

NOTICE OF PUBLIC HEARING

PROPOSED FY2009-10 ANNUAL OPERATING BUDGET

Notice is hereby provided of a Public Hearing by the Kyle City Council on the proposed *FY2009-10 Annual Operating Budget* in accordance with the provisions of Section 8.05 of the Kyle City Charter.

The proposed *FY2009-10 Annual Operating Budget* is a complete financial plan for all City funds and activities for all municipal operations during the period of October 1, 2009 through September 30, 2010. The *FY2009-10 Budget* as proposed calls for total spending and transfers from all funds in the total amount of \$36,893,847; which includes General Fund expenditures in the amount of \$9,040,930 and Capital Project Fund expenditures in the total amount of \$8,273,000.

The Public Hearing will be conducted as part of the regular meeting of the Kyle City Council on **Tuesday, August 18, 2009 at 6:30PM** at the Kyle City Hall, 100 West Center Street, Kyle, Texas.

All interested parties are invited to attend and provide input. Copies of the proposed *FY2009-10 Annual Operating Budget* document and the enabling legislation are available for inspection at the Kyle City Hall, 100 West Center Street, during normal business hours.





CITY OF KYLE

100 W. Center • PO Box 40 • Kyle, Texas 78640 • (512) 262-1010 • FAX (512) 262-3800

May 28, 2009

Mayor and City Council
Department Heads

Calendar for Formulation and Adoption of
FY2009-10 Five-Year Capital Program and
Annual Operating Budget - **REVISED**

Following is a projected schedule of events and activities relating to the development and formal adoption of the *2009-10 Five-Year Capital Program* and the *FY2009-10 Annual Operating Budget* for the City of Kyle, in accordance with the requirements of the Kyle City Charter:

APRIL

Tuesday, April 7, 2009.....Distribution of forms and information to Department Heads for development of submissions for inclusion in proposed *2009-10 Five-Year Capital Program*

MAY

Friday, May 8, 2009.....Deadline for submission of all departmental requests for funding within the proposed *2009-10 Five-Year Capital Program*

Tuesday, May 12, 2009..... Distribution of forms & information to Department Heads for development of submissions for proposed *FY09-10 Operating Budget*

JUNE

Tuesday, June 2, 2009.....Presentation and preliminary review of proposed
(*Regular Council Meeting*) **2009 Limited Tax Note Financing** of Capital Programs
.....Preliminary review of FY08-09 Budget 1st Amendment Ordinance

Thursday, June 4, 2009.....Strategic Planning & Finance Committee 2009 Limited Tax Note Financing Review/Workshop (tentative*)

Friday, June 12, 2009.....Deadline for submission of all departmental requests for funding within the Proposed *FY2009-10 Annual Operating Budget*

Tuesday, June 16, 2009.....**Presentation of Proposed 2009-10 Five-Year Capital Program** to Mayor and City Council by City Manager
(*Regular Council Meeting*)

.....First Reading - 2009 Limited Tax Note Financing Ordinance

.....First Reading - FY08-09 Budget First Amendment Ordinance

Tuesday, June 30, 2009.....City Council 5YRCP Review/Workshop (tentative*)

JULY

Tuesday, July 7, 2009.....Public Hearing on Proposed 2009-10 5YR-Capital Program
(Regular Council Meeting)
.....Second Reading-2009 Limited Tax Note Financing Ordinance
.....Second Reading-FY08-09 Budget First Amendment Ordinance

Tuesday, July 14, 2009.....City Council 5YRCP Review/Workshop (tentative*)

Tuesday, July 21, 2009.....**Presentation of Proposed FY2009-10 Annual Operating Budget to Mayor & City Council by City Manager**
(Regular Council Meeting)
.....Adoption of Resolution Approving the 2009-10 Five-Year Capital Program by Mayor and City Council

Wednesday, July 29, 2009.....Publish General Budget Summary and Notice of Public Hearing on August 18

Thursday, July 30, 2009.....Strategic Planning & Finance Committee Budget Review/Workshop (tentative*)



AUGUST

Tuesday, August 11, 2009.....Council Budget Review/Workshop (tentative*)

Tuesday, August 18, 2009.....Public Hearing on Proposed FY2009-10 Annual Budget
(Regular Council Meeting)

