



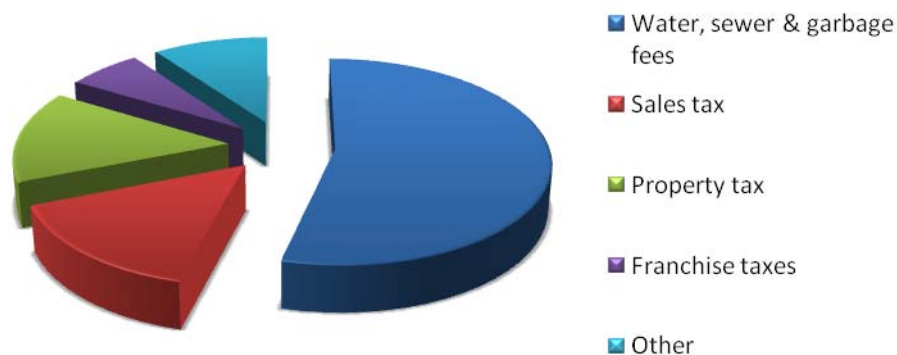
City of Clifton Finances – FAQs

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City Administrator
September 22, 2010

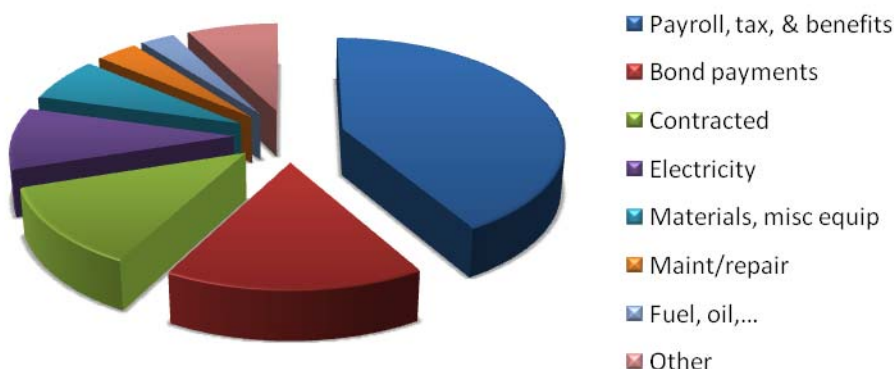
Where does the money to operate the City of Clifton come from, and how is it spent ?

The two charts below show income sources and major expense categories for the roughly \$3 Million annual budget. The budget is always planned so operating expenses are a little less than expected income, and adjusted during the year as needed. Surpluses at the end of the fiscal year are put into savings accounts, where they have been used to fund major purchases and run projects. Revenue and income are managed under separate funds – General and Revenue. General funds income is primarily sales and property taxes that pay for police, parks, streets, courts and administration; Revenue funds income is primarily water, sewer and garbage pickup fees to pay for and operate those utilities.

Income

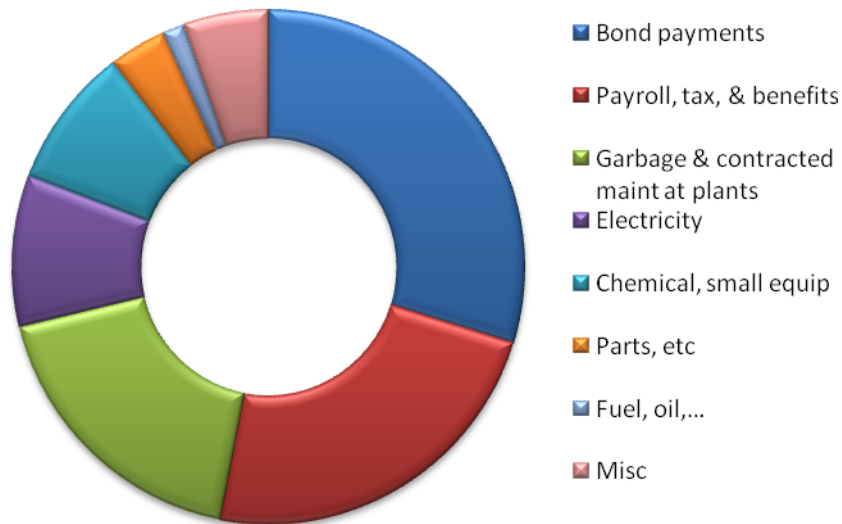


Expense



How does the City spend a water, sewer and garbage payment ?

