



October 1, 2011

Mayor and City Council Members:

I am pleased to present to you the Adopted Budget and Plan of Municipal Services for the fiscal year 2011-12. The Annual Budget and Plan of Municipal Services is the most important document that is adopted by the City Council each year. In developing this document, as always, a significant amount of time is devoted by City Council Members and City Staff. An Annual Budget is developed through an extensive process of reviewing requests received from various City departments and external agencies then prioritizing those requests in a manner that utilizes resources effectively, within fiscal constraints, while working to achieve goals set out by the City Council.

Goals

The City Council has proposed a list of goals that the City of Greenville should strive toward on an ongoing basis. These goals were developed through a strategic planning process held in 2008 and have been adopted by the City Council. The goals established by the City Council include the following:

- *Lower the Ad Valorem Tax Rate.*
- *Focus on Quality of Life Issues.*
- *Improve Appearance of the Community.*
- *Pursue Greater Public Safety.*
- *Achieve Significant Progress on City Infrastructure.*
- *Promote Economic Growth.*
- *Communicate to Community that City Council is unified in its Efforts.*

The Budget includes a copy of those goals along with the adopted vision, guiding values and specific objectives assigned to each goal. Many of the goals are addressed in one way or another throughout the Budget.

Market Survey Adjustments

In fiscal year 2007-08, the City budget included a pay structure adjustment that was tied to a market survey conducted by the human resources department. Ideally, we would pay our employees at 100% of market. Even though the City cannot afford to adjust all positions to market, we can continue to monitor the plan implemented and grow the pay structure in years when it is affordable and appropriate to do so in a manner that will eventually achieve a market pay structure. The human resources department prepares an updated market survey analysis comparing the City of Greenville's pay structure, by position, to market. The market used by the human resources department included cities and organizations that were similar in size to Greenville, located near Greenville, and had similar positions. This list of cities has been adopted by the City Council and is used annually to compare Greenville's pay structure to the established market. These six cities include Rockwall, Cleburne, Lancaster, Wylie, Weatherford and Waxahachie.

Once the market survey is completed, an average (market average) is calculated and compared to the amounts paid by Greenville. This average is derived from the mid-point pay for specific positions within the established market. Once determined, the mid-point pay of Greenville is compared to the market average mid-point to determine how Greenville compares to market.

The Budget for fiscal year 2011-12 does include market pay adjustments for a limited number of positions. These adjustments involve 7 different job classifications and approximately 10 employees and are planned for October 2011. In the 2011-12 Adopted Budget the pay structure ensures that all employees working for the City are paid a wage equivalent to at least 80% of the market average or more. The Budget for fiscal year 2011-12 does include a one-time, non-recurring payment based upon employee performance.

For fiscal year 2011-12, 37% of the City's employees will be paid between 80 and 85 percent of market, 16% will be paid between 86 and 90 percent of market, 14% will be paid between 91 and 95 percent of market and 33% at greater than 95 percent of market. The Budget also includes approximately \$42,717 to fund step increases within the police and fire pay plans only. Step increases for civil service employees impact approximately 12 employees next year.

Employee Pay and Benefits

In fiscal year 2009-10 no merit or cost of living increases were included for City employees. In fiscal year 2010-11, a 1.5% pay adjustment was included for civilian personnel with the addition of \$1 per month increase in longevity pay to offset the elimination of monetary awards and seasonal employee gifts. The police and fire pay plans also included the 1.5% increase. The 2011-12 Budget includes a one-time, non-recurring payment based upon employee performance in the amount of \$300,582.

Substantial changes were made during the 2010-11 fiscal year dealing with the provision of health care and the Texas Municipal Retirement System (TMRS). In an effort to control escalating health care cost the City switched from a self-insured plan to a fully funded plan provided by Texas Municipal League Intergovernmental Employee Benefit Pool (TMLIEBP). This switch also included placing City retirees into a separate plan through TMLIEBP which significantly reduced the City's GASB 45 Other Post Employee Benefit (OPEB) liability for the future. Additionally there was an employee dependent premium increase of 10% in January 2011 for all plan participants. These changes have helped to reduce and limit the City's financial responsibility for catastrophic claims. This budget includes an increase in the budgeted City contribution to the plan in the amount of \$157,200 and will require using a portion of the Health Insurance Fund balance. The City also continues to offer the Employee Only Basic Plan to employees without a premium charge. Recent changes in the TMRS program have reduced the City's contribution rate from 16.11% to 11.65% effective January 1, 2012. This rate change will reduce the City's annual contribution amount FY 2011-12 by as much as (\$294,000).

The increases (decreases) in operating budgets, by fund, resulting from adjustments to the pay plan and benefits structure are as follows:

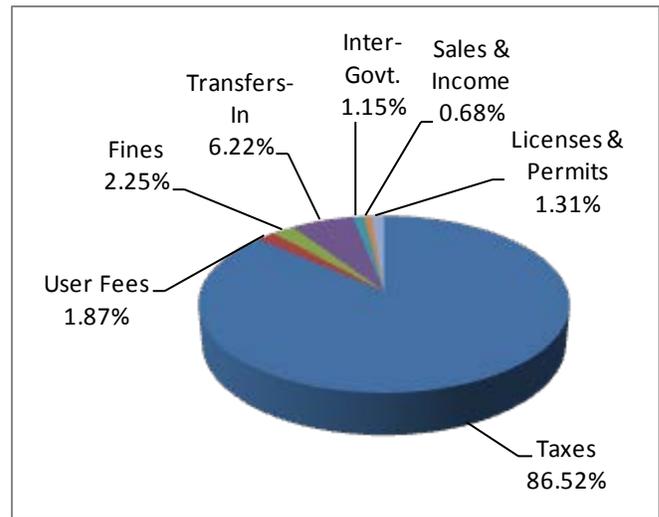
Fund	Salaries	Retirement	Social Security	Medicare	Works' Comp.	Health Insurance	Longevity	Total
General	\$ 232,335	\$ (214,513)	\$ 14,404	\$ 3,369	\$ 1,448	\$ 117,600	\$ 12,744	\$ 167,387
Water & Sewer	48,406	(51,742)	3,001	701	300	28,200	3,066	31,932
Golf Course	950	(1,780)	59	14	6	600	144	(7)
Central Service	11,400	(11,116)	707	165	66	6,900	978	9,100
Exchange Bldg.	1,425	(1,172)	88	21	8	900	108	1,378
MIS	5,915	(11,816)	367	86	24	2,400	(228)	(3,252)
Airport	-	(747)	-	-	-	-	72	(675)
Venue Mgt.	-	(1,891)	-	-	-	600	144	(1,147)
Total	\$ 300,431	\$ (294,777)	\$ 18,626	\$ 4,356	\$ 1,852	\$ 157,200	\$ 17,028	\$ 204,716

General Fund

The General Fund is the primary operating fund for the City of Greenville. This fund accounts for all financial resources not restricted to special or specific projects and/or funds that are not to be accounted for in a different fund. Funded from a myriad of revenues, this fund is required to provide for public safety services, city administration, community development, community services and public works. The Budget for the General Fund does utilize some excess fund balance. In fact, total revenues in the General Fund amount to \$20,298,867 while total unadjusted General Fund requests from departments amount to \$23,672,148.