Thursday, August 27, 2009.....Council Budget Review/Workshop (tentative*)



SEPTEMBER

Tuesday, September 1, 2009.....**First Reading** of Appropriations Ordinance Adopting FY2009-10 Annual Operating Budget
(Regular Council Meeting)
.....Second Public Hearing on Proposed Budget (if desired*)

Tuesday, September 8, 2009.....Council Budget Review/Workshop (tentative*)

Tuesday, September 15, 2009.....**Second Reading** of Appropriations Ordinance and **Final Adoption of FY2009-10 Annual Operating Budget**
(Regular Council Meeting)

Thursday, September 17, 2009.....Deadline established by City Charter for final adoption of *FY2009-10 Annual Operating Budget* (“not later than the third Thursday of September”)

Thursday, October 1, 2009.....Beginning of FY2009-10 Fiscal Year

Please let me know if you have any questions, problems, or suggestions; or need additional information relative to this schedule.

Thomas L. Mattis
City Manager

*Tentative dates for Council Budget Workshops and/or Public Hearings. Actual number and schedule for workshops to be determined by City Council.

FY 2009-10 ANNUAL BUDGET
CITY OF KYLE CHARTER SECTIONS

SECTIONS 8.04 ANNUAL BUDGET

The budget shall provide a complete work and financial plan for the city, including all city funds and activities. A budget message explaining the budget both in fiscal terms and in terms of the work programs shall be submitted with the budget. It shall outline the proposed financial policies of the city for the ensuing fiscal year; describe the important features of the budget; indicate any major changes from the current year in financial policies, expenditures, and revenues with reasons for such changes; summarize the city's debt position and include such other material as the city manager deems desirable or the council requires. The budget shall begin with a clear general summary of its contents; and shall show in detail all estimated revenues, indicating the proposed property tax levy, and all proposed expenditures, including debt service, for the ensuing fiscal year.

The proposed budget expenditures shall not exceed the total of estimated funds available from all sources. The budget shall be so arranged as to show comparative figures for estimated revenues and expenditures of the current fiscal year and the actual revenues and expenditures of the preceding two (2) fiscal years, compared to the estimate for the budgeted year. It shall include in separate sections:

- (a) An itemized estimate of the expense of conducting each department, division and office
- (b) Reasons for proposed increase or decrease of such items of expenditure compared with the current fiscal year
- (c) A narrative statement for each department indicating projects to be accomplished by the department. The narrative shall state specifically all capital expenditures proposed during the year, all major projects on which work will be performed and any extraordinary items included in the budget.
- (d) A statement of the total probable revenues of the city from taxes by category for the fiscal year.
- (e) Tax Levies, rates, and collections for the preceding five years.
- (f) An itemization of all anticipated revenue from utilities and all sources other than the taxes.
- (g) The amount required for interest on the City's debts, for sinking fund and for maturing bonds or other obligations.
- (h) The total amount of outstanding city debts and other obligations, with a schedule of payments and maturities.
- (i) The total amount established for addition to reserve funds.
- (j) A capital program, which may be revised and extended each year to indicate capital expenditures pending or in process construction or acquisition.

- (k) A provision regarding health coverage for retired employees. This provision may give consideration to the years of service of each retired employee but shall not obligate the city to any specific continuing level of funding for such benefits.
- (l) Such other information as may be required by the council.

SECTION 8.05: BUDGET PROCESS AND ADOPTION

The city manager shall be responsible for the timely preparation and presentation of the budget, and shall present his or her recommended budget to the city council no later than sixty (60) days prior to the October 1st of each year. The proposed budget shall become a public document and record when presented to the council. From and after its receipt of the budget, the city council shall:

- (a) At the first council meeting for which timely notice may be given, cause to be posted in city hall and published in a newspaper of general circulation in the city a general summary of the proposed budget and a notice stating the time and places where copies of the budget are available for public inspection; the time and place, not less than fifteen (15) days after such publication, of a public hearing on the budget; and such other public hearings as are necessary
- (b) After the first public hearing the council may adopt the budget with or without amendment. The council may amend the proposed budget to add, increase, decrease or delete any programs or amount, except expenditures required by law or for debt service; provided that no amendment shall increase the authorized expenditures to an amount greater than the total of estimated funds available from all sources.
- (c) The budget shall be finally adopted by ordinance not later than the third Thursday of September; provided that if the council takes no final action on or prior to such day, the budget as submitted by the city manager shall be deemed to have been finally adopted by the council.

