

ANNUAL OPERATING BUDGET

FOR FISCAL YEAR
OCTOBER 1, 2010 - SEPTEMBER 30, 2011



Jack Gorden, Jr.
Mayor

City Council

Victor Travis
Ward 1

Robert Shankle
Ward 2

Lynn Torres
Ward 3

Don Langston
Mayor Pro-Tem, Ward 4

Rufus Duncan, Jr.
Ward 5

Phil Medford
Ward 6

Paul L. Parker, City Manager
Douglas R. Wood, CGFM, Director of Finance



This budget will raise more total property taxes than last year's budget by \$74,062 (0.76%), and of that amount \$110,441 is tax revenue to be raised from new property added to the tax roll this year.



CITY OF LUFKIN

Vision Statement

Guided by City Council Leadership, we will be an organization that offers an excellent quality of life for its citizens.

Our Mission

To meet the needs of the citizens.

Our Values

We will COMMUNICATE -

Throughout the organization
To create solutions
Everyone's input is valued

We will have INTEGRITY -

We are trustworthy
We have a willingness to serve
We have a commitment to fairness

We will be held ACCOUNTABLE -

We accept responsibility for our actions and results

We will strive for TEAMWORK -

We will work together harmoniously toward common goals

We will demonstrate a strong WORK ETHIC -

We display a daily effort in applying required skills to complete assigned tasks

We will be INNOVATIVE -

We encourage and support change through seeking better ways to do our jobs



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September 21, 2010

Honorable Mayor and City Council Members:

Submitted herewith is the Fiscal 2010/2011 Operating Budget for the City of Lufkin. This budget, being conservative, basically maintains current service levels.

The major highlights of this budget are:

- Adoption of ad valorem tax rate of 51.38 cents per \$100 valuation which is below the effective tax rate of 52.4508 cents per \$100 valuation. This is a *decrease* from the prior year's rate of 53.38 cents per \$100 valuation and the second consecutive year of tax rate decreases for the City of Lufkin.
- A 1.92% increase in the City's assessed property values.
- A decrease in General Fund revenues of 3.34% from the prior year adopted budget.
- A decrease in General Fund appropriations of 1.53% from the prior year adopted budget.
- The second of four planned annual increases in water and sewer rates of 6% to cover the debt service for the Kurth Lake/Abitibi water well field purchase.
- Planned issuance of \$9,625,000 certificates of obligation and \$12,845,000 general obligation refunding bonds.
- An increase in equipment purchases from prior year adopted budget of \$704,012 to \$2,019,925 from the Equipment Acquisition and Replacement Fund.

The greatest challenge addressed in this budget cycle was declining revenues, primarily sales and franchise tax, due to the economic recession being felt across the country. Efforts were made by all departments to increase efficiency; finding ways to reduce costs while providing the same level of service to the citizens of the City of Lufkin.

Decline in Revenues

Fiscal year 2011 projections were impacted by the continued downturn the local industrial market segment felt in fiscal 2009 and 2010. This resulted in both sales tax and electric franchise tax revenues for fiscal year 2010 being less than originally projected. These revenues appear to have stabilized during the 4th quarter of 2010; however, it is anticipated that it will be several years before the City fully recovers to pre-recession revenue levels. In addition, increased unemployment translated to reductions in many other revenues citywide.

STRATEGIC PLANNING

In May 1999, the City Council held its first strategic planning retreat to identify community needs, establish priorities, develop goals and identify objectives to meet those goals. Continuing this practice, the Council met on April 7th 2010 at Kurth Lake Lodge to address the strategic plans for future years. Agenda items for the day included (1) the proposed Civic Center expansion/sheltering project in conjunction with Angelina County was discussed, (2) the need for obtaining a mixed beverage permit for the Pitser Garrison Civic Center for improved control of consumption on the premises, (3) debt issuance, (4) capital improvements for current and future years, (5) ad valorem tax rate reduction, and (6) current financial position. Each of these is discussed in more detail within the budget document.

ACCOMPLISHMENTS

General Government

The finance department received three awards during the year: Distinguished Budget Presentation Award from GFOA, the Certificate of Achievement for Excellence in Financial Reporting from GFOA, and the Comptroller Leadership Circle Member Gold Award for Transparency from the State Comptroller's office.

Public Safety

Public Safety is a priority in the City of Lufkin. The communications department which answers and dispatches all 911 calls for both the City police and fire/EMS units for the surrounding volunteer fire departments within the county. They responded to 58,057 citizen calls thus far during the year. The police department received various grants totaling \$297,000 and the Fire Department received \$29,500 in grants in addition to donations from both local hospitals.

Public Works

A grant for \$615,000 was received from TLL Temple Foundation to provide landscaping for the Highway 59 South Project.

Community Development

The Lufkin Convention and Visitor Bureau was formed as a component unit of the City with a primary objective to create maximum hotel occupancy and increase tourism within the City.

The Home Grant Program was implemented to encourage residential development within the city limits and a Façade Grant Program funded by Economic Development was implemented to assist and encourage development downtown. Economic Development received a \$4,000,000 Economic Development Administration Grant for development of the Lufkin Industrial Rail Park and \$750,000 Texas Capital Fund Infrastructure Grant for construction of an entry road into Aspen Power parking lot and picnic area.

FISCAL YEAR 2011 BUDGET SUMMARY

Fund Balance and Working Capital Reserves

The ending General Fund balance at the conclusion of fiscal year 2009/2010 is projected to be \$10,383,410. The ending fund balance for fiscal year 2010/2011 is projected to be \$9,345,706 which includes \$1,037,704 of assigned fund balance. This is a projected decrease of \$1,037,704 from fiscal 2010. The twenty-five percent (25%) Fund Balance Reserve is \$7,266,699; therefore, the Fund Balance at the conclusion of fiscal Year 2011 is projected to be \$2,079,007 above the required policy reserve. This excess provides the City with the capacity to respond to some unexpected declines in revenue streams or meet some unexpected increases in expenditures as the economy dictates. The table below reflects projected fund balances, reserves and amount over or under the reserve.

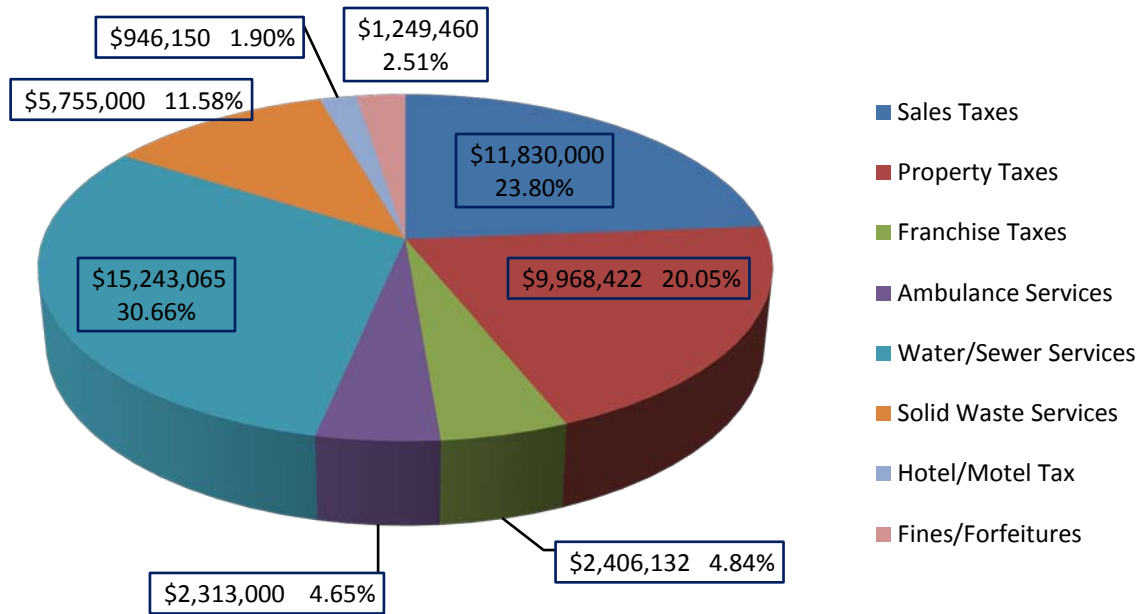
Fund	Projected Balance 9/30/10	Projected Balance 9/30/11	FY 2011 Policy Reserve	Amount over / (under) reserve
General Fund	10,383,410	9,345,706	7,266,699	2,079,007
Water/Wastewater Fund	2,262,279	2,214,029	1,927,129	286,900
Solid Waste Fund	3,171,639	3,079,087	735,823	2,343,264
Hotel/ Motel Tax Fund	260,512	232,527	122,314	110,213
Special Recreation Fund	44,307	47,717	24,644	23,073
Zoo Building Fund	1,318,459	1,392,539	-	1,392,539
Court Security / Technology Fund	46,898	37,178	-	37,178
Animal Control-Kurth Grant Fund	232,546	185,226	-	185,226
Animals Attic Gift Shop Fund	9,614	11,034	-	11,034
General Obligation Debt Service Fund	941,916	1,271,832	-	1,271,832
Equipment Acquisition Fund	2,792,994	2,378,592	-	2,378,592
Economic Development Fund	2,991,749	2,676,206	-	2,676,206
Lufkin Convention & Visitor Bureau ¹	-	280	-	280

- (1) Lufkin Convention & Visitor Bureau is a component unit of the City that was created during fiscal year 2010 with the primary objective to create maximum hotel occupancy within the city. 100% of its revenue is derived from Hotel/Motel tax revenue included in the Hotel/Motel Tax Fund.

Revenues

Total budgeted revenues are \$59,698,083 less interfund transfers of \$2,739,308 and LCVB revenues of \$315,000 for a net of \$56,643,775. This is compared to prior fiscal year adopted net revenues of \$57,899,376, a decrease of (\$1,255,601) or 2.17%. The major sources of revenue include sales taxes, property taxes, franchise taxes, ambulance services, water and sewer services, solid waste services, hotel/motel taxes, and fines/forfeitures. These revenue sources comprise 87% of the total revenues and are reflected in the chart below.

Revenues (net of transfers)



Fiscal 2011 sales tax revenues are projected to decrease from the prior years' adopted sales tax revenue by \$795,000 or 6.30%. Lufkin is a regional medical, shopping and entertainment hub for ten surrounding counties. This assists in stabilizing sales tax revenues despite declines from the local industrial market segment.

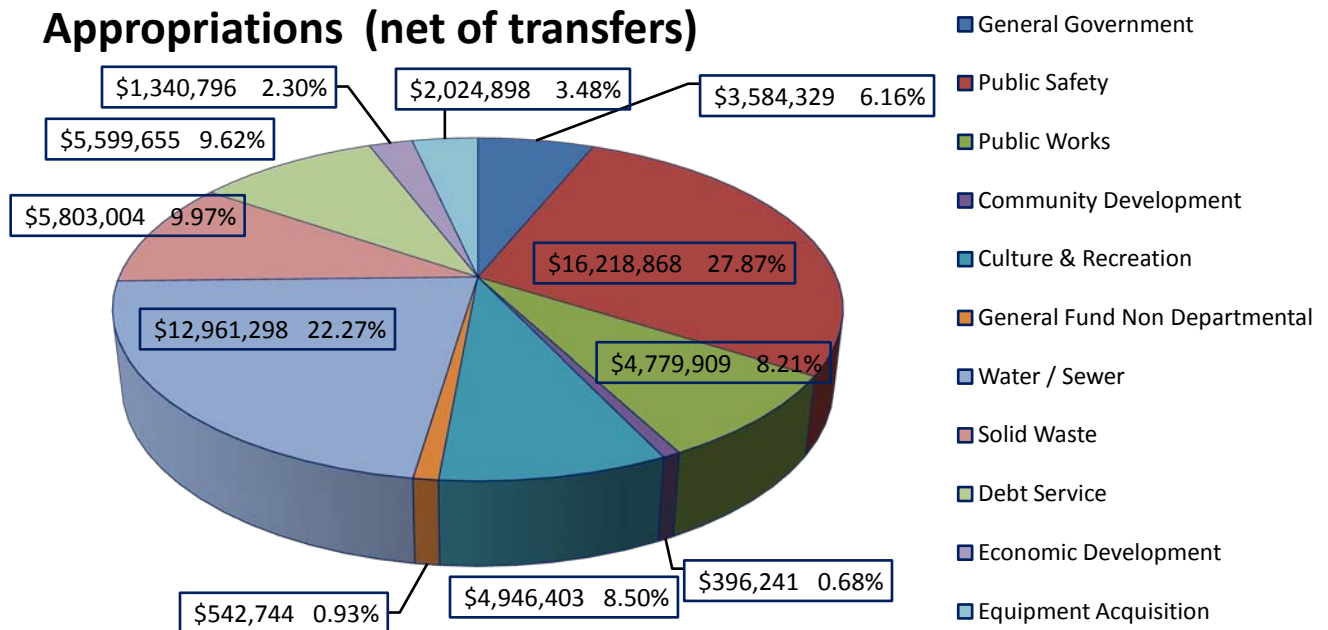
Ad valorem taxes are projected to increase \$74,062 or 0.76% primarily due to new property being added to the tax roll accounts. The tax rate of 51.38 cents per \$100 valuation was adopted which decreased the tax rate 3.75% from the previous year's rate of 53.38 cents per \$100 valuation. The rate change primarily reduced the debt service portion of the tax rate from 20.22 cents to 18.00 cents and slightly increased the maintenance and operations portion of the tax rate from 33.16 cents to 33.38 cents per \$100 valuation.

Water and sewer rate increases of six percent were adopted for all classes of customers for fiscal year 2011 and are planned for fiscal years 2012 and 2013. These rate increases are necessary to fund the debt service costs associated with the purchase of the Abitibi Water Well Field and Kurth Lake holding facility. However, there are long term cost savings of this purchase over piping water from Sam Rayburn Reservoir and this purchase created an advantageous position for the City to supply the water needs of the citizens of the surrounding locales in the coming years as other water sources are depleted. There are no increases for solid waste, franchise tax, ambulance service and hotel/motel tax rates for fiscal year 2011.

Appropriations

Total budgeted appropriations for fiscal year 2011 are \$61,252,453 less interfund transfers of \$2,739,308 and LCVB expenditures of \$315,000 for a net appropriation balance of \$58,198,145 as compared to net appropriations of \$58,081,556 for the prior year resulting in an increase of \$116,589 or 0.20% across all budgeted funds. The main categories of appropriations are depicted in the chart that follows.

Appropriations (net of transfers)



Personnel changes during fiscal 2010 included adding the following positions whose costs were offset by reduction in contracted services: an attorney, two grounds maintenance positions for Parks, and a video production specialist.

A director and administrative assistant for Lufkin Convention & Visitor Bureau (LCVB) were added to be funded from Hotel/Motel taxes. A municipal court clerk was added to be paid from American Traffic Solutions reimbursements and the School Resource officer position was reclassified to a LPD patrol officer as a result of the school district creating its own police department. A library assistant II position was upgraded to an assistant director position. Personnel changes for fiscal 2011 include changing a library clerk II position to a library clerk I position and adding a part-time library aide, eliminating a vacant fleet mechanic position, changing the arborist position to a laborer position bringing total number of employees to 477, including LCVB. Salaries are projected at current levels with only those fire and police department personnel eligible for step increases receiving salary adjustments and increases in longevity pay based on tenure. Employer retirement contributions to TMRS were increased by 0.06% for all eligible employees effective January 1, 2011.

Some of the program changes made for fiscal year 2011 in efforts to reduce the initial budgeted deficit are as follows: Travel and training across the City was reduced by 26.2%, the street overlay program was reduced by \$200,000 and the street department staff will work in conjunction with other departments to complete major projects during the year. The fire department will begin acquiring their bunker gear on a five year lease purchase agreement that includes warranty and repair. Hotel/motel tax contributions to designated organizations are projected to be \$34,150 less as a result of the decrease in projected hotel/motel tax revenue. The annual transfer of \$20,000 from the Court Security / Technology Fund to the General Fund has been eliminated due to lack of available funds.

NEW PROGRAMS AND SERVICES

Several new services are being provided to the citizens of Lufkin to increase efficiency or effectiveness without increasing bottom line costs for the City. Utility collections department began taking payments by electronic check allowing customers the option of having the payment debited from their respective checking accounts in lieu of being charged to a credit or debit card. A new service being provided by the fire department is EKG telemetry that has the ability to send patient data and information directly to the ER doctor wirelessly. This allows for the hospital to identify and prepare for a heart attack. This service will allow for a faster treatment time for our patients presenting with heart attacks, thus allowing for better outcomes and quicker recovery times. These units and the connectivity systems were donated by the local hospitals at no cost to the City. The Pitzer Garrison Civic Center plans to obtain a mixed beverage permit to allow them the opportunity to control the sale of alcoholic beverages at events held at the Civic Center.

CAPITAL IMPROVEMENT PROJECTS

New projects, of a non-routine nature, planned from the Water and Sewer Renewal and Replacement Fund total \$385,250 and include a boat for Kurth Lake maintenance, replacing an air compressor and HydroVac aerators at the Water/Wastewater Treatment plant, repairing the Fuller Springs lift station, eliminating the Harmony Hill lift station and purchasing easements for the future 24 inch waterline. In addition, funds are being set aside in this fund to assist with the anticipated Highway 59 North utility relocation project which will be required prior to TxDot's work on the Highway 59 North interchange project.

Several capital improvements identified in the strategic planning session to be funded by proceeds from the sale of bonds in November 2010 include the relocation and consolidation of two fire stations; purchases of fire engine and rescue unit; replacement of Columbine Drive storm drain and Carrol Avenue bridge; reconstruction of Fuller Springs Drive; replacement and addition of City Pride signage; and several additions to Morris Frank Park.

Several pieces of equipment were identified as needing replaced during the annual review. These replacements totaled \$2,019,925 and will be purchased from funds in the Equipment Acquisition and Replacement Fund as set aside for this purpose. Other capital related items to be purchased include a new vehicle and equipment lift and 4-way overhead crane to improve efficiency in the fleet maintenance department as evidenced by reduction of one full-time mechanic position.

UNCERTAINTIES

A number of uncertainties surrounding these projections could alter the annual outcome during the period of the forecast.

- **Sales Tax-** Deflation, decreased consumer confidence and continued high unemployment rates could slow sales resulting in less than anticipated sales tax revenues which account for approximately 23% of the City's total revenues. The City's conservative management in prior years has resulted in a fund balance above the reserve that is

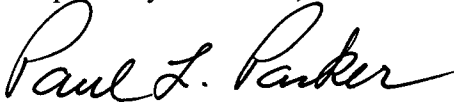
projected to be sufficient to sustain any minimal sales tax declines during fiscal year 2011.

- **Water and sewer revenue** – The residential market segment constitutes approximately 50% of the market while the remainder is comprised of industrial sector (20%), commercial sector (27%), and wholesale and services (3%). The revenues generated from the residential segment are impacted by weather conditions such as rainfall and temperature. Above average rainfall and or lower temperatures in the summer months could result in less revenue than projected.

SUMMARY

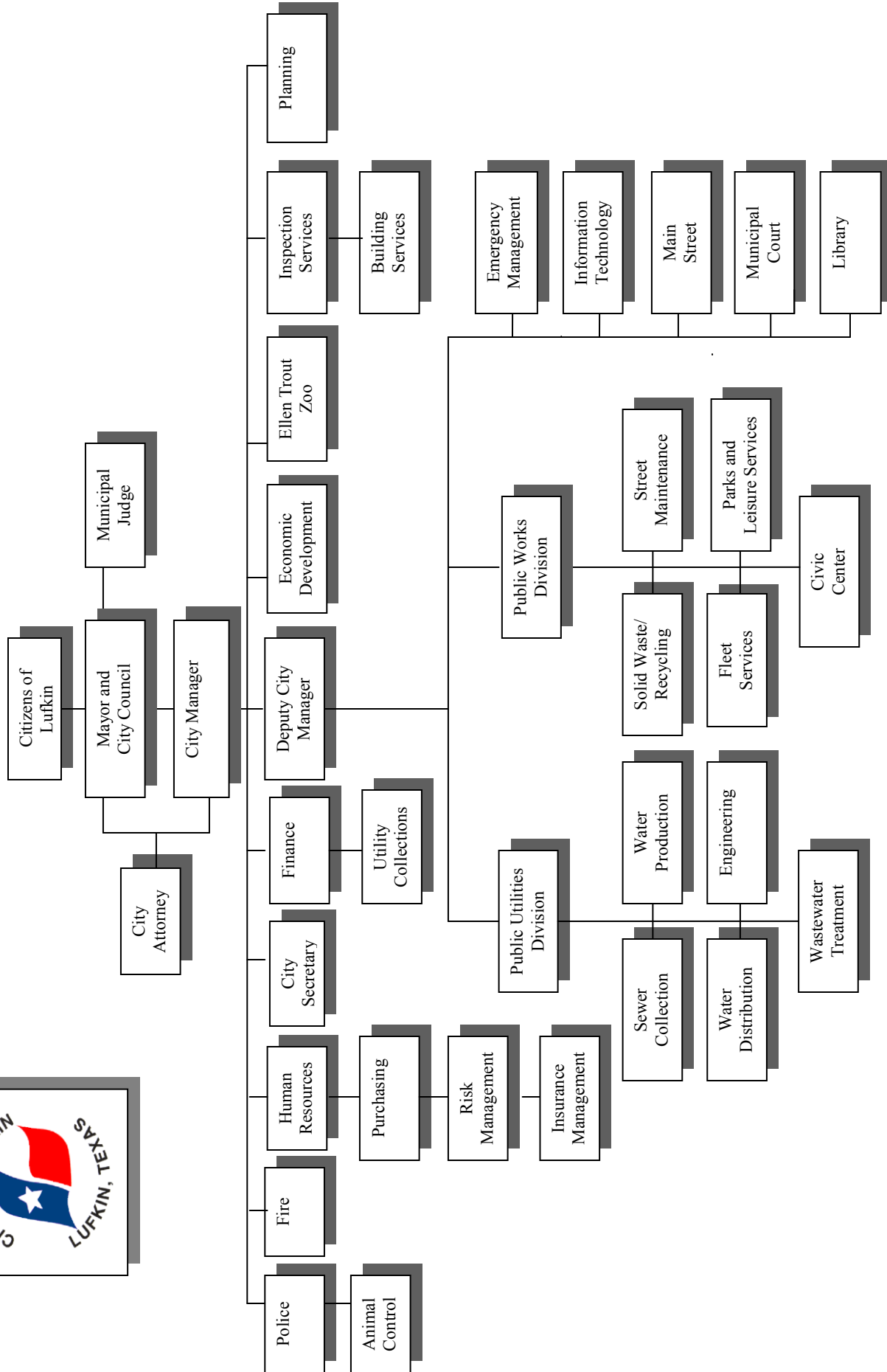
It is always a difficult task to prioritize the needs and desires of the citizens while providing for the staff during the budget process, and especially during times of declining revenues. The staff did exceptionally well identifying programs that could be eliminated or delayed in order to reduce the projected budget shortfall for fiscal year 2011 and are to be commended for their hard work. The City is poised to maintain its current workforce and continue providing the same level of service to its citizens for fiscal year 2011, in contrast to many cities that are not so fortunate as Lufkin. The City is able to maintain the workforce and services by using fund balance which is attributed to conservative fiscal management in previous years.