Revenues

Revenues in the General Fund consist of a number of sources. As can be seen in this illustration, the bulk of revenue, 86.52%, is derived from various forms of taxes. These taxes are primarily made up of an ad valorem tax, franchise taxes, and the sales and use tax. Overall revenues are budgeted at \$20,298,867. This represents a \$169,570 or 0.84% increase over the amount of revenues budgeted in fiscal year 2010-11. The current property tax rate of 69.9 cents per \$100 of taxable assessed valuation is to remain the same. The total tax rate is divided between the General Fund and the Tax Interest and Sinking Fund with 51.09 cents being utilized by the General Fund and 18.81 cents being utilized by the Tax Interest and Sinking Fund. The preliminary tax roll, provided by the Hunt County Tax Appraisal District, increases the City's taxable assessed value (T.A.V.) by approximately 0.47%. This increase resulted in an additional \$135,627 and \$8,305 in ad valorem tax revenue to the General Fund and the Tax Increment Reinvestment Zone respectively. A breakdown of the City's tax roll as it pertains to market values follows:



City of Greenville, Texas
 Analysis of Changes in Assessed Value
 Fiscal Year 2011 - 12

	2010	2011	Difference	% Change
<i>Residential</i>	\$ 655,363,519	\$ 665,015,954	\$ 9,652,435	1.47%
<i>Agricultural</i>	43,408,518	42,162,507	(1,246,011)	-2.87%
<i>Commercial</i>	394,247,345	391,816,534	(2,430,811)	-0.62%
<i>Industrial</i>	326,629,930	319,546,390	(7,083,540)	-2.17%
<i>Utilities</i>	14,411,610	12,882,160	(1,529,450)	-10.61%
<i>Railroad</i>	1,378,720	1,519,270	140,550	10.19%
<i>Other</i>	808,436,985	974,139,356	165,702,371	20.50%
Total All Property	\$ 2,243,876,627	\$ 2,407,082,171	\$ 163,205,544	7.27%

Inter-fund transfers within the General Fund consist of payments made from the Greenville Electric Utility and Cable System, Greenville Board of Development and Economic Development Corporation, the Water and Sewer Fund and Solid Waste Fund and are based on an indirect cost allocation formula. A transfer from the Spence Endowment Fund is also included to assist with funding the maintenance of Forest Park Cemetery. These cost allocation reimbursements consist of the following:

Agency/Fund	Indirect Cost		Total
	Allocation	Transfers	
GEUS - Electric	\$ 271,266	\$ -	\$ 271,266
GEUS - Cable	44,571	-	44,571
GBOD	29,047	-	29,047
Water & Sewer	755,854	-	755,854
Solid Waste	15,873	-	15,873
Hotel Occupancy Tax	-	56,288	56,288
Spence Endowment	-	897	897
Total	\$ 1,116,611	\$ 57,185	\$ 1,173,796

Expenditures

Expenditures in the Budget for the General Fund amount to \$20,555,589. This represents a 0.87% increase, or \$176,292 compared to the amount budgeted in fiscal year 2010-11. There were a total of \$23,672,148 departmental requests of which I adjusted by \$3,116,559 in preparing the budget. Line items (e.g., operating supplies, fuel and oil, utilities, etc.) within the General Fund have been conservatively budgeted. Very little appropriations for capital outlay have been planned and I have attempted to allocate

resources for capital outlay where the needs appear to be the greatest. With the need for additional capital outlay to meet critical unmet needs, a seven year tax note is included in this document. Below is a list of equipment to be purchased with the tax note. Of this list, two trucks and the Gradall were to be purchased during the 2010-11 budget year but were not due to economic conditions in the general fund.

City of Greenville
Capital Asset Plan Using Tax Notes
2011-2012 Adopted Budget

Animal Control - 1210	Animal Control Facility	\$ 450,000
Animal Control - 1210	3/4 Ton Extended Cab Truck	32,000
Animal Control - 1211	Parameter Fence	5,000
City Manager - 0510	Video Presentation Equipment	30,000
Parks & Recreation - 1602	Kubota 9540 Tractor	44,000
Parks & Recreation - 1603	Oak Creek Playscape	40,000
Fire Operations - 1302	Training Tower	90,000
Fire Operations - 1302	Mobile Data Terminals and Software	60,000
Streets - 1502	2010/2011 XL4100 Gradall Unit	300,000
Streets - 1502	3/4 Ton, 4x4 Truck	26,000
Police - 1206	Upgrade Radio Repeater	20,430
Total		\$ 1,097,430

Fund Balance

Fund balance is basically defined as the amount of funds available that remain unencumbered and not appropriated. Once again, ideal fund balance is met within the General Fund. The City, in fiscal year 2005-06, adopted by resolution a financial policy that requires the General Fund, among other funds, to maintain a minimum fund balance, but sets a target fund balance equivalent to 20% of operating expenditures. The target fund balance is considered the ideal fund balance. This ideal fund balance equates to \$4,111,118 for fiscal year 2011-12 and continues to be met. Fund balance is used as an indicator by bond rating agencies and other financial institutions in determining the City's creditworthiness. A strong fund balance facilitates a better bond rating which in turn reduces the City's interest cost when it issues debt. In 2010 the City's bond ratings improved to AA-. Generally, maintaining a strong fund balance also creates another significant revenue source on an annual basis, interest earnings. Unfortunately, over the last three years, interest earned on invested funds has left a lot to be desired.

Significant Budgetary Issues

There are a number of significant issues within the General Fund that need to be addressed.

- **Property Tax Valuation:** In 2011 the City's Taxable Assessed Value (TAV) increased 0.47%, or \$6,431,535, with total certified net taxable value of \$1,382,052,700. New taxable values were \$17.2 million with residential values increasing 1.47% or \$9.6 million. The most notable change is related to industrial personal property which is the same category that had a significant increase in 2010. This category decreased \$10.8 million. This decrease reflects an \$11.1 million dollar

reduction by L-3 Communications, a \$13.4 million dollar increase at Cytec, and the balance completed by several other companies. Additionally, the Hunt County Appraiser increased the tax exempt property at the airport from approximately \$80 million to \$250 million.

