

## Consolidated Budget Summary by Fund FY 2010-2011

	General Fund	Enterprise Funds	Internal Services Funds	Special Revenue Funds	General Debt Service	Total
<b>Revenues:</b>						
Property Taxes	\$ 21,572,847	\$ -	\$ -	\$ 1,233,051	\$ 8,403,258	\$ 31,209,156
Utility Franchise Taxes	4,369,292	-	-	-	-	4,369,292
Sales Tax Collections	6,657,230	-	-	6,590,660	-	13,247,890
Other Taxes	96,900	-	-	-	-	96,900
Charges for Current Services	2,143,210	31,895,990	-	181,000	-	34,220,200
Licenses and Permits	1,456,980	51,846	-	20,000	-	1,528,826
Fines and Forfeitures	1,504,276	-	-	95,000	-	1,599,276
Interest and Rentals	370,841	17,717	35,000	33,760	20,000	477,318
Intergovernmental Revenue	305,805	-	-	3,040,694	-	3,346,499
Other Revenue	2,395,840	231,761	7,435,157	32,900	-	10,095,658
<b>Total Revenues</b>	<b>\$ 40,873,221</b>	<b>\$ 32,197,314</b>	<b>\$ 7,470,157</b>	<b>\$ 11,227,065</b>	<b>\$ 8,423,258</b>	<b>\$ 100,191,015</b>
Beginning Fund Balances	7,256,155	3,187,647	6,471,824	4,736,502	510,560	22,162,688
<b>Total Available Resources</b>	<b>\$ 48,129,376</b>	<b>\$ 35,384,961</b>	<b>\$ 13,941,981</b>	<b>\$ 15,963,567</b>	<b>\$ 8,933,818</b>	<b>\$ 122,353,703</b>

	General Fund	Enterprise Funds	Internal Services Funds	Special Revenue Funds	General Debt Service	Total
<b>Expenditures:</b>						
General Government	\$ 11,227,656	\$ 8,277,644	\$ 7,939,425	\$ 2,948,696	\$ -	\$ 30,393,421
Public Safety	17,408,022	-	-	6,434,900	-	23,842,922
Community Development	1,517,215	179,946	-	426,811	-	2,123,972
Public Works	2,812,891	23,651,146	-	1,761,640	-	28,225,677
Culture and Recreation	7,790,965	-	-	2,033,990	-	9,824,955
Debt Service	-	-	-	-	8,411,870	8,411,870
<b>Total Expenditures</b>	<b>\$ 40,756,749</b>	<b>\$ 32,108,736</b>	<b>\$ 7,939,425</b>	<b>\$ 13,606,037</b>	<b>\$ 8,411,870</b>	<b>\$ 102,822,817</b>
Ending Fund Balances	7,372,627	3,276,225	6,002,556	2,357,530	521,948	19,530,886
<b>Total Fund Commitments/ Fund Balance</b>	<b>\$ 48,129,376</b>	<b>\$ 35,384,961</b>	<b>\$ 13,941,981</b>	<b>\$ 15,963,567</b>	<b>\$ 8,933,818</b>	<b>\$ 122,353,703</b>

## 3-Year Fund Summary

### Revenues

	FY 2008-2009 Actuals	FY 2009-2010 Revised Budget	FY 2009-2010 Estimates	FY 2010-2011 Budget
General Fund	\$ 40,479,455	\$ 40,957,204	\$ 40,167,136	\$ 40,873,221
Utility Fund	\$ 31,518,730	\$ 29,863,897	\$ 27,676,305	\$ 31,048,090
Stormwater Utility Fund	\$ 1,209,447	\$ 1,182,822	\$ 1,136,346	\$ 1,149,224
Internal Service Funds	\$ 6,845,554	\$ 7,364,095	\$ 6,570,839	\$ 7,470,157
Special Revenue Funds	\$ 9,293,506	\$ 11,516,907	\$ 12,113,052	\$ 11,227,065
General Debt Service	\$ 8,107,450	\$ 8,131,634	\$ 8,157,759	\$ 8,423,258
<b>Total Revenues</b>	<b>\$ 97,454,142</b>	<b>\$ 99,016,559</b>	<b>\$ 95,821,437</b>	<b>\$ 100,191,015</b>

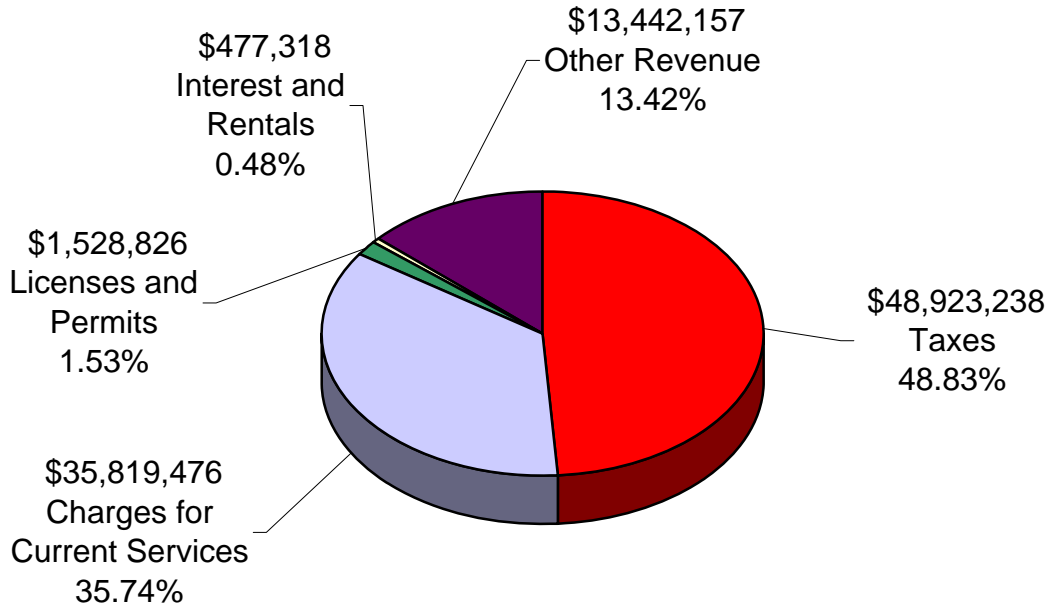
Note: Revenues are broken out by type on pages xxx

### Expenditures

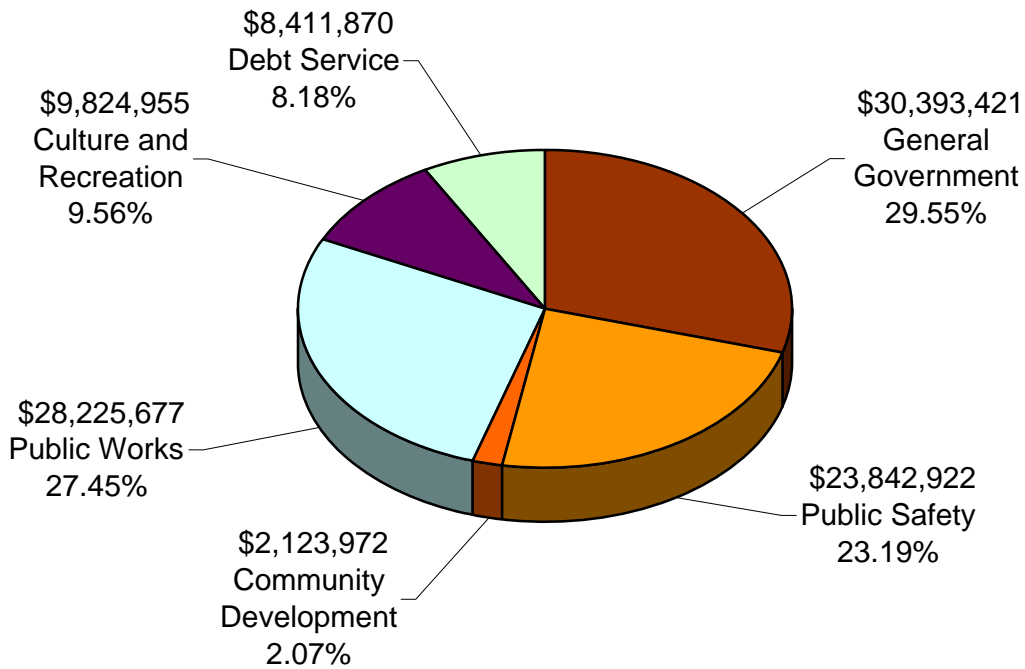
	FY 2008-2009 Actuals	FY 2009-2010 Revised Budget	FY 2009-2010 Estimates	FY 2010-2011 Budget
General Fund	\$ 40,372,174	\$ 41,079,650	\$ 40,906,911	\$ 40,756,749
Utility Fund	\$ 32,173,887	\$ 29,757,467	\$ 28,440,766	\$ 30,994,974
Stormwater Utility Fund	\$ 1,199,727	\$ 1,149,997	\$ 1,178,231	\$ 1,113,762
Internal Service Funds	\$ 6,037,231	\$ 7,452,082	\$ 7,061,128	\$ 7,939,425
Special Revenue Funds	\$ 6,127,612	\$ 15,022,425	\$ 14,648,554	\$ 13,606,037
General Debt Service	\$ 12,966,396	\$ 8,251,357	\$ 8,218,713	\$ 8,411,870
<b>Total Expenditures</b>	<b>\$ 98,877,027</b>	<b>\$ 102,712,978</b>	<b>\$ 100,454,303</b>	<b>\$ 102,822,817</b>

Note: Expenditures are broken out by category on pages xxx

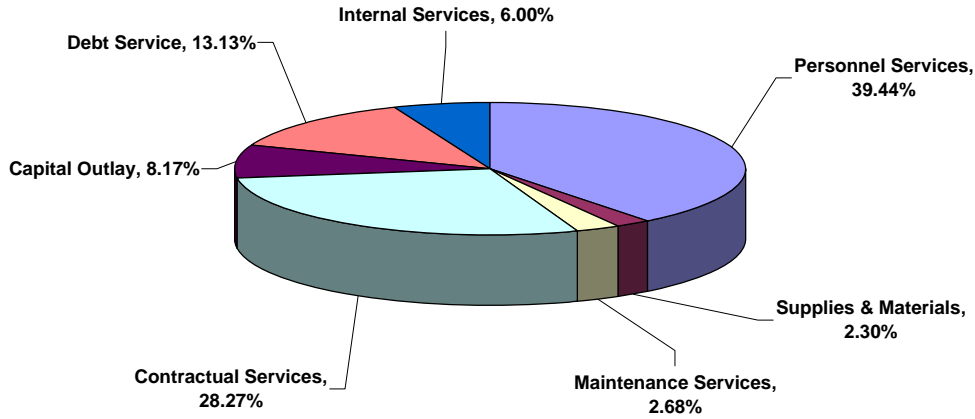
## Consolidated Summary of Revenues by Source



## Consolidated Summary of Expenditures by Function



## Consolidated Budget Summary Expenditures by Object Code Category



	Personnel Services	Supplies & Materials	Maintenance Services	Contractual Services	Capital Outlay	Debt Service	Internal Services	Totals
General Fund	\$ 28,900,664	\$ 1,569,147	\$ 1,748,929	\$ 8,398,509	\$ 139,500	\$ -	\$ -	\$ 40,756,749
Utility Fund	4,726,481	595,716	941,356	19,603,284	35,600	5,092,537	-	30,994,974
Stormwater Utility Fund	632,123	36,965	32,123	412,551	-	-	-	1,113,762
Internal Services Fund	-	-	-	56,000	1,713,600	-	6,169,825	7,939,425
Special Revenue Funds	6,295,131	167,546	31,865	602,224	6,509,271	-	-	13,606,037
Debt Service Funds	-	-	-	-	-	8,411,870	-	8,411,870
<b>TOTAL ALL FUNDS</b>	<b>\$ 40,554,399</b>	<b>\$ 2,369,374</b>	<b>\$ 2,754,273</b>	<b>\$ 29,072,568</b>	<b>\$ 8,397,971</b>	<b>\$ 13,504,407</b>	<b>\$ 6,169,825</b>	<b>\$ 102,822,817</b>

## STATISTICAL ANALYSIS OF THE FY 2010-2011 ADOPTED BUDGET

This statistical analysis summarizes the FY 2010-2011 Adopted Budget by providing a summary of the revenues and expenditures of the Town's various funds. This analysis also provides a retrospective comparison to FY 2009-2010 year-end projections and a three-year forecast of major revenue sources and expenditure categories based on historical trends. Please note, forecasting is meant to be a tool to help with preparing for future funding needs and is not intended to be a guarantee of the future budget numbers. General Fund and Enterprise Fund expenditures will be analyzed in three formats: Personnel and Non-Personnel Expenditures, Expenditures by Account Category, and Expenditures by Function.

