LEAGUECITY

TEXAS

LIVE IT. LOVE IT.

LONG RANGE FINANCIAL FORECAST FY 2013-2017

300 WEST WALKER
LEAGUE CITY, TEXAS
LEAGUE CITY.COM

This page intentionally left blank

CITY OF LEAGUE CITY
LONG RANGE FINANCIAL FORECAST
FY 2013 TO FY 2017

MAY 15, 2012

LEAGUECITY

TEXAS

LIVE IT. LOVE IT.

www.leaguecity.com

City of League City

ORGANIZATIONAL VALUES

Promote Trust and Accountability

The City of League City is committed to public accountability through transparency, effective communication and active citizen involvement. Organizational activities will promote full disclosure and open, honest communication with the community, public officials and employees.

Plan Responsibly and Act Decisively

The City of League City recognizes that a sustainable future requires actions based upon sound planning. Planning must ensure demand-driven resource acquisition, continuous strengthening of available resources, and the effective and efficient implementation of adopted plans.

Maintain "World Class" Customer Service

The City of League City is committed to maintaining both a governing body and professional staff that recognizes, anticipates, and proactively responds to the needs of citizens. This requires a progressive and dynamic organizational culture that delivers "world class" customer service, is results oriented and incorporates innovation and technology to foster the most prudent use of public resources.

Promote a "Healthy" Community

The City of League City is focused on a future of physical and fiscal health and wellness that strives for balance and diversity in being an exceptional place to live, work, play, shop and gather. In doing so, the city will take a responsible, strategic approach to growth, economic development, infrastructure and major investments.

LEAGUECITY
TEXAS
LIVE IT. LOVE IT.

CITY OF LEAGUE CITY
PRINCIPAL OFFICIALS

MAYOR
Tim Paulissen

CITY COUNCIL

Position 1	Dan Becker
Position 2	Dennis OKeefe
Position 3	Mick Phalen
Position 4	Mike Lee
Position 5	Phyliss Sanborn
Position 6	Andy Mann
Position 7	Joanna Sharp Dawson

CITY MANAGER
Michael Loftin

CITY SECRETARY
Dianna Stapp

ASST CITY MANAGER PUBLIC WORKS
Vacant

CITY ATTORNEY
Arnold Polanco

ACTING POLICE CHIEF
Doug Wologo

FIRE CHIEF
Brad Goudie

DIRECTOR OF FINANCE
Vacant

DIRECTOR OF INFORMATION TECHNOLOGY
Ryan Smith

DIRECTOR OF PLANNING AND RESEARCH
Tony Allendar

DIRECTOR OF PARKS AND CULTURAL SERVICES
Chien Wei

DIRECTOR OF HUMAN RESOURCES AND CIVIL SERVICE
Brian Hayes

CHIEF OF STAFF
David Benson

DIRECTOR OF COMMUNICATIONS AND MEDIA RELATIONS
Kristi Wyatt

Acknowledgements

Special thanks are due to all the City employees who contributed to this project.

Budget Office

Caron Park
Chelsea Teltschik

Management Services Directorate

Cherell Dauemer
Nancy Massey
Shirley Murphy
Lonna Stein

Public Safety Directorate

Asst. Chief Gary Ratliff
Stacy Purser
James Fisher
Wanda Martin
Dena Mahan
Jack Helton
James Spencer
Lonzel Banks

Administration Directorate

David Benson
Iisha Patterson
Laurie Diorio
Jaree Heffner
Jenna Simsen
Rita Wohrle

Planning & Research Directorate

Wes Morrison

Parks & Cultural Services Directorate

Rusty Bolen
Jeannie Kunzinger
John Orsag

Public Works Directorate

Kenneth Farrow
Jody Hooks
Jack Murphy
Angie Steelman
Chris Svahn
Mike Tubbs
Linc Wright
Michael Huynh
Oscar Arevelo

CITY OF LEAGUE CITY
LONG RANGE FINANCIAL FORECAST
FY 2013 to FY 2017

TABLE OF CONTENTS


City Council Guiding Principles and Values
Long Range Financial Forecast and Strategies
Capital Improvement Programs
Annual Performance Budget
Department Action Plans
Performance Management/Financial Reporting
Managing for Results
Financial and Performance Auditing
Performance Management Process

