

**Mayor**  
Merle Breitenstein  
**City Manager**  
Paulette A. Hartman



**Council Members**  
Ron Martini  
Glen Walden  
Cameron L. Smallwood  
J.D. "Butch" Maxfield  
Thomas T. Tallent  
Bob Neely

August 21, 2007

Honorable Mayor and City Council

**RE: Proposed Budget and Tax Rate for Fiscal Year 2007/2008**

Mayor Breitenstein and Members of the City Council,

In accordance with the City Charter Section 5.01 (A) 4, I have prepared a budget for the 2007/2008 fiscal year, and am submitting the Proposed Budget for your review and consideration. Also, the proposed budget was filed with the City Secretary's Office August 16, 2007 in accordance with state law which requires that the proposed budget be filed with the City Secretary's Office at least 30 days prior to adoption by the City Council.

The Council held a budget work session August 2, 2007 which provided the first opportunity to review and discuss the proposed budget. The Council also reviewed and discussed the effective tax rate and rollback tax rate, and voted to set the proposed tax rate at \$0.656219. The proposed tax rate reduces the current tax rate of \$0.669 by over 1 cent. Notice of the effective tax rate and rollback tax rate was published in the Joshua Star Thursday August 9<sup>th</sup> in accordance with state law. This notice is also posted on the City's web site at [www.cityofjoshuatx.us](http://www.cityofjoshuatx.us).

The first public hearing regarding the proposed budget and the proposed tax rate will be held during the Council meeting Tuesday August 21<sup>st</sup>. The second public hearing will be held September 11<sup>th</sup> at 6:30 pm. Notice of the public hearings regarding the proposed tax rate was published in the Cleburne Times Review Tuesday August 14<sup>th</sup> in accordance with state law. The public hearing notice is also published on the City's web site at [www.cityofjoshuatx.us](http://www.cityofjoshuatx.us). The Council will consider final adoption of the budget and tax rate at the September 18, 2007 City Council meeting.

This letter will provide an overview and summary of the proposed budget and the additional items requested for the coming fiscal year.

## **Proposed Operating Budget**

### *Revenues*

Proposed revenues total \$2,352,146.70 which is \$185,868.74 (8.58%) more than the current year budget.

Total revenues include \$1,190,213.70 in property tax collections. This is based on a proposed decrease in the property tax rate from \$0.669 to \$0.656219 per \$100 of valuation, and certified taxable values of \$219,515,221 at a 98% collection rate. Certified taxable values have increased 11% over the previous year. \$8,482,845, or 4%, of total taxable values resulted from new construction. The certified values also include \$5,323,423 in mineral values which is 2% of the total taxable value. The result is an additional \$117,617.70 in revenue from property tax collections for next fiscal year.

Sales Tax collections are also projected to increase next fiscal year based on current trends. Proposed revenues include \$420,000 in Sales Taxes to the General Fund which is \$43,250.97 over the amended budget.

Interest Income, Permits/Fees, and EMS Revenue are also expected to increase significantly next fiscal year. Proposed revenue from interest bearing accounts is \$20,000 which is \$10,900 over the current budget. The projected increase results from an increase in interest rates and an increase in the fund balance. Permits and Fees are projected to generate \$150,000 in revenue next fiscal year. This is \$17,933 over the current budget, and is a result of increased fees coupled with an increase in development activity. Revenue from emergency medical calls has increased during the current fiscal year, and is expected to continue to increase as a result of the new billing and collection service contracted by the City.

All other revenue sources are expected to remain flat next fiscal year.

### *Expenditures*

Proposed operational expenditures for next fiscal year total \$2,352,148.88. This is \$185,870.92 more than the current year budget.

Total expenditures include additional operational needs in the amount of \$162,257 recommended for funding by the City Manager, and discussed and reviewed by the City Council during the August 2<sup>nd</sup> work session. These additional operational needs are intended to help achieve the goals established by the City Council which are:

1. Promote family oriented, planned community growth;
2. Provide professional, responsive and financially responsible City services to promote a positive City image;
3. Enhance internal/external communications, education and involvement;
4. Plan for quality development, economic diversity, and revitalization;
5. Enhance public safety and infrastructure.

Additional operational items reflected in the Proposed Budget include the following:

- Providing a full time Building Inspector/Code Compliance Officer (Goal 4)
- Codification of all City ordinances and providing online access (Goal 2 and 3)
- Upgrading the telephone system for Administration and the Police Department (Goal 2)
- Networking all City facilities (Goal 2 and 3)
- Providing a new building with adequate equipment storage for the Street Department (Goal 2)
- Creating a reserve for minor street and drainage projects (Goal 5)
- Replacing one Police Department patrol vehicle (Goal 5)
- Providing a presentation and recording system for the City Council Chambers (Goal 2 and 3)
- Providing a one time shredding heavy duty shredding service to destroy a large amount of records that have far exceeded the records retention schedule (Goal 2)
- Providing two bays to store Fire Department equipment (2 and 5)
- Establishing a reserve to begin planning for a transition from a volunteer Fire Department to a paid Fire Department and evaluating emergency medical service (Goal 5)

Total expenditures also include \$32,700 to provide merit pay increases to those employees that receive a satisfactory or higher grade on their annual performance review. Increases will range from 2% to 7%, and will be effective on employment anniversary dates for those employees that perform well. In addition, proposed expenditures include \$18,435 to increase the retirement benefit from a 5% 2 to 1 match to a 7% 2 to 1 match or the equivalent. These expenditures are reflected in the Non-departmental category.

Included in the Proposed Budget is a summary of total revenues and expenditures by line item as well as each department's proposed line item budget with a description and justification for expenditures by line item.

The Mayor/Council department reflects a 25% increase which is the result of including the expenditure for the presentation and recording system for the Council chambers in this department. The Administration department reflects over a 50% decrease. This is the result of moving some expenses out of Administration and into the appropriate department or the new categories of Community Services and Non-Departmental. The Community Service department includes the City's portion of the Community Library operating expenses, McPherson House expenses, the City's payment for participation in the CleTran transportation service, electric costs for the City street lights, and funds for a Christmas tree and decorations for the outside of City buildings. The Non-departmental category includes expenses that are incurred by or benefit the entire City organization such as general legal services, liability insurance, property insurance, the fee for services of the Johnson County Central Appraisal District, and the fee for services of the Johnson County Tax Assessor/Collector.

All departments except Administration show an increase over the current year budget. This is primarily the result of moving some costs out of the Administration department and into the individual departments to reflect a more accurate account of what it costs to run each department. For example, costs for group medical, dental and life insurance benefits were moved to the department in which the employee works. In addition, workers compensation insurance costs were distributed among the departments. Any other increases in the Proposed Operating Budget are the result of cost increases (i.e. medical supplies, street construction supplies, etc.), the cost to replace outdated equipment, or additional operational needs recommended for funding that have been added to the appropriate department line item budget.

**Capital Improvement Projects Budget**

It is proposed to adopt a Capital Improvements Projects (CIP) budget for next fiscal year. The proposed CIP budget is included in the Proposed Budget information. The purpose of the CIP budget is to provide a tracking mechanism for revenues and expenditures related to capital projects, such as road construction and building projects, since these are one-time expenditures. The proposed CIP budget will be discussed and reviewed during the budget hearing Tuesday night.

**Summary**

The outlook is good for the coming fiscal year. The tremendous growth in Johnson County has resulted in increased property values and increased revenues from other sources such as sales tax and development permits. In addition, the City has been successful in rebuilding its fund balance, or reserves, over the last two fiscal years. It is projected that the City will end the current fiscal year with over \$600,000 in the fund balance. This will provide more than enough to cover 3 months of operating expenses which is a healthy fund balance. Now is the time to provide some much needed operational items and enhancements to City services to help achieve the City's goals.

The positive outlook is confirmation that Joshua's future is so bright we should all be wearing shades!

Respectfully,

Paulette A. Hartman  
City Manager