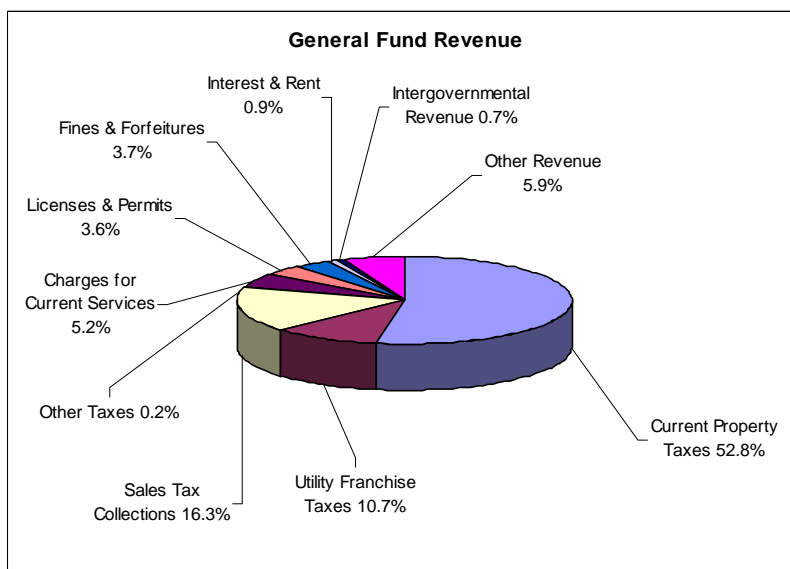
### GENERAL FUND

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.

### GENERAL FUND REVENUES

#### Revenue Assumptions:

The budget document assumes a cautious approach in dealing with revenues, especially growth-oriented revenues. Proposed revenues for FY 2010-2011 of \$40,873,221 assume an overall increase of 1.76 percent over FY 2009-2010 year-end projections. Nine major revenue categories comprise the Town's General Fund. Each of these categories is detailed in regards to projections for FY 2010-2011 and the chart below shows the revenue percentage breakdown by category. Forecasts and trends are shown for Property Tax, Sales and Use Taxes, and Utility Franchise Taxes as they comprise 79.8% of FY 2010-2011 General Fund anticipated revenues.

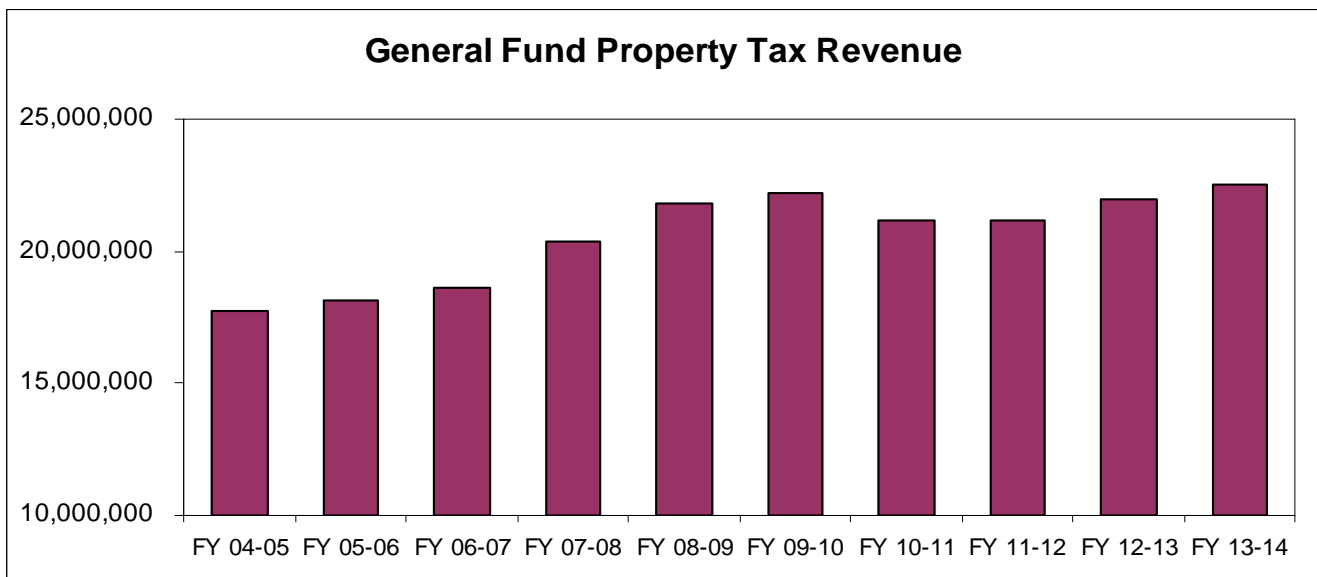


**Property Taxes: \$21,572,847 (down \$1,042,293 or -4.61 percent)**

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. Certified property valuations, which are provided by Denton Central Appraisal District and Tarrant Appraisal District, decreased 2.44 percent from FY 2009-2010. The July 25, 2010 Certified Tax Roll of \$6,590,793,631 (net of \$176,665,889 TIRZ value) marks a decrease of \$164,495,043 over the prior year's certified roll.

In addition to current property taxes, the property tax calculation includes projections for delinquent property tax and penalties and interest. Historically, the Town's collection rate is over 98 percent resulting in minimum revenue projections for late or no payment fees. Property Taxes account for 52.8 percent of all General Fund revenues.

Between FY 2004-2005 and FY 2010-2011, the Property Tax revenue has grown on average at 4.4%. However, there was a large increase in FY 2007-2008 and FY 2008-2009 due to new developments and annexations. The graph and chart below show the growth of the General Fund Property Tax. The Three Year Forecast assumes a 0% growth rate in assessed value and issuance of debt to fund the adopted capital budget for the next fiscal year, followed by a 3% annual growth rate.

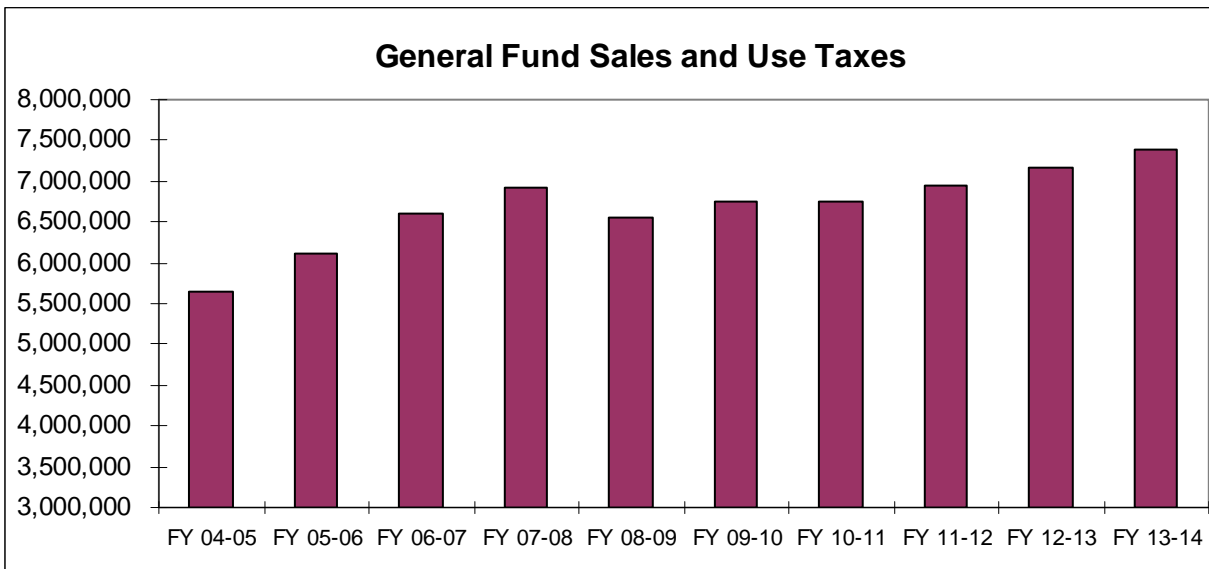


General Fund Property Tax										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	17,747,859	18,157,532	18,589,336	20,364,646	21,790,959	22,240,140	21,190,347	21,155,591	21,944,938	22,546,237
Growth	12.34%	2.31%	2.38%	9.55%	7.00%	2.06%	-4.72%	-0.16%	3.73%	2.74%

**Sales and Other Tax Collections: \$6,754,130 (up \$1,900 or 0.03 percent)**

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 current sales tax rate for the Town of Flower Mound is two cents per dollar (\$0.02) on all goods and services deemed taxable, where one cent (\$0.01) is for the Town’s General Fund and the other cent (\$0.01) is for four quarter-cent dedicated sales taxes. When combined with the State’s sales tax rate of six and one-quarter cents per dollar (\$0.625), the total sales tax paid in Flower Mound is eight and one-quarter cents per dollar (\$0.0825). In addition, the Town also collects a liquor consumption tax for beverages sold at locations for on-site consumption. The State levies the tax of 14.00 percent on the sale of mixed beverages in Texas and the Town receives an allocation of 10.7143 percent. This use tax makes up only a small amount of Town revenue, but is growing steadily due to the opening of several restaurants in the Town. Sales and use taxes constitute the second largest revenue source for the General Fund. This revenue source accounts for 16.5 percent of all General Fund revenues.

Between FY 2004-2005 and FY 2010-2011, the average growth for this revenue source has been 6.05% which is due in part to the opening of several large retail stores. In spring 2007, the anchor stores for the Robertson Creek development opened. FY 2007-2008 was the first year a full year of sales tax for the new retail stores was included. This growth rate declined in FY 2008-2009 due to an economic downturn. In future years a projection of about 3% growth is expected. The expected total growth in sales and use taxes is comprised of 3% expected growth in sales tax and 2% expected growth in the Liquor Tax. The following graph and chart show the growth of the sales and use taxes.

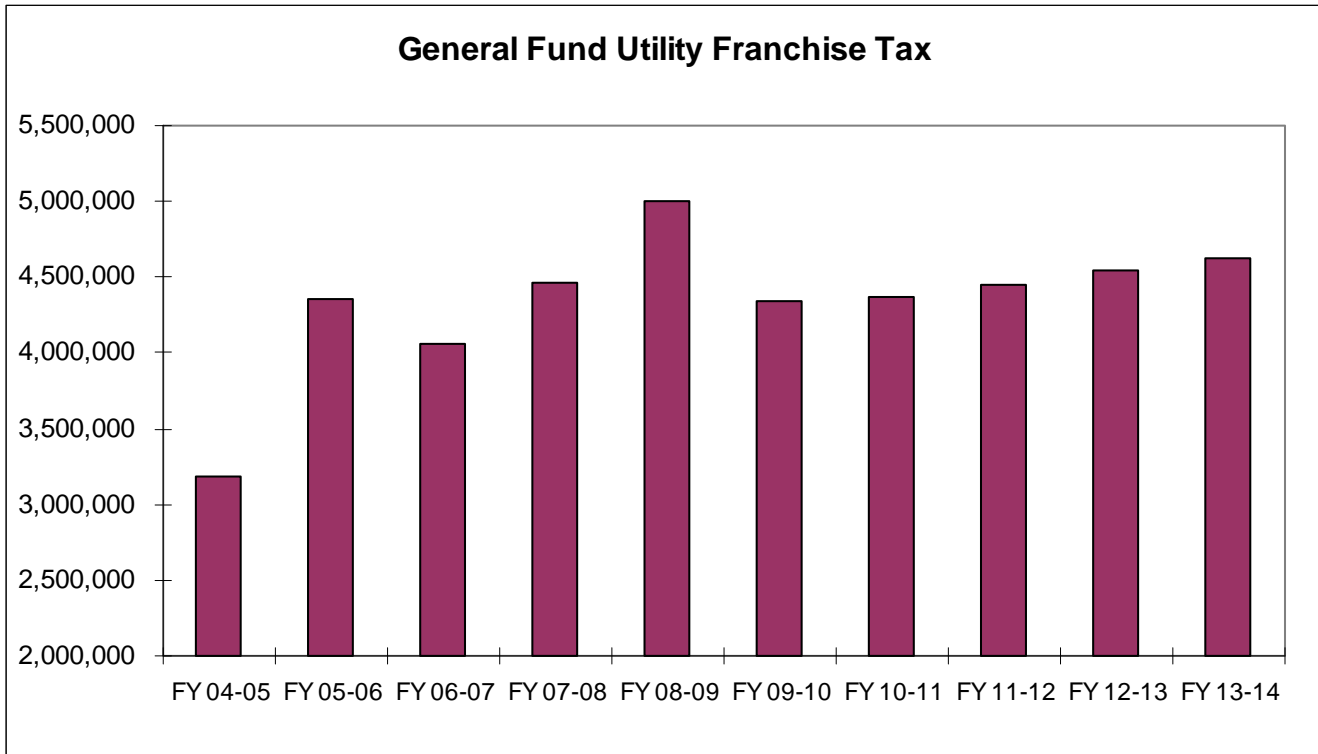


General Fund Sales and Use Tax										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	5,641,386	6,105,551	6,614,018	6,927,979	6,558,792	6,752,230	6,754,130	6,955,785	7,163,470	7,377,366
Growth	23.40%	8.23%	8.33%	4.75%	-5.33%	2.95%	0.03%	2.99%	2.99%	2.99%

**Utility Franchise Fees: \$4,369,292 (up \$24,552 or 0.57 percent)**

Franchise fees represent those revenues collected from utilities operating within the Town's right-of-way to conduct their business (i.e., Allied Waste Services, ATMOS Gas, Oncor Electric, CoServ, Time Warner Cable, Grande Communication, Verizon, and AT&T). Utility Franchise Fees account for 10.7 percent of all General Fund revenues. The Town received a lump sum payment in FY 2008-2009 that inflated revenues during that fiscal year, resulting in a drop off in revenues in FY 2009-2010. Growth in future years is expected to be minimal as population growth and slow increases in utility customers are offset by lower electricity prices and consumer cutbacks in usage.