Respectfully Submitted,



Paul L. Parker
City Manager

**CITY OF LUFKIN, TEXAS
ORGANIZATION CHART**



Department Matrix

The table below reflects the correlation between departments and the responsibility centers. Listed across the top are the responsibility centers. Listed along the left side of the matrix are the departments. Appropriate areas have been shaded in distinguishing colors to indicate responsibility center for each department.

Departments	Responsibility Centers				
	General Government	Public Works	Public Safety	Community Development	Culture & Recreation
General Government					
City Administration					
Finance					
Legal					
Municipal Court					
Tax					
Human Resources					
Municipal Services					
Deputy City Manager					
Information Technology					
Police					
Fire					
Inspection Services					
Emergency Management					
Animal Control					
Engineering					
Streets					
Parks and Recreation					
Fleet Maintenance					
Planning and Zoning					
Ellen Trout Zoo					
Community Development					
Kurth Memorial Library					
Utility Collections					
Water Distribution					
Wastewater Distribution					
Water Production					
Sewer Collection					
Solid Waste					
Recycling					
Civic Center					
Special Recreation					
Zoo Building					
Court / Security Technology					
Animal Control Kurth Grant					
Animal Attic Gift Shop					
Economic Development					
Lufkin Convention and Visitor Bureau					



The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Lufkin for its annual budget for the fiscal year beginning October 1, 2009.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for the period of one year only. We believe our current budget continues to conform to program requirements and we are submitting it to GFOA to determine its eligibility for another award.

READER'S GUIDE TO THE 2010-2011 CITY OF LUFKIN OPERATING BUDGET

OVERVIEW

The **READER'S GUIDE** is intended to facilitate the readability of the fiscal 2011 Operating Budget by the citizens of Lufkin. It is designed to enhance the effectiveness of this document as a communications device. The Introduction section includes the City Manager's letter of transmittal to the City Council. Included in this section are the following subjects:

- *Organization of the Budget Document*
- *City of Lufkin Profile*
- *Description of Fund Structure and City Finances*
- *The Operating Budget Calendar*
- *The Budget Process*
- *Strategic Planning*
- *Key Revenue Assumptions and Trends*
- *Guide to the Detail Budget Pages*

ORGANIZATION OF THE BUDGET DOCUMENT

A brief summary of the information contained in the various sections of the budget document is outlined below:

The **MANAGER'S MESSAGE** is a formal transmittal letter designed to summarize key budget decisions and major initiatives of the fiscal 2011 Budget.

The **READER'S GUIDE** provides information pertaining to the various sections located in this document. This section provides demographic and local economic information about the City of Lufkin, describes the fund structure of the City, explains the budget process and budget calendar, describes the key revenue assumptions, explains the strategic planning process, describes the process of adopting and amending the budget, and explains the detail budget pages.

The **BUDGET OVERVIEW** discusses major revenue and expenditure projections, including primary strategies planned for operations in fiscal 2011 and the financial plan for achieving them. Also, a summary of the ending working capital for each fund is provided along with a discussion of how the current budget relates to the City's Financial Policies.

The **FUND SUMMARIES** section provides historical and graphical comparisons and budgeted projections for all revenues and expenditures within each fund.

The **DETAIL SECTION** provides the budget detail for each department and departmental division within the appropriate fund category. The budget detail includes financial and personnel data, departmental/divisional mission statements, descriptions of service, objectives and performance measures.

The **CAPITAL IMPROVEMENTS PROGRAM** section summarizes the fiscal 2011 Capital Improvements Program (CIP) emphasizing the impact of capital projects on the operating budget.

The **DEBT SERVICE** section provides a listing of the City's outstanding general obligation and Water/Wastewater Fund debt.

The **APPENDIX** contains ordinances adopting this budget and establishing the tax rate for the current fiscal year, provides a copy of the City Financial Policies, a glossary of frequently used terms, chart of accounts, personnel historical comparisons and General and Administrative (G&A) allocation calculations.

CITY OF LUFKIN PROFILE



The City of Lufkin is located on US Highway 59, 120 miles north of Houston, 166 miles southeast of Dallas and 110 miles southwest of Shreveport, Louisiana. As the County Seat of Angelina County, Lufkin enjoys a strong retail, commercial and industrial base. Known as a progressive city, Lufkin offers its citizens an abundance of recreational opportunities. Its natural resources (including pine and hardwood forests, lakes and rivers), provide opportunities for hunting, fishing and water sports. A rich heritage, strong civic pride and a government committed to community development make Lufkin the perfect place for commercial and residential life.

Climate

Average temperature in January - low 38°, high 59°.
 Average temperature in July - low 72°, high 94°.
 Average precipitation – 38.9 inches per year.

Population

Lufkin is the commercial hub of a 10 county rural market region, serving over 300,000 residents. Population in the county during the last 20 years has grown by twenty-five percent, fourteen percent of that growth occurring in the City of Lufkin. The following table reflects population growth for Lufkin and Angelina County over the last three decades. The table will be updated in fiscal 2011 after census data is available. Current population estimates are 36,830.

Population Growth			
	1980	1990	2000
City of Lufkin	28,562	30,206	32,709
Angelina County	63,987	69,884	80,130

City Government

The City of Lufkin is a Home Rule city operating as a Council-Manager form of government. The Council consists of a Mayor and six council members. The City provides fire and police protection. The City’s current ISO Public Protection Classification is four based on scale of one to ten with one being the best. Standard and Poor’s and Moody’s Investment Service have rated the City’s General Obligation bonds AA- and Aa2 respectively, and the Revenue bonds are rated AA- and Aa2.

Education

The Lufkin Independent School District operates eleven elementary schools, one junior high school, and one high school. Total LISD enrollment is 8,630 students. One Charter school and three private schools also serve the area.

Angelina College, a two-year college established in 1968, offers exemplary nursing and technical training programs to its students. Fall 2010 enrollment totaled approximately 5,920 of which 2,905 (54%) are from outside the county. In addition, there are 1,201 enrolled in Community Services classes offered by the College.

Stephen F. Austin State University, located in Nacogdoches, 20 miles north of Lufkin, is a four-year university offering courses in many different fields. Total enrollment is approximately 12,954 students for fall semester 2010.

Community Facilities and Attractions

The Pitser Garrison Civic Center is located on the corner of 2nd and Paul streets offering meeting, banquet and concert facilities with a capacity of 2,000.

Kurth Memorial Library, located on Raguet Street in Lufkin, houses the Ora McMullen Genealogical Collection.

Ellen Trout Zoo, located on the north side of Loop 287 at Ellen Trout Drive, is an impressive, accredited zoo facility featuring many exotic animals.

The Texas Forestry Museum, located at 1903 Atkinson Drive, and the Museum of East Texas, located across from the Civic Center, provide a pictorial and narrative history of the East Texas area.

Recreation

Lake Sam Rayburn, located southeast of Lufkin, is the largest manmade lake in Texas with 560 miles of shoreline impacting five counties.

Golf Week rated Crown Colony Golf Course the #2 golf course in Texas.

Utilities

Several retail electric providers provide electric service to the City and surrounding area offering ample electric power supply at competitive rates to residential, commercial and industrial customers.

Oncor Electric Delivery provides electric transmission and distribution services to the area. Deregulation of the electric industry required TU Electric to split its corporate structure into two companies: a regulated company (the wires portion, i.e. Oncor); and a deregulated company (the electric production portion, i.e. TXU Energy).

Centerpoint Energy provides natural gas service to both residential and commercial/industrial customers within the City.

The City of Lufkin provides water, sewer, solid waste and recycling services to all customers within the city.

Consolidated Communications Telephone Company offers a 100% digital switching, fiber optic network with SONET.

Transportation

Private airport service is available at Angelina County Airport, which offers a 100 ft. by 5,400 ft. lighted, grooved asphalt runway. Nine over-the-road carriers serve the area. The Angelina & Neches River and Union Pacific Railroads provide rail service.

Taxation

The Angelina County Appraisal District appraises property within Angelina County. Ad valorem taxes are assessed per \$100 of assessed value. Tax rates of the various taxing entities for fiscal 2011 are reflected in the following table.

Fiscal 2011 Ad Valorem Tax Rates	
Taxing Entity	Tax Rate per \$100 Assessed Value
Angelina County	\$0.4475
City of Lufkin	\$0.5138
Lufkin Independent School District	\$1.2000
Angelina College	\$0.1590
Total	\$2.3203

Major Employers

The ten largest employers within the county employ 33.73% of the workforce in the area. The ten largest employers are reflected in the following table.

Major Employers of Angelina County			
Employer	# of Employees	Rank	Percentage of Total City Employment
Brookshire Brothers/Polk Oil	1000+	1	5.09%
Lufkin ISD	1000+	2	4.92%
Pilgrim’s Pride	1000+	3	4.74%
Lufkin Industries	1000+	4	4.44%
Lufkin State School	1000+	5	3.76%
Memorial Health System	1000+	6	3.59%
Woodland Heights Medical Center	500-999	7	1.95%
Wal mart	500-999	8	1.89%
Temple-Inland Forest Products	400-500	9	1.77%
City of Lufkin	400-500	10	1.58%

DESCRIPTION OF FUND STRUCTURE AND CITY FINANCES

Governmental accounting systems are operated on a “fund” basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The funds contained in this budget are segregated into two *Fund Types: Governmental Funds and Proprietary Funds*. Governmental funds are used for most government activities while proprietary funds are based on the premise that the city service will be conducted as a business with user fees covering expenditures. Listed below are descriptions of the funds maintained by the City and included in this document.

This budget was developed and will be implemented and monitored on a modified accrual basis with some exceptions as listed below in the section titled “Comparison between Budget and Financial Reporting”. The proprietary funds budget was developed and will be implemented and monitored on an accrual basis of accounting in most cases. Exceptions are listed below in the section titled “Comparison between Budget and Financial Reporting”.

Budgetary control is maintained at the category, or object class, level (personnel services, supplies, maintenance, etc.) for each department. Open encumbrances lapse at September 30th of each year. Those encumbrances carried forward to the next fiscal year are re-appropriated in the subsequent year and the budget is increased to reflect these carried forward encumbrances. Unspent and unencumbered appropriations lapse at the end of the fiscal year.

GOVERNMENTAL FUNDS

General Fund – accounts for all financial resources except those to be accounted for in another fund. Property and other taxes, franchise fees, fines, licenses and fees for services provide the resources necessary to fund the typical municipal services such as Public Safety, Parks and Leisure, Administration, Public Works and Community Development activities. The General Fund budget is prepared on a modified accrual basis wherein the City’s obligations, due within the current budget year, are budgeted as expenditures, but revenues are budgeted only to the extent they will be available and measurable.

Special Revenue Funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City budgets six special revenue funds. The Hotel/Motel Tax Fund receives its primary revenues from hotel/motel tax revenues. The Ellen Trout Zoo Building Fund receives admissions fees and donations from Zoo patrons to be used specifically for improvements and exhibits to the Zoo. The Special Recreation Fund receives user fees from athletic associations and leagues for maintenance of the athletic fields and facilities. The Municipal Court Security/Technology Fund receives a set fee from each fine collected in Municipal Court. These funds are used to purchase security equipment as well as

salaries for security employees and to purchase computer equipment and software for the Municipal Court. The Animal Control Kurth Grant Fund is supported solely by the Kurth Foundation. These funds are to be used for the support of the Kurth Memorial Animal Shelter. The Animal's Attic Gift Shop revenues are strictly donations. These contributions are used to purchase vaccines and medicines for animals in the Shelter. The special revenue funds are governmental fund types and therefore these budgets are prepared on a modified accrual basis as outlined in the General Fund section above.

Debt Service Fund – accounts for the accumulation of monies that are set aside to pay principal, interest and fees on debt incurred through the sale of bonds and other debt instruments. Proceeds from these tax and revenue supported bonds are used to make long-term capital improvements to streets, drainage systems, water, wastewater and solid waste projects. The Debt Service Fund is classified as a governmental fund type and its budget is therefore prepared on a modified accrual basis as stated in the General Fund section above.

Capital Project Funds – account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed directly by proprietary funds. The Capital Project Funds are classified as governmental fund types and their budgets are therefore prepared on a modified accrual basis as previously stated in the General Fund section.

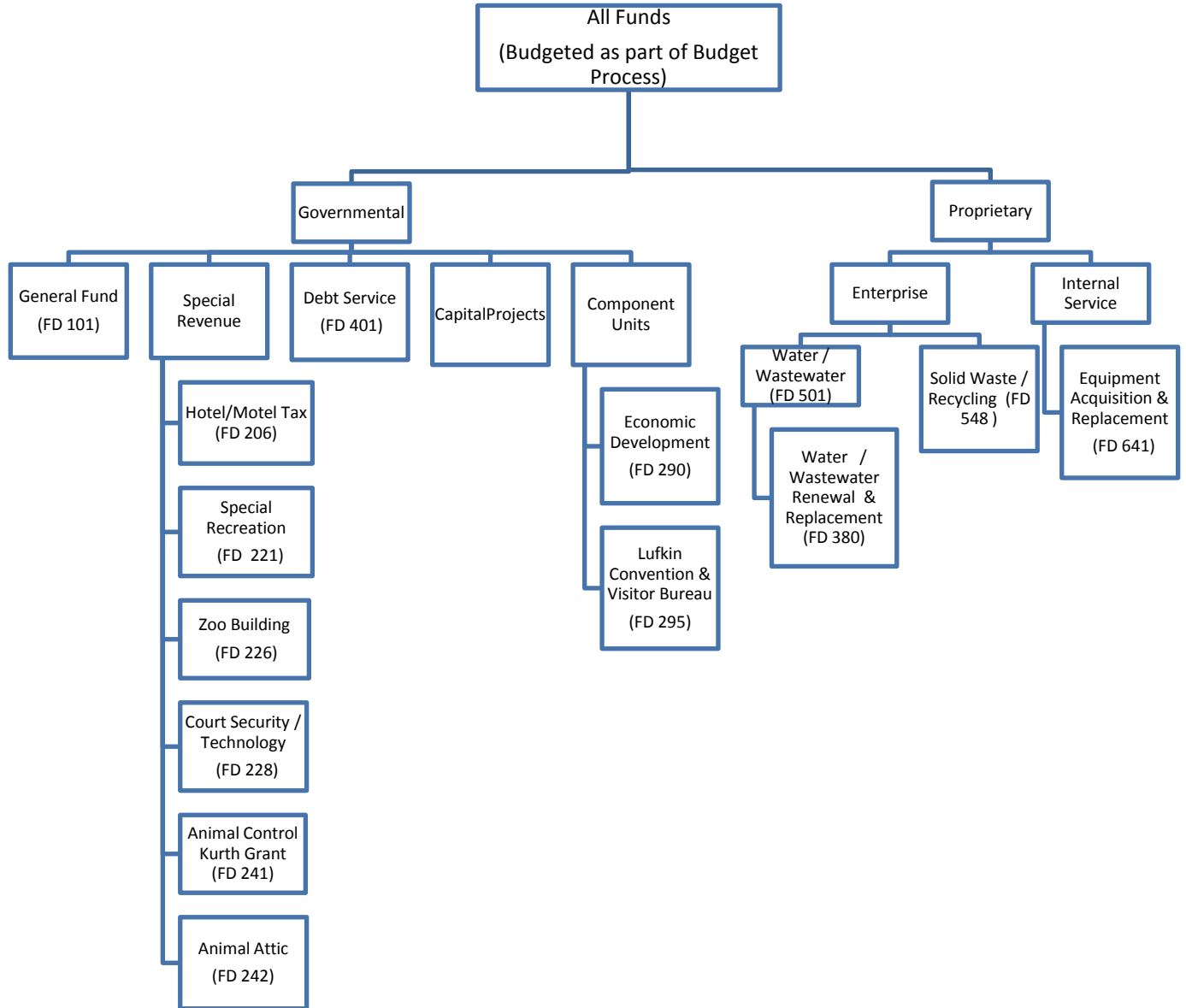
Component Units - The Economic Development Fund receives its revenue from a portion of the sales taxes collections received by the City. These funds are for the economic development and promotion of business within the City. The Lufkin Convention and Visitor Bureau receives its funding from the Hotel/Motel Tax Fund. These funds are to promote tourism and create maximum hotel occupancy within the City of Lufkin.

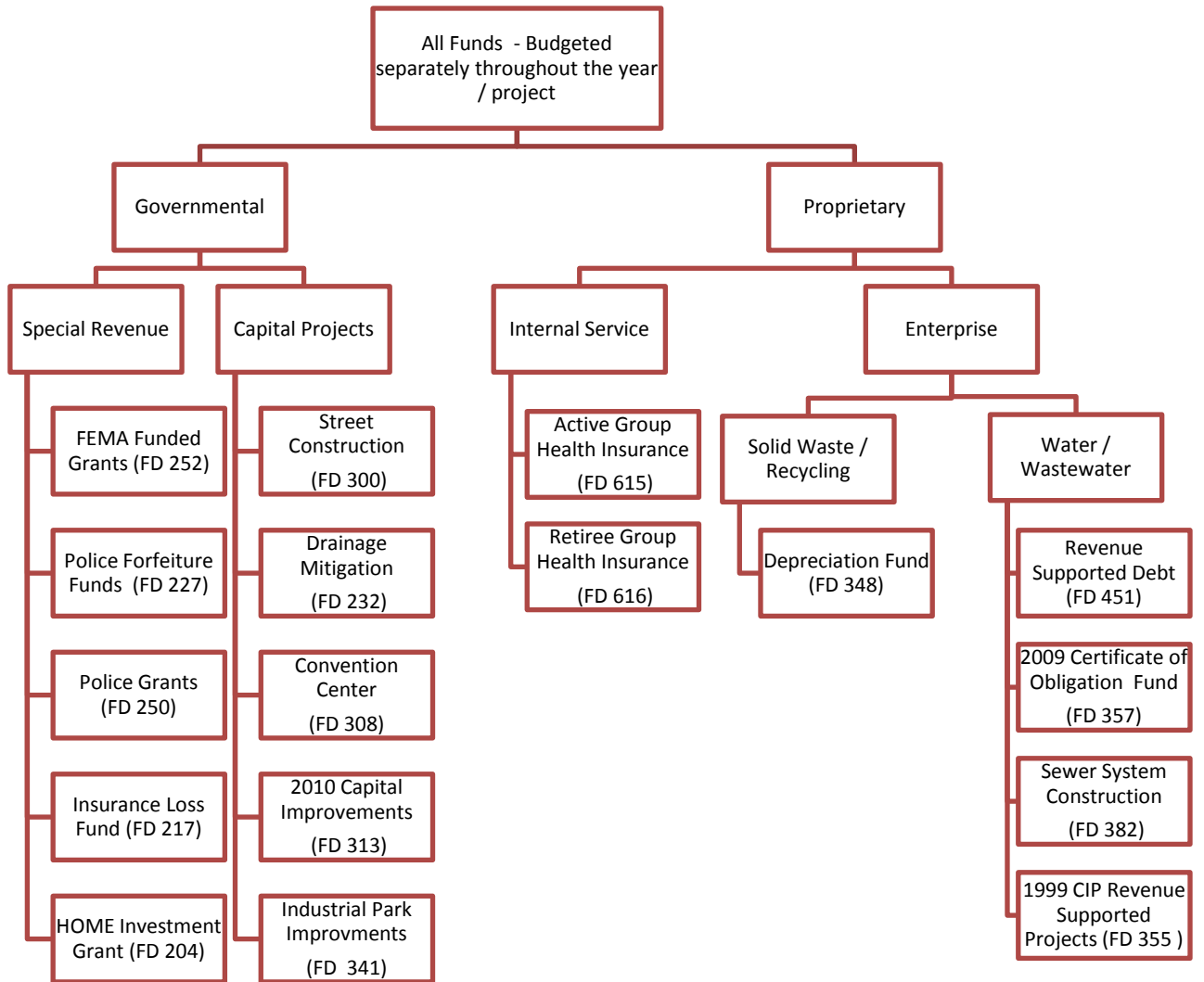
PROPRIETARY FUNDS

Enterprise Funds – account for operations that are financed and operated in a manner similar to private business in that the cost of providing goods and services (expenses, including depreciation) to the general public be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, manage control, accountability or other purposes. The Water/Wastewater Fund and the Solid Waste & Recycling Fund are enterprise funds maintained by the City of Lufkin. The budget basis for enterprise funds is on an accrual basis, with the exceptions noted earlier. Expenses of these funds are recognized as encumbrances when a commitment is made. Revenues are recognized when they are obligated to the City (for example, water user fees are recognized as revenues when service is provided).