Fiscal Management Policies

Budget Preparation/Administration Policy

PURPOSE: To provide basic instructional guidelines for all City departments in the preparation of budget requests, to assist Council in making informed choices about the provision of services and capital assets, and to involve and promote effective communication with the community during the process.

GENERAL POLICY:

As an effective and useful management guide, the development of the City's budget process is the result of careful preparation and active participation of all levels of City personnel. The budget becomes the centerpiece of a thoughtful and ongoing decision-making process for allocating resources and setting priorities and direction for our City.

Good budgeting is a broadly defined process that has policy, managerial, planning, communication and financial dimensions. A good budget process is characterized by several essential features such as a long-term perspective linked to broad organizational goals, budget decisions that focus on results and outcomes, promotion of effective communication with residents and the provision of incentives to City staff.

Study Sessions are held with City Council for this purpose on all phases of the budget, including fees, capital improvement programs and the maintenance and operations budget proposals. Additionally, a good budget process helps decision-makers make informed policy choices about the provision of services and capital assets and promotes resident participation in the process.

The budgeting process is necessary for maintaining financial control over the City's operations and provides the basis for program planning. The process does not end with appropriations, but continues to operate throughout the year as funds are obligated and disbursed. A series of on-going decision-making, actions and adjustments are often required to achieve established goals. Additionally, decisions made in one year are meant to bring a desired result in subsequent years. In this way, each budget program is a one-year installment in the implementation of the City's long-range financial plan.

Proposed Budget

A proposed budget will be prepared by the City Manager with the participation of all the City's Department Directors.

A. The budget will include four basic segments for review and evaluation. These segments are:

1. Revenues,
2. Personnel needs,
3. Operations and Maintenance costs, and
4. Capital Outlay

B. The budget review process will include City Council participation in the development of each of the four segments of the proposed budget and Public Hearings to allow for citizen participation in the budget preparation.

C. The budget process will span sufficient time to address policy and fiscal issues by the City Council.

Adoption: Upon presentation by the City Manager of a proposed budget document to the City Council, a public hearing called and publicized. The City Council will subsequently adopt such budget, as it may have been amended, as the City's Annual Budget effective for the fiscal year beginning October 1.

Balanced Budget: To the extent financially possible the Operating Budget will be balanced with current revenues, greater than or equal to current expenditures/expenses.

Planning: The budget process will be coordinated so as to identify major policy issues for City Council consideration several months prior to the budget approval. This will allow adequate time for appropriate decisions and analysis of financial impacts.

Reporting: Periodic financial reports will be prepared by the Finance Director to enable the Department Managers to manage their budgets and to enable the Finance Director to monitor and control the budget as authorized by the City Manager. Summary financial and budgetary reports will be presented by the Finance Director to the City Council quarterly. Such reports will be in a format appropriate to enable the City Council to understand the overall budget and financial status of the City.

City's Budget Process Overview

The process by which the budget will be compiled and finally adopted by the City Council is one that requires the combined effort and cooperation of all departments.

The budget development process includes five steps:

1. Council establishes major goals and objectives for the budget year. Departmental objectives are also refined at that time.
2. Based on the above directions from Council, departments prepare budget estimates for the next fiscal year.
3. Budget estimates and final departmental objectives are reviewed by the City Manager, followed by any necessary revisions.
4. Proposed budget is submitted to Council for review.
5. Following a public hearing, the budget is adopted by Council.

It is important to keep in mind that the budget adopted by Council is not "final" in nature. Rather, the budget is intended to establish a framework for what is actually a dynamic financial process. As work plans and issues develop over the budget year, Council may adjust resources accordingly. In other words, the budget reflects Council's ongoing direction, properly responding to the fiscal environment and the needs of the community.

Budget Document Overview

The *Operating Budget* document will be organized as follows:

1. *Section 1: City Manager's Budget Message* – Provides an overview of community and Council priority issues, budget highlights, community profile, future trends and the budget process.