- **Health Insurance:** The adopted budget includes an increase in the budgeted City contribution to the plan from the General Fund in the amount of \$117,600. This reflects a \$600 increase (from \$8,000 to \$8,500) per approved staffing position.
- **Patrol Officers:** In the 2007-08 fiscal year the City added a motorcycle unit for traffic enforcement. Since then this addition is proving to be very successful enforcing traffic laws throughout the community. In 2008-09 fiscal year budget, two additional motorcycle unit patrol officers were funded for half the fiscal year. Expanding this traffic enforcement program would facilitate the enforcement of traffic laws, making our community safer for pedestrians and motorists. Unfortunately, due to current economic conditions, these positions were placed on hold and the City applied for a community policing grant that could fund the officers for a three year period. In addition to the two officers, a narcotics officer and a bailiff/warrant officer were also applied for in this grant. During the second round of grant notifications that number of officers had to be restricted to two patrol officers. During the current fiscal year the grant was awarded to City and you cover the cost of two officers for three years. Once these positions are filled they will be accounted for in a special revenue fund for grant tracking purposes.
- **Police Salary Contra-Account:** Each year the City recognizes savings within departments with more personnel due to turnover of City Staff. The Adopted Budget anticipates vacancy savings in advance by creating a salary contra account, (reducing the operating budget), within the police department. If, by chance, the vacancy savings anticipated do not materialize, a budget amendment will be required to ensure the budget adopted is not exceeded. The amount of vacancy savings anticipated for fiscal year 2011-12 is anticipated to be \$157,328 (the estimated Salary & Benefits for two Officers).
- **Vehicles & Equipment:** The Adopted Budget includes four replacement patrol vehicles for the police department at a total cost of \$168,768. These vehicles will be funded from the General Fund. Ideally, the City would replace six vehicles within the police department each year. In addition to the four patrol vehicles a crime scene trailer and surveillance equipment are planned for purchased.
- **Capital Outlay:** As like other years, there are a significant number of unmet needs. The 2011-12 Adopted Budget includes a plan to address some of the immediate capital needs using seven year tax notes as a method of funding the capital. As part of this budget there are projects dealing with the renovation and upgrade of the animal shelter, construction of a training tower, a playscape, and the replacement of some equipment. The planned capital outlay covers eleven items totaling \$1,097,430.
- **Street Maintenance:** In fiscal year 2007-08 the Adopted Budget included \$600,000 for street repairs and an asphalt overlay/slurry seal street maintenance program. During the fiscal year, \$50,000 was transferred from this account into an account for right-of-way maintenance, leaving \$550,000 for street maintenance. The fiscal year 2008-09 budget included \$450,000 for street repairs and an asphalt overlay/slurry seal street maintenance program. These amounts are significantly higher than that funded in fiscal year 2006-07. The budget for fiscal year 2010-11 increased this level of funding with total maintenance and contracts for items such as streets,

curbs, sidewalks and mowing exceeded \$300,000. The Adopted Budget includes \$125,000 for street maintenance and \$600,000 for the street improvement program. A sustained street maintenance program is essential to the success of any community.

- ***Right-of-Way Maintenance & Lot Abatement Mowing:*** In an effort to comply with the City's agreement with the Texas Department of Transportation (TxDOT) for right-of-way maintenance, \$55,000 has been included in the Adopted Budget of the street department to fund the City's responsibilities with regards to maintaining TxDOT right-of-ways within Greenville. Additionally, an abatement mowing department was created in the 2010-11 budget year to specifically address the mowing and cleaning of lots within Greenville that are not maintained by property owners in accordance with City codes. This budget includes \$130,939 for abatement mowing. Both budgets facilitate a safer and more aesthetically pleasing community.
- ***Parks & Recreation Equipment:*** In September 2010 the City was awarded a \$500,000 matching grant from Texas Parks & Wildlife for the renovation of Graham Park. The renovation will include a splash park, a Frisbee golf course, a pet area, walking trails to the City lake and other features. During the 2010-11 year, plans were developed and scheduled to start renovations in fiscal year 2011-12. The City's portion of the matching grant in the 2010-11 budget, \$125,000, came from fund balance in the general fund. The Adopted Budget includes using \$250,000 in fund balance as part of the City's match.

Water & Sewer Fund

The Water & Sewer Fund is one of three enterprise funds that the City of Greenville utilizes in accounting for services provided to its constituents. This fund provides for costs associated with acquisition, treatment, and distribution of water, treatment of wastewater, collection of wastewater and billing for those services. Additionally, this fund provides for infrastructure improvements to, and maintenance of, the water and wastewater system.

Revenues

The Water & Sewer Fund generates revenues primarily from the sale of water and the collection and treatment of wastewater. Total revenue for this fund is projected to be \$12,086,402. This amount is \$469,902 or 4.05% more than the amount budgeted in FY 2010-11. The Adopted Budget revenues for the Water & Sewer Fund are critical for funding future capital projects. Budgeted revenues were based on an overall 2% rate increase and while meeting some of capital needs, do not address the long term capital requirements needed to support the community. A professional rate study was conducted by RW Beck in fiscal year 2010-11 and addresses the additional revenues needed to fund long term capital projects. The City has not raised residential rates for customers inside the City since 2002.

Construction of the new wastewater treatment plant began in 2010 with planned costs to exceed \$21 million. This, in conjunction with the ever increasing cost of capital to repair, replace, and maintain the water and sewer infrastructure, has reduced the amount of funds available needed for a sound capital improvement program.

Expense

Total expenses in the Water & Sewer Fund are budgeted at \$12,056,938 representing an increase of \$382,524 or 3.2% compared to the fiscal year 2010-11 Adopted Budget. In FY 2009-10 there were no

COLA or merit increases for employees and a 1.5% adjustment was given October 1, 2010. A one-time, non-recurring payment of \$54,024 based upon employee performance is included in this Adopted Budget.

Fund Balance

According to the City's fund balance policy, the Water & Sewer Fund is required to maintain a fund balance equivalent to at least 15% of operating expenses, but sets a target of 20% of operating expenses. The targeted fund balance is considered ideal fund balance. The ideal fund balance is calculated to be \$2,411,388, and is projected to be achieved in the upcoming fiscal year.

Significant Budgetary Issues

- ***Water & Sewer Rate Study:*** A rate study was conducted during the 2010-11 fiscal year as a plan to establish current water and sewer rates necessary to provide and maintain a sound capital improvement program. This plan also proposes to incorporate the EPA fee into the existing sewer rate thus eliminating the Sewer Mandate Fee found on the customer's bill. These rates are not incorporated into this budget but are available for Council's consideration.
- ***Health Insurance:*** The budget includes an increase in the budgeted City contribution to the plan from the Water & Sewer Fund in the amount of \$28,200. This reflects a \$600 increase (from \$8,000 to \$8,600) per approved staffing position.
- ***Water Contract:*** The City has a take or pay contract with the Sabine River Authority for 23 million gallons of water per day. In 2010, the Sabine River Authority lowered the contracted water price to \$.10 per 1,000 gallons. This represented a (\$145,500) or (14.76%) cost reduction. An increase in this rate is not anticipated at this time.
- ***Chemicals:*** In 2008-09 the cost of chemicals rose at a pace greater than inflation and maintained those levels through the end of 2009. In 2010 chemical prices decreased lowering the City's cost to treat water. The 2011-12 Adopted Budget includes \$317,516 in funding for chemicals, which is (\$43,282) lower, or (11.99%), than the amount budgeted in fiscal year 2010-11.
- ***Debt Service:*** During fiscal year 2007-08 the City Council authorized the issuance of \$20,000,000 in bonds through the Texas Water Development Board (TWDB) for the design and construction of a rehabilitated and expanded wastewater treatment facility. The City has received numerous notice violations from the Environmental Protection Agency over the past several years and the existing facility is in desperate need of replacement. With debt service payments increasing \$771,110 in FY 2010-11 to pay for the new wastewater treatment facility, the City refinanced some of its older debt in order to decrease upcoming annual debt service payments. The 2010-11 Adopted Budget included a decrease in debt service payments of (\$150,929) from 2009-10 Adopted Budget with a transfer of \$288,350 to the General Debt Service Fund. When compared to the original \$771,110 increase in debt service requirements for FY 2010-11 there was a net decrease of (\$633,689). The Adopted Budget includes (\$215,000) in additional debt service savings through a planned refunding anticipated in September 2011. The planned refunding will provided an average annual savings of \$215,000 for 2012-2015.
- ***Capital Improvement Reserve:*** The Adopted Budget for fiscal year 2011-12 includes \$394,000 in capital outlay. In the past a \$50,000 transfer to the capital improvement fund was made to fund

the Texas Commission on Environmental Quality (TCEQ) sewer line replacement program. This budget includes funding the TCEQ sewer line replacement program with Water/Wastewater CIP fund balance.

Airport Fund

The City's general aviation airport, Majors Field, is one of the largest airports in the region providing an 8,000 foot runway. Revenues generated by the airport primarily consist of hangar rental fees and property lease payments from L-3 Communications and other tenants. This enterprise fund is used to account for all revenues and expenses related to the operations of the airport.

Revenues

The Adopted Budget for fiscal year 2011-12 includes revenues for the Airport Fund in the amount of \$146,965. This amount represents an increase of \$9,764, or 7.12%, and is primarily related to lease payments for the Maintenance Hangar.

Expenses

Expenses within the Airport Fund are budgeted to be \$148,010, which is (\$89,463), or (37.67%), lower than the amount budgeted in fiscal year 2010-11. The decrease is primarily due to reduced attorney fees related to a law suit filed by L-3 Communications against the City.

Fund Balance

Ideal fund balance is expected to be achieved for fiscal year 2011-12. The Adopted Budget projects fund balance at the end of the 2011-12 fiscal year to be \$116,723.

Golf Course Fund

The Golf Course Fund is one of four funds accounted for as an enterprise activity by the City. There is no requirement that this fund be accounted for as an enterprise fund, however, in years past this has been done with the belief that at some point, the Golf Course Fund will become self-sufficient. Accounting for this activity in an enterprise fund indicates that there is a desire to determine all the costs associated with operating the Golf Course. In theory, once all costs have been determined, the organization can set the proper fees that users should be charged to recover those costs. Currently though, not all costs are being captured within the Golf Course Fund (e.g., debt service payments). This does not mean that the use of an enterprise fund is inappropriate, although in an ideal situation these costs would be captured within the fund.

Revenues

Revenues in the Golf Course Fund have been budgeted conservatively at \$205,000. This represents a decrease of (\$22,500), or (9.89%), when compared to the 2010-11 fiscal year budget. There are no rate increases planned for the Golf Course and rates currently charged by Greenville Municipal Golf Course are comparable to those of our competitors.

Expenses

Expenses are budgeted at \$273,876, which is an increase of \$60,880, or 28.58%, when compared to the 2010-11 fiscal year budget. The 2011-12 Adopted Budget for the Golf Course includes \$75,000 in capital outlay for renovation of the Pro Shop and installation of food service equipment. Excluding this one item, Golf Course expenses would decrease (\$14,120) or (6.63%), when compared to the 2010-11 fiscal year budget. The most important caveat to be made any time that there is a sustained holding of expenses to a minimum, is that we should be extremely careful not to let the product/service that we provide deteriorate. The City has made a significant investment in this product/service and we are charged with insuring that such an investment is properly maintained.

Fund Balance

Fund balance does not meet the ideal or minimum fund balance requirement for fiscal year 2011-12 and it should be expected that it will be some time before it does. Even though the Golf Course Fund is not expected to achieve ideal fund balance for some time, it is imperative that we not let the fund balance in the Golf Course Fund materially worsen. The Adopted Budget shows an ending fund balance in fiscal year 2011-12 in a deficit of (\$487,408). Fund balance within this fund will have to be rebuilt on an annual basis to the extent that revenues exceed expenses. While there is a deficit in fund balance it is anticipated that over time these improvements made to the Pro Shop will increase revenues and recover fund balance.

Solid Waste Fund

The Solid Waste Fund is another enterprise fund within the City's accounting system that has been established to account for all revenues received and costs incurred as a result of providing solid waste collection and disposal services to the public. The City provides solid waste service through two separate contracts. The collection and transportation of solid waste is provided by a contract with IESI, Inc., while the disposal of solid waste is contracted with Maloy Landfill. Fees charged by these companies are scheduled to grow each year during the terms of the contracts. The fees charged by IESI will grow each year based on the cost of fuel, as well as an increase based on the change in the Consumer Price Index (CPI) each year thereafter. The fees charged by Maloy Landfill will grow each year based on the changes in the CPI. No rate increases are planned for both collection and disposal at this time. However, if the Consumer Price Index (CPI) reflects an increase at year-end, contracts for both disposal and collection require an increase which will flow through solid waste rates to customers.

Revenues

Revenues within the Solid Waste Fund primarily consist of solid waste collection fees and disposal fees. Solid waste collection fees are budgeted at \$1,977,179, and make up 61.46% of total revenues. Disposal fees are budgeted at \$1,020,000 and make up 31.71% of total revenues in fiscal year 2011-12. Overall, a (0.96%) decrease has been budgeted in the Solid Waste Fund revenue. Revenues are expected to exceed expenses by approximately \$89,238. The fund balance policy does not apply to the Solid Waste Fund.

Expenses

The Adopted Budget provides for a (2.19%) decrease in the Solid Waste Fund's appropriations over the fiscal year 2010-11 Adopted Budget. Charges for collection and disposal are budgeted to decline by (\$14,998) or (0.57%). The reduction in appropriations is primarily attributed to changes in service levels requested by customers.

Fund Balance

The City's fund balance policy does not apply to the Solid Waste Fund and this fund does not carry any debt service. Nevertheless, this fund is budgeted to end fiscal year 2011-12 with a fund balance of \$234,488.

Significant Budgetary Issues

Collection Charges: During fiscal year 2007-08 the City entered into a new five-year agreement with IESI for the provision of solid waste collection within the City limits. While this new contract brought expanded and improved services, it also included a 6% increase in the current collection charge for residential and commercial customers and a fuel surcharge that is subject to change as fuel prices continue to climb. While the fuel surcharge is subject to change quarterly based on fuel increases, it is not anticipated that the rates the City charges to customers will change. These rates will be viewed and adjusted annually. Overall, residential and commercial customers saw an increase in their rates beginning in October 2008 of roughly 10%. While no rate increases are included, unexpected and significant increases in the fuel charge may require the City to revisit rates charged to customers sooner than annually.

Household Hazardous Waste Program: During the 2008-09 fiscal year, a project was started in the Greenville Chamber of Commerce's Leadership Greenville/Hunt County program that proposed the development of a permanent household hazardous waste program in Greenville. This project was completed in FY 2010-11. A grant from the North Central Texas Council of Governments (NCTCOG) made this project possible. The Adopted Budget incorporates this project into the Solid Waste fund for continued operation by the City. The cost to operate this program will be shared by surrounding communities in Hunt County. The budget includes revenues and expenses of \$21,295 and \$20,715 respectively for this program.

Central Services Fund

The Central Services Fund is one of three internal service funds within the City's accounting structure. This fund accounts for all expenses associated with maintaining the City's rolling stock of vehicles and equipment, buildings and custodial services. The costs associated with the provision of these services are reimbursed to the Central Services Fund through cost allocation back to various funds and agencies. Total appropriations in this fund for these services, in fiscal year 2011-12, equal \$1,111,869. This is a decrease of (431,499), or (27.96%), from the 2010-11 Adopted Budget. This decrease includes moving property and liability insurance into the insurance fund and allowing Greenville Electric Utility System to pay the property and liability insurance related to electric and cable direct to the insurance carrier. Revenues budgeted to be received from various funds and agencies for fiscal year 2011-12 total \$1,105,044. The budget does not include civic center and auditorium rental income. This is accounted for in the venue management fund for the 2011-12 Adopted Budget. The ending fund balance projected at the end of fiscal year 2011-12 is \$250.

Management Information Systems Fund

The Management Information Systems Fund is an internal services fund used to account for costs associated with maintaining, improving and supporting the technological needs of the City. In previous years, this function was supported by five full-time employees. In the fiscal year 2011-12 Adopted Budget, there are three full-time positions. These positions consist of one information technology

manager and two information technology network specialists. Expenses within this fund are reimbursed by other funds and agencies through cost allocations. Revenues for fiscal year 2011-12 are budgeted at \$1,168,651, which is an increase of \$460,356 or 64.99% compared to the 2010-11 Adopted Budget. Expenses are budgeted to be \$1,174,377, a \$346,320, or 41.79% increase when compared to the 2010-11 Adopted Budget. The Adopted Budget includes a \$260,778 for computer and equipment replacement as well as Mobile Data Terminals and software for Fire. The budget includes the second year lease payment for new enterprise software. Fund balance within this fund is projected to be \$98,649 at the end of fiscal year 2010-11.

Insurance Fund

In January 2010, the City switched to a fully insured health plan for its employees. This internal service fund accounts for all revenues and expenses associated with health insurance, workers' compensation and State unemployment. Expenses are reimbursed through charges to other funds and agencies. In past years this fund had been charging a rate that generated revenues surpassing annual expenses thereby building a strong fund balance. The Adopted Budget reflects the City paying \$8,600, a portion of the estimated total cost of \$9,579 per budget position. The balance of this cost is to be funded through the insurance fund balance. The Adopted Budget includes revenues of \$4,678,316 and expenses of \$4,909,133 with a planned increase in City contributions totaling \$157,200 or \$600 per approved staffing position. Fund balance at the end of fiscal year 2011-12 is projected to be \$1,712,233, which is a decline of (\$230,817).

Other Funds

There are a variety of other funds within the City's accounting and budgeting system that are required, or preferred, to be separate from the major operating funds generally due to the restrictions placed on the funds that are accounted for within them.

Hotel Occupancy Tax Fund

Local hotel occupancy taxes are collected from each hotel located within the City limits. The local tax is 7% on the cost of a hotel room while the State tax is 6%. The Adopted Budget anticipates revenues totaling \$430,600 and is the same as fiscal year 2010-11 Adopted Budget. Expenditures total \$441,033, which is a decrease of (\$83,752), or (15.96%), when compared to the 2010-11 fiscal year Adopted Budget. The use of resources within this fund must be in compliance with State law regarding the use of local hotel occupancy tax. Expenditures include \$278,585 in funding to external organizations as recommended by the City's Tourism Board. There is also a \$71,000 transfer to the Venue Management Fund for improvements and maintenance to the Municipal Auditorium, Civic Center. Additionally, there is a transfer in the amount of \$56,288 to the General Fund to fund a portion of administrative expenses related to the City's historic main street program and hotel auditing services. Ending fund balance for this fund is projected to be \$81,023 and is not required to comply with a fund balance policy.

Exchange Building Fund

The Exchange Building Fund is used to account for all revenues received from tenant leases and all expenses incurred with maintaining the City owned Paul Mathews Exchange Building. The fiscal year 2011-12 Adopted Budget anticipates revenues to be \$571,768, slightly higher than the previous fiscal year. Total expenditures amount to \$571,768. The expenses are equal to revenues with the single largest expenditure budgeted for fiscal year 2011-12 being a \$358,000 transfer to the tax interest and sinking

fund to cover a portion of debt service associated with debt that was issued in a previous fiscal year to rehabilitate the building. Fund balance is improving slowly, but remains in a deficit at (\$127,986) for the ending 2011-12 Adopted Budget.