Internal Service Fund - The Equipment Acquisition and Replacement Fund revenues are transferred from the departments and are accrued from the depreciation of equipment. Accumulated funds are to be used to replace and purchase new equipment, vehicles and machinery.

Funds Structure





COMPARISON BETWEEN BUDGET AND FINANCIAL REPORTING

The Comprehensive Annual Financial Report (CAFR) of the City shows the status of the City's finances on the basis of GAAP. In most cases this conforms to the way in which the City prepares its budget. Exceptions are as follows:

- A** Compensated absences liabilities that are expected to be liquidated with expendable available financial resources are accrued as earned by employees (GAAP) as opposed to being expended when paid (Budget).
- B** General and Administrative charges (G&A) are recognized as direct expenses of the Water/Wastewater and Solid Waste/Recycling Enterprise Funds and Economic Development Fund component unit on a GAAP basis as opposed to being accounted for and funded by operating transfers into the General Fund from the Water/Wastewater and Solid Waste/Recycling Enterprise Funds and Economic Development component unit on the Budget basis.
- C** Principal payments on long-term debt within the Enterprise Funds are applied to the outstanding liability on a GAAP basis, as opposed to being expended on a Budget basis.
- D** Capital outlay within the Enterprise Funds are recorded as assets on a GAAP basis and expended on a Budget basis
- E** Depreciation expense is recorded on a GAAP basis only.
- F** The CAFR shows fund expenses and revenues on a GAAP basis.
- G** Interest income within the Enterprise Funds recorded on a GAAP basis in the CAFR but recorded in the budget in the period in which the interest is expected to be received.
- H** Gains and losses on the disposal of fixed assets are recorded on a GAAP basis only.

**CITY OF LUFKIN
FY 2011 BUDGET PREPARATION
CALENDAR OF EVENTS**

<u>DATE</u>	<u>ACTION</u>	<u>RESPONSIBILITY</u>	<u>DESCRIPTION</u>
Scheduled as needed	HTE Training		Training will be held in the department requesting the training.
April 7, 2010	Special Council Strategic Annual Budget Meeting for Mayor/City Council to provide input and initiate the annual budget process.	City Manager Budget Team	Initial Budget meeting for Mayor / City Council to establish guidelines for FY2011 budget.
April 12, 2010	Budget Kickoff Council Chambers Room 202	Department Heads, Applicable Staff and Budget Team	Initial budget meeting to establish guidelines for the 2011 budget process, budget format, requirements, and distribute budget instruction manuals and materials.
April 30, 2010	Draft 2011 Departmental Budget Email Forms Due to Finance Dept.	Department Heads and applicable staff	Draft 2011 Departmental Budget Emails due to Finance Dept. including UPDATED Mission Statements, Description of Services, Work Program, and Performance Measures. Departmental Budget Pages will be generated, reviewed and returned for corrections during Departmental Budget Reviews.
April 30, 2010	2010 Revised Revenue Estimates and Budget Expenditure Estimates	Department Heads and Applicable Staff	Completed Revenue estimates and current year annualized expenditures are due in HTE from responsible departments.
May 3, 2010	Change Security	Department Heads and Applicable Staff	Change Authority in HTE so that no further changes can be made to the FY 2010 Revised Revenues and Expenditures by the Departments.

May 14, 2010	Completed FY 2011 Revenue Estimates and Budget Drafts and Supplemental Requests	Finance Department	Departmental FY 2011 budget drafts due to be completed in HTE. Finance will begin to prepare for budget review.
May 17, 2010	Change Security	All Departments	Change Authority in HTE so that no further changes can be made to the FY 2011 Proposed Revenue Estimates and Expenditures by the Departments.
May 17, 2010	Computer Setup	Finance Department	Coordinate Computer Setup for Room 202 for Budget Reviews.
May 17, 2010 <i>(Kara Completed March 31, 2010)</i>	Send Budget Review Schedule to Department Heads	Budget Team	Schedule of meetings will be developed and sent to department heads
May 19-25, 2010	Departmental FY 2011 Budget and Supplemental Request Reviews	City Manager, Department Heads, Staff, & Budget Team	Staff and Budget Team to meet with each Department Head to review departmental budgets. Draft Departmental Budget Pages will be returned for corrections at each Departmental Review.
June 18, 2010	Completed 2011 Departmental Budget Page Due to Finance Dept.	Department Heads and Applicable Staff	Completed 2011 Departmental Budget Page due to Finance Dept. including UPDATED Mission Statements, Description of Services, Work Program, and Performance Measures.
June 22, 2010 (revised June 21, 2010)	Council Budget Workshops	City Council & City Staff	Council review of departmental budget requests.
July 20, 2010	Set Public Hearing on Draft Budget	City Council	Council. Council sets public hearing on budget.
July 26, 2010 (by July 31, 2010)	Receive Certified Property Values	Chief Appraiser	Complete Ad Valorem revenue projections for budget.
July 28, 2010	Effective and Rollback Tax Rates Published	Tax Assessor/Collector /Finance Director	The effective tax rate for fiscal 2011 is published in the local newspaper.

August 6, 2010	File Draft Budget	Budget Officer	A copy of the Draft Budget Book is filed with the municipal clerk and is available for inspection by the public and published on the City's website.
August 6, 2010	Publish notice of budget hearing	Budget team	Publish notice of budget hearing in local newspaper and on the City of Lufkin website.
August 17, 2010	Budget Submission to Council	City Manager	Draft Budget and transmittal letter submitted to City Council.
	Public Hearing*	City Council	A public hearing is held by Council to receive public input regarding the 2010/2011 Operating Budget.
	Discussion on Tax Rate*		If proposed tax rate exceeds the effective rate or rollback rate take record vote.
August 31, 2010	Notice of Public Hearing on Tax Increase Published	City Secretary/Finance Director	1 st ¼ Page notice in newspaper, Website and TV. Must be published at least 7 days before public hearings. Must run 60 second notice on public TV at least 5 times per day between 7 am and 9 pm for at least 7 days.
September 7, 2010	1 st Reading of Budget Ordinance*	City Council	First reading of Budget Ordinance.
	1 st Reading of Water & Sewer Rate Ordinances*		First reading of proposed ordinance amending Code of Ordinances making changes to the water and sewer rates and providing an effective date.
	1 st Public Hearing on Tax Rate*		First public hearing on proposed tax rate.
September 14, 2010 (requires special called meeting of City Council)	2 nd Public Hearing* on Tax Rate	City Council	Second public hearing on proposed tax rate. Must announce date of meeting to adopt tax rate.
September 14, 2010	Notice of Vote on Tax Rate Published	City Secretary/Finance Director	2 nd ¼ Page notice in newspaper, Website and TV. Must be published at least 7 days before meeting to

			adopt tax rate. Must run 60 second notice on public TV at least 5 times per day between 7 am and 9 pm for at least 7 days.
September 21, 2010	2 nd Reading of Budget Ordinance*	City Council	Second reading of Budget Ordinance and adoption.
	2 nd Reading of Water & Sewer Rate Ordinances*		Second reading of proposed ordinance amending Code of Ordinances making changes to the water & sewer rates providing an effective date, and adoption.
	Vote on Proposed Tax Rate*		Vote to adopt proposed tax rate.
December 7, 2010	Distribution of Final Budget Document	Budget Team	Final Budget Document published.

* Requires 72 hour Open Meeting Notice

BUDGET PROCESS

DEFINITION AND AUTHORITY

The budget is an essential element of financial planning, control and evaluation for the City and reflects and supports the policies and direction provided by Council. Budget appropriations are matched with anticipated revenues to fund expenditures necessary to provide citizen services while maintaining unencumbered fund balances consistent with Council Financial Policies. The City Charter establishes the City's fiscal year as October 1st through September 30th. By Charter, the City Manager is required to submit to Council, at least forty-five days prior to the end of the fiscal year, a proposed budget reflecting a complete financial plan for the ensuing fiscal year. The Council is required to adopt the budget no later than the twenty-seventh day of September.

BUDGET PREPARATION

The City's budget process consists of four major phases that are followed in order to obtain the desired results. They include:

1. Planning/Preparation
2. Administrative Review
3. Presentation/Approval
4. Execution/Monitoring

These four phases comprise the budget cycle:

BUDGET PLANNING/PREPARATION

The Planning/Preparation phase of the budget cycle begins in January. At this point the administrative staff begins formulating goals and assessing needs for the coming budget year. Once these goals are agreed upon and needs have been identified, budget instructions are created for departments to follow. These instructions, departmental budget files, budget forms, and other budget information are distributed to department heads in a "Budget Kickoff Meeting" that is held early in the month of April. Strategic planning retreat is held off-site in mid April for council members, city manager and department heads to address capital improvements and program changes that may impact department operating budgets. Departmental budgets are completed and returned to the Finance Department by a specific date in mid May.

BUDGET REVIEW

Administrative Review occurs in late May/early June once departmental budgets are returned to the Finance Department. They are reviewed for content and mathematical accuracy by Finance staff. Necessary corrections and changes are made and departmental budgets are forwarded to administrative staff for review. The administrative staff schedules meetings with each individual department head. At this meeting they turn in and justify departmental work plans for the coming year and explain how their plans accomplish Council priorities as well as present justification for their requests. These Departmental budgets are then reviewed by the City Manager, where suggestions for improvement are made; items are eliminated that do not meet

effectiveness tests, and whether supplemental requests are a necessity for the upcoming budget year.

BUDGET PRESENTATION/ADOPTION

The adoption process begins with staff presentation to Council of an overview of the revenues, expenditures and fund balances of each operating fund of the City, a summary of major changes such as rate and fee increases/decreases, and recommendations regarding organization-wide salary adjustments. The Council is provided a detail listing of all departmental requests and significant changes. At this time, Council decisions are made based on previous performance and overall necessity. During the month of August and September, City Council holds public hearings on the budget that allow citizens to voice their opinions and concerns on all aspects of the preliminary budget. After citizen input has been received, staff prepares the final budget and City Council formally adopts the budget prior to the 27th of September. Should the Council not take action on or prior to the twenty-seventh day of September, the budget, as submitted, is deemed adopted by the Council.

BUDGET EXECUTION/MONITORING

The budget process then moves into the Execution/Monitoring phase. This phase requires the administrative staff to review the adopted budget and note any policy or program changes Council may have made that differ from the preliminary budget. These are reviewed and discussed with department heads. The adopted budget becomes effective on October 1st for the new fiscal year. During the ensuing twelve-month period, the budget is under review to ensure that spending levels are maintained at, or below, the budget allowances.

BUDGET AMENDMENT

The City Charter, Article V, Section 3, Appropriations, provides for a budget amendment process. It states, in part,

“The Council may transfer any unencumbered appropriation balance or portion thereof from one office, department, or agency to another, at any time. The City Manager shall have authority, with council approval, to transfer appropriation balances from one expenditure account to another within a single office, department or agency.”

Thus, if during the year situations arise whereby additional funds are needed by a department; a Budget Amendment Request is prepared and submitted to Council for approval stating the reasons that additional funds are required.

If only line item changes are required within a departmental budget, the department head submits a Budget Adjustment Request to the City Manager for approval. The Request reflects the account(s) from which funds are requesting to be transferred and the account(s) to which funds will be transferred. Reasons for the transfer are stated, and the City Manager approves or disapproves the request. All approved changes are forwarded to the Finance Department for entry into the financial system.

STRATEGIC PLANNING

The Lufkin City Council is elected to set policy and make decisions regarding City services to its citizens. In so doing, the Council must set priorities they believe are in the best interest and represent the desires of the citizens they represent. A retreat is held, early in the budget process each year, in which Council and staff discuss concerns, short and long term needs, philosophies and policies. Through these planning sessions and discussions, Council is able to develop a prioritized ranking of those needs they believe to be most important to the community and provide staff direction with which to formulate the coming year's budget.

The first Council Retreat was held in May 1999. The focus of the retreat was to identify community needs, establishing priorities, developing goals and identifying objectives for meeting those goals. Primary to this process was adoption of a continuing capital improvements program (CIP) tailored to address specific goals. Subsequently, these goals were reorganized and non-CIP items were added to create a more complete strategic planning model. As certain projects were completed, unforeseen significant needs were moved to the forefront and other less critical projects were delayed. Ultimately, the once five-year CIP has evolved into a continuous plan which is updated each budget year.

The following is a list of the goals and objectives including those originally established by Council in 1999, objectives covered in subsequent conferences, and aspects that staff feels are imperative to the overall fitness of the city. This is the status of these projects as of fiscal year-end 2010. Completed Objectives are in blue.

Goal: Improve drainage and correct problems within the City of Lufkin

Objectives:

1. Continue to monitor development within the City in order to insure that all drainage requirements are being met.
2. Maintain all regional detention facilities and remove volume as needed to meet the needs of new development.
3. Evaluate possible construction of two regional detention ponds.

Status:

Objective 1 All new developments are required to complete and submit a drainage study if the impervious improvements exceed 14,000 square feet or if under that amount, there has been isolated flooding situations. All drainage studies are maintained by the Engineering Department and may be utilized by other developers as needed.

Objective 2 Developers are allowed to purchase volume from the regional detention facilities if the development is within close enough proximity of the pond. This practice helps to offset the cost of on-site detention and assists the developer in not having to use valuable developable land for detention. The developer submits the standard drainage study and then requests that they be allowed to purchase volume from that pond within

the closest tributary. The City then contracts out the actual removal of volume from the pond as required.

- Objective 3 The Engineering Department will continue to evaluate possible funding sources, whether through CIP monies or grants provided through FEMA.

Goal: Replace approximately 65 miles of asbestos cement water mains within the City's utility service area.

Objectives:

1. Continue with replacement of asbestos cement waterlines, design and engineering.
2. Construct new water mains.

Status:

Objective 1 Two projects just completed are projects 12/13 (Crown Colony) and Ellen Street Ground Storage Tank rehabilitation. These projects were completed in 2009.

Objective 2 All projects have been engineered and as of September 2009 completed.

Goal: Develop and implement street improvements for better mobility within the city.

Objectives:

1. Conduct inventory of all streets and classify by quality standards Street Improvement Plan. This is a perpetual project.
2. Prepare recommendations for street overlay program and submit to Council by March of each year.
3. Implement improvements to the central business district that were approved in the TEA 21-grant award.
4. Continue schedule of activities for street improvements approved by voters in the 2001 May election.
5. Continue schedule of activities for street improvements approved during fiscal 2011 strategic planning session.

Status:

Objective 1 An inventory of all streets has been completed utilizing the US Corp of Engineers computer program, "MicroPaver". A pavement condition index was developed for each street. This activity is now an ongoing part of the street maintenance program and an inventory is completed every two years.

Objective 2 A prioritized list of street construction is currently being developed using two categories – reconstruction and overlay. This list is presented to Council in March each year.

- Objective 3 The Downtown Sidewalk and Improvement Project – funded by Texas Department of Transportation through the T21 grant was completed in fiscal 2006
- Objective 4 Voters approved a bond proposal of four streets in May 2001. The streets include Abney Avenue, Angelina Street, Lotus Lane, and Whitehouse Drive. Angelina construction was completed in 2004. Abney Street construction was completed in April 2006. Whitehouse Drive construction was finished in June 2007. Lotus Lane was completed in 2009.
- Objective 5A Street projects identified to be funded by 2010 bond issue proceeds are Columbine Drive storm drain replacement, Carrol Avenue bridge replacement, Fuller Springs Drive street reconstruction, and Sayers Street reconstruction. Design and survey phase has begun on projects and is funded by proceeds from the reimbursement resolution.
- Objective 5B Tentative street projects identified to be funded by 2013 bond issue proceeds are Whitehouse Drive East right-of-way acquisition and design and Joyce Lane street reconstruction.
- Objective 5C Tentative street projects identified to be funded by 2015 bond issue proceeds are Whitehouse Drive West and McHale/Chester streets culver replacement.
- Objective 5D Tentative street projects identified to be funded by 2018 bond issue proceeds are Whitehouse Drive East and Atkinson Drive street reconstruction.

Goal: Provide safe, secure environment for citizens of Lufkin.

Objectives:

1. Provide vehicular rotation schedule for public safety vehicles.
2. Replace fire rescue pumpers and provide rotation schedule for ambulance replacements through CIP planning.
3. Expand community and neighborhood policing projects on an ongoing basis.
4. Coordinate with Angelina College in developing a fire academy for training new personnel and recruits.
5. Increase fire staff to accommodate the two man in-two man out rule established by Texas State Legislature.
6. Construct new Fire Station on Old Union Road. Relocate existing Fire Station #4 to a more efficient area.
7. Replacement of Fire vehicles in a timely manner to avoid costly maintenance and downtime from worn out equipment.

8. Acquire grants to assist with the purchase of new Fire equipment for emergency situations.
9. Combine and relocate Fire Station #1 and Fire Station #3 to improve operational efficiency, effectiveness and possibly upgrade the ISO rating from 4 to an ISO rating of 3 or 2.
10. Raze and reconstruct Fire Station #5 at present location to provide for future organizational growth and add functionality for a modern fire department. The current station is strategically located but is in a deteriorating condition which does not allow for expansion and is not suitable to house modern fire apparatus.

Status:

- Objective 1 Both the Fire and Police departments have developed rotation schedules for their fleets and, as budget constraints allow, have been able to maintain the rotation schedules. Rotation of vehicles according to rotation schedules is ongoing.
- Objective 2A A fire pumper was purchased and placed in service during the summer of 2000. An ambulance replacement schedule was developed and placed into the Capital Improvements Program for funding. Five have been purchased. One replacement fire pumper was purchased during fiscal 2008. Two fire med units and remounts were ordered in fiscal 2010 to be funded from Equipment Amortization and Replacement Fund.
- Objective 2B Proposal is being developed for apparatus rotation. Example: With five stations, ordering one pumper every four years will provide a 20-year life span for equipment. Some current apparatuses are older than the 20-year replacement goal.
- Objective 3 In 1999, there were three active neighborhood associations in Lufkin. The Community Policing Officers became active in these groups and have assisted in organizing ten total associations. A patrol Lieutenant is assigned to those neighborhood associations in his area of town to address the needs of the citizens. Each patrol officer is also assigned a registered sex offender to monitor their location and activity should they commit any law violations.
- Objective 4 A Fire Academy has been successfully developed at Angelina College. Recruits can receive Fire and EMT Basic certification through the Academy. Paramedic training is also available through the College EMS training program.
- Objective 5 This item is on hold pending future funding. One firefighter position was added in fiscal 2010 to accommodate scheduling.
- Objective 6 Land was purchased in fiscal 2002. City staff and a local architect firm are working on a new Fire Station Design on Old Union Road, which will

replace existing Station #4 on the Southwest Loop. The new station was complete in fiscal 2008.

- Objective 7 A ladder truck was purchased and delivered during fiscal 2006. One fire pumper was purchased during fiscal 2008. The purchases of one fire engine and rescue truck are planned for fiscal 2011 from bond proceeds. Two fire engines are tentatively scheduled for replacement in fiscal 2015 to be paid from bond proceeds.
- Objective 8 Various Homeland Security grants have been awarded. The Fire Department has purchased equipment that will be useful in a number of emergency situations.
- Objective 9 Land was purchased in July 2010 with funding from Certificates of Obligation to be issued in October 2010. Design and plan completed since using same design and plans from Station #4. Construction planned for completion in fiscal 2011.
- Objective 10 Reconstruction of Station #5 is tentatively scheduled for fiscal 2015 to be funded by bond issue proceeds.

Goal: Remodel and refurbish Lufkin Police Department.

Objectives:

1. The Police Department has a long range goal to remodel the old jail area of the department to allow for much needed office space.
2. The Communication Office will be remodeled and equipped with updated technology.

Status:

Objective 1 The Police Department remodel project was completed in fiscal 2007.

Objective 2 The Communications Office remodel was completed during fiscal 2006.

Goal: Establish reliable, broad based communications for public safety and citizen information purposes.

Objectives:

1. Upgrade and replace the current police communications system. Project to include purchase and installation of a new radio system for data transmission, which allows field reports to be transmitted electronically, as well as “on-line” driver’s license and license plate checks from the field.

2. Complete the update of each City department's web site. Provide training for one staff member from each department in Microsoft Front Page to maintain the department's web page.
3. Expand online services for citizen use: including online building permits, inquiry and payment of utility accounts, recreation class schedules, fine payments, and ambulance service fee payments.
4. The Police Department has budgeted to purchase a radio voting system that will allow a greater area of radio reception in the recently annexed regions. The project is estimated to be completed in the early part of fiscal 2010.

Status:

- Objective 1A Staff negotiated with AT&T to build a CDPD system. The "build out" was completed in March 2001. Hardware and software were purchased for police vehicles. The project was complete in May 2002 and is operational.
- Objective 1B In 2004, AT&T upgraded the Police Departments existing CDPD network to a GPRS network, which greatly exceeded the capabilities of the previous CDPD network by providing many enhanced benefits and services such as a wider coverage area and higher-speed data transfer.
- Objective 2 The City's website was updated in fiscal 2006 and is maintained by the City's Webmaster. Requests for updates by the departments are forwarded to the Webmaster.
- Objective 3 The City implemented an on-line interactive application in fiscal 2002 that allows utility customers to view and pay their bills via the Internet. The City's Municipal Court system is now a live site and is now capable of paying fines on-line, as well as in person.
- Objective 4 The City has budgeted to purchase a radio voting system in fiscal 2008. The project was completed in fiscal 2008.