How a utility payment is used



- The largest portion of every utility payment goes to pay off about \$8 Million in bonds that were used to build the wastewater plant, the reservoir, water treatment plant and associated tanks and plumbing. The City pays about \$590,000 every year to pay off the bonds.
- The Payroll, payroll taxes and benefits support City employees primarily responsible for the water & sewer departments. Our well water and wastewater operators are state trained and certified, with experience and continuing education requirements to maintain their certifications.
- In addition to a “pass through” payment for garbage pickup services, maintenance on the sophisticated process control systems in our water and sewer plants is performed by outside contractors.
- Electricity runs the pumps that move untreated water from the river to our reservoir, through the treatment plant and pumps treated water through the system to tanks, homes and businesses. Electricity also powers the pumps and blowers used to treat wastewater.

What happens if we spend less and/or take in more income than planned ?

In past years under “tight-fisted German” budgets authored by former City Administrator Jerry Golden, the actual operation income and expenses generated surpluses at year-end. That’s good news, because when actual income and expenses leave un-spoken-for money, it goes into savings accounts in Tex Pool [see sidebar] where it will be available for the unexpected or for major purchases (such as replacing a well pump or a backhoe) or major projects (such as upgrading a section of sewer pipe or increasing the filter capacity at the water plant). As a goal, the City tries to maintain at least three months of cash “cushion” in these accounts (that’s \$750,000) to allow for seasonal differences in income and expenses or for unexpected expenses. Balances above the three month levels can be available to be spent at Council direction for long-term assets and projects.

How does the City allow for replacement of worn out equipment ?

Beginning with the FY2011 budget, the Council established a new rule – every year, the budget must reflect contributions to savings to assure the City will have money available to replace items of the \$1 Million + in equipment that the City owns that simply wears out. The average annual cost of replacing worn out equipment (vehicles, heavy equipment, pumps, motors, mowers, ...) is about \$95,000.

What happens if we spend more and/or take in less income than planned ?

That’s where the cash cushion in the Tex Pool savings accounts come in. For example, the Spring and Summer of 2007 were tough on many Texas communities in many ways, Clifton included. That year was one of those “unexpected” periods the savings accounts had been built for. Torrential rains battered the city in the

Spring, requiring higher repair expenses than had been planned. At the same time, all that rain meant fewer water “sales”, meaning less income. Because the savings accounts were there and in good shape, the city was able to pay its bills without going into crisis mode, but the result was that long term expenditures that would be paid from Revenue Fund accounts will have to be put off until the savings account recovers.

