

Statistical Analysis of the FY 2001-2002 Annual Budget By Fund Type

This executive summary recaps the most significant factors included in the annual budget: revenue assumptions; major initiatives; a reserve analysis; and a fund-by-fund and category synopsis of expenditures. Please note that any references to comparative increases or decreases are based on projections for FY 2000-2001.

GENERAL FUND

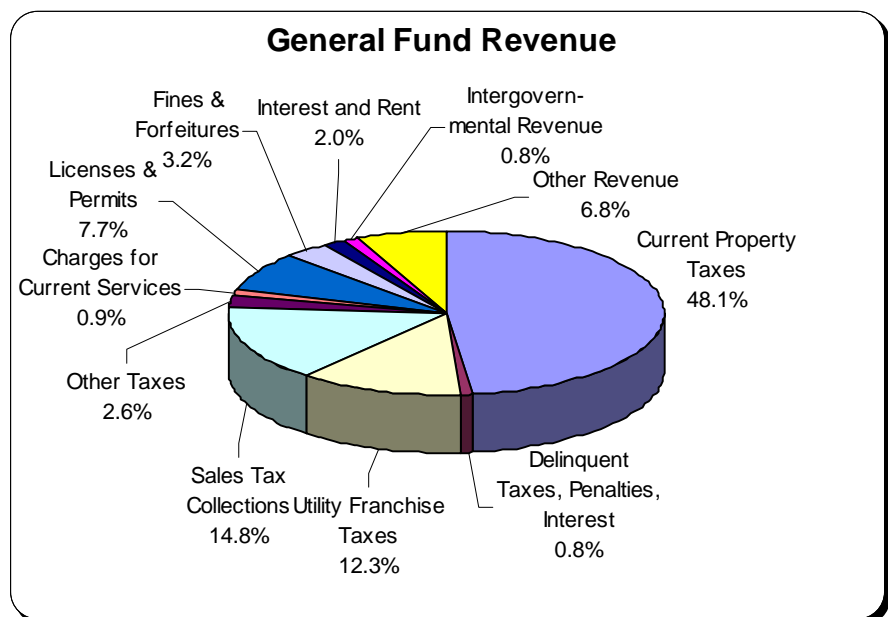
The General Fund is the general operating fund of the Town and is used to account for all transactions and operations of governmental units which are not accounted for in another fund and/or which are financed from taxes or other general revenues.

Revenue Assumptions:

The budget document assumes a cautious approach in dealing with revenues, especially growth-oriented revenues. Proposed revenues for FY 2001-2002 assume an overall growth of 10.70 percent over FY 2000-2001 projections. The revenue projections are net of changes in certain revenue categories. Funding of the Town's General Fund operations is derived from eleven (11) major revenue categories. Each of these categories is detailed below with a brief description of how internal and external factors affect revenue amounts and how amounts differ from the prior year.

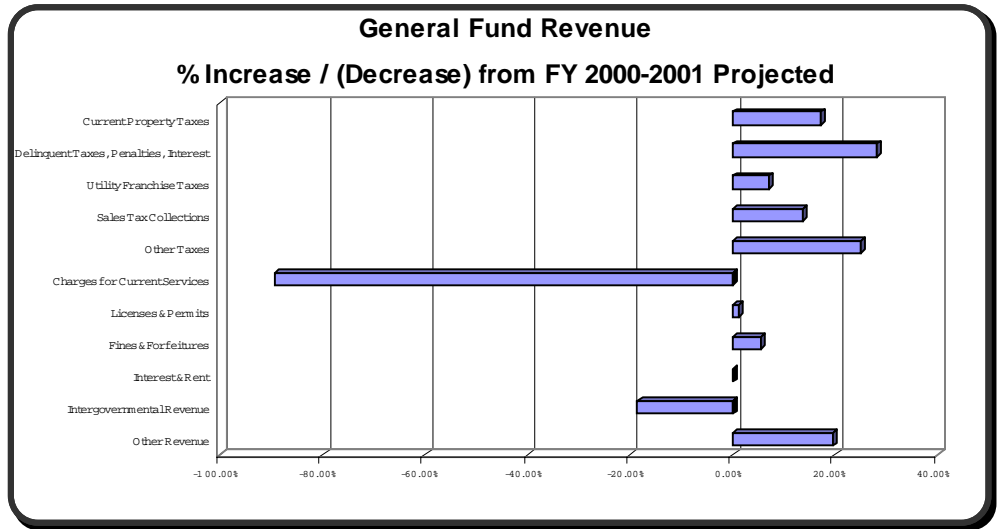
Current Property Taxes: \$12,787,358 (up \$1,872,384 or 17.15 percent)

The largest revenue source of the General Fund is the ad valorem tax (property tax). Property taxes are levied each October 1 on the assessed value listed as of the prior January 1, for all real and personal property located within the Town. Assessed values represent the appraised value less applicable exemptions authorized by the Town Council. Appraised values are established by the Denton Central Appraisal District at 100 percent of estimated market values. Current Property Taxes account for 48.13 percent of all General Fund revenues.

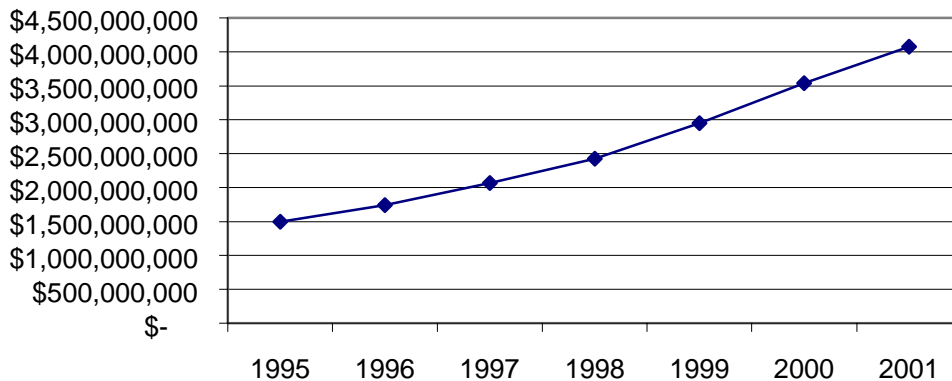


Taxes are levied October 1, immediately following the January 1 lien date, and are delinquent after the following January 31.

Certified property valuations provided by the Denton Central Appraisal District totaled \$4,076,122,284 for 2001, an increase of \$536,474,448 over the 2000 certified tax roll. The certified tax roll is reflective of all taxable property in the Town as of January 1, 2001.



Taxable Assessed Value



Delinquent Property Taxes, Penalties and Interest: \$210,669 (up \$46,243 or 28.12 percent)

Delinquent taxes may be subject to a 12 percent penalty and 12 percent interest rate per annum according to Texas State law. Taxes are due on receipt and delinquent on February 1 of the year following the year in which imposed. Delinquent taxes incur a penalty and accrue interest for each month the taxes remain unpaid. Delinquent Taxes, Penalties, and Interest account for 0.79 percent of all General Fund revenues.

Over the last seven years, the attorney representing the Town of Flower Mound in the legal enforcement of delinquent property tax collections has consistently maintained the highest levels of collection in this County and the North Texas region. The Town’s current delinquent tax collection rate is predicted to decrease slightly due to the compliance of residents who now pay property taxes in the time allowed. Within the past

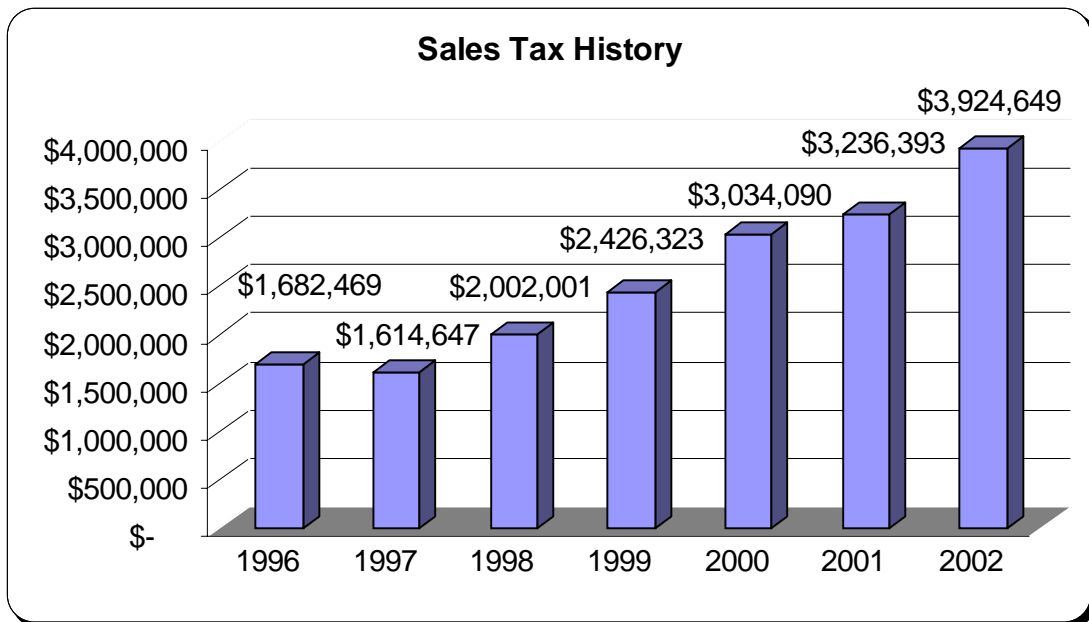
four years, the ratio of accumulated delinquent taxes to current levy has decreased significantly.

Utility Franchise Taxes: \$3,277,246 (up \$214,315 or 7.00 percent)

Franchise taxes represent those revenues collected from utilities operating within the Town (GTE, Trinity Waste Services, Southwestern Bell Telephone, TXU {Gas and Electric}, CoServe {electric, gas, cable and phone}, Verizon, AT & T Broadband Cable, and the Town's Utility Fund) that use the Town rights-of-way to conduct their business. Anticipated increases in Flower Mound's Utility Fund franchise fees are based on projected population growth and commercial development. Franchise taxes have experienced steady growth over the past several years. The FY 2001-2002 projection is based on a three-year trend analysis of collections. Utility Franchise Fees account for 12.31 percent of all General Fund revenues.

Sales Tax Collections: \$3,924,649 (up \$473,649 or 13.72 percent)

The sales tax increase is consistent with the Town's past experience of steady and strong growth every year. As economic development initiatives produce a greater diversification in the Town's tax base (new commercial retail sales), it is anticipated that sales and use taxes will continue to increase. Sales tax receipts are the result of a tax levy on the sale of goods and services within the Town as authorized by the State of Texas. The maximum sales tax allowed in the Town of Flower Mound is seven and one-quarter cents per dollar (\$0.0725) on all goods and services deemed taxable. Sales and use taxes constitute the second largest revenue source for the General Fund. This revenue source accounts for 14.77 percent of all General Fund revenues.



Other Taxes: \$683,705 (up \$136,630 or 24.97 percent)

Two different revenue sources make up the Other Taxes category: Payment-in-lieu of taxes (PILOT) and liquor taxes.

The PILOT is composed of payments made by the Utility Fund to General Fund in lieu of paying ad valorem property taxes. FY 1998-99 was the first time the Town budgeted for this revenue. The PILOT calculation for the Utility Fund is based on the ad valorem property tax rate for the upcoming fiscal year multiplied times \$100 per assessed value of the Utility Fund's real property at 100 percent assessment ratio. The FY 2001-2002 PILOT projection reflects a 25.88 percent increase from the previous year.

Alcoholic beverage taxes are the result of mixed beverage sales and private club registrations. The state statutes levy a tax of 14 percent on the gross receipts from the sale of mixed beverages in Texas. Each city and county is entitled to receive an allocation of 10.7143 percent. The FY 2001-2002 projections are based on three-year trend analysis of collections. Other Taxes accounts for 2.57 percent of all General Fund revenues.

Charges for Current Services: \$235,000 (down \$1,993,440 or -89.45 percent)

This revenue category accounts for funds earned by the Town in exchange for specific types of services provided. Examples of services include zoning and platting fees, and inspection fees. Prior to FY 2001-2002, Solid Waste fees were collected as a Charge for Current Services, however this fee has been taken out of this revenue line item and is accounted for in a liability account to more accurately reflect the Town's operating activities. Conservative revenue projections are presented due to the SMARTGrowth Program. Charges for Current Services account for .88 percent of General Fund revenues.

Licenses and Permits: \$2,051,000 (up \$25,044 or 1.24 percent)

This revenue category includes license and permit revenue fees charged by the Town for certain types of operator licenses and permits for construction and other items regulated by Town ordinances. Building activity is expected to remain relatively stable throughout FY 2001-2002. Licenses and Permits account for 7.72 percent of all General Fund revenues.

Fines and Forfeitures: \$863,740 (up \$45,671 or 5.58 percent)

Fines and forfeitures represent revenue generated from the municipal court and other punitive actions such as animal control fees and library fines. Fines and forfeitures are anticipated to be above prior years because the Town has increased operating efficiency, initiated an aggressive traffic enforcement program, and increased staff. This revenue source accounts for 3.25 percent of General Fund revenues.

Interest and Rent: \$508,826 (down \$717 or -.14 percent)

The Town has embarked on a more aggressive plan to invest funds with no increased risk to the Town. Interest income is therefore projected to increase slightly. Interest and Rent revenues for next year are conservatively budgeted and account for 1.92 percent of General Fund revenues.

Intergovernmental Revenue: \$227,976 (down \$51,718 or -18.49 percent)

Intergovernmental revenues are the result of contracts with Denton County for the provision of library, fire, and ambulance services to the unincorporated areas of the county, and with Lewisville I.S.D., for one-half of the cost for three School Resource Officers. Intergovernmental Revenue accounts for 0.86 percent of General Fund revenues.

Other Revenue: \$1,806,487 (up \$296,943 or 19.67 percent)

The remaining revenue sources in the General Fund include sale of equipment, contractual income, and interfund transfers. An administrative transfer was budgeted to offset the cost of service the General Fund provided the Utility Fund in FY 2000-2001. This practice will continue in FY 2001-2002. Other Revenue accounts for 6.80 percent of General Fund revenues.

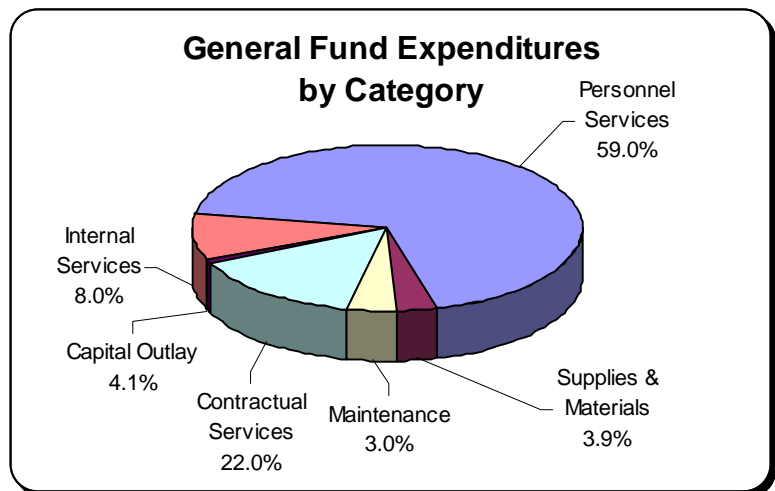
Expenditure Synopsis:

Personnel Services Costs: \$17,980,342 (up \$2,432,052 or 15.64 percent)

As the single largest expenditure category, personnel expenses account for 68.06 percent of General Fund expenditures. Increases in FY 2001-2002 are due to salaries, wages, merit increases, and fringe benefit costs. In FY 2001-2002, an additional 14.0 full time equivalent (FTE) positions are approved for funding.

Supplies and Materials: \$929,841 (down \$42,484 or -4.37 percent)

These object classifications are for expendable materials and operating supplies necessary to conduct departmental activities. Expenditures within this classification account for 3.52 percent of all General Fund expenditures.



Maintenance of Buildings, Structures, Land, and Improvements; Equipment and Machinery:
\$1,075,710 (up \$287,761 or 36.52 percent)

These object classifications are for expendable upkeep of physical properties in condition for use or occupancy and tangible property of a more or less permanent nature which is used in carrying out operations. Expenditures within these classifications account for 4.07 percent of all General Fund expenditures.

Contractual Services and Capital Outlay: \$4,121,946 (down \$2,837,158 or -40.77 percent)

These object classifications are for obligations resulting in services rendered to Town activities by either private firms or other Town departments, along with large expenditures which result in either the acquisition of fixed assets or property with a life expectancy of longer than one year. Expenditures within these classifications account for 15.53 percent of all General Fund expenditures.

Internal Services: \$2,351,235 (up \$216,037 or 10.12 percent)

These object classifications are for costs associated with services provided by the Internal Services Department (i.e. Information Technology, Facilities Management, and Purchasing and General Services Divisions) to all other divisions within the Town. Expenditures within these classifications account for 8.89 percent of all General Fund expenditures. Fleet Services and materials Management has been approved to add to this Department and will provide service and maintenance for the Town's Fleet, including vehicle and/or equipment acquisition and disposal.

Community Support: \$129,602 (up \$6,709 or 5.46 percent)

The Community Support Division accounts for all activities, programs, and services provided by various community organizations to the citizens of Flower Mound. The Town Council approved a total of \$122,893 for these programs in FY 2000-2001, and has approved a total of \$129,602 for these organizations in FY 2001-2002. The number of agencies that sought funding this year increased slightly from FY 2000-2001.

The following is a list of agencies funded in previous years:

- Animal Rescue League
- Camp Summit, Inc.
- Child Net
- Chisholm Trail Retired and Senior Volunteer Program
- Denton County Children's Advocacy Center
- Denton County Friends of the Family, Inc.
- Dial-A-Ride – "City of Lewisville"
- Flower Mound Chamber of Commerce/Wildflower Festival
- Flower Mound Community Orchestra
- Flower Mound Humane Society

- Humane Society of Lewisville
- The Mound Foundation
- Pedi Place
- Youth and Family Counseling

ENTERPRISE FUND

Enterprise Funds are those that fully support their own administration, acquisition of facilities, operation, and maintenance through the collection of user charges such as the sale of water and sewer fees. The Town of Flower Mound operates one enterprise fund: the Utility Fund.

Revenue Assumptions:

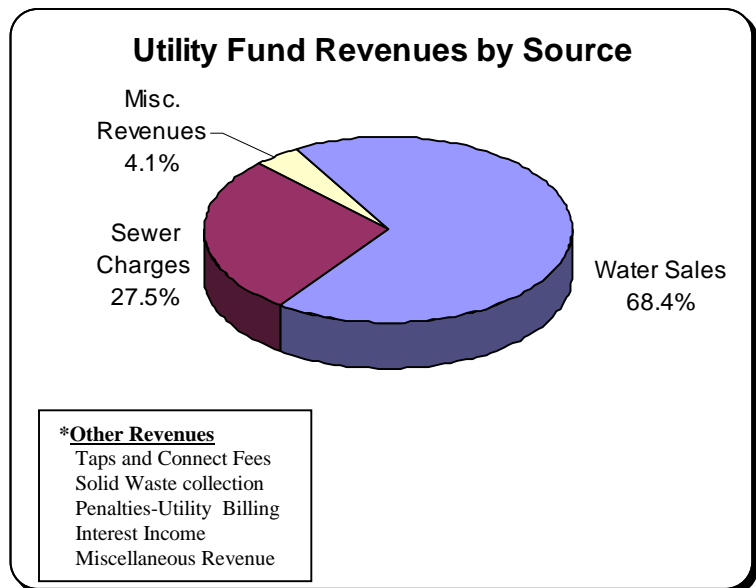
Utility Fund revenues are anticipated to increase as a result of the continuing growth of the Town. Proposed revenues for FY 2001-2002 assume an overall growth of 12.13 percent over FY 2000-2001. The Utility Fund derives its revenue from seven major sources: water sales; sewer charges; taps and connect fees; solid waste collections administrative fees; penalties-utility billing; interest income; and miscellaneous revenues (which includes sale of equipment and materials). The following is a brief description of how internal and external factors affect these revenue sources and how the estimated amounts differ from the previous year.

Water Sales: \$13,334,594 (up \$1,739,295 or 15.00 percent)

Residential growth is expected to average approximately 100 new households per month in FY 2001-2002. This represents the same growth rate as that in FY 2000-2001. Actual revenue in this category can vary substantially based on weather conditions. However, this revenue source has exhibited strong growth over the past several years.

Sewer Charges: \$5,360,836 (up \$487,349 or 10.00 percent)

Projections in this revenue category reflect the lower residential growth rates anticipated in FY 2001-2002. Sewer revenues are, however, derived from both residential and commercial usage.



Taps and Connect Fees: \$131,547 (down \$19,798 or -13.08 percent)

This conservative projection is partly attributable to the potential effects of the Town's SMARTGrowth Plan. This revenue source has exceeded projections over the past several years.

Solid Waste Collection: \$74,859 (up \$2,802 or 3.89 percent)

This revenue source is projected to increase slightly over FY 2000-2001 revenues.

Penalties-Utility Billing: \$190,922 (up \$3,560 or 1.90 percent)

The implementation of a sixth utility billing cycle in FY 1999-2000 has further reduced the number of late payments; residents currently have five to ten additional days to pay their water bill. The Town historically has had a very low rate of bad debt.

Interest and Rent Income: \$323,543 (down \$153,779 or -32.22 percent)

Interest income is budgeted to increase as a result of an increased availability of funds for investment. Staff continues to move ahead on the proposed expansion of the investment policy, which includes more investment instruments such as pools and agencies.

Other Revenues: \$74,555 (up \$49,555 or 198.22 percent)

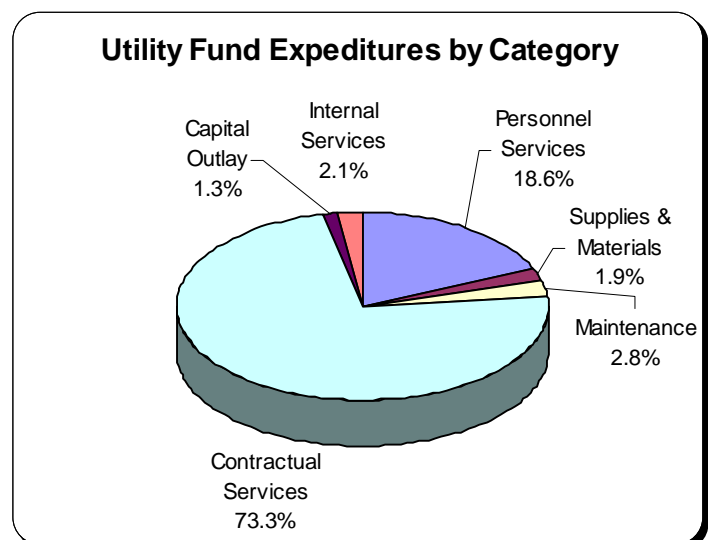
This revenue category includes sales of equipment and other miscellaneous revenues, including copies of maps, videos, newcomers lists, plats, and street signs. It is always difficult to accurately predict the number of requests that will be received for these items. The projection anticipates a limited number of sales of obsolete equipment in FY 2001-2002.

Expenditure Synopsis:

Personnel Services: \$3,581,341 (up \$1,013,554 or 39.47 percent)

Personnel services is the second largest expenditure category in the Utility Fund, and it accounts for 18.69 percent of the total Utility Fund budget. Increases in FY 2001-2002 are due to salaries, wages, merit increases, and fringe benefit costs. In FY 2001-2002, ten new full-time-equivalent (FTE) positions are approved for funding.

Supplies and Materials: \$358,768 (up \$17,138 or 5.02 percent)



These object classifications are for expendable materials and operating supplies necessary to conduct departmental activities. The purchase of supplies and materials constitutes 1.87 percent of all Utility Fund expenditures.

Maintenance of Buildings, Structures, Land, and Improvements; Equipment and Machinery: \$529,095 (up \$44,581 or 9.20 percent)

These object classifications are for expendable upkeep of physical properties in condition for use or occupancy and tangible property of a more or less permanent nature, which is useful in carrying out operations. Expenditures within these classifications account for 2.75 percent of all Utility Fund expenditures.

Contractual Service and Capital Outlay: \$14,344,147 (up \$1,042,851 or 7.84 percent)

The largest expenditure category in the Utility Fund is contractual services, which accounts for 74.69 percent of the total Utility Fund budget. Conversely, capital outlays make up 1.30 percent and are the smallest category. The single largest budgeted expenditure is for water, which the Town purchases from Dallas Water Utilities and the Upper Trinity Regional Water District. The amount of water the Town will purchase in FY 2001-2002 is directly related to demand, contractual agreements with the above entities, and projected population growth.

Internal Services: \$406,905 (down \$28,430 or -6.53 percent)

These object classifications are for costs associated with services provided by the Internal Services Department (i.e. Information Technology, Facilities Management, and Purchasing and General Services Divisions) to all other divisions within the Town. Expenditures within these classifications account for 2.12 percent of all Utility Fund expenditures. Fleet Services and Materials Management has been approved to add to this Department and will provide service and maintenance for the Town's Fleet, including vehicle and/or equipment acquisition and disposal.

INTERNAL SERVICE FUNDS

These funds were new for FY 2000-2001, and include the Information Technology, Facilities Management and Purchasing and General Services Divisions. All divisions in the town are charged for services they receive from these divisions, and these new funds are fully supported by these internal charges. Fleet Services and Materials Management have been added to these funds and will provide service and maintenance for the Town's Fleet, including vehicle and/or equipment acquisition and disposal.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of special revenue sources other than expendable trusts or major capital projects. The Special Revenue Funds include, but are not limited to, the Town's Library Development Fund, Library Grants Fund, Park Development Fund, Parks and Recreation Special Activities Fund (the single largest user of the Special Revenue Funds), the Municipal Court Security Fund, Municipal Court Technology Fund, Police Block Grant Fund, and S.T.E.P. Grant Fund. Revenues from the Municipal Court Fund are security fees and court costs collected from defendants convicted at trial for a misdemeanor offense in a county court, court of law, or a district court. This fund is used only to finance security services for buildings housing a district, county, or municipal court.

GENERAL DEBT SERVICE FUND

The General Debt Service Fund provides the funds necessary to retire the outstanding tax-supported bonded indebtedness of the Town. Debt in this category primarily consists of general obligation bonds (GOs) and certificates of obligation (COs) that are used to pay the cost of various public improvements such as streets, land acquisitions, and the construction of facilities. Revenues are generated for the repayment of the bonds and certificates primarily through ad valorem property taxes.

As a continuance of the five-year capital improvement program (CIP), the Town issued COs for \$10,605,000 and \$1,160,000 in GOs on July 16, 2001. Proceeds from the sale of the certificates will be used to pay for the contractual obligations incurred for the construction of public works and the purchase of materials, supplies, equipment, and machinery for authorized needs and purposes, as follows:

- construction and improvement of streets throughout the Town, including traffic signalization and the acquisition of rights-of-way;
- construction and equipment of an operations and maintenance facility for the Town
- equipment, expansion and improvement of park and recreation facilities for the Town; including the acquisition of sites therefore; and
- to pay professional services rendered in connection therewith..

2001-2002 General Debt Service Revenues:

Property Taxes	\$5,180,712
Fund Balance	51,288
Interest Revenue	<u>101,707</u>
Total Revenues	\$5,333,707

2001-2002 General Debt Service Expenditures:

\$5,333,707

UTILITY DEBT SERVICE FUND

The Utility Debt Service Fund provides the funds necessary to retire the outstanding revenue-supported debt of the Town. Debt in this category consists of revenue-supported bonds that are used to pay the cost of

improvements to the Town's water and wastewater system, and is repaid with revenues collected from utility customers.

In an effort to extend and improve its water and wastewater system, the Town issued revenue bonds for \$22,210,000 on June 18, 2001.

2001-2002 Utility Debt Service Revenues:

Utility Revenues	\$3,754,058
Property Taxes	270,600
Interest Revenue	<u>57,266</u>
Total Revenues	\$4,081,924

2001-2002 Utility Debt Service Expenditures: \$4,036,016