The current average growth rate for the utility franchise tax rate is 2.22%. A conservative growth rate of 2.00% has been used to make future projections. The following graph and chart show the growth of the Utility Franchise Tax.



Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	3,189,226	4,362,232	4,065,913	4,461,561	5,004,665	4,344,740	4,369,292	4,453,438	4,539,267	4,630,052
Growth	3.43%	36.78%	-6.79%	9.73%	12.17%	-13.19%	0.57%	1.93%	1.93%	2.00%

**Charges for Current Services: \$2,143,210 (up \$289,210 or 15.60 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. FY 2010-2011 revenues are budgeted at an increased level due to more accurate revenue estimates for memberships at the Community Activity Center (CAC). Charges for Current Services account for 5.2 percent of General Fund revenues.

**Licenses and Permits: \$1,456,980 (up \$8,970 or 0.62 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. The increase is due to the establishment of a Town Alcoholic Beverage Permit Fee. Licenses and Permits account for 3.6 percent of all General Fund revenues.

**Fines and Forfeitures: \$1,504,276 (up \$29,496 or 2.00 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 slightly above the prior year. The Town has maintained a high level of operating efficiency and an aggressive traffic enforcement program. This revenue source accounts for 3.7 percent of General Fund revenues.

**Interest and Rent: \$370,841 (up \$7,271 or 2.00 percent)**

The Town conservatively invests available funds in the order of safety, liquidity, and yield. Income in this category is projected to increase due to an increase in revenue from leasing Town right-of-ways to wireless communications companies and cable companies. Interest and Rent revenues for next year are budgeted to account for 0.9 percent of General Fund revenues.

**Intergovernmental Revenue: \$305,805 (up \$1,400 or 0.46 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; with Lewisville ISD for one-half of the cost for three School Resource Officers; and with the U.S. Army Corp of Engineers for the provision of security for Corp property adjacent to Lake Grapevine. Intergovernmental Revenues account for 0.7 percent of General Fund revenues.

**Other Revenue: \$2,395,840 (up \$1,385,579 or 137.15 percent)**

The remaining revenue sources in the General Fund include Allied Waste Services' contribution to the Town's Customer Relations program, contractual-based income, interfund transfers, and other miscellaneous revenues. Revenues are expected to increase due to a larger administrative transfer from the Utility Fund. The Other Revenue category accounts for 5.9 percent of General Fund revenues.

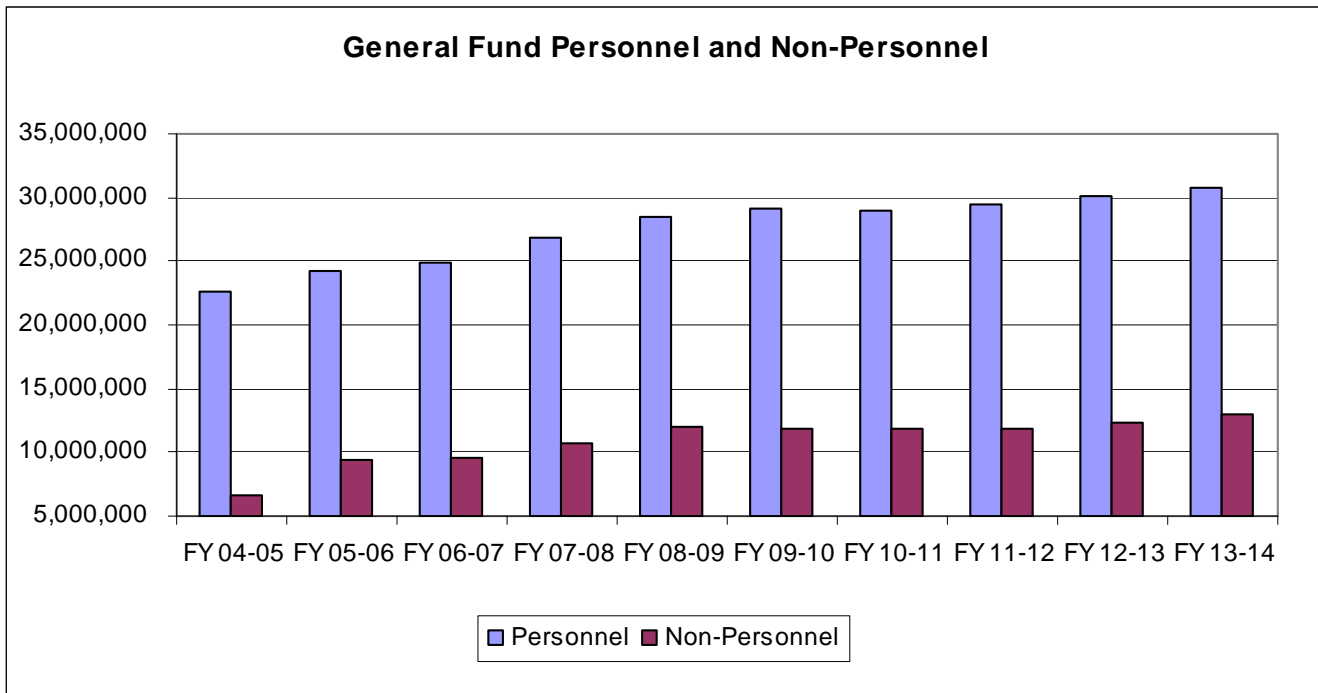
## GENERAL FUND EXPENDITURES

The General Fund expenditures total \$40,756,749 for FY 2010-2011, which is a decrease of \$150,162 or -0.37 percent from the FY 2009-2010 year-end projections. A breakdown and description of the General Fund expenditures by account category and by function is provided below.

Average growth for expenditures is 5.62%. The average growth rate is 4.51% when adjusting for the Internal Service Funds changes.

## PERSONNEL AND NON-PERSONNEL EXPENDITURES

General Fund expenditure growth is shown in two categories: personnel and non-personnel. The following graph shows the average ratio between personnel and non-personnel costs.



Average growth for personnel costs is 3.78%. In FY 2008-2009, pay for performance increases were reinstated, but were not continued in FY 2009-2010 or FY 2010-2011. The Town is assuming an average increase of 0.5% per year for personnel costs over the next three years, plus market adjustments of \$140,000 per year. Market adjustments are increases in the pay range of certain positions that have fallen below the 50<sup>th</sup> percentile when compared to the pay ranges of the Town's benchmark cities. The chart below shows the annual personnel costs and growth.

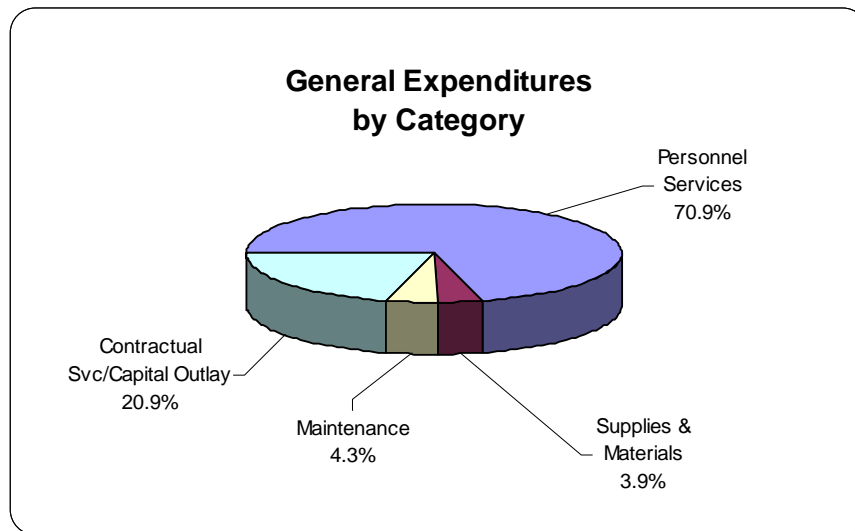
General Fund Personnel Expenditures										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	22,635,592	24,262,700	24,903,225	26,876,910	28,421,650	29,078,479	28,900,664	29,428,413	30,065,555	30,705,883
Growth	1.29%	7.19%	2.64%	7.93%	5.75%	2.31%	-0.61%	1.83%	2.17%	2.13%

Within non-personnel expenditures, the costs vary due to the number of one-time costs that are approved. The average growth for non-personnel expenditures is 8.12%. The large range in growth is a result of cost reductions implemented in one year and then reinstated the next year. In addition, the Town made a large one-time purchase for park land in FY 2006-2007, and in FY 2007-2008, several one-time decision packages were approved for needed capital items to be purchased prior to the opening of the CAC. The Town is projecting a 0.23% increase for FY 2010-2011 due to the removal of one-time FY 2009-2010 decision packages and limited funding available in FY 2010-2011 for Decision Packages. The Town is projecting a 3.00% growth in non-personnel expenditures to cover non-discretionary costs in future years. Projected expenditures in future years also include the absorption of a budget shortfall in FY 2011-2012 and a budget surplus in FY 2012-2013 and 2013-2014. All future projected budgets are balanced, with revenues matching expenditures. The chart below shows the annual non-personnel growth.

General Fund Non-Personnel Expenditures										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	6,669,747	9,389,505	9,636,782	10,732,668	11,950,530	11,828,432	11,856,085	11,776,099	12,331,341	12,988,055
Growth	-8.50%	40.78%	2.63%	11.37%	11.35%	-1.02%	0.23%	-0.67%	4.71%	5.33%

## **EXPENDITURES BY ACCOUNT CATEGORY**

The General Fund is broken into 5 major categories which are personnel, supplies, maintenance, contractual, and capital. Personnel costs, including increases in compensation rates are calculated by the Financial Services department. Capital outlay costs consist of large one-time costs and require Town Council approval to be included in the budget. All other costs are based on the previous year's funding level minus any one-time costs from the previous year. In order for departments to receive an increase in funding, either a non-discretionary or decision package must be approved by Town Council. Below is a breakdown of FY 2010-2011 account category expenditures and a brief description is given comparing the categories to the FY 2009-2010 year-end projections.



### **Personnel Services: \$28,900,664 (down \$177,815 or -0.61 percent)**

As the single largest expenditure category, personnel expenses account for 70.9 percent of General Fund expenditures. The decrease in personnel expenditures is related to a reorganization that occurred in June 2010 and eliminated several positions.

### **Supplies and Materials: \$1,569,147 (up \$127,575 or 8.85 percent)**

These object classifications are for expendable materials and operating supplies necessary to conduct departmental activities. Expenditures within this classification account for 3.9 percent of all General Fund expenditures.

### **Maintenance Services: \$1,748,929 (up \$44,821 or 2.63 percent)**

These object classifications are for upkeep of physical properties and tangible property of a more or less permanent nature which is used in carrying out operations. The increases in expenditures are associated with increased building maintenance costs for the new Fleet Services building and CAC. Maintenance Services account for 4.3 percent of all General Fund expenditures.

**Contractual Services: \$8,398,509 (down \$111,846 or -1.31 percent)**

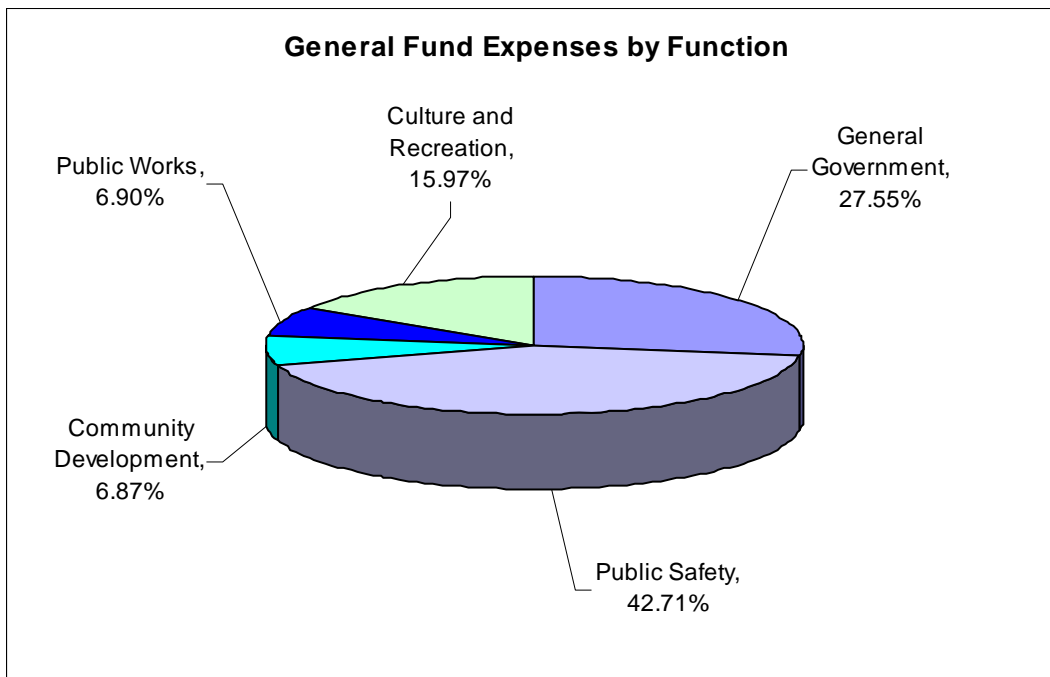
These object classifications are for obligations resulting in services rendered to Town activities by either private firms or other Town departments. The expenditures are expected to decrease due to budget reduction packages that eliminate Town paid landfill access for residents and eliminate Town provided coffee for employees. Expenditures within these classifications account for 20.6 percent of all General Fund expenditures.