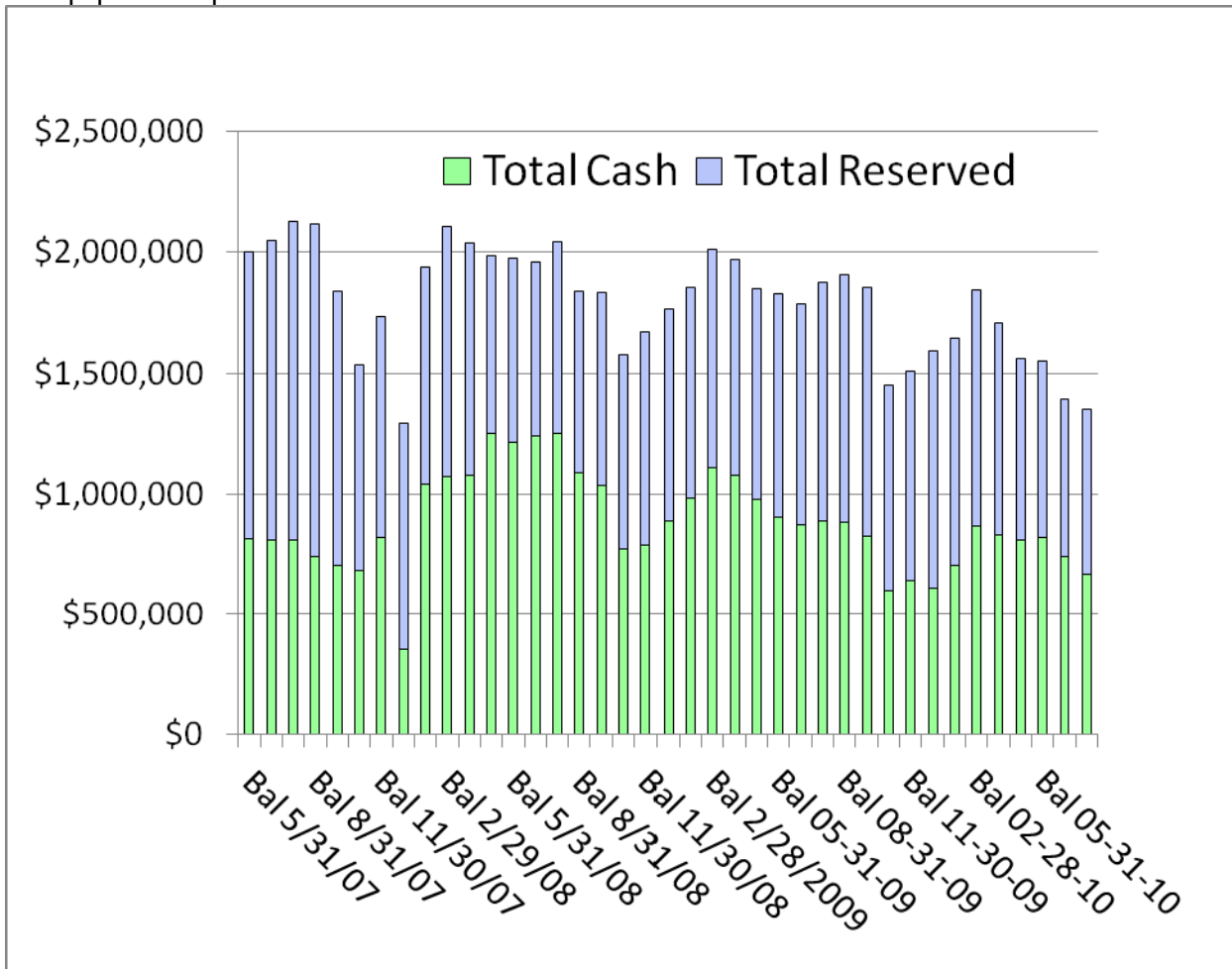
What happens when the savings account balances drop below our three month minimum goal?

The savings accounts that fund water and sewer system related expenses are not handling operations now. Because our current Revenue Fund reserves and Tex Pool cash balances are sometimes inadequate to make scheduled debt service payments over the last couple of years on the water and sewer plant bonds, City Secretary & Treasurer Pam Harvey has had to “borrow” (from General Fund Tex Pool) - the “loan” is repaid during summer months when water sales peak. To correct this situation, the Council increased Revenue Fund income in FY2011 by raising water, sewer & garbage collection fees to rebuild cash reserves enough to make the debt service payments without “raiding” General Fund reserves, which are there for streets, parks, facilities, and so on. To build General Fund savings, the Council should consider raising the property tax rate.