Goal: Provide increased beautification and quality of life projects for the citizens and visitors of Lufkin.

Objectives:

1. Implement improvements to the Kit McConnico Park as outlined in the Park Master Plan. Complete Phase 1B project by Spring 2005.
2. Develop entryway beautification program by utilizing the Angelina/Beautiful Clean program and funding from TxDOT grant program. Continue maintenance contracts and projects that will work toward presenting Lufkin as a clean and beautiful city.
3. Seek certification as a National Main Street City through the Texas Main Street Program and the Texas Historic Commission.

4. Develop funding sources for increased color, planting and maintenance of public areas, major travel corridors and entryways.
5. Renovate Morris Frank Park adding softball field lighting, T-ball field expansion and parking lot expansion in fiscal 2011.
6. Replace current City Pride signs and add three additional signs to welcome visitors to the City.
7. Construct extension to Azalea Trail providing alternative access and mobility to City parks and major commercial retail outlets.
8. Renovate Brandon Park basketball court, install lighting, replace pavilion and install new playground and site furniture.

Status:

- Objective 1 Construction is complete for the Phase 1B portion of the project. Improvements include four lighted baseball fields, four lighted soccer fields, concession and restroom facilities, parking lots and utility improvements. League play for soccer and adult softball are scheduled to begin in September 2005. Maintenance programs are in place and being modified as needed. The Deep East Texas Recreational Route Coalition has completed a 3.5 mile section of trail in Kit McConnico Park. The grand opening will be October 13, 2007. The trail is used for mountain bikes, jogging, walking and nature studies.
- Objective 2 The City was given responsibility for maintaining state highway rights-of-way for fiscal 2001 and subsequent years. Maintenance is provided by contract. The Tree Board has suggested increased pruning of street trees for safety. Ornamental trees will be pruned with cooperation of Angelina Beautiful Clean. The City continues to work with beautification groups to provide new projects, maintain existing projects, and plan for future projects.
- Objective 3 The City's Main Street Director submitted an application to the Texas Main Street Program for consideration as a National Main Street City. The City was awarded that recognition and has received that award for the past six years.
- Objective 4 Increased maintenance standards and funding for programs, increased awareness in litter programs and beautification by all groups using City facilities is a result of the continued cooperative efforts with Angelina Beautiful Clean and the Lufkin Landscape Taskforce.
- a. Wildflowers and trees were planted at Ellen Trout Park.
 - b. Kiwanis Park had new azaleas planted along Tulane.
 - c. The main parking lot was improved at Morris Frank Park.
 - d. Kit McConnico Park play equipment was installed in 2005.
 - e. The Landscape Task Force has started constructing various projects of their master plan for Chambers Park in 2005. The projects were completed with new trees, spray play cover, painting of all

structures, improved tennis parking area, new fencing along Pershing Street, and a new mural was completed on the Boy Scout House.

- f. New projects at US 59 South and US 59 North will create new landscape opportunities for entryways into the City of Lufkin when completed. These projects will begin in 2007 and 2008 with completion in 3 to 4 years.
- g. Gaslight Boulevard was renovated in late 2007. It was a Lufkin Landscape Task Force project that needed additional plant material and maintenance.

Objective 5 Lighting of the Morris Frank Park girls' softball fields was completed in fiscal 2010 using proceeds from the bond reimbursement resolution to allow the fields to be more fully utilized and enhance the attraction of tournaments to the area. The T-ball field expansion will begin in fiscal 2011 to be funded by bond proceeds. This field expansion will allow more games to be played. The Morris Frank Parking Lot expansion will begin in fiscal 2011 and will provide overflow parking for all activities at Morris Frank Park. The expansion will be funded by 2010 bond proceeds.

Objective 6 The City Pride signs welcoming visitors will be replaced in fiscal 2011 with three additional signs added and will be funded by 2010 bond issue proceeds. Due to annexation of properties over time, the current signs are no longer at edge of the city limits and will be relocated to the properties at the edge of the city limits.

Objective 7 The Azalea Trail extension is planned to be $\frac{3}{4}$ mile long and connect the current trail with major commercial/retail centers. The extension is tentatively scheduled to be funded from the 2015 bond issue.

Objective 8 The Brandon Park renovations to the basketball court include new poles and backboards, restriping the surface, adding lighting as well as replacing the current pavilion and installing new playground equipment. The renovation is tentatively scheduled to be funded from the 2015 bond issue.

Goal: Maintain the Ellen Trout Zoo to be deemed worthy of its slogan as the "Finest Small City Zoo in the Nation."

Objectives:

1. Expand current facilities to accommodate upcoming features and increased attendance.
2. Develop funding for new exhibits through private and public donations and new innovations.
3. Develop and create new exhibits to increase attendance and interest in the zoo.
4. Construct Ellen Trout Zoo-Walking Trail around Ellen Trout Lake to provide an additional recreational area.

5. Construct Zoo commissary for storing and preparing animal food to increase efficiency.

Status:

- Objective 1A The parking area was expanded in fiscal 2002 to alleviate the overcrowded parking situation.
- Objective 1B Restrooms were added in fiscal 2004 to the new African area to provide patrons with facilities in the back area of the zoo. These were opened to the public in May 2004 and have received very favorable reviews.
- Objective 2 The Zoo increased admission fees in April 2003 to shoulder the burden of increasing costs on both the implementation of new exhibits and recurring costs on the city's General Fund. These fees were increased again in July 2007.
- Objective 3A The zoo will begin expansion with the development of an African area. This area has since completed both a giraffe and White rhino exhibit in fiscal 2001. The giraffe exhibit has had a new arrival with the birth of a new male giraffe in late 2002.
- Objective 3B The hippoquarium and crocodile exhibits were completed during 2003. These exhibits are fully functional and the zoo has already increased the hippopotamus population with the birth of a new hippo in late September 2003.
- Objective 3C A new primate and Komodo dragon exhibit was completed during fiscal 2004. Plans are underway for the outdoor portion of this exhibit to be completed in the future. An African aviary was constructed in 2005 by the Lufkin Rotary Club and took the place of the scheduled primate exhibit.
- Objective 3D In late 2004 work began on the botanical exhibit and was completed in April 2005. This exhibit is dedicated to the memory of Nancy Wannamacher. This will also provide the public with additional seating.
- Objective 3E Design and fundraising began for the new Education Center and office complex at a new location in the southern part of the zoo near the newly completed parking lot. Fundraising was completed and construction was completed in fiscal 2010.
- Objective 3F A new outdoor exhibit was constructed for the Zoo's five Chinese alligators by the Lufkin Rotary club in 2006.
- Objective 4 Tentatively scheduled for construction in fiscal 2013 to be funded by bond issue proceeds.

Objective 5 Tentatively scheduled for construction in fiscal 2013 to be funded by bond issue proceeds.

Goal: Refurbish the existing, near thirty-year old Civic Center while keeping the establishment accessible and functional for scheduled events. In fiscal year 2011, remodel, expand and update the existing Civic Center to house and shelter large groups in times of emergencies to be funded by Hurricane Ike grant funding in coordination with Angelina County.

Objectives:

1. Replace existing equipment and fixtures such as the HVAC unit, moveable walls, telescoping.
2. Update the color scheme by replacing the upholstery on seating, carpeting and drapes in the stage area.
3. Improve the lighting equipment by adding additional, up to date, stage lighting.
4. Replace the sound system with a system that will provide greater sound quality and new technology.
5. Tint windows in the Front Lobby Reception Area to help with cooling costs.
6. Replace Lobby Entrance doors to satisfy safety and building codes.
7. Install WIFI and a Mounted Projector in Main Events Room.
8. Remodel and refurbish Dressing Rooms and back entry halls. Install gate for better security of equipment in Master Control Room and Kitchen.
9. Upgrade Landscaping.
10. Add outdoor Christmas Decorations.

Status:

Objective 1A A new HVAC unit replaced the 25-year-old unit in fiscal 2001. This new unit is more energy efficient by only heating and cooling areas as needed.

Objective 1B New movable walls replaced non-functioning existing walls in fiscal 2002. The new walls are reliable and provide, on a consistent basis, areas that are more accommodating to patrons.

Objective 1C Telescoping seating replaced damaged seating in fiscal 2002. The new seating provided a safer place for patrons to sit and the new design is easier to operate for Civic Center employees.

Objective 1D The sound system was replaced in fiscal 2006. The new system will provide a better sound and will have new technological advances that the current one lacks.

- Objective 2A When the telescoping seating mechanism was changed, the color scheme for the existing seating was also updated to reflect an elegantly modern scheme. This update was completed in fiscal 2002.
- Objective 2B The worn carpet in the Civic Center was replaced in March of 2004.
- Objective 2C The stage curtain and back drapes were replaced in fiscal 2006. This step completed the color scheme change.
- Objective 3 Eight new Stage Lights were replaced in FY 2006. Stage Lights were placed intermittently alongside remaining front-track stage lights of the area. These new lights provide a better quality of lighting with greater control of maneuverability for customers.
- Objective 4 The Sound System was replaced in 2006. It consists of new mixers, equalizers, amplifiers, speakers and other sound equipment including relocating the Master Sound Rack. Replacing this System has added a greater quality of service for our customers during their events.
- Objective 5 The glass areas of the Front Lobby Reception area were tinted in fiscal 2007 from floor to ceiling with a bronze Llumar Window Film with a 10 year warranty. This process allows the Lobby area better insulation in the winter and summer months respectively.
- Objective 6 Eight Front Lobby Entrance Doors were replaced in fiscal 2007 with bronze tinted anodized aluminum frames, and bronze tempered glass. Each door included new panic bars; continuous hinges with inside dogable exit devices; outside key-locks; thresholds; and weather stripping. There is one handicap door for ADA compliance.
- Objective 7A As an added feature to our customers, WIFI was installed in the Main Events Room for using during events in fiscal 2007.
- Objective 7B To maximize space and use, a Mounted Projector was installed in 2007 in the Main Events Room. The projector is operated by remote from a specified laptop. This project included wiring cable to strategic areas of the room to allow the customer to be able to conduct their presentation from various angles throughout the room to meet their accommodation needs.
- Objective 8A The Ladies' and Men's restroom was remodeled in FY 2007, which included replacing water damaged sheetrock, existing toilets, sinks, vanity and doors. The existing showers were replaced with ADA approved showers with seating. The Dressing Rooms were painted and appropriately attractive décor was added for ambiance. The remodeling of

the dressing rooms has greatly enhanced the customer's enjoyment in using these rooms for their events when needed.

- Objective 8B The back entry areas were painted and wainscoted with vinyl paneling; including replacing the vinyl bases with newer material.
- Objective 8C A gate was installed and is kept locked at all times to secure the master control areas from public access. This area houses the Civic Center's main computer equipment, main electrical boxes, and telephone equipment along with the hot water heater.
- Objective 9A Soil in the flowerbed area has been upgraded with a mixture of sand and compost for future planting and healthy growth. This was completed in FY 2007.
- Objective 9B In fiscal 2008, brick retaining walls were placed on both north and south side areas. New landscaping was completed including new magnolia trees.
- Objective 10 In fiscal 2008 the addition of Christmas decorations in the form of holiday signage and other festive lights on the front Plaza and surrounding outside areas of the building were added. This included installation of adequate electrical outlets and other equipment for proper hanging. This will add a festive and colorful ambiance to the Civic Center as customers celebrate the Holidays.

Goal: Instill a love for reading in the community, while maintaining the new state of the art Kurth Memorial Library facility.

Objectives:

1. Acquire reading materials that encourage reading and increasing knowledge in an innovative, welcoming environment.
2. Provide educational programs to the community.

Status:

- Objective 1 The Library is under the constant process of providing an ethnic diversity to its shelves through obtaining books written in Spanish. Also, books on audio to assist beginning readers provide the community with opportunity. As the need arises, the library is prepared to acquire books of varying ethnic cultures as to inspire a love of reading.
- Objective 2 The Library is committed in providing quality educational programs for school children. This allows children opportunities to visit the library with peers, and will hopefully instill an appreciation of books that will continue for years. The Library also instructs the community using the Internet as a learning tool.

Goal: Implement improvements to the Emergency Management System as to provide a safe environment for the citizens of Lufkin.

Objective:

1. Continue to improve the mitigation, response and recovery activities of the Emergency Management office.

Status:

Objective 1A The National Weather Service designates the City of Lufkin as a Storm Ready community. This means that the city is ready to respond in the event that hazardous weather threatens.

Objective 1B The city expended the Office of Domestic Preparedness Grant of \$277,000 in improving the equipment capabilities of the Fire, Police, Public Works Administration, and the Emergency Management Departments.

Objective 1C A Mitigation Action Plan has been developed as required by the State of Texas and FEMA.

Goal: Develop operational procedures as to improve the collection of waste throughout the city.

Objectives:

1. Revise the Solid Waste Collection Ordinance for the City of Lufkin.
2. Reconstruct the collection routes
3. To implement the different Solid Waste and Special Collections programs. (Commercial Dumpster Program, Residential Cart upgrade and a Work Order system.)
4. To implement a new rate structure for Special Collections.

Status:

Objective 1 Information has been collected from other cities. Staff will work as a team on the update. Target date for completion is the end of October 2007.

Objective 2 Route audits have been performed. GPS equipment has been installed on each collection vehicle to gather statistical information. Further planning of the routes will result in increased efficiency.

Objective 3 The commercial dumpster program has been implemented. The Residential cart upgrade will allow citizens to upgrade from the previously issued 65 gallon cart to a 96 gallon cart. This program began in early 2008.

Objective 4 Special Collections will go to a “work order only” system as well a rate structure being developed for collections over 2-yards. This project began mid-year 2008.

Goal: Improve the operations of the City of Lufkin Recycling Department.

Objectives:

1. Complete the study of and install automated equipment for upgrading the recycling process.
2. Continue to monitor wastewater disposal with emphasis on the feasibility of bio-solids composting.
3. Implement educational opportunities in the community through the use of the Recycling Coordinator.

Status:

- Objective 1 The City's Recycling process is expected to continue with the installation of a new baler in fiscal 2007 and with the addition of part-time employees to process recyclables in fiscal 2008.
- Objective 2 The Composting Operation was terminated in fiscal 2007. The operation was reviewed and it was determined that composting was not a cost effective operation for the City.
- Objective 3 Educational opportunities are ongoing, and include schools, civic organizations, business groups and neighborhood associations. Expanding regional recycling efforts, along with commercial recycling education and participation, will be a focus. Applications for grants have been and will continue to be submitted with DETCOG to fund local and regional programs.

Goal: Attract new businesses and provide positive growth to the City of Lufkin and surrounding area.

Objectives:

1. Propose an Economic Development (ED) Plan.
2. Develop funding for ED Plan.
3. Implement ED Plan by Summer 2004.
4. Develop Lufkin Business Park

Status:

- Objective 1A Proposed during Council discussions late fiscal 2003.
- Objective 1B Workshop was scheduled for early fiscal 2004. The citizens voted to implement the ED plan in February 2004.
- Objective 2 Determination for the funding was determined after workshop. Funding has been determined to be $\frac{1}{8}$ ^{the} of a cent from a portion of the sales tax revenue.
- Objective 3 Implementation of the ED began in the summer of 2004, with the appointment of a Board of Directors for the Economic Development Corporation.

Objective 4A Land was purchased during fiscal year 2009 and fiscal 2010 for the Lufkin Business Park.

Objective 4B Old Moffett road construction and reconstruction behind the property to the new TxDOT turnaround has been approved to be funded by an EDA grant. Water and sewer lines, drainage and road entrances for the 1st phase of the construction has been approved.

KEY REVENUE ASSUMPTIONS AND TRENDS FOR FISCAL 2011

On an ongoing basis throughout the fiscal year, Finance staff monitors and reviews all revenues at a detailed level regarding collection versus budget estimate, and probability of collection. Early in the budget process, a complete set of revenue assumptions are prepared by the department responsible for the revenue. Revenue estimates are based on trends of prior year's revenues and adjusted for various assumptions in the current budget year. These assumptions provide the basis for revenue projections throughout the budget process and include the expectations for local economic and population growth and expected service levels.

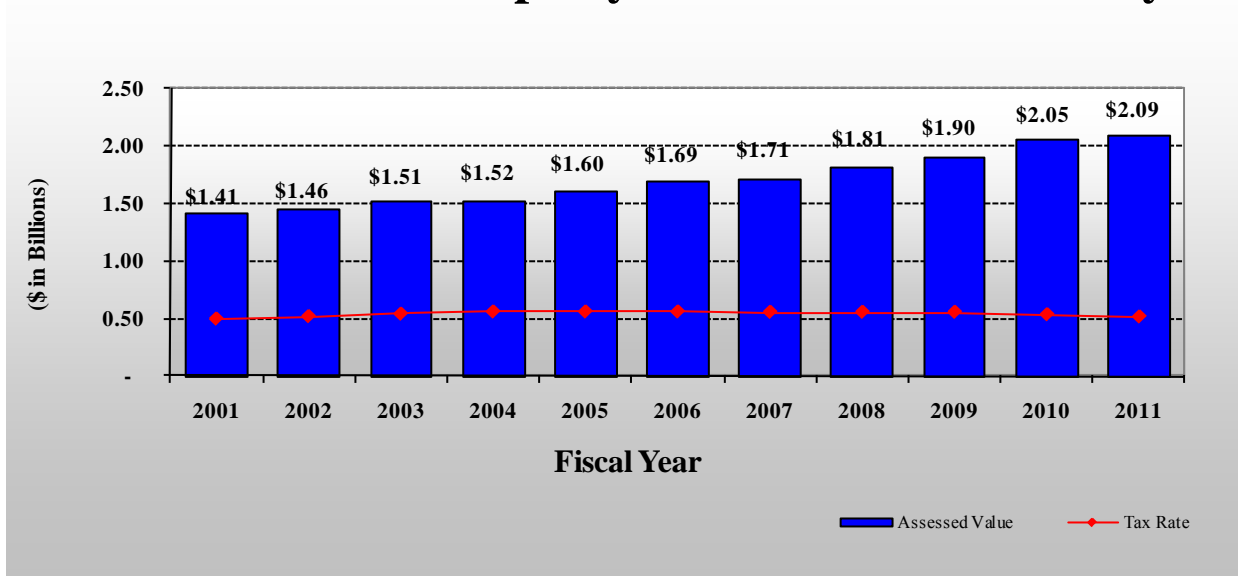
The City of Lufkin receives revenues from a variety of sources. The Budget Overview section of this document provides a detailed explanation of the individual revenues for each fund. This section highlights the major revenues included in this year's budget for the major funds.

GENERAL FUND

AD VALOREM TAXES AND ASSESSED PROPERTY VALUES

The City's property tax is levied each October 1, based on the assessed value of all real and business personal property located within the City. The Angelina County Appraisal District establishes and certifies the appraised values at or near 100% of estimated market value. Homeowners aged 65 and over, and disabled persons and veterans are eligible, and may qualify for tax exemptions. The Angelina County Appraisal District can provide additional information on the eligibility requirements for these exemptions.

Assessed Property Values Ten Year History



Ad valorem tax revenue is determined by two major factors: the total assessed value established by the Appraisal District and the tax rate established by the Lufkin City Council. Because total

assessed property values have increased during the past several years and the amount needed for the current debt payments is less, the City has been able to adopt a tax rate less than the effective tax rate for fiscal year 2011.

The City's total certified assessed property value for fiscal 2011 is \$2,086,857,965 according to the Appraisal District. This represents an increase of approximately \$39.29 million and includes new property coming on-line, annexed properties, and an increase in existing property values. The City's tax rate for fiscal 2011 is \$0.5138 per \$100 valuation. The fiscal 2011 operating and maintenance tax rate of \$0.3338 per \$100 valuation will generate \$6,454,034 of ad valorem tax revenue to the General Fund projecting a 98% collection rate. Ad valorem tax revenue is the second largest revenue source to the General Fund, accounting for 21.54% of total projected revenue for fiscal 2011. The General Fund allocation of total ad valorem tax revenue equals approximately 64.967% of total ad valorem tax collections; the remaining 35.033% is allocated to the General Obligation Debt Service Fund for the retirement of bond indebtedness.

The table below provides a ten-year history of Lufkin's ad valorem tax rate, levy, and collections, as well as the projected tax collection and distribution of revenues for fiscal 2011, or tax year 2010.