**Capital Outlay: \$139,500 (down \$32,897 or -19.08 percent)**

Capital outlay expenditures are those that are large one-time purchases for an item that is expected to have a usefulness span of over a year. With the exception of library books, departments must submit a decision package request to receive capital outlay expenditures and the request must be approved by Town Council as part of the budget adoption process. Library book purchases are the only reoccurring capital cost for the Town. Because the funding is one-time, the costs will vary significantly from year-to-year. Capital Outlay expenditures for FY 2010-2011 account for 0.3 percent of all General Fund expenditures.

**EXPENDITURES BY FUNCTION**

There are five main functions in the General Fund which are general government, public safety, community development, public works, and culture and recreation. Following is a breakdown of FY 2010-2011 departmental expenditures and a brief description is given comparing the departments to the FY 2009-2010 year-end projections.



**General Government: \$11,227,656 (down by 511,245 or -4.36 percent)**

This function handles the administrative, internal service and financial functions of the Town and is comprised of the following departments: Town Manager's Office, Legislative Services, Financial Services, Community Relations, and Non-Departmental. For FY 2010-2011, general government comprises 27.55 percent of General Fund expenditures. The decrease in funding is due to a reorganization in June 2010 that eliminated several positions and budget reduction packages approved in order to balance the budget.

**Public Safety: \$17,408,022 (up by 33,766 or 0.19 percent)**

The Public Safety function handles all aspects related to citizen protection and is made up of the Police Services and Fire and Emergency Medical Services departments. The function remains the largest expense in the General Fund at 42.71 percent which is slightly down from 42.96 percent from the previous year. The increase in funding is related to market increases in compensation.

**Community Development: \$2,798,863 (up by \$319,962 or 12.91 percent)**

The Community Development function handles both commercial and residential development through the stages of planning, building inspection, health and code enforcement and it also works with the Keep Flower Mound Beautiful Board. The function is comprised of the Development Services department and the Environmental Services division from the Community Services department. This function remains the smallest expenditure of the Town's functions at 6.87 percent which has held relatively constant from 6.54 percent in the previous year. The increase in funding is due to enhanced oil and gas well monitoring, including a new full-time position for inspections and a higher contractual services budget for monthly air monitoring.

**Public Works: \$2,812,891 (down \$30,125 or -1.06 percent)**

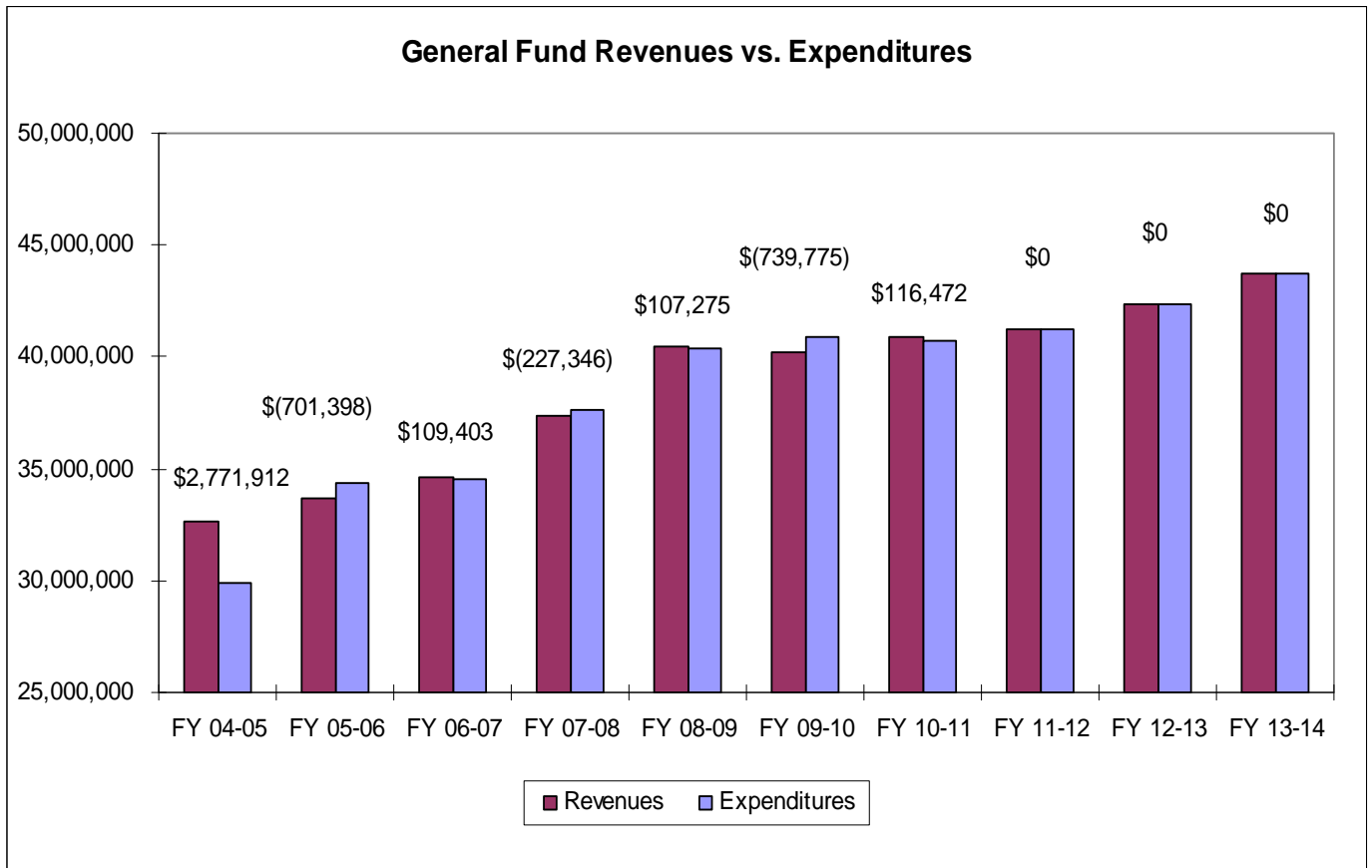
In the General fund, the public works function is responsible for street and pavement maintenance and traffic control and is comprised of the Infrastructure department. The function is 6.90 percent of the general fund expenditures, an increase from 6.79 percent in the previous year. The funding decrease is primarily due to the removal of one-time expenditures in FY 2009-2010 for school zone flashers.

**Culture and Recreation: \$6,509,317 (up \$37,480 or 0.58 percent)**

The culture and recreation function maintains the parks, library, and various recreation programs that the Town offers and is comprised of the Community Services department with the exception of the Environmental Services division. The increase in FY 2010-2011 funding is partially due to the additional operating costs associated with taking over and maintaining Twin Coves Park. The function represents 15.97 percent of the General Fund expenditures, which is the slightly less than the previous year.

### General Fund Revenues vs. Expenditures

Generally, the Town budgets revenues to either match or exceed expenditures to allow for fund balance to increase and have additional funds for any unforeseen expenditures. In FY 2005-2006, FY 2007-2008, and FY 2009-2010 the Town has had expenditures higher than revenues. In some years, higher spending levels were planned as a way to decrease the high levels of fund balance and allow staff to make one-time purchases for out-dated equipment and supplies. For FY 2010-2011, the Town will again gain fund balance due to a reorganization in June 2010 and the implementation of several budget reduction packages that reduced reoccurring expenditures. In future years, budgets are projected to balance, with expenditures matching revenues. The following graph shows the comparison between the revenues and expenditures and the annual differences.



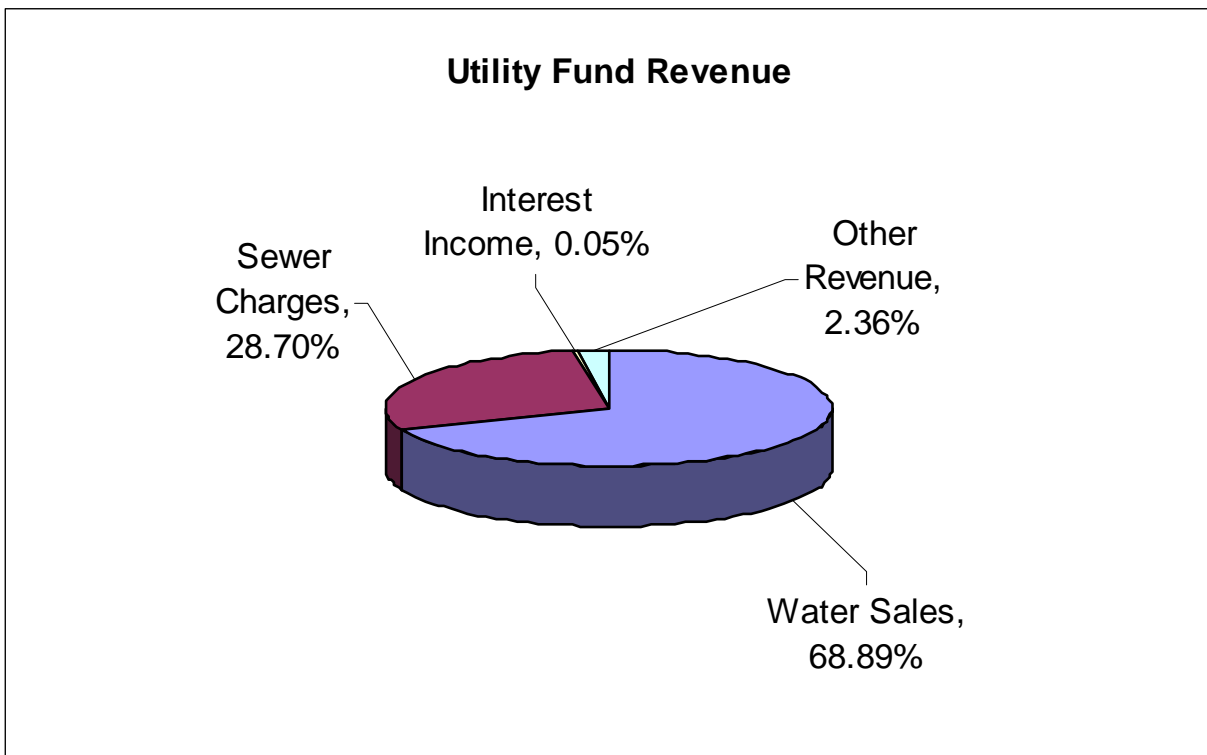
## UTILITY FUND

The Utility Fund is one of the Town's two Enterprise Funds, which are those funds that fully support their own administration, acquisition of facilities, operation, and maintenance through the collection of user charges such as the sale of water.