How much cash is in the City’s accounts? We take a “snapshot” of them at the end of each month to report to the City Council. The graph below illustrates the net balances in the City’s accounts on June 30. The Reserved accounts hold funds specifically for Airport, EDC, HOT, Police Seizure & training, and Main Street.

| Fund | Type | Acct | Total June 30, 2010 |
|----------------------------------|----------------------------|------------------------|---------------------|
| General | Cash | Checking | \$49,470 |
| | | Tex Pool | \$476,591 |
| | Cash Total | | \$526,061 |
| | Reserved | Airport | \$7,737 |
| | | EDC Money Market | \$229,961 |
| | | EDC Tex Pool | \$62 |
| | | HOT (Hotel/Motel) | \$88,678 |
| | | Main St | \$11,103 |
| | | PD Camera Fund | \$132 |
| | | PD Seized/Forfeit | \$3,069 |
| | | PD Training | \$7,508 |
| | | RBEG | \$127,080 |
| | | Rogstad Foundation | \$19,928 |
| | | Conduit Bond Fees | \$55,584 |
| | Reserved Total | | \$550,842 |
| General Fund Total | | | \$1,076,904 |
| Revenue | Cash | Checking | \$91,240 |
| | | Meter Fund | \$9,035 |
| | | Meter Fund CD | \$106,745 |
| | | Tex Pool Reserve | \$4,526 |
| | | Meridian H2O Treatment | \$2,055 |
| | Cash Total | | \$213,601 |
| | Reserved for Debt Payments | 95 I&S MM | \$11,216 |
| | | Meridian Pipeline | \$15,240 |
| | | Tex Pool I&S | \$69,882 |
| | | Rev Sewer I&S | \$5,181 |
| Reserved for Debt Payments Total | | \$101,519 | |
| Revenue Fund Total | | | \$315,121 |
| Grand Total | | | \$1,392,024 |

These balances change day to day and month-to-month as deposits are made and bills are paid. The graph below illustrates how the totals varied over several years. The General Fund recovers early every year when property taxes are paid in. Cash accounts are hit with large debt service payments four times yearly – about \$90,000 March 1st, \$130,000 May 1st, \$45,000 September 1st, and about \$300,000 November 1st, so we have to average monthly deposits of about \$35,000 to be ready to write big checks. In 2026, those \$500,000+ annual debt payment totals drop to a “mere” \$120,000 per year until 2038. The cash position is about where it was three years ago, but the total reserves have dropped as projects and capital expenses consumed them. About \$200,000 held in reserve back in 2007 were “freed up” when they were found to be requirements of expired agreements – we moved the money to “cash” and used it for projects and for equipment replacement.



Should the City consider revenue and/or general obligation bonds to finance extensive capital projects such as street repairs?

Debt limitation rules-of-thumb from Glendenning & Associates' Community Development Plan -

| Rule-of-thumb | Where we are: | |
|--|---------------|------|
| Ratio of Total principal and interest debt / Total market value of taxable property should not exceed 10%. | 9.7% | Okay |
| Bonded indebtedness should not exceed \$1,000 per capita. | \$3,300 | Bad |
| Debt to household ratio should not exceed \$2,000. | \$8,700 | Bad |
| Annual debt service should not exceed 20% of revenues. | 18% | Okay |

Recommendation: The city should only consider incurring additional debt for projects which are

- 1) moderate-to-high priority and not feasible on a pay-as-you-go approach, or
- 2) required to avoid state or federal fines or sanctions.

How does Clifton compare to other Texas cities of our size and tax base?

(2009 <http://www.tml.org/surveys.asp>)

Clifton has relatively low taxable property

| | Population | | Total Taxable Property | | Average Taxable property per capita | | | |
|-------------|-------------------|--------------|-------------------------------|----------------|--|----|----------------|-----------------|
| City | | City | | City | | | | |
| 1 | Rusk | 5,085 | 1 | Springtown | \$148,548,000 | 1 | Chandler | \$50,460 |
| 2 | Teague | 4,775 | 2 | Castroville | \$140,126,724 | 2 | Springtown | \$47,459 |
| 3 | Nolanville | 4,600 | 3 | Winnsboro | \$139,903,575 | 3 | Castroville | \$45,808 |
| 4 | Devine | 4,545 | 4 | Nolanville | \$138,133,798 | 4 | West | \$44,938 |
| 5 | Comanche | 4,482 | 5 | Comanche | \$134,751,978 | 5 | Cactus | \$43,705 |
| 6 | Groesbeck | 4,415 | 6 | Chandler | \$132,761,157 | 6 | Hamilton | \$40,502 |
| 7 | Jourdanton | 4,353 | 7 | Jourdanton | \$130,497,788 | 7 | Reno | \$40,451 |
| 8 | Primera | 4,230 | 8 | Reno | \$125,761,973 | 8 | Ferris | \$38,570 |
| 9 | West Orange | 4,111 | 9 | West | \$122,859,888 | 9 | Lytle | \$38,008 |
| 10 | Winnsboro | 3,909 | 10 | Hamilton | \$120,858,380 | 10 | Winnsboro | \$35,790 |
| 11 | Post | 3,708 | 11 | Post | \$120,370,980 | 11 | Brazoria | \$33,816 |
| 12 | Clifton | 3,639 | 12 | Devine | \$116,558,487 | 12 | Henrietta | \$32,803 |
| 13 | Henrietta | 3,321 | 13 | Cactus | \$115,686,653 | 13 | Post | \$32,463 |
| 14 | Springtown | 3,130 | 14 | Teague | \$113,830,980 | 14 | Comanche | \$30,065 |
| 15 | Reno | 3,109 | 15 | West Orange | \$112,661,624 | 15 | Nolanville | \$30,029 |
| 16 | Castroville | 3,059 | 16 | Henrietta | \$108,939,990 | 16 | Jourdanton | \$29,979 |
| 17 | Hamilton | 2,984 | 17 | Ferris | \$108,072,169 | 17 | Clifton | \$28,991 |
| 18 | Brazoria | 2,974 | 18 | Lytle | \$107,105,434 | 18 | West Orange | \$27,405 |
| 19 | Lytle | 2,818 | 19 | Groesbeck | \$105,666,096 | 19 | Devine | \$25,645 |
| 20 | Ferris | 2,802 | 20 | Clifton | \$105,500,000 | 20 | Primera | \$24,458 |
| 21 | West | 2,734 | 21 | Primera | \$103,457,786 | 21 | Groesbeck | \$23,933 |
| 22 | Cactus | 2,647 | 22 | Rusk | \$101,394,743 | 22 | Teague | \$23,839 |
| 23 | Chandler | 2,631 | 23 | Brazoria | \$100,569,635 | 23 | Rusk | \$19,940 |
| | Cleburne | 30,400 | | Cleburne | \$1,887,592,221 | | Cleburne | \$62,092 |
| | Waco | 124,009 | | Waco | \$6,059,186,139 | | Waco | \$48,861 |
| | Hillsboro | 9,064 | | Hillsboro | \$388,233,073 | | Hillsboro | \$42,832 |
| | Gatesville | 15,732 | | Gatesville | \$328,998,122 | | Gatesville | \$20,913 |
| | Meridian | 1,539 | | Meridian | \$52,570,058 | | Meridian | \$34,159 |
| | Valley Mills | 1,123 | | Valley Mills | \$32,995,408 | | Valley Mills | \$29,381 |

How does Clifton compare to other Texas cities of our size and tax base?

(<http://www.tml.org/surveys.asp>)

Clifton has the highest debt & next-to-the-lowest property taxes.

| | Gross Tax Rate | | Property Tax Income | | Total debt |
|----------------|-----------------------|----------------|----------------------------|----------------|-------------------|
| City | | City | | City | |
| 1 Teague | \$0.7425 | 1 Springtown | \$902,000 | 1 Clifton | \$7,871,000 |
| 2 Brazoria | \$0.7283 | 2 Comanche | \$867,000 | 2 Winnsboro | \$7,849,000 |
| 3 Primera | \$0.6573 | 3 Teague | \$845,000 | 3 Springtown | \$6,970,000 |
| 4 Ferris | \$0.6481 | 4 Brazoria | \$732,000 | 4 Groesbeck | \$6,335,000 |
| 5 Comanche | \$0.6435 | 5 Nolanville | \$701,000 | 5 Ferris | \$6,080,000 |
| 6 Groesbeck | \$0.6204 | 6 Ferris | \$700,000 | 6 Hamilton | \$4,703,212 |
| 7 Springtown | \$0.6075 | 7 Devine | \$688,000 | 7 Devine | \$4,051,898 |
| 8 Devine | \$0.5900 | 8 Primera | \$680,000 | 8 Reno | \$3,355,000 |
| 9 Henrietta | \$0.5750 | 9 Groesbeck | \$656,000 | 9 Rusk | \$3,288,000 |
| 10 Post | \$0.5235 | 10 Winnsboro | \$632,000 | 10 Nolanville | \$3,180,000 |
| 11 Nolanville | \$0.5077 | 11 Post | \$630,000 | 11 Post | \$3,024,413 |
| 12 Hamilton | \$0.4901 | 12 Henrietta | \$626,000 | 12 Castroville | \$2,914,044 |
| 13 Rusk | \$0.4825 | 13 Jourdanton | \$607,000 | 13 Brazoria | \$2,550,067 |
| 14 Jourdanton | \$0.4650 | 14 Castroville | \$598,000 | 14 Chandler | \$2,493,000 |
| 15 Cactus | \$0.4604 | 15 Hamilton | \$592,000 | 15 Teague | \$2,401,000 |
| 16 West | \$0.4548 | 16 West | \$559,000 | 16 Lytle | \$2,220,000 |
| 17 Winnsboro | \$0.4515 | 17 Cactus | \$533,000 | 17 Comanche | \$1,467,000 |
| 18 West Orange | \$0.4294 | 18 Chandler | \$495,000 | 18 Jourdanton | \$1,427,000 |
| 19 Castroville | \$0.4270 | 19 Rusk | \$489,000 | 19 Henrietta | \$1,106,000 |
| 20 Reno | \$0.3839 | 20 West Orange | \$484,000 | 20 Primera | \$850,000 |
| 21 Chandler | \$0.3729 | 21 Reno | \$483,000 | 21 Cactus | \$728,824 |
| 22 Clifton | \$0.3380 | 22 Clifton | \$357,000 | 22 West | \$530,000 |
| 23 Lytle | \$0.3075 | 23 Lytle | \$329,000 | 23 West Orange | \$0 |
| Cleburne | \$0.6200 | Cleburne | \$11,703,000 | Cleburne | \$88,301,538 |
| Waco | \$0.7862 | Waco | \$47,639,000 | Waco | \$349,960,001 |
| Hillsboro | \$0.8183 | Hillsboro | \$3,177,000 | Hillsboro | \$14,345,000 |
| Gatesville | \$0.3400 | Gatesville | \$1,119,000 | Gatesville | \$11,392,401 |
| Meridian | \$0.4410 | Meridian | \$232,000 | Meridian | \$232,000 |
| Valley Mills | \$0.4403 | Valley Mills | \$145,000 | Valley Mills | \$145,000 |

How does Clifton compare to other Texas cities of our size and tax base?

(<http://www.tml.org/surveys.asp>)

Clifton has the 3rd highest debt per person; moderately high water rates.

| | City | Total debt per capita | | City | 5,000 gal Resid. water & sewer | | City | 50,000 gal Comm. water & sewer |
|----|----------------|------------------------------|----|----------------|---|----|----------------|---|
| 1 | Springtown | \$2,227 | 1 | Hamilton | \$79.50 | 1 | Springtown | \$600.00 |
| 2 | Ferris | \$2,170 | 2 | Springtown | \$77.30 | 2 | Groesbeck | \$562.27 |
| 3 | Clifton | \$2,163 | 3 | West | \$73.80 | 3 | Clifton | \$522.35 |
| 4 | Winnsboro | \$2,008 | 4 | Groesbeck | \$63.42 | 4 | Comanche | \$503.25 |
| 5 | Hamilton | \$1,576 | 5 | Ferris | \$63.28 | 5 | Ferris | \$412.48 |
| 6 | Groesbeck | \$1,435 | 6 | Brazoria | \$62.80 | 6 | Primera | \$374.24 |
| 7 | Reno | \$1,079 | 7 | Devine | \$62.45 | 7 | West | \$362.04 |
| 8 | Castroville | \$953 | 8 | Post | \$56.46 | 8 | Henrietta | \$353.38 |
| 9 | Chandler | \$948 | 9 | Winnsboro | \$55.55 | 9 | Hamilton | \$352.50 |
| 10 | Devine | \$892 | 10 | Clifton | \$55.30 | 10 | Rusk | \$348.10 |
| 11 | Brazoria | \$857 | 11 | Comanche | \$54.50 | 11 | Brazoria | \$345.55 |
| 12 | Post | \$816 | 12 | Henrietta | \$53.25 | 12 | Devine | \$343.45 |
| 13 | Lytle | \$788 | 13 | Castroville | \$45.73 | 13 | Castroville | \$336.12 |
| 14 | Nolanville | \$691 | 14 | Rusk | \$45.10 | 14 | Post | \$333.70 |
| 15 | Rusk | \$647 | 15 | Primera | \$40.04 | 15 | Lytle | \$247.00 |
| 16 | Teague | \$503 | 16 | Chandler | \$35.61 | 16 | Winnsboro | \$224.00 |
| 17 | Henrietta | \$333 | 17 | Lytle | \$33.50 | 17 | Chandler | \$216.20 |
| 18 | Jourdanton | \$328 | 18 | Cactus | \$23.75 | 18 | Cactus | \$149.50 |
| 19 | Comanche | \$327 | 19 | Reno | #N/A | 19 | Reno | #N/A |
| 20 | Cactus | \$275 | 20 | Nolanville | #N/A | 20 | Nolanville | #N/A |
| 21 | Primera | \$201 | 21 | Teague | #N/A | 21 | Teague | #N/A |
| 22 | West | \$194 | 22 | Jourdanton | #N/A | 22 | Jourdanton | #N/A |
| 23 | West Orange | \$0 | 23 | West Orange | #N/A | 23 | West Orange | #N/A |
| | Cleburne | \$2,905 | | Cleburne | #N/A | | Cleburne | #N/A |
| | Waco | \$2,822 | | Waco | \$46.79 | | Waco | \$424.46 |
| | Hillsboro | \$1,583 | | Hillsboro | \$76.35 | | Hillsboro | \$482.44 |
| | Gatesville | \$724 | | Gatesville | \$49.25 | | Gatesville | \$267.50 |
| | Meridian | \$151 | | Meridian | \$66.10 | | Meridian | \$440.10 |
| | Valley Mills | \$129 | | Valley Mills | \$61.75 | | Valley Mills | \$354.00 |

How does Clifton's utilities and facilities compare to those of other Texas cities of our size and tax base? (<http://www.tml.org/surveys.asp>)

| <u>City</u> | <u>Municipal Utilities and Facilities</u> |
|--------------|--|
| Brazoria | Civic Center, Gas system, Library, Municipal Bldg, Parks, Sewer system, Solid waste disposal, Water system, |
| Cactus | Civic Center, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system, |
| Castroville | Airport, Gas system, Library, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system, |
| Chandler | Cemetery, Civic Center, Library, Municipal Bldg, Parks, Sewer system, Solid waste disposal, Water system, |
| Clifton | Airport, Civic Center, Fairgrounds, Library, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system, |
| Comanche | Airport, Cemetery, Civic Center, Library, Municipal Bldg, Parking, Public housing, Parks, Sewer system, Solid waste disposal, Swimming pool, Water system, |
| Devine | Airport, Civic Center, Gas system, Library, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system, |
| Ferris | Library, Municipal Bldg, Public housing, Parks, Water system, |
| Groesbeck | Civic Center, Library, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system, |
| Hamilton | Airport, Cemetery, Fairgrounds, Lake, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system, |
| Henrietta | Cemetery, Lake, Municipal Bldg, Parks, Sewer system, Swimming pool, Water system, |
| Jourdanton | Library, Municipal Bldg, Parks, Sewer system, Senior Center, Swimming pool, Water system, |
| Lytle | Civic Center, Gas system, Library, Parks, Sewer system, Water system, |
| Nolanville | Civic Center, Municipal Bldg, Parking, Parks, |
| Post | Airport, Cemetery, Civic Center, Library, Municipal Bldg, Public housing, Parks, Sewer system, Solid waste disposal, Swimming pool, Water system, |
| Primera | Municipal Bldg, Parks, Sewer system, Water system, |
| Reno | Municipal Bldg, Parks, Sewer system, Water system, |
| Rusk | Cemetery, Civic Center, Library, Lake, Municipal Bldg, Parks, Sewer system, Water system, |
| Springtown | Library, Market, Municipal Bldg, Parks, Sewer system, Water system, |
| Teague | Airport, Civic Center, Library, Lake, Municipal Bldg, Parks, Sewer system, Senior Center, Solid waste disposal, Swimming pool, Water system, |
| West | Civic Center, Library, Parks, Sewer system, Water system, |
| West Orange | Civic Center, Municipal Bldg, Parks, |
| Winnsboro | Auditorium, Airport, Cemetery, Library, Municipal Bldg, Public housing, Parks, Sewer system, Swimming pool, Water system, |
| | |
| Cleburne | Auditorium, Airport, Cemetery, Civic Center, Golf Course, Library, Lake, Municipal Bldg, Public housing, Parks, Sewer system, Senior center, Solid waste disposal, Swimming pool, Bus, Water system, |
| Waco | Airport, Cemetery, Civic Center, Golf Course, Library, Lake, Municipal Bldg, Parking, Parks, Sewer system, Solid waste disposal, Swimming pool, Bus, Water system, Zoo, Other, |
| Hillsboro | Cemetery, Civic Center, Library, Municipal Bldg, Parking, Public housing, Parks, Sewer system, Solid waste disposal, Water system, |
| Gatesville | Auditorium, Airport, Cemetery, Fairgrounds, Library, Municipal Bldg, Public housing, Parks, Sewer system, Solid waste disposal, Swimming pool, Water system, Other, |
| Meridian | Civic Center, Municipal Bldg, Sewer system, Swimming pool, Water system, |
| Valley Mills | Airport, Library, Parks, Sewer system, Water system, |
| | |

TexPool sidebar

TexPool is a local government investment pool created on behalf of Texas entities whose investment objectives are preservation and safety of principal, liquidity and yield. Organized in 1989, TexPool is the largest and oldest local government investment pool in the State of Texas. TexPool currently provides investment services to over 2,000 communities throughout Texas. The State Comptroller of Public Accounts oversees TexPool; Lehman Brothers and Federated Investors manage the daily operations. TexPool investments consist

exclusively of U. S. Government securities, repurchase agreements collateralized by U. S. Government securities, and AAA-rated no-load money market mutual funds. TexPool Prime invests in the above as well as commercial paper and certificates of deposits. TexPool and TexPool Prime are each rated AAAM by Standard & Poor's Rating Service, their highest principal stability fund rating. TexPool and TexPool Prime are governed by the Texas Public Funds Investment Act.