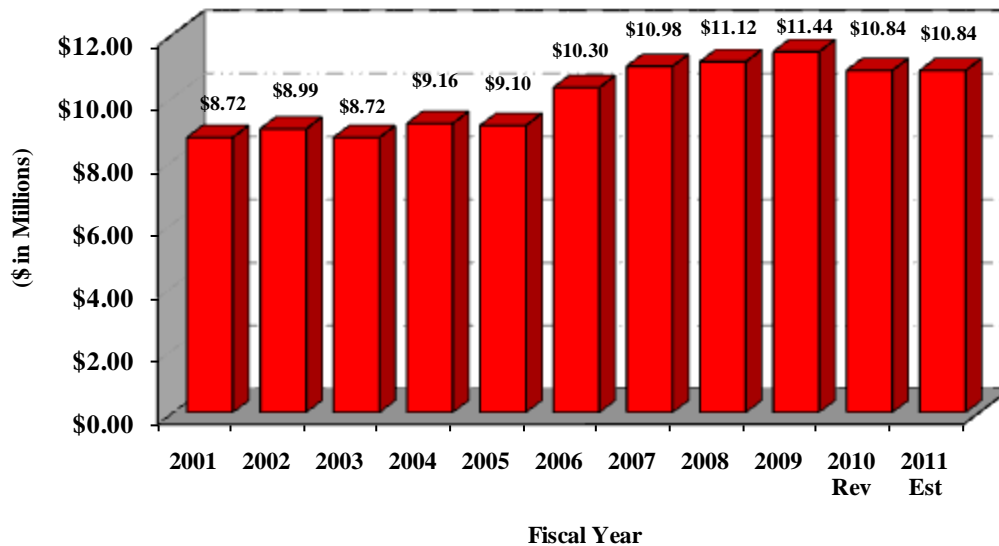
ANALYSIS OF TAX COLLECTIONS							
Tax Roll	Tax Rate per \$100/value	Tax Levy	Current Collections	Current Collections to Tax Levy	Delinquent Collections Including Penalty & Interest	Total Collections	Total Collections/ Current Collections
2001	0.516500	6,709,453	6,515,261	99.35%	299,912	6,818,074	101.62%
2002	0.538500	7,199,180	7,166,816	99.55%	316,682	7,488,233	104.02%
2003	0.558500	7,791,797	7,596,818	97.50%	291,846	7,893,320	101.30%
2004	0.558500	8,309,609	8,118,663	97.61%	251,152	8,377,215	100.81%
2005	0.558500	8,776,982	8,501,848	96.77%	273,632	8,786,227	100.11%
2006	0.555400	8,849,183	8,626,226	97.26%	180,633	8,797,502	99.42%
2007	0.555400	9,292,226	9,118,311	98.13%	203,742	9,312,536	100.22%
2008	0.555400	9,768,773	9,498,223	97.23%	239,581	9,820,537	100.53%
2009	0.533800	9,893,510	9,680,139	97.84%	67,391	9,747,530	98.52%
2010	0.513800	9,831,577					
Fiscal 2011		Tax Rate		Distribution		Revenues	
General Fund		\$0.333800		64.97%		\$6,454,034	
Debt Service Fund		\$0.180000		35.03%		\$3,367,963	
TOTAL		\$0.513800		100.00%			

SALES TAXES

The City of Lufkin receives 1.5% of the 8.25% sales tax revenue paid to the Texas State Comptroller for the sale of all taxable goods and services within the City limits. Sales tax revenue continues to be the largest revenue source for the City's General Fund, representing 38.69% of total revenues.

Revenues from sales taxes are anticipated to remain constant in fiscal 2011. The total projected sales tax revenue is \$11,830,000, the same as the revised estimate for fiscal 2010. However, the net projected sales tax revenue is estimated to be \$10,844,167. This net amount reflects the allocation of \$985,833 to City's Economic Development plan. The chart on the following page reflects sales tax collections for the last ten years. The estimated revenue for FY 2011 is net of the Economic Development allocation.

Sales Tax Collections Ten Year History



FRANCHISE FEES

The City of Lufkin maintains agreements with various utilities that require them to compensate the City for use of City streets, alleys and easements. In past years, an Industrial District Agreement with a paper manufacturer has been maintained which provided a payment of \$156,920. This paper manufacturer filed for bankruptcy and the payment was not received for fiscal 2010. Annexation filings are progressing for fiscal 2011 to annex that property as well as several surrounding tracts of land bordering the Lufkin Business Park. The franchise agreements require the utilities to compensate the City between 2% and 4% of their gross receipts for use of the City's rights-of-way. Electric franchise fees experienced a 22% decline in fiscal 2010 primarily due to Citation's ceasing manufacturing operations within the City of Lufkin. Total franchise and agreement Fees for fiscal 2011 are anticipated to be \$2,406,132, increasing slightly over the revised revenue estimate of \$2,389,437 for fiscal 2010.

WATER/WASTEWATER FUND

The City provides water and sewer services to its citizens for which it collects monthly charges. These charges are based on metered water consumption multiplied by the appropriate water and wastewater rates. Water and wastewater rates have increased for fiscal 2011 by 6% and are planned to increase for fiscal 2012 and fiscal 2013 as recommended in 2009 Water Rate Study by Freese and Nichols.

Water/Wastewater revenue includes charges for water and wastewater consumption as well as fees for water and sewer taps, water meters, service connections and wastewater pretreatment testing. Total fiscal 2010 revised water and wastewater revenues are estimated to be \$14,485,153, an increase of 1.96% over fiscal 2009 actual revenues of \$14,207,193. Fiscal 2011 revenue is projected to be \$15,369,134 a 6.1% increase over the fiscal 2010 revised revenue due to the 6% rate increase for water and sewer.

SOLID WASTE AND RECYCLING FUND

The City of Lufkin is the exclusive provider of solid waste and recycling services for residential, commercial and industrial corporate citizens. Charges for service are billed on a monthly basis to all users. Residential garbage is picked up once weekly on Mondays or Tuesdays and recycled materials are picked up once weekly on Thursdays or Fridays. Commercial and industrial customer garbage and recycled materials are picked up on predetermined route schedules based on customer pickup frequency.

No increases in solid waste and recycling rates are included in the fiscal 2011 budget. Total revenues for the Fund are estimated to be \$5,794,030, slightly below the fiscal 2010 revised estimate of \$5,898,096 due to (1) the city no longer selling garbage bags, (2) lower cart collections estimated, and (3) lower miscellaneous income projections.

HOTEL/MOTEL TAX FUND

The City receives hotel/motel tax receipts that are generated from a 7% tax levy added to the cost of occupancy on hotel and motel rooms within the City. State law restricts use of these tax receipts to tourism promotion, capital construction, operation of recreation facilities, and cultural activities. The City has twenty-one hotels, motels, and bed and breakfasts within its taxing jurisdiction. These are expected to generate \$750,000 of hotel/motel tax receipts in fiscal 2011, reflecting a decrease of \$41,725 from fiscal 2009 actual and an increase of \$50,000 from the fiscal 2010 revised estimate. Higher unemployment rates across the state have translated to lower hotel/motel tax revenues for the City.

SPECIAL RECREATION FUND

The Special Recreation Fund was established several years ago as a self-supporting unit wherein recreation activity costs are supported through user fees. This fund provides Parks' management segregated cost data to assist in determining the adequacy of the fees and facilitate tracking costs of the various activities.

Revenues are derived from user fees charged for softball, volleyball, basketball, gymnastics, recreation classes, and special events. Total fiscal 2011 revenues for the Recreation Fund are projected to be \$200,560, an increase of 6.32% from the revised fiscal 2010 estimate of \$188,640

and are estimated to be sufficient to cover the costs of operation and provide a fund balance of \$47,716.

ELLEN TROUT ZOO BUILDING FUND

The Ellen Trout Zoo Building Fund was established as a funding mechanism to make capital improvements and expand the Zoo through additional exhibits. Sources of revenue include admission fees, donations, animal sales and adoptions, and other miscellaneous fees.

Revenues for fiscal 2011, excluding interest income, are projected to be \$230,500, which is a slight decrease below the fiscal 2010 revised estimate of \$230,845 (excluding interest income). This decrease is attributed to safari class revenue.

A GUIDE TO THE DETAIL BUDGET PAGES

1. **Fund** – The fiscal entity in which the department operates.
2. **Department** – The department in which the division operates.
3. **Mission Statement** – The departmental commitment to the citizens and organization in meeting the needs of the community.
4. **Description of Services** – A short overview and explanation of the services provided to the organization and/or citizens by the department.
5. **Fiscal 2011 Work Program** – The major planned accomplishments for the coming fiscal year.
6. **Performance Measures** – Specific quantitative measures of work performed within a department.

The diagram shows a budget page for the City of Lufkin, Texas, for the fiscal year 2011. The page is titled "General Government" and "GENERAL FUND". It includes a mission statement, a description of services provided, a work program, and a table of performance measures. Numbered callouts 1 through 6 point to specific elements: 1 points to the fund name, 2 to the department name, 3 to the mission statement, 4 to the description of services, 5 to the work program, and 6 to the performance measures table.

Fiscal Year 2011

GENERAL FUND

MISSION
The mission of the City Council is to provide effective, efficient and responsive local government through the establishment of policies reflecting community needs and goals. Simply put "to meet the needs of the citizens".

DESCRIPTION OF SERVICES PROVIDED
The department of General Government includes the City Council and City Secretary. The City Secretary provides the following services:

- Maintaining minutes of City Council meetings and records of the City
- Preparing Council Agenda Packets
- Issuing licenses and permits to vendors

The City Council consists of one mayor, elected at-large and six council members, each representing a separate council district. The Council meets twice per month to address issues brought before it regarding policy and governance. The Council provides policy direction to the City Manager and staff in delivery of services to the citizens of Lufkin, Texas.

WORK PROGRAM
The Lufkin City Council established goals and objectives in the fiscal year 2011 budget development workshop to provide efficient, effective, and high quality services to the citizens and businesses in Lufkin. Some of the goals include (1) fostering a civic organization to lead the restoration of the Pines Theatre located in downtown; (2) implementing water and sewer rates necessary to cover operational costs as recommended by the Freese and Nichols water and sewer rate study; (3) implement the first phase of the Capital Improvements Program through the issuance of a bond issue and initiate the design and development phase of each approved Capital Improvement Project in fiscal year 2011; and (4) discuss and consider implementing a Downtown Building Façade Program.

Picture to left is rendering of the Pines Theatre located on First Street in downtown Lufkin, Texas.

Description	2008-2009 Actual	2009-2010 Revised	2010-2011 Budget
Number of City Council Agenda Packets Prepared	598	648	650
Number of City Council Packets prepared on Friday before Council Meeting	598	648	650
% of City Council Packets prepared & distributed on Friday before meeting	100%	100%	100%
Number of Vendor licenses issued	16	22	25
Number of Vendor licenses with errors	0	0	0
% of vendor licenses issued with 100% accuracy	100%	100%	100%

A GUIDE TO THE DETAIL BUDGET PAGES

7. **Expenditures** – Summary budget data by expenditure category for personnel services, benefits, supplies, maintenance of structures and equipment, miscellaneous services, sundry charges, debt service and capital outlay.
8. **Authorized Positions** – Full time and part time position listings for current and past budget years.
9. **Significant Changes** – Highlights of proposed major changes, enhancements of service or a new service, method of improving efficiency or effectiveness of an existing service for the coming budget year.

	FUND General	DEPARTMENT General Government			
7	EXPENDITURES	2008-2009 Actual	2009-2010 Approved	2009-2010 Revised	2010-2011 Budget
	Personnel Services	89,521	90,865	91,590	91,205
	Benefits	29,159	32,257	30,888	32,303
	Supplies	24,575	21,430	22,805	21,130
	Maintenance of Equipment	-	300	300	300
	Miscellaneous Services	92,330	115,810	110,470	116,005
	Sundry Charges	125,081	117,460	117,460	103,960
	TOTAL	360,666	378,122	373,513	364,903
	AUTHORIZED POSITIONS	2008-2009 Actual	2009-2010 Approved	2009-2010 Revised	2010-2011 Budget
8	City Secretary	1	1	1	1
	Office Assistant III	1	1	1	1
	FULL TIME	2	2	2	2
	PART TIME	0	0	0	0
	TOTAL	2	2	2	2
	SIGNIFICANT CHANGES				
9					

A GUIDE TO THE DETAIL BUDGET PAGES


10. Division – The cost center that provides the activity, function or services.

11. Division Description – The division’s primary service responsibility and mission.

12. Expenditures - Summary division budget data by expenditure category for personnel services, benefits, supplies, maintenance of structures and equipment, miscellaneous services, sundry charges, debt service and capital outlay.

13. Authorized Positions - Full time and part time position listings for current and past budget years for the division.

**Fiscal Year
2011**




**CITY OF LUFKIN
LUFKIN, TEXAS**

GENERAL FUND

DIVISION: City Council

DIVISION DESCRIPTION

- The City Council, consisting of a Mayor and six Council members, serves as the legislative and policy-making body of the City.
- The City Council meets twice per month in regular session to address issues brought before it.
- The Council passes all ordinances, approves major expenditure items and adopts the City of Lufkin's Annual Budget, which includes the Capital Improvement Program.



EXPENDITURES	2008-2009 Actual	2009-2010 Approved	2009-2010 Revised	2010-2011 Budget
Supplies	21,840	17,840	19,895	18,540
Maintenance of Equipment	-	300	300	300
Miscellaneous Services	85,136	106,965	102,465	109,980
Sundry Charges	125,081	117,460	117,460	103,960
TOTAL	232,057	242,565	240,120	232,780

AUTHORIZED POSITIONS	2008-2009 Actual	2009-2010 Approved	2009-2010 Revised	2010-2011 Budget
There are no positions within this division				
FULL TIME				
PART TIME				
TOTAL				

General Government / City Council

CITY OF LUFKIN, TEXAS

10

11

12

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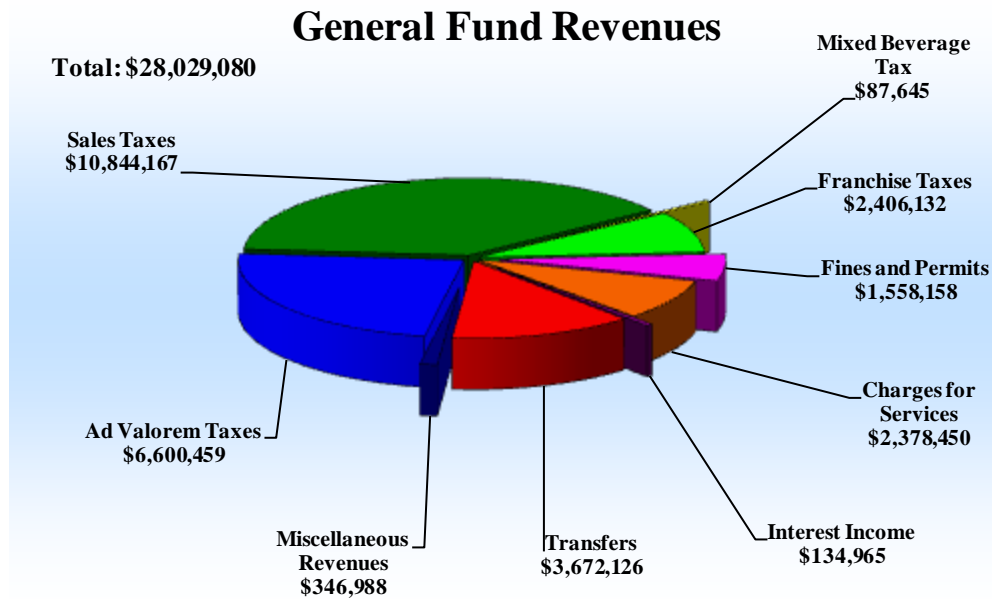


GENERAL FUND

REVENUES

The General Fund consists of nine major revenue classifications: **Taxes** – include Ad Valorem, Sales, and Mixed Beverage Taxes; **Franchise Taxes** – paid to the City by utility companies for the right to use rights-of-way; **Fines and Permits** – consist of fines assessed for misdemeanor traffic, parking, animal control, code enforcement violations, business licenses, permit and inspection fees; **Charges for Service** – include Emergency Medical Service (EMS) and false alarm fees; **Other Revenues** – include animal shelter fees, park fees, and inter-governmental revenue such as grants received from other governmental agencies; **Interest income** – consists of interest income from investment of idle cash; and, **Transfers** of Intra-Governmental Revenue – revenues received from other funds within the City for services provided.

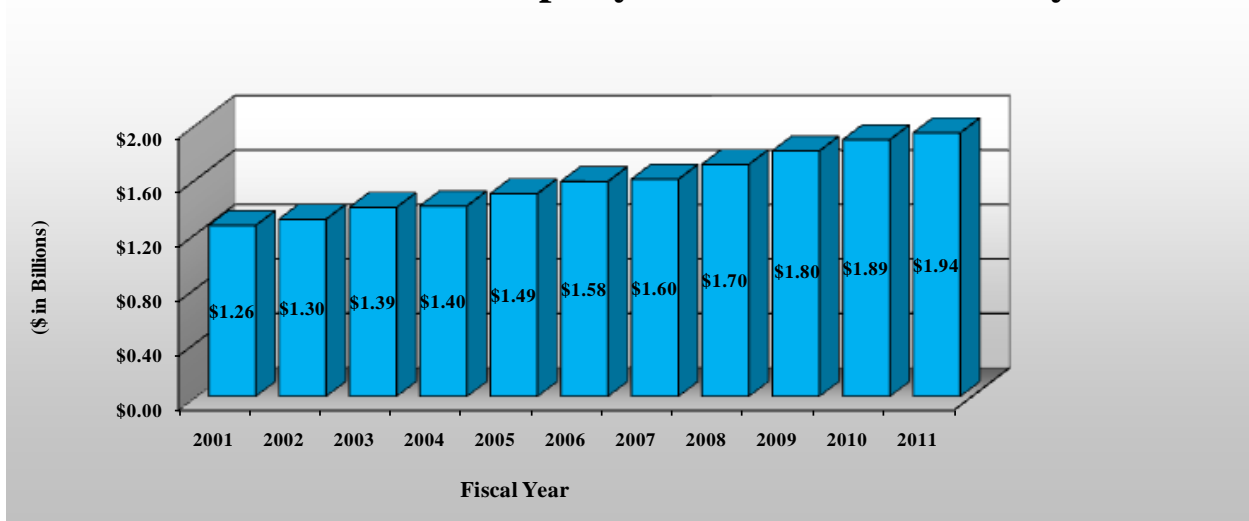
Revenues for fiscal 2011 are estimated to be \$28,029,090. This represents a 0.19% decrease from revised estimates for fiscal 2010 of \$28,082,404 and a 6.13% increase over fiscal 2009 actual revenues of \$26,409,152. The following graph represents total revenues by major category.



AD VALOREM TAXES

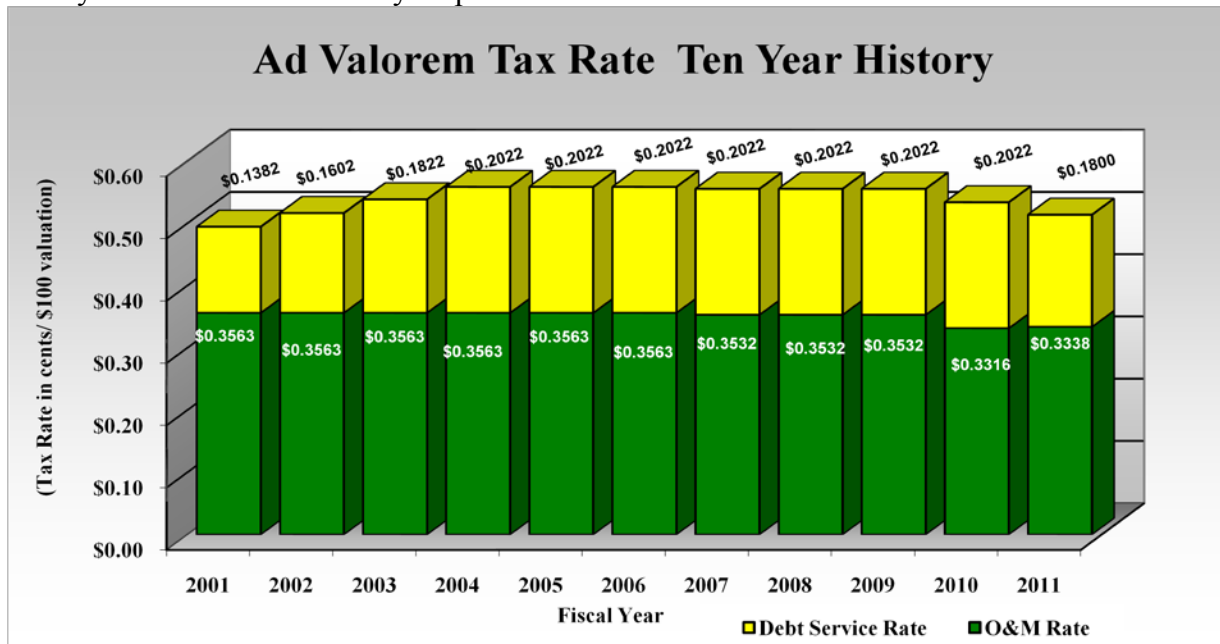
Ad Valorem Taxes are the City’s second largest General Fund revenue source and are based on assessed property values. The City’s taxable assessed property value (before freeze) for fiscal 2011 is \$1,885,824,626, an increase of 4.57% over the previous year’s tax roll. New construction values of approximately \$18.2 million, and \$64.1 million of property reappraisals, by the Angelina County Appraisal District, are the reason for the increase. The following graph represents a ten-year history of property values for the City of Lufkin.

