

# **City of Horseshoe Bay**

## **FY 2018 Budget**

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# CITY OF HORSESHOE BAY, TEXAS

## ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2017-2018

This budget will raise more revenue from property taxes than last year's budget by an amount of \$378,079, which is an 8.15% increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$131,110.

### City Council Record Vote

The members of the governing body voted on the adoption of the budget as follows:

FOR: C. Clinesmith; K. Graham; J. Gray; C. Haydon; R. Lambert

AGAINST:

PRESENT and not voting:

ABSENT:

Tax Rate	Proposed FY 2017-2018	Adopted 2016-2017
Adopted Tax Rate	.26000	.26000
Effective Tax Rate	.24692	.23734
Effective M&O Tax Rate	.22327	.22634
Rollback Tax Rate	.26890	.26970
Debt Tax Rate	.04000	.04140

The total amount of municipal debt obligations secured by property taxes for the City of Horseshoe Bay is \$10,155,000.

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**CITY OF HORSESHOE BAY**

**ORDINANCE NO. 2017-20**

**ORDINANCE ADOPTING FY 2018 BUDGET**

**AN ORDINANCE ADOPTING A BUDGET FOR THE FISCAL YEAR BEGINNING 10-1-2017 AND ENDING 9-30-2018 IN ACCORDANCE WITH LAWS OF THE STATE OF TEXAS, APPROPRIATING THE VARIOUS AMOUNTS THEREOF, AND REPEALING ALL ORDINANCES IN CONFLICT THEREWITH; AND PROVIDING FOR AN EFFECTIVE DATE**

- WHEREAS,** pursuant to Chapter 102.001 (b) of the Texas Local Government Code, the City Manager of a municipality may serve as Budget Officer for the governing body of the municipality and shall prepare each year a municipal budget to cover the proposed expenditures of the municipal government for the succeeding year; and
- WHEREAS,** the City Manager of the City of Horseshoe Bay serves as the Budget Officer for the City and has submitted to the City Council a Proposed Budget of the revenues of said City and the expenses of conducting the affairs thereof; and
- WHEREAS,** said Proposed Budget and all supporting schedules was filed with the City Secretary on August 11, 2017; and
- WHEREAS,** required Notices of Public Hearings were published in the Horseshoe Bay Beacon and in the Highlander Newspaper and also posted on the City's website in accordance with Section 102.0065 of the Local Government Code; and
- WHEREAS,** the City Manager has submitted to the City Council a Final Budget consistent with the changes to the revenues and expenditures of the Proposed Budget that the City Council recommended at the Public Meeting held on August 29, 2017; and
- WHEREAS,** the Mayor conducted the Public Hearing on the Proposed Budget on September 19, 2017; and
- WHEREAS,** the Final Budget for FY 2018 reflects slightly more property tax revenue compared to the Final Budget for FY 2017; and
- WHEREAS,** the total City proposed property tax rate for FY 2018 is \$0.26000 per \$100 valuation. The following are data related to the tax rate for FY 2018: Adopted rate - \$0.26000; Effective tax rate - \$0.24692; Rollback tax rate - \$0.26890; Maintenance and operations tax rate - \$0.22000; and debt rate - \$0.04000.
- WHEREAS,** the total amount of City Certificates of Obligation secured by property taxes aggregated \$10,155,000 at September 19, 2017.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HORSESHOE BAY, TEXAS:**

That the Final Budget for the fiscal year beginning October 1, 2017 and ending September 30, 2018 is hereby approved and adopted, thereby providing in summary for the following:

**I.**

**All Funds Revenues**

\$7,579,750	General Fund ad valorem maintenance and operations tax levy and other revenues
\$8,409,000	Utility Fund estimated water, wastewater, and solid waste service fees, other revenues and transfer in
\$ 757,000	Debt Service Fund ad valorem interest and sinking tax levy and interest and transfer in
<u>\$2,133,500</u>	Capital Projects Fund transfer in
<b>\$18,879,250</b>	<b>Total All Funds Revenues</b>

**All Funds Expenditures**

\$7,337,750	General Fund estimated total maintenance and operations:
\$8,710,500	Utility Fund estimated operations, debt service, capital, and major projects expenditures
\$ 844,000	Debt Service fund payment of principal and interest
<u>\$2,133,500</u>	Capital Projects Fund estimated street improvements expenditures
<b>\$19,025,750</b>	<b>Total All Funds Expenditures</b>

A copy of the FY 2018 Final Budget Summary for the above funds are attached hereto and made a part hereof for all purposes.

**II.**

The Final Budget includes funding for the following approved City Staff: The total City Staff will be 84 full-time employees at the beginning of FY 2018 broken down as follows: 28 Community Services; 20 Police Dept.; 20 Fire Dept.; 5 Development Services/Code Enforcement; 3 Finance Dept.; 1 Animal Control; 1 Public Works Director; 2 Technology Services; and 4 City Manager's Office.

**III.**

This Ordinance shall take effect and be in force from and after its approval and publication, as may be required by law.

IV.

Should any part of this Ordinance be declared invalid, for any reason, such invalidity shall not affect the remainder of this Ordinance.

V.

It is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public and that public notice of the time, place and purpose of said meeting was given as required by the Open Meetings Act, Chapter 551 of the Texas Government Code.

**ADOPTED AND APPROVED** on this 19th day of September, 2017 by a \_\_\_\_ record vote of the City Council of the City of Horseshoe Bay, Texas. The following Council Members voted to approve the FY 2018 Final Budget: Mayor Pro Tem Craig Haydon, Council Member Cynthia Clinesmith, Council Member Kent Graham, Council Member Jerry Gray, and Council Member Reagan Lambert. Pursuant to the City Charter the Mayor is only eligible to vote in case of a tie.

**CITY OF HORSESHOE BAY, TEXAS**

  
\_\_\_\_\_  
**Stephen T. Jordan, Mayor**

**ATTEST:**

  
\_\_\_\_\_  
**Kerri Craig, City Secretary**

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# **VALUES**

Established 2017

## **EXCELLENCE**

*Doing ordinary things extraordinarily well*

## **LOYALTY**

*Willing and committed to serving our community*

## **INTEGRITY**

*Doing the right thing, even when no one else is looking*

## **STEWARDSHIP**

*Striving to conserve and protect community resources*

## **TEAMWORK**

*Collaborating with colleagues and citizens through mutual trust, respect and sharing*



# LEADERSHIP PHILOSOPHY

Established 2017

## WE BELIEVE...

- *We are a dedicated organization committed to providing outstanding service to our community.*
- *Citizens and employees are the most valuable asset of our City.*
- *Empowered employees, through teamwork, make better decisions than working individually.*
- *United, we build a culture based on trust, mutual respect, creativity, professionalism and communication.*
- *Recognizing our contributions and accomplishments promotes our growth and success.*



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# *Elected Officials*

Mayor

Steve Jordan

Council Member, Place 1

Jerry Gray

Council Member, Place 2

Kent Graham

Council Member, Place 3, Mayor Pro Tem

Craig Haydon

Council Member, Place 4

Cynthia Clinesmith

Council Member, Place 5

Reagan Lambert



# *Administrative Officials*

City Manager

Stan Farmer

City Secretary

Kerri Craig

Utilities Director

Jeff Koska

Finance Director

Kristen Woolley

Police Chief

Rocky Wardlow

Fire Chief

Joe Morris

Development Services Director

Eric Winter

Human Resources Director

Vicki Briggs

Public Works Director

Tim Foran

GIS Administrator

Coleen Sullivan

IT Administrator

Jules Martin

Date: September 19, 2017  
To: Mayor, City Council Members, and Citizens of Horseshoe Bay  
From: Stan R. Farmer, City Manager  
Subject: FY 2018 Budget Transmittal Letter

As Budget Officer of the City of Horseshoe Bay, I am pleased to present for your consideration the adopted annual budget for fiscal year 2017-2018, beginning October 1, 2017. Please accept this letter as my budget transmittal and executive summary.

This budget is the financial plan for the City of Horseshoe Bay. In addition, this budget is a policy tool for the Council, an operations guide for the staff, and a communication tool to the public. The presentation of this budget document continues to evolve in order to provide additional details for policy decisions and inform the citizens of Horseshoe Bay's current status, as well as future plans.

For fiscal year 2017-2018, the annual budget is conservative, accomplishes all the objectives of the City, and provides for the necessary levels of services to the citizens of Horseshoe Bay, while maintaining a tax rate of \$0.26 per \$100 valuation.

The budget covers all traditional expenses including salaries, operations and maintenance, debt service, reserves, and the annual capital program. It includes increases for proposed salary adjustments earned by the meritorious work of employees, as well as remaining competitive in the labor market. The total City Staff will be 84 full-time employees at the beginning of the FY 2018 broken down as follows: 28 Community Services; 20 Police Dept.; 20 Fire Dept.; 5 Development Service/Code Enforcement; 3 Finance Dept.; 1 Animal Control; 1 Public Works Director; 2 Technology Services; and 4 City Manager's Office (City Manager, City Secretary, HR Director, and HR Administrator).

## **REVENUES**

Revenues of the General Fund consist of different revenue sources including property tax, sales tax, and permit revenues, among others. The revenue growth in the City is very strong. Ad Valorem market value increase this year are high and the City continues to get additional value from new construction and annexation. This budget will raise more revenue from property taxes than last year's budget by an amount of \$378,089, which is an 8.15% increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$131,110.

Revenues of the Utility Fund consist mainly of water sales to customers, fees for wastewater collections and treatment, and fees for solid waste services. Approximately 89.6% of total revenues into this fund originate from water sales, wastewater fees, and solid waste fees. This budget projects a conservative 1% increase in revenues due to the growth the City has been experiencing.

## **EXPENDITURES**

The greatest challenge to budgeting is providing consistent levels of service and improvements without increasing expenditures disproportionately to revenues. This year staff has worked hard to manage budgeted expenditures in relation to budgeted revenues.

The employees are the greatest asset of the organization. Compensation and benefits are the most significant portion of the City's expenditure budget. Personnel related costs equate to 68.1% of General Fund expenses

and 27.3% of Utility Fund expenses. The budget maintains current employee benefits with a 12.6% increase in health insurance premiums and a 2.9% merit increase in salaries.

### **CAPITAL EXPENDITURES**

The General Fund capital budget provides for Phase I of remodeling Central Fire Station #1 and training equipment for the Fire Department; six tablets with software and mount solutions for the Police Department; and a contingency for emergency equipment replacements. The main highlights from the Utility Fund capital budget are the continuation of the water meter replacement program, a sewer line expansion for Douglas Drive, engineering for the wastewater reclamation plant expansion, rehabilitation of a 750,000-gallon high storage water tank, and a membrane filter rack replacement. The main highlights from the Capital Projects Fund capital budget are continuing the 5-year seal coating plan, safety improvements on Golden Nugget, and various street improvements and upgrades.

Thank you for the opportunity to serve you, our residents, and businesses. We continue to accomplish things uncommon and unimaginable in other cities our size. The political climate continues to be productive, civil, and citizen-focused, resulting in unparalleled progress and productivity.

Sincerely,

Stan R. Farmer

City Manager

# *Profile of Horseshoe Bay, Texas*

Although the FY 2018 budget document is primarily a financial document, it is also an opportunity to acquaint you with some of the history, highlights, facilities, and economy of Horseshoe Bay, which make it a great place to visit, live, work, and do business.

## **CITY GOVERNMENT**

The City of Horseshoe Bay operates under a Home Rule Charter with a Council-Manager form of government. The governing body, the Horseshoe Bay City Council, is composed of a Mayor elected by a majority vote and five council members elected “at-large” by a plurality vote. The Mayor and Council members serve staggered two-year terms. The Mayor and Council are responsible for casting a vision and direction for the city, enacting legislation in the form of ordinances and resolutions, adopting and amending budgets, making appointments to the boards and commissions, and determining the general policies of the City.

The Horseshoe Bay City Council meets on the third Tuesday of each month at 3:00 p.m. in the council chambers at City Hall, located at 1 Community Drive in Horseshoe Bay, Texas.

## **HISTORY OF HORSESHOE BAY**

Horseshoe Bay is a unique community located on Lake Lyndon B. Johnson on the border of Llano and Burnet Counties. The community began in the early 1970’s with land acquisition by cousins Norman and Wayne Hurd who developed it as an upscale retirement community with a private club and some rental units. It included many amenities featuring three golf courses and two dining facilities. Home sites were developed for full-time and part-time citizens, and many of the homes remain in use as seasonal or vacation homes today.

Horseshoe Bay citizens voted to incorporate as a Class A City under Texas law on September 10, 2005. The boundaries of the city followed those of the Lake LBJ Municipal Utility District, with the exception of The Trails and a 20-acre parcel on the corner of Highway 71 and Ranch Road 2821. These were not included because they were annexed shortly after incorporation.

The first Mayor and City Council were elected at a general election November 8, 2005. They were sworn in at Quail Point in ceremonies November 18, 2005. The Council met for the first time on November 22, 2005 and the council elected officers.

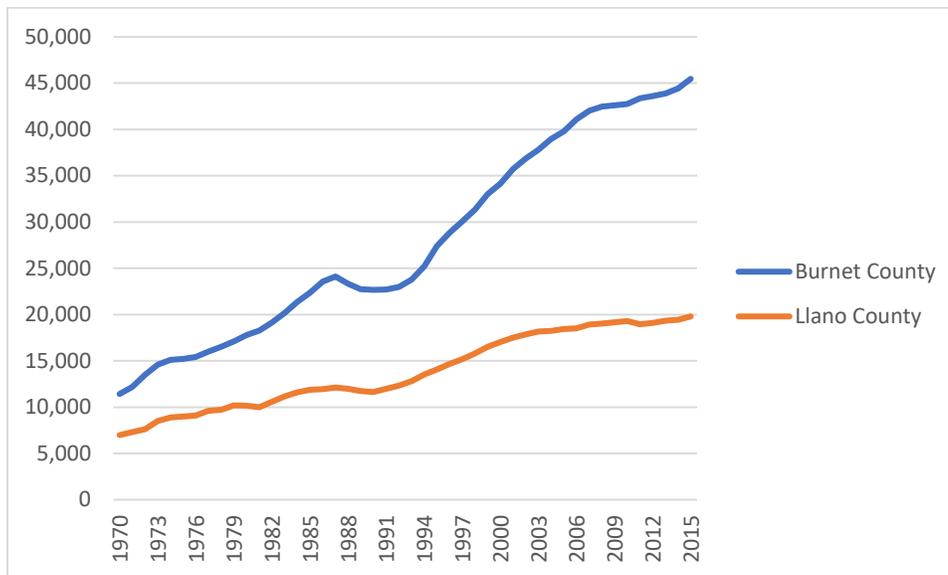


## ECONOMY OF HORSESHOE BAY

This section is intended to provide a brief snapshot of the Horseshoe Bay, Llano County, and Burnet County economy. The topics discussed will be the population change in Llano County and Burnet County, the size of the local labor force and unemployment rate, and per capita and household income. Finally, data will be presented which will describe the different industry clusters in Llano County and Burnet County.

### Population

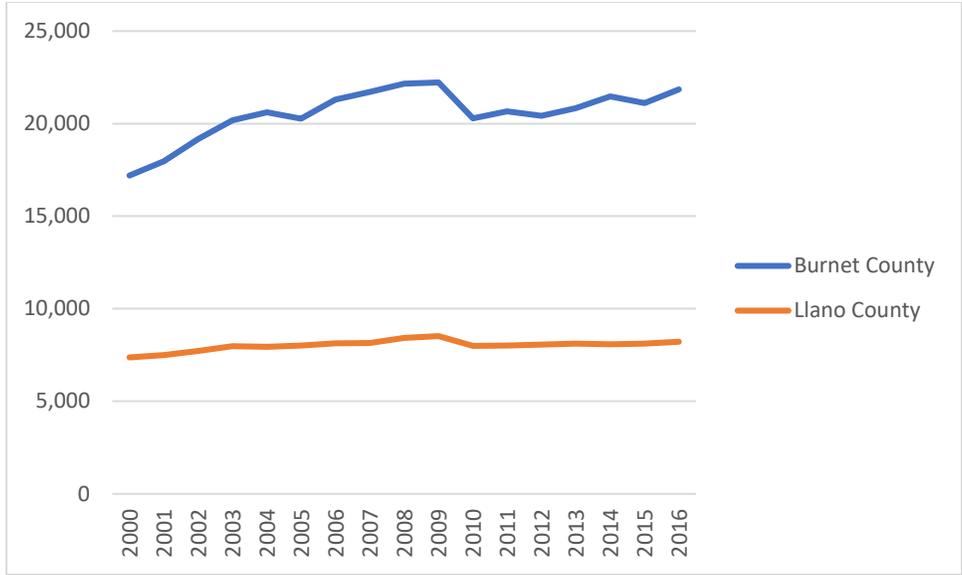
The population of Burnet County has changed dramatically over the last 45 years. As graph 1 indicates, the population of Burnet County has increased 298% over this time period. Llano County has experienced a steadier population growth. The population of Llano County has increased 184% over this time period.



Graph 1 – Population Trends in Burnet County and Llano County 1970-2015  
Source: Texas Workforce Commission

### Labor Force

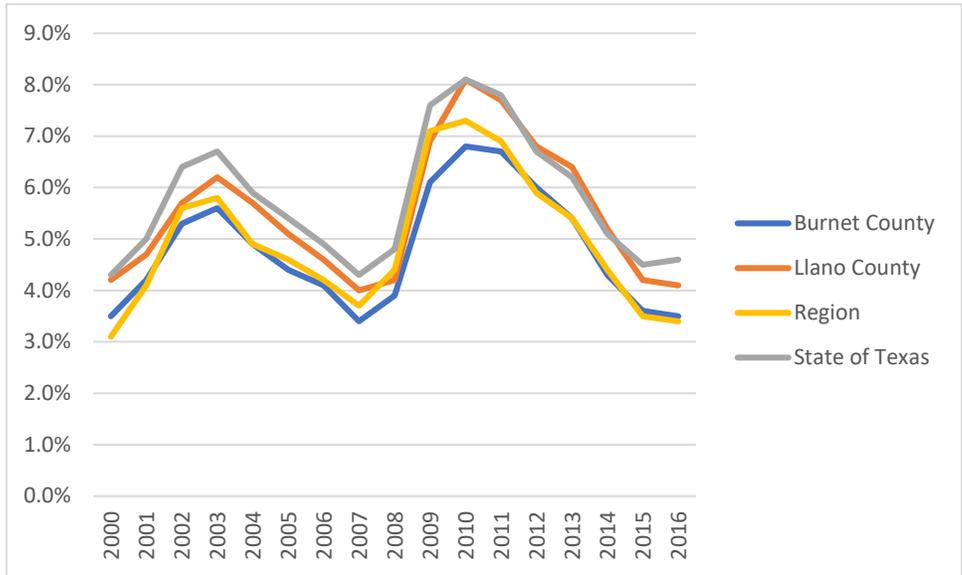
The size of a labor force in a given area can indicate the relative health of the local economy. As graph 2 indicates, the size of the Burnet County labor force declined after the 2009 recession, but has increased back up to pre-recession levels at the end of 2016. The size of the Llano County labor force has remained flat, which corresponds with the very small population growth in Llano County over the last 16 years.



Graph 2 – Size of the labor force – Burnet County and Llano County – January 2000 to December 2016  
Source: Texas Workforce Commission

Unemployment

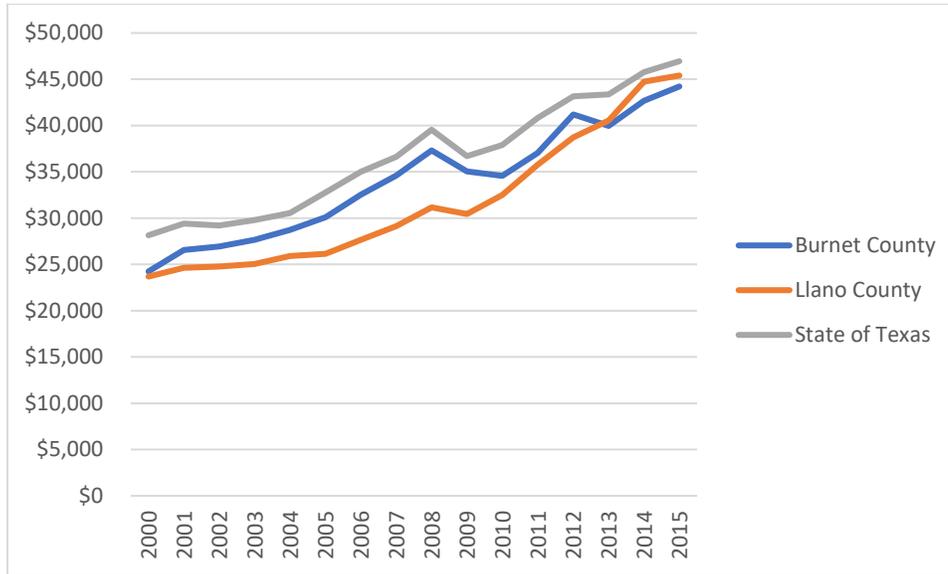
The unemployment rate in Burnet County has consistently been lower than the State of Texas, even during the 2009 recession. Llano County has been close to the State levels throughout the years. Most recently, both Burnet and Llano County have had a continued decrease in unemployment, even as the State has been experiencing a small increase in unemployment.



Graph 3 – Unemployment Rate of Burnet County, Llano County, and State of Texas – Not Seasonally Adjusted  
January 2000 to December 2016  
Source: Texas Workforce Commission

## Income

The per capita income of Burnet County has remained just below the State's. While Llano County was significantly lower than the State's, in the last few years the per capita income of Llano County has increased by 40% from 2010 to 2015.



Graph 4 – Per capita income of Burnet County, Llano County, and the State of Texas – 2000 – 2015  
Source: Texas Workforce Commission

## Economic Clusters

Economic clusters, according to information from the U.S. Economic Development Administration, are geographic concentrations of competing, complimentary, or interdependent firms and industries that do business with each other and/or have common needs for talent, technology, and infrastructure. This analysis can be beneficial for a small community in an attempt to identify its unique clusters.

For Burnet County, a total of nineteen industrial clusters were identified based on the data accessed. The five strongest industrial clusters in Burnet County are: Construction; Retail Trade; Health Care and Social Assistance; Accommodation and Food Services; and Professional, Scientific, and Technical Services.

Industry	Number of Firms	Number of Employees	Annual Wages
Construction	169	1,106	48,075,000
Retail Trade	169	2,166	57,304,000
Health Care and Social Assistance	119	1,766	80,093,000
Accommodation and Food Services	112	1,599	31,082,000
Professional, Scientific, and Technical Services	91	427	16,240,000

Table 1 – Burnet County Industrial Clusters – 2015  
Source: County Business Patterns [www.census.gov](http://www.census.gov)

For Llano County, a total of seventeen industrial clusters were identified based on the data accessed. The five strongest industrial clusters in Llano County are: Construction; Retail Trade; Health Care and Social Assistance; Accommodation and Food Services; and Professional, Scientific, and Technical Services.

Industry	Number of Firms	Number of Employees	Annual Wages
Construction	71	287	11,060,000
Retail Trade	69	535	13,610,000
Health Care and Social Assistance	32	544	18,180,000
Accommodation and Food Services	48	1,177	25,514,000
Professional, Scientific, and Technical Services	40	132	5,672,000

Table 2 – Llano County Industrial Clusters – 2015  
Source: County Business Patterns [www.census.gov](http://www.census.gov)

### Major Employers

The Horseshoe Bay local economy has a relatively strong service base. Located in the Highland Lakes area and on Lake Lyndon B. Johnson, the Horseshoe Bay area draws a lot of tourism. The largest employer is Horseshoe Bay Resort, located in the City. Table 3 lists the major employers in the immediate Horseshoe Bay area.

Employer	Industry	Number of Employees
Horseshoe Bay Resort	Resort/Hotel	687
Marble Falls ISD	Education	670
Baylor Scott & White	Healthcare	400
Wal-Mart Corporation	Retailer	320
H.E.B. Grocery Company	Grocery Store	200
Lowes	Home Improvement	125
Granite Mesa	Healthcare	115
City of Marble Falls	Municipal Government	107
Johnson-Sewell Ford Lincoln	Auto Industry	105
Home Depot Company	Home Improvement	86
City of Horseshoe Bay	Municipal Government	84
Chick-Fil-A	Restaurant	80
Blue Bonnet Café	Restaurant	65

Table 3 – Horseshoe Bay Area Major Employers  
Source: Marble Falls Economic Development Corporation

### Building Permits as an Indicator

As a source of municipal revenue, building permit receipts are not a major contributor to City coffers. However, they can be used as a measure of the City’s growth patterns. As a relatively new city, records for residential building permits begin in 2009. Horseshoe Bay does not currently track commercial building permits. Construction of new homes has been strong since 2014, with new homes averaging over 3,000 square feet.

Year	Residential			
	# Permits	Avg. \$ Value	Avg. Sq Ft	Total \$ Value
FY 2009	23	544,533	3,630	12,524,250
FY 2010	15	875,653	5,018	13,134,800
FY 2011	14	651,264	3,891	9,117,700
FY 2012	25	629,880	4,199	15,747,000
FY 2013	36	651,808	4,000	23,465,100
FY 2014	48	508,573	3,160	24,411,500
FY 2015	49	451,506	3,010	22,123,800
FY 2016	63	418,621	3,108	26,373,150

Table 4 – Building Permit Issued  
Source: City of Horseshoe Bay

# Strategic Plan

## MISSION STATEMENT

To serve and protect our citizens while preserving our heritage and planning for our future.

In 2015, the City of Horseshoe Bay created a Long Range Planning Advisory Committee (LRPAC) tasked with updating the City's Comprehensive Plan. In 2016, the Horseshoe Bay City Council adopted the updated Comprehensive Plan that identifies several issues that warrant attention. The list can be condensed into five primary categories: Infrastructure and Technology; Land Use; Economic Development; Environment; and Community Services.

## **GOAL: ENSURE HIGH QUALITY BROADBAND INTERNET ACCESS TO SUPPORT THE PROFESSIONAL AND SOCIAL NEEDS OF ALL CITIZENS.**

### Action Items:

1. Establish a Municipal Broadband Committee drawn from local high-level talent in the field and regional resources to explore potential service options
  - a. Inventory existing internet coverage and assess with the City's internal services and the community at large
  - b. Develop an action plan and partnerships to ensure high speed internet services with flexibility for growth
  - c. Develop a recommendation to City Council for consideration to provide increased broadband internet access
2. Leverage regional, state, and industry relationships and identify feasibility options for increased broadband internet access

## **GOAL: UPDATE LAND USE PLAN FOR COMMERCIAL, RESIDENTIAL, AND OPEN SPACE.**

### Action Items:

1. Update land use map reflecting desired land use development based on current zoning and LRPAC recommendations
2. Deepen training of new Planning and Zoning Committee members
3. Identify areas with incompatible zoning and areas that do not align with desired map plan
4. Continue to ensure current code enforcement standards are effective and are fully enforced, proactively monitoring and addressing deteriorating buildings
5. Develop transition plan to support the enforcement of all Architectural Compliance Committees' requirements
6. Review existing Parks Plan to explore uses for recreational and historical preservation
  - a. Explore shared park, hiking, and recreational development options
  - b. Explore funding partnerships to support desired uses
7. Continue to research options for additional funding sources, proactively seeking grants, donor pledges, and partnerships

**GOAL: MANAGE ECONOMIC GROWTH TO REFLECT THE UNIQUE NATURE OF HORSESHOE BAY AND THE PRESERVATION OF THE RESORT/RETIREMENT CHARACTER OF THE COMMUNITY.**

Action Items:

1. Maintain and approach of controlled development that maintains a current lifestyle standard in business and residential properties
2. Support the Horseshoe Bay Business Alliance efforts to sustain and expand existing businesses and services within the City
3. Direct focus of commercial development to align with land use map along high traffic corridors, preserving existing and future residential and recreational developments
4. Advocate for safe and efficient traffic flow, including a continuous turn lane on Highway 2147 through to Highway 71

**GOAL: PROTECT THE ENVIRONMENTAL HEALTH AND INTEGRITY OF THE CITY OF HORSESHOE BAY AND THE SURROUNDING AREAS WHICH IMPACT THE QUALITY OF LIFE FOR ITS CITIZENS.**

Action Items:

1. Maintain Lake Lyndon B. Johnson's environmental quality through cooperative agreements with Texas Parks and Wildlife Department (TPWD), Texas Center for Environmental Quality (TCEQ), Lower Colorado River Authority (LCRA), Burnet County, and Llano County
2. Continue to emphasize and strengthen proactive actions for Water Conservation and Management, including education tied to plan approval regarding residential and commercial drainage management requirements
3. Support the health of heritage trees and native landscaping through annual reviews and partnerships with Property Owner Associations (POAs), Agriculture Extension Agents, and citizen groups
4. Evaluate the need for a drainage and/or tree ordinance at the city level
5. Evaluate the need for curb-side recycling, in addition to the existing central community recycling option
6. Expand current educational guidance to businesses and residents on preservation and maintenance practices for watering, landscaping, conservation, and protective actions

**GOAL: OUTLINE A COMMUNICATION PLAN THAT PROVIDES INFORMATION AND SHOWCASES THE CITY OF HORSESHOE BAY'S COMMITMENT TO QUALITY OF LIFE.**

Action Plan:

1. Annually review and publicize the existing inventory of information access options, including NOTIFY ME, CODE RED, and over ten other tools (website, social networks, publications, etc.) for input by citizens and dissemination of topic specific information
2. Implement a Horseshoe Bay 101 Citizens Academy to develop city wide depth of knowledge and access to city functions
3. Conduct annual citizen forums
4. Utilized relationships with POA and resort leaders as conduits for detailed communications for unique needs in all subdivisions of the City

5. Outline financial status for citizens to understand funding implications to support needed infrastructure improvements and/or expanded services, including potential tax and rate incremental increases
  - a. Publicize STATE of the CITY Report by Mayor annually
  - b. Use annual Citizen's Forum to provide oral, visual, and written overview of financial status and funding sources
  - c. Imbed funding overview into Horseshoe Bay Citizen Academy 101
  - d. Provide lay term summary in local newspaper bi-annually
  - e. Develop "snapshot" summary accessible on City website
6. Problem solve with POAs and the Declarant (Horseshoe Bay Resort) in their efforts to maintain subdivision entries, safety and ambiance factors (lighting, signage), and property code compliance reflective of the unique needs of their communities

**GOAL: EMBRACE A PROACTIVE ADVOCACY PRESENCE WITH AREA, REGIONAL, AND STATE ORGANIZATIONS TO PURSUE PROTECTION AND ENRICHMENT OF LIFESTYLE NEEDS.**

Action Plan:

1. Strengthen expressed concerns/needs to the benefit of the City of Horseshoe Bay and the quality of life expectations of the citizenry through proactive communication and advocacy with:
  - a. Capital Area Planning Council of Governments (CAPCOG)
  - b. Commissioners Court in Burnet and Llano Counties
  - c. Texas Department of Transportation (TxDOT)
  - d. Lower Colorado River Authority (LCRA)
  - e. Area Universities (community education options)
  - f. Municipal leaders in surrounding cities
  - g. State organizations supportive of Texas Municipalities

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# *Long Range Financial Forecast*

The goal of the Financial Forecast is to look prospectively to anticipate problems and assess opportunities. This exercise also allows the City Council to plan future goals. Some issues identified in this financial forecast are:

- Fund Balance; Insuring the City's fund balance and cash reserve position so that it complies with the Fund Balance policy. As the size of the operating budget grows, so too should the fund balance.
- Revenue and Expenses; Each year the City reviews the tax and utility rates as well as analyzes who Horseshoe Bay compares with other communities.
- Debt Capacity and other payment requirements.

This forecast has been prepared to provide the following benefits to City leaders:

1. The forecast can be used by the City Council in orchestrating policy decisions with long term implications.
2. The forecast can serve as an aid to both elected and administrative officials in anticipating future fiscal conditions, so that strategies can be developed and action implemented to correct, minimize, or counteract these potential difficulties.
3. The forecast can assist the City Manager as well as department directors in operational planning.
4. The long-range forecast can result in more accurate estimates of revenues and expenditures during the annual budget process.
5. The forecast can indicate to bond rating agencies and other interested parties that Horseshoe Bay does have a systematic financial planning process in place.
6. The long range financial forecast can help the public understand that long-term costs associated with current and proposed City activities that may affect the municipal government of Horseshoe Bay.

## **FORECAST PREPARATION**

A forecast is only one component of a financial planning program. The financial forecast, as presented, does not attempt to predict the future; current economic and regulatory conditions can be volatile indicating the forecast is only as good as its underlying assumptions. However, it is the potential for accuracy and the discussion and deliberation stimulated that is the forecast's true benefit.

The long-range forecast contains many underlying assumptions for each projection. Each section details the assumptions used in projecting revenues and expenditures and in some cases, identifies policy changes or environmental factors that may cause inaccuracy.

### Forecasting Methodology

The City of Horseshoe Bay uses three basic techniques to forecast revenue and expenditures: expert judgement, trend analysis, and incremental change.

The expert judgment, also known as the "best guess" approach, is used to project some revenues. This method relies on a variety of experts on the City staff as well as outside sources. Trend analysis assumes that revenues and expenditures are a function of linear factors, most often time. Once revenues or expenditures are separated into line item accounts, the City's future activity can be projected based upon

trends experienced over the past several years. At a minimum, data collection over the past five years is used.

Expenditures and revenues are also forecast using an incremental and deterministic model unless specifically denoted. This assumes a consistent level of services, unless otherwise noted, that accounts for inflation yet ignores service enhancement or improvement. Personnel expenditures reflect cost of living adjustments and increases to volatile health insurance costs, as well as staffing increases. The forecast separates expenditures by prime accounts and provides for an annual inflation factor.

#### General Fund Revenue Assumptions

Property tax collections are projected using the following assumptions and methodology:

- The net taxable values for FY 2018 are provided by the Llano County Appraisal District (LCAD) and the Burnet County Appraisal District (BCAD).
- The net taxable values for FY 2019 through FY 2022 are calculated at a 2% annual increase. This is supported by annexations and a significant increase in new construction offset by depreciation in existing properties.

Sales tax revenues are projected to increase 2.65% each year through the forecast period. Sales tax revenues have stabilized after correcting from record setting years. Mixed beverage tax revenues are projected to increase 3% each year through the forecast period.

Franchise revenues were examined at a line item level. Historically, the electricity franchise has generated revenue in a tight range; with very little projected growth this trend will continue. The cable franchise revenues have been holding steady, even with more customers nationwide switching to non-franchise collected satellite services and streaming services. The topography of the area makes cable services more reliable than satellite, and the current lack of high-speed internet in Horseshoe Bay limits the option of television streaming service options. As the City is currently working on bringing high-speed internet services to the residents of Horseshoe Bay, there could eventually be a decrease in the cable franchise revenues.

Each year the Utility Fund transfers funds to the General Fund to offset the costs of administering the Utility Department. The transfer is expected to continue to increase in proportion to rising costs of administrative employees, and services such as attorney and audit fees.

The revenue streams of Municipal Court, Development Services, Emergency Services, Mowing and Clearing, Street Maintenance, Interest, and Miscellaneous are all expected to be stable with little variation over the forecast period.

	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	Proposed FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
Property Taxes	3,633,734	3,751,633	3,920,750	4,180,750	4,264,250	4,349,500	4,436,500	4,525,250	4,615,750
Sales Taxes	981,653	1,011,561	1,086,000	1,096,500	1,125,500	1,155,250	1,185,750	1,217,250	1,249,500
Mixed Beverage Taxes	75,571	78,999	83,250	85,000	87,500	90,000	92,750	95,500	98,250
Emergency Services	292,214	300,465	444,500	309,000	309,000	309,000	309,000	309,000	309,000
Franchise Fees	232,243	206,692	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Development Services	89,643	117,988	122,250	111,750	111,750	111,750	111,750	111,750	111,750
Municipal Court	87,675	79,762	99,250	87,250	87,250	87,250	87,250	87,250	87,250
Transfers	481,740	490,750	610,750	648,500	668,000	688,000	708,750	730,000	752,000
Interest	3,629	17,797	42,750	42,750	42,750	42,750	42,750	42,750	42,750
Mowing & Clearing	294,195	434,851	390,000	390,000	390,000	390,000	390,000	390,000	390,000
Street Maintenance	598,738	484,946	419,250	410,500	410,500	410,500	410,500	410,500	410,500
Miscellaneous	39,655	21,204	21,000	17,750	17,750	17,750	17,750	17,750	17,750
<b>TOTAL</b>	<b>6,810,690</b>	<b>6,996,648</b>	<b>7,439,750</b>	<b>7,579,750</b>	<b>7,714,250</b>	<b>7,851,750</b>	<b>7,992,750</b>	<b>8,137,000</b>	<b>8,284,500</b>

### Utility Fund Revenue Assumptions

For the purposes of this forecast, the following are assumed for Utility Fund revenue projections:

- Water revenues will increase 1% each year mostly due to growth in the number of accounts, consumption increases, and rate adjustments.
- Wastewater revenues will increase 1% each year mostly due to growth in the number of accounts and rate adjustments.
- Solid Waste revenues will increase 1% each year mostly due to growth in the number of accounts.

	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	Proposed FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
Water	2,922,564	3,090,264	3,308,750	3,338,250	3,371,500	3,405,250	3,439,250	3,473,750	3,508,500
Wastewater	2,217,019	2,223,750	2,387,750	2,411,500	2,435,500	2,459,750	2,484,250	2,509,000	2,534,000
Solid Waste	798,336	803,932	889,750	899,250	908,250	917,250	926,500	935,750	945,000
Miscellaneous	804	14,165	251,750	254,000	254,000	254,000	254,000	254,000	254,000
Interest	3,826	4,445	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Tap Fees & Charges	130,892	170,375	233,500	235,000	235,000	235,000	235,000	235,000	235,000
<b>TOTAL</b>	<b>6,073,441</b>	<b>6,306,931</b>	<b>7,083,500</b>	<b>7,150,000</b>	<b>7,216,250</b>	<b>7,283,250</b>	<b>7,351,000</b>	<b>7,419,500</b>	<b>7,488,500</b>

All other accounts essentially remained constant throughout the forecast period.

### Expenditure Assumptions

As stated, one of the methods used to project operating expenditures is to develop separate inflation rates for the different prime account subtotals. The annual inflation rate is then applied on a cumulative basis.

The expenditure levels are projected using the following assumptions for both the General and Utility Funds.

Personnel costs are expected to increase through annual merit raises of an average of 2.8% each year. Increases in salaries translate into proportionate increases in Social Security and 401(A) expenses. Health insurance premiums are projected to rise an additional 6% each year, following a decrease in expenses after moving to a new health insurance provider in FY 2017. Workers Comp and Unemployment are projected to remain flat throughout the forecast period, as it is difficult to predict factors that would influence these expenses. At this point no new personnel are projected to be included in the forecast indicating no additional city offered services or service enhancements.

**FUND BALANCE**

The City revised its Fiscal Administration Policy in FY 2017. The Policy directs General Fund reserve balances to be a minimum of the greater of \$2.5 million or 3 months of annual expenditures.

However, the City’s actual cash position will always be different than the amount reflected in the financials. Included in reported fund balance are various receivables and other non-cash assets. It is important to note that the fund balance position is not a true cash position.

A growth in expenditures without corresponding General Fund balance growth would bring the City closer to non-compliance with the policy. The City will need to identify options for maintaining sufficient fund balances to comply with this policy. For example, for every \$100,000 in General Fund expenditure growth, an additional \$25,000 would need to be added to the General Fund reserve balance.

**TAX RATE AND DEBT SERVICE**

Tax Supported Debt

The City has three debt instruments serviced through the property tax supported debt service fund. The forecast period’s debt schedule is shown below.

General Fund Supported Debt - Principal and Interest				
Year	2011 CO's	2014 CO's	2016 CO's	Annual Total
2017	423,415	302,046	23,531	748,992
2018	421,477	299,046	123,050	843,573
2019	424,352	300,996	121,150	846,498
2020	421,819	297,896	119,250	838,965
2021	423,564	304,696	122,350	850,610
2022	424,492	306,346	119,350	850,188
2023	424,730	307,896	121,350	853,976

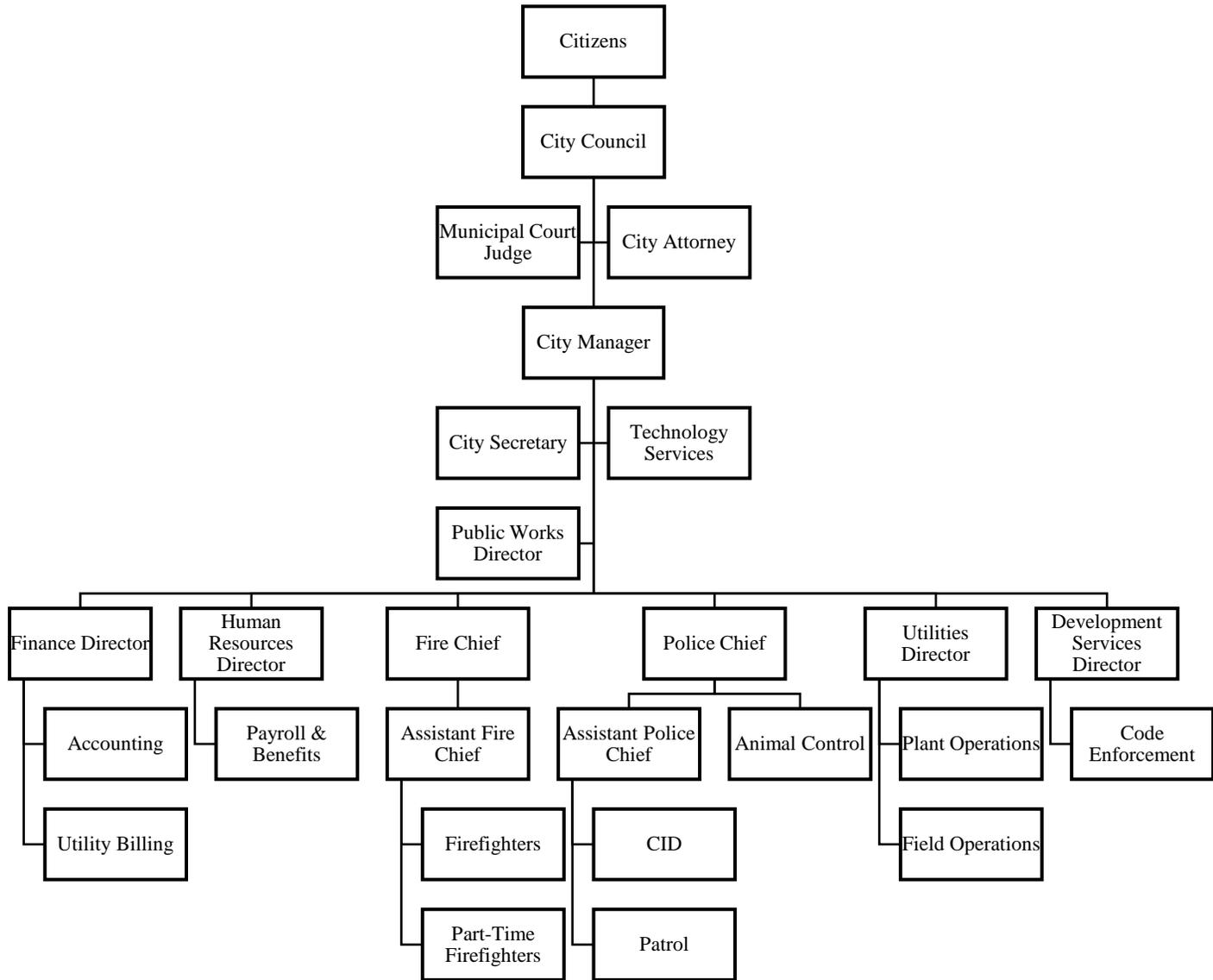
## Utility Fund Debt

The Utility Fund has four debt instruments, including refunding bonds for debt that was inherited from the Lake LBJ Municipal Utility District when the City incorporated in 2005. The 2016 CO's payments are paid for through the Summit Rock Public Improvement District. The assessments are collected annually through the property owners' property tax bills. The forecast period's debt schedule is shown below.

Utility Fund Supported Debt - Principal and Interest					
Year	2007 Refunding Bonds	2011 CO's	2014 CO's	2016 CO's	Annual Total
2017	547,506	269,152	263,835	250,366	1,330,859
2018	543,164	269,715	266,185	252,400	1,331,464
2019	543,418	270,152	263,485	249,200	1,326,255
2020	543,066	270,322	265,735	251,000	1,330,123
2021	547,108	270,026	267,885	247,700	1,332,719
2022	545,342	269,247	269,935	247,750	1,332,274
2023	542,970	268,070	266,935	247,650	1,325,625

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# Organizational Chart



# Staffing Chart

Department	Job Title	FY 2014 Adopted Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget	FY 2017 Adopted Budget	FY 2018 Proposed Budget
<b>GENERAL FUND</b>						
<b>Administration</b>	City Manager	1	1	1	1	1
	City Secretary	1	1	1	1	1
	Finance Director	1	1	1	1	1
	Accounting Supervisor	1	1	1	1	1
	Accounting Clerk	2	2	2	2	0.5
	HR Administrator	1	1	0	0	1
	HR Director	0	0	1	1	1
	Municipal Court Clerk	0.5	0.5	0.5	0.5	0.5
<b>Subtotal - Administration</b>		<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>7</b>
<b>Technical Services</b>	IT Administrator	0	0	0	1	1
	GIS Administrator	0	0	0	1	1
	<b>Subtotal - Technical Services</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Fire Department</b>	Fire Chief	1	1	1	1	1
	Assistant Fire Chief	1	1	1	1	1
	Captain	0	3	3	3	3
	Engineer	0	6	6	6	6
	Firefighter	15	6	6	6	9
	Part Time Firefighter	7.5	7.5	7.5	7.5	2
<b>Subtotal - Fire Department</b>		<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>24.5</b>	<b>22</b>
<b>Police Department</b>	Police Chief	1	1	1	1	1
	Assistant Police Chief	1	1	1	1	1
	Captain	0	0	1	1	1
	Lieutenant	2	3	2	2	2
	Detective	4	3	3	3	3
	Police Sergeant	0	2	2	2	2
	Police Officer	9	7	8	8	8
	Animal Control Officer	1	1.5	1.5	1.5	1.5
	Dispatcher	2	2	2.5	2.5	2.5
	Public Safety Clerk	1	1	0	0	0
<b>Subtotal - Police Department</b>		<b>21</b>	<b>21.5</b>	<b>22</b>	<b>22</b>	<b>22</b>

<b>Development Services</b>	Development Services Director	1	1	1	1	1
	Assistant Planner	0	0	0	1	1
	Code Enforcement Officer	1	1	1	1	1
	Development Services Technician	0.5	1.5	1.5	1.5	2
	<b>Subtotal - Development Services</b>	<b>2.5</b>	<b>3.5</b>	<b>3.5</b>	<b>4.5</b>	<b>5</b>
<b>Street Maintenance</b>	Public Works Director	0	0	0	1	1
	Project Manager	1	1	1	0	0
	<b>Subtotal - Street Maintenance</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>TOTAL GENERAL FUND</b>		<b>56.5</b>	<b>58</b>	<b>58.5</b>	<b>61.5</b>	<b>59</b>
<b>UTILITY FUND</b>						
<b>Administration</b>	Utilities Director	1	1	1	1	1
	Technical Administrator	0	1	1	1	1
	Water Conservation/Inspector	1	1	1	1	1
	Utilities Office Manager	1	1	1	1	1
	Customer Service Clerk	2.5	1.5	2	2	2
	<b>Subtotal - Administration</b>	<b>5.5</b>	<b>5.5</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Plant Operations</b>	Plant Operations Supervisor	1	1	1	1	1
	Senior Electrician Technician	0	1	1	1	1
	Plant Operator	6	6	6	6	6
	Recycle Monitor	1.5	1.5	1.5	1.5	1.5
	<b>Subtotal - Plant Operations</b>	<b>8.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>
<b>Field Operations</b>	Field Operations Supervisor	1	1	1	1	1
	Utilities Technician	0	0	1	1	1
	Utility Foreman	1	1	1	1	1
	Field Operator	10	10	9	9	9
	Field Technician	1	1	1	1	1
	Meter Reader	1	0	0	0	0
	<b>Subtotal - Field Operations</b>	<b>14</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>TOTAL UTILITY FUND</b>		<b>28</b>	<b>28</b>	<b>28.5</b>	<b>28.5</b>	<b>28.5</b>
<b>TOTAL FULL-TIME &amp; PART-TIME CITY EMPLOYEES</b>		<b>84.5</b>	<b>86</b>	<b>87</b>	<b>90</b>	<b>87.5</b>

# *Budget Format*

The budget format for the FY 2018 Budget is very different than previous City of Horseshoe Bay budgets. This budget document seeks to present much more information for the reader to better understand the operations of the City of Horseshoe Bay.

The information included in the budget is organized into columns (financial data over time) and budget units. The financial information contained in the budget is as follows.

**FY 2016 Final Actuals** – Actual revenues, expenditures, and fund balances recorded for the period ending September 30, 2016.

**FY 2017 Amended Budget** – The budget as approved and amended by the City Council for the current fiscal year ending September 30, 2017, including revenues, expenditures, and fund balances.

**FY 2017 Projected Actuals** – Estimated revenues, expenditures, and fund balances recorded for the period ending September 30, 2017.

**FY 2018 Proposed Budget** – Budgeted amounts for each category for the fiscal year ending September 30, 2018.

## Budget Process

The budget process began with requests to the different department heads for budget proposals and capital requests. City staff consolidated those requests and compared them to revenue estimates for the upcoming year. The City Council held extensive budget workshops to prioritize the budget requests and to provide their input on funding priorities.

A more detailed budget calendar is listed on the next page.

## Budget Adoption

The budget must be adopted by the City Council prior to October 1 each year in order to set the property tax rate. Public hearings are held and when completed, it is given final approval by the Mayor and City Council.

## Amending the Budget

As the fiscal year progresses, situations may sometimes arise that were not anticipated and affect the budget. From time to time, the City Manager may present the council with requests for budget amendments.

## Budget Calendar

April 21, 2017 – Draft budget format sent to Department Heads

May 8, 2017 – Department Heads return first departmental drafts to Finance Director

Week of May 15, 2017 – Department Heads meet with Finance Director to discuss submissions, make revisions as necessary

May 31 through June 26, 2017 – City Manager reviews budget data with Council and Department Heads; Budget book development begins

June 30, 2017 – Final consolidated proposed budget is provided to City Council

July 17, 2017 – City Council holds the first budget workshop

August 14, 2017 – Proposed budget is filed with the City Secretary and is available for public review

August 29, 2017 – City Council holds the second budget workshop

September 5, 2017 – City Council holds the third budget workshop, if necessary

September 19, 2017 – City Council adopts tax levy and proposed budget

October 1, 2017 – New budget is implemented

## For More Information

The budget document summarizes and condenses a substantial amount of information in order to avoid a cumbersome document. However, there are times that more detailed information may be needed or further explanation required. In these instances, citizens and users may contact City Hall at 830-598-9907 to have their questions answered. City Hall is open Monday through Friday from 8:00 a.m. to 5:00 p.m.

For additional information about the City, to download important forms and applications, and to view meeting agendas please visit the City of Horseshoe Bay website at [www.horseshoe-bay-tx.gov](http://www.horseshoe-bay-tx.gov).

# *Budget Philosophy*

The City Council annually adopts a spending and tax collection plan to fund service provisions for the citizens and businesses of Horseshoe Bay. Over the long timer, the Council has made taxing and spending decisions operating with established principles or philosophical foundation. These values provide guidance for staff in developing the City's budget.

1. To link comprehensive and strategic plan components to the annual operating budget.
2. The realignment of organizational priorities to focus more efforts on those capital projects that will affect long term growth of the City. These projects include:
  - a. Quality of life projects (parks, trails, etc.) that seek to make Horseshoe Bay a more desirable place to live.
  - b. Sustainable growth projects (water/wastewater system upgrades, streets, etc.).
3. Providing a reasonable property tax rate that minimizes the property tax burden on citizens and commercial property.
4. Sustaining current levels of service that our citizens have come to expect of Horseshoe Bay.
5. Ensuring a competitive city workforce by maintaining a competitive pay and benefits schedule.
6. The moderate growth of financial reserves to a targeted level, to ensure that the City has sufficient cash to continue operations through a short-term disruption of income. This is to ensure our ability to provide uninterrupted services during times of disaster or short-term economic decline.
7. Continue to be good stewards of the tax payer's money by keeping a balanced budget where expenditures do not exceed revenue and maintaining a solid credit rating.

# *Fund Structure and Basis of Budgeting*

The City of Horseshoe Bay uses multiple funds through which to accomplish its goals. Governmental funds are used to account for the City's general service provision activities and use the modified accrual basis of budgeting. Most City departments receive their funding from these Governmental Funds. The City's Governmental Funds include:

- General Fund – This fund includes major financial resources of the City except those required to be accounted for in another fund. Major funding sources include property taxes, sales tax, franchise fees, contracts with other entities, and transfers from other funds.
- Debt Service Fund – This fund is budgeted to service the repayment of principal and interest expenses relating to the various tax supported debt instruments the City has issued.
- Capital Improvement Fund – All capital projects (e.g. bond funded projects) are operated through this fund. Utility capital projects are not operated through this fund.

Proprietary Fund types use the accrual basis of budgeting. Revenues are recorded when earned and expenses are recognized when liabilities are incurred. The City's Proprietary Funds include:

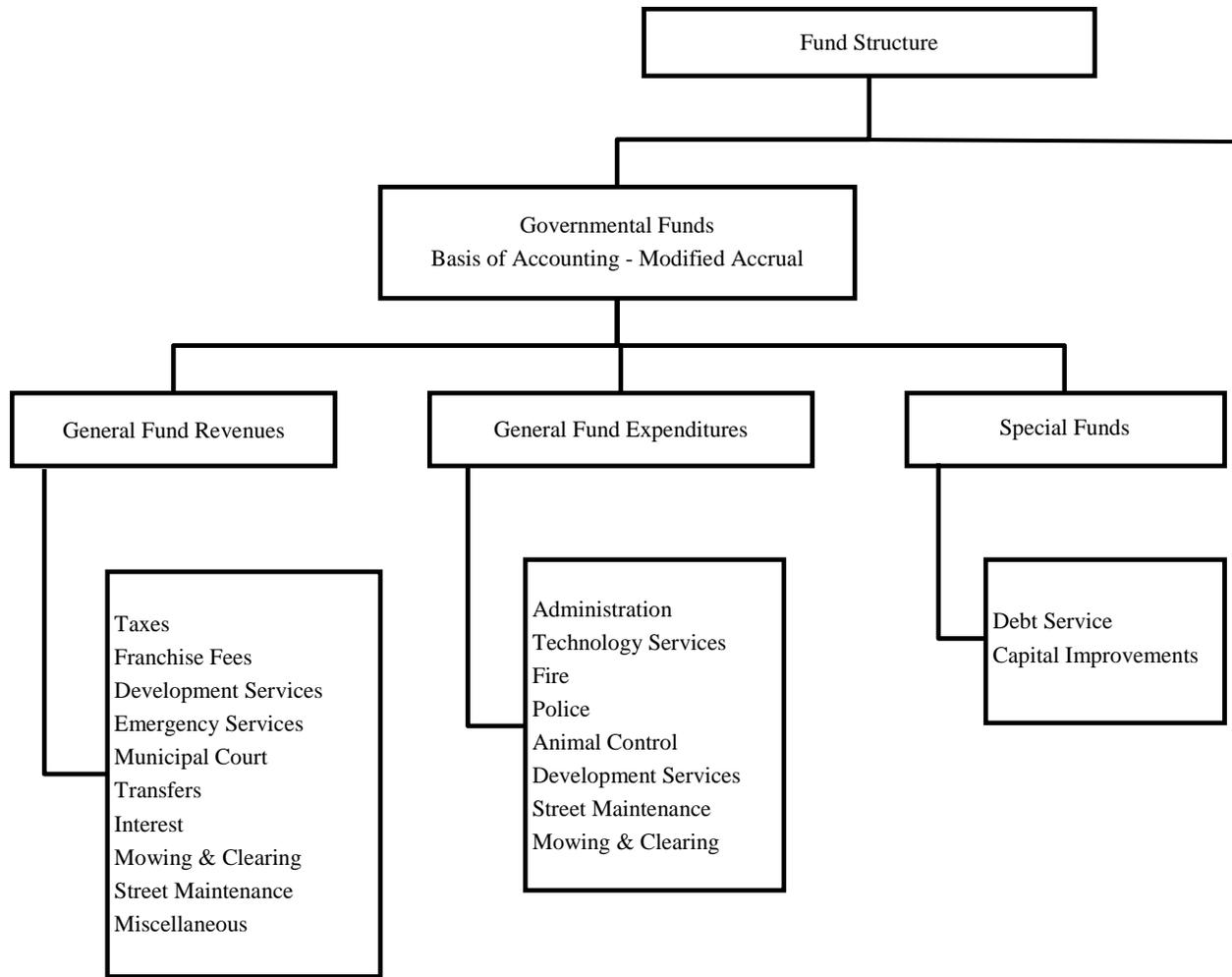
- Enterprise Fund – The Utility Fund is budgeted to account for those City operations that mirror a private business, where the intent is to provide a good or service to customers which are financed through user charges. This budget is presented as a modified accrual basis to enhance the understanding of how funds are used.

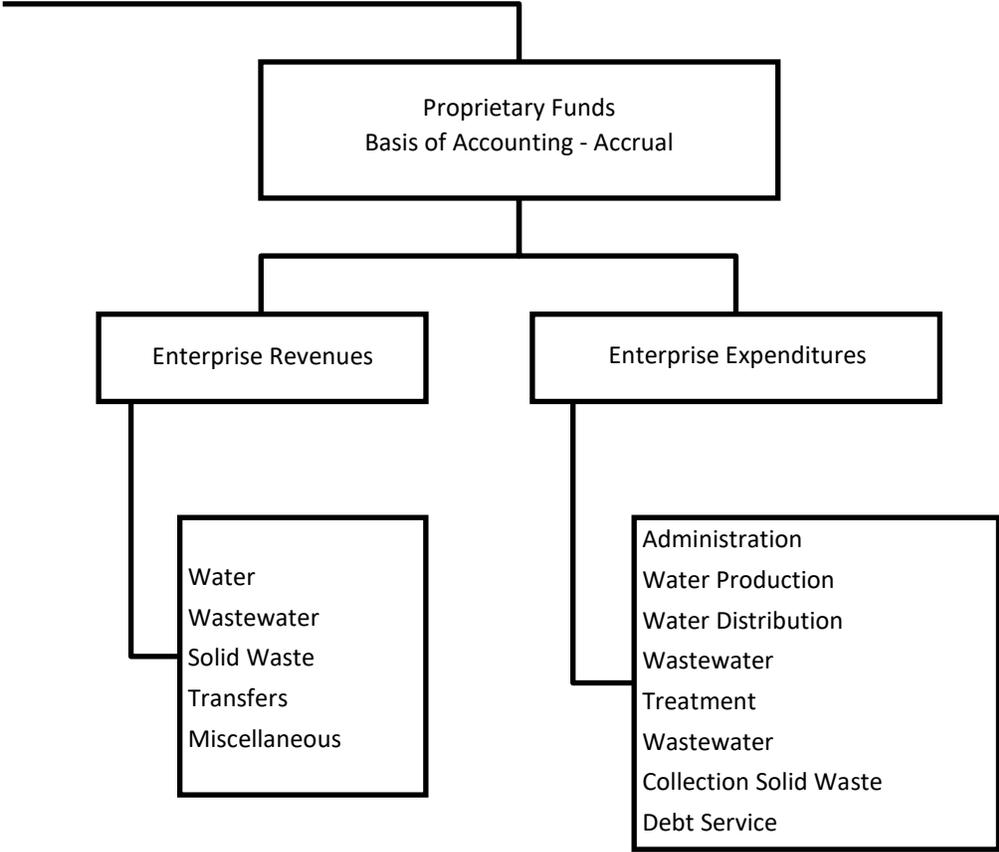
## Basis of Accounting

Basis of accounting refers to the point in time where revenues and expenditures are recognized in the City's financial system and statements.

The modified accrual basis of accounting recognizes revenues when they become available and recognizes liabilities when they are incurred. The Governmental Funds use this basis of accounting.

The accrual basis of accounting recognizes events regardless of when the transaction occurs. The concept is to match incoming revenues to outgoing expenses when a transaction occurs rather than when cash is exchanged. The benefit of this approach is to provide a longer-term view of the City's financial position. The Proprietary Funds use this basis of accounting.





## Consolidated Fund Presentation

	Governmental Fund Types			Enterprise Fund Types	TOTAL
	General Fund	Debt Service	Capital Improvement Fund	Utility Fund	
<b>PROJECTED BEGINNING BALANCE</b>	<b>5,166,420</b>	<b>132,248</b>	<b>-</b>	<b>301,500</b>	<b>5,600,168</b>
<b>REVENUES</b>					
Taxes	5,563,500	756,000	-	-	6,319,500
Permits and Licenses	117,500	-	-	-	117,500
Charges for Service	1,090,500	-	-	6,827,750	7,918,250
Fines and Penalties	87,250	-	-	34,000	121,250
Interest	42,750	1,000	-	12,000	55,750
Miscellaneous Receipts	44,250	-	-	23,750	68,000
Transfers	634,000	-	2,133,500	1,511,500	4,279,000
<b>Total Revenues</b>	<b>7,579,750</b>	<b>757,000</b>	<b>2,133,500</b>	<b>8,409,000</b>	<b>18,879,250</b>
<b>TOTAL RESOURCES</b>	<b>12,746,171</b>	<b>889,248</b>	<b>2,133,500</b>	<b>8,710,500</b>	<b>24,479,418</b>
<b>EXPENDITURES</b>					
Personnel	4,999,000	-	-	2,015,500	7,014,500
Supplies	229,500	-	-	302,000	531,500
Contractual	1,360,000	-	-	1,298,250	2,658,250
Utilities	71,000	-	-	406,750	477,750
Sundry	313,000	-	-	162,250	475,250
Maintenance	148,250	-	-	591,000	739,250
Capital	217,000	-	2,133,500	1,969,000	4,319,500
Fund Transfers	2,354,000	-	-	634,000	2,988,000
Debt Service	-	844,000	-	1,331,750	2,175,750
<b>Total Expenditures</b>	<b>9,691,750</b>	<b>844,000</b>	<b>2,133,500</b>	<b>8,710,500</b>	<b>21,379,750</b>
<b>REVENUE OVER/(UNDER) EXPENDITURES</b>	<b>(2,112,000)</b>	<b>(87,000)</b>	<b>-</b>	<b>(301,500)</b>	<b>(2,500,500)</b>
<b>ENDING BALANCE</b>	<b>3,054,420</b>	<b>45,248</b>	<b>-</b>	<b>(0)</b>	<b>3,099,668</b>



**CITY OF HORSESHOE BAY**  
**FY 2018 General Fund Budget**

**Estimated Beginning Fund Balance: \$ 5,166,420**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Final Budget</b>
<b>Revenues:</b>				
Administration	\$ 588,501	\$ 674,500	\$ 725,000	\$ 746,500
Fire	\$ 274,052	\$ 318,000	\$ 1,413,250	\$ 293,000
Emergency Service District	\$ 12,320	\$ 9,000	\$ 9,000	\$ 9,000
Tax	\$ 4,914,310	\$ 4,980,500	\$ 5,136,250	\$ 5,407,000
Police	\$ 14,093	\$ 9,250	\$ 22,250	\$ 7,000
Development Services	\$ 117,988	\$ 109,000	\$ 122,250	\$ 117,500
Street Maintenance	\$ 622,736	\$ 549,250	\$ 574,250	\$ 567,000
Mowing & Clearing	\$ 434,851	\$ 400,000	\$ 394,750	\$ 390,000
Interest Income	\$ 17,797	\$ 12,000	\$ 42,750	\$ 42,750
<b>Total Revenues</b>	<b>\$ 6,996,648</b>	<b>\$ 7,061,500</b>	<b>\$ 8,439,750</b>	<b>\$ 7,579,750</b>
<b>Expenditures:</b>				
Administration	\$ 1,861,405	\$ 1,916,307	\$ 1,846,500	\$ 1,595,250
Technology Services	\$ -	\$ -	\$ -	\$ 224,000
Fire	\$ 1,802,239	\$ 1,860,000	\$ 2,043,750	\$ 2,013,750
Police	\$ 1,763,070	\$ 1,828,500	\$ 1,753,000	\$ 1,823,500
Animal Control	\$ 141,966	\$ 155,500	\$ 141,000	\$ 174,750
Development Services	\$ 312,959	\$ 401,750	\$ 362,250	\$ 448,000
Street Maintenance	\$ 249,844	\$ 220,000	\$ 210,000	\$ 360,500
Mowing & Clearing	\$ 522,770	\$ 512,000	\$ 481,000	\$ 481,000
<b>Total Expenditures</b>	<b>\$ 6,654,253</b>	<b>\$ 6,894,057</b>	<b>\$ 6,837,500</b>	<b>\$ 7,120,750</b>
Capital Purchases	176,108	1,130,000	1,139,000	217,000
<b>Total Capital Purchases</b>	<b>\$ 176,108</b>	<b>\$ 1,130,000</b>	<b>\$ 1,139,000</b>	<b>\$ 217,000</b>
<b>Revenues Less Expenditures</b>				<b>\$ 242,000</b>
<b>Estimated Ending Fund Balance (after O&amp;M only)</b>				<b>\$ 5,408,420</b>
<b>Less: Transfer of Unassigned Funds to Capital Improvemnts Fund</b>				<b>\$ 2,133,500</b>
<b>Less: Transfer of Unassigned Funds to Utility Fund for Capital Purchases</b>				<b>\$ 220,500</b>
<b>Estimated Ending Fund Balance</b>				<b>\$ 3,054,420</b>

# General Fund Revenue Overview

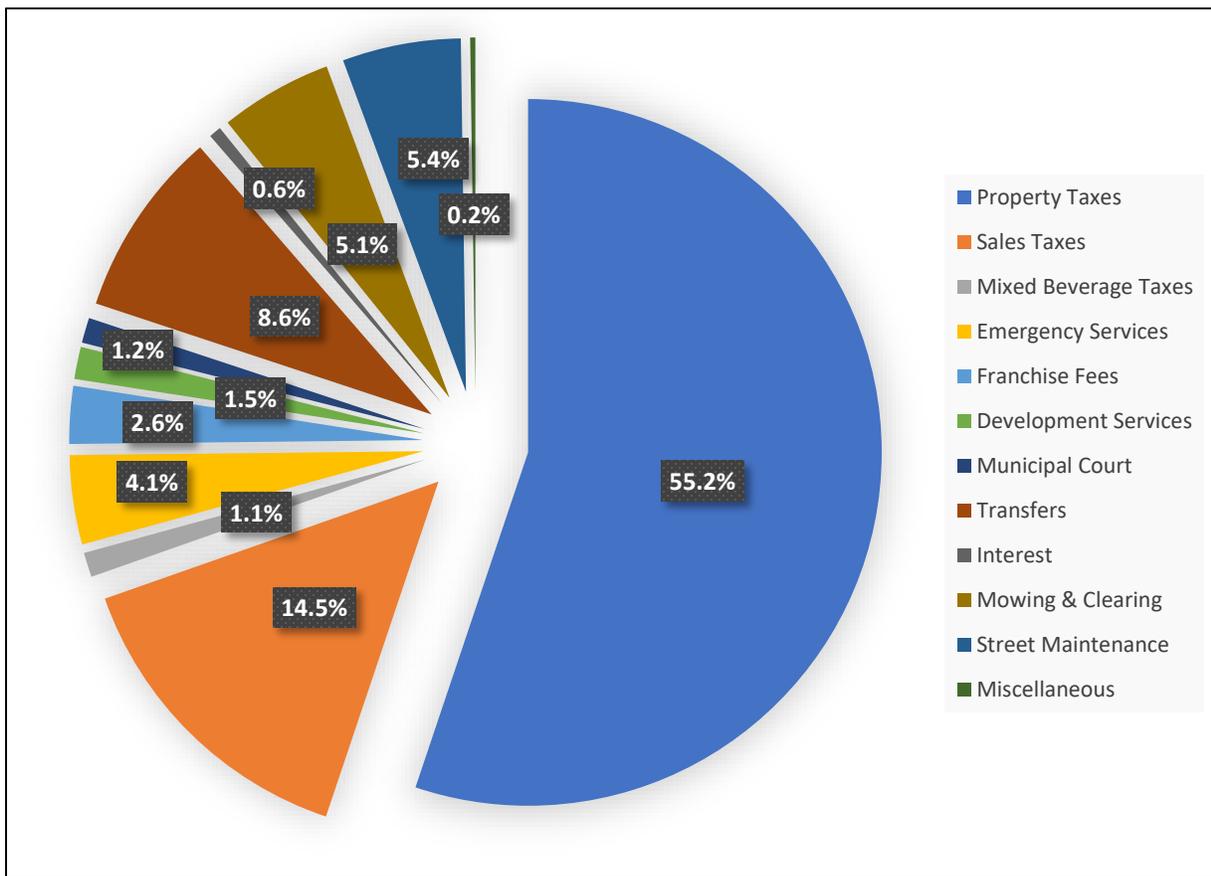
The General Fund provides financing for the City’s governmental services, which excludes water, wastewater, and solid waste operations. General Fund services consist of all public safety functions, including police, animal control and fire services; community services, including streets, parks, inspections, planning, and code enforcement; and administrative functions, which includes general management, finance, and human resources. The City’s main governmental buildings are maintained and operated as assets within the General Fund.

General Fund revenues come from multiple sources but are mostly derived from property tax receipts. The City’s largest expenditure category is compensation to City personnel who ensure the provision of the services mentioned. The modified accrual basis of accounting is used for the General Fund.

## GENERAL FUND REVENUE

The City of Horseshoe Bay receives operating revenue from multiple streams. Much like a well-organized business, the City does not solely rely on one large revenue source, but rather, the revenue is diversified.

Graph 1 and Table 1 both illustrate how most General Fund revenues are collected from property taxes, sales taxes, fund transfers, and street maintenance contracts.



Graph 1 – FY 2018 Budget – Revenue Sources

**Top Revenue Sources**

Property Taxes	4,180,750	55.2%
Sales Taxes	1,096,500	14.5%
Transfers	648,500	8.6%
Street Maintenance	410,500	5.4%
<b>Total</b>	<b>6,336,250</b>	<b>83.6%</b>

**Total Revenue 7,579,750**

Table 1 – Top City Revenue Sources

Property Taxes

The largest source of City revenues is from property tax receipts, which are projected to account for 55.7% of the City’s General Fund revenue. Table 2 exhibits the appraised taxable value beginning in the 2007 tax year. This table also shows how the property tax rate has remained stable since 2010.

Tax Year	Tax Rate	Llano County Appraised Taxable Value	Burnet County Appraised Taxable Value	Total Appraised Taxable Value
2007	0.4000	1,251,273,964		1,251,273,964
2008	0.3500	1,441,168,934		1,441,168,934
2009	0.3300	1,588,249,545		1,588,249,545
2010	0.2500	1,412,000,000	171,000,000	1,583,000,000
2011	0.2500	1,374,533,707	173,407,475	1,547,941,182
2012	0.2500	1,343,758,031	183,355,207	1,527,113,238
2013	0.2500	1,384,324,964	186,946,922	1,571,271,886
2014	0.2500	1,437,323,807	185,403,017	1,622,726,824
2015	0.2500	1,494,521,653	190,427,395	1,684,949,048
2016	0.2600	1,601,593,349	196,022,157	1,797,615,506
2017 - Proposed	0.2600	1,733,604,093	200,515,310	1,934,119,403

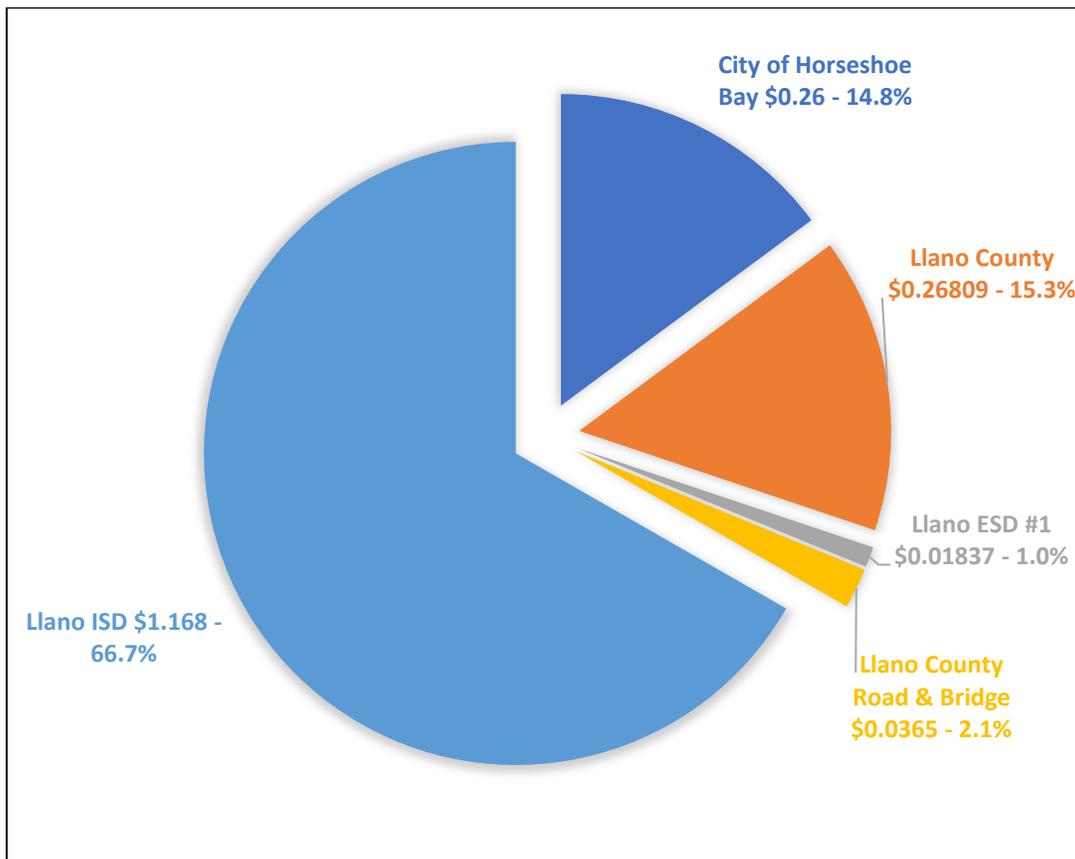
Table 2 – City Tax Rate History

The City’s total property tax rate is divided into two portions. The first the Maintenance and Operations rate (M&O) and this part of the property tax levy is deposited into the City’s General Fund and is merged with other revenues to pay for the operation of the City each year. The second portion is the Interest and Sinking rate (I&S); proceeds from this levy are deposited into a separate fund and is used to repay debt that has been secured with property tax revenues. Table 3 shows how the I&S and the M&O rates fluctuate from year to year and the goal is to have the two operate in a balance.

<b>Tax Year</b>	<b>M&amp;O Rate</b>	<b>I&amp;S Rate</b>	<b>Total Tax Rate</b>
2007	0.4000		0.4000
2008	0.3500		0.3500
2009	0.3300		0.3300
2010	0.2220	0.0280	0.2500
2011	0.2220	0.0280	0.2500
2012	0.2220	0.0280	0.2500
2013	0.2220	0.0280	0.2500
2014	0.2220	0.0280	0.2500
2015	0.2220	0.0280	0.2500
2016	0.2186	0.0414	0.2600
2017 - Proposed	0.2200	0.0400	0.2600

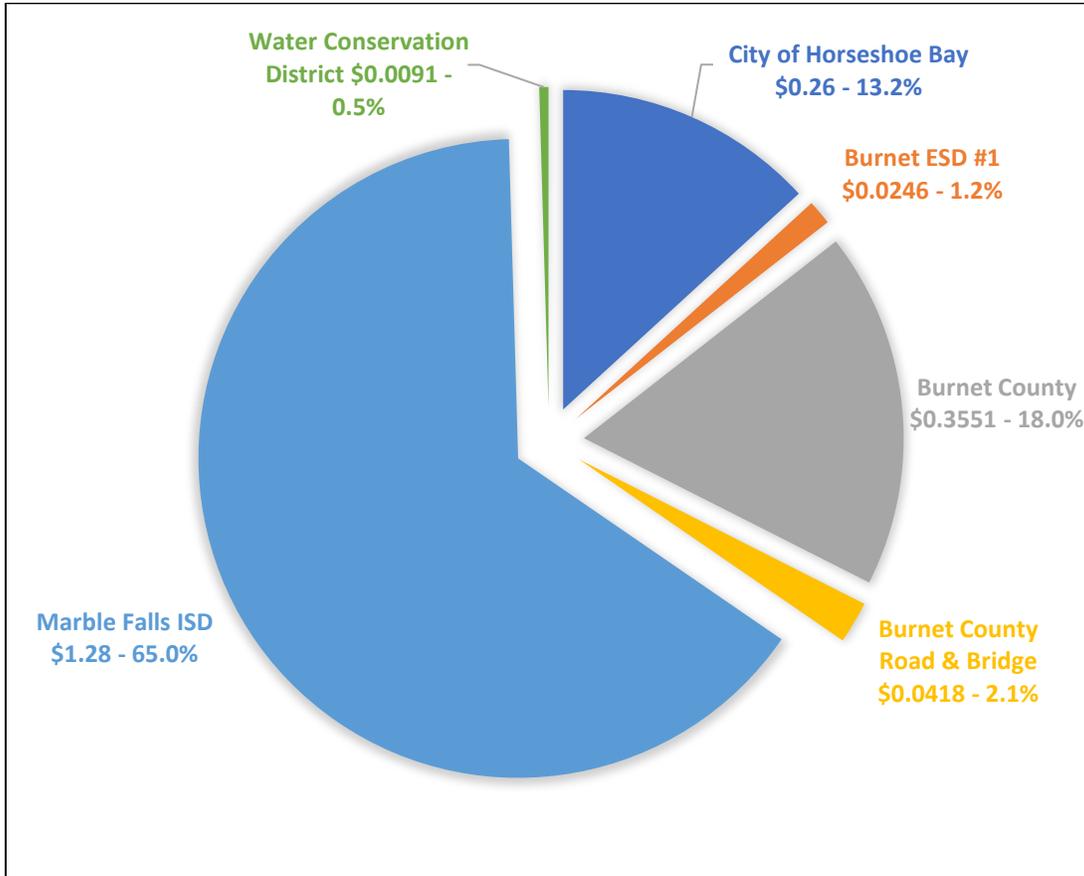
Table 3 – City M&O and I&S Rate History

Many citizens are often unclear as to who much of their total tax bill represents City taxes compared to other taxing entities. For those property taxpayers in the City and Llano County, there are four taxing entities: City of Horseshoe Bay, Llano Emergency Services District #1, Llano Independent School District, and Llano County, which also includes a separate Road and Bridge Tax. Graph 2 provides a graphical representation of the 2016 tax rates and how the City’s rate stands in comparison.



Graph 2 – City of Horseshoe Bay (Llano County) tax rate comparison - 2016

For those property taxpayers in the City and Burnet County, there are five taxing entities: City of Horseshoe Bay, Burnet Emergency Services District #1, Marble Falls Independent School District, Water Conservation District of Central Texas, and Burnet County, which also includes a separate Road and Bridge Tax. Graph 3 provides a graphical representation of the 2016 tax rates and how the City's rate stands in comparison.



Graph 3 – City of Horseshoe Bay (Burnet County) tax rate comparisons – 2016

The City of Horseshoe Bay provides a very competitive tax rate compared to other cities in the area as depicted in Table 4.

City	M&O Rate	I&S Rate	Total Tax Rate
Horseshoe Bay	0.2186	0.0414	0.2600
Lakeway	0.1345	0.0267	0.1612
Fredericksburg	0.2025	0.0375	0.2400
Marble Falls	0.2326	0.4157	0.6483
Burnet	0.5392	0.0873	0.6265
Llano	0.3644	0.0283	0.4160
Lago Vista	0.3672	0.2650	0.6500
Jonestown	0.5239	0.0417	0.5656
Kerrville	0.4890	0.0735	0.5625

Table 4 – Surrounding cities tax rate comparisons - 2016

### Cost of Services to City Property Tax Payers

This brief section seeks to show City of Horseshoe Bay property tax payers the relative value of the services and benefits of living in the City. For a home valued at \$100,000, the property will pay an estimated \$260 in annual City property taxes, or \$21.67 per month, at the proposed \$0.26 tax rate.

Of that monthly amount, they will pay:

- \$4.69 for 24/7 police protection
- \$5.19 for 24/7 fire protection
- \$0.46 for animal control services
- \$2.18 for streets and maintenance services
- \$1.15 for building inspections and code enforcement
- \$4.66 for the general administration of the City

### Sales Taxes

The second largest source of City revenues is from sales tax receipts. FY 2018 sales tax revenues are budgeted at \$1,096,500, which is a 1.0% increase from the FY 2017 estimate. Table 5 shows a description of historic total sales tax receipts, which is the 1.75% local option collected by the City.

FY 2008 Actual	517,336
FY 2009 Actual	555,222
FY 2010 Actual	726,514
FY 2011 Actual	730,818
FY 2012 Actual	807,778
FY 2013 Actual	937,157
FY 2014 Actual	998,535
FY 2015 Actual	977,437
FY 2016 Actual	1,011,561
FY 2017 Estimated	1,086,000
FY 2018 Proposed	1,096,500

Table 5 – Total City sales tax receipts

Total City sales tax receipts are split three ways to fund different activities. One cent, or 57% of total receipts, is dedicated to the City's General Fund operations. One half cent, or 29% of total receipts, is dedicated to providing property tax relief for Horseshoe Bay tax payers and is included in the General Fund sales tax totals above. One quarter cent, or 14% of total receipts, is dedicated to maintenance and repairs of City streets.



**CITY OF HORSESHOE BAY**  
**FY 2018 General Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
<b>OPERATING REVENUE</b>					
<b>1000</b>	<b>ADMINISTRATION</b>				
40170	Administrative Fees	490,750	602,250	602,250	634,000
40180	Other Income	17,839	15,000	15,000	25,000
40185	Miscellaneous Permits	150	250	-	250
40193	Municipal Court Revenue	16,282	14,500	5,000	5,000
40194	Traffic Fines	63,480	42,500	50,000	50,000
40195	Transfer In - Other Funds	-	-	8,500	-
40196	Court Technology Fees	-	-	1,250	1,250
40197	Court Security Fees	-	-	1,000	1,000
40198	Court Collection Agency Revenue	-	-	13,000	13,000
40199	Warrant Fees	-	-	14,000	14,000
40200	Child Safety Fees	-	-	15,000	3,000
<b>Total</b>	<b>ADMINISTRATION</b>	<b>588,501</b>	<b>674,500</b>	<b>725,000</b>	<b>746,500</b>
<b>5000</b>	<b>FIRE</b>				
40180	Other Income	7,040	113,000	129,500	7,000
40186	Other Income-Pub/Sfty Donation	5,950	5,000	10,000	5,000
40300	Bond Proceeds	-	-	1,000,000	-
40506	Fire Fighting Services	261,062	200,000	273,750	281,000
<b>Total</b>	<b>FIRE</b>	<b>274,052</b>	<b>318,000</b>	<b>1,413,250</b>	<b>293,000</b>
<b>6000</b>	<b>EMERGENCY SERVICE DISTRICT</b>				
40190	Llano Co. ESD #1 - Contract Svcs	3,320	-	-	-
40191	Llano Co. ESD #1 - Rent	9,000	9,000	9,000	9,000
<b>Total</b>	<b>EMERGENCY SERVICE DISTRICT</b>	<b>12,320</b>	<b>9,000</b>	<b>9,000</b>	<b>9,000</b>
<b>7000</b>	<b>TAX</b>				
40160	Property Tax Collected (M & O)	3,726,380	3,898,250	3,898,250	4,158,250
40162	Penalty & Interest (M & O)	25,253	22,500	22,500	22,500
40163	Mixed Beverage Tax	78,999	46,750	83,250	85,000
40165	Sales Tax	873,771	800,000	931,000	940,000
40166	PEC Franchise Tax	171,950	180,000	165,000	165,000
40180	Other Income	3,215	500	1,250	1,250
40211	Cable Franchise Fees	34,742	32,500	35,000	35,000
<b>Total</b>	<b>TAX</b>	<b>4,914,310</b>	<b>4,980,500</b>	<b>5,136,250</b>	<b>5,407,000</b>



**CITY OF HORSESHOE BAY**  
**FY 2018 General Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
<b>8000</b>	<b>POLICE</b>				
40175	Insurance Proceeds	7,163	-	3,000	-
40180	Other Income	1,930	4,250	14,250	2,000
40186	Other Income-Pub/Sfty Donation	5,000	5,000	5,000	5,000
<b>Total</b>	<b>POLICE</b>	<b>14,093</b>	<b>9,250</b>	<b>22,250</b>	<b>7,000</b>
<b>9500</b>	<b>DEVELOPMENT SERVICES</b>				
40180	Other Income	5,775	4,000	3,250	500
40183	Building Permit Fees	108,913	100,000	107,500	108,500
40184	Plat Fees	2,600	4,000	5,000	4,000
40185	Miscellaneous Permits	-	-	-	500
40187	Contractor Registration	-	-	-	3,000
40192	Zoning Fees	700	1,000	6,500	1,000
<b>Total</b>	<b>DEVELOPMENT SERVICES</b>	<b>117,988</b>	<b>109,000</b>	<b>122,250</b>	<b>117,500</b>
<b>9600</b>	<b>STREET MAINTENANCE</b>				
40165	Sales Tax	137,790	138,750	155,000	156,500
40207	Pecan Creek Association	3,750	3,750	3,750	3,750
40208	Applehead POA	5,750	5,750	5,750	5,750
40209	Applehead Island POA	1,000	1,000	1,000	1,000
40210	HSB POA	474,446	400,000	408,750	400,000
<b>Total</b>	<b>Street Maintenance</b>	<b>622,736</b>	<b>549,250</b>	<b>574,250</b>	<b>567,000</b>
<b>9800</b>	<b>MOWING &amp; CLEARING</b>				
40215	Mowing	434,851	400,000	390,000	390,000
40216	Clearing	-	-	4,750	-
<b>Total</b>	<b>MOWING &amp; CLEARING</b>	<b>434,851</b>	<b>400,000</b>	<b>394,750</b>	<b>390,000</b>
<b>9900</b>	<b>INTEREST INCOME</b>				
40220	Interest on Investments	17,797	12,000	42,750	42,750
<b>Total</b>	<b>INTEREST INCOME</b>	<b>17,797</b>	<b>12,000</b>	<b>42,750</b>	<b>42,750</b>
<b>TOTAL OPERATING REVENUE</b>		<b><u>6,996,648</u></b>	<b><u>7,061,500</u></b>	<b><u>8,439,750</u></b>	<b><u>7,579,750</u></b>

# General Fund Expenditure Overview

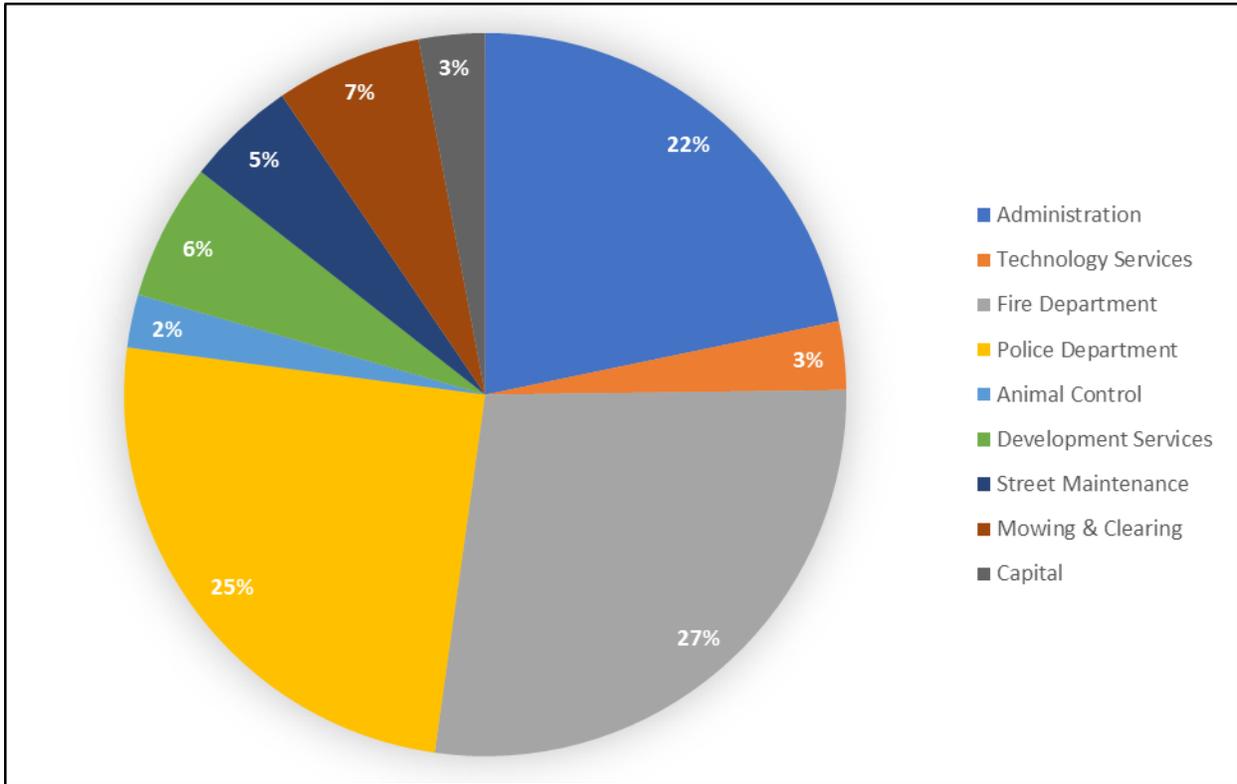
The City of Horseshoe Bay General Fund is organized into eight different departments. For the purposes of this document, each department will have its own section describing its mission statement, what their function is within the organization, some of their achievements for the past fiscal year, and department goals and objectives for the next fiscal year.

This budget includes increases in operational department budgets of 2.9% for salary expenditures and 12.6% for insurance expenditures. All other notable items are specifically listed on each departments' page.

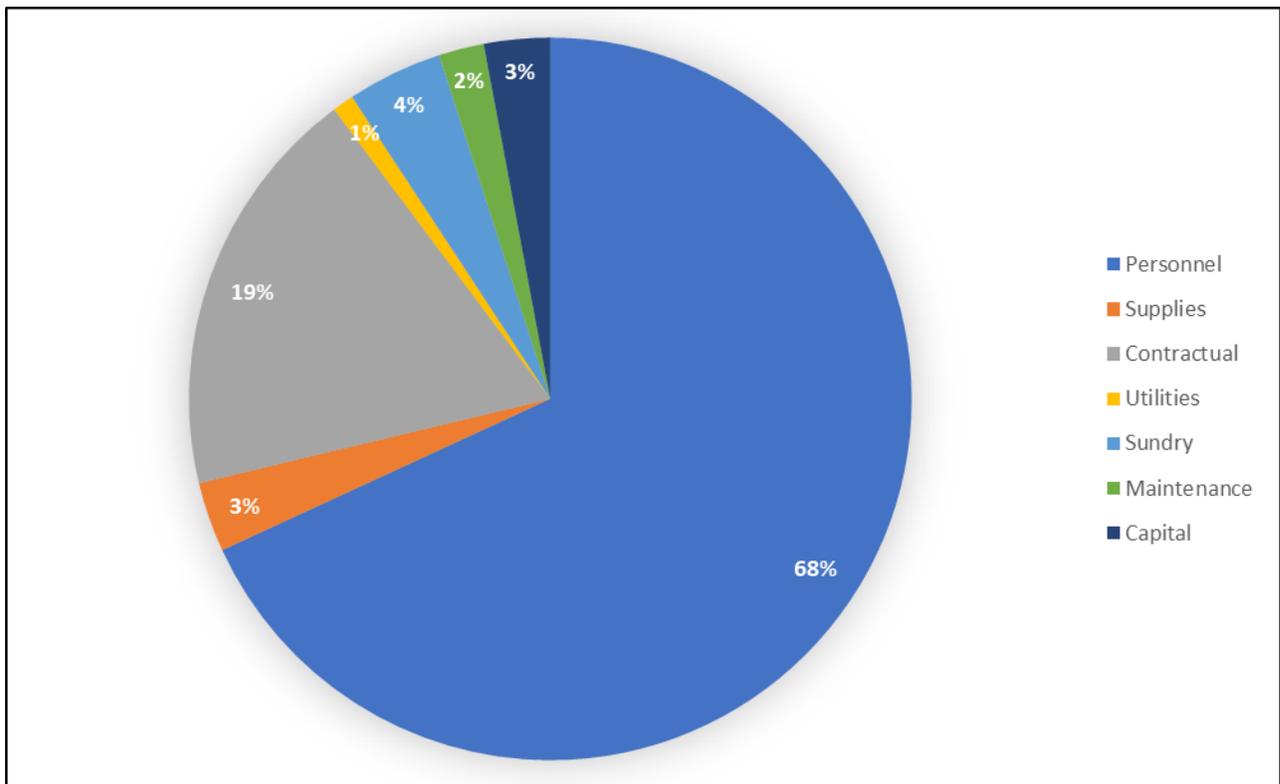
Each departments' page will provide financial data on each prime account. There is also a description of the capital purchases within each department and a discussion of differences between FY 2017 Amended Budget and FY 2018 Proposed Budget.

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
<b>BY DEPARTMENT</b>				
Administration	1,861,405	1,916,307	1,846,500	1,595,250
Technology Services	-	-	-	224,000
Fire Department	1,802,239	1,860,000	2,043,750	2,013,750
Police Department	1,763,070	1,828,500	1,753,000	1,823,500
Animal Control	141,966	155,500	141,000	174,750
Development Services	312,959	401,750	362,250	448,000
Street Maintenance	249,844	220,000	210,000	360,500
Mowing & Clearing	522,770	512,000	481,000	481,000
Capital	176,108	1,130,000	1,139,000	217,000
<b>TOTAL</b>	<b>6,830,361</b>	<b>8,024,057</b>	<b>7,976,500</b>	<b>7,337,750</b>
<b>BY ACCOUNT CATEGORY</b>				
Personnel	4,369,851	4,647,250	4,746,500	4,999,000
Supplies	138,282	217,000	190,500	229,500
Contractual	1,369,852	1,326,000	1,254,250	1,360,000
Utilities	78,925	78,000	71,000	71,000
Sundry	233,971	267,307	250,000	313,000
Maintenance	183,372	160,500	147,250	148,250
Capital	176,108	1,130,000	1,139,000	217,000
Fund Transfers	280,000	198,000	178,000	-
<b>TOTAL</b>	<b>6,830,361</b>	<b>8,024,057</b>	<b>7,976,500</b>	<b>7,337,750</b>

**FY 2018 BUDGET EXPENDITURES – BY DEPARTMENT**



**FY 2018 BUDGET EXPENDITURES – BY ACCOUNT CATEGORY**



# Administration

To provide professional management and administration of the City, implementing City Council policy decisions by directing, coordinating, monitoring, and evaluating all City government activities.

## **Description**

- Execute the policies established by the City Council and administer the affairs of the City consistent with the City Charter
- Prepare and maintain minutes, ordinances, resolutions, and proclamations
- City elections conducted by designated election official
- Responsible for the collection, investment, distribution, and documentation of all City funds
- Monitor and approve all City purchases, expenditures, and budget
- Prepare the City employee payroll and administer employee benefits programs
- Prepare annual City budget

## **FY 2017 Accomplishments**

- Implemented 360 Feedback for all supervisory level employees and above, which included feedback sessions and workshops
- Implemented Myers Briggs Type Indicator (MBTI) for all employees
- Launched onboarding process for all new hires
- Developed and implemented Values and Leadership Philosophy
- Introduced a new medical and dental plan during open enrollment
- Implemented HR module and began pilot program for Employee Web Services
- Approved a Long Range Comprehensive Plan

## **FY 2018 Goals**

- Update personnel policies/employee handbook
- Conduct salary survey and rewrite employee job descriptions
- Create and facilitate curriculum for employee and supervisory training
- Enhance communication with employees via electronic channels and automate processes
- Earn Comptroller star for financial transparency
- Earn GFOA Distinguished Budget Award

**Department Summary**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	782,042	955,750	936,750	822,250
Supplies	56,462	45,250	80,000	72,250
Contractual	494,516	471,500	466,500	479,000
Utilities	78,925	78,000	71,000	71,000
Sundry	69,220	103,307	69,000	65,750
Maintenance	100,240	64,500	45,250	85,000
Capital	14,301	32,350	32,350	25,000
Fund Transfers	<u>280,000</u>	<u>198,000</u>	<u>178,000</u>	<u>-</u>
<b>TOTAL</b>	<b>1,875,706</b>	<b>1,948,657</b>	<b>1,878,850</b>	<b>1,620,250</b>

**HIGHLIGHTS - FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Decreased salary and benefit expenses by \$142,500
- Moved IT Administrator salary and benefits from Administration to Technology Services
- Moved GIS Administrator salary and benefits from Administration to Technology Services
- Increased Professional Services by \$1,750
- Increased Appraisal/Tax Burnet and Llano by \$5,250
- Increased City Council Expense by \$7,250 to replace iPads with Surface Pros
- Decreased Technology Initiative by \$1,000
- Decreased Advisory Committees by \$9,000
- Increased Dispatch Expense by \$12,000
- Increased Dues, Fees, and Subscriptions by \$10,000
- Added a new expenditure called EOC Training and Supplies for \$5,000
- Increased Travel, Training, Schools by \$15,000
- Added a new expenditure called Special Events for \$5,000
- Decreased Property & Liability Insurance by \$6,500
- Increased Workers' Comp Insurance by \$9,000
- Decreased Legal Expense by \$5,000
- Decreased Contingency by \$51,307
- Decreased M & R – Vehicles by \$2,000
- Increased Merchant Fee – CC by \$1,000
- Decreased Postage by \$3,000
- Decreased Communications by \$7,000
- Increased Court related expense by \$14,750
- Decreased Contributions by \$4,000
- Decreased Tree Removal by \$2,500
- Decreased Transfers Out by \$198,000
- Increased Fuchs House Park by \$25,000
- Decreased Capital Expenditures by \$7,350

# *Technology Services*

Responsible for implementing and maintaining all computer hardware and software systems and Geographic Information Systems (GIS) for the City of Horseshoe Bay.

## **Description**

- First and primary point of contact for the activities associated with the City's server and computer network, help desk, and assigned specialty systems
- Responsible for all storage and backup management by performing, monitoring, documenting, and verifying information storage systems, schedules, and tests
- Maintains organizational service levels and business targets for the use of Information Technology Systems, including LAN/WAN networks, hardware, software, infrastructure, security, and other specialty systems

## **FY 2017 Accomplishments**

- Upgraded City Hall internet connection to much faster and stable fiber connection
- Linked Central Water Plant to City Hall via fiber connection
- Setup and implemented online bill pay system for utility customers
- Upgraded wireless access system at Central Water Plant
- Relocated on-site backup server to an off-site location at Central Water Plant
- Transition to in-house management of the GIS server and databases
- Migration of existing datasets into the Local Government Information Model

## **FY 2018 Goals**

- Upgrade Police Department internet connection to much faster and stable fiber connection
- Upgrade Fire Department internet connection to much faster and stable fiber connection
- Implement paperless billing option for utility customers
- Automate and update all Cityworks GIS services (work orders)
- Complete audit of existing GIS water distribution and sewer collection data and develop a project plan for future data collection

**Department Summary**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	-	-	-	164,250
Supplies	-	-	-	15,500
Contractual	-	-	-	10,000
Sundry	-	-	-	17,250
Maintenance	-	-	-	17,000
Capital	-	-	-	-
<b>TOTAL</b>	-	-	-	<b>224,000</b>

**HIGHLIGHTS - FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Moved IT Administrator salary and benefits from Administration to Technology Services
- Moved GIS Administrator salary and benefits from Administration to Technology Services

# *Fire Department*

To provide a safe, professional, and courteous team that strives to exceed the expectations of the community. To maintain a capable, aggressive, all-hazard Fire Department that is focused on serving and protecting the citizens while preserving the City's heritage and planning for the future.

## **Description**

- Department is staffed by 17 full-time firefighters and 10 part-time firefighters; this staff includes a Fire Chief, Assistant Fire Chief, and 3 Shift Captains
- Department operates out of 2 fire stations
- Minimum of 5 firefighters on duty 24 hours a day
- Capability to respond to structure fires, brush fires, vehicle fires, technical rescues, and medical incidents
- Conducts fire safety inspections on all commercial properties annually
- Coordinates all planning and preparedness activities for emergency management
- Conducts fire investigations to determine cause and origin

## **FY 2017 Accomplishments**

- Established 5-man minimum staffing levels
- Increased off road response capabilities with purchase of department off road vehicle
- Implemented Mobile Data Terminals
- Designed and purchased two 2017 Ferrara engines
- Completed exterior renovation of Central Fire Station
- Began data input of fire safety inspections for electronic inspection process
- Established department training coordinator
- Established random drug testing procedures
- Established occupational fitness evaluations
- Upgraded portable radios for better system compatibility and to increase effectiveness of emergency communications
- Implemented community risk reduction program for fall prevention

## **FY 2018 Goals**

- Complete phase I of interior renovation of Central Fire Station
- Complete phase I of training facility building project
- Complete transfer of data to electronic format for fire safety inspections
- Shift from part-time firefighter staffing model to full-time only
- Conduct full scale emergency management drill
- Swift water rescue refresher training for entire department
- Complete state certification for driver/operator for department staff

## Department Summary

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	1,681,519	1,648,500	1,860,250	1,814,251
Supplies	38,384	84,750	71,250	89,000
Contractual	12,292	20,500	14,750	18,250
Sundry	46,143	58,750	55,000	59,749
Maintenance	23,901	47,500	42,500	32,500
Capital	<u>50,708</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>165,000</u>
<b>TOTAL</b>	<b>1,852,947</b>	<b>2,860,000</b>	<b>3,043,750</b>	<b>2,178,750</b>

## HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget

- Increased salary and benefit expenses by \$235,750
- Added 3 new full-time firefighter positions
- Decreased Salaries – P/T Firefighters by \$70,000
- Decreased Contract Services by \$2,250
- Increased Fire Protection Gear by \$7,500
- Decreased Fuel & Lubricants by \$2,500
- Decreased M & R – Vehicles by \$15,000
- Increased Other Expense by \$1,000
- Decreased Printing & Office Supplies by \$750
- Decreased Capital Expenditures by \$835,000

# *Police Department*

To work cooperatively with the public to preserve the peace, protect life and property, and reduce a fear of crime within the community through a fair and equal enforcement of the law within the framework of the Constitution of the United States.

## **Description**

- Oversee all major criminal investigations within the City
- Respond to calls from the public requesting police emergency and non-emergency services
- Respond to traffic-related incidents and accidents; issue warnings and citations for traffic violations
- Respond to calls from the public requesting animal services
- Provide assistance to victims of crime or persons in distress
- Provide assistance to surrounding law enforcement agencies

## **FY 2017 Accomplishments**

- Obtained a \$23,750 grant from LCRA to begin replacement of department radios
- Approved for a \$37,500 grant from CAPCOG to complete replacement of department radios
- Obtained a \$3,750 grant from NRA to replace expired body armor for all CID and administrative personnel
- Replaced all seventeen department Sig Sauer handguns purchased 10 years ago with a newer, upgraded Sig Sauer weapon at a net price of only \$54 per gun
- Initiated a community contact/outreach program in the patrol division designed for patrol officers to interact with citizens in a manner not related to normal law enforcement functions and obtain feedback from the community
- Purchased and issued police body cameras with cloud storage for patrol officers
- Obtained CIP funding for the purchase of vehicle dash cameras with cloud storage for the entire patrol fleet
- Certified all peace officers in CPR training and AED training
- Conducted a critical incident/active shooter exercise involving Police, Fire, and EMS
- Conducted a joint training exercise with Fire Department in deep water rescue and recovery
- Began installation and connection to fiber optic line for high speed internet in the Police Department

## **FY 2018 Goals**

- Obtain CIP funding for the purchase of computer tablets for use in all patrol vehicles
- Continue to improve departmental technology capabilities to take advantage of all the resources available in the existing Report Management System
- Complete a conversion from the Uniform Crime Reporting System (UCR) to the improved National Incident-Based Reporting System (NIBRS) for the reporting of statistical crime information
- Continue to train all officers in response to critical incidents and threats to the public

- Increase capacity and capabilities for the collection and retention of crime scene evidence through the purchase of a storage container and eliminate the need for the use of a privately-owned storage unit
- Implement a program to transfer previous years of paper police reports to electronic media.
- Purchase and obtain an enclosed utility trailer for the transportation of firearms training materials, large items of evidence to the crime lab, and the departmental patrol cart to expand its usability to other areas of the City
- Continue the patrol division community contact/outreach program to solicit feedback from within the community
- Obtain State certifications for Animal Control Officers by both animal control positions

**Department Summary – Police**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	1,626,837	1,681,000	1,617,250	1,661,000
Supplies	56,669	81,000	66,500	73,000
Contractual	8,185	10,000	10,000	20,750
Sundry	33,019	28,500	28,750	38,250
Maintenance	38,361	28,000	30,500	30,500
Capital	<u>36,150</u>	<u>47,700</u>	<u>40,250</u>	<u>27,000</u>
<b>TOTAL</b>	<b>1,799,220</b>	<b>1,876,200</b>	<b>1,793,250</b>	<b>1,850,500</b>

**HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Decreased salary and benefit expenses by \$20,000
- Moved Code Enforcement Officer salary and benefits from Police Department to Development Services
- Increased Contract Services by \$10,750
- Increased Equipment & Supplies by \$3,000
- Increased Travel, Training, Schools by \$4,000
- Decreased Fuel & Lubricants by \$14,000
- Increased Investigation Expense by \$3,000
- Increased Jail Expense by \$250
- Increased M & R – Equipment by \$500
- Increased M & R – Vehicles by \$2,000
- Increased Other Expense by \$2,500
- Increased Safety Equipment & Supplies by \$2,000
- Increased Uniforms by \$1,000
- Decreased Capital Expenditures by \$20,700

**Department Summary – Animal Control**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	56,878	59,000	58,750	66,250
Supplies	5,129	6,500	6,000	6,000
Contractual	76,493	85,000	72,500	98,000
Sundry	1,091	1,500	750	1,500
Maintenance	2,376	3,500	3,000	3,000
Capital	-	-	-	-
<b>TOTAL</b>	<b>141,966</b>	<b>155,500</b>	<b>141,000</b>	<b>174,750</b>

**HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Increased salary and benefit expenses by \$7,250
- Increased Animal Shelter by \$500
- Decreased Fuel & Lubricants by \$500
- Decreased M & R – Vehicles by \$500
- Increased Deer Management by \$12,500

# *Development Services*

To provide outstanding customer service helping our property owners and residents and the development community maintain and enhance the community's quality of life by assisting them in understanding the process and application requirements for development and building construction which comply with applicable codes and regulations.

## **Description**

- Maintains an average plan review response time of five to six days
- Maintains an average inspection response time of one to two days
- Responds immediately to complaints regarding code violations
- Provides quality administrative services regarding building permits, inspections, and code enforcement
- Provides staff assistance to the City Council, Planning and Zoning Commission, and Board of Adjustment

## **FY 2017 Accomplishments**

- Added a Planning Assistant position to assist the Development Services Director
- Added an additional full-time Development Services Technician position to assist with the increase in building permits, inspections, and code enforcement
- Assisted in the completion of the City's Long Range Comprehensive Plan
- Implemented new permitting software system to minimize duplicate data entry and allow greater oversight on permits and inspections
- Implemented streamlined building permit process, including coordinating simultaneous review by staff regarding meter sizes and location of meters
- Completed an Updated Zoning Map, an Existing Land Use Map, and a Future Land Use Map as part of the Long Range Comprehensive Plan

## **FY 2018 Goals**

- Transfer all current permit and inspection records into the new permitting software system
- Complete a New Zoning Map as part of the Long Range Comprehensive Plan
- Prepare and review major Zoning Ordinance updates to eliminate inconsistencies and other issues

## Department Summary

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	222,576	303,000	273,500	348,000
Supplies	4,245	9,000	9,000	8,500
Contractual	71,856	80,000	71,500	80,000
Sundry	14,225	9,250	8,250	11,250
Maintenance	57	500	-	250
Capital	17,104	-	-	-
<b>TOTAL</b>	<b>330,063</b>	<b>401,750</b>	<b>362,250</b>	<b>448,000</b>

## HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget

- Increased salary and benefit expenses by \$45,000
- Moved Code Enforcement Officer salary and benefits to Development Services from Police Department
- Decreased Professional Services by \$5,500
- Increased Maintenance Contracts by \$5,500
- Increased Dues, Fees, & Subscriptions by \$500
- Increased Travel, Training, Schools by \$2,500
- Decreased M & R – Vehicles by \$250
- Decreased Other Expense by \$1,000
- Decreased Printing & Office Supplies by \$500

# Streets Maintenance

To provide and maintain a transportation system of streets for safe and efficient vehicular traffic, and to provide clean, safe, and well-maintained rights-of-way and vacant lots.

## Description

- Repair streets for damage caused by water line breaks and failure of road base material
- Install and maintain traffic control signs
- Mow rights-of-way and maintain vacant lots
- Maintain city property such as City Hall

## FY 2017 Accomplishments

- Purchased street signs to replace current worn out street signs
- Chip and seal program
- Assisted with the West Water Treatment Plant project
- Began outsourcing lot mowing mailings for efficiency

## FY 2018 Goals

- Installation of purchased street signs
- Increase litter control contract to pick up litter in more areas of Horseshoe Bay
- Manage street projects in the Capital Improvements Fund
- Chip and seal program
- Follow-up with delinquent lot mowing accounts to capture those revenues

## Department Summary – Streets Maintenance

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	-	-	-	123,000
Supplies	20,989	30,000	30,000	32,500
Contractual	212,861	175,000	165,000	190,000
Sundry	-	-	-	-
Maintenance	15,994	15,000	15,000	15,000
Capital	-	-	-	-
<b>TOTAL</b>	<b>249,844</b>	<b>220,000</b>	<b>210,000</b>	<b>360,500</b>

**HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Moved Public Works Director salary and benefits to Streets Maintenance from Capital Improvements Fund
- Increased Traffic Signs Materials by \$2,500
- Increased Litter Control Contract by \$20,000
- Decreased ROW Maintenance by \$5,000

**Department Summary – Lot Mowing**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Contractual	522,770	512,000	481,000	481,000
<b>TOTAL</b>	<b>522,770</b>	<b>512,000</b>	<b>481,000</b>	<b>481,000</b>

**HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Decreased Lot Mowing by \$31,000



**CITY OF HORSESHOE BAY**  
**FY 2018 General Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
<b>OPERATING EXPENDITURES</b>					
<b>1000</b>	<b>ADMINISTRATION</b>				
50410	Salaries & Wages	493,504	681,250	621,250	510,250
50411	Overtime	38,839	28,250	29,500	30,250
50415	Employers FICA Expense	37,813	38,000	49,750	41,250
50420	Group Insurance Premiums	78,341	69,250	82,750	90,000
50430	401(A) Money Purchase	30,267	29,000	33,250	30,000
50432	401(A) Match	22,793	24,000	30,250	25,500
50435	Employers Unemployment Expense	-	5,000	-	5,000
50500	Accounting & Auditing Expense	16,500	17,000	17,000	17,000
50505	Professional Services	53,635	13,250	40,000	15,000
50506	Election Contracts	3,619	4,000	3,500	4,000
50509	Appraisal/Tax - Burnet	8,232	8,500	8,500	9,000
50510	Appraisal/Tax - Llano	90,763	90,750	90,750	95,500
50545	Maintenance Contracts	17,505	30,000	30,000	30,000
50564	Codification	5,448	5,000	2,500	5,000
50565	City Council Expense	8,223	5,000	5,000	12,250
50567	Technology Initiative	-	1,000	-	-
50568	Advisory Committees	31,806	10,000	750	1,000
50570	Dispatch Expense	74,864	93,250	93,250	105,250
50575	Dues, Fees, & Subscriptions	10,821	10,000	15,000	20,000
50585	Electricity	30,675	35,000	35,000	35,000
50591	EOC Training & Supplies	-	-	-	5,000
50593	Travel, Training, Schools	22,813	15,000	45,000	30,000
50595	Fuel & Lubricants	15	250	-	-
50596	Employee Awards Program	890	1,000	1,000	1,000
50597	Special Events	-	-	-	5,000
50610	Property & Liability Ins.	80,149	93,000	82,250	86,500
50611	Workers' Comp Insurance	80,485	81,000	90,000	90,000
50620	Legal Expense	93,874	65,000	49,500	60,000
50621	Contingency	-	51,307	-	-
50625	Fireworks	10,000	10,000	10,000	10,000
50630	M & R - Building	90,832	25,000	25,000	25,000
50650	M & R - Grounds	9,175	10,000	1,500	10,000
50685	M & R - Vehicles	58	2,000	250	-
50753	Merchant Fee - CC	1,062	5,000	6,000	6,000
50765	Other Expense	5,750	5,000	11,000	5,000



**CITY OF HORSESHOE BAY**  
**FY 2018 General Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
50775	Postage	8,148	10,000	7,000	7,000
50780	Printing & Office Supplies	25,411	25,000	30,000	25,000
50810	Communications	48,250	43,000	36,000	36,000
50820	Child Safety Fund Expense	-	-	15,000	3,000
50821	Court Technology Fund Expense	-	-	-	1,250
50822	Court Security Fund Expense	-	-	-	1,000
50823	Court Collection Agency Fees	-	-	13,000	13,000
50824	Warrant Fees	-	-	2,500	2,500
50826	Municipal Court Judicial Staff	32,254	36,750	30,750	30,750
50827	Contributions	12,300	10,000	6,000	6,000
50866	Tree Removal	175	5,000	1,000	2,500
50868	Martin Park	6,116	5,000	250	5,000
50832	Trfr Out - Debt Service Fund	252,250	-	-	-
50845	Trfr Out - Rate Stabilization Fund	-	178,000	178,000	-
50869	Trfr Out - HS Creek Trail Fund	27,750	20,000	-	-
50870	Fuchs House Park	-	5,000	-	30,000
50871	Milfoil Treatment	-	17,500	17,500	17,500
<b>Total</b>	<b>ADMINISTRATION</b>	<b>1,861,405</b>	<b>1,916,307</b>	<b>1,846,500</b>	<b>1,595,250</b>
<b>3000</b>	<b>TECHNOLOGY SERVICES</b>				
50410	Salaries & Wages	-	-	-	124,750
50415	Employers FICA Expense	-	-	-	9,500
50420	Group Insurance Premiums	-	-	-	20,500
50430	401(A) Money Purchase	-	-	-	6,250
50432	401(A) Match	-	-	-	3,250
50505	Professional Services	-	-	-	10,000
50545	Maintenance Contracts	-	-	-	17,000
50575	Dues, Fees, & Subscriptions	-	-	-	500
50592	Equipment & Supplies	-	-	-	15,000
50593	Travel, Training, Schools	-	-	-	16,500
50765	Other Expense	-	-	-	250
50830	Printing & Office Supplies	-	-	-	500
<b>Total</b>	<b>TECHNOLOGY SERVICES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>224,000</b>



**CITY OF HORSESHOE BAY**  
**FY 2018 General Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
<b>5000</b>	<b>FIRE</b>				
50410	Salaries & Wages	1,109,184	1,075,000	1,155,250	1,250,500
50411	Overtime	67,648	70,000	115,000	40,000
50412	Salaries - P/T Firefighters	87,651	90,000	133,500	20,000
50415	Employers FICA Expense	90,049	90,000	107,500	100,250
50420	Group Insurance Premiums	199,506	198,250	212,500	262,000
50430	401(A) Money Purchase	75,870	75,000	80,500	83,500
50432	401(A) Match	51,611	50,250	56,000	58,000
50505	Professional Services	6,000	8,000	6,000	8,000
50545	Maintenance Contracts	3,405	7,250	7,250	7,250
50548	Contract Services	2,887	5,250	1,500	3,000
50575	Dues, Fees, & Subscriptions	5,469	7,000	7,000	7,000
50592	Equipment & Supplies	12,901	33,500	30,000	33,500
50593	Travel, Training, Schools	23,630	35,000	25,000	35,000
50594	Fire Protection Gear	11,269	17,500	15,000	25,000
50595	Fuel & Lubricants	10,268	15,000	11,500	12,500
50640	M & R - Equipment	10,970	17,500	13,500	17,500
50685	M & R - Vehicles	12,931	30,000	29,000	15,000
50765	Other Expense	12,614	11,500	12,500	12,500
50775	Postage	145	250	500	250
50780	Printing & Office Supplies	1,162	2,250	750	1,500
50800	Safety Equipment & Supplies	(2,096)	4,000	1,500	4,000
50829	Public Safety Donations	4,285	5,000	10,000	5,000
50830	Uniforms	4,880	12,500	12,500	12,500
<b>Total</b>	<b>FIRE</b>	<b>1,802,239</b>	<b>1,860,000</b>	<b>2,043,750</b>	<b>2,013,750</b>
<b>8000</b>	<b>POLICE</b>				
50410	Salaries & Wages	1,202,860	1,253,500	1,226,000	1,249,250
50411	Overtime	18,813	18,000	10,000	18,000
50415	Employers FICA Expense	96,389	96,000	94,500	97,000
50420	Group Insurance Premiums	178,587	181,750	165,750	170,500
50430	401(A) Money Purchase	74,561	74,500	72,250	72,000
50432	401(A) Match	55,626	57,250	48,750	54,250
50548	Contract Services	8,185	10,000	10,000	20,750
50575	Dues, Fees, & Subscriptions	7,438	8,000	8,000	8,000
50592	Equipment & Supplies	5,822	6,000	6,000	9,000
50593	Travel, Training, Schools	9,795	6,000	7,000	10,000
50595	Fuel & Lubricants	33,184	57,500	41,500	43,500
50615	Investigation Expense	5,208	4,000	3,500	7,000
50616	Jail Expense	550	250	500	500



**CITY OF HORSESHOE BAY**  
**FY 2018 General Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
50640	M & R - Equipment	2,222	2,500	3,000	3,000
50685	M & R - Vehicles	29,314	21,500	23,500	23,500
50686	M & R - Weapons	6,824	4,000	4,000	4,000
50760	Medical	355	1,000	500	1,000
50765	Other Expense	4,919	4,000	4,000	6,500
50775	Postage	136	250	250	250
50780	Printing & Office Supplies	4,015	4,000	4,000	4,000
50800	Safety Equipment & Supplies	2,429	2,500	2,000	4,500
50829	Public Safety Donations	4,619	5,000	5,000	5,000
50830	Uniforms	11,220	11,000	13,000	12,000
<b>Total</b>	<b>POLICE</b>	<b>1,763,070</b>	<b>1,828,500</b>	<b>1,753,000</b>	<b>1,823,500</b>
<b>9000</b>	<b>ANIMAL CONTROL</b>				
50410	Salaries & Wages	39,291	42,250	44,000	50,000
50411	Overtime	2,459	2,000	1,500	2,000
50415	Employers FICA Expense	3,183	2,750	3,500	4,000
50420	Group Insurance Premiums	7,489	7,500	6,750	7,750
50430	401(A) Money Purchase	2,673	2,750	2,000	1,750
50432	401(A) Match	1,782	1,750	1,000	750
50502	Animal Shelter	6,831	10,000	10,000	10,500
50592	Equipment & Supplies	204	500	500	500
50593	Travel, Training, Schools	566	500	500	500
50595	Fuel & Lubricants	4,369	5,500	4,500	5,000
50685	M & R - Vehicles	2,376	3,500	3,000	3,000
50765	Other Expense	525	1,000	250	1,000
50830	Uniforms	556	500	1,000	500
50862	Deer Management	69,662	75,000	62,500	87,500
<b>Total</b>	<b>ANIMAL CONTROL</b>	<b>141,966</b>	<b>155,500</b>	<b>141,000</b>	<b>174,750</b>
<b>9500</b>	<b>DEVELOPMENT SERVICES</b>				
50410	Salaries & Wages	155,860	210,000	197,250	249,000
50411	Overtime	1,126	1,000	2,000	1,500
50415	Employers FICA Expense	10,679	16,250	15,250	19,250
50420	Group Insurance Premiums	37,962	52,000	40,000	54,750
50430	401(A) Money Purchase	10,743	14,500	11,750	14,750
50432	401(A) Match	6,205	9,250	7,250	8,750
50505	Professional Services	70,340	75,000	68,500	69,500
50545	Maintenance Contracts	1,516	5,000	3,000	10,500
50575	Dues, Fees, & Subscriptions	1,960	2,500	3,000	3,000
50592	Equipment & Supplies	3,177	5,000	5,000	5,000
50593	Travel, Training, Schools	6,859	3,500	4,500	6,000



**CITY OF HORSESHOE BAY**  
**FY 2018 General Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
50595	Fuel & Lubricants	128	500	250	500
50685	M & R - Vehicles	57	500	-	250
50753	Merchant Fee - CC	847	-	-	-
50765	Other Expense	481	2,000	500	1,000
50777	Advertisements/Notices	4,078	1,250	250	1,250
50780	Printing & Office Supplies	875	2,500	2,000	2,000
50830	Uniforms	64	1,000	1,750	1,000
<b>Total</b>	<b>DEVELOPMENT SERVICES</b>	<b>312,959</b>	<b>401,750</b>	<b>362,250</b>	<b>448,000</b>
9600	<b>STREETS MAINTENANCE</b>				
50410	Salaries & Wages	-	-	-	95,000
50415	Employers FICA Expense	-	-	-	7,250
50420	Group Insurance Premiums	-	-	-	8,750
50430	401(A) Money Purchase	-	-	-	7,250
50432	401(A) Match	-	-	-	4,750
50590	Engineering Fees	6,140	5,000	-	5,000
50854	Street Patching Contract	65,299	45,000	45,000	45,000
50855	Street Patching Materials	15,116	25,000	25,000	25,000
50856	Drainage	15,994	15,000	15,000	15,000
50857	Traffic Signs Contract	26,118	15,000	15,000	15,000
50858	Traffic Signs Materials	5,872	5,000	5,000	7,500
50859	Litter Control Contract	19,366	20,000	20,000	40,000
50865	ROW Maintenance	95,939	90,000	85,000	85,000
<b>Total</b>	<b>STREETS MAINTENANCE</b>	<b>249,844</b>	<b>220,000</b>	<b>210,000</b>	<b>360,500</b>
9800	<b>MOWING &amp; CLEARING</b>				
50863	Lot Mowing	522,770	512,000	481,000	481,000
<b>Total</b>	<b>MOWING &amp; CLEARING</b>	<b>522,770</b>	<b>512,000</b>	<b>481,000</b>	<b>481,000</b>
<b>TOTAL OPERATING EXPENDITURES</b>		<b>6,654,253</b>	<b>6,894,057</b>	<b>6,837,500</b>	<b>7,120,750</b>



**CITY OF HORSESHOE BAY**  
**FY 2018 General Fund Budget**

<b>Account Code</b>		<b>FY 2018 Final Budget</b>
<b>FY 2018 CAPITAL PURCHASES</b>		
<b>5000</b>	<b>FIRE</b>	
50955	Training Equipment - 5 Year Plan (Year 1)	25,000
50959	Remodel of Central Fire Station #1 - Phase I	140,000
<b>8000</b>	<b>POLICE</b>	
50955	Purchase & installation of six tablets with software and mount solutions	27,000
<b>1000</b>	<b>GENERAL</b>	
50955	Equipment Replacement	25,000
50955	Pickle Ball Court	77,000
50955	Anonymous Donor - Pickle Ball Court	(77,000)
<b>TOTAL FY 2018 CAPITAL PURCHASES</b>		<b><u>217,000</u></b>

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**CITY OF HORSESHOE BAY**  
**FY 2018 Utility Fund Budget**

**Estimated Beginning Fund Balance: \$ 301,500**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Final Budget</b>
<b>Revenues:</b>				
Water Service Charges	\$ 3,183,914	\$ 3,372,500	\$ 3,428,750	\$ 3,458,250
Wastewater Service Charges	\$ 2,300,475	\$ 2,347,500	\$ 2,501,250	\$ 2,526,500
Solid Waste Service Charges	\$ 803,932	\$ 825,000	\$ 889,750	\$ 899,250
Other Revenues/Transfers In	\$ 18,610	\$ 5,500	\$ 3,599,250	\$ 266,000
<b>Total Revenues</b>	<b>\$ 6,306,931</b>	<b>\$ 6,550,500</b>	<b>\$ 10,419,000</b>	<b>\$ 7,150,000</b>
<b>Expenditures:</b>				
Administration	\$ 1,558,988	\$ 1,714,250	\$ 1,734,000	\$ 1,769,250
Water - Production	\$ 804,419	\$ 813,500	\$ 792,250	\$ 844,750
Water - Distribution	\$ 532,356	\$ 643,250	\$ 658,750	\$ 731,500
Wastewater - Treatment	\$ 321,022	\$ 367,500	\$ 339,500	\$ 373,250
Wastewater - Collection	\$ 805,860	\$ 880,000	\$ 896,000	\$ 965,250
Solid Waste - Recycling	\$ 639,555	\$ 691,500	\$ 714,250	\$ 725,749
Debt Service	\$ 1,157,832	\$ 502,250	\$ 1,331,500	\$ 1,331,750
<b>Total Expenditures</b>	<b>\$ 5,820,032</b>	<b>\$ 5,612,250</b>	<b>\$ 6,466,250</b>	<b>\$ 6,741,500</b>
<b>Revenues Less Expenditures</b>				<b>\$ 408,500</b>
				<b>Estimated Ending Fund Balance (after O&amp;M only) \$ 710,000</b>
Routine Capital Purchases	\$ 1,083,793	\$ 670,000	\$ 670,000	\$ 544,000
Major Capital Projects	\$ 1,161,459	\$ 2,980,000	\$ 3,330,000	\$ 1,425,000
<b>Total Capital Expenditures</b>	<b>\$ 2,245,252</b>	<b>\$ 3,650,000</b>	<b>\$ 4,000,000</b>	<b>\$ 1,969,000</b>
Add: Transfer in from Unassigned General Fund Balances				\$ 220,500
Add: Transfer in from Unassigned Summit Rock PID Balances				\$ 1,038,500
				<b>Estimated Ending Fund Balance \$ (0)</b>

# *Utility Fund Overview*

The Utility Fund is an enterprise fund that includes all water and wastewater system operations and solid waste operations. The City provides water and wastewater services within its designated CCN area to all visitors, businesses, and approximately 7,000 residents, as well as various contracted customers outside City limits.

The City obtains untreated (raw water) from Lake LBJ on the Colorado River under a purchasing contract with the Lower Colorado River Authority. The City operates two water treatment plants, West Water Treatment Plant and Central Water Treatment Plant.

The City operates one wastewater treatment plant, located west of Horseshoe Bay. The City's sewer system is a low-pressure sewer system and was the first to be installed in Texas. This is now a popular option for many areas where rock or groundwater problems exist. Customers have grinder pump system basins on their property, in which the wastewater is collected, ground up, and pumped into the City's sewer mainline. The City utilizes 8 wastewater lift stations and has over 88 miles of wastewater mainlines.

The City of Horseshoe Bay operates a reclamation center where residents can bring their recyclables. The reclamation center also has a brush disposal site available to residents of Horseshoe Bay and to permitted commercial customers that are hauling brush from within the corporate boundaries of Horseshoe Bay.

As the City has been experiencing rapid growth, there has been a corresponding expansion of the City's utility services area. The City now provides more water and wastewater services and solid waste services to more households and businesses than ever before.

This budget provides funding for all positions with a 2.9% merit increase to all employees and 12.6% higher health insurance costs. The budget also considers increases in operating costs such as utilities and chemicals. The rates for residential and business customers are the same as the previous fiscal year.

## **UTILITY FUND REVENUE**

Utility revenue is collected by the City through water sales to customers, fees for wastewater collections and treatment, and fees for solid waste services. Approximately 89.6% of total revenues into this fund originate from water sales, wastewater fees, and solid waste fees.

Water sales are calculated based on metered water consumption. Wastewater fees and solid waste fees are monthly flat rates for both residential and commercial customers.

It is also helpful to explore how the City's utility rates compare with other communities in the region. Table 1 provides this information which shows that Horseshoe Bay's residential utility rates are competitive with other cities. This information is significant as surface water is much more expensive to treat than groundwater, which most cities in Texas have some access to.

City	Population	5,000 Gallons		Total
		Water	Wastewater	
Fredericksburg	11,305	20.80	26.60	47.40
Liberty	9,039	30.74	28.64	59.38
Lampasas	7,687	45.70	40.20	85.90
Burnet	7,100	44.64	55.00	99.64
Lago Vista	6,550	50.35	53.13	103.48
Marble Falls	6,281	43.67	37.65	81.32
Cottonwood Shores	1,400	54.95	44.85	99.80
Average	7,052	41.55	40.87	82.42
<b>Horseshoe Bay</b>	<b>6,400</b>	<b>25.96</b>	<b>44.32</b>	<b>70.28</b>

Table 1 – 2017 Utility Rate Comparison  
Source: Texas Municipal League 2017 Annual Utility Rate Survey

The total amount of water sales is illustrated in Table 2, which provides historical data on the amount of water revenue the City receives.

	Gross Water Sales
FY 2017 YTD	\$ 2,723,734
FY 2016	\$ 2,947,336
FY 2015	\$ 2,620,553
FY 2014	\$ 2,525,158
FY 2013	\$ 2,806,975
FY 2012	\$ 2,876,831
FY 2011	\$ 3,054,320
FY 2010	\$ 2,212,000

Table 2 – Annual amount of water sales

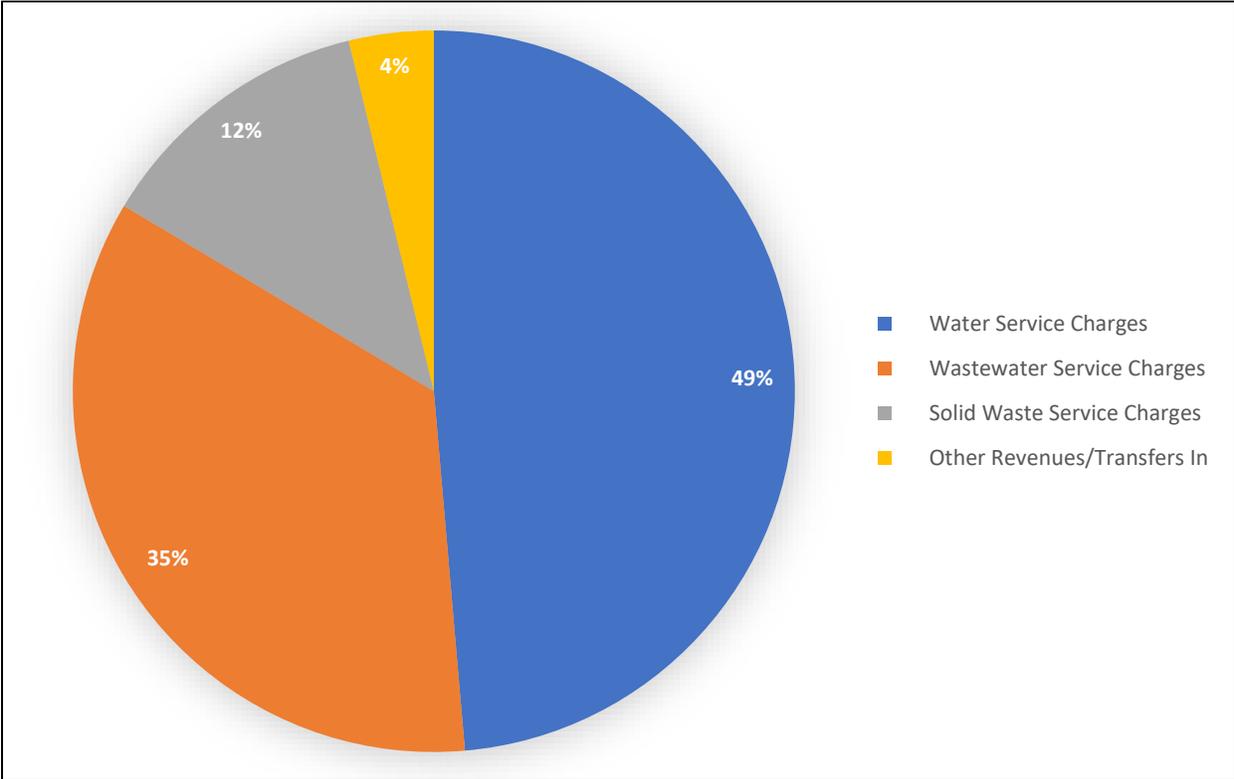
## UTILITY FUND EXPENDITURES

The Utility Fund, also referred to as Community Services, is divided into six departments; Administration, Water – Production, Waste – Distribution, Wastewater – Treatment, Wastewater – Collection, and Solid Waste – Recycling.

This budget includes increases in operational department budgets relating to personnel services. All salary expenses are increased by 2.9% for annual merit increases. The City employee compensation package also includes retirement pension funding and health insurance. All other notable items are specifically listed for each department.

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
<b>BY DEPARTMENT</b>				
Administration	1,558,988	1,714,250	1,734,000	1,769,250
Water - Production	804,419	813,500	792,250	844,750
Water - Distribution	532,356	643,250	658,750	731,500
Wastewater - Treatment	321,022	367,500	339,500	373,250
Wastewater - Collection	805,860	880,000	896,000	965,250
Solid Waste - Recycling	639,555	691,500	714,250	725,749
Capital	<u>2,245,252</u>	<u>3,650,000</u>	<u>4,000,000</u>	<u>1,969,000</u>
<b>TOTAL</b>	<b>6,907,452</b>	<b>8,760,000</b>	<b>9,134,750</b>	<b>7,378,750</b>
<b>BY ACCOUNT CATEGORY</b>				
Personnel	1,740,478	1,880,500	1,858,749	2,015,497
Supplies	309,954	337,000	312,500	349,500
Contractual	748,985	838,250	931,500	918,750
Utilities	702,153	755,250	747,500	761,750
Sundry	120,754	140,250	169,751	152,253
Maintenance	549,128	556,500	512,500	578,000
Capital	2,245,252	3,650,000	4,000,000	1,969,000
Fund Transfers	<u>490,750</u>	<u>602,250</u>	<u>602,250</u>	<u>634,000</u>
<b>TOTAL</b>	<b>6,907,452</b>	<b>8,760,000</b>	<b>9,134,750</b>	<b>7,378,750</b>

**FY 2018 BUDGET – UTILITY REVENUES**





**CITY OF HORSESHOE BAY**  
**FY 2018 Utility Fund Budget**

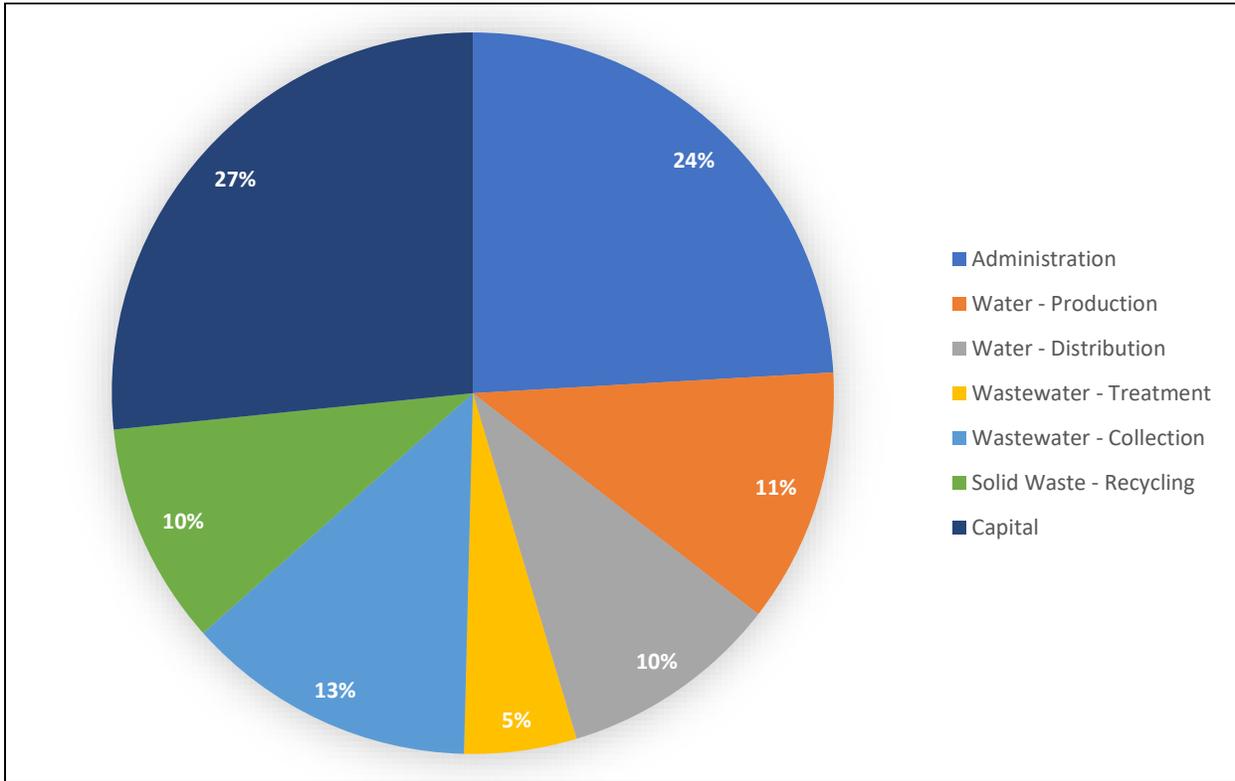
Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
<b>OPERATING REVENUE</b>					
<b>1001</b>	<b>WATER - PRODUCTION</b>				
40110	Water District Service Fees	2,865,823	3,047,000	3,081,000	3,111,750
40111	Water Non-District Service Fee	187,374	211,000	179,750	181,500
40112	Water Tap Connection Fees	93,650	75,000	120,000	120,000
40115	Reconnection Fees	6,349	8,000	8,000	8,000
40116	Temporary Meter Fees	(1,599)	1,000	-	500
40117	Water & Sewer P & I Service	14,627	13,000	15,500	15,500
40175	Insurance Proceeds	2,196	-	-	-
40178	Other Income - Leases	12,125	11,500	21,000	15,000
40180	Other Income	1,104	5,000	1,500	4,000
40185	Miscellaneous Permits	2,265	1,000	2,000	2,000
<b>Total</b>	<b>WATER - PRODUCTION</b>	<b>3,183,914</b>	<b>3,372,500</b>	<b>3,428,750</b>	<b>3,458,250</b>
<b>2001</b>	<b>WASTEWATER - TREATMENT</b>				
40117	Water & Sewer P & I Service	14,915	15,000	18,500	18,500
40120	Sewer Customer Service Fees	1,899,792	1,964,500	2,028,750	2,049,000
40122	Sewer Tap Connection Fees	76,725	60,000	113,500	115,000
40124	Sewer Service - Cottonwood Shores	128,597	125,000	138,000	138,000
40125	Sewer Service - LCMUD#1	49,918	51,000	50,000	50,000
40127	Grinder Sales	130,140	130,000	152,500	155,000
40180	Other Income	390	2,000	-	1,000
<b>Total</b>	<b>WASTEWATER - TREATMENT</b>	<b>2,300,475</b>	<b>2,347,500</b>	<b>2,501,250</b>	<b>2,526,500</b>
<b>3001</b>	<b>SOLID WASTE - RECYCLING</b>				
40126	Brush Disposal	13,411	26,000	18,500	20,000
40130	Garbage Fees - Commercial	134,208	136,250	137,500	138,750
40135	Garbage Fees - Residential	655,750	662,500	733,000	740,250
40180	Other Income	563	250	750	250
<b>Total</b>	<b>SOLID WASTE - RECYCLING</b>	<b>803,932</b>	<b>825,000</b>	<b>889,750</b>	<b>899,250</b>
<b>1000</b>	<b>ADMINISTRATION</b>				
40180	Other Income	12,000	-	-	-
40195	Transfer In - General Fund	-	-	178,000	-
40195	Transfer In - Summit Rock PID	-	-	250,500	252,500
40300	Bond Proceeds	-	-	3,157,500	-
<b>Total</b>	<b>ADMINISTRATION</b>	<b>12,000</b>	<b>-</b>	<b>3,586,000</b>	<b>252,500</b>



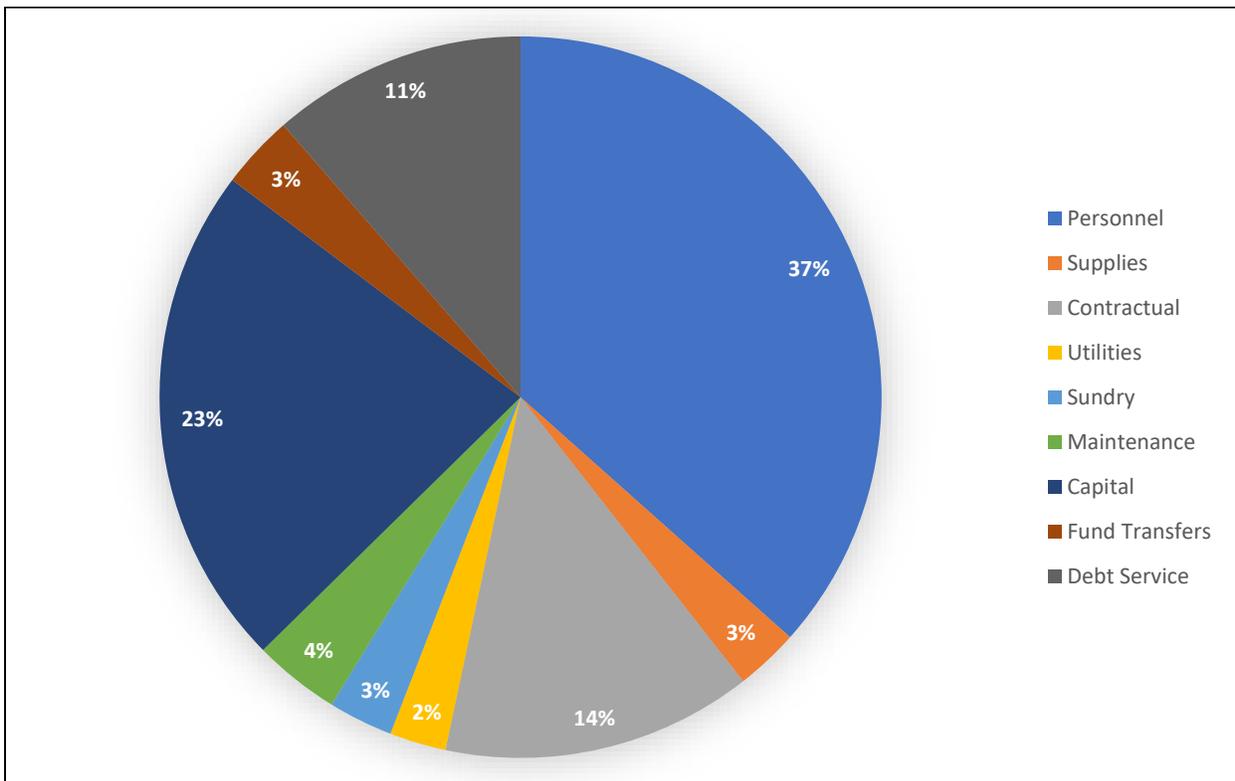
**CITY OF HORSESHOE BAY**  
**FY 2018 Utility Fund Budget**

<b>Account Code</b>	<b>Account Title</b>	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Final Budget</b>
<b>4000</b>	<b>STANDBY</b>				
40140	Standby Customer Service Fees	979	1,000	500	1,000
40142	Penalty & Interest - Standby	1,186	500	750	500
<b>Total</b>	<b>STANDBY</b>	<b>2,165</b>	<b>1,500</b>	<b>1,250</b>	<b>1,500</b>
<b>9900</b>	<b>INTEREST INCOME</b>				
40220	Interest on Investments	4,445	4,000	12,000	12,000
<b>Total</b>	<b>INTEREST INCOME</b>	<b>4,445</b>	<b>4,000</b>	<b>12,000</b>	<b>12,000</b>
<b>TOTAL OPERATING REVENUE</b>		<b><u>6,306,931</u></b>	<b><u>6,550,500</u></b>	<b><u>10,419,000</u></b>	<b><u>7,150,000</u></b>

**FY 2018 BUDGET – UTILITY EXPENDITURES BY DEPARTMENT**



**FY 2018 BUDGET – UTILITY EXPENDITURES BY PRIME ACCOUNT**



# Community Services

To protect the public health, safety, and environment of the communities served by ensuring safe and adequate water, wastewater, and solid waste services are performed in a reliable, professional, and economical manner.

## **Description**

- Provide safe and potable water through effective treatment and distribution to customers
- Rapid response to customer calls for services to support community health and wellbeing
- Ensure compliance with regulatory mandates and reporting as required by state and federal regulators
- Manage Capital Improvement Projects for existing and future demands on infrastructure and operations
- Provide programs and services to support conservation and education related to utilities and the environment

## **FY 2017 Accomplishments**

- Completed West Water Treatment Plan expansion project to include doubling capacity and changing treatment to microfiltration membrane process
- Completed major amendment to Texas Land Application Permit to add Summit Rock and Slick Rock golf courses for effluent irrigation purposes
- Revised City's impact fee ordinance to include expanded ETJ area and infrastructure plans
- Applied to Public Utilities Commission for Certificate of Convenience and Necessity (CCN) for City's utility services in the ETJ area
- Began replacement of existing manual meter reading system with Automated Metering Infrastructure (smart meters)

## **FY 2018 Goals**

- Complete engineering design and bidding documents for Capital Improvement Project to expand and rehabilitate the City's water reclamation treatment and front effluent storage pond
- Rehabilitate 750,000-gallon high storage water reservoir to include replace metal roof structure and interior and exterior coating systems
- Receive water plant sludge permit and begin land application of sludge on Freedom Ranch application site
- Complete replacement of existing manual meter reading system with Automated Metering Infrastructure (smart meters)
- Replacing aging membrane rack at Central Water Plant
- Expand GIS and Asset Management Software and replace hardware for utilities operations

**Administration Summary**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	349,517	379,250	382,250	388,000
Supplies	18,007	16,750	17,000	17,000
Contractual	264,550	270,250	290,500	274,000
Utilities	333,750	361,250	352,000	361,750
Sundry	58,256	47,500	60,000	54,500
Maintenance	44,158	37,000	30,000	40,000
Fund Transfers	<u>490,750</u>	<u>602,250</u>	<u>602,250</u>	<u>634,000</u>
<b>TOTAL</b>	<b>1,558,988</b>	<b>1,714,250</b>	<b>1,734,000</b>	<b>1,769,250</b>

**HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Increased salary and benefit expenses by \$8,750
- Decreased Professional Services by \$7,250
- Decreased Utility Billing by \$4,000
- Decreased Maintenance Contracts by \$1,000
- Increased Dues, Fees, & Subscriptions by \$2,000
- Increased Electricity by \$500
- Increased Travel, Training, Schools by \$2,500
- Increased M & R – Grounds by \$3,000
- Increased Merchant Fee – CC by \$15,000
- Increased Other Expense by \$2,500
- Increased Communications by \$1,000
- Increased Uniforms by \$250
- Increased Administrative Fees by \$31,750

**Water – Production Summary**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	268,547	262,500	258,250	271,250
Supplies	94,222	95,000	90,250	98,000
Contractual	349,378	371,000	371,500	376,500
Sundry	942	1,500	2,750	1,500
Maintenance	<u>91,330</u>	<u>83,500</u>	<u>69,500</u>	<u>97,500</u>
<b>TOTAL</b>	<b>804,419</b>	<b>813,500</b>	<b>792,250</b>	<b>844,750</b>

**HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Increased salary and benefit expenses by \$8,750
- Increased Bulk Water Purchases by \$5,000
- Increased Chemicals/Water by \$5,000
- Decreased Contract Services by \$1,000
- Increased Lab Expense by \$1,500
- Decreased Fuel & Lubricants by \$1,000
- Decreased M & R – Equipment by \$1,000
- Increased M & R – Plant by \$15,000
- Decreased Safety Equipment & Supplies by \$1,000

**Water – Distribution Summary**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	378,490	441,000	452,750	503,000
Supplies	101,430	105,250	112,250	110,500
Contractual	26,417	50,000	77,500	72,000
Sundry	10,619	30,500	6,250	30,500
Maintenance	<u>15,399</u>	<u>16,500</u>	<u>10,000</u>	<u>15,500</u>
<b>TOTAL</b>	<b>532,356</b>	<b>643,250</b>	<b>658,750</b>	<b>731,500</b>

**HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Increased salary and benefit expenses by \$62,000
- Increased Contract Services by \$25,000
- Decreased Fuel & Lubricants by \$4,000
- Decreased M & R – Equipment by \$1,000
- Increased M & R Materials – Line by \$2,000
- Decreased Street Repair – Paving by \$3,000
- Increased M & R Materials – WT Tap by \$8,000
- Decreased Safety Equipment & Supplies by \$250
- Decreased Uniforms by \$500

**Wastewater – Treatment Summary**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	222,554	260,000	245,500	261,750
Supplies	34,706	33,000	25,500	30,500
Contractual	15,664	30,000	26,500	33,500
Sundry	757	1,000	1,000	1,000
Maintenance	<u>47,341</u>	<u>43,500</u>	<u>41,000</u>	<u>46,500</u>
<b>TOTAL</b>	<b>321,022</b>	<b>367,500</b>	<b>339,500</b>	<b>373,250</b>

**HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Increased salary and benefit expenses by \$1,750
- Decreased Contract Services by \$1,000
- Increased Lab Expense by \$500
- Decreased Equipment & Supplies by \$500
- Decreased Fuel & Lubricants by \$1,750
- Increased M & R – Plant by \$3,000
- Increased Bio Solids – Compost by \$1,000
- Increased Rent/Lease by \$3,000
- Decreased Uniforms by \$250

**Wastewater – Collection Summary**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	457,735	470,750	443,000	522,000
Supplies	99,250	105,000	111,500	113,500
Contractual	21,188	54,500	72,750	68,500
Sundry	2,834	2,750	2,750	2,750
Maintenance	<u>224,854</u>	<u>247,000</u>	<u>266,000</u>	<u>258,500</u>
<b>TOTAL</b>	<b>805,860</b>	<b>880,000</b>	<b>896,000</b>	<b>965,250</b>

**HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Increased salary and benefit expenses by \$51,250
- Decreased Chemicals/Collection System by \$1,500
- Increased Contract Services by \$22,000

**Solid Waste – Recycling Summary**

	<b>FY 2016 Final Actuals</b>	<b>FY 2017 Amended Budget</b>	<b>FY 2017 Projected Actuals</b>	<b>FY 2018 Proposed Budget</b>
Personnel	63,635	67,000	77,000	69,500
Contractual	<u>575,920</u>	<u>624,500</u>	<u>637,250</u>	<u>656,250</u>
<b>TOTAL</b>	<b>639,555</b>	<b>691,500</b>	<b>714,250</b>	<b>725,750</b>

**HIGHLIGHTS – FY 2018 Proposed Budget Changes from FY 2017 Amended Budget**

- Increased salary and benefits expenses by \$2,500
- Decreased Garbage Service – Commercial by \$15,500
- Increased Garbage Service – Residential by \$50,250
- Decreased Recycling Service by \$3,000



**CITY OF HORSESHOE BAY**  
**FY 2018 Utility Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
<b>OPERATING EXPENDITURES</b>					
<b>1000</b>	<b>ADMINISTRATION</b>				
50410	Salaries & Wages	257,318	273,000	280,750	279,500
50411	Overtime	3,093	3,000	4,250	4,000
50415	Employers FICA Expense	18,778	21,000	21,750	21,750
50420	Group Insurance Premiums	43,330	52,750	45,750	52,000
50430	401(A) Money Purchase	15,590	17,250	16,500	18,000
50432	401(A) Match	11,408	12,250	13,250	12,750
50505	Professional Services	97,027	67,250	60,000	60,000
50512	Utility Billing	23,994	29,000	29,000	25,000
50545	Maintenance Contracts	34,948	45,000	42,500	44,000
50575	Dues, Fees, & Subscriptions	21,209	19,000	21,000	21,000
50581	Electricity/Recycle Center	937	1,250	1,000	1,000
50582	Electricity/WW Treatment Plant	142,614	155,000	143,000	146,000
50583	Electricity/West WTP	55,080	58,000	57,000	58,500
50585	Electricity/Field Maintenance Facilitie	5,655	7,000	6,000	6,250
50586	Electricity / CWTP	129,464	140,000	145,000	150,000
50590	Engineering Fees	25,881	45,000	65,000	45,000
50593	Travel, Training, Schools	29,151	22,500	32,500	25,000
50596	Employee Awards Program	70	1,000	-	1,000
50630	M & R - Building	14,182	15,000	5,000	15,000
50650	M & R - Grounds	29,976	22,000	25,000	25,000
50753	Merchant Fee - CC	44,556	40,000	50,000	55,000
50765	Other Expense	7,826	4,000	6,500	6,500
50775	Postage	690	500	500	500
50780	Printing & Office Supplies	17,096	15,000	15,000	15,000
50810	Communications	38,144	44,000	44,000	45,000
50825	Uncollectable Accounts	-	1,000	-	1,000
50830	Uniforms	221	1,250	1,500	1,500
50840	Administrative Fees	490,750	602,250	602,250	634,000
<b>Total</b>	<b>ADMINISTRATION</b>	<b>1,558,988</b>	<b>1,714,250</b>	<b>1,734,000</b>	<b>1,769,250</b>
<b>1001</b>	<b>WATER - PRODUCTION</b>				
50410	Salaries Water	165,819	161,000	169,250	175,750
50411	Overtime	26,140	23,000	19,000	20,000
50415	Employers FICA Expense	13,334	12,500	14,500	15,000
50420	Group Insurance Premiums	44,814	47,250	35,500	40,500
50430	401(A) Money Purchase	10,293	10,500	11,500	11,250
50432	401(A) Match	8,147	8,250	8,500	8,750



**CITY OF HORSESHOE BAY**  
**FY 2018 Utility Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
50535	Bulk Water Purchases	330,259	350,000	351,500	355,000
50540	Chemicals / Water	81,887	75,000	75,000	80,000
50548	Contract Services	1,000	3,000	3,000	2,000
50555	Lab Expense	17,260	16,000	16,500	17,500
50592	Equipment & Supplies	1,359	4,000	3,000	4,000
50595	Fuel & Lubricants	4,039	7,000	5,750	6,000
50640	M & R - Equipment	3,073	5,000	1,000	4,000
50675	M & R - Plant	86,658	75,000	65,000	90,000
50685	M & R - Vehicles	1,599	3,500	3,500	3,500
50765	Other Expense	942	1,500	2,750	1,500
50785	Rent / Lease	860	2,000	500	2,000
50800	Safety Equipment & Supplies	3,433	5,500	3,000	4,500
50830	Uniforms	3,503	3,500	3,500	3,500
<b>Total</b>	<b>WATER - PRODUCTION</b>	<b>804,419</b>	<b>813,500</b>	<b>792,250</b>	<b>844,750</b>
<b>1002</b>	<b>WATER - DISTRIBUTION</b>				
50410	Salaries Water	261,965	297,000	304,750	337,000
50411	Overtime	16,680	22,000	34,500	35,000
50415	Employers FICA Expense	20,353	22,750	26,000	28,500
50420	Group Insurance Premiums	58,071	69,500	59,000	69,250
50430	401(A) Money Purchase	12,119	16,750	15,750	18,750
50432	401(A) Match	9,301	13,000	12,750	14,500
50548	Contract Services	2,250	5,000	50,000	30,000
50550	Contract Serv-Leak Detect/GPS	-	15,000	7,500	15,000
50592	Equipment & Supplies	23,177	20,000	20,000	20,000
50595	Fuel & Lubricants	8,065	15,000	10,750	11,000
50640	M & R - Equipment	7,384	8,500	5,000	7,500
50685	M & R - Vehicles	8,016	8,000	5,000	8,000
50725	M & R Materials - Line	45,442	45,000	45,000	47,000
50726	Street Repair - Paving	24,167	30,000	20,000	27,000
50730	M & R Materials - WT Tap	15,948	16,000	30,000	24,000
50755	Meter Expense - New Svc	7,780	27,000	1,000	27,000
50765	Other Expense	1,801	2,500	4,500	2,500
50785	Rent / Lease	1,039	1,000	750	1,000
50800	Safety Equipment & Supplies	5,185	4,750	2,500	4,500
50830	Uniforms	3,613	4,500	4,000	4,000
<b>Total</b>	<b>WATER - DISTRIBUTION</b>	<b>532,356</b>	<b>643,250</b>	<b>658,750</b>	<b>731,500</b>
<b>2001</b>	<b>WASTEWATER - TREATMENT</b>				
50410	Salaries Sewer	140,206	167,500	158,750	168,750
50411	Overtime	16,580	13,000	20,750	20,000
50415	Employers FICA Expense	10,977	13,000	13,750	14,500
50420	Group Insurance Premiums	38,643	47,250	33,250	39,000
50430	401(A) Money Purchase	9,248	10,750	11,000	11,000



**CITY OF HORSESHOE BAY**  
**FY 2018 Utility Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
50432	401(A) Match	6,899	8,500	8,000	8,500
50543	Chemicals / WW Treatment	24,707	15,000	12,500	15,000
50548	Contract Services	250	3,500	750	2,500
50555	Lab Expense	10,206	12,500	12,000	13,000
50592	Equipment & Supplies	1,150	3,500	3,000	3,000
50595	Fuel & Lubricants	5,180	7,500	5,500	5,750
50640	M & R - Equipment	6,906	5,500	5,000	5,500
50675	M & R - Plant	39,152	35,000	35,000	38,000
50685	M & R - Vehicles	1,284	3,000	1,000	3,000
50742	Bio Solids - Compost	5,208	12,000	10,500	13,000
50765	Other Expense	757	1,000	1,000	1,000
50785	Rent / Lease	-	2,000	3,250	5,000
50800	Safety Equipment & Supplies	794	3,500	1,500	3,500
50830	Uniforms	2,875	3,500	3,000	3,250
<b>Total</b>	<b>WASTEWATER - TREATMENT</b>	<b>321,022</b>	<b>367,500</b>	<b>339,500</b>	<b>373,250</b>
<b>2002</b>	<b>WASTEWATER - COLLECTION</b>				
50410	Salaries Sewer	292,830	309,250	296,250	350,750
50411	Overtime	45,615	35,000	35,750	35,000
50415	Employers FICA Expense	24,917	23,750	25,500	29,500
50420	Group Insurance Premiums	69,142	71,750	57,750	72,000
50430	401(A) Money Purchase	14,519	17,500	16,250	19,500
50432	401(A) Match	10,712	13,500	11,500	15,250
50542	Chemicals/Collection System	12,849	15,000	13,000	13,500
50548	Contract Services	3,750	8,000	50,000	30,000
50550	Contract Serv-Leak Detect/GPS	-	15,000	6,000	15,000
50592	Equipment & Supplies	21,486	19,000	19,000	19,000
50595	Fuel & Lubricants	12,293	15,000	10,500	11,000
50640	M & R - Equipment	7,312	9,000	7,500	7,500
50645	M & R - Grinder Pump	116,362	130,000	125,000	130,000
50646	M & R - Grinders Sold	74,561	75,000	100,000	92,000
50670	M & R - Lift Station	19,507	25,000	26,000	22,000
50685	M & R - Vehicles	7,111	8,000	7,500	7,000
50715	M & R Materials - GP Tap	10,266	10,000	25,000	24,000
50725	M & R Materials - Line	34,760	37,000	38,000	38,000
50726	Street Repair - Paving	16,519	30,000	16,000	22,000
50765	Other Expense	2,834	2,750	2,750	2,750
50785	Rent / Lease	919	1,500	750	1,500
50800	Safety Equipment & Supplies	4,001	4,500	2,000	4,000
50830	Uniforms	3,596	4,500	4,000	4,000
<b>Total</b>	<b>WASTEWATER - COLLECTION</b>	<b>805,860</b>	<b>880,000</b>	<b>896,000</b>	<b>965,250</b>



**CITY OF HORSESHOE BAY**  
**FY 2018 Utility Fund Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
<b>3001</b>	<b>SOLID WASTE - RECYCLING</b>				
50410	Salaries - Monitor	48,674	50,500	60,750	53,000
50411	Overtime	-	1,000	250	500
50415	Employers FICA Expense	3,692	4,000	4,750	4,000
50420	Group Insurance Premiums	7,895	8,000	7,750	8,250
50430	401(A) Money Purchase	2,664	2,750	2,750	3,000
50432	401(A) Match	710	750	750	750
50599	Compactor Service	11,601	12,000	12,000	12,000
50600	Garbage Service - Commercial	110,366	113,500	97,000	98,000
50605	Garbage Service - Residential	404,361	457,000	502,250	507,250
50606	Recycling Service	9,675	13,000	11,000	10,000
50676	M & R Brush Site	39,918	24,000	15,000	24,000
50785	Rent / Lease	-	5,000	-	5,000
<b>Total</b>	<b>SOLID WASTE - RECYCLING</b>	<b>639,555</b>	<b>691,500</b>	<b>714,250</b>	<b>725,749</b>
<b>9994</b>	<b>DEBT SERVICE</b>				
50515	Debit Service - Principal Series 2007	355,000	-	355,000	365,000
50516	Debt Service - Interest Series 2007	206,500	192,750	192,750	178,250
50517	Bond Issuance Cost - Series 2007	-	3,500	-	-
50518	Debt Service Interest-Series 2011	148,120	94,250	94,250	89,750
50519	Bond Issuance Cost - Series 2011	-	9,000	-	-
50520	Debt Service Principal - Series 2011	170,000	-	175,000	180,000
50521	Debt Service Interest-Series 2014	148,212	134,000	134,000	131,250
50522	Debt Service Principal - Series 2014	130,000	-	130,000	135,000
50523	Debt Service Interest-Series 2016	-	68,750	80,500	92,500
50524	Debt Service Principal - Series 2016	-	-	170,000	160,000
<b>Total</b>	<b>DEBT SERVICE</b>	<b>1,157,832</b>	<b>502,250</b>	<b>1,331,500</b>	<b>1,331,750</b>
<b>TOTAL OPERATING EXPENDITURES</b>		<b>5,820,032</b>	<b>5,612,250</b>	<b>6,466,250</b>	<b>6,741,500</b>



**CITY OF HORSESHOE BAY**  
**FY 2018 Utility Fund Budget**

<b>Account Code</b>		<b>FY 2018 Final Budget</b>
<b>FY 2018 CAPITAL PURCHASES</b>		
50956	Replace Service Trucks (3)	87,000
50955	Emergency Equipment Replacement	50,000
50955	Water Meter AMI System	100,000
50968	Douglas Drive Sewer Line Expansion	100,000
50969	Fire System Improvements CWTP	60,000
50957	Replace Computers for Field	13,000
50969	Improvements to West WTP	50,000
50955	Portable Sewer Tank	12,000
50955	Skid Loader w/ Broom Attachment	60,000
50955	Water Quality Monitoring Station - Hi Storage	12,000
<b>TOTAL FY 2018 CAPITAL PURCHASES</b>		<b>\$ 544,000</b>
<b>FY 2018 CAPITAL PROJECTS</b>		
50968	Wastewater Reclamation Plant Expansion - Engineering	675,000
50969	750,000 Gallon High Storage Water Tank Rehab	600,000
50955	Membrane Filter Rack Replacement	150,000
<b>TOTAL FY 2018 CAPITAL PROJECTS</b>		<b>\$ 1,425,000</b>
<b>TOTAL FY 2018 CAPITAL EXPENDITURES</b>		<b><u>\$ 1,969,000</u></b>

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# Debt Service Fund

From time to time, cities will often incur various amounts of debt to fund major capital expenses. Capital expenses are typically classified in one of two ways: either they are assets that have a very large purchase price or a long-life expectancy. The City of Horseshoe Bay has incurred debt to pay for projects in both categories.

## Why Debt?

In today's economic environment, there is a great debate over debt and its place in government operations. In short, debt to pay for daily governmental operations is irresponsible; this is a value that the leadership of the City of Horseshoe Bay does not subscribe to. The responsible uses of debt to pay for items that will improve quality of life in the City or to contribute further to economic and community development are, however, values that City leadership upholds.

The justification for issuing debt to make these purchases fall under a pay-as-you-use perspective. This view holds that future citizens who enjoy the use of certain infrastructure have an obligation to pay for it. For example, a family living in the City of Horseshoe Bay five years from now should help pay for the improvements to the streets they drive on. The following sections will illustrate how the City of Horseshoe Bay is being responsible with the debt it has issued and intends to issue.

## Measures of Capacity – Peer Comparisons

City	Population	Total Taxable Value	Total Tax Rate	Total Debt	% Total Debt to Taxable	Debt per Capita
Kerrville	23,136	2,097,136,247	0.5625000	61,995,000	2.96%	2,680
Lakeway	14,503	3,675,820,176	0.1612000	11,635,000	0.32%	802
Fredericksburg	11,305	1,689,058,576	0.2400000	12,305,000	0.73%	1,088
Lampasas	7,687	387,387,719	0.3952180	8,825,000	2.28%	1,148
Burnet	7,100	295,747,620	0.6265000	24,263,475	8.20%	3,417
Lago Vista	6,550	745,106,597	0.6500000	29,959,000	4.02%	4,574
Bee Cave	6,515	1,786,259,654	0.0200000	10,375,000	0.58%	1,592
Granite Shoals	5,087	381,081,531	0.5472000	11,028,173	2.89%	2,168
Llano	3,341	166,430,452	0.4160000	5,351,249	3.22%	1,602
<b>Average</b>			<b>0.4020687</b>	<b>19,526,322</b>	<b>2.80%</b>	<b>2,119</b>
Horseshoe Bay	6,400	1,789,176,729	0.2600000	10,580,000	0.59%	1,653

Table 1 – Peer City Comparison  
Source: 2017 Texas Municipal League Annual Tax and Debt Survey

Table 1 of this section provides a comparison of other cities in the region who have incurred debt, most of which are of a comparable size. The table indicates that Horseshoe Bay has one of the lowest levels of debt, a tax rate that is below the average of the comparison cities, a lower debt per capita ratio, and a debt to taxable value ratio that is much lower than that of the comparison cities.

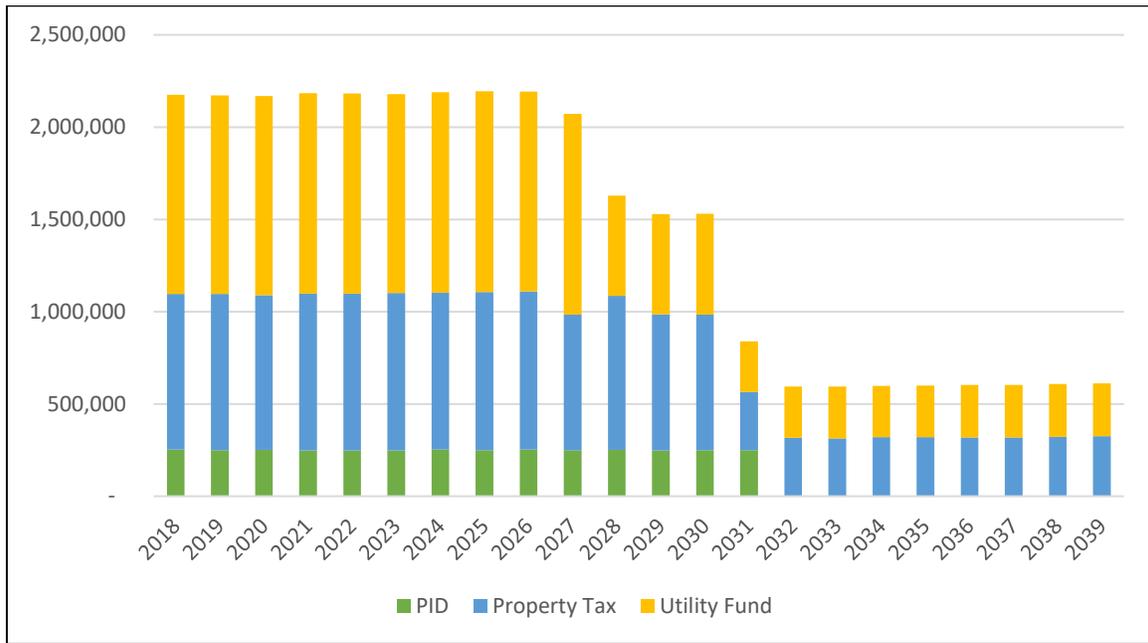
## DEBT SERVICE FUND HIGHLIGHTS

### Revenue

The proposed FY 2018 City tax rate is \$0.2600 per \$100 of taxable value. The interest and sinking rate is projected to be \$0.0400. The projected amount to be raised from ad valorem taxes for debt payments is \$756,000. The Debt Service Fund has accumulated some surplus fund balance and the FY 2018 budget seeks to use some of that balance to help stabilize the property tax I&S rate.

### Expenditures

Graph 1 of this section illustrates the total projected debt service and from which revenue source the debt will be supported.



Graph 1 – Total existing debt service payments FY 2018 – 2039



**CITY OF HORSESHOE BAY**  
**FY 2018 Debt Service Budget**

Account Code	Account Title	FY 2016 Final Actuals	FY 2017 Amended Budget	FY 2017 Projected Actuals	FY 2018 Final Budget
<b>Estimated Beginning Fund Balance:</b>					<b>\$ 132,248</b>
<b>REVENUES</b>					
<b>7000</b>	<b>TAX</b>				
40150	Property Tax Collected (I & S)	469,567	745,750	745,750	756,000
40152	Penalty & Interest (I & S)	2,827	-	-	-
<b>9996</b>	<b>TRANSFERS IN</b>				
40195	Transfers In	252,250	-	-	-
<b>9999</b>	<b>INTEREST INCOME</b>				
40220	Interest on Investments	761	250	1,000	1,000
<b>TOTAL REVENUES</b>		<b>725,405</b>	<b>746,000</b>	<b>746,750</b>	<b>757,000</b>
<b>EXPENDITURES</b>					
<b>1000</b>	<b>ADMINISTRATION</b>				
50765	Other Expense	200	-	-	-
<b>9994</b>	<b>DEBT SERVICE (General Fund Projects)</b>				
50518	Debt Service Interest - Series 2011	154,553	148,500	148,500	141,500
50520	Debt Service Principal - Series 2011	270,000	275,000	275,000	280,000
50521	Debt Service Interest - Series 2014	154,996	152,250	152,250	149,250
50522	Debt Service Principal - Series 2014	145,000	150,000	150,000	150,000
50523	Debt Service Interest - Series 2016	-	19,500	23,500	28,250
50524	Debt Service Principal - Series 2016	-	-	-	95,000
<b>TOTAL EXPENDITURES</b>		<b>724,749</b>	<b>745,250</b>	<b>749,250</b>	<b>844,000</b>
<b>Estimated Ending Fund Balance:</b>					<b>\$ 45,248</b>

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# Capital Improvement Program

Unlike the City's operating budget, the capital improvement budget does not conclude at the end of each fiscal year. Many of the larger projects remain in progress for multiple years. As economic conditions and the needs of the Horseshoe Bay community change, it is often necessary to re-prioritize which projects, or portions of projects, receive funding. Staff and City Council continually re-evaluate the projects and City Council approves the updated 5-year plan each September.

Capital improvements are defined as facilities that have a life expectancy of three or more years and are owned and operated by or on behalf of a political subdivision. As of 2017-2018, all items in the Capital Improvement Program are significant non-recurring items. The City of Horseshoe Bay separates capital improvement projects into three categories: General Fund, Utility Fund, and Capital Projects Fund. The Capital Projects Fund consists of street-related projects.

General Fund capital improvements are typically paid for with General Fund revenues, and are treated as part of the annual General Fund operating budget. Utility Fund capital improvements are typically paid for with utility service revenues for smaller items and issuing debt for major capital projects. Capital Project Fund capital improvements are usually paid for by issuing debt or by using unassigned fund balances.

## **UPCOMING PROJECTS**

### Pickleball Court - \$50,000

Pickleball is growing in popularity across the country and is especially popular among in retirement communities. The City of Horseshoe Bay is so fortunate to have an anonymous donor who has offered to contribute the funds necessary to build a pickleball court for the community to enjoy.

### Remodel Central Fire Station #1 (Phase I) - \$140,000

Central Fire Station #1 is being remodeled to better serve the residents of Horseshoe Bay. The current layout of the building is confusing and often residents end up in the truck bays trying to find the entrance to the offices. With the remodel, one of the bays will be turned into a lobby and reception area for residents and other visitors. A new ambulance bay will be built and extend the building, along with several other improvements, such as adding a training room. Since this is such a large project, it will be completed in two phases as to not disrupt services.

### Wastewater Treatment Plant Expansion Engineering - \$675,000

As the City of Horseshoe Bay continues to grow, the current systems in place also need to grow to keep up with capacity. The wastewater treatment plant needs to be expanded to handle the increased wastewater and the first step is the engineering. The actual expansion of the wastewater treatment plant is scheduled to begin in FY 2019.



**CITY OF HORSESHOE BAY**  
**FY 2018 Capital Improvements Budget**

<b>Account Code</b>		<b>FY 2018 Final Budget</b>
<b>Estimated Beginning Fund Balance: \$</b>		<b>-</b>
	<b>Transfer in from General Fund Unassigned Fund Balance</b>	<b>2,133,500</b>
<b>FY 2018 CAPITAL PROJECTS</b>		
<b>50961</b>	<b>Street Improvements Upgrades</b>	<b>600,000</b>
<b>Sealcoating - 5 Year Plan</b>		
<b>50961</b>	<b>Fault Line</b>	<b>308,000</b>
<b>50961</b>	<b>Apple Head</b>	<b>115,500</b>
<b>50961</b>	<b>Bay West Blvd</b>	<b>165,000</b>
<b>50961</b>	<b>HSB West</b>	<b>715,000</b>
<b>50961</b>	<b>Golden Nugget Safety Improvement</b>	<b>230,000</b>
<b>TOTAL FY 2018 CAPITAL PROJECTS</b>		<b><u>2,133,500</u></b>
<b>Estimated Ending Fund Balance \$</b>		<b>-</b>

# *Budget Glossary*

**Account Number:** A code made up of numbers used to classify how specific dollar amounts are categorized as revenue or expenditures. Typically, similar revenues or expenditures are classified into the same account.

**Accounting Standards:** The generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board that guide the recording and reporting of financial information by the state and local governments. The standards establish such guidelines as when transactions are recognized (accrual, modified accrual, or cash basis), the types and purposes of funds, and the content and organization of the annual financial report. At the federal level, accounting standards are developed by the Federal Accounting Standards Advisory Board.

**Accounting System:** The methods and records established to identify, assemble, analyze, classify, record, and report the City's transactions and to maintain accountability for the related assets and liabilities.

**Accounts Payable:** A short term (one year or less) liability reflecting amounts owed for goods and services received by the City.

**Accounts Receivable:** An asset reflecting amounts due from other entities for goods and services provided by the City.

**Accrual Accounting:** A system of accounting in which revenues and expenditures are recorded at the time they occur, rather than the time cash is received or disbursed by the City.

**Ad Valorem Taxes:** Also known as property taxes; the taxes levied on all real and certain personal property according to the assessed value of the property and the established tax rate.

**Amortization:** The process of paying the principal amount of an issue of bonds by the periodic payments either directly to bondholders or to a sinking fund for the benefit of bondholders. Payments are usually calculated to include interest in addition to a partial payment of the original principal amount.

**Amortization Schedule:** A table showing the gradual repayment of an amount of indebtedness, such as a bond, over a period of time.

**Appraised Value:** An evaluation of a property's value based on a given point in time that is performed by Llano Central Appraisal District or Burnet Central Appraisal District.

**Appropriation:** An authorization made by the City Council which permits the City staff to make expenditures and incur financial obligations.

**Audit:** An examination of the City's financial accounts and records. The City is required by law to have an audit completed each year by an independent certified public accountant.

**Available Fund Balance:** Money remaining from prior years that is not committed for other purposes and can be allocated in the upcoming budget.

**Bond:** A written promise to pay a specified amount of money (the principal) at a specified date or dates in time (maturity dates) and carrying interest at a specified rate. The most common form of bonds are general obligation bonds and certificates of obligation. Bonds are usually used to fund large construction projects

that have a long lifespan and/or are too expensive for the City to pay for with cash. Some examples are public buildings, water and sewer infrastructure, and streets.

**Bond Contract:** The legal agreement between the issuer and the debt holder, which defines the security and terms of the debt.

**Bond Covenant:** An agreement that governs the use of the borrowed money when a governmental agency sells a bond. The covenant becomes a legally enforceable agreement with the bondholders.

**Bonded Debt:** The portion of indebtedness represented by unpaid bonds. Or, the amount of principal on all bonds issued by the City.

**Bondholder:** The owner of a municipal bond, to whom payments of principal and interest are made. The owner of a bearer bond is the person having possession of it, while the owner of a registered bond is the person whose name is noted on the bond register.

**Bond Proceeds:** The money paid to the issuer by the purchaser or underwriter for a new issue of municipal bonds, used to finance the project or purpose for which the bonds were issued and to pay certain costs of issuance, as may be provided in the bond contract.

**Bond Purchase Agreement:** The contract between the underwriter and the issuer setting forth the final terms, prices, and conditions upon which the underwriter purchases a new issue of municipal bonds for reoffering to the investing public.

**Budget:** A financial plan for a specified period of time (the fiscal year for the City) that includes an estimate of proposed revenues, an estimate of anticipated expenditures, and an analysis of the undedicated fund balance.

**Budget Amendment:** The budget may be formally amended after it has been approved. Amendments may be required, for example, with the incorporation of a new labor contract or if revenues fall or grow beyond projections.

**Budget Calendar:** A time table with deadlines when particular tasks must be completed in order for City Council to approve the spending plan before the beginning of the next fiscal year.

**Budget Process:** The budget process includes preparation of budget requests, legislative approval of the budget requests, budget implementation, and summary reporting on actual budget transactions.

**Budget Transmittal Letter:** Written to the City Council by the City Manager and provides a high-level preview of the City Manager's proposed budget. It contains hard numbers including the proposed tax rate and proposed fund summaries as well as overview of the departmental business plans. The letter helps tie together the core elements which make up the proposed budget and illustrates how those elements further the City's goals found within the strategic management system.

**Capital Improvements:** Expenditures for the construction, purchase, or renovation of City facilities or property, usually those projects which have a lifespan of greater than five to seven years.

**Capital Outlay:** Expenditures resulting in the acquisition of or addition to the City's fixed assets.

**Cash:** Currency on hand and demand deposits with banks and other financial institutions.

**Cash Basis:** A method of accounting in which transactions are recorded when cash is received or disbursed.

**Cash Flow:** A sufficient amount of cash on hand to cover disbursements or payments that are coming due.

**Certificates of Obligation (CO):** A form of bond used to finance capital improvement projects or purchases. CO's are backed by the full faith and credit of the government issuing them. CO's can be issued by a vote of the City Council and are not necessarily voter approved.

**Chart of Accounts:** A way of recording revenues and expenditures that includes all transactions and that fits the organizational structure. A chart of accounts assigns a unique number to each type of transaction (e.g. salaries or property taxes) and to each budgetary unit in the organization.

**Contingency:** A budgeted account set aside to meet unforeseen circumstances.

**Current Assets:** Those assets that can be easily converted to cash within the current year.

**Current Taxes:** Taxes that are levied and due within the ensuing fiscal year.

**Date of Acquisition:** The date on which an asset is purchased as indicated on a contract or certificate.

**Debt Service Fund:** A fund established to account for funds needed to make principal and interest payments on outstanding bonds.

**Debt Service Requirements:** The amount of money required to pay interest and principal on outstanding bonds. Sometimes the bond covenants (terms of the bond) may require special requirements such as cash reserves in the debt service fund.

**Delinquent Taxes:** Property taxes remaining unpaid after the due date. Delinquent taxes incur penalties and interest at rates specified by law.

**Department:** A functional group of the City with related activities aimed at accomplishing a major City service or program.

**Depreciation:** The proration of the cost of a fixed asset over the estimated service life of the asset. Each period is charged with a portion of such cost, and through this process, the entire cost of the asset is ultimately charged off as an expense.

**Disbursement:** Payment for goods or services that have been delivered and invoiced.

**Effective Tax Rate:** The rate that produces the same amount of property tax revenues compared to the prior year. Based on the total property valuation for the City and how much property tax was levied, the rate is determined by the laws of the State of Texas.

**Encumbrance:** The commitment of appropriated funds to purchase an item or service. Once an encumbrance is made, a purchase order is issued for the expenditure.

**Enterprise Fund:** See Proprietary Fund.

**Expense:** Charges incurred, whether paid or unpaid, for operation, maintenance, interest, and other charges which are made within the current fiscal year.

**Equity:** The difference between assets and liabilities of the fund.

**Financial Advisor:** With respect to a new issue of municipal bonds, a consultant who advises the issuer on matters pertinent to the issue, such as structure, timing, fairness of pricing, terms, and bond ratings. Such consultant may be employed in a capacity unrelated to a new issue of municipal securities, such as advising on cash flow and investment matters.

**Fiscal Year:** The period designated by the City signifying the beginning and ending period for recording financial transactions of the City. The City of Horseshoe Bay's fiscal year begins on October 1 of each year and ends on September 30 of the following year.

**Fixed Assets:** Assets of a long-term character which are intended to be held or used, such as land, buildings, machinery, furniture, and equipment.

**Fund:** A separate fiscal and accounting entity with their own resources and budgets necessary to carry out specific duties or programs to accomplish certain objectives.

**Fund Accounting:** A system of accounting used primarily by non-profit and government organizations. The accounting records take the form of a collection of funds, each fund having a distinct purpose, ranging from operating expenses to funding the various activities of the organization.

**Fund Balance:** The difference between a fund's assets and its liabilities. Portions of the fund balance may be reserved for various purposes such as contingencies or encumbrances at the end of the fiscal year.

**General Fund:** The largest fund within the City. It accounts for all resources except those that are required to be in a special fund. The General Fund contains the activities commonly associated with municipal government, such as police, fire, and streets.

**General Obligation Bonds:** Bonds that finance a variety of public capital improvements projects. The repayment of these bonds is typically pledged against property tax revenues. They are backed by the full faith and credit of the City. Voters must approve the issuance of general obligation bonds through a special called bond election.

**Generally Accepted Accounting Principles (GAAP):** Uniform minimum standards for financial recording and reporting established by the accounting profession through such independent entities as the Governmental Accounting Standards Board.

**Generally Accepted Auditing Standards (GAAS):** A set of systematic guidelines used by auditors when conducting audits on companies' finances, ensuring the accuracy, consistency, and verifiability of auditors' actions and reports.

**Governmental Accounting Standards Board (GASB):** The body that sets accounting standards specifically for governmental entities at the state and local level.

**Grant:** Contributions or gifts of cash or other assets from another government to be used for a specific purpose, activity, or facility.

**Home Rule:** A limited grant of discretion from state governments to local governments, concerning either the organization functions or the raising of revenue. Without home rule, local governments are restricted to whatever functions, organization, and revenues sources are specified by the state government, and are bound by whatever limits in revenue or borrowing that state requires.

**Infrastructure:** Long-term capital assets that normally are stationary in nature (fixed as compared to rolling stock) and can be preserved for a great number of years. Examples include water and sewer lines, roads, bridges, buildings, etc.

**Inter-Fund Transfers:** An amount of money transferred from one fund to another fund. For example, transferring money from the Utility Fund to the General Fund.

**Intergovernmental Revenue:** Revenues received from another governmental entity, such as county, state, or federal governments.

**Internal Controls:** Systematic measures (such as review, checks and balances, methods and procedures) instituted by an organization.

**Investment Policy:** A document that outlines general rules for investing, and provides the general investment goals and objectives.

**Liability:** The City's legal debts or obligations that arise during business operations. Liabilities are settled over time through the transfer of economic benefits including money, goods, or services.

**Line-Item Budget:** A format for budgeting in which departmental outlays are grouped according to the items that will be purchased.

**Liquidity:** The ability to convert assets into cash.

**Machinery and Equipment:** Property that does not lose its identity when removed from its location and is not changed materially or consumed immediately by use.

**Mission:** The basic purpose of a department, the reason for its existence, what the department aims to accomplish.

**Municipal Bonds:** A general term referring to bonds of local governmental subdivisions such as cities, towns, villages, counties, and special districts as well as states and subdivisions thereof, where are exempt from federal income taxation.

**Operating Budget:** Plans of current expenditures and the proposed means of financing them. The annual operating budget is the primary means by which most financing activities of the City are controlled.

**Operating Expense:** Proprietary fund expenses related directly to the fund's primary activities.

**Operating Income:** The excess of proprietary fund operating revenues over operating expenses.

**Operating Revenue:** Proprietary fund revenues directly related to the fund's primary activities. They consist primarily of user charges for goods and services.

**Ordinance:** A formal legislative enactment by the Horseshoe Bay City Council.

**Principal:** The face value of a bond, payable on stated dates of maturity.

**Property Taxes:** See Ad Valorem Taxes.

**Proprietary Fund:** Also referred to as an Enterprise Fund. A governmental accounting fund in which the services provided, such as water and sewer service, are financed and operated similarly to those in a private business. The intent is that the costs of provide these services be recovered through user charges.

**Public Hearings:** Open meetings regarding proposed budget allocations – either operating or capital – that provide citizens an opportunity to voice their views on the merits of proposals.

**Purchase Orders:** An agreement drawn up to buy goods and services from a specific vendor with a promise to pay when delivered.

**Refunding:** The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (current refunding), or they may be placed with an

escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (advanced refunding).

**Resolution:** A special or temporary order of the Horseshoe Bay City Council. Requires less formality than an ordinance and does not carry with it the force of law.

**Revenue Bonds:** Bonds whose principal and interest are payable exclusively from the earnings of a proprietary fund.

**Special Revenue Fund:** Accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Taxable Value:** The assessed value of property less any exemptions available on that specific property. The tax rate is applied to the taxable value to calculate a total tax levy.

**Tax Base:** The total taxable value of all real and personal property in the City as of January 1 of each year as certified by the Llano Central Appraisal District or Burnet Central Appraisal District, less any exemptions.

**Tax Levy:** The resulting product when the tax rate per one hundred dollars is multiplied by the tax base.

**Texas Municipal League (TML):** The Texas Municipal League is a voluntary coalition of Texas municipalities created for the purpose of furthering and enhancing causes of mutual interest to Texas cities. TML offers educational and training opportunities, legislative activities, and legal advisement to its members. Additionally, TML has intergovernmental risk pools that offer insurance coverage.

**User Charges:** The payment of a fee for direct receipt of a public service by the party benefiting from the service, such as water and sewer fees.

# CITY OF HORSESHOE BAY

## FISCAL ADMINISTRATION POLICY

**Title: Fiscal Administration.**

**Policy directives of the City of Horseshoe Bay (City) applicable to all fiscal responsibilities of the City, including, but not limited to, budget assumptions, reviews, rates, and cash reserves.**

**Statement:**

**The City hereby adopts a Policy of Fiscal Responsibilities to conform to the City Charter, Local Government Code and generally accepted accounting principles as applicable to governments and orders the implementation of the following policy directives.**

**Responsibility:**

**The City Manager shall serve as the Budget Officer for the City and shall be responsible for establishing operating procedures that implement and manage the following Directives.**

**The Staff will be responsible for providing the Budget Officer with information necessary to properly implement and manage the following Directives.**

**City Council shall be responsible for approving an annual budget each year.**

**Directives:**

**Budget:**

**The annual expense for employee benefits shall not exceed 40% of the annual expense for total employee salaries. Employee benefits for this calculation are defined as FICA, health and dental insurance, life insurance, and defined contribution retirement plan.**

**Tax revenue will be projected to cover General Fund operating expenses (Operations & Maintenance) and to cover routine capital purchases, projects, and improvements, and debt service for Interest & Sinking Fund.**

**Utility Fund revenues will be projected cover operating expenses (Operations & Maintenance) and routine capital purchases, projects, and improvements, and utility funded debt service.**

**Solid Waste revenue will be projected to result in operating revenue exceeding operating expenses by at least 10%.**

**Estimated tax revenue will be based on the Central Appraisal District's estimate of value and the previous year's historical data for collection rate.**

**The City Council will consider issuing debt on a case-by-case basis to fund major capital projects projected to cost more than \$500,000.**

**Budget Review:**

**The City Council will be given financial information at each monthly meeting.**

**Quarterly financial presentations on all funds and capital projects will be given to the City Council at the regularly scheduled meeting immediately following the end of each quarter.**

**Rates:**

**During the annual budget process each year, the City Manager will make a recommendation concerning any changes in the rates for taxes, water, wastewater, and solid waste to the Mayor and City Council.**

**Cash Reserves:**

**The City Council requires that all projected annual budgets for General Fund result in maintaining a cash reserve equal to the greater of \$2,500,000 or three months of total operating expenses, plus debt service reserves as required by debt indentures.**

**The Utility Rate Stabilization Fund shall maintain a balance no greater than \$300,000. All other excess utility funds shall be placed into the Utility Reserve Fund.**

**The City's Fiscal Administration Policy and any modifications made thereto shall be approved by the City Council.**

**Reviewed and Adopted by unanimous vote of the City Council on August 29, 2017.**

  
\_\_\_\_\_  
**Stephen T. Jordan, Mayor**

# CITY OF HORSESHOE BAY

## CAPITALIZATION POLICY

It is the policy of the City of Horseshoe Bay (City) to capitalize expenditures for the purchase of, or improvements to, real or personal property that has a value equal to or greater than the capitalization threshold established for the particular category of the asset and has an estimated useful life of greater than one year.

### CAPITAL ASSET GUIDELINES

#### Capital Asset Classification:

Assets purchased or constructed that meet or exceed the City's established capitalization thresholds and useful life requirements must be uniformly classified utilizing the City's account structure and the corresponding capital asset code structure. A list of the account code structure is available through the Administration Department. The following is the classification structure:

- A) Land and Land Improvements
- B) Buildings and Building Improvements
- C) Infrastructure and Infrastructure Improvements
- D) Vehicles
- E) Machinery and Equipment
- F) Office Equipment
- G) Construction in Progress

#### Capitalization Thresholds:

ASSET CLASSIFICATION	THRESHOLD
A) Land and Land Improvements	CAPITALIZE ALL
B) Buildings and Building Improvements	\$10,000
C) Infrastructure and Infrastructure Improvements	\$10,000
D) Vehicles	\$10,000
E) Machinery and Equipment	\$ 5,000
F) Office Furniture, Fixtures and Equipment	\$ 5,000
G) Construction in Progress	N/A

## **CAPITALIZATION POLICY**

**June 19, 2007**

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### **Capital Asset Acquisition Cost:**

- A) Capital Assets acquired by purchase should be recorded and reported at their acquisition cost, which includes the vendor's invoice cost, installation cost, modifications, attachments, accessories or any item necessary to make the asset useable and render it into services. Capitalized costs also include ancillary charges such as freight and/or transportation charges, in-transit insurance charges, handling and storage charges, site preparation costs, and professional fees.**
- B) Capital Assets acquired by payment other than cash should be recorded and reported at the fair-market value of the non-cash payment or consideration plus ancillary charges, if any. When the value of the consideration paid can't be determined, the asset's fair-market value determines the cost.**
- C) Donated Capital Assets should be recorded and reported at their fair-market value at the time of acquisition, plus ancillary charges, if any. Fair-market value is the amount at which an asset would be exchanged in a current transaction between willing parties.**

### **Capital Asset Depreciation:**

- A) Capital Assets will be depreciated over their estimated useful lives.**
- B) Land is considered inexhaustible and is therefore not depreciated.**
- C) The Administration Manager will determine the appropriate depreciation methodology and useful life for the various classifications of Capital Assets based on the Internal Revenue Publication 534 for Depreciation. Department Managers/Supervisors may be requested to provide the Administration Manager with technical information necessary to evaluate an asset's useful life.**

### **Capital Asset Purchase and Acquisition:**

- A) The Administration Manager will be provided with the Fixed Asset Inventory Control Purchase Form with all the information required to properly record the purchase or acquisition of an asset. In general, this information will include the acquisition cost of the asset. (See Capital Asset Acquisition Cost).**

## **CAPITALIZATION POLICY**

**June 19, 2007**

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- B) All Capital Asset purchases and acquisitions will be included in the annual budget and will require the approval of the City Council.**
- C) All Capital Asset purchases and acquisitions that have been included in the annual budget and approved by the City Council will require the final approval of the General Manager prior to purchase.**

### **Capital Asset Disposal, Sale, or Retirement:**

- A) The Administration Manager will be provided with the Fixed Asset Inventory Control Retirement Form with all the information required to properly record the sale, disposal, or retirement of an asset. In general, this information will include the value of the asset and the value received from the disposal of the asset.**
- B) All Capital Asset sales, disposals, and retirements will require the approval of the General Manager.**

### **CAPITAL ASSET CLASSIFICATIONS/DEFINITIONS:**

#### **Land and Land Improvements:**

- A) Definition:**
  - 1) Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs and trees. Land is characterized as having an unlimited life (inexhaustible life).**
  - 2) Land Improvements consist of earth moving and similar improvements, which make Land ready for its intended use. The costs associated with improvements to Land are added to the cost of the Land.**
- B) Depreciation:**

**Land and Land Improvements are inexhaustible assets and therefore do not depreciate.**
- C) Capitalization Threshold:**

**All acquisitions of Land and Land Improvements, including costs incurred in acquiring the Land, will be capitalized.**

## CAPITALIZATION POLICY

June 19, 2007

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### Buildings and Building Improvements:

A) **Definition:**

- 1) A Building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable.
- 2) A Building Improvement substantially extends the useful life, increases the value, adds capacity, or increases efficiency of the Building. Examples of Building Improvements include, but are not limited to, the following:
  - a) New structures attached to the Building such as covered patios, sunrooms, garages, and carports,
  - b) Installation or improvement to heating and cooling systems,
  - c) Installation or replacement of wall, ceiling, or floor coverings such as carpet, tiles, and paneling,
  - d) Installation or replacement of windows and doors,
  - e) Exterior renovations such as installation or replacement of siding, roofing, and masonry,
  - f) Installation or improvements to plumbing, electrical wiring, and phone systems,
  - g) Improvements other than Buildings that add value to the property/facility such as fencing and gates, landscaping, parking lots and driveways, and sprinkler systems.

Maintenance and repairs of assets generally are not capitalized as improvements to Buildings and are recorded as maintenance expense.

B) **Depreciation:**

Buildings and Building Improvements are depreciable assets. The depreciation method and useful life will be determined by the Administration Manager.

C) **Capitalization Threshold:**

The Capitalization Threshold for Buildings and Building Improvements constructed, purchased, or donated, including the costs incurred to place the asset in service, is \$10,000.

## CAPITALIZATION POLICY

June 19, 2007

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### Infrastructure and Infrastructure Improvements:

A) **Definition:**

- 1) Infrastructure is long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most assets. The City Infrastructure includes, but is not limited to, all assets utilized in the operations of treatment, storage and distribution of water and wastewater.
- 2) Infrastructure Improvements are capital additions that materially extend the useful life and/or increase the value, capacity, or efficiency of the Infrastructure.

B) **Depreciation:**

Infrastructure and Infrastructure Improvements are depreciable assets. The depreciation method and useful life will be determined by the Administration Manager.

C) **Capitalization Threshold:**

The Capitalization Threshold for Infrastructure constructed, purchased, or donated and for Infrastructure Improvements, including the costs incurred to place the asset in service, is \$10,000.

### Vehicles:

A) **Definition:**

Vehicles include automobiles, trucks, and any other motorized vehicles requiring licensing and registration with the Texas Department of Transportation.

B) **Depreciation:**

Vehicles are depreciable assets. The depreciation method and useful life will be determined by the Administration Manager.

C) **Capitalization Threshold:**

The Capitalization Threshold for Vehicles purchased or donated, including the costs incurred in placing the asset in service, is \$10,000.

## CAPITALIZATION POLICY

June 19, 2007

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### Machinery and Equipment:

A) **Definition:**

Machinery and Equipment are fixed or moveable tangible assets used for the operations and/or the benefit of the City as follows:

- 1) Machinery includes such items as bulldozers, tractors, trenchers, and backhoes.
- 2) Equipment includes such items as radios, safety equipment, compressors, pumps, protective gear, weapons, and tools.

B) **Depreciation:**

Machinery and Equipment are depreciable assets. The depreciation method and useful life will be determined by the Administration Manager.

C) **Capitalization Threshold:**

The Capitalization Threshold for Machinery and Equipment constructed, purchased, or donated, including the costs incurred to place the asset in service, is \$5,000.

### Office Furniture/Fixtures/Equipment:

A) **Definition:**

Office Furniture, Fixtures, and Equipment are fixed or moveable tangible assets used for the operations and/or the benefit of the City as follows:

- 1) Office Furniture and Fixtures include such items as desks, chairs, tables, counters, lamps, and bookcases.
- 2) Office Equipment includes such items as computer hardware, computer software, printers, copiers, and fax machines.

B) **Depreciation:**

Office Furniture, Fixtures and Equipment are depreciable assets. The depreciation method and useful life will be determined by the Administration Manager.

**CAPITALIZATION POLICY**

**June 19, 2007**

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**C) Capitalization Threshold:**

**The Capitalization Threshold for Office Furniture, Fixtures and Equipment constructed, purchased, or donated, including the costs incurred in placing the asset in service, is \$5,000.**

**Construction in Progress:**

**A) Definition:**

**Construction in Progress includes the cost of construction, additions, alterations, reconstruction and installations of Buildings and other Structures, Infrastructure, and other Capital Assets that are substantially incomplete.**

**B) Depreciation:**

**Depreciation is not applicable while Assets are accounted for as Construction in Progress. When completed and placed in service, constructed Assets are treated like any other Asset.**

**C) Capitalization Threshold:**

**Construction in Progress Assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of substantial completion, occupancy, or when placed in service.**

**The City's Capitalization Policy and any modifications made thereto shall be approved by the City Council.**

**Reviewed and Adopted by unanimous vote of the City Council on June 19, 2007.**



**Robert W. Lambert, Mayor**

**ATTEST:**



**Toni Vanderburg, City Secretary**

# CITY OF HORSESHOE BAY

## INVESTMENT POLICY AND STRATEGY

### **POLICY:**

It is the policy of the City to invest public funds in a manner which will provide a reasonable investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds: Texas Government Code Chapter 2256 (the "Act").

### **SCOPE:**

This investment policy applies to all financial assets of the City. These funds will be accounted for in the City's Comprehensive Annual Financial Report and include:

1. General Fund
2. Utility Fund
3. Grant Fund
4. Agency Fund
5. Special Revenue Fund
6. Capital Projects Fund
7. Debt Service Fund

and any other funds created unless specifically designated by the Council.

### **PRUDENCE:**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The standard states:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### **OBJECTIVE:**

The primary objectives, in priority order, of the City's investment activities shall be:

**Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

**Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

**Diversification:** Diversification is required in order to reduce and manage potential risk including those on individual securities or market sectors.

**Yield:** The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. The portfolio reporting will compare the yield on the portfolio to its benchmark which will be the six-month Treasury Bill for the comparable period. This benchmark was chosen for its comparability to the weighted average maturity limitation on the overall portfolio.

An annual review of the financial condition including the portfolio will be conducted by the Investment Policy Committee, comprised of the Mayor, the City Manager, and the Finance Director.

### **STRATEGY**

The City may maintain one commingled portfolio for investment purposes which incorporates the specific investment strategy considerations and the unique characteristics of the fund groups represented in the portfolio.

- A. Operating Funds. The investment strategy for the operating (enterprise and special revenue) and special purpose funds has as its primary objective assurance that anticipated liabilities are matched and adequate investment liquidity provided. This may be accomplished by purchasing high quality, short- to medium-term maturity securities (0-2 years) which will complement each other in a laddered maturity structure permitting some extension for yield enhancement. The dollar weighted average maturity of the portfolio will be calculated using the stated final maturity date of each security.
- B. Capital Projects. The investment strategy for capital project funds will have as its primary objective assurance that anticipated cash flows are matched and provide adequate investment liquidity. At least 10% total liquidity is planned to provide flexibility and for unanticipated project outlays. The stated final maturity dates of securities held may not exceed two years or the estimated project completion date.
- C. Debt Service Funds. The investment strategy for debt service funds shall have as its primary objective the assurance of available funds adequate to fund the debt service obligations on a timely basis. The fund is funded as monies are received which should maintain a maximum weighted average maturity of six months. Successive debt service dates will be fully funded before any investment extension. Since payment of debt is one of the highest priorities of the City, safety of principal should be of the highest priority when selecting an investment.
- D. Debt Service Reserve Funds. The investment strategy for debt service reserve funds shall have as its primary objective the ability to generate a revenue stream to the debt service funds from high quality securities with a low degree of volatility. Securities should be high credit quality and, except as may be required by the bond ordinance specific to an individual issue, of short to intermediate-term maturities.

The City intends to match investments with projected cash flow and liquidity needs of the City. In no case will the average weighted maturity of the total portfolio exceed six (6) months. The maximum final stated maturity of any investment shall not exceed two years. The six-month Treasury Bill for the comparable reporting time period will be used as the benchmark for the overall portfolio reflecting the City's primary market and the cash flow objectives of the portfolio.

The City shall pursue a conservative portfolio management strategy. Securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the trade, but the strategy will be primarily buy-and-hold. The Investment Officers will continuously monitor the contents of the portfolio, the available markets, and the relative value of competing instruments to adjust the portfolio in response to market conditions.

### **DELEGATION OF AUTHORITY:**

The City Council will designate Investment Officers by Resolution. Management responsibility for the investment program is hereby delegated to the City Manager, who shall establish written procedures for the operation of the investment program consistent with this Investment Policy. The City Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Investment Officers shall be familiar with this Policy and may not engage in an investment transaction except as provided under the terms of this Policy and the procedures established. Investment Officers will review the Investment Policy annually to suggest any changes necessary to the Council, will monitor all counterparties, and will prepare quarterly reports for the City Council.

The City will provide investment training required by the Act (Sec. 2256.008) for the City's Investment Officers. The Investment Officers shall attend at least one, ten (10) hour training session within twelve months after taking office or assuming duties. Training includes education in investment controls, security risks, strategy risks, market

risks, and compliance with the Act. Investment Officers must complete eight (8) hours of investment training in each succeeding two-year period.

### **Conflicts of Interest**

Officers involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. An Investment Officer who has any personal or business relationship with any entity seeking to sell an investment to the City will file a statement disclosing that personal or business interest. The Investment Officer shall file a statement disclosing that relationship, as required by Texas Local Government Code Chapters 171 and 176, as applicable. These statements must be filed with the City Secretary, disclosed to the City Council, and approved by the City Council before any business is transacted with said entity or individual. Investment Officers shall not undertake personal investment transactions with the same individual with which business is conducted on behalf of the City.

### **City Council Responsibilities**

The City Council retains ultimate fiduciary responsibility for the investment program. The Council will annually adopt the Investment Policy and Strategy, designate Investment Officers, approve authorized broker/dealers, provide for training, and quarterly receive and review investment reports.

### **INTERNAL CONTROLS:**

The Investment Officers are responsible for establishing and maintaining an internal control structure that will be reviewed annually with the City's auditor. The internal control structure will be designed to ensure that City assets are protected from loss, theft, or misuse and to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by the Investment Officers.

Procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to the person responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established supporting it.

### **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:**

The Investment Officers will provide a list of no less than three brokers / dealers for City Council approval at least annually. Brokers / dealers must be authorized before transactions are made. All brokers / dealers who desire to become qualified for investment transactions will be required to supply the following information which will be maintained by the Investment Officers:

- i. Annual audited financial statements;
- ii. Proof of Financial Industry Regulatory Authority (FINRA) certification;
- iii. FINRA CRD registration number;
- iv. Proof of Texas state registration;
- v. Policy Certification; and
- vi. A completed City questionnaire.

These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.

The Investment Officers will at least annually review the service, financial condition, and registration of brokers / dealers for recommendations to the Council.

An expanded list of counterparties, including local government pools and financial institutions authorized to provide investment transactions, will be maintained by the Investment Officers. This list need not be approved by the City Council because of frequency in bank changes resulting from competitive bids. All pools require specific action by the Council for participation.

The City is under no obligation to transact business with any financial institution or firm.

## **DEPOSITORIES**

### **City Banking Services Depository**

At least every five years, a City banking services depository shall be selected through a competitive request for proposal (RFP) process in accordance with the Texas Government Code 105.017. In selecting this depository, the services, cost of services, credit worthiness, earnings potential, and collateralization by the institution shall be considered. The City may utilize a depository outside the City limits for this purpose. This primary banking services depository will safe-keep securities owned by the City and will not be authorized as a broker for the City in order to perfect delivery versus payment settlement.

### **Additional Depositories**

Time and demand deposits may be purchased from any bank in Texas. Banks seeking to establish eligibility for the City's competitive certificate of depository or demand deposit programs shall submit for review annual financial statements, evidence of federal insurance, and other information as required by the Investment Officers. Deposits exceeding FDIC insurance coverage will require a written depository agreement and collateralization in accordance with this Policy.

## **AUTHORIZED INVESTMENTS:**

City funds may be invested only in the following instruments, as further defined by the Act. If changes are made to the authorized investments in the Act, they will not be authorized for City use until this Policy is amended and adopted by the City Council.

All investments will be made on a competitive basis. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. The City portfolio will have a maximum weighted average maturity of six (6) months. At all times, liquid funds will represent no less than 10% of the portfolio to meet unanticipated liabilities.

1. Obligation of the United States, its agencies and instrumentalities, excluding mortgage backed securities and with a final stated maturity not to exceed two years.
2. Fully insured or collateralized certificates of deposit of any bank doing business in Texas with a stated maturity date not to exceed eighteen (18) months. Certificates of deposit may be purchased through the CDARS program with a bank in Texas. Collateralized CD must have a depository/collateral agreement in place.
3. AAA-rated, constant dollar local government investment pools which strive to maintain a stable \$1.00 net asset value.
4. Fully collateralized repurchase agreements purchased through a primary government securities dealer, as defined by the Federal Reserve, with a stated maturity not to exceed six (6) months. A "flex" repurchase agreement may be used for bond proceeds beyond six (6) months but must not exceed the expenditure plan of the funds.
5. AAA-rated SEC registered money market mutual funds which strive to maintain a \$1 net asset value.
6. Interest bearing accounts in any bank in Texas fully insured by FDIC or collateralized in accordance with this Policy.

Any investment that requires a minimum rating by this Policy will not qualify as authorized during the period the investment does not have that minimum rating. Investment Officers shall inform the Council and take all prudent measures to liquidate the downgraded investment in a reasonable time period if ratings have dropped.

Any investment purchased when the investment type was authorized by Policy need not be liquidated if the Policy is modified to un-authorize the investment. The Investment Officers will review the investment and act in a reasonable

manner for the overall good of the portfolio(s).

### **Diversification**

The City's investments shall be diversified to eliminate risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector and maturities selected shall provide for stability of income and reasonable liquidity. Laddered maturities shall be used based on the anticipated cash flow of funds.

### **COLLATERALIZATION:**

Collateralization will be required on three types of investments: demand deposits, certificates of deposit and repurchase agreements.

### **Time and Demand Bank Deposits – Pledged Collateral**

All time and demand deposits shall be collateralized above FDIC coverage in accordance with this Policy. Collateral should be in place before funds are moved into the depository. The total of FDIC insurance and the market value of collateral must be at least 102% of the total principal and accrued interest on deposit daily. The depository is responsible for monitoring and maintaining margins daily.

All pledged securities must be safekept at an independent institution outside the holding company of the pledging bank. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary collateral before deposits are made and receipts provided within one business day. The City's depository will be responsible for monitoring and maintaining collateral levels daily. The independent custodian will provide the City with receipts and a monthly report on the collateral pledged. City representatives will have the right to inspect the records for pledged collateral at any time. Collateral may be substituted; however, any substitution of collateral must be approved in writing by the City.

The City shall have a depository / collateral contract with each bank and that agreement will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA) to ensure that the City's security interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution.

### **Collateral Owned under Repurchase Agreements**

Collateral is owned under a repurchase agreement. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the transaction. The collateral shall be held by an independent third party financial institution approved by the City. The counter-party is liable for monitoring and maintaining the collateral and margin daily. A Bond Market Association Master Repurchase Agreement shall be executed for the transaction.

### **Authorized Collateral**

City funds must be secured only by:

- Obligations of the United States Government, its agencies and instrumentalities including mortgage backed securities and CMOs passing the bank test; and
- Obligations issued by any state, its agencies, or political subdivisions rated A or above by one nationally recognized rating agency.

If a depository offers collateral pooling as collateral for deposits, the Investment Officers will analyze the costs and risks of such program to the City. Before entering into a pooled collateral program, the Investment Officers must receive approval from the City Council.

### **SAFEKEEPING AND CUSTODY:**

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian approved by the City Manager and an agreement of the terms executed in writing. The third party safekeeping agent shall be required to issue safekeeping receipts to the City clearly indicating the ownership by or pledge to the City.

**DIVERSIFICATION:**

The City will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

**MAXIMUM MATURITIES:**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than ( 2 ) years from the date of purchase.

**PERFORMANCE STANDARDS:**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The City's investment strategy is active. Given this strategy, the basis used by the City Manager to determine whether market yields are being achieved shall be the six-month U.S. Treasury Bill and the average Fed Funds rate. The investment program shall seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment policies.

**REPORTING:**

The City Manager will include in the monthly statements furnished to the Council a report which shows all investment activity during the current monthly period and an inventory of investments on hand at the end of the period. No less than quarterly, the Investment Officers shall jointly prepare, sign, and submit to the City Council a written quarterly investment report in accordance with the Act (2256.023). Market prices for reports will be obtained from independent sources for the reports.

The City Manager is also charged with the responsibility of including a market report on investment activity and returns in the City's Financial Statements. Such report will include performance and interest earnings.

**INVESTMENT POLICY ADOPTION:**

The City's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed annually by the Investment Policy Committee and any modifications made thereto shall be approved by the City Council and included in the adopting resolution.

**ADOPTED AND APPROVED** on this the 20<sup>th</sup> day of September, 2016 by a unanimous vote of the City Council of the City of Horseshoe Bay, Texas.

**CITY OF HORSESHOE BAY, TEXAS**

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**Stephen T. Jordan, Mayor**

**ATTEST:**

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**Teresa L. Moore, City Secretary**