2. *Section II: Fiscal Policies* - Establishes the policies and procedures to be followed in preparing and administering the budget.

3. *Section III: Budget Summaries & Graphs* – Provides revenue and expenditure/appropriation summaries for all funds as well as detail of revenue and expenditures for the General Fund. Graphics include pie charts and community information with pictures.

4. *Section IV: Department Budget Sections* – Each department budget section includes an organizational chart, program budgets and program trends and objectives.

5. *Position Summary by Fund Section* – Summary of budgeted positions by Fund.

5. *Supplementary Section* – Includes active bond issues, and Glossary.

Compensation Policy

For 2007-08 fiscal year, a comprehensive survey was made of all full time classifications used by the City to determine the average wages and salaries paid by comparable cities in central Texas. The list of cities surveyed included:

Cedar Park	San Marcos
Georgetown	Schertz
New Braunfels	Seguin
Pflugerville	Universal City

Data was gathered from The Texas Municipal League who contracts with a consulting group that collects and compiles the data then makes it available to all Texas cities. Based on the results of the survey, market adjustments were made for each position for which it was determined that an employee with several years of experience in their current position or similar city was eligible to receive a market adjustment based on the following criteria:

Maximum increase 10% for any individual employee

A ceiling of 15% above the average for all classifications. If an employee was currently above 15% of the average, there was a mandatory freeze on that employee's pay until the average exceeds the current pay level.

City Manager has discretion to grant up to 10% increase effective the first pay period ending in November 2009, for those employees below average by more than 10%. Considerations for market adjustment include length of experience with the City or experience in a current or similar position in another City and overall value to the organization.

If differential was less than 10% the maximum allowable, the maximum percentage increase was permissible only up to the amount of the percentage differential.

Employees will still be eligible for a maximum 5% merit increase on their anniversary date based on a written performance evaluation.

Entry level pay was set at 10% below the average pay for each classification.

City Manager had discretion to consider override in excess of 10% if a particular employee was still 10% below the average after the 10% increase is given. This is to avoid the possibility that an entry level employee is paid more than a fully qualified current employee that came in at a lower rate.

The same survey will be used for FY 09-10. A 2% cost of living increase will be requested.

Capital Asset Maintenance and Replacement

The City's repair/replacement schedule for facilities is developed in three steps. First, the Facilities Maintenance Department reviews the condition of each building in the inventory and develops a prioritized list of capital needs. Second, the Facilities Manager develops a ten-year program based on inventory capital needs and projected funds available. Third, the ten-year repair/replacement schedule is presented to the City Council for review and adoption. Capital needs are evaluated for inclusion in the repair/replacement schedule according to four criteria:

1. Improvements to the structural integrity of a facility that bring the facility up to good condition;
2. Improvements that keep HVAC, electrical and plumbing systems in good mechanical condition;
3. Energy-efficient improvements with a payback of less than five years; and
4. Modifications to enhance function and use.

The repair/replacement schedule guarantees that City facilities are maintained in good condition. Major improvements to facilities are considered, as funds are available.

Budget Appropriation/Transfer Policy

PURPOSE: To establish budget control guidelines and procedures for obtaining City Council approval authorizing additional expenditures not contemplated in the original adopted budget.

GENERAL POLICY:

Managers are expected to control the budget by program (division) level within each fund. Managers also have discretion to exceed the budget of individual accounts within a program as long as the program budget is not exceeded. Flexibility is granted to facilitate management's ability to fulfill a department's operational mission and reduce the number of budget adjustments that would be required to control by individual account number. Within the framework of the above policy, there are a number of additional restrictions on certain expenditure classifications and specific accounts. These restrictions are as follows:

1. All budget appropriations must be approved by City Council before expenditures are incurred. Transfer requests must be approved by City Manager's Office before expenditures are incurred. The only exception is a *bonafide* emergency, as approved by the City Manager.
2. Maintenance and operations savings may not be used to fund capital outlay.

3. Individual capital improvement projects, which are accounted for by capital project number, must remain within the project budget and cannot be offset by another capital project number.
4. Travel and training budgets may not be over budget in any program regardless of savings in other maintenance and operations accounts.
5. Transfer requests between programs can be approved by City Manager's Office. Transfer requests between programs must contain adequate justification and must be submitted similar to other budget adjustments.

Fund Balance Reserve Policy

Purpose: To establish policies which create sufficient reserves in the general fund and other operating funds.

General Fund Undesignated Fund Balance

The City will strive to maintain the General Fund undesignated fund balance at 20% of current year General Fund budgeted expenditures with a 5% contingency reserve.

Retained Earnings of Other Operating Funds

In other enterprise operating funds, the City will strive to maintain positive retained earnings positions to provide sufficient working capital reserves for emergencies and revenue shortfalls. Specifically, in the Utility Fund, an operating reserve will be established and maintained at approximately 10% of the current year's budget appropriation for operation and maintenance, which is defined as the total budget, less debt service and capital project expenditures.

Fund Balance/Retained Earnings will be used only for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. Should such use reduce the balance below the appropriate level set as the objective for that fund, restoration recommendations will accompany the decision to utilize said balance.

Debt Service Funds

The City will maintain sufficient reserves in its debt service funds that will equal or exceed the reserve fund balances required by bond covenants.

Debt Policy

PURPOSE: To ensure the proper and orderly issuance of debt for the purpose of achieving the City Council's goals and objectives.

GENERAL POLICY: The City Council of the City of Kyle adopts the following Debt Policy to ensure the proper and orderly issuance of Debt for the purpose of achieving the City Council's Goals and Objectives.

The purpose of this Debt Policy is to ensure that the City's bonded indebtedness is incurred and administered in a prudent manner. A decision by the City Council to incur bonded indebtedness is one of its most important decisions. Bond investors are going to purchase the City's bonds with the absolute expectation that the City will honor its promise to pay the annual debt service without exception for the 25-to-30 year life of the bonds. A decision to incur bonded indebtedness, also incurs the ongoing annual responsibility for the payment of debt service, annual State and Federal reporting requirements and the obligation to address any problems

which may arise for as long as the bonds are still in existence. Although this policy addresses bonded indebtedness, these same policy concerns can be directed to a bank loan or an internal inter-fund loan.

Policy Elements

1. Budget Integration: The decision to incur bonded indebtedness is to be integrated with the City Council approved annual Operating Budget and Capital Improvement Program Budget. A bond issue can be utilized to implement the financing of a Capital Project. Provision for the annual principal and interest payments (debt service) is provided for in the Operating Budget. In addition, the need for bond financing can be incorporated into a capital facilities financing plan relating to the General Fund or an Enterprise Fund. Bond proceeds are not to be used to fund operating expenses.

2. Required Bond Analysis: The Finance Director is to prepare an analysis of each proposed bond issue. This analysis should include (a) determining that the capital project is eligible for bond financing, (b) identifying the sources of financing for the project other than bond financing, (c) identifying the total cost of the capital project including its construction cost, cost of furnishings fixtures and equipment, and source of revenue to fund the annual debt service, (d) analyzing the municipal bond market, including economic and interest rate trends, (e) identifying alternative bond structures, option to use bond insurance and the information needed by rating agencies and the disclosure requirements of the Official Statement, (f) the timing of when the City should enter the bond market.

3. Types of Bond Issues: The City Council will authorize the issuance of bonds by adopting a bond resolution on behalf of the City of Kyle. The type of Bonds that the City will issue include General Obligation Bonds, Certificates of Obligation Bonds, Revenue Bonds, Special Tax Bonds and any other bonds which are allowed under State Law and Federal Tax Law.

4. General Provision: The term of a bond issue is not-to-exceed the useful life of the capital project that is being financed. The bonds are to be sold at Competitive Sale; however, the City reserves the option of pursuing a Negotiated Sale if the proposed financing or the Capital Project is unusual or complex. The overall objective is to obtain the lowest possible interest cost. The City is to remain cognizant of fluctuations in interest rates for the purpose of identifying Refunding opportunities. Refund of existing bonds should be undertaken to reduce overall debt service expense or to remove restrictive covenants in the existing Indenture.

6. Financing Consultants: The City is to retain professional consultants including Bond Counsel, Underwriter, Financial Advisor, Trustee, and arbitrage analyst. The City will consider the professional qualifications and experience of these consultants as it relates to the particular bond issue under consideration. In certain instances, the City will conduct a request for proposal/qualification process to select such consultants.