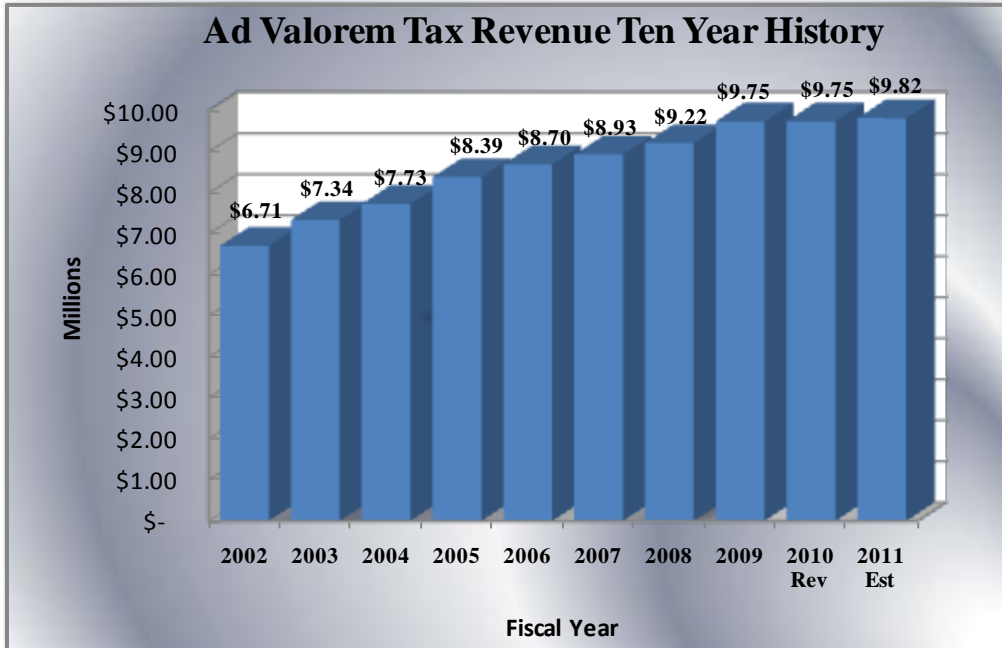
Taxable Assessed Property Values Ten Year History



Ad Valorem taxes are divided between general operating and maintenance requirements and general obligation debt service. The City’s tax rate for fiscal 2011 is \$0.5138 per \$100 of assessed property values. The tax rate for general operations for fiscal 2011 is \$0.3338; the tax rate for debt service is \$0.1800.

Ad Valorem tax revenue for operating and maintenance purposes (excluding delinquent taxes, penalty and interest) is projected to be \$6,454,034, an increase of 6.58% over fiscal 2010 budget. Ad Valorem tax revenue for debt service purposes is projected to be \$3,367,963. Total revenue from ad valorem taxes is estimated to be \$9,821,997. As mentioned earlier, this increase is due to reappraisals and new construction values. Ad Valorem taxes represent approximately 23.03% of all General Fund revenues. The following graph reflects the City’s ad valorem tax revenue history for the most recent 10-year period.





SALES TAXES

Sales Tax is the largest revenue source of the General Fund and makes up 38.68% of all General Fund revenues. Sales tax is estimated to be \$10,844,167 in fiscal 2011, an amount constant with the revised estimate for fiscal 2010 and a 5.20% decrease from fiscal 2009 actual collections of \$11,438,413. The City receives one and one-half cents for each dollar used to purchase goods and services within the City. Several years ago, Texas passed legislation to allow cities the option of increasing the local sales tax from 0.1% to 1.5%. This adoption, in 1987 was approved by voters, and required cities to reduce the property tax rate by an amount equal to the additional sales tax revenue.

City of Lufkin voters approved a portion of this half-cent increase, beginning in December 2004, to be set-aside. One-eighth of every penny collected in sales tax is allocated to an Economic Development program, which is designed to attract new businesses to the area to stimulate local economy. In fiscal 2011, \$985,833 is budgeted for this program.

FRANCHISE FEES

Franchise fees are paid to the City of Lufkin by local utilities (TXU Electric Delivery, Centerpoint Energy, Consolidated Communications, Sudden-Link Cable, and all taxi cab services) for the right to use city streets, alleys, and rights-of-way. The franchise agreements require the utilities to compensate the City between 2% and 4% of their gross receipts. The City has maintained an Industrial District Agreement with a paper manufacturer which provided an annual payment of \$142,655 per year, escalating at the compounding rate of ten percent per year, the first payment having been made October 1, 1998 with subsequent payments scheduled September 30, 1999 through 2012. The paper manufacturer sold operations during 2010 and did not remit payment to the City. The City began proceedings to annex the property and surrounding property bordering the Industrial Rail Park in fiscal 2010. Total franchise and

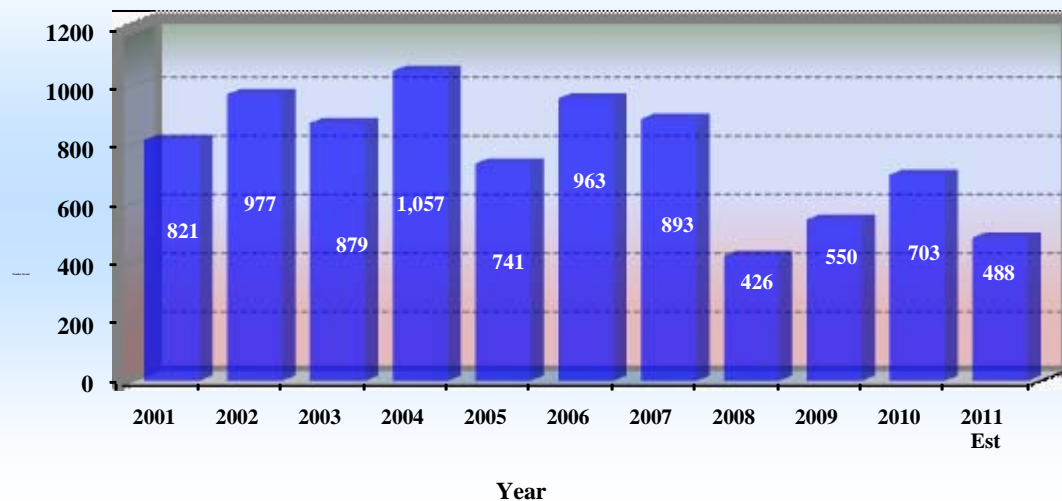
agreement fees for fiscal 2011 are anticipated to be \$2,408,532, slightly above the fiscal 2010 revised estimate. The table below reflects a five-year history of Franchise Fee collections for the City of Lufkin.

Source	Actual Fiscal 2007	Actual Fiscal 2008	Actual Fiscal 2009	Revised Fiscal 2010	Estimated Fiscal 2011
TXU Energy Delivery	\$2,000,311	\$1,969,676	\$1,809,855	1,481,517	1,481,517
Centerpoint Energy	200,218	205,694	216,905	200,000	200,000
Consolidated Communications	276,586	283,336	252,827	262,000	262,000
Sudden-Link Cable	153,226	246,600	277,715	289,000	290,000
Abitibi In-Lieu-of- Tax	117,900	129,690	142,655	156,920	172,615
Taxi Cabs	2,556	2,600	2,303	2,400	2,400
Total	\$2,750,797	\$2,837,596	\$2,702,260	\$2,391,837	\$2,408,532

FINES AND PERMITS

The City operates a Municipal Court that collects fines for class “C” misdemeanors, traffic violations, parking tickets, warrant fees, and code enforcement violations. The Municipal Court Judge, appointed by Council, assesses the fines. Estimated revenues for fiscal 2011 are \$1,249,460, a 6.5% increase over the revised estimate of \$1,172,690 for fiscal 2010. The increase in revenue over the past four years is attributed the utilization of the Omni System and the Red Light Camera System. The Omni system connects the city to several state databases, which enables the City to collect a higher percentage of fines. The City implemented a Red Light Camera System which began operation in fiscal 2008. Licenses and Permits include fees charged for business licenses, general construction permits, inspection of electrical, plumbing and mechanical installations, as well as code enforcement and other miscellaneous fees. This revenue makes up approximately 1.2% of the total General Fund revenues and is estimated to be \$348,750 for fiscal 2011, a 0.82% decrease from the revised estimate of \$351,650 for fiscal 2010. Building permits and inspection fees are anticipated to level out, for the next fiscal year, based on several planned projects and developments. The following graph reflects the number of building permits issued during the past ten years.

**Building Permits Issued
Ten Year History**



CHARGES FOR SERVICE

The City of Lufkin provides emergency medical service (EMS) to Lufkin citizens and parts of Angelina County. A fee is collected from citizens who use this service and the County is charged a contract fee of \$225,000 for EMS services provided in the County. The City provided ambulance transfer service to Lufkin residents until June 1999 when this service was sold to Memorial Medical Center of East Texas who subsequently contracted the service to Americare. The City's EMS service fees are projected to total \$2,383,750 for fiscal 2011, a 3.21% increase above the fiscal 2010 revised estimate of \$2,309,500.

INTEREST INCOME

Interest income consists of interest income from investment of idle cash primarily in pooled funds, CD's and CDARS. The investment rate for fiscal 2011 is projected to be 0.25%.

OTHER REVENUES

Miscellaneous revenues include Animal Shelter fees, Park revenues and income from charges for accident reports, records checks, zone changes, city housing rental, salary reimbursement, and grants from federal, state and local agencies for various public safety, recreational and community-oriented programs. These revenues are expected to generate \$533,995 for fiscal 2011, a decrease of \$216,365 from the fiscal 2010 revised estimate of \$750,360.

TRANSFERS - INTRA-GOVERNMENTAL REVENUES

Intra-governmental revenues represent transfers among Funds and General and Administrative charges assessed by the General Fund to other funds in recognition of services rendered such as administration, personnel, accounting, data processing, etc. These revenues are projected to total \$3,672,126 in fiscal 2011, a decrease of 3.99% below the fiscal 2010 revised estimate of \$3,824,748.

EXPENDITURES

General Fund expenditures for fiscal 2011 are estimated to be \$29,066,794, which is \$29,491,726 or 1.44% less than revised totals for fiscal 2010 of \$29,491,726. The following table provides a comparison of departmental expenditures by organizational classification. Detailed departmental expenditures are provided in the detail budget pages.

GENERAL FUND EXPENDITURE COMPARISON BY CATEGORY				
Category	FY 2009 Actual	FY 2010 Revised	FY 2011 Budget	% Change Budget/ Revised
General Government	\$3,223,530	3,693,967	3,584,329	(2.97%)
Public Safety	15,447,630	16,252,133	16,161,978	(0.55%)
Public Works	7,395,618	5,044,611	4,779,909	(5.25%)
Culture and Recreation	3,516,249	3,579,713	3,601,593	0.61%
Community Development	314,143	368,120	396,241	7.64%
Non-Departmental	2,947,765	553,182	542,744	(1.89%)
Total	\$32,844,935	\$29,491,726	\$29,066,794	(1.44%)

Expenditures are separated into major categories for analysis and control. These categories include Personnel Services, Benefits, Materials and Supplies, Equipment and Structure Maintenance, Miscellaneous Services, Sundry Charges, Debt Service, and Capital Outlay. The following paragraphs provide a comparison of fiscal 2011 budget with fiscal 2010 revised expenditure estimates.

PERSONNEL SERVICES

This category of expenditures includes salaries and benefits for all employees within the General Fund. Included in Personnel Services are salaries, overtime pay, certificate pay, car allowance, and longevity pay. Benefits include social security payments, retirement, and employee health insurance. Personnel Services remains the General Fund's largest expenditure and accounts for 72.94% of total General Fund expenditures for fiscal 2011. Total personnel services expenditures are estimated to be \$21,202,424, a 2.09% increase over the revised fiscal 2010 estimate of \$20,769,160. Fiscal year 2011 includes budgeted salaries and benefits for whole year while fiscal 2010 revised budget is reduced for the impact of vacancies that occur throughout the year. In addition the increase in positions, increase in longevity pay and increase in step pay for those eligible civil service employees is also reflected in the data.

SUPPLIES

Supplies are defined as articles or commodities that are consumed or materially altered when used and include office supplies, publications (blueprints, catalogs, magazines, newspapers, etc.), postage, printing, stationary, food supplies, vehicle fuels, minor tools (hand tools, axes, etc.), minor utensils (brooms, cones, glassware, etc.), cleaning supplies, medical supplies and all new equipment, not meeting the City's capitalization policy. Supplies represent 5.59% of all General Fund expenditures and are projected to be \$1,625,234 in fiscal 2011. This is a 6.41% decrease below the revised estimate for fiscal 2010 of \$1,736,535. This decrease is largely due to reductions in three departments: information technology, police and fire. Information technology department delayed implementation of the third year WAN replacement and upgrade and postponed or eliminated planned purchases of other equipment for savings of \$53K. The revised estimate for the police department includes grants received in fiscal 2010 that are not reflected in fiscal 2011 budget resulting in \$28K less budgeted and the fire department made equipment purchases in 2010 for ambulance equipment that was not included in the 2011 fiscal year budget.

EQUIPMENT & STRUCTURE MAINTENANCE

All expenditures for the maintenance and repair of equipment and structures fall into this category. Equipment includes furniture, machinery, equipment (backhoes, tub grinders, fuel trailers, playground equipment, lawn mowers, etc.), small instruments (survey equipment, calculators, etc.), motor vehicles, books, meters, computer and copy machines, and telephone equipment. Structure expenditures include materials and commodities purchased in their existing state to be used in the course of maintaining buildings and structures owned by the City, as well as, contracts for maintenance and repairs of these items. Structures include items such as bridges, sanitary sewers, storm sewers, streets, swimming pools, and parking lots. These expenditures are estimated to be \$1,827,955 for fiscal 2011, a 15.63% decrease below the fiscal 2010 revised estimate of \$2,166,644. This category of expenditures is 6.29% of total appropriations in the General Fund.

MISCELLANEOUS SERVICES

Miscellaneous Services include activities performed by persons or entities other than municipal employees or departments. They are typically performed under contract to the City and include items such as communications (messaging, telephones, etc.), insurance, advertising, freight service, electricity, heating fuel, and custodial services. This category of expenditures represents 13.48% of General Fund expenditures and is estimated to be \$3,917,109 for fiscal 2011. This is a 3.49% decrease below fiscal 2010 revised estimate of \$4,058,764.

SUNDRY CHARGES

Sundry Charges are those expenditures for which the City of Lufkin has a legal or moral obligation and include items such as contributions, gratuities, damages, witness fees, and other such charges. The City contributes funding to several local non-profit organizations. Several of the larger contributions go to Angelina County Child Protective Services, City/County Health Unit, Senior Citizen Center, and the Transit System. Total sundry expenditures are estimated to be \$128,740 for fiscal 2011, a 47.85% decrease from the revised estimate of \$246,864 for fiscal 2010.

DEBT SERVICE AND TRANSFERS

Debt Service represents lease purchase payments for capital assets and transfers to other funds supported by General Fund monies. This category of costs increased 9.16% from \$158,783 in fiscal 2010 to \$173,332 in fiscal 2011. This represents a note payable for internal financing on the TAC contract.

CAPITAL OUTLAY

Capital Outlay expenditures include items of a permanent nature, having a life of more than one year and costing in excess of \$5,000. This includes items such as land, equipment, buildings, and structures. Total capital outlay for fiscal 2011 in the general fund is estimated to be \$52,000 a decrease of \$152,976 from the fiscal 2010 revised totals of \$204,976. This category of costs varies from year to year depending upon departmental needs for new or replacement capital. Capital items to be purchased in fiscal 2011 include the following:

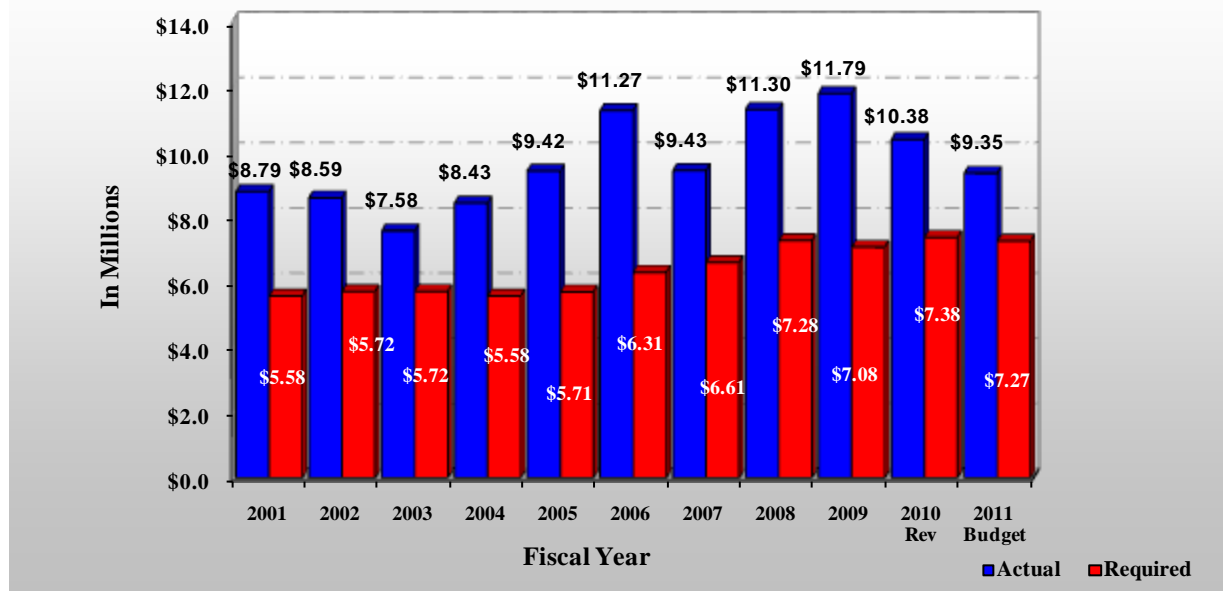
CAPITAL EXPENDITURES	
Department/Item	Budget Amount
Police Department:	
Server for connectivity to patrol vehicles	13,000
Fleet Maintenance:	
12,000 lb Drive-on vehicle and equipment lift	12,000
2 ton 4-way overhead crane	27,000
Subtotal	39,000
Total Capital	\$ 52,000

FUND BALANCE

The City's Financial Policies require that the General Fund maintain a fund balance that is equivalent of 90 days or 25% of the original annual adopted General Fund Expenditure Budget. However, during the development of the fiscal 2004-2005 Budget, Council modified the policy to enable the City to reduce the fund balance requirement up to 5% as considered necessary. This balance is reserved for use in emergency situations such as natural disasters, for additional budget appropriations, unanticipated expenditure needs or for other uses so identified by Council as appropriate. More importantly, the fund balance is maintained to reflect the City's fiscal strength and financial commitment to its citizens, financial institutions and bondholders. The fiscal 2011 General Fund fund balance is estimated to be \$9,345,706, of which \$7,266,699 is the required reserve and \$1,037,704 is assigned fund balance. The projected fund balance represents approximately 117 days of expenses or 32.15% of General Fund expenditures. The City has consistently met its fund balance policy for the last ten years and is committed to continuing that trend.

The following graph provides a ten-year history of the City's General Fund fund balance compared with the fund balance required by Council Financial Policies. The actual fund balances in each fiscal year exceeded the required fund balances because actual departmental expenditures were less than the amounts budgeted. In each year there were unspent budgeted funds resulting from employee vacancies and uncompleted projects in the various departments. These projects were completed in the subsequent years. Revenues are budgeted conservatively resulting in actual revenues exceeding estimates; contributing to the increase in the difference.

**General Fund Balance Actual vs. Required
Ten Year History**



WATER/WASTEWATER FUND

REVENUES

The City provides water and sewer service to residents within the city limits and provides wholesale water to several adjacent communities. In January 1999, the City assumed ownership and operating responsibility for the Burke Water Supply Corporation, which provides water needs to the Burke community and surrounding area. The City currently pumps water from 24 (twenty-four) ground water wells that have thus far met the needs of the City's water customers.

Additionally, the City owns water rights on Lake Sam Rayburn for up to 28,000 acre-feet of water per day. The City entered into a water storage contract with the United States for 43,000 acre-feet on Sam Rayburn in 1970 and 1976. The 1970 contract grants the City 18,000 acre-feet of storage for present water supply and the 1976 contract grants an additional 25,000 acre-feet of storage for future water demands. In 2003 the City completed a comprehensive water needs assessment and an evaluation of future water demands. During fiscal 2010, the City acquired Kurth Lake and the Abitibi Water Well Field which tripled its daily production capacity. Therefore, it does not anticipate the need to begin withdrawing water from Lake Rayburn until sometime after 2041.

Water/Wastewater Revenue Comparisons					
Revenue	Fiscal 2009 Actual	Fiscal 2010 Budget	Fiscal 2010 Revised	Fiscal 2011 Budget	% Change Revised to Budget
Water Revenues	\$ 7,338,991	\$ 7,777,450	7,591,215	\$ 8,073,645	6.36%
Wastewater Revenues	6,115,673	6,673,050	6,444,840	6,831,920	6.01%
Water Connections	80,763	75,000	66,300	75,000	1.31%
Sewer Connections	14,331	25,000	20,000	25,000	25.00%
Service Charges	216,757	204,500	196,000	204,500	4.34%
Misc. Revenue	102,585	18,450	46,933	33,000	<29.69%>
Interest Income	68,632	18,000	12,000	18,095	0.29%
Intra-Governmental	269,461	107,865	107,865	107,618	<0.29%>
Total Revenues	\$14,207,193	\$14,899,315	\$14,485,153	\$15,368,778	6.10%

The table above reflects a comparison of Water/Wastewater Fund revenues for fiscal 2009 actual, fiscal 2010 (budget and revised), and fiscal 2011 budget estimate. Fiscal 2011 total revenues are estimated to be \$15,368,778, an increase of 6.01% over fiscal 2010 revised estimates of \$14,485,153.

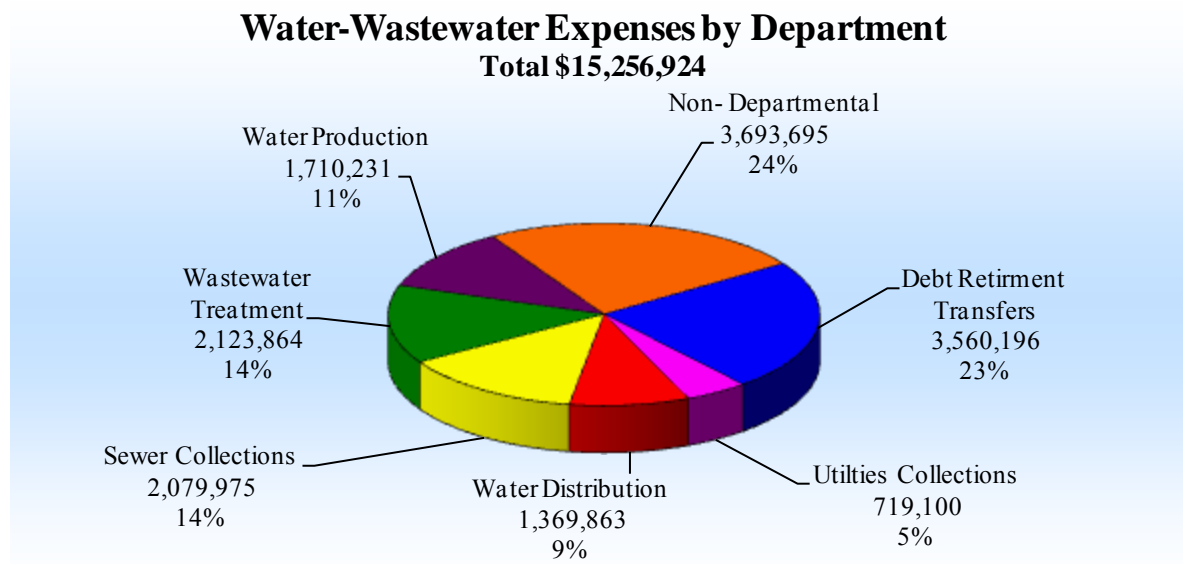
Water revenues for fiscal 2011 are estimated to be \$8,073,645, a 6.36% increase from the fiscal 2010 revised estimate primarily due to the rate increase. Wastewater revenues are estimated to be \$6,831,920, an increase of 6.01% over fiscal 2010 revised estimate of \$6,444,840, primarily due to the rate increase. The City Council approved increases of 6% in both water and sewer rates in fiscal 2011. This will continue in 2012 and 2013 based on the findings of a rate study performed during fiscal 2009. The rate study provided information for future increases over a period of several years according to anticipated growth and expansion in the City and to cover the cost of the Abitibi Water Well field and Kurth Lake acquisition.

Other revenues include new water and sewer connections, service charges, sewer pre-treatment testing charges, interest income and miscellaneous revenues. These revenue estimates combined equal \$355,595, or 20.82% less than the fiscal 2010 revised estimates of \$449,098.

An Intra-governmental transfer of \$107,618 is from the Solid Waste Fund. This transfer represents an administrative charge recognizing the collection of sanitation fees for the Solid Waste/Recycling Fund. These revenues are collected through the Utility Collections department.

EXPENSES

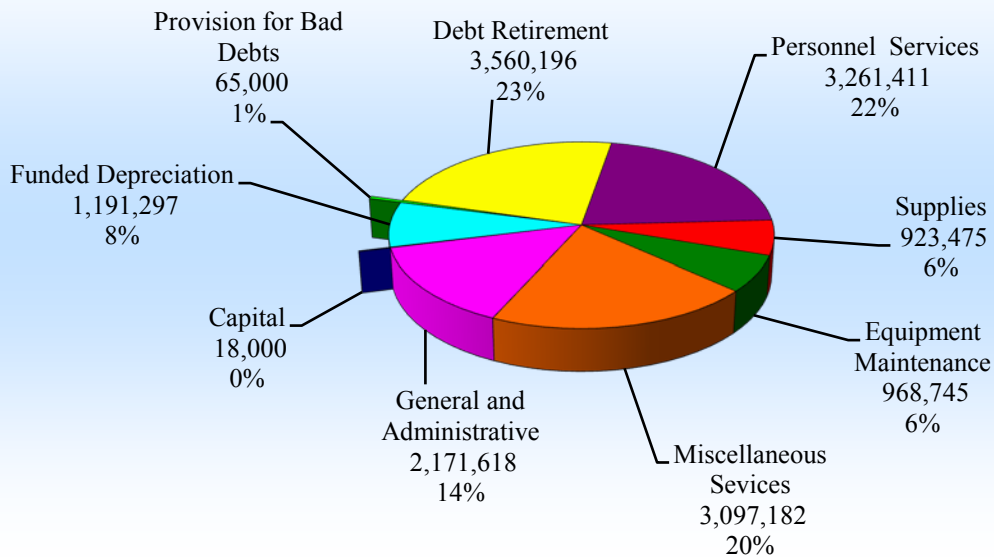
The Water/Wastewater Fund expenses for fiscal 2011 are estimated to increase 0.47% from revised estimates for fiscal 2010. Total projected expenses are estimated to be \$15,417,028, compared to the revised estimate for fiscal 2010 of \$15,344,930. The Water/Wastewater Fund consists of six departments: Utility Collections, Water Distribution, Water Production, Sewer Collections, Wastewater Treatment, and Non-Departmental. Other expenses include Intra-governmental and Debt Retirement Transfers.



Departmental expenses are divided into major categories to assist managers in analyzing and controlling their departmental costs. As discussed in the General Fund Expenditure section, these categories include Personnel Services, Benefits, Supplies, Equipment and Structure Maintenance, Miscellaneous Services, Sundry Charges, Debt Service, and Capital Outlay.

The following chart provides a breakdown of expenses by category. The Sundry categories are combined and are budgeted for no expenditures. Total expenses are \$15,417,028.

Water-Wastewater Fund Expenses by Category Fiscal 2010
Total \$15,256,924



PERSONNEL SERVICES

Personnel Services include salary and benefit costs for all employees within the Water/Wastewater Fund. Expenses for fiscal 2011 are estimated to be \$3,223,177 and represent an increase of 3.88% over fiscal 2010 revised estimates of \$3,097,960.

SUPPLIES

Supplies are defined as articles or commodities that are consumed or materially altered when used and include office supplies, publications (blueprints, catalogs, magazines, newspapers, etc.), postage, printing, stationary, food supplies, vehicle fuels, minor tools (hand tools, axes, etc.), minor utensils (brooms, cones, glassware, etc.), cleaning supplies, medical supplies and all new equipment, not meeting the city’s capitalization policy. Materials and supplies are estimated to be \$859,865 in fiscal 2011 compared to \$864,930 for the fiscal 2010 revised estimate. This is a 0.58% decrease.

EQUIPMENT & STRUCTURE MAINTENANCE

Expenses for the maintenance of equipment and structures fall into this category. Total expenses for fiscal 2011 are estimated to be \$1,018,625, which represents a 2.80% decrease from the revised estimate of \$1,047,976 for fiscal 2010.

MISCELLANEOUS SERVICES

Miscellaneous Services includes a variety of expenses such as telephone communications, custodial services, advertising, and other expenses. Expenses in this category are estimated to be \$3,031,951 a 5.60% decrease from the fiscal 2010 revised estimate of \$3,211,653. This is due to an increase in contract labor to assist with sewer line repair projects. The Pineywoods Groundwater Conservation District, which encompasses Angelina and Nacogdoches Counties and includes representatives of both counties, the cities of Lufkin and Nacogdoches and the

business community, formed July 2001, to monitor ground water use and conduct usage and recharge studies of the Carrizo-Wilcox Aquifer, from which Lufkin gets all of its water requirements. Fees for these services are derived come from this category.

SUNDRY CHARGES

Sundry Charges include legal and moral obligations of the City and include contributions, gratuities, judgments, bad debts, etc., incurred by the City. Expenses in this category are estimated to be \$173,000 for water and sewer bad debts. This estimate is based on several years of past experience of collection of total water and sewer revenues. The City continues to maintain an excellent utility billing collection rate.

CAPITAL OUTLAY

Capital Outlay includes physical assets having a life of more than one year and a value greater than \$5,000. Total capital expenses for fiscal 2011 are estimated to be \$0, a decrease from the fiscal 2010 revised estimate of \$18,000.

INTRA-GOVERNMENTAL CHARGES

Intra-Governmental Transfers include General and Administrative (G&A) Charges and Funded Depreciation transfers to the Water/Wastewater Renewal/Replacement Fund. Total transfers for fiscal 2011 are projected to be \$3,588,772, an increase of 6.72% from revised totals of \$3,362,915 for fiscal 2010.

G&A charges represent amounts charged for services provided by certain General Fund departments to departments in the Water/Wastewater Fund and are made to cover the cost of accounting, purchasing, information technology, fleet maintenance, engineering, and human resources assistance. The amount budgeted for fiscal 2011 is \$2,057,322 and is derived by formula. This amount is based on the budgeted costs of service departments within the General Fund. An allocation table of G&A calculations can be found in the Appendix, on page 333 of this document.

Depreciation transfers to the Water/Wastewater Renewal & Replacement Fund represent cash transfers in an amount equal to actual depreciation expense incurred in the operating fund in the second preceding year. These cash transfers are restricted in use. Approximately three-fourths the amount transferred each year may be used for replacement of capital items. The other one-fourth is retained to provide future funding for major plant replacements. The transfer for fiscal 2011 is budgeted at \$1,531,450. This is a \$340,153 increase from the \$1,191,297 transfer in fiscal 2010.

TRANSFERS TO DEBT SERVICE

This category of expenses includes transfers to the Revenue Bond Retirement and Reserve Fund for payment of long term debt issued by the City's Utility System. Transfers of \$3,521,638 will be made in fiscal 2011. This is a decrease of 1.08% over the revised estimate of \$3,560,196 and is attributable to continued borrowings relating to the asbestos cement water line replacement project. Standard and Poor's and Moody's Investment Service have rated the City's Revenue Supported bonds AA- and Aa2, respectively. A comprehensive discussion of Utility System debt can be found in the Debt Service Fund section of this document.

WORKING CAPITAL BALANCE

Council Financial Policies require that the City's Enterprise Funds maintain a working capital balance of 45 days of budgeted expenses or \$1,927,129. The working capital balance in the Water/Wastewater Fund is projected to be \$2,214,029 in fiscal 2011, which is \$48,250 less than the working capital of \$2,262,279 for the 2010 revised amount.

SOLID WASTE AND RECYCLING FUND

REVENUES

The City's Solid Waste and Recycling departments provide both residential and commercial solid waste service to the entire city. The Solid Waste and Recycling Fund includes revenues from residential collection service, commercial and roll-off container collection services, garbage bag sales, sale of recycled materials, miscellaneous and interest revenues. Total revenues for fiscal 2011 are estimated to be \$5,794,030, a 1.76% decrease from fiscal 2010 revised estimates of \$5,898,096. Collection revenues comprise approximately 92.07% of total revenues in the Solid Waste and Recycling Fund. An explanation of each revenue source and comparison with the fiscal 2010 revised estimate follows.

SOLID WASTE AND RECYCLING FUND Comparison of Collection Revenues			
Collection Classification	Fiscal 2010 Revised	Fiscal 2011 Budget	% Change Budget To Revised
Residential Collections	\$ 1,900,000	\$ 1,900,000	0.00%
Commercial Collections	2,050,000	2,050,000	0.00%
Commercial Cart Pickups	250,000	225,000	<10.00%>
Commercial Non-Compacted Pick ups	500,000	510,000	2.00%
Commercial Compacted Roll-Offs	500,000	510,000	2.00%
Commercial Special Pickups	8,000	8,000	0.00%
Sanitation Container Revenues	247,000	250,000	1.21%
Garbage Bag Sales	32,000	0.00	<100.00%>
Sale of Recycled Materials	300,000	300,000	0.00%
Miscellaneous Income	38,217	2,000	<98.67%>
Interest Income	30,000	39,030	30.10%
Inter/Intragovernmental Revenue	42,879	0.00	<100.00%>
Total Revenues	\$5,898,096	\$5,794,030	<1.76%>

SANITATION COLLECTION REVENUES

Sanitation collection includes one solid waste and one recycling pickup per week to residential customers in the City. Commercial collection service includes two-, three-, four-, six- and eight-yard containers that are picked up on a predefined commercial route schedule that allows the customer to choose the frequency, size and number of containers he/she requires. In fiscal 1999, the City purchased new utility billing software that provides greater flexibility in accounting for revenues. As a result of this flexibility, more clearly defined customer and rate classes have been established and revenues for each rate class have been budgeted. The preceding table provides a comparison of fiscal 2010 revised revenues to fiscal 2011 projected revenues.

No rate increases are included in solid waste and recycling rates for fiscal 2011. The current residential rate is \$13.92 per month plus sales tax of \$1.15. Commercial rates vary with the size, number and frequency of container service selected by the customer. Collection revenues for fiscal 2011 are estimated to be \$5,453,000, a decrease of 0.04% from revised estimates of \$5,455,000.

RESIDENTIAL COLLECTION REVENUES

Residential revenues are estimated to stay the same for fiscal 2011. Revenues of \$1,900,000 are estimated for fiscal 2011, the same as the fiscal 2010 revised estimate of \$1,900,000.

COMMERCIAL COLLECTION REVENUES

Commercial Collection includes commercial front load containers, 90 gallon can pickups, roll off containers (both compacted and non-compacted), special pickups that include customer requests outside their regular route pickup, requested pickups outside the city limits and recycling pickups. Total commercial collection revenues for fiscal 2011 are anticipated to be \$3,303,000 a 0.15% decrease from the 2010 revised estimates.

SANITATION CONTAINER REVENUES

The Solid Waste Department previously purchased two-, three-, four-, six- and eight-yard commercial containers in bulk quantities for resale to its commercial customers at slightly above the City's cost. In fiscal 2008 a new program was implemented whereby the City purchased all dumpsters back from the commercial customers. The dumpsters are City of Lufkin property and are rented to commercial customers for a monthly fee. Revenue from the rental of these containers is recorded in this account. Sanitation container program revenue estimates for fiscal 2011 are projected to be \$250,000 a slight increase from the 2010 revised revenue of \$247,000.

GARBAGE BAG SALES

The City sells plastic garbage bags to citizens for both solid waste and recycled materials. Revenues from this source are typically consistent from year to year. Fiscal 2011 revenues are estimated to be zero, a decrease from the 2010 revised estimate of \$32,000. After a review of the program, the decision was made to discontinue the garbage bag sales beginning July 2010.

SALE OF RECYCLED MATERIALS

Recycled materials include paper products, aluminum and metal cans, plastics and compost. Sales of these materials fluctuate with market demand and thus can fluctuate widely from year to year. The revised revenues for 2010 were estimated at \$300,000. Revenue estimates for fiscal 2011 are the same at \$300,000 due primarily to increased demand and market price for paper products.

INTEREST INCOME

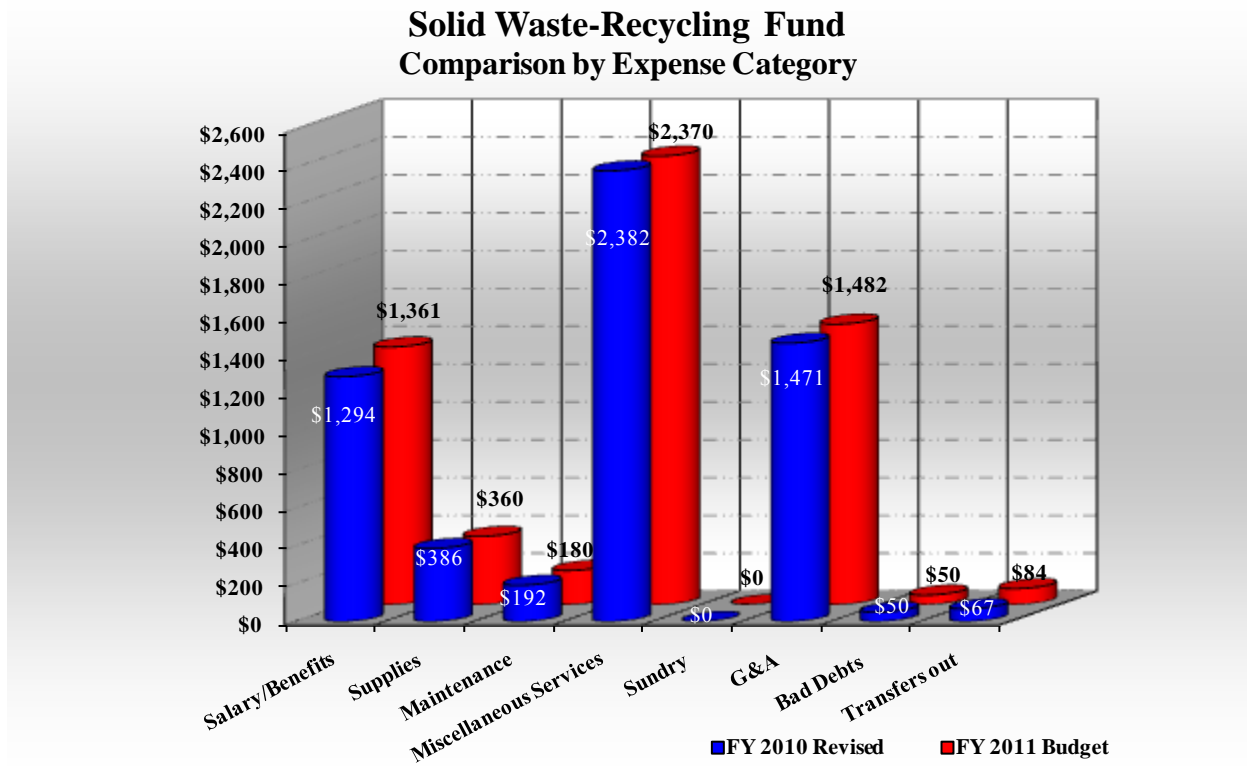
Interest Income is earned from the investment of idle funds. Interest income for fiscal 2011 is estimated to be \$39,030 up 30.10% from fiscal 2010 estimates of \$30,000. Although the investment rate estimated to be 0.25% in fiscal 2011 decreased from 0.50% in fiscal 2010, the total *amount* budgeted is estimated to increase because interest income is calculated on a budget or cash basis. Lower rates of return in the marketplace necessitated a change in investment

instruments moving from those with quarterly interest payments to Certificates of Deposit which pay interest at maturity; in some instances this may be two years later.

EXPENSES

The Solid Waste and Recycling Fund includes two operating departments: Solid Waste and Recycling. These departments are responsible for the pickup and disposal of disposable and recyclable materials within the City of Lufkin. These departments are located at the Southpark Business Park on FM 819 between Loop 287 and US 59 South.

Expenses for the Fund are projected to increase 0.76% from fiscal 2010 revised estimates of \$5,842,036 to the fiscal 2011 budget estimate, \$5,886,582. The following graph reflects a comparison of fiscal 2010 revised and fiscal 2011 budget estimates by expenditure category.



The following narrative provides an explanation of expenses.

PERSONNEL SERVICES

Personnel Services include salary and benefit costs for all employees within the Solid Waste/Recycling Fund. Expenses for fiscal 2011 are estimated to be \$1,350,741 and represent a decrease of 9.48% from fiscal 2010 revised estimates of \$1,492,127 primarily due to transferring four employees to the general fund and recovering an appropriate percentage of their salary through general and administrative charges.

SUPPLIES

In fiscal 2011, expenses for materials and supplies are estimated to be \$452,925, an increase of 6.51% above the revised estimate of 425,258 for fiscal 2010. This increase reflects increases of \$56,575 for fuel and \$21,500 for equipment less \$59,000 for the department transferred to the general fund.

EQUIPMENT & STRUCTURE MAINTENANCE

The Solid Waste and Recycling Fund operates a fleet of automated garbage trucks equipped with sophisticated hydraulics and mobile data terminals that require both routine and non-routine maintenance of a technical nature. An increase of 20.28% is anticipated in this expense category. The fiscal 2011 estimate is \$171,850 compared to the revised estimate for fiscal 2010 of \$142,872. The decrease is due primarily to fewer repairs and proper maintenance scheduling of existing and newly purchased equipment.

MISCELLANEOUS SERVICES

The major expenditure in miscellaneous services is county landfill charges the City pays for use of the Angelina County Landfill. These charges are based on cubic yards of refuse dumped at the landfill site. Miscellaneous Services expenses for fiscal 2011 are estimated to be \$2,444,202, representing a decrease of 5.05% under the fiscal 2010 revised estimate of \$2,574,121.

SUNDRY CHARGES

These charges include bad debts. Sundry charges budgeted for fiscal 2011 are estimated at \$50,000, remaining flat with the fiscal 2010 revised estimate.

CAPITAL OUTLAY

No capital outlay is estimated for fiscal 2011. Capital outlay in fiscal 2010 revised budget was 27,265.

INTRA-GOVERNMENTAL CHARGES

Intra-Governmental Charges include General and Administrative (G&A) charges, and transfers to the General Obligation Debt Service Fund. Total charges for fiscal 2011 are projected to be, \$1,530,480, an increase of 1.17% above the revised estimate of \$1,512,853 for fiscal 2010.

General and Administrative charges represent charges for service by certain General Fund departments to departments in the Solid Waste & Recycling Fund and are made to cover the cost of accounting, purchasing, data processing, engineering, and human resources assistance. This expenditure is derived by formula and is \$1,471,228 for fiscal 2011, an increase of 18.14% above the revised 2009 amount. An allocation table of G&A calculations can be found in the Appendix on page 334.

The Solid Waste & Recycling Renewal & Replacement Fund is being phased out due to the implementation of the Equipment Acquisition and Replacement Fund. One transfer is budgeted for fiscal 2010-2010. This transfer of \$59,252 will be made to the General Obligation Debt Service Fund, which represents the Solid Waste Fund's portion of a tax supported Certificate of Obligation bond issue, a portion of the proceeds having been used for construction of the Solid Waste Facility built in 1999.

WORKING CAPITAL BALANCE

City Financial Policies require that the City's Enterprise Funds maintain a working capital balance of 45 days of budgeted expenses. The working capital balance in the Solid Waste & Recycling Fund is projected to be \$2,466,305 in fiscal 2011, which exceeds the required working capital balance of \$750,025 by \$1,716,280.

OTHER FUNDS

There are six other funds for which the City Council appropriates fiscal expenditures. They are the Hotel/Motel Tax Fund, the Special Recreation Fund, the Ellen Trout Zoo Building Fund, the Court Security/Technology Fund, The Animal Control Kurth Grant and Animal Attic Gift Funds.

The Hotel/Motel Tax Fund is used to provide funding for the operation and maintenance of the Pitser Garrison Civic Center. Space in the Civic Center is leased to various organizations for business conferences, concerts, organizational meetings and school graduations. Operation of the Museum of East Texas, Texas Forestry Museum, Lufkin Visitor and Convention Bureau, and the Angelina County Exposition Center are partially funded by revenues from the Hotel/Motel Tax Fund, i.e. hotel/motel taxes.

The Special Recreation Fund was established to account for the revenues and operating and maintenance expenses of the softball, basketball, gymnastics and other athletic leagues. Approximately 5,000 adults and children participate in the various programs offered by the recreation staff. Revenues generated by these recreation and sports programs are retained by the fund to pay operating and maintenance expenses and to upgrade facilities.

The Ellen Trout Zoo Building Fund is used to account for donations to the Zoo and for revenues generated from admissions receipts. These funds are used to make physical improvements to the Zoo and to acquire animals for display.

The Court Security/Technology Fund was developed as a Municipal Court fund. The Security revenues generated are used to finance items for the purpose of providing security services for the building housing the Municipal Court. The Technology revenues are to be used exclusively for the purchase and maintenance of computer systems including network, hard, software, imaging systems, electronic kiosks, electronic ticket writers and document management systems for the Municipal Court.

The Animal Control Kurth Grant Fund is used to account for contributions received from the Kurth Foundation for the financing and benefit of the Kurth Memorial Animal Shelter and Animal Services.

The Animal Control Animal Attic Gift Shop Fund was developed to account for donations to the Kurth Memorial Animal Shelter and the use of such donations in support of the animals in the shelter.

HOTEL/MOTEL TAX FUND

REVENUES

The Hotel/Motel Tax Fund collects revenues from several sources. Total estimated revenue for Fiscal 2011 is projected to be \$966,350, a 0.47% decrease from the Fiscal 2010 revised estimate of \$970,888. This decrease is due to revenue received in FY 2009 for a Disaster Recovery Grant from ORCA for \$12,438 which will not be received in fiscal year 2010. The remaining funds come from hotel/motel occupancy tax, fees from use of the Civic Center, and services offered to patrons by the Civic Center such as catering, security and concessions.

HOTEL/MOTEL OCCUPANCY TAX

The City charges a 7% room rental occupancy tax to hotels and motels within the City of Lufkin. The City divides this revenue among four different organizations. The hotel/motel occupancy tax revenue is projected to be \$800,000 in Fiscal 2011.

RENTAL AND USE FEES

Fees received from rental of the Civic Center facilities are projected to be \$118,000 for Fiscal 2011. This represents an increase of \$8,000 over revised estimates of \$110,000 for Fiscal 2010.

CATERING SERVICE FEES

The Civic Center provides catering services for activities held within the building. These services are available to any party renting the facility. These revenues are estimated to be \$10,000 in Fiscal 2011, the same as the 2009 revised estimate of \$10,000.

OTHER REVENUES AND FEES

Other revenues and fees include security fees, concessions, equipment replacement charges, and miscellaneous revenue. For a fee, the Civic Center offers security services and provides refreshment concessions to those renters requesting the service. In the event Civic Center equipment is broken or destroyed during use by renters, they are required to pay an equipment replacement fee. These revenues and fees, taken together, are estimated to total \$37,150 in Fiscal 2011.

INTEREST INCOME

Interest income is earned from investment of idle cash in the Fund. The investment rate for fiscal 2011 is estimated to be 0.5%, providing revenues of \$1,200.

EXPENDITURES

PERSONNEL SERVICES

Personnel Services are expected to increase 1.28% in fiscal 2011. A salary adjustment and increase in TMRS contribution rate account for the increase in these expenditures.

SUPPLIES

Materials and supplies expenditures are anticipated to be \$26,230 in fiscal 2011, a decrease of 59.48% below the fiscal 2010 revised estimate of \$44,100.

EQUIPMENT & STRUCTURE MAINTENANCE

The Civic Center maintains sound equipment, heating and air conditioning equipment, and stage equipment. Fiscal 2011 expenditures are projected to be \$15,600 compared to the revised fiscal 2010 estimate of \$25,600. This decrease is due to the replacement and upgrade of equipment that was planned for fiscal year 2009.

MISCELLANEOUS SERVICES

Miscellaneous services include items such as electricity, heating fuel, building insurance, custodial services and other contract services. The fiscal 2011 estimate of \$142,978 is a decrease of 13.11% from the fiscal 2010 revised estimate of \$164,553 largely due to reduction in the reserve for special events.

SUNDRY CHARGES

Council allocates a portion of the hotel/motel tax to several local agencies in support of economic development, tourism and community enhancement. These agencies include the Angelina County Exposition Center, the Museum of East Texas, the Texas Forestry Museum, and the newly formed Lufkin Visitor and Convention Bureau. The chart on the subsequent page reflects the fiscal 2008 actual, fiscal 2010 revised and fiscal 2011 budget amounts for these activities.

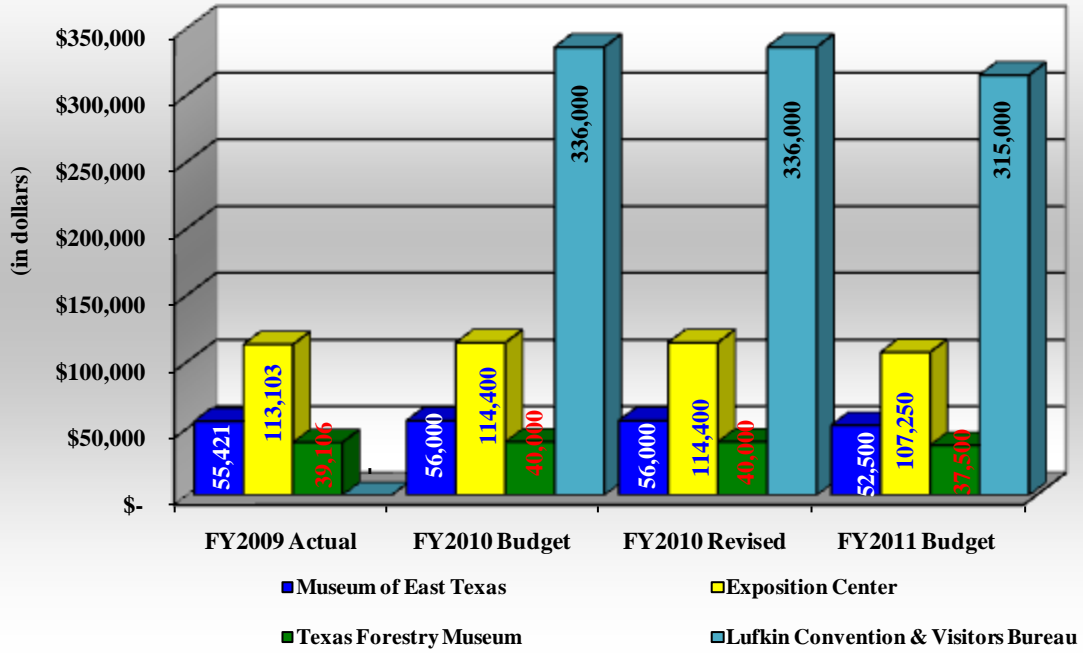
CAPITAL OUTLAY

There are no capital expenditures scheduled for fiscal 2011.

FUND BALANCE

The fund balance for the Civic Center Fund is estimated to be \$259,041 for fiscal 2011. City Financial Policies require a fund balance equal to 12.5% of expenditures, or \$124,603. Because demand for these funds from competing agencies has increased over the years, Council permitted an exception in this Fund to its financial policy in fiscal 2005. The City Council has reviewed the allocation procedure for these funds and has modified the method of allocation for some of the agencies percentage of actual tax collections up to the maximum which is the budgeted amount rather than a fixed amount.

Civic Center Agency Contributions



SPECIAL RECREATION FUND

REVENUES

The Special Recreation Fund generates revenues from user charges and fees charged to participants in City sponsored league play such as softball, volleyball, basketball and gymnastics leagues. Total revenue is projected to be \$200,560 in fiscal 2011, which is a 6.32% increase from fiscal 2010 revised estimate of \$188,640.

SOFTBALL

Softball leagues have grown in popularity during the past decade. This growth has resulted in increased revenues; however, the fields were damaged by a tornado in December 2009 which decreased fiscal 2010 revenues by approximately \$27,000 due to cancelling the spring adult league and several scheduled tournaments. In fiscal 2010, the revised revenue estimate is \$120,000. The fiscal 2011 revenue estimate is projected at \$130,000. The fiscal 2011 estimated revenue is 8.33% greater than the fiscal 2010 budgeted revenue.

VOLLEYBALL

Volleyball has decreased in popularity and generates very little or no revenue. For fiscal 2011, revenue is projected at \$40.

BASKETBALL

Basketball remains a steady income generator for the Special Recreation Fund. Estimated revenue for fiscal 2011 of \$29,000 is an increase of 5.45% from the fiscal 2010 revised revenue estimate of \$27,500.

GYMNASTICS

Gymnastics, taught at the Recreation Center, is projected to generate revenues of \$14,250 for fiscal 2011. This estimate reflects a slight increase from the fiscal 2010 revised estimate of \$13,600.

SPECIAL EVENTS

Revenues from special events are anticipated to be \$3,200 for fiscal 2011 down slightly from the fiscal 2010 revised estimate of \$3,300.

OTHER REVENUES

The Special Recreation Fund also generates revenues from recreation classes, other miscellaneous sources, as well as investment of idle funds. These revenues are projected to remain constant in the upcoming fiscal year at \$24,000.

INTEREST INCOME

Interest income for fiscal 2011 is estimated to be \$70, less than the fiscal 2010 revised estimate of \$200 by \$130.

EXPENDITURES

PERSONNEL SERVICES

No personnel salaries or benefits are charged to this fund.

SUPPLIES

All equipment used in sports and recreation leagues is purchased in this expenditure category, and is projected to be \$33,350 in fiscal 2011. This is an increase of 16.75% from the fiscal 2010 revised estimate of \$28,565, and is due primarily to additional supplies in fiscal 2010 for the softball tournaments.

EQUIPMENT & STRUCTURE MAINTENANCE

Expenditures in this category are projected to increase from \$9,500 in fiscal 2010 to \$12,000 in fiscal 2011. This represents an increase of 26.31%.

MISCELLANEOUS SERVICES

Expenditures in this category are estimated to increase minimally at 3.62% in fiscal 2011 to \$151,800, compared with the revised estimate of \$146,495 for fiscal 2010. These expenditures fluctuate from year to year depending on program participation, which is expected to increase.

SUNDRY CHARGES

There are no expenditures anticipated in this category.

CAPITAL OUTLAY

No Capital outlay for this fund is projected for fiscal 2011.

FUND BALANCE

City Financial Policies require a fund balance in the Recreation Fund of 12.5% of expenditures, which for fiscal 2011 is \$24,644. The fund balance estimate for fiscal 2011 is \$47,717 which is \$23,073 above the required balance.

ELLEN TROUT ZOO BUILDING FUND

REVENUES

The Ellen Trout Zoo Building Fund is used to record transactions associated with new construction, renovation, upgrades and expansion to the Ellen Trout Zoo facilities. Revenues are generated from admission fees, sales of animals, safari classes, animal adoptions, concessions, miscellaneous revenue, interest income and donations. Approximately 86% of the total revenue is generated from admission fees. Donations vary from year to year, but are usually less than \$2,500 per year.

ADMISSION FEES

Admission fees were increased in July 2007. Currently fees are \$5 for adults and \$2.50 for children between the ages of 4 and 11. (Children under 4 are admitted free.) Revenues from admission fees are expected to remain constant at \$210,000 for fiscal 2011.

DONATIONS

Individuals and organizations such as "Friends of the Zoo" make donations. Donors are given free passes to the Ellen Trout Zoo and to other zoos around the country. Projected revenue for fiscal 2011 totals \$1,000 and reflects normal donation levels.

SAFARI CLASSES

The Zoo holds educational safari classes that provide the student an inside look at the care and handling of the animals and operation of the Zoo. The fees charged for these classes are applied to the cost of providing them. Fees are projected to be \$16,500 in fiscal 2011, an increase of 10.00% from fiscal 2010 revised estimate of \$15,000.

ANIMAL ADOPTION DONATIONS

Zoo patrons make animal adoption donations to help support their favorite animal at the Zoo. The funds are used to purchase food and supplies for the animal, and a plaque is erected with the donor's name. Donations for fiscal 2011 are estimated to be \$1,000.

MISCELLANEOUS REVENUES

These revenues include sale of animals, concessions and other miscellaneous items that the Zoo Building Fund receives. Total combined miscellaneous revenues for fiscal 2011 are estimated to be \$1,000.

INTEREST INCOME

Interest income is anticipated to be \$12,730 for fiscal 2011 which is \$1,270 less than the fiscal year 2010 revised estimate. This is based on an investment rate of 0.25% as compared to the previous year's rate of 0.50%.

EXPENDITURES

PERSONNEL SERVICES

No personnel salaries or benefits are charged to this fund.

SUPPLIES

Supplies include plant and landscape materials and educational supplies used in various Zoo educational programs. Expenditures are expected to be \$37,450 in fiscal 2011, reflecting a decrease of \$16,140.

EQUIPMENT & STRUCTURE MAINTENANCE

Expenditures in this category are projected at \$114,250 for fiscal 2011 of which \$50,000 is budgeted for housing repairs at the Ellen Trout Zoo complex.

MISCELLANEOUS SERVICES

Miscellaneous services are projected to be \$17,450 for fiscal 2011. This is a 5.10% decrease from the fiscal 2010 revision of \$18,340.

SUNDRY CHARGES

There are no expenditures budgeted in this category.

CAPITAL OUTLAY

There are no expenditures budgeted in this category.

FUND BALANCE

City Financial Policies require the Zoo Building Fund to maintain a fund balance of zero or greater because this fund serves as a construction fund for zoo expansion projects and depends heavily on contributions for its income. However, excess funds are retained from year to year and applied to various projects or used as grant matches. The Fund has maintained fund balances in previous years and is anticipated to have a fund balance of \$1,392,539 at fiscal 2011 year-end. This is an increase of \$74,080 over the estimated fiscal 2010 ending fund balance of \$1,318,459.

COURT SECURITY/TECHNOLOGY FUND

REVENUES

The Court Security/Technology Fund revenues are generated through the Municipal Court. By Ordinance an assessment of \$7.00 is included in the cost of each fine. \$3.00 of each assessment is to be used for security and \$4.00 is to be used for technology purposes in the Municipal Court. Fiscal year 2011 revenues are estimated at \$44,000 which is an increase from the fiscal year 2010 revised revenue estimate of \$39,750.

EXPENDITURES

PERSONNEL SERVICES

No personnel salaries or benefits are charged to this fund.

SUPPLIES

Court Security supplies are anticipated to be \$1,600 in fiscal 2011, a decrease of \$425 from fiscal year 2010 revised estimate of \$2,025.

EQUIPMENT & STRUCTURE MAINTENANCE

Expenditures in this category are expected to be \$34,150 in fiscal 2011, an increase from the fiscal 2010 revised estimate of \$17,485.

MISCELLANEOUS SERVICES

Anticipated costs of miscellaneous services are \$18,040 for fiscal 2011 which is an increase of 103.8% above the fiscal 2010 revised estimate of \$8,850.

SUNDRY CHARGES

There are no expenditures budgeted in this category.

CAPITAL OUTLAY

There are no expenditures budgeted in this category.

INTRA-GOVERNMENTAL TRANSFERS

The position of the City Marshall was changed from a part-time position to a full-time position for fiscal 2008. As the Court Security portion allows for the salary of the City Marshall, there is a transfer of \$20,000 budgeted to help cover the costs of the position within Municipal Court in the General Fund. This transfer will not be made in fiscal year 2011 due to lack of available funds.

FUND BALANCE

City Financial Policies requires the Court Security/Technology Fund to maintain a fund balance of zero or greater. However, excess funds are retained from year to year and applied to various security, and technology equipment purchases. The fiscal 2010 ending fund balance was estimated at \$46,898 with an anticipated fund balance of \$53,790 for fiscal 2011.

ANIMAL CONTROL KURTH GRANT FUND

REVENUES

The revenues for this fund are strictly contributions received as a grant through the Kurth Foundation in support of the Kurth Memorial Animal Shelter. Current Year revenues are estimated to be \$200,000.

EXPENDITURES

Expenditures in the fund are for the non-salaried operations of the Kurth Memorial Animal Shelter. Fiscal year 2010 expenditures include the construction of an animal intake facility for surrendered animals and animals held on complaint, as well as a transfer to the General Fund to subsidize the costs of supplies needed for shelter operations. The transfer to the General Fund is budgeted at \$200,000 for fiscal 2011.

ANIMAL ATTIC GIFT FUND

REVENUES

Animal Attic Gift Fund revenues are donations received from individuals for the support of animals at the shelter. Current year revenues are expected to be approximately \$4,520.

EXPENDITURES

The anticipated expenditures of the Animal Attic Gift Fund include the purchase of supplies and miscellaneous services for shelter operations. The Estimated expenditures are \$3,100 for fiscal 2011.

COMPONENT UNIT

There are two component units for which the City appropriates fiscal expenditures. *These governmental fund types are budgeted on a modified accrual basis wherein obligations of the Component units are budgeted as expenditures but revenues are recognized and recorded when they are available and become measurable.*

The Economic Development Fund is a Component Unit and was established to account for the sales tax portion allocated to economic development within the City. Revenues to the fund are derived from 1/8th of each cent of sales tax collections in the City.

The Lufkin Convention and Visitor Bureau was formed in 2010 with the primary objective to create maximum hotel occupancy within the city through a marketing program aimed at attracting and securing overnight visitors who will spend money in the Lufkin area.

ECONOMIC DEVELOPMENT FUND – COMPONENT UNIT (Discretely Presented)

REVENUES

Revenues for the Economic Development Fund are derived from the City's Sales Tax Revenues and interest income. 1/8 of each cent of the City's Sales Tax Revenues is dedicated to the Economic Development Fund. Revenues for fiscal 2011 are anticipated to be \$1,025,253. This is 0.05% below the fiscal 2010 revised estimate of \$1,025,833.

EXPENDITURES

PERSONNEL SERVICES

Salaries and benefits for the Economic Development Fund are anticipated to be \$166,901 in fiscal 2011, increasing by 2.39% over the fiscal 2010 revised estimate of \$163,002.

SUPPLIES

Expenditures for supplies are anticipated to be \$9,500 in fiscal 2011 decreasing 25.49% below the \$12,750 revised estimate for fiscal 2010.

EQUIPMENT & STRUCTURE MAINTENANCE

There are no expenditures budgeted in this category.

MISCELLANEOUS SERVICES

Anticipated costs of miscellaneous services are \$248,735 for fiscal 2011, below the fiscal 2010 revised estimate of \$365,184 by 31.89%.

SUNDRY CHARGES

Sundry charges include incentives paid by the Economic Development Fund. The fiscal 2011 estimate is \$907,000.

CAPITAL OUTLAY

There are no expenditures budgeted in this category.

NON-DEPARTMENTAL

General and administrative expenses are transferred to the General Fund to reimburse for services provided by other departments such as accounting, purchasing, data processing and human resources assistance within the City. General and administrative fees for fiscal year 2011 are \$8,660. An allocation table of G&A calculations can be found in the Appendix on page 335.

FUND BALANCE

Council Financial Policies requires the Economic Development Fund to maintain a fund balance of zero or greater. However, excess funds are retained from year to year and are applied to the fund balance for future expansion projects to boost the economy and development of business within the City of Lufkin. The anticipated fund balance at fiscal 2011 year-end is \$2,676,206.

**LUFKIN CONVENTION AND VISITOR BUREAU –
COMPONENT UNIT
(Discretely Presented)**

REVENUES

Revenues for the Lufkin Convention and Visitor Bureau (LCVB) are derived from the City's Hotel/Motel Tax. Forty-two percent (\$315,000) of the hotel/motel occupancy tax collected and recorded in the Hotel/Motel Tax Fund is allocated to the Lufkin Convention and Visitor Bureau. Total revenues for fiscal 2011 are anticipated to be \$315,280, which includes estimated interest earnings of \$280.

EXPENDITURES

PERSONNEL SERVICES

Salaries and benefits for the LCVB are anticipated to be \$117,130 in fiscal 2011, increasing by 35.54% over the fiscal 2010 revised estimate of \$86,544, which included nine months of expenditures.

SUPPLIES

Expenditures for supplies are anticipated to be \$18,500 in fiscal 2011 increasing \$500 above the revised estimate of \$18,000 for fiscal 2010.

EQUIPMENT & STRUCTURE MAINTENANCE

There are no expenditures budgeted in this category.

MISCELLANEOUS SERVICES

Anticipated costs of miscellaneous services are \$179,370 for fiscal 2011, below the fiscal 2010 revised estimate of \$189,456 by 5.32%.

SUNDRY CHARGES

There are no expenditures budgeted in this category.

CAPITAL OUTLAY

There are no expenditures budgeted in this category.

FUND BALANCE

The Council has not adopted any fund balance policies for the LCVB. Expenditures are budgeted based on revenue projections.