### **UTILITY FUND REVENUES**

#### **Revenue Assumptions:**

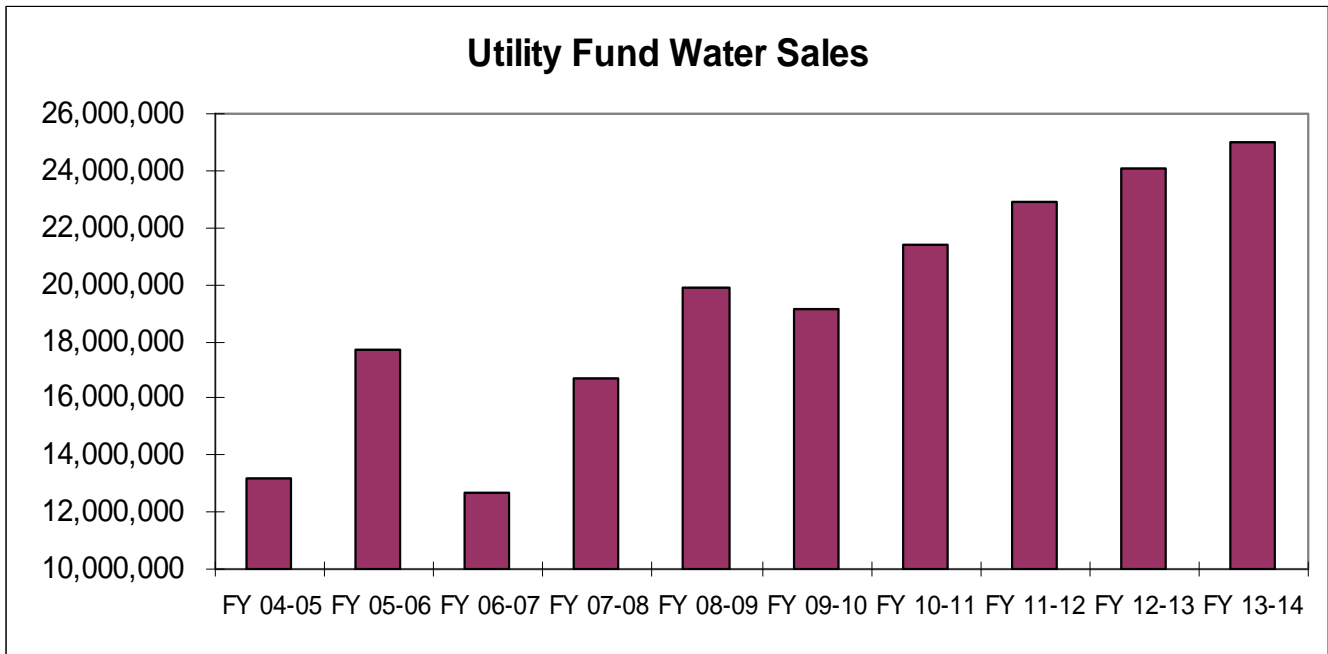
The Utility Fund revenues for FY 2010-2011 of \$31,048,090 are an increase of 12.18 percent over FY 2009-2010 year-end projections. In the Utility Fund, there are four major revenue categories which are Water Sales, Sewer Charges, Interest Income, and Other Revenue. Following is a breakdown of each revenue category for the Utility Fund and a brief description of how the estimated amounts differ from the previous year. Forecasts are shown for Water Sales and Sewer Charges.



**Water Sales: \$21,390,527 (up \$2,292,059 or 12.00 percent)**

Water Sales are the largest revenue source for the Utility Fund and annually account for approximately 68.89 percent of the total Utility Fund revenue. The demand for water is tied to weather conditions and therefore can be variable. The Town adopted a utility rate adjustment in FY 2009-2010 to account for increases in wholesale water costs over the past several years. Another adjustment was adopted for FY 2010-2011 in order to cover utility system costs. The increase in projected revenue is in part due to the utility rate adjustment.

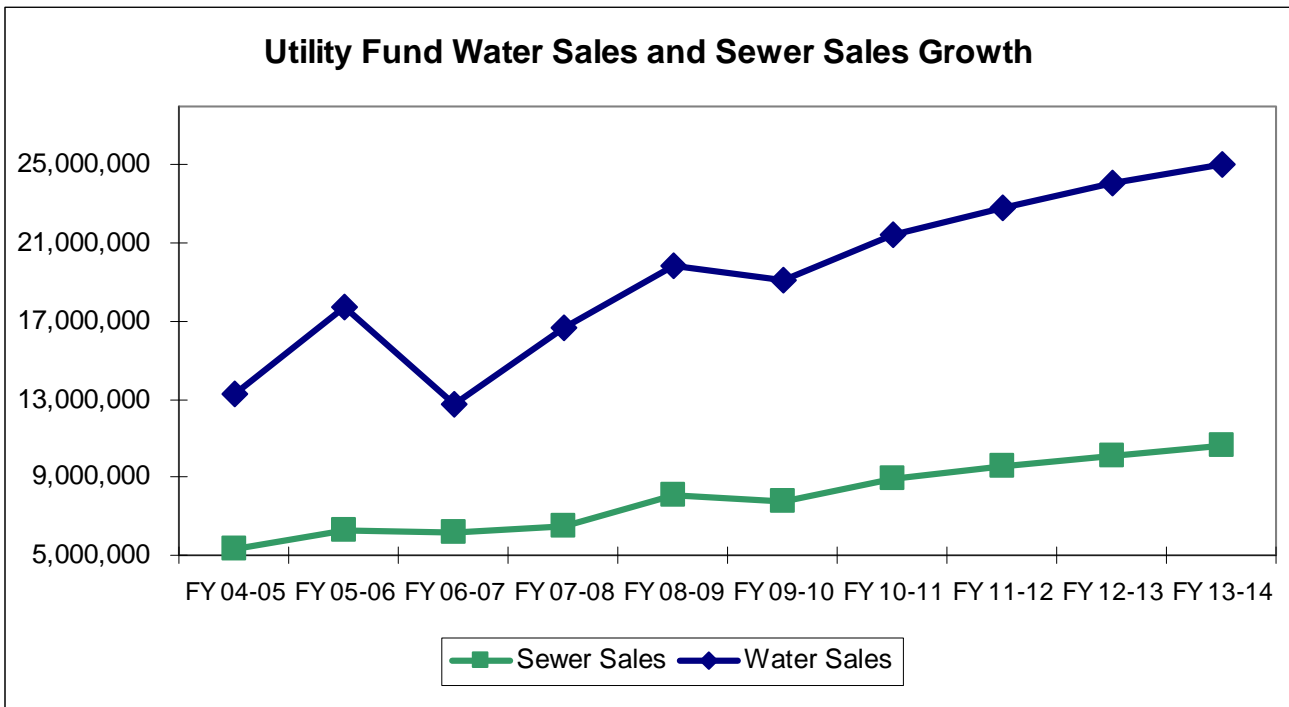
In order to minimize future expenditure losses, the Town is proposing incremental rate adjustments on an annual basis beyond 2010 to cover the utility systems fixed costs. This should help match revenues to increases in wholesale water costs. In FY 2010-2011 through FY 2013-2014, growth is expected to increase due to slight increases in demand and annual incremental rate adjustments. The following graph and chart show the current and projected water sales revenue with the anticipated rate adjustments included.



Utility Fund Water Sales										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	13,219,876	17,733,410	12,716,629	16,669,676	19,888,427	19,098,468	21,390,527	22,858,848	24,080,894	25,006,473
Growth	14.94%	34.14%	-28.29%	31.09%	19.31%	-3.97%	12.00%	6.86%	5.35%	3.84%

**Sewer Charges: \$8,909,632 (up \$1,168,981 or 15.10 percent)**

Projections in this revenue category reflect a rate adjustment for FY 2010-2011. Sewer Charges account for 28.70 percent of all Utility Fund revenues. The Town assesses a sewer use charge based upon the amount of water used on a property by averaging water usage in the months of December, January, and February. Even though the winter usage is more stable, the anticipated revenue is still subject to weather conditions. Due to increases in the projected water usage and rate adjustments, sewer charges are expected to increase by 15.10% in FY 2010-2011 from the prior year and are expected to continue increasing in future years. The following graph shows the correlation between water sales and sewer charges and projected growth patterns.



Utility Fund Sewer Charges										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	5,299,199	6,313,997	6,128,101	6,521,373	8,062,290	7,740,651	8,909,632	9,570,825	10,136,172	10,581,476
Growth	-0.77%	19.15%	-2.94%	6.42%	23.63%	-3.99%	15.10%	7.42%	5.91%	4.39%

**Interest Income: \$15,000 (up \$5,000 or 50.00 percent)**

The Town conservatively invests available funds in the order of safety, liquidity, and yield. Interest income is projected to increase due to an increase in the Utility Fund working capital available for investment. Interest revenues for next year are conservatively budgeted and account for 0.05 percent of Utility Fund revenues.

**Other Revenue: \$732,931 (down \$94,255 or -11.39 percent)**

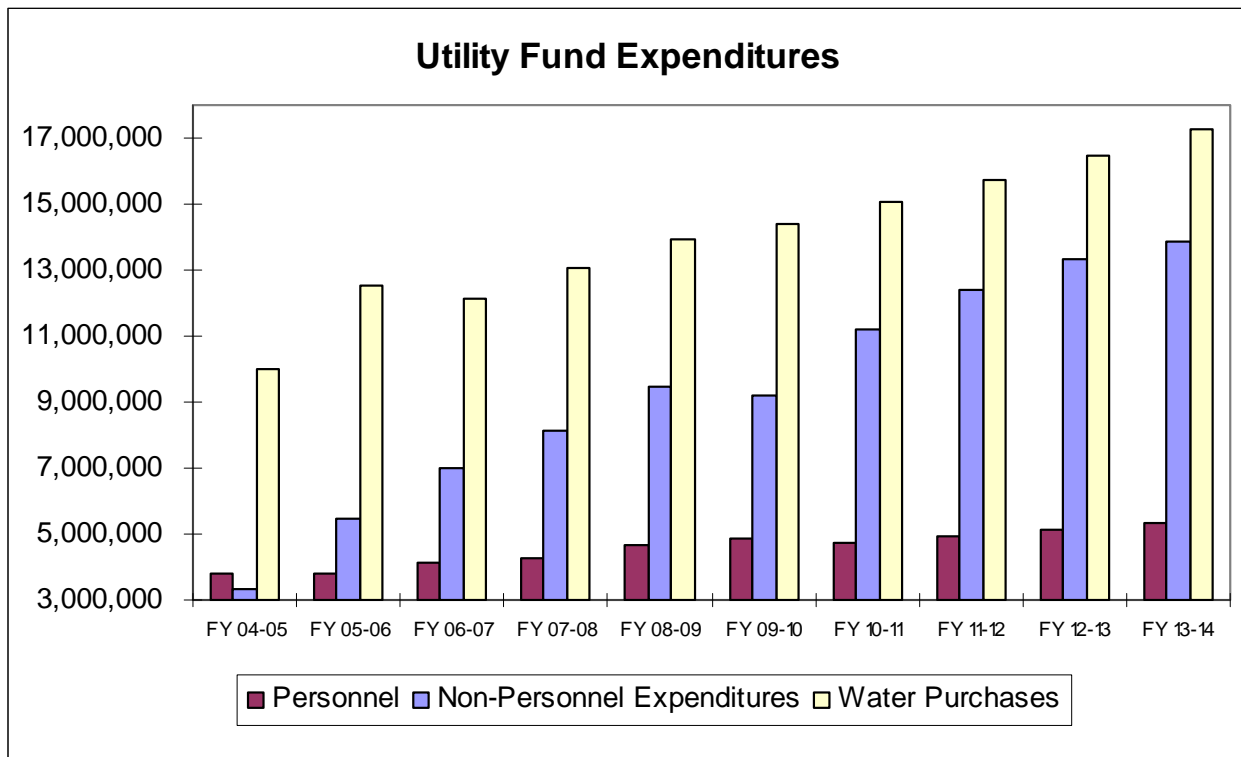
All additional revenues are combined to create the Other Revenue category which includes tap and connection fees, solid waste collection, interfund transfers, and late payment penalties. Other Revenue accounts for 2.36 percent of the Utility Fund revenues and is projected to decrease due to reduced revenues from new development.

***UTILITY FUND EXPENDITURES***

The Utility Fund expenditures total \$30,994,974 for FY 2010-2011, which is an increase of \$2,554,208 or 8.98 percent from FY 2009-2010 year-end projections. A breakdown and description of the Utility Fund expenditures by account category and by function is provided below.

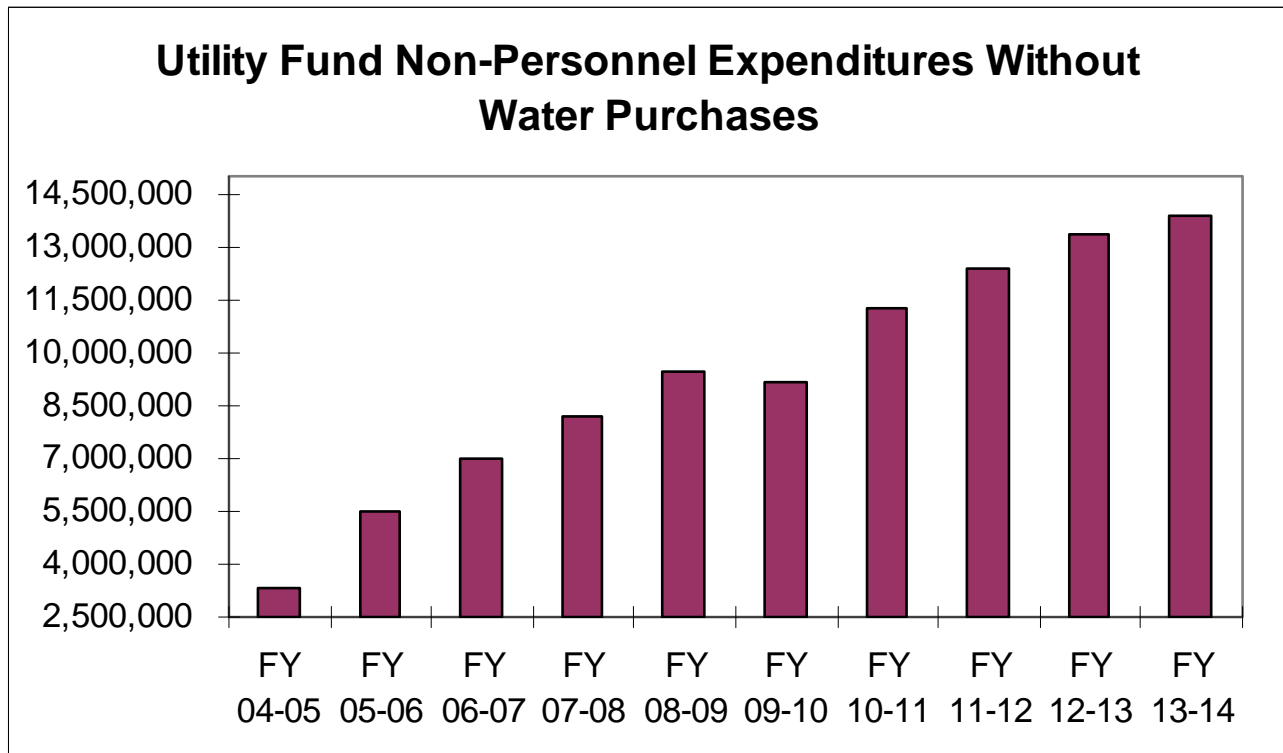
**PERSONNEL AND NON-PERSONNEL EXPENDITURES**

Expenditures are shown below in three categories: Personnel, Non-Personnel Expenditures excluding Water Purchases, and Water Purchases. Water Purchases comprise approximately 50% of the Utility Fund budget. In FY 2007-2008, the Town began adopting incremental utility rate adjustments to help revenues absorb the water purchase costs rather than lowering service levels. The graph below demonstrates the relationship between the three categories.



The average growth for personnel between FY 2004-2005 and FY 2009-2010 is 3.67% which includes negative growth in FY 2004-2005 due to the freezing of several public works positions. The positions were unfrozen in FY 2006-2007, which created a significant increase. The Town is projecting growth at 4.0% to accommodate plans reinstating compensation increases in future years. The following chart shows the growth of personnel expense in the Utility Fund.

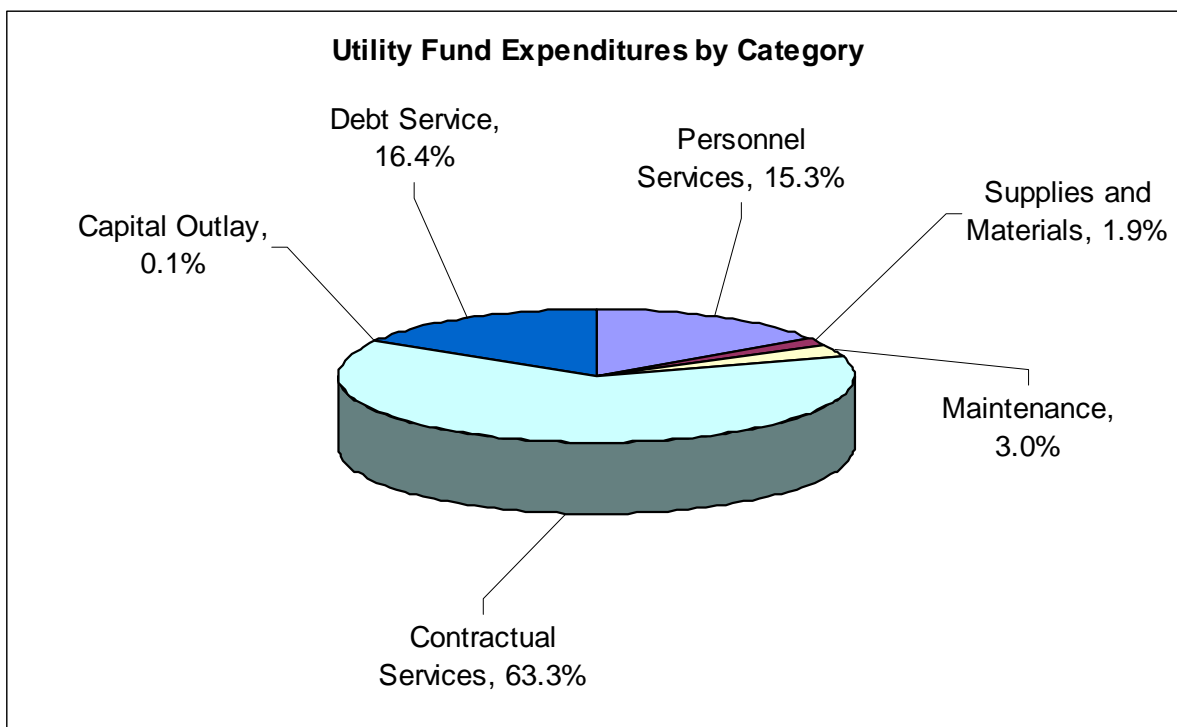
Utility Fund Personnel Expenditures										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	3,803,762	3,828,897	4,143,455	4,278,474	4,656,536	4,862,367	4,726,481	4,915,540	5,112,162	5,316,648
Growth	-3.36%	0.66%	8.22%	3.26%	8.84%	4.42%	-2.79%	4.00%	4.00%	4.00%



Utility Fund Non-Personnel Expenditures without Water Purchases										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	3,332,417	5,470,199	6,975,880	8,153,657	9,445,184	9,171,482	11,224,671	12,412,395	13,329,533	13,871,448
Growth	-41.84%	64.15%	27.53%	16.88%	15.84%	-2.90%	22.39%	10.58%	7.39%	4.07%

## **EXPENDITURES BY ACCOUNT CATEGORY**

The Utility Fund has 6 major account categories which are personnel, supplies, debt service, maintenance, contractual, and capital. Personnel costs, including increases in compensation rates are calculated by the Financial Services department. Capital outlay costs consist of large one-time costs and require Town Council approval to be included in the budget. All other costs are based on the previous year's funding level minus any one-time costs from the previous year. In order for departments to receive an increase in funding, either a non-discretionary or decision package must be approved by Town Council. Below is a breakdown of FY 2010-2011 account category expenditures and a brief description is given comparing the categories to the FY 2009-2010 year-end projections.



### **Personnel Services: \$4,726,481 (down \$135,886 or -2.79 percent)**

Personnel Services is the third largest expenditure category in the Enterprise Funds, and it accounts for 15.3 percent of the total Utility Fund's expenditures. Decreases in FY 2010-2011 are related to the elimination of the Engineering Intern position and costs that were higher than expected in FY 2009-2010.

### **Supplies and Materials: \$595,716 (up \$95,848 or 19.17 percent)**

These object classifications are for expendable materials and operating supplies necessary to conduct departmental activities. The purchase of supplies and materials constitutes 1.9 percent of all Utility Fund expenditures.

**Debt Service: \$5,092,537 (up \$195,239 or 3.99 percent)**

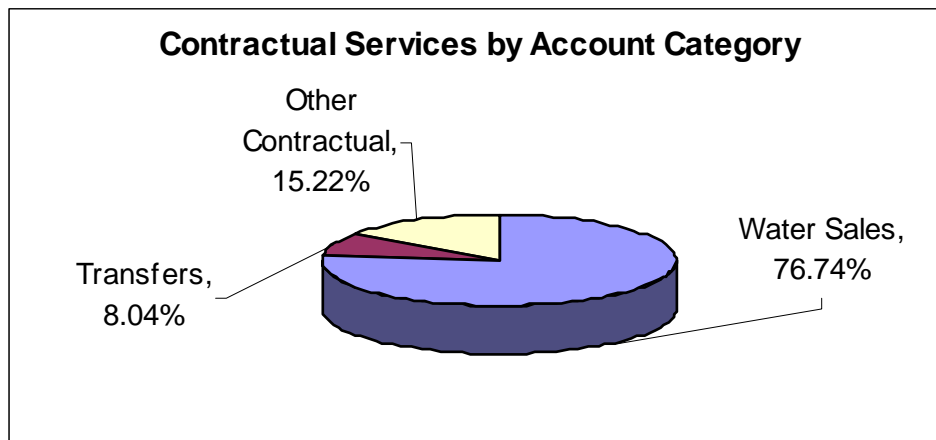
During FY 2007-2008 all debt service activity was rolled into the Utility Fund. Previously debt service had been accounted for in separate funds and with transfers for debt payments made between the funds. These object classifications account for 16.4 percent of all Utility Fund expenditures.

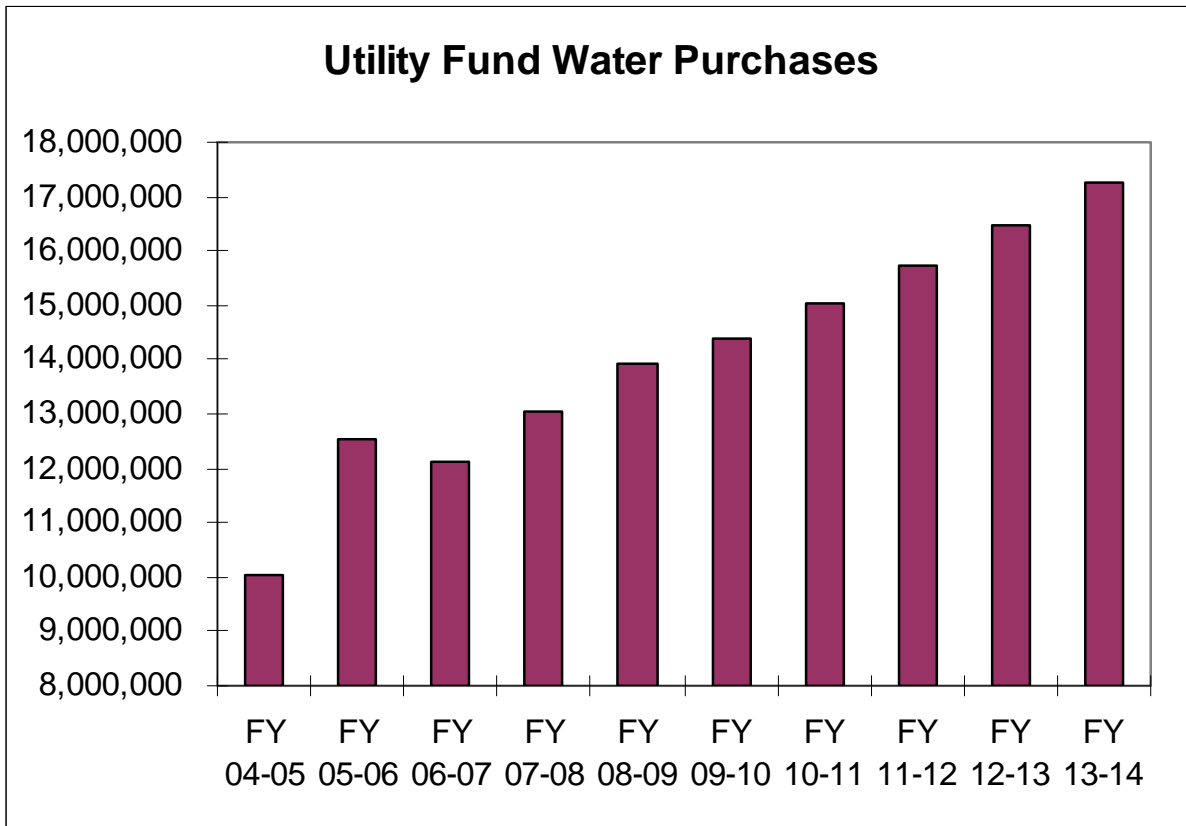
**Maintenance Services: \$941,356 (down \$40,745 or -4.15 percent)**

These object classifications are for 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 3.0 percent of all Utility Fund expenditures.

**Contractual Services: \$19,603,284 (up \$2,470,276 or 14.42 percent)**

This is the largest expenditure category in the Utility Fund and accounts for 63.3 percent of the total Utility Fund expenditures. The single largest budgeted expenditure is for water, which the Town purchases from Dallas Water Utilities and the Upper Trinity Regional Water District. Water purchases account for \$15,043,822 in FY 2010-2011. This amount accounts for 76.74% of contractual services expenditures or 48.54% of the total Utility Fund budget. The amount of water the Town will purchase in FY 2010-2011 is directly related to demand, contractual agreements with the above entities, and projected population growth. A water-rate consultant has worked with the Town to determine the level of purchase that the Town will need over the next few years. In addition, transfers out of the fund account for 8.04% of the contractual services expenditures. These transfers include an administrative transfer of \$1,400,000 and a transfer to the Vehicle, Equipment, and Technology Replacement Fund of \$175,969. Expenditures for water purchases are expected to increase as a result of proposed rate increases by the Town's water suppliers. A breakdown of the Utility Fund contractual services expenditures is shown below.