May 15, 2012

The Honorable Mayor Paulissen and City Council
City of League City, Texas

Honorable Mayor and Council:

This letter introduces the City's Long Range Financial Forecast for FY 2013-17. The purpose of the forecast is to provide long-term context for annual decisions that make up the FY 2013 Budget and CIP. With this forecast, we hope to advise City Council of prevailing economic conditions, the effect of our economic and operating environments on revenues and expenses, and options for allocating available funds in accordance with City Council goals and priorities.

This year's forecast is presented as the kickoff to a series of informational "pre-budget" meetings between Council and the leadership of various City departments. Competing demands will always mean more requests for funding than funds are available; the purpose of the pre-budget meetings is to provide an early start on reviewing the City's needs and priorities in light of Council's goals and the resources expected to be available for operating and capital investment in FY 2013.

The end goal of these pre-budget conversations is structured feedback from Council on priorities in each of four major areas of the budget:

1. General Fund: tax supported operational programs
2. General Fund Balance policy and allocation
3. Tax-supported CIP programs and projects
4. Water and Wastewater operations and CIP

City Council input will be presented in summary form for Council's review prior to development and presentation of the proposed FY 2013 Budget and CIP.

Conditions and Considerations

As background, this forecast projects a slight increase in economic growth, from the 2.2-2.3% rate seen of late to 2.5% in FY 2013. This should generate small upticks in revenue from sales taxes, franchise taxes and water sales. We anticipate slower growth of about 2% in property tax rolls, as continued sluggishness in the local housing market through 2011 means any increase in values is driven primarily by new construction rather than rising property values. Low interest

Michael Loftin
City Manager
michael.loftin@leaguecity.com

300 West Walker St
League City, TX 77573
www.leaguecity.com

Main: 281.554.1000
Direct: 281.554-1365
Fax: 281.554-1020

rates still stifle income on our investments, but are also keeping borrowing costs down. This forecast assumes low rates through the early portion of our five-year window, with rates predicted to rise as FY 2017 approaches.

Our people remain our most important investment, and maintaining an attractive compensation package for our workforce is an ongoing challenge. We have begun implementation of our FY 2012 compensation plan, which was based on the spring 2011 labor market. We expect to provide an update during the Human Resources' department presentation on July 17. We continue to implement this targeted plan, which sought to bring specific positions to market-competitive levels. In FY2013, and the years that follow, revenue constraints will restrict our ability to adjust ongoing compensation levels by any means, performance or otherwise, based on inflation if we also intend to increase staff. And much of our marginal revenue growth is to be consumed by positions added in FY 2012 after adoption of the budget. Reflecting the conservative tone dictated by these circumstances, we are not attempting to address equipment needs through this forecast as it references the Motor Pool Fund. Instead, Fleet Management will work with City departments to address replacement needs using the quantitative scoring approach we initiated this fiscal year. The preliminary result of this exercise will be presented in the Fleet budget meeting.

General Fund

Revenue growth of about $1.1 million (a 2.3% increase) is projected for the FY 2013 General Fund compared to FY 2012. Nearly half of this amount is expected to be needed to account for inflation and to absorb the annualized effects of compensation and staffing decisions made in FY 2012. Using FY 2012 Budget as a base and allowing for inflation and the effects of decisions already made, the City is likely to have about $640,000 available for allocation from the FY 2013 General Fund over and above current-year levels. Our projected General Fund Balance for FY2012 remains healthy at $17.7 million and the Council will have options in this area. Choices include continuing our prior pattern of meeting one-time funding needs likely identified during departmental meetings for the CIP and operating Budget. Other alternatives include freeing up additional resources by reducing the policy standard for unallocated reserves to 90 days from 120, and/or considering some form of operational budget support to underwrite a lower tax rate.

