCE**

Expenditures in this category are expected to be \$16,700 in Fiscal 2007, slightly above the Fiscal 2006 revised estimate of \$15,000.

### **MISCELLANEOUS SERVICES**

Anticipated costs of Miscellaneous services are \$8,300 for Fiscal 2007 which is \$1,500 above the Fiscal 2006 revised estimate of \$6,800.

### **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 \$81,445 at Fiscal 2007 year-end.

# **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 \$108,200.

## **EXPENDITURES**

Expenditures in the fund are for the non-salaried operations of the Kurth Memorial Animal Shelter. Fiscal Year 2007 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 \$2,600.

## **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.

# **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 2007 are anticipated to be \$974,683.

# **ECONOMIC DEVELOPMENT FUND**

## **EXPENDITURES**

### **PERSONNEL SERVICES**

Salaries and benefits for the Economic Development Fund are anticipated to be \$160,557 in Fiscal 2007, increasing by 31.72% over the Fiscal 2006 revised estimate of \$121,897. This increase is attributed to the 3% cost of living increase and the addition of an Economic Development Assistant.

### **SUPPLIES**

Expenditures for supplies are anticipated to be \$11,000 in Fiscal 2007 increasing from the \$7,000 revised estimate for Fiscal 2006.

### **EQUIPMENT & STRUCTURE MAINTENANCE**

There are no expenditures budgeted in this category.

### **MISCELLANEOUS SERVICES**

Anticipated costs of Miscellaneous services are \$141,875 for Fiscal 2007, above the Fiscal 2006 revised estimate of \$110,700.

### **SUNDRY CHARGES**

Sundry charges include incentives paid by the Economic Development Fund. The Fiscal 2007 estimate is \$214,150.

### **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 2007 year-end is \$1,550,528.

# **EQUIPMENT ACQUISITION & REPLACEMENT FUND**

## **REVENUES**

Revenues for the Equipment Acquisition and Replacement Fund are transferred from the Departmental budgets to cover the cost of annual depreciation on the City's rolling stock or other machinery and equipment. After a one time initial transfer in from the General, Water/Wastewater and Solid Waste funds in Fiscal 2006, annual depreciation on each piece of equipment will be transferred to this fund until such time as the equipment is ready for replacement. All machinery and equipment is placed on a schedule for replacement based upon anticipated life of the equipment. Revenues for Fiscal 2007 are anticipated to be \$1,596,429.

# **EQUIPMENT ACQUISITION & REPLACEMENT FUND**

## **EXPENDITURES**

### **CAPITAL OUTLAY**

All expenditures in the fund are Capital in nature. The Fiscal 2007 estimated expenditures are \$2,165,600.

### **FUND BALANCE**

Council Financial Policies requires the Equipment Acquisition & Replacement Fund to maintain a fund balance of zero or greater. However, excess funds are retained from year to year to be applied toward future purchases. The anticipated fund balance at Fiscal 2007 year-end is \$1,046,606.