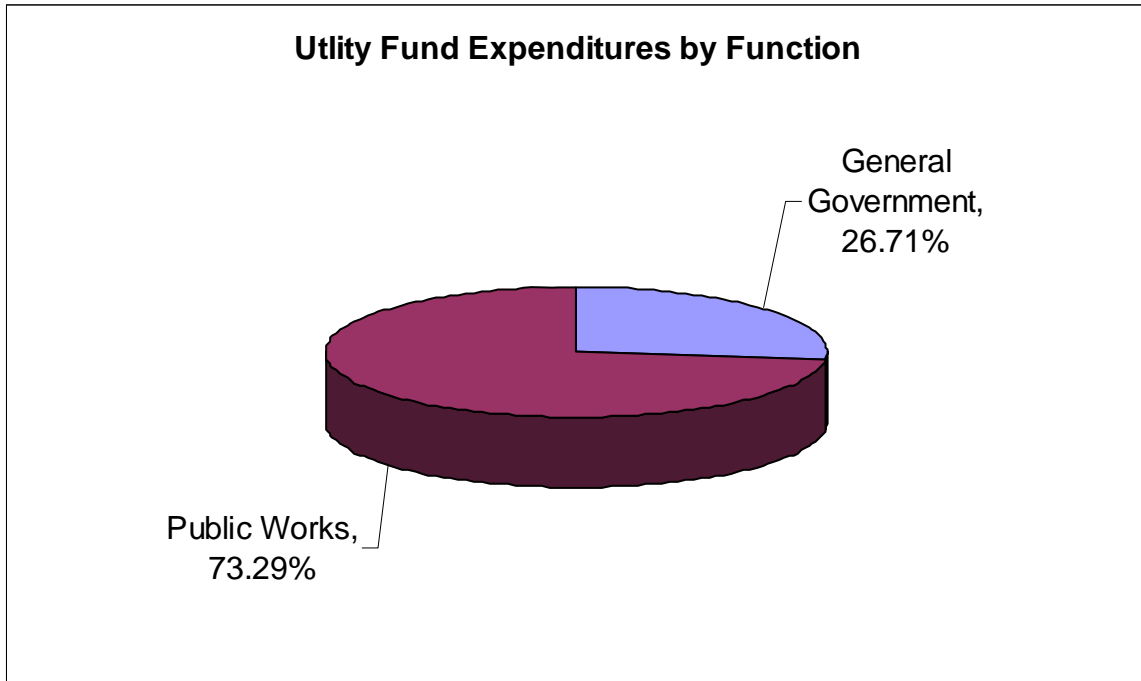
Utility Fund Water Purchases										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	10,025,887	12,540,172	12,124,010	13,036,947	13,944,471	14,406,917	15,043,822	15,742,710	16,475,173	17,242,818
Growth	8.35%	25.08%	-3.32%	7.53%	6.96%	3.32%	4.42%	4.65%	4.65%	4.66%

**Capital Outlay: \$35,600 (down \$30,524 or -46.16%)**

Capital outlay expenditures are those that are large one-time purchases for an item that is expected to have a usefulness span of over a year. Departments must submit a decision package request to receive capital outlay expenditures and the request must be approved by Town Council as part of the budget adoption process. Approved decision packages for FY 2010-2011 include the purchase of an automatic water sampler and three street lights. Capital Outlay expenditures for FY 2010-2011 account for 0.1 percent of all Utility Fund expenditures.

## **EXPENDITURES BY FUNCTION**

There are two main functions in the Utility Fund which are general government and public works. Below is a breakdown of FY 2010-2011 departmental expenditures and a brief description is given comparing the departments to the FY 2009-2010 year-end projections.



### **General Government: \$8,277,644 (up \$1,845,530 or 28.69 percent)**

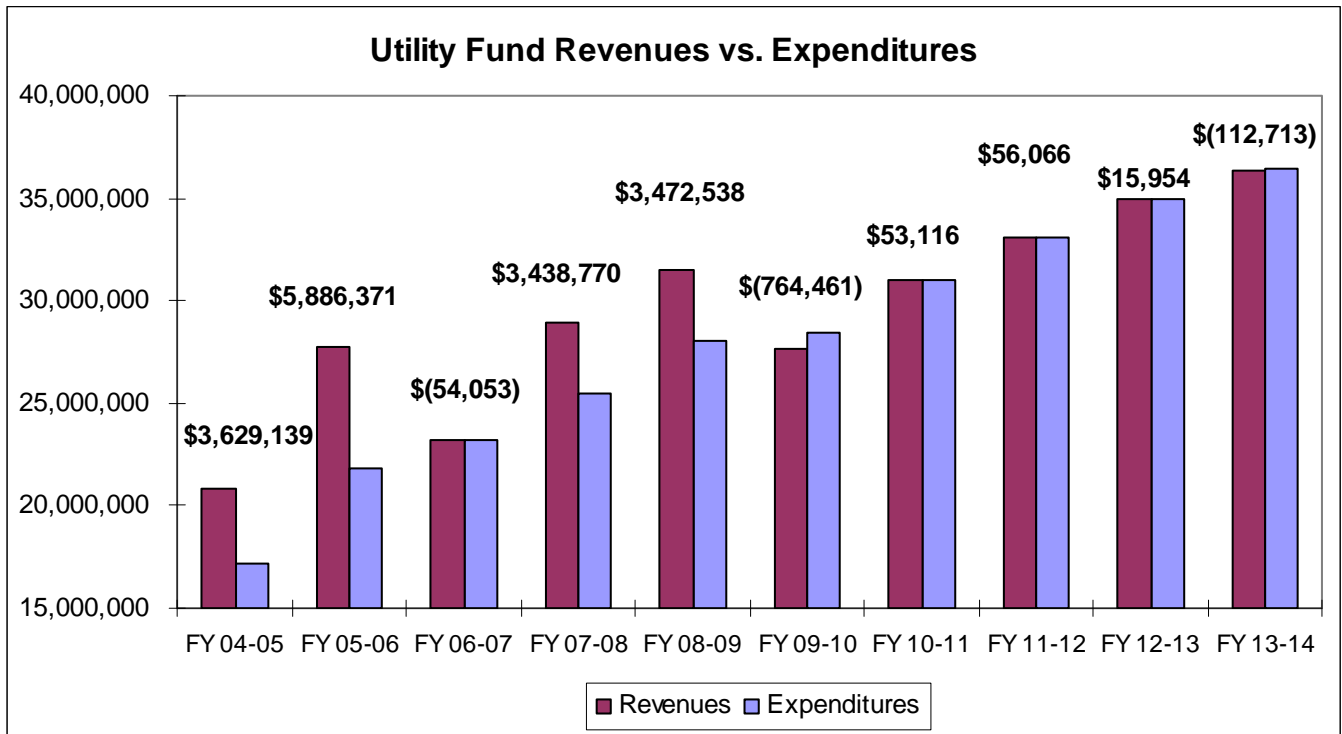
This function handles the administrative, internal service and financial functions of the Town and is comprised of the Financial Services and Non-Departmental departments. For FY 2010-2011, general government accounts for 26.71 percent of the budget compared to 25.03 percent in the previous year. The majority of the increase is due to an increased administrative transfer to the fair share amount to the General Fund.

### **Public Works: \$22,717,330 (up \$708,678 or 3.22 percent)**

In the Utility Fund, the public works function is responsible for water and sewer line maintenance, water distribution, sewer collection, engineering and construction inspection, and capital projects. The function is 73.29 percent of the Utility Fund expenditures. As stated in the account category analysis, water purchases are a significant portion of the Utility Fund costs and accounts for more than half of the Utility Fund public works function. Water purchases are the main reason for the increase in costs in the public works function as well as the replacement of several transmission main valves and the addition of three street lights.

### Utility Fund Revenue vs. Expenditures

Prior to 2008, the Town attempted to reduce costs in order to absorb the increases in wholesale water costs rather than increase water rates. In 2008, the Town adopted utility rate adjustments for the next three years that would allow revenues, not expenditures, to absorb the cost of the wholesale water cost increases. The Town charter requires the fund have a balance of at least 10.00% of expenditures, however, a balance of between 17-25% is a recommended best practice of the Government Finance Officers Association. The following graph shows the revenues and expenditures and includes estimated rate adjustments. Revenues appear higher in previous years due to audit entries for developers' contributions.



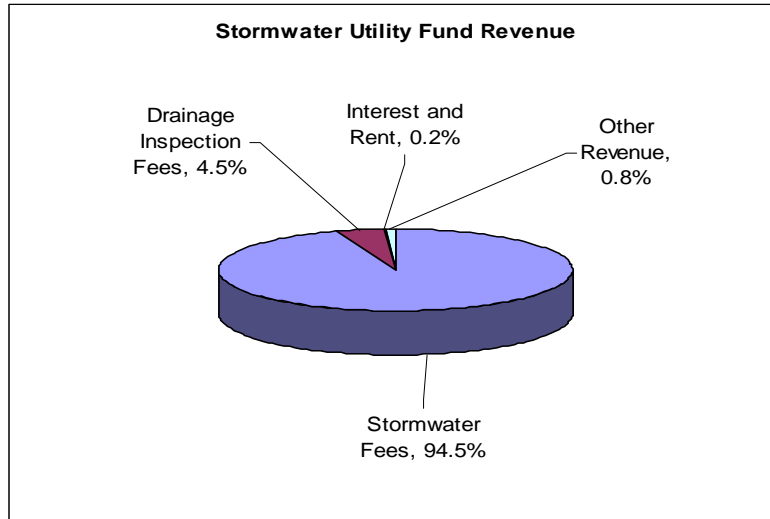
## STORMWATER UTILITY FUND

The Stormwater Utility Fund is the second of the Town's two Enterprise Funds and remains self supporting primarily through the collection of stormwater fees.

### STORMWATER UTILITY FUND REVENUES

#### Revenue Assumptions:

In the Stormwater Utility Fund, there are four major revenue categories which are Stormwater Fees, Drainage Permit Fees, Interest Income, and Other Revenue. Stormwater Utility Fund revenues are budgeted at \$1,149,224, an increase of 1.13 percent from FY 2009-2010. Forecasts and trends are shown for Stormwater Fees and Drainage Inspection Fees as they together comprise 99.0% of FY 2009-2010 Stormwater Utility Fund anticipated revenues.



#### **Stormwater Fees: \$1,085,161 (up \$10,161 or 0.95 percent)**

In FY 2002-2003, in order to meet the new Environmental Protection Agency (EPA) National Pollutant Discharge Elimination System (NPDES) Phase II Stormwater requirements, the Town created a Stormwater Utility Fund. Stormwater fees are assessed based upon property size, property type and water detention measures. Revenues from stormwater fees are expected to increase in FY 2010-2011 0.95 percent and will account for 94.5 percent of all Stormwater Utility Fund revenue.

In FY 2006-2007, the Town implemented the EPA Phase II Stormwater Regulatory Requirements which required the Stormwater Rate fees to be adjusted. The rate adjustment resulted in a large growth rate between FY 2005-2006 and FY 2006-2007. Fee adjustments will be made every other year based on the national rate of inflation. For future years, a 2.00 percent growth rate for Stormwater fees is projected due to relatively low national inflation rates. The following chart shows the growth of the fees.

Stormwater Fees										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	388,168	396,870	973,001	1,005,600	1,004,042	1,075,000	1,085,161	1,106,864	1,129,002	1,151,582
Growth	2.22%	2.24%	145.17%	3.35%	-0.15%	7.07%	0.95%	2.00%	2.00%	2.00%

**Drainage Inspection Fees: \$51,846 (up \$0 or 0.00 percent)**

Drainage Inspection Fees are also a part of the stormwater program and are charged for drainage-related inspections conducted during the development process. This revenue is the second largest revenue source for the Stormwater Utility Fund and will account for 4.5 percent of all Stormwater Utility Fund revenues. Drainage Inspection Fees were increased in FY 2009-2010 for the Town to recover the cost of developing a Town-wide hydrologic model and map for the use of developers.

The projected revenue for FY 2010-2011 is based upon no growth from FY 2009-2010 due to recent trends. The Town is projecting annual growth conservatively at 2.00 percent for future fiscal years. The chart below shows the Drainage Permit Fees growth.

Drainage Permit Fees										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	165,929	126,523	193,699	126,888	63,505	51,846	51,846	52,883	53,941	55,019
Growth	-21.76%	-23.75%	53.09%	-34.49%	-49.95%	-18.36%	0.00%	2.00%	2.00%	2.00%

**Interest and Rent: \$2,717 (up \$2,717 or 100.00 percent)**

The Town conservatively invests available funds in the order of safety, liquidity, and yield. Interest income is projected to be minimal due to the deterioration in current market conditions and lower available interest rates. It accounts for 0.2 percent of all Stormwater Utility Fund revenues.

**Other Revenue: \$9,500 (up \$0 or 0.00 percent)**

All additional revenues are combined to create the Other Revenue category which includes penalties for late payment. Other Revenue accounts for 0.8 percent of the Stormwater Utility Fund revenues and will decrease to be more in line with the average revenue received for late payment.