Tax-Supported CIP and Debt Service Fund

If the City is to continue the major infrastructure efforts now in progress, success will depend on continued operating budget discipline and responsible issuance of debt, whether supported with taxes or with water and sewer revenues. Using lower tax roll growth rates based on new construction, this forecast suggests that $76 million in new debt is affordable over the next five years. Our next sale is anticipated in late summer or early fall 2012 and would be used to finance construction of public safety building and selected other projects. This forecast uses $40 million as a target amount for the projected sale.

Utility Fund

The Utility Fund's financial position of fund remains strong. Even with added staff and compensation, the Utility Fund maintains substantial reserves because personnel cost is such a small part of the total budget. This forecast assumes we will issue $125 million in new bonds over the next six year which taken with $25 million in other financing will cover $150 million for water and wastewater projects. This forecast assumes we will use excess reserves to help cover the additional debt service incurred. Our FY 2013 budget process will provide an opportunity to use departmental work sessions and review of the City's Water Master Plan to take a fresh look at project implementation schedules and their effect on the Capital Improvement Plan (CIP). The Utility Fund's financial stability also affords an opportunity to review rates and charges so as to maintain a revenue-neutral approach, reforming the rate structure to encourage conservation and discourage consumption with financial incentives and disincentives without increasing overall collections.

Staff looks forward to supporting Council's decision-making through the FY 2013 budget process. This forecast is one of the first steps toward providing detailed, accurate specifics within a broader, more contextual look at the City's financial condition and environment. We welcome your thoughts and suggestions as the process moves forward.

Michel W. Loftin
City Manager

This page intentionally left blank

LONG RANGE FINANCIAL FORECAST
GENERAL FUND OVERVIEW

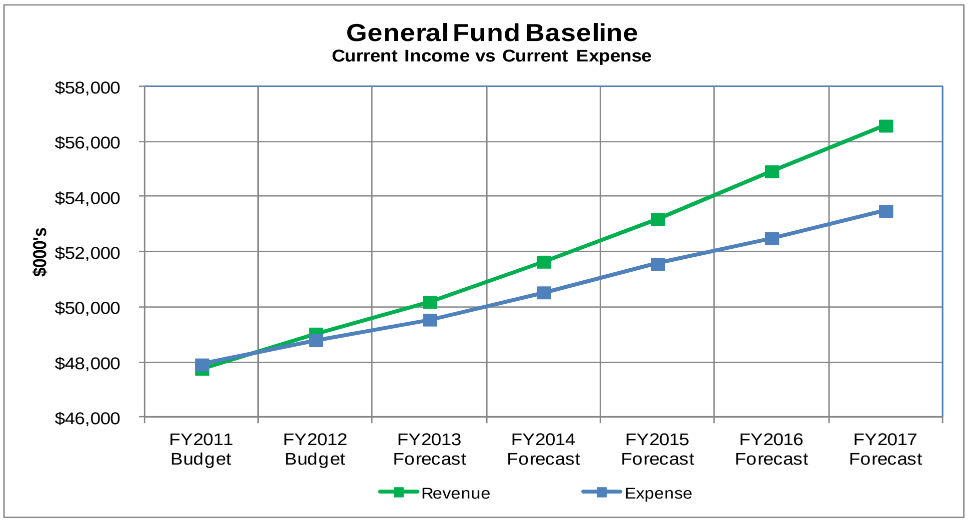
Baseline Forecast

The chart below summarizes the General Fund Forecast using Baseline Assumptions, including (1) adjustments to the FY 2012 Budget to arrive at a Base for the forecast shown below as “FY 2013 Base,” (2) the projected impact of state and federal mandates, (3) the cost of commitments by Mayor and City Council, including maintenance and operating costs for the new facilities (e.g. the new Public Safety building) and (4) the anticipated effect of inflation on costs. The General Fund begins the forecast period with more expenditures than revenue, $640,000 in FY 2013, and ends with an excess of revenue over expenditures, $3.1 million, in FY 2017.