Recreation Activities Fund

In an effort to ensure that recreation activities sponsored and managed by the parks and recreation department are self-funding, the Recreation Activities Fund has been created to track costs and revenues associated with those programs. Programs accounted for within this fund include adult basketball, softball, and volleyball, as well as, youth flag football. Total revenues from these programs are anticipated to be \$160,200, and total expenses are budgeted at \$159,849. The fund balance policy does not apply to this fund.

Tax Increment Reinvestment Zone Fund

In fiscal year 2008-09 the City Council authorized the creation of a Tax Increment Reinvestment Zone (TIRZ) in an effort to facilitate economic development within that zone. Incremental taxes collected within the zone must be accounted for separately in a special revenue fund. Total revenues from incremental property taxes are expected to be \$44,949. A portion of this amount will be used during the year to fund professional services associated with administering the TIRZ.

Spence Endowment Fund

In 1991, the City received a bequest of funds in the amount of \$1,253,397 from Anna Mary Spence. All of these funds were designated to be used toward the benefit of Forest Park Cemetery. Over the years, these funds have been used toward improvements and maintenance of the cemetery. Currently, there is \$561,557 in fund balance. Anticipated interest revenue of \$900 is budgeted for the 2011-12 fiscal year with \$900 to be transferred to the General Fund to assist with funding costs associated with maintaining Forest Park Cemetery.

Community Oriented Policing Services (COPS) Grant Fund

The Community Oriented Policing Services (COPS) Grant Fund has been established in anticipation of receiving a grant from the COPS program for the purpose of filling four peace officer positions that were originally budgeted in the 2008-09 fiscal year. Due to a poor economy, these positions have been placed on hold until funding is identified. In 2008-09, the police department submitted an application to COPS program for grant funding. These positions include a narcotics officer, two motorcycle patrol officers and a bailiff/warrant officer. During the second round of grants the number of officers had to be reduced from four to two. The total amount available from this grant for these officers is \$442,743. In September 2010, the City received notification of the grant award. Police is working to fill these positions.

Tax Interest & Sinking Debt Service Fund

The Tax Interest and Sinking Fund is used to collect resources necessary to make annual debt service payments (principal and interest) on debt that is supported by ad valorem tax dollars. Revenues within this fund are primarily made up of ad valorem taxes and are anticipated to be \$2,591,395 in fiscal year 2011-12, a decrease of (\$103,746) under fiscal year 2010-11. Total debt payments to be made from this fund amount to \$3,753,640. Fund balance for this fund is required by the fund balance policy to equal

one-twelfth of the following fiscal year's debt service requirement and is anticipated to be \$293,385 at the end of fiscal year 2010-11. The fund balance requirement within this fund is met.

Capital Improvement Program (CIP) Funds

Governmental CIP

The City maintains a capital improvement fund for projects related to governmental activities. Some of the projects completed through this fund over the years include the police and courts building, the recreation center, street improvements, the sports park and many others. The Adopted Budget projects that ending fund balance within this fund at the end of fiscal year 2011-12 will be \$1,573,912.

Street Construction C/O 2010 CIP

During fiscal year 2009-10 the City Council authorized the issuance of \$5,795,000 in debt through the issuance of certificates of obligation to fund the construction of Traders Road and Monty Stratton Parkway. This fund has been created to account for the proceeds from that debt issuance and track the costs associated with these two projects. The Adopted Budget for fiscal year 2011-12 anticipates the beginning fund balance to be \$5,212,872.

Graham Park Renovation CIP

During fiscal year 2010-11 the City was awarded a \$500,000 matching grant from Texas Parks & Wildlife for the renovation of Graham Park. The renovation will include a splash park, a Frisbee golf course, a pet area, walking trails to the City lake and other features. In fiscal year 2010-11 this project was funded in Governmental CIP (401) and will be transferred and reported in this fund in 2011-12. The Adopted Budget for fiscal year 2011-12 anticipates the transfer from the general fund balance in the amount of \$250,000.

Utility CIP

For many years, the City has maintained a capital improvement fund for water and sewer projects. Currently, there is roughly \$2,700,000 available in the Utility CIP Fund. There are a number of water and sewer projects that need to be completed. At the end of fiscal year 2011-12, it is projected that the fund balance within this fund will be \$2,167,145.

2008 Wastewater Treatment CIP

During fiscal year 2007-08 the City Council authorized the issuance of \$20,000,000 in debt through the Texas Water Development Board (TWDB) to fund the construction and expansion of the City's wastewater treatment plant. This fund has been created to account for the proceeds from that debt issuance and track the costs associated with building that project. With construction under way in 2010 the Adopted Budget for fiscal year 2011-12 anticipates the ending fund balance to be \$1,124,008.

Airport CIP

The Airport CIP Fund accounts for all funding received from outside organizations and grant funds received related to capital improvements at the airport. There is \$162,114 fund balance projected to be in this fund at the end of fiscal year 2011-12. A project to install a self-service aviation fuel pump for \$55,000 is included in the Adopted Budget.

Vehicle Replacement Fund

In 2006, the City issued a tax anticipation note in the amount of \$1,800,000 to fund fleet and equipment replacements needed throughout the organization. This fund was established to account for resources received from the issuance of debt or from other funds that are intended to be used for the replacement of obsolete vehicles and equipment. Revenues are budgeted at \$951,953 for fiscal year 2011-12 while expenses are budgeted at \$877,273. As discussed earlier, the Adopted Budget within this fund includes four police patrol units at a cost of \$168,768, \$113,345 in annual lease payments, and additional equipment to be funded through new tax notes.

Requests from Outside Organizations

Numerous funding recommendations have been made by the Tourism Board to be paid to external entities from the City's Hotel Occupancy Tax Fund. Total requests from outside organizations for hotel occupancy tax dollars have not yet been received but funding for fiscal year 2011-12 is \$278,585. Only those activities that are likely to bring in tourists and fit into one of the categories authorized by State law can be funded through hotel occupancy tax dollars. The City also received a request for funds from the Senior Center Resources and Public Transit. The total request made was for \$59,049. In past years the City has funded annually a portion of requests received from this organization. While the entire request made is not to be funded, the Adopted Budget does include \$18,600 in non-departmental for this organization. The Adopted Budget does include funding \$5,000 from general fund non-departmental in support of the Crisis Center and their continued efforts within the City of Greenville. In addition to these request Drug Free Greenville has requested \$6,800 for the Hero Card Program Walk-a-thon which has been included in the budget.

Recap of Un-funded Requests

I do not believe that any of the requests submitted by the various departments within the City have been frivolous or unreasonable. All departments work toward providing the best possible service they can to our constituents. However, the City budget has its limitations and determining the best use of those limited resources can be a difficult task. While trying to allocate the City's resources in a manner that would maximize the achievement of proposed goals, numerous cuts and adjustments had to be made. Overall, the City departments requested \$36,254,541 in appropriations. In order to prepare the Adopted Budget, adjustments had to be made in the amount of \$3,631,065. This amount not only includes departmental cuts, but also capital projects that remain unfunded. I have provided a document in each section of the Adopted Budget that presents to you what each department requested and the adjustments made to those requests.

Conclusion

As City Manager, I believe it is my responsibility to submit to you a fiscally sound budget while ensuring that the level of service provided to our citizens and stakeholders remains high and as many goals and expectations set by you are addressed. The Adopted Budget takes a conservative approach to dealing with the current economic situation faced locally and nationally. While the budget includes market adjustments, step increases, and one-time, non-recurring payments based upon employee performance, employee benefits remain unchanged, over all the pay and benefit package remains competitive. Being able to recruit and retain high quality employees is of the utmost importance to the success of any organization, and as such, we should strive to provide a competitive pay structure and benefit package to

our employees. Sustaining the current pay structure along with continuing to offer competitive employee benefits facilitates retaining and attracting quality employees.

Finally, I want to thank the City Council for your time, effort, and diligent leadership in working through and adapting this budget which works towards achieving the City Council's Goals. This document is one of the most, if not the most, important document that is acted upon by the City Council in any given fiscal year. This document establishes a fundamental basis for the financial and operational strength and integrity for the City of Greenville. On behalf of City Staff and myself, we look forward to working with you over the next fiscal year to achieve City Council goals and improve our community.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. J. Alexander". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Steven J. Alexander
City Manager



**City of Greenville
Fund Balance Summary
FY 2011-12**

Description	Fund Balance	Revenues	Total Resources
General Fund	\$ 4,773,399	\$ 20,298,867	\$ 25,072,266
Enterprise Funds			
Water & Sewer Fund	4,694,230	12,086,402	16,780,632
Airport Fund	117,768	146,965	264,733
Golf Course Fund	(418,532)	205,000	(213,532)
Solid Waste Fund	141,429	3,216,993	3,358,422
Internal Services Funds			
Central Services Fund	7,075	1,105,044	1,112,119
MIS Fund	104,975	1,168,651	1,273,626
Insurance Fund	1,943,050	4,678,316	6,621,366
Other Funds			
Hotel Tax Fund	91,456	430,600	522,056
Exchange Properties	(127,986)	571,768	443,782
Recreation Activities Fund	35,642	160,200	195,842
Tax Increment Reinvestment Zone	17,452	44,949	62,401
Venue Management Fund	(2,159)	174,140	171,981
Spence Endowment Fund	561,557	900	562,457
Debt Service	331,814	4,857,647	5,189,461
Capital Improvements			
Governmental CIP Fund	1,322,018	857,930	2,179,948
Street Construction CO2010 Fund	5,212,872	9,000	5,221,872
Graham Park Renovation	-	250,000	250,000
Utility CIP Fund	2,740,345	226,000	2,966,345
2008 WSSR Fund	5,708,810	100,000	5,808,810
Airport CIP Fund	216,338	1,000	217,338
Vehicle Replacement Fund	51,095	951,953	1,003,048
	\$ 27,522,648	\$ 51,542,325	\$ 79,064,973

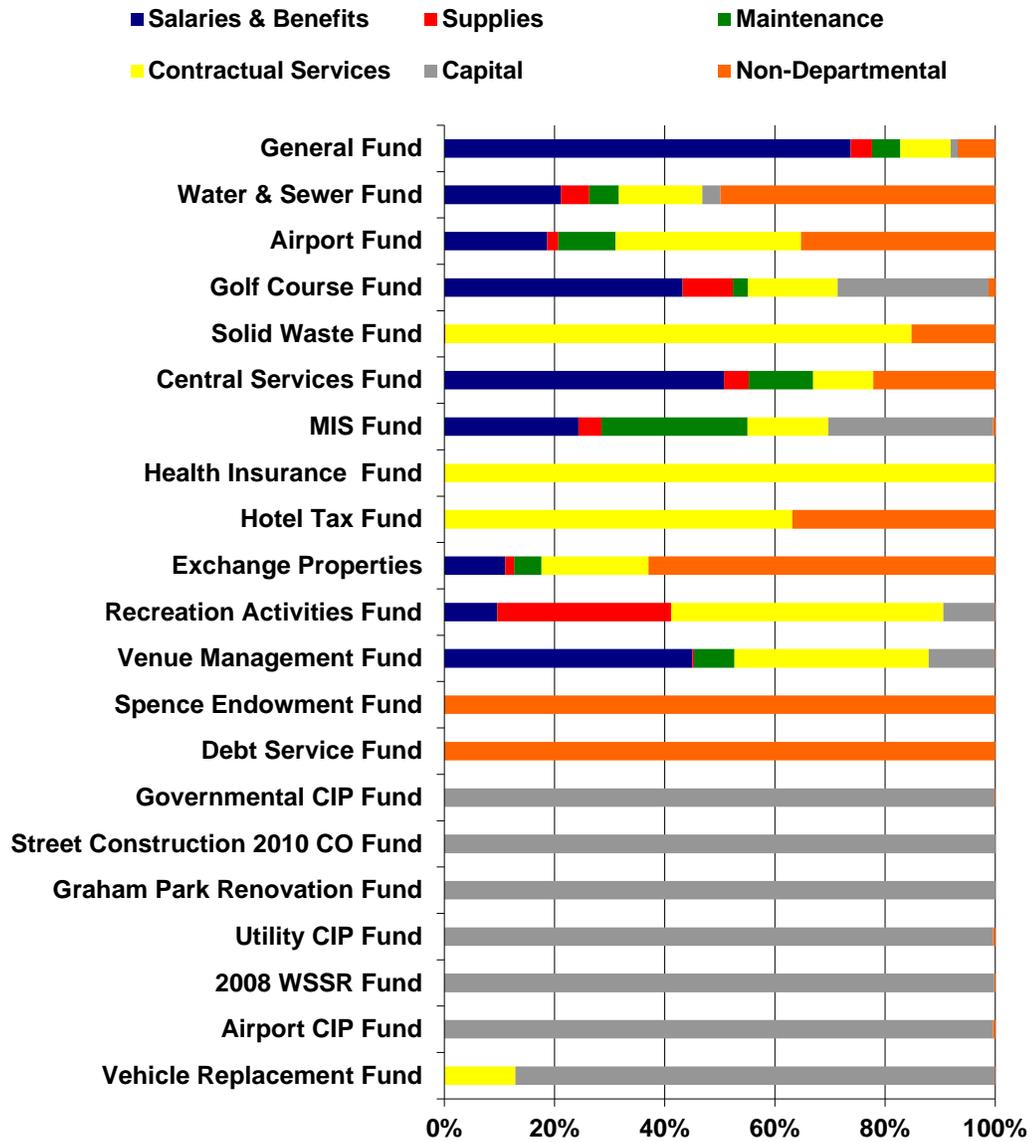
**City of Greenville
Fund Balance Summary
FY 2011-12**

Operating Expenses	Capital	Fund Balance	Fund Balance %	Variance to Policy
\$ 20,555,589	\$ -	\$ 4,516,677	21.97%	1.97%
12,056,938	-	4,723,694	39.18%	19.18%
148,010	-	116,723	78.86%	58.86%
273,876	-	(487,408)		
3,123,934	-	234,488		
1,111,869	-	250		
819,601	355,376	98,649		
4,909,133	-	1,712,233		
441,033	-	81,023		
571,768	-	(127,986)		
159,849	-	35,993		
15,015	-	47,386		
174,140	-	(2,159)		
900	-	561,557		
4,872,370	-	317,091	126.77%	26.77%
-	606,036	1,573,912		
-	4,993,165	228,707		
-	250,000	-		
-	799,200	2,167,145		
-	4,684,802	1,124,008		
-	55,224	162,114		
160	877,113	125,775		
\$ 49,234,185	\$ 12,620,916	\$ 17,209,872		

% REVENUES BY CATEGORY



% EXPENSES BY CATEGORY



**City of Greenville
Revenues by Category
FY 2011-12**

	Taxes	Licenses & Permits	Fines & Penalties	Fees & Service Charges
General Fund	\$ 17,562,075	\$ 265,240	\$ 456,000	\$ 380,146
Enterprise Funds				
Water & Sewer Fund	-	-	-	11,732,561
Airport Fund	-	-	-	-
Golf Course Fund	-	-	-	-
Solid Waste Fund	-	-	-	3,022,179
Internal Services Funds				
Central Services Fund	-	-	-	1,075,044
MIS Fund	-	-	-	-
Insurance Fund	-	-	-	4,443,591
Other Funds				
Hotel Tax Fund	430,000	-	-	-
Exchange Properties	-	-	-	-
Recreation Activities Fund	-	-	-	60,000
Tax Increment Reinvestment Zone	44,949	-	-	-
Venue Management Fund	-	-	-	15,000
Spence Endowment Fund	-	-	-	900
Debt Service	2,591,395	-	-	-
Capital Improvements				
Governmental CIP Fund	-	-	-	-
Street Construction CO2010 Fund	-	-	-	-
Graham Park Renovation	-	-	-	-
Utility CIP Fund	-	-	-	-
2008 WSSR Fund	-	-	-	-
Airport CIP Fund	-	-	-	-
Vehicle Replacement Fund	-	-	-	-
	\$ 20,628,419	\$ 265,240	\$ 456,000	\$ 20,729,421

**City of Greenville
Revenues by Category
FY 2011-12**

Sales & Income	Bond Proceeds	Inter- Govmt	Misc	Transfers In	Total
\$ 138,920	\$ -	\$ 234,195	\$ -	\$ 1,262,291	\$ 20,298,867
17,000	-	-	336,841	-	12,086,402
146,965	-	-	-	-	146,965
205,000	-	-	-	-	205,000
1,100	-	21,295	172,419	-	3,216,993
-	-	-	30,000	-	1,105,044
-	-	5,000	-	1,163,651	1,168,651
5,000	-	-	-	229,725	4,678,316
600	-	-	-	-	430,600
571,768	-	-	-	-	571,768
100,000	-	-	200	-	160,200
-	-	-	-	-	44,949
88,140	-	-	-	71,000	174,140
-	-	-	-	-	900
3,400	1,097,430	-	-	1,165,422	4,857,647
2,500	-	-	-	855,430	857,930
9,000	-	-	-	-	9,000
-	-	-	-	250,000	250,000
15,000	-	-	-	211,000	226,000
100,000	-	-	-	-	100,000
1,000	-	-	-	-	1,000
30,300	-	-	-	921,653	951,953
\$ 1,435,693	\$ 1,097,430	\$ 260,490	\$ 539,460	\$ 6,130,172	\$ 51,542,325

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**City of Greenville
Expenses by Category
FY 2011-12**

Description	Salaries & Benefits	Supplies	Maintenance
General Fund	\$ 15,161,357	\$ 795,272	\$ 1,055,436
Enterprise Funds			
Water & Sewer Fund	2,550,400	622,425	643,979
Airport Fund	27,623	3,050	15,250
Golf Course Fund	118,448	25,004	7,500
Solid Waste Fund	-	5,115	-
Internal Services Funds			
Central Services Fund	564,506	49,931	130,048
MIS Fund	285,758	49,214	311,855
Insurance Fund	-	-	-
Other Funds			
Hotel Tax Fund	-	-	-
Exchange Properties	63,039	9,455	28,220
Recreation Activities Fund	15,317	50,500	-
Tax Increment Reinvestment Zone	-	500	-
Venue Management Fund	78,460	500	12,800
Spence Endowment Fund	-	-	-
Debt Service			
	-	-	-
Capital Improvements			
Governmental CIP Fund	-	-	-
Street Construction CO 2010 Fund	-	-	-
Graham Park Renovation	-	-	-
Utility CIP Fund	-	-	-
2008 WSSR Fund	-	-	-
Airport CIP Fund	-	-	-
Vehicle Replacement Fund	-	-	-
	\$ 18,864,908	\$ 1,610,966	\$ 2,205,088

**City of Greenville
Expenses by Category
FY 2011-12**

Contractual Services	Capital	Non Departmental	Total
\$ 1,886,829	\$ 255,489	\$ 1,401,206	20,555,589
1,831,420	394,000	6,014,714	12,056,938
49,955	-	52,132	148,010
44,650	75,000	3,274	273,876
2,643,438	-	475,381	3,123,934
121,138	-	246,246	1,111,869
172,274	351,278	4,598	1,174,977
4,907,183	-	1,950	4,909,133
278,585	-	162,448	441,033
111,330	-	359,724	571,768
79,000	15,000	32	159,849
14,500	-	15	15,015
61,350	21,000	30	174,140
-	-	900	900
-	-	4,872,370	4,872,370
-	605,430	606	606,036
-	5,000,000	(6,835)	4,993,165
-	250,000	-	250,000
-	796,000	3,200	799,200
-	4,677,552	7,250	4,684,802
-	55,000	224	55,224
113,345	763,768	160	877,273
<u>\$ 12,314,997</u>	<u>\$ 13,259,517</u>	<u>\$ 13,599,625</u>	<u>\$ 61,855,101</u>