## **STORMWATER UTILITY FUND EXPENDITURES**

The Stormwater Utility Fund expenditures total \$1,113,762 for FY 2010-2011, which is a decrease of \$64,469 or -5.47 percent from the FY 2009-2010 year-end projections. In FY 2006-2007, the Stormwater expenditure budget was increased in order to comply with Stormwater Management Phase II. The increased budget will be maintained in future years in order to maintain compliance. In addition, an annual transfer has been included to fund various Stormwater drainage capital projects. A breakdown and description of the Stormwater Utility Fund expenditures by account category and by function is provided below. For forecasting purposes, expenditures are grouped as either personnel or non-personnel related.

### **PERSONNEL AND NON-PERSONNEL EXPENDITURES**

The average growth in the personnel category has been 13.35%, which includes significant increases in FY 2004-2005 and FY 2007-2008 due to the addition of new positions. The Town is assuming a 0.50% growth rate for personnel for the Stormwater Utility Fund for the next three fiscal years. No significant growth is planned until economic conditions begin to improve. The following chart shows the growth of the personnel expenditures.

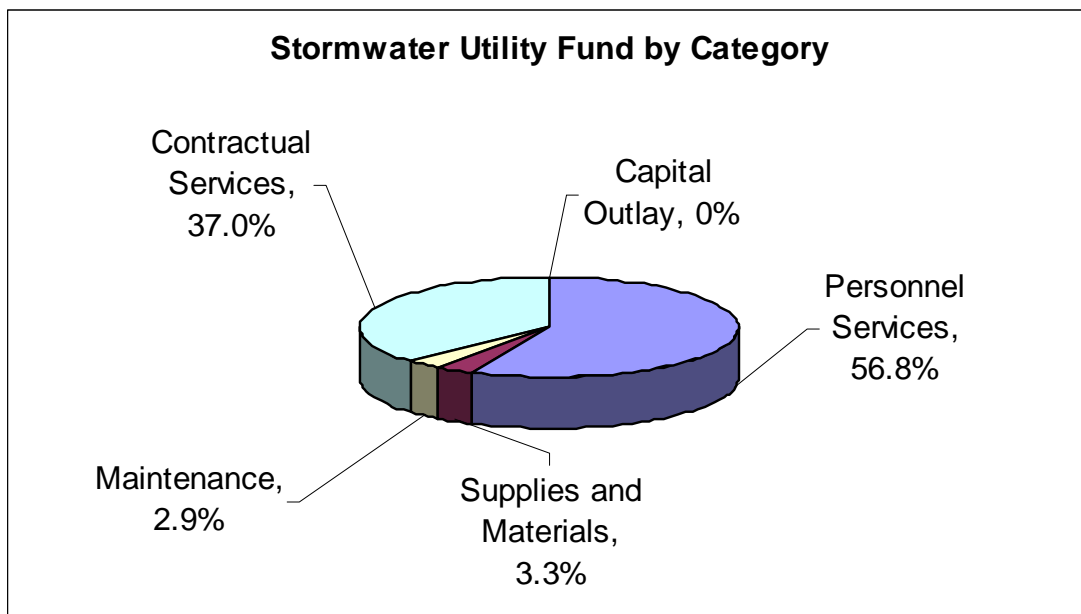
Stormwater Utility Fund Personnel Expenditures										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	401,140	429,829	468,427	473,483	620,542	653,021	632,123	635,284	638,460	641,652
Growth	43.14%	7.15%	8.98%	1.08%	31.06%	5.23%	-3.20%	0.50%	0.50%	0.50%

Non-personnel expenditures are expected to increase by 3.0% annually. Expenditure amounts may vary on an annual basis due to the Capital Improvement Projects transfer for drainage projects. The amount transferred is based on the amount of revenue collected in the prior fiscal year.

Stormwater Utility Fund Non-Personnel Expenditures										
Fiscal Year	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	Estimated FY 11-12	Estimated FY 12-13	Estimated FY 13-14
Total	211,670	232,009	508,714	683,530	579,185	525,210	481,639	496,088	510,971	526,300
Growth	-0.73%	9.61%	119.26%	34.36%	-15.27%	-9.32%	-8.30%	3.00%	3.00%	3.00%

## **EXPENDITURES BY ACCOUNT CATEGORY**

The Stormwater Utility Fund is broken into 5 major categories which are personnel, supplies, maintenance, contractual, and capital. Personnel costs, including increases in compensation rates are calculated by the Financial Services department. Capital outlay costs consist of large one-time costs and require Town Council approval to be included in the budget. All other costs are based on the previous year's funding level minus any one-time costs from the previous year. In order for departments to receive an increase in funding, either a non-discretionary or decision package must be approved by Town Council. Below is a breakdown of FY 2010-2011 account category expenditures and a brief description is given comparing the categories to the FY 2009-2010 year-end projections.



### **Personnel Services: \$632,123 (down \$20,898 or -3.20 percent)**

As the largest expenditure category, personnel expenditures account for 56.8 percent of Stormwater Utility Fund expenditures which is a slight increase from 54.4 percent in the previous year. The decrease in personnel expenditures for FY 2010-2011 is due to the reorganization that took place in June 2010.

### **Supplies and Materials: \$36,965 (down \$374 or -1.00 percent)**

These object classifications are for expendable materials and operating supplies necessary to conduct departmental activities. Expenditures are anticipated to remain at levels similar to prior years for FY 2010-2011. Expenditures within this classification account for 3.3 percent of all expenditures.

**Maintenance Services: \$32,123 (down \$1,355 or -4.05 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 2.9 percent of all Stormwater Utility Fund expenditures.

**Contractual Services: \$412,551 (down \$13,592 or -3.19 percent)**

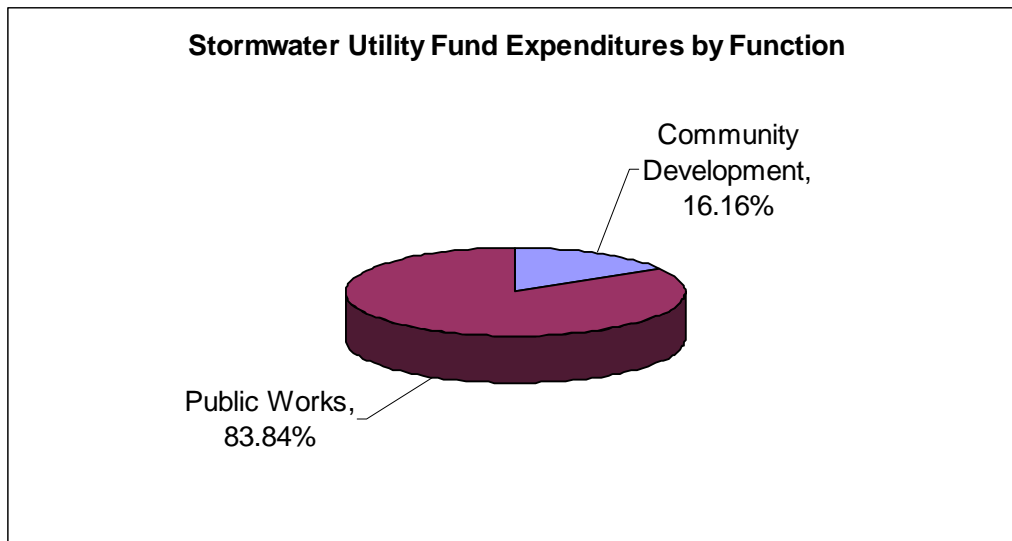
These object classifications are for obligations resulting in services rendered to Town activities by either private firms or other Town departments. With the addition of a transfer to a capital project fund for drainage projects, this category has become the second largest category for the Stormwater Utility Fund at 37.0 percent which is down from 37.2 percent in the previous year. Funds are transferred annually as needed for Stormwater drainage projects.

**Capital Outlay: \$0 (down \$28,250 or -100.00 percent)**

Capital outlay expenditures are those that are large one-time purchases for an item that is expected to have a usefulness span of over a year. Departments must submit a decision package request to receive capital outlay expenditures and the request must be approved by Town Council as part of the budget adoption process. Because the funding is one-time, the costs will vary significantly from year-to-year. Capital Outlay accounts for 0 percent of Stormwater Utility Fund.

**EXPENDITURES BY FUNCTION**

There are two main functions in the Stormwater Utility Fund which are community development and public works. Below is a breakdown of FY 2010-2011 departmental expenditures and a brief description is given comparing the departments to the FY 2009-2010 year-end projections.



**Community Development: \$179,946 (up by \$8,869 or 5.18 percent)**

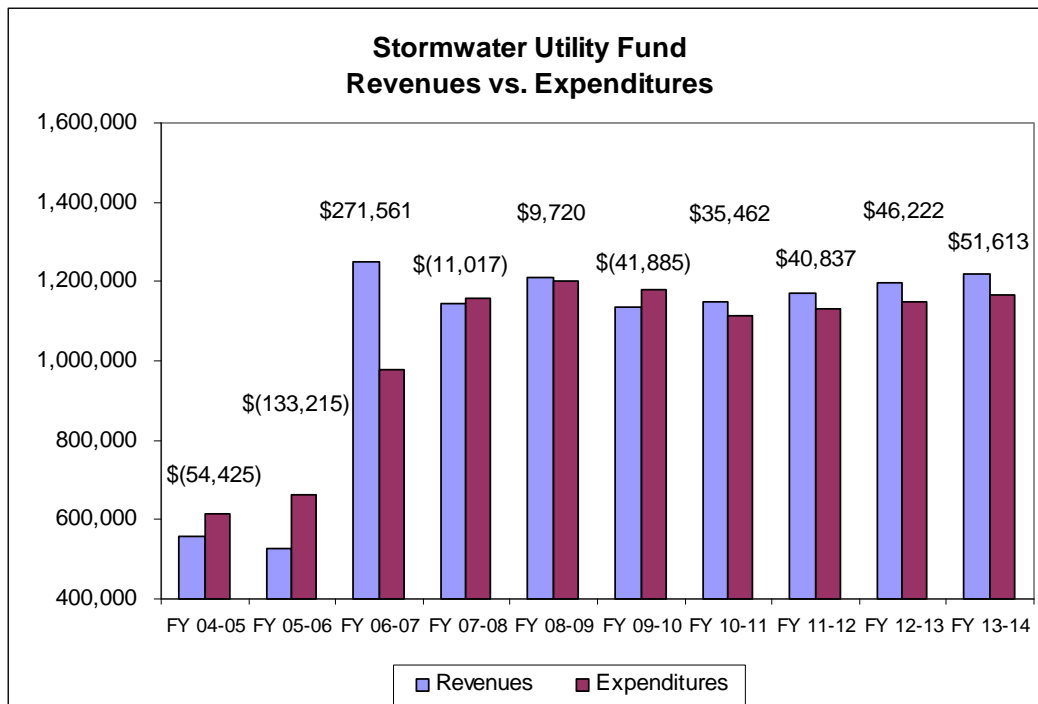
The Stormwater Utility Fund Community Development function helps control the level of contaminated stormwater drainage the Town has and funds a Household Hazardous Waste program that allows people to properly dispose chemical wastes. This function is comprised of the Environmental Resources division from the Community Services department. Community Development accounts for 16.16 percent of the fund which is up slightly from 14.92 percent in the previous year. The increase is due to an increase in funding levels for the Town’s agreement with Keep Flower Mound Beautiful.

**Public Works: \$933,816 (down \$73,338 or -7.28 percent)**

In the Stormwater Utility Fund, the public works function is responsible for engineering and maintaining the Town’s drainage system. The function is 83.84 percent of the Stormwater Utility Fund expenditures which decreased from 85.08 percent in the previous year. Beginning in FY 2007-2008, the public works function began transferring funds annually to Capital Improvement Program for drainage engineering projects. The expenditure decrease is due to the removal of funding for one-time capital purchases approved for FY 2009-2010.

**Stormwater Utility Fund Revenues vs. Expenditures**

In the Stormwater Utility Fund, revenues are projected to be nearly the same as expenditures over the next few years. This is due in part to the leveling of Stormwater fees and the annual adjustment of the transfer for capital projects. The following graph shows the variance between the revenues and expenditures and indicates the net gain.



## 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, Park Development Fund, Parks and Recreation Special Activities Fund, Community Development Block Grant Fund (CDBG), Municipal Court Security Fund, Dedicated Sales Tax Funds, Municipal Court Technology Fund, and other grant funds. An analysis of the changes from the projected year-end to the adopted budget is available under the Special Revenue section of the budget.

## 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.

The Town issued \$3,380,000 in new General Fund supported debt during FY 2009-2010, which includes COs for the acquiring, constructing, improving, and equipping fire-fighting facilities and public safety communications systems within the Town. The Town also issued \$7,635,000 in refunding bonds, which resulted in a net present value savings of approximately 7 percent.

<b>General Debt Service Revenues:</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>% Change</b>
Property Taxes	\$8,142,759	\$8,403,258	3.20%
Interest Revenue	15,000	20,000	33.33%
<b>Total Revenues</b>	<b><u>\$8,157,759</u></b>	<b><u>\$8,423,258</u></b>	<b>3.25%</b>
 <b>2010-2011 General Debt Service Expenditures:</b>	 <b>\$8,218,713</b>	 <b>\$8,411,870</b>	 <b>2.35%</b>