FORECAST SUMMARY
GENERAL FUND BASELINE PROJECTIONS
($THOUSANDS)

	FY 2012 Budget	FY 2013 Base	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Beginning Balance	$20,342	$17,681	$17,681	$18,321	$19,433	$21,067	$23,486
Revenue	$49,038	$48,688	$50,186	$51,645	$53,200	$54,921	$56,573
Expenditures	$48,802	$49,021	$49,546	$50,532	$51,566	$52,501	$53,485
Revenue Over/(Under) Expenditures	$236	($333)	$640	$1,113	$1,634	$2,420	$3,088
Subtotal	$20,578	$17,348	$18,321	$19,433	$21,067	$23,486	$26,574
Transfer to One-Time Projects	$2,843	$0	$0	$0	$0	$0	$0
Ending Balance	$17,735	$17,348	$18,321	$19,433	$21,067	$23,486	$26,574
Policy Goal - 120 Days of Working Capital	$16,044	$16,116	$16,289	$16,613	$16,953	$17,261	$17,584
Forecast Over/(Under) 120 Days	$1,691	$1,232	$2,032	$2,820	$4,114	$6,225	$8,990
Days Working Capital Over/(Under) 120	13	9	15	20	29	43	61

As you can see in the graph below, current revenue exceeds current expense in every year of the forecast as a result of the continuing, slow growth rate and the exclusion of increasing staff costs from current expense.



FY 2013 Budget Decisions

This projected excess of revenues affords the City Council with choices for allocating the projected excess of revenue over expense in the FY 2013 Budget. These choices depend on priority setting for the next twelve months with an eye toward sustainability and fiscal responsibility. These choices include***:***

1. Staff increases to meet growing demands for service and strategic organizational needs;
2. Compensation increases or one-time pay awards that reward performance and keep the City competitive with other area employers in attracting and retaining quality staff;
3. Shifting property tax revenue to fund more projects in the CIP through the General Debt Service Fund;
4. Reducing the property tax rate to benefit taxpayers; and/or
5. Reducing the expenditure base.

A separate section appears in this chapter of the Forecast that addresses General Fund balance and potential decisions regarding the disposition and/or programming of this balance. It is not discussed here because it constitutes a one-time funding source that should be considered first for one-time use in compliance with the City's financial policies.

FY 2012 Budgetary Decisions: Impact on FY 2013

Certain decisions made in FY 2012 increase spending demand for the FY 2013 Budget by adding to base or ongoing expenditures, while other decisions reduce spending demand.

GENERAL FUND ADJUSTMENTS ($000'S)
TO FY 2012 BUDGET TO ARRIVE AT FY 2013 BASE

Adjustment Category	Amount ($000's)
FY 2012 Budget	$48,802
FY 2013 Base	$49,021
Budget Adjustment to Base	**$219**
Adjustments:	
Funding full year of personnel costs authorized for part of FY 2012 including:	
Implementation of compensation study for six months	$363
Full year of positions added in FY 12 (paramedics, telecommunicators)	$402
Full year of new hires	$150
Personnel costs authorized for part of FY 12	**$915**
One-time Operating Budget Items	
Small equipment and tools approved during Council budget approval process	($272)
Fire Station #5 driveway	($70)
Recreation registration module	($14)
Cascade system to refill air bottles at Fire drill field	($41)
One-time Operating Budget Items Subtotal	**($397)**
Other costs	
Police classified personnel step pay increases	$110
City Hall electricity and janitorial costs	$56
Unemployment benefits	($60)
Health Insurance	($61)
Transfer to the Debt Service Fund	($350)
Other costs	$6
Other Costs Subtotal	**($299)**
Total Adjustments	**$219**

Building the Projections: FY 2013 Base to FY 2013 Forecast Expenditures

The chart below explains the basis for the projected changes in expenditures after the FY 2013 Base is established. Between FY 2013 and FY 2017, baseline expenditures grow by a total of $4.5 million (see the chart).

Inflation and growth of the city account for over ninety percent of the annual projected change in cost for the General Fund in the Baseline Forecast. The largest single category of cost increases is projected to come from ten percent annual increases (based on the calendar benefits year) in the City's group health insurance costs. By FY 2017, these costs are projected to be $1.9 million higher than in FY 2012. Other supplies and services, which encompass technology maintenance, janitorial, mowing, and building and vehicle maintenance costs, are projected to grow by $2.2 million by FY 2017 The cost of maintaining and operating new facilities as approved in last year's approved FY 2012-16 CIP is minimal, essentially being limited to utilities and cleaning costs for the new public safety building.

GENERAL FUND FORECAST
CUMULATIVE CHANGE IN BASELINE COST ($000'S)

	FY 2013 FORECAST	FY 2014 FORECAST	FY 2015 FORECAST	FY 2016 FORECAST	FY 2017 FORECAST
Inflation/Growth					
Group Insurance	$243	$592	$976	$1,398	$1,862
Supply costs	$104	$214	$329	$448	$573
Utilities	$0	$67	$137	$209	$283
Refuse Services	$71	$159	$249	$342	$437
Other services	$71	$213	$358	$507	$659
Vehicle costs	$14	$42	$71	$100	$130
TIRZ Payments	$29	$62	$99	$142	$186
Subtotal Inflation/Growth	**$532**	**$1,349**	**$2,219**	**$3,146**	**$4,130**
New Facilities M&O Costs					
Police Station Operations	$0	$170	$339	$339	$339
New Facilities Subtotal	**$0**	**$170**	**$339**	**$339**	**$339**
Total Cumulative Increase	**$532**	**$1,519**	**$2,558**	**$3,485**	**$4,469**

In the last two years, while we have planned for inflationary cost increases through the Forecast, they have been held to a minimum. The City's health insurance premiums not only remained flat in FY 2011 but dropped in FY 2012. We are overdue for an increase in premium costs in this category. The City's suppliers of non-energy goods have asked for no or minimal price increases, and this looks as though it will hold for FY 2013. We will continue to monitor these cost items as we approach preparation of the FY 2013 Budget.

Staffing and Compensation

As the City continues to grow at a slow but steady pace, demands placed on operating services, particularly those with field operations, accumulate and can cause problems if not addressed timely. In this year's FY 2013 Pre-Budget work sessions, we hope to address these demands one department at a time to assist Council in considering this important issue.

The compensation plan adopted in FY 2012 by City Council provided increases for 232 City employees, including 99 classified personnel and 97 non-classified personnel of the total 437 General Fund personnel. This plan was based on a market survey of pay plans that were in effect in Spring of 2011.

The market has changed, inflation has increased and the City's turnover rate remains high. During the FY 2013 Pre-Budget work session, we will provide information on other employers surveyed last year in the compensation study and changes they made to their plans since that time.

If General Fund staff grew at the same rate compared with the City as it has since 2000 (approximately two-thirds the growth rate of the City as a whole), costs would potentially increase as shown below. The chart also depicts the change to total salary and wage compensation for General Fund employees if it were adjusted at the projected rate of inflation used in this Forecast.

GENERAL FUND FORECAST
EFFECTS OF GROWING STAFF AND COMPENSATION

	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Forecast Baseline Expenditures	**$49,546**	**$50,532**	**$51,566**	**$52,501**	**$53,485**
Staff Increase (66% of Forecast Population Growth)	$562	$1,271	$2,002	$2,769	$3,572
Annual Compensation Increase (CPI Based)	$752	$1,268	$1,798	$2,333	$2,883
Subtotal Staff and Compensation Increase	**$1,314**	**$2,539**	**$3,800**	**$5,102**	**$6,455**
Adjusted Forecast					
Adjusted Baseline Expenditures	$50,860	$53,071	$55,366	$57,603	$59,940
Baseline Revenue Estimate	$50,186	$51,645	$53,200	$54,921	$56,573
Revenue Over/(Under) Expenditures	**($674)**	**($1,426)**	**($2,166)**	**($2,682)**	**($3,367)**
Fund Balance Impact					
Beginning Fund Balance	$17,681	$16,721	$17,448	$18,203	$18,938
Ending Fund Balance	**$17,007**	**$15,295**	**$15,282**	**$15,521**	**$15,571**
120 Days of Working Capital	$16,721	$17,448	$18,203	$18,938	$19,706
Days of Working Capital Over/(Under) 120 Days	**2**	**-15**	**-19**	**-22**	**-25**

Clearly, growing all staff at historical rates *and* keeping compensation current with inflