

**2007-2008
BUDGET OVERVIEW
CITY OF THE COLONY, TEXAS**

CITY MISSIONS AND GOALS

The City of The Colony is committed to providing the best possible services for the citizens and business community. The city's goals are to:

- Promote economic development
- Excel in customer service
- Enhance the image of the City
- Assure a quality community
- Insure prudent stewardship of public funds
- Maintain the City's infrastructure
- Build a diversified tax base
- Retain a skilled workforce

BUDGET GOALS

The City is striving to apply sound planning and fiscal management principles to guide future growth and development needs to assure a solid economic future and a quality community. The overall goal of the City's fiscal policy is to establish and maintain effective management of the City's financial resources. Significant policies are:

1. Establishing minimum fund balance requirements for General Fund and Utility Fund at 60 days.
2. Ensuring the most efficient use of resources throughout the City, such as implementing performance measurement and strategic planning efforts.
3. Defining departmental responsibilities to better insure sound financial management practices.

It is the desire of the City Council of The Colony to produce a balanced budget with no tax increase. Due to the growth of certified values, sales tax and development the fiscal year 2007-2008 Approved Budget contains a reduced Ad Valorem tax rate of 1.75 cents with no reduction in core services.

FINANCIAL POLICIES

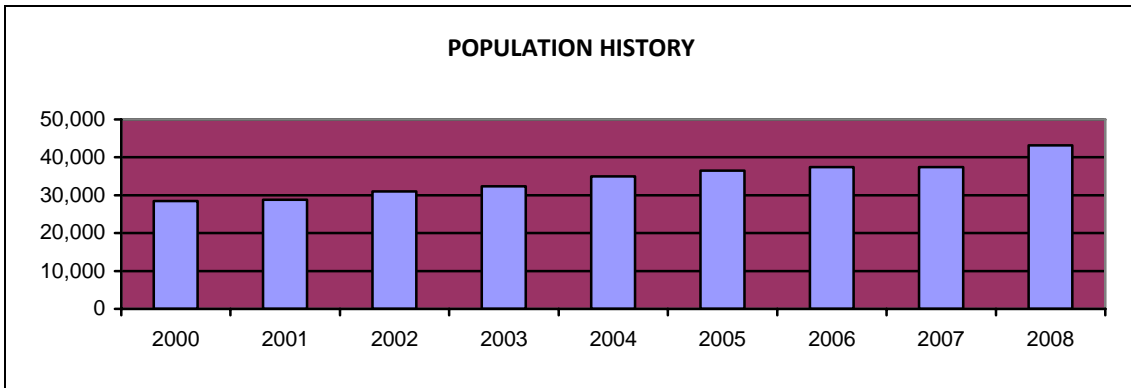
The goal of the financial policies is to enable the city to achieve a long-term stable and positive financial condition. The policies set the structure for the fiscal management of the City. The city has developed the Financial Management Policies (attached in the Appendix) which provides guidelines for the financial management staff in planning and directing the City's day-to-day financial affairs and in developing recommendations to the City Manager and the Council. City management understands that decisions made today have a profound impact on tomorrow's resources. The policies assist in measuring the current activities and recommend future programs.

The City projects five years' revenues and expenditures when formulating the budget goals for the following year. The projections are based on probable events and best estimates due to economic conditions, growth, demographics, development, inflationary pressure, demands, and new or enhanced services for the citizens. The City is considering incorporating the long-term financial planning process with the strategic plans and budget goals to provide for future needs. The five years' projections will be officially presented in the budget document for fiscal year beginning October 1, 2008.

GROWTH

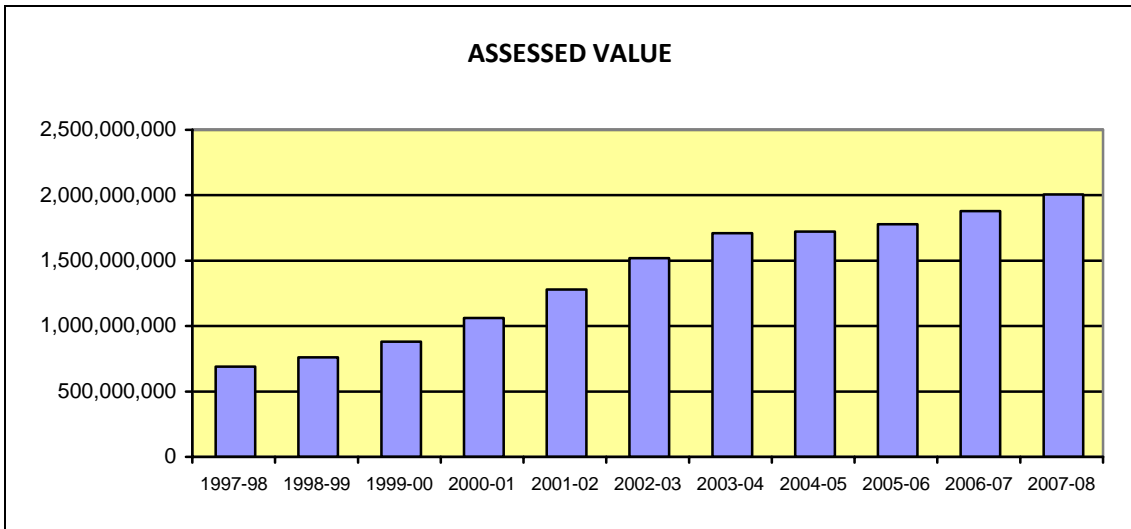
POPULATION

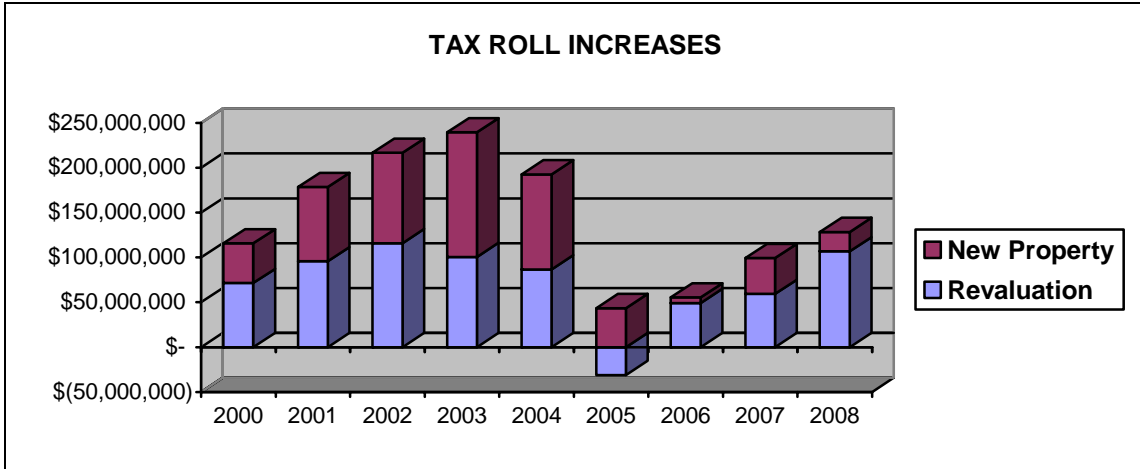
The City's estimated population is projected at 43,200 for 2008. This represents a 9.92% increase over the current year. The Colony's population continues to increase annually with even more growth expected because of development at Wynwood Peninsula, the Cascades, and Austin Ranch.



TAX BASE

The City's fiscal year 2007-2008 Ad Valorem tax base is \$2,006,247,530. This is an increase of \$128,373,684 or 6.84% from the 2006-2007 roll. Of this increase, new growth makes up \$21,509,706. This means that \$106,863,978 is the revaluation of existing properties.





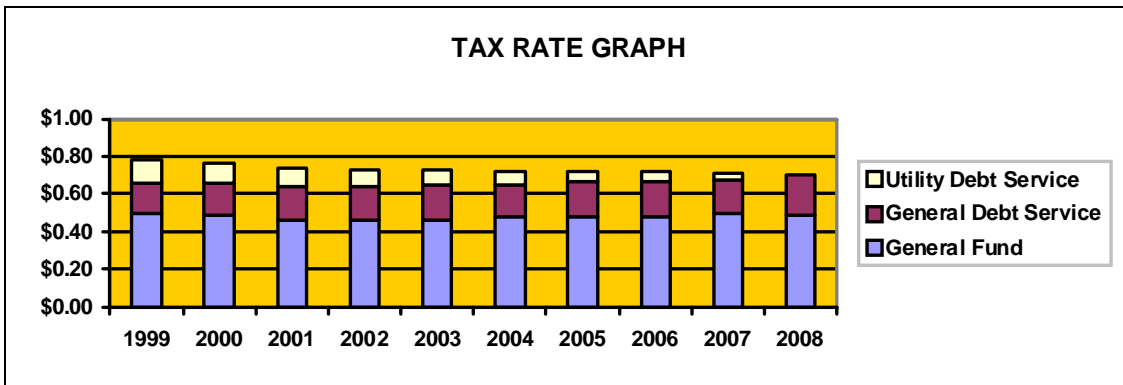
SUMMARY

The City of The Colony 2007-2008 budget for operations and debt service excluding transfers out totals \$42,502,322. This is a 2.27% increase over the 2006-2007 original budget. The growth in this budget reflects inflationary increases as well as increases for service level enhancements. Improved franchise taxes, fines and forfeiture receipts, sales tax collection, and increases in the certified tax roll and other fees fund these additional services.

The tax rate has been reduced from \$.80 per \$100 property valuation in 1994-1995 budget years to \$.6975 per \$100 valuation in 2007-2008.

The adopted tax rate of \$.6975 is above the effective rate of \$.6771 and below the rollback rate of \$.71523. The tax rate is a 2.45% reduction from 2006.

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund	.48903	.46680	.45680	.46008	.47564	.47953	.47858	.49401	.48750
Gen Debt Serv	.16835	.17433	.18238	.18544	.17105	.18997	.18976	.18121	.21000
Util Debt Serv	.10762	.09387	.08582	.07948	.07331	.05050	.05166	.03978	0
	.76500	.73500	.72500	.72500	.72000	.72000	.72000	.71500	.69750



The water and wastewater rates were increased by 6.5% as of October 1, 2007. All other fees, including Impact Fees, Planning Fees, and Permit Fees were reviewed and increased, if needed, for fiscal year 2007-2008.

MUNICIPAL FUND STRUCTURE

The accounting for municipal activities occurs within four major groupings, Operating Funds, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. All fund structures and accounting standards for the city of The Colony are in compliance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and other recognized professional standards. While we conduct a united municipal operation, the annual budget is a combination and summarization of the planned activities of various separate and distinct funds.

The accounts of the City are organized based on funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The City maintains the following fund types presented in this budget:

Governmental Fund Types

Governmental Fund Types are those through which most governmental functions of the City are financed. Three fund types are used to account for the operating budget of governmental-type activities for The Colony. These are the General Fund, Special Revenue funds, and Debt Service Funds.

- **General Fund:** The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Revenue Funds:** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. For budget purposes, the City has the following Special Revenue Fund:
 - **Lake Parks** - To account for revenues generated by fees and permits to enter and utilize the park area and facilities located on eastern shore of Lake Lewisville.
 - **Hidden Cove Park** - To account for revenues and expenditures of the park area and facilities located on Lake Lewisville, northwest of The Colony.
 - **Environmental Fund** - To account for recycling fees from residents as well as donated proceeds and state grants for the use of recycling.
 - **Storm Water Utility Fund** - To account for storm drainage management to improve water quality in streams and lakes by controlling pollutants from construction sites and developed properties. Storm water utility fees are collected from residents and business enterprises based on their impervious areas.
 - **Economic Development Corporation - 4A Fund** - Organized exclusively for the public purposes of the promotion and development of new and expanded business enterprises.
 - **Community Development Corporation - 4B Fund** - Organized for the purpose of the promotion of economic development by developing, implementing, providing and financing projects under the Development Corporation Act of 1979.

- Hotel/Motel Tax Fund - To account for the receipts and allocations of the City's Hotel/Motel occupancy tax.
 - Engineering Inspections Fund - To account for inspections on new streets, drainages, and water and sewer main construction projects.
 - Capital Projects Administration Fund – To account for engineering services in monitoring compliance and progress of capital projects.
 - Special Events Fund - To account for various special events of the City including Christmas decorations and the 4th of July fireworks display, and the Sail Fair festivities.
 - Community Center Fund - To account for revenues and expenditures related to the operation of the Community Center and senior activities.
- Debt Service Funds: The Debt Service Funds are used to account for the accumulation of resources for and the payment of long-term debt principal, interests and related costs. For budget purposes, the City has three Debt Service Funds:
- General Debt Service Fund - To account for the accumulation of resources and the payment of general long-term debt principal and interests. General Obligation Bonds and Certificates of Obligation are issued to finance major improvements for the construction of streets, parks, libraries, recreation centers, fire stations, police stations, and other general governmental improvements. Property taxes are the principal source of revenue.
 - Tax Supported Debt Services Funds - To account for The Colony Municipal Utility District (which was merged with the City on October 1, 1986) debt payments. Tax and revenue bonds are the primary source for financing utility infrastructure for the District. Tax and revenue bond indentures contain legal requirements that both tax and operational revenues must be pledged for the repayment of debt incurred by the former District. The debt was paid off in August, 2007. This fund is now used to account for Certificates of Obligation debt payments financed by Utilities operating fund.
 - Revenue Debt Service - To account for the payment of water utility revenue supported debts. Fees are currently collected on the City's utility bills for this fund. Transfers from impact fees and Utility operating fund are used to retire debt service.
- Proprietary Fund Types: Two fund types are used to account for a government's business type activities (activities that receive a significant portion of their funding through user fees). These are the enterprise funds and the internal service funds.
- Enterprise Fund - Operations that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City has one Enterprise Fund:

- Utility Fund – To account for the operations of the Water and Sewer Department.
- Internal Service Funds - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis. The City has one Internal Service Fund, the Fleet Services Fund, which is responsible for the preventative maintenance and repairs of all City owned vehicles and equipment. For budget purposes, Fleet Services is maintained as a special revenue fund and an internal service fund for financial reporting purposes.

2006-2007 BUDGET RETROSPECTIVE REVIEW

This budget was once again developed as a "maintenance" budget, designed to respond to a few operational staffing and equipment needs.

The City of The Colony's 2006-2007 revised budget totaled \$40,997,976 excluding transfers out, an increase of approximately \$5,018,361 or 13.95% more than expended in 2005-2006.

The economic development showed signs of recovery in 2006-2007. The tax base increased by 5.59%. Due to cost control, the tax rate was lowered to \$.715.

The value of the tax roll for 2006-2007 was \$1,877,873,846, an increase of \$99,335,278 from the previous year. The City had over a 99.11% current tax collection rate for the seventeenth year in a row. The relatively stable local economy and a vigorous pursuit of taxes were responsible for this outstanding record.

Sales tax revenues were originally forecasted to increase by 8.0% to \$2,710,000 in the City's adopted General Fund budget. After a review at mid-year, the taxes were increased by \$100,000 to \$2,810,000. This was due to the expanding economy and the continued growth of the Edward Don and Company's regional distributing center at The Colony.

Franchise taxes were originally forecasted to increase 7.5% to \$1,855,000 in the City's adopted budget. The total forecasted fees were adjusted at mid-year to \$1,850,000 due to lower usage of electricity because of a mild summer.

Investment income has grown from an original budget of \$300,000 to a mid-year revised budget of \$350,000 because of increase in interest rates.

License and permits revenue was readjusted at mid-year from \$952,463 to \$432,430 due to the elimination of backflow inspection and fees and lowering rental inspection revenues per Council's action. Projections for building permits and plan reviews were also lowered because of slowing down of construction activities.

Hidden Cove Park became a part of the City in May of 1995. The Land Fund transferred \$100,000 to initiate the park's repairs and initial operations. The fund has suffered losses in the past few years with a total deficit projected at \$394,275 at September 30, 2007. The operations of the Park were privatized as of January 1, 2005.

With tight cost control in the General Fund, the City was able to maintain all its promised services and programs as outlined in the budget documentation. Public safety positions were filled. The GIS system has provided needed information for planning purposes. Streets were repaired. In the Utility Fund, the water meter replacement program enhances the accuracies of water utility billings.

The ending fund balances were also exceeding expectations, with the General Fund ending fund balance estimated at 75 days, and the Utility Fund ending fund balance estimated at 79 days. The City's goal is at 60 days. Great things are happening in the City upon new development at the Wynnwood Peninsula, Austin Ranch and State Highway 121 and the future is very promising.

2007-2008 BUDGET REVIEW

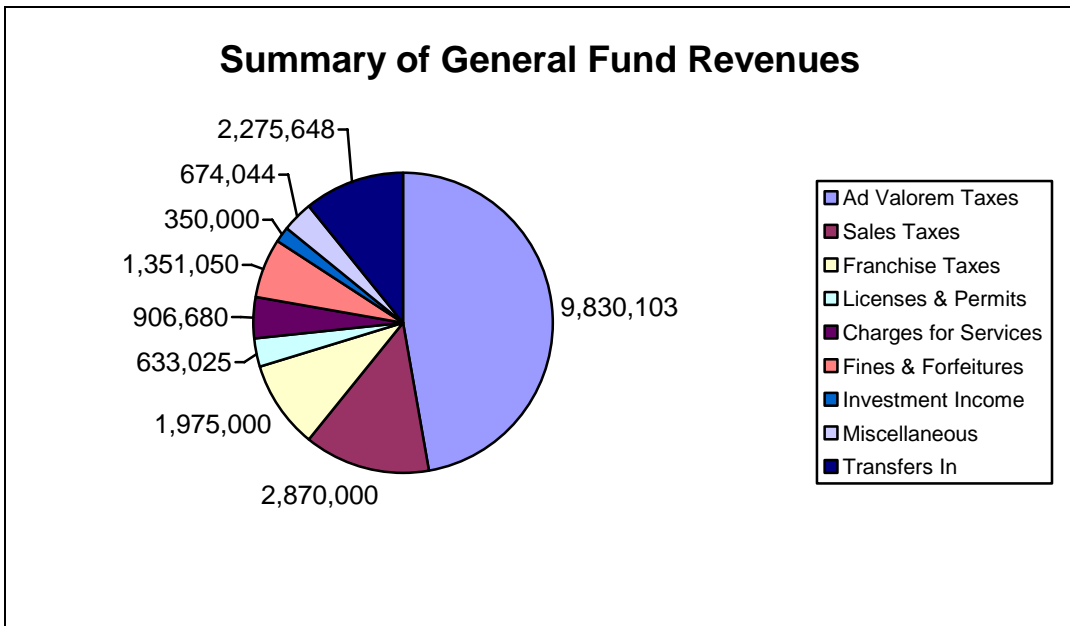
GENERAL FUND

The General Fund is the largest operating fund of the City. This fund provides most basic governmental and administrative services of the City.

REVENUES

General Fund revenue and transfers in are budgeted at \$20,865,550. This includes \$18,242,314 of current revenue receipts, \$347,588 prior year surplus and \$2,275,648 of transfers in. The total revenue budget is 9.65% more than the 2006-2007 revised budget.

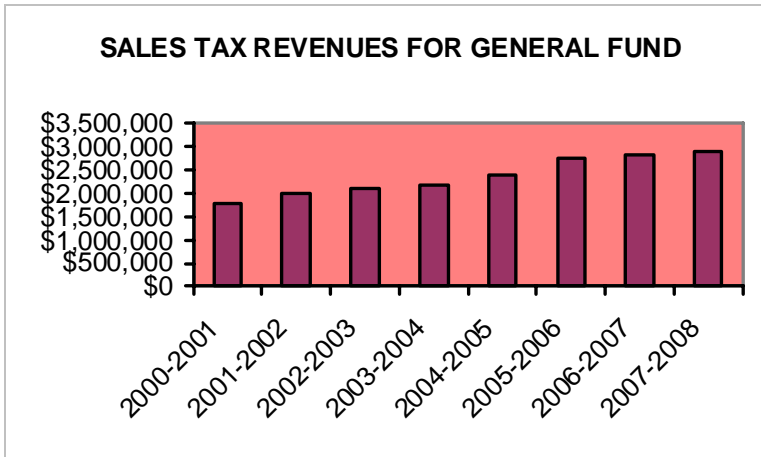
For the fiscal year 2007-2008, 69.9% of every Ad Valorem tax dollar goes to the General Fund operations. The remaining 30.1% goes to the payment of Debt Service obligations and related interests.



The certified tax roll for 2007-2008 is \$2,006,247,530. This is an increase of 6.84% from the 2006-2007 roll. This increase reflects the ongoing economic recovery and is the eleventh consecutive increase. The tax rate is reduced to \$0.6975 per \$100 valuation. Service delivery has not been impacted. In fact, new positions are added in fiscal year 2007-2008 to better serve the citizens of The Colony.

Sales taxes represent approximately 15.44% of the City's total income (excluding transfers in) in General Fund. The sales tax rate is 8.25% of taxable sales. The City receives 1% for its General

Fund, .5% for the Economic Development–4A Fund and .5% for the Community Development–4B Fund. The State keeps 6.25% and remits the City's share of sales tax to the City monthly.



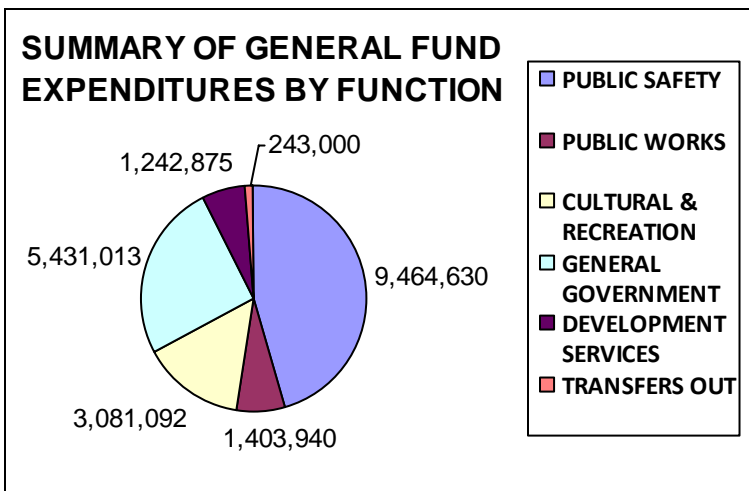
<u>YEAR</u>	<u>AMOUNT</u>	<u>% INCREASE</u>
2000-2001	\$1,766,598	18.25%
2001-2002	\$1,975,689	11.84%
2002-2003	\$2,085,561	5.56%
2003-2004	\$2,181,326	4.59%
2004-2005	\$2,399,776	10.01%
2005-2006	\$2,731,402	13.82%
2006-2007	\$2,810,000	2.88%
2007-2008	\$2,870,000	2.14%

The expanding local economy and the relocation of Edward Don and Company's regional distributing center have fueled the increase in sales tax revenues in the previous two years. Due to the uncertainty of consumer spending, sales tax is projected to increase modestly by \$60,000 in the General Fund and \$30,000 each in the 4A and 4B Funds.

Franchise taxes are projected to increase by 6.76% from the 2006-2007 revised budget. The electrical franchises and all other franchise revenues have increased slightly due to the expanding population and commercial base. New home building permit revenues are projected to rise from a revised \$50,000 in fiscal year 2006-2007 to \$235,000 because of increasing development at Wynwood, Cascades and Austin Ranch. Revenues in Fines and Forfeitures are projected to increase because of the addition of new patrol and traffic officers.

SHORT-TERM INITIATIVES AND EXPENDITURES

Expenditures for 2007-2008 are budgeted at \$20,865,550 or 4.57% over the 2006-2007 revised budget. The overall emphases in the budget are:



- 1) Adjust for salary increases.
- 2) Add eleven full-time positions, two part-time positions, and one upgrade to better serve the growing community.
- 3) Expend \$350,000 capital improvements.
- 4) Increase spending in energy related costs.

NON-DEPARTMENTAL

Non-departmental is a special cost center which is being utilized in the 2007-2008 budget in an effort to pool several costs belonging to all departments. The expenditures included legal fees, water service, electricity, worker's compensation insurance, unemployment compensation, and general liability insurance.

CITY COUNCIL

The City Council makes policies and gives direction to the City Manager to serve the citizens. This department includes City Council expenditures and \$5,000 grants to provide financial assistance for charitable organization.

GENERAL ADMINISTRATION

The City Manager oversees the operation of the city. This office provides leadership to ensure that mission, goals and objectives are met.

DEVELOPMENT SERVICES

The Development Services Department oversees the duties of Planning, Building Inspections, Health Inspections, and Code Enforcement. A Code Enforcement Officer position is added to enforce code enforcement activities.

CITY SECRETARY

The City Secretary is appointed by the Council and works closely with the Mayor and the Council.

HUMAN RESOURCES

The Human Resources Department continues to emphasize citywide training for all levels of staff and personnel.

FINANCE

The Finance Department handles all financial function for the City, including accounting, investment, debt management, purchasing, budgeting and coordinating annual audits.

INFORMATION TECHNOLOGY

The Information Technology Department assists in the broadcasting of Council and Zoning and Planning Commission meetings over the Internet. The Department has stabilized the IT architecture in the City. The department is investigating implementing a wireless mesh to cover the entire city.

MUNICIPAL COURT

The Municipal Court began accepting payments on line over the Internet in fiscal year 2004-2005. Increased funding for the prosecutor and municipal judge is provided to add additional court dates. A part-time position is upgraded to a full-time position to better serve the customers.

PARKS & RECREATION

Full year funding and staffing needs are provided for the operation of the city parks and recreation center. Various other capital improvements are budgeted to improve the parks and recreation system. One new position is added to serve the citizens of The Colony. There are \$171,000 budgeted to improve City parks, vehicles and equipment.

AQUATIC PARK

The Aquatic Park offers a number of activities for its customers. The Spray Park is a favorite destination for children. The budget provides funding to replace security cameras to improve safety and safeguard assets in the pool area. Continuous funding is provided for the efficient operation of the park.

ENGINEERING

The Engineering Department supervises City Engineers, Engineering Inspections, Storm Water Utility and Capital Projects Administration. 50% of the director's salary is funded in the Utility Fund. Part-time Engineering and GIS Interns are included in the budget to help with the increasing development activities.

FIRE

The Fire budget maintains full funding of all authorized positions. The Fire Department has opened a new fire station to serve the northern and western part of the City. Hiring of three additional firefighters/paramedics is approved in fiscal year 2007-2008 to adequately staff the new fire station.

POLICE

Full year funding of two patrol officers, two traffic officers and one warrant officer is approved thus providing some coverage for Wynnwood Peninsula. Architectural and engineering designs for the expansion of jail and police/municipal court buildings are approved during the budget process, thus improving effective service deliveries.

LIBRARY

A full-time Electronic Resources Librarian is added to allow for enhanced electronic related service and ease the physical limitation of the library.

PUBLIC WORKS

Continuing street and drainage repairs are emphasized in the 2007-2008 budget. Funding for street maintenance remains at \$245,000.

RESERVES

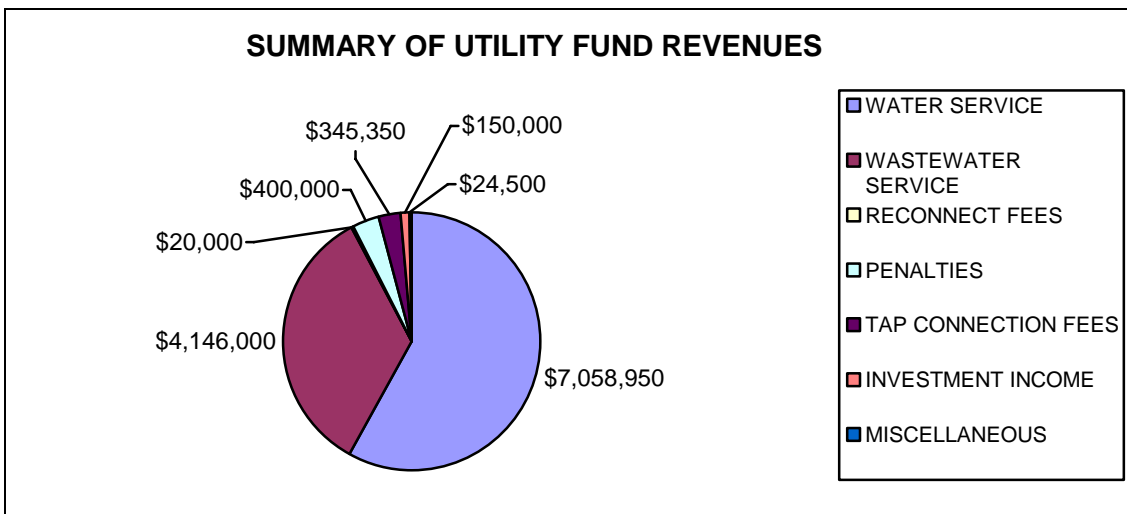
The unreserved and undesignated Fund Balance for the General Fund is budgeted to be \$3,764,661. A one-time capital expenditure of \$350,000 was approved resulting in the draw-down of the fund balance. The balance represents 66 days of Fund Balance or approximately 18.04% of the total annual expenditures. The City has set its goal at sixty (60) days per the City's financial management policies.

UTILITY FUND

The Utility Fund is a proprietary fund, more specifically an enterprise fund. This fund is established to separately account for water and wastewater services.

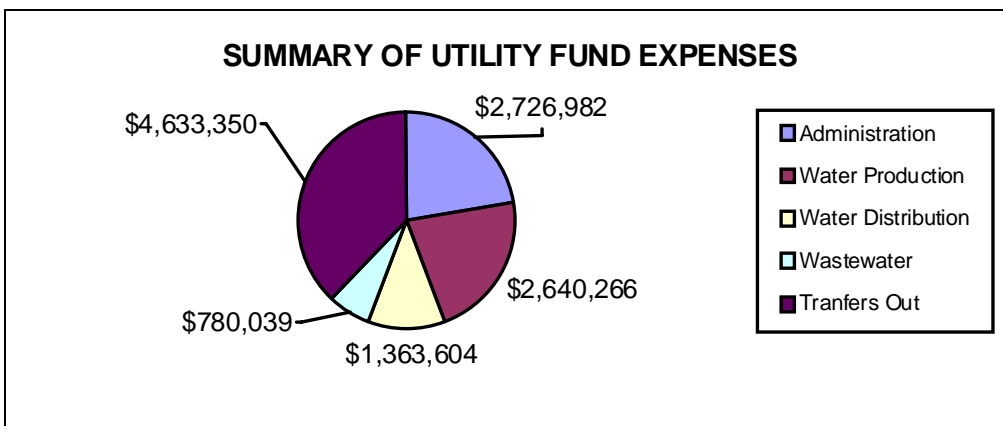
REVENUES

The Utility Fund revenues are budgeted at \$12,144,800 or a 13.45% increase from the revised 2006-2007 budget. There was a mid-year downward projection of water revenues for fiscal year 2006-2007 due to a wet and mild spring and summer. This revenue projection also includes a rate increase of 6.5% as of October 1, 2007. Water sales account for 58.12%, wastewater services account for 34.14%, and interest and others account for 7.74% of all Utility Fund revenues. The wastewater services are typically based on a three-month winter average of water usage. Tap connection fee revenues rise from \$12,000 to \$345,350 because of implementation of new and increased fees.



SHORT-TERM INITIATIVES AND EXPENSES

Expenses for the Utility Fund are proposed at \$7,510,891 and \$4,633,350 of transfers out. This total cost of \$12,144,241 is a 10.65% increase in expenses from 2006-2007 revised budget. This is largely attributed to the increase in personnel costs with one new position added to adequately staff the operating departments and cost of living adjustment of 3%. Energy related expenses have also increased because of rising oil prices.



NON-DEPARTMENTAL

Identical to the General Fund, this cost center is set up to pool various costs associated throughout the Fund. This cost center includes electricity, workman's compensation insurance, unemployment compensation, and general liability insurance. The budget for electricity has increased by \$145,709 from fiscal year 2006-2007 original budget because of the drastic increase in energy related costs.

WATER PRODUCTION

Completion of the 3 million-gallon water tank and the construction of two wells at Austin Ranch and Wynwood Peninsula will assure adequate water supply. Dallas Water Utilities has decreased its volume rate by 4.2% and increased the demand charge by 2.9 percent. The budget adequately provides funding for this water purchase.

WATER DISTRIBUTION

A progressive water meter and box replacement program continues in fiscal year 2007-2008. Funding is available from past years. The City has an interlocal agreement with the City of Carrollton to install a water main which will save millions in construction cost and right-of-way/easement cost. This additional access to water plus two future wells will take care of the City's water needs through final build-out.

WASTEWATER

This department has an ongoing sludge disposal operation. Construction is completed to expand the capacity of treating wastewater and upgrading the plant to meet the Texas Commission of Environmental Quality regulations. These improvements add more efficiency to this cost center.

UTILITY ADMINISTRATION

This department continues to handle all billing and collection services for the Utility Fund.

PAYROLL ADMINISTRATION

For fiscal year 2007-2008 sufficient funding was budgeted to continue the processing of payroll.

PUBLIC WORKS ADMINISTRATION

This cost center was newly created in the 1995-1996 budget year to better segregate the administrative cost for Public Works area.

FACILITIES MAINTENANCE

Created in the year 1995-1996, this cost center centralizes the City's entire facilities maintenance cost in the Utility Fund. Three full-time positions are included.

RESERVES

The Utility Fund is projected to end the fiscal year at \$2,390,228. This amount reflects the desired 72 days of operating funds for emergency and cash needs. All Debt Service reserve requirements are being met and bond coverage rates are exceeded.

DEBT SERVICE FUNDS

The City budgets for debt services in three funds: General Debt Service Fund, Utility Tax Supported Debt Service Fund, and Revenue Bond Debt Service Fund. While some of these funds are consolidated for financial reporting purposes, they are isolated and budgeted separately.

All taxable property within the City is subject to the assessment of levy and collection by the City of a continuing direct annual Ad Valorem tax, sufficient to provide for the payment of principal and interests on all Ad Valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum Ad Valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which adopts the constitutional provisions.

The adopted tax rate is \$.6975 per \$100 assessed valuation of which \$.2100 is set-aside for debt obligation. Although the State allows the rate to go higher, the State Attorney General's Office will not allow the rate to go higher than \$1.50, unless under appropriate extreme circumstances.

GENERAL DEBT SERVICE

General Debt Service expenditures are budgeted at \$5,132,677 compared to \$4,491,125 in the prior year. This increase is generated mainly from the \$6.5 million Certificates of Obligation issued in the summer of 2007, for streets, fire station and other infrastructure, and \$750,000 5 year notes for equipment, vehicles, computer hardware and software. A tax rate increase is not anticipated with these sales. Revenues will be derived from 30.11% of the \$.6975 tax rate. This rate will generate \$4,213,120 of tax revenue. \$545,011 is reserved for payment of the 4B Corporation.

UTILITY TAX SUPPORTED DEBT SERVICE

Utility Tax Supported Debt Service expenditures are budgeted at \$1,615,174 compared to \$3,049,833 in the prior year. Revenues will be principally derived from a transfer of \$1,601,050 from the Utility Fund.

The decrease in debt service payment is due to the final payment of the Municipal Utility District (MUD) debt maturing in August, 2007. Other debt service payment increases by \$595,938 due to the issuance of \$7.5 million Certificates of Obligation in August 2007 for water and wastewater infrastructure.

REVENUE BOND DEBT SERVICE FUND

The City is currently making payments for a \$1.150 million State Revolving Fund loan made in 1991. Revenues are generated to pay this debt by direct fees charged to the residents of the City. The City has also entered into an agreement with the Texas Water Development Board for \$1,000,000 in debt for wastewater improvements. This agreement took place in October 1995 and is scheduled to be paid off in 10 years.

The City also entered into an agreement with the Texas Water Development Board for issuing \$810,000 (Series-A) and \$515,000 of revenue bonds, (Series-B) in October 1996 and September 1996. The \$810,000 was for wastewater improvements, and the \$515,000 was for waterline and sewer line replacements. The payment for both of these amounts, as well as the \$1,000,000 mentioned above, has been taken care of by raising the State Revolving Fund charge from \$ 1.27 per month to \$ 2.92 per month.

In January of 1998, the City sold \$3,105,000 of Revenue Bonds for two water towers, and water and sewer line improvements in the Eastvale section. These bonds are for 20 years and supplied the needed funding for increasing water demands for the City for the next few years.

Both the State Revolving Fund and the \$515,000 revenue bonds, (Series-B) requires the City to set up a reserve for these obligations. The City has opted to set up the entire reserve of \$301,147 as restricted funds as of September 30, 1996. With the addition of the \$3,105,000 in 1998, the reserve was raised to \$468,091, which continues to be totally funded.

In August of 2004, the City issued \$19,315,000 Water and Sewer System Revenue Bonds to pay for the additions, improvements, and extensions of the City's waterworks and sewer system including the expansion of the sewer treatment plant, two water wells, ground storage tank, water lines and bond reserve fund of \$1,382,287.03. The bond reserve fund is deposited into its own separate account at LOGIC.

Debt service payments of the \$19,315,000 Water and Sewer System Revenue Bonds are structured in such a way that only interest is paid from fiscal year 2004-2005 to 2006-2007 since the MUD debt will be paid off on August 1, 2007. This will free up \$2.625 million to pay for the principal and interest of the 2004 Revenue Bonds. The budgeted revenues for 2007-2008 are at \$2,442,000 with transfers in from impact fees of \$622,000 and from Utility Operating fund of \$1,350,000. Collection of State Revolving Fund charge and investment income makes up the remaining revenues.

OTHER FUNDS

FLEET SERVICES FUND

This cost center was established in 1998 as its own fund identified as an Internal Service Fund. Vehicle maintenance and repairs are included in this cost center. All departments utilizing this service are allocated a vehicle maintenance charge. In fiscal year 2007-2008 charges to Utility Fund are increased by \$35,000 due to an increase in the number of fleet serviced by the shop. The budget includes the addition of an emergency vehicle technician to primarily work on emergency response vehicles and free up time of other mechanics to work on other vehicles/equipment.

PARK FUNDS

The budgeted expenditures for Lake Parks Fund are \$232,741 for 2007-2008 and the projected fund balance is \$20,410. More aggressive marketing efforts will be employed to increase attendance. There is a budgeted transfer of \$35,000 to General Fund for maintenance and administrative services provided by personnel in the General Fund. Hidden Cove Park, although establishing a surplus Fund balance in 1994-1995, has gone into a deficit since the 1996 budget year. The City has attempted to curtail this deficit by transferring supplemental funds of \$110,000 from the General Fund in 2002-2003, 130,000 for the 2003-2004 budget year and \$27,500 for the 2004-2005 budget year. The General Fund has designated \$398,000 in its fund balance to fund the deficit. Operations of the Hidden Cove Park were outsourced as of January 1, 2005. Marine Quest, the company that operates the park, is providing \$50,000 a year to the city as annual rentals. The \$50,000 is recorded as revenues in the Hidden Cove Park Fund and transferred to the General Fund to repay the advances for subsidizing the park operations in the past years.

ECONOMIC/COMMUNITY DEVELOPMENT 4A AND 4B FUNDS

On January 17, 1998, the voters of the City of The Colony approved two half-cent sales taxes to promote economic development. Two funds, The Colony Economic Development 4A Fund and The Colony Community Development 4B Fund were established to account for the two half-cent sales taxes. Both funds have budgeted revenues of \$1,400,000 sales tax receipts for fiscal year 2007-2008.

The Colony Economic Development 4A Fund has set aside \$1,620,000 in fiscal year 2007-2008 for economic development incentives to lure corporate citizens relocating to the City. An economic director and an economic development specialist are paid out of this fund. The fund is also paying a debt service of \$179,079 to the General Debt Service Fund for \$2,850,000 incentives to the Cascades development.

The Colony Community Development is paying for the Five Star Community Complex debt services and other projects approved by its Board. The assistant parks and recreation director is paid out of this fund. The total budget is \$1,734,345 for fiscal year 2007-2008. The fund includes \$300,000 for park improvements, \$175,000 for hike and bike trails, and \$250,000 in contingency. There is a transfer to General Fund for positions partially funded by the 4B Fund and partial repayment for funds fronted by General Fund for the Hawaiian Falls parking lot expansion.

STORM WATER UTILITY FUND

The Storm Water Utility Fund was established in fiscal year 2003-2004 to account for storm drainage management pursuant to the Texas Commission on Environmental Quality. The Council approved a loan of \$143,995 from General Fund in fiscal year 2003-2004 to fund cost of service study by outside consultants. In fiscal year 2005-2006, an additional loan of \$115,183 was advanced from the General Fund for engineering services. The loans are supposed to be repaid by revenues collected from a monthly fee charged to residential (\$2.50 per month) and commercial units (based on impervious area). The Fund is paying 50% of a senior engineer, 10% of an administrative assistant, a street sweeper, and three maintenance workers. The Storm Water Utility Fund is transferring \$94,000 to the General Fund to repay the cost of service study and engineering service loans. \$20,000 is transferred to the Environmental Fund for the household hazardous waste disposal program. The budget includes \$6,000 for a new intern position. The ending fund balance on September 30, 2008 is estimated to be \$760.

OTHER SPECIAL FUNDS

An Environmental Fund has been established to handle the City's recycling program, which has been very successful. A full-time regular position is being funded from this project along with various expenses dealing with recycling education. Revenues applied to this fund will be from recycling charges and any grant revenues awarded to the City. There is a budgeted transfer of \$44,000 from the General Fund and \$20,000 from the Storm Water Utility Fund for the household hazardous waste disposal program in 2007-2008.

The Hotel/Motel Tax Fund was established in fiscal year 1998-1999. The City collects 7% hotel/motel occupancy tax. There is \$190,000 budgeted as contingencies in fiscal year 2007-2008 to pay for programs to promote tourism when needed. \$100,000 is transferred to Special Events Fund for attracting tourists for July 4th and Christmas celebrations and to fund part of a new Special Events Coordinator's position. \$23,000 is transferred to the Community Center Fund for operation and capital needs. \$11,000 is transferred to General Fund for overtime incurred during the July 4th event.

The Engineering Inspections Fund was created to account for inspection fee revenues and expenditures. The Fund has four inspector positions authorized, but only three inspectors are budgeted for fiscal year 2007-2008 with one inspector being paid out of the Capital Projects Administration Fund. When development starts to pick up, the position may be filled to handle the additional workload. Funding is from inspection fees of \$174,000. The ending fund balance as of September 30, 2008 is estimated to be \$73,459.

The Capital Projects Administration Fund was created in fiscal year 2003-2004 to simplify the accounting of engineering personnel. Revenues are transferred from the Bond Funds to fund an inspector (100%), Lead Inspector (100%), Customer Service Representative (\$100%), Engineer (100%), Senior Engineer (50%) and an Administrative Assistant (90%). The total budgeted expenditures are \$380,808 for fiscal year 2007-2008.

Special Events Fund provides residents with activities to celebrate July 4th and Christmas. Funding is from donations, transfers from General Fund of \$13,000 and Hotel/Motel Tax Funds of \$100,000. Total budgeted expenditures for fiscal year 2007-2008 are \$135,882. A Special Events Coordinator is funded partly by General Fund. The ending fund balance is estimated to be \$82,677 for fiscal year 2007-2008.

The Community Center Fund was created for fiscal year 2005-2006 to account for the revenues and expenditures of operating a Community Center. The personnel expenses are funded by a transfer of \$23,000 from Hotel/Motel Tax Fund and \$86,000 from General Fund. The fund employs one full-time staff and three part-time personnel.

ACTIVITY ENHANCEMENTS

The schedules on page 378 includes the approved enhancements (vehicles and other equipment), totaling \$2,040,000. The enhancements are financed by the 2007 Certificates of Obligation and General Fund fund balance.

Eleven new full-time positions are added to the operating budgets of the General Fund to increase support and provide excellent customer service to our citizens. One new position is added to the Utility Fund to adequately staff the utility operations.

STRATEGIC AND LONG-RANGE PLANNING

The City has entered into a higher phase of planning for the near future and beyond, starting in early part of 1998 and continuing into the present. All departments provide five-year forecasts of projected goals, enhancements, and capital needs. The purpose is to start strategically planning for growth in the City's operational and capital budgets.

The strategic planning includes long-range mission statements as well as major future goals and anticipated programs. These include extra personnel needs, extra operational expenses, and tie to a long-range capital improvement program, which includes future capital projects.

This phase of planning allows the City to start focusing further into the future than one year at a time during the budget process. This process also formalizes the City's long-term policies and goals.

The strategic plan outlines the personnel and capital needs and is presented to Council before presentation of the operating budget. Based on the strategic plan, priorities are set in establishing the service level to the needs of the citizens. The operating budget incorporates the new or enhanced programs in financial terms with added personnel and capital outlays developed in the strategic plan.

The schedules on pages 30-38 outline each department's request for capital improvements and personnel positions. This outline is for the current and the next five years and will be updated annually for modifications and changes. Information from this planning device will be used for budget purposes and future bond issues.

The first schedule, pages 30-34, summarizes the City of the Colony Improvements Program Requests Summary by fund and by department for each year. A total breakdown of dollars is accumulated at the end of the schedule by fund and by year.

The second schedule, pages 35-38, summarizes the City of the Colony Personnel Requests Summary by fund and by department for each year. A total breakdown of positions and dollars are accumulated at the end of the schedule by fund and by year.

In fiscal year 2002-2003, the City implemented performance measurements to better gauge management effectiveness and public accountability. Performance measurements help the City to allocate resources in support of organization goals, objectives, and service level.

Periodic reports are produced to compare actual results to performance goals. Significant deviations from performance goals are researched and explained. Management believes that aligning performance measurements with the budget process will assist in decision-making and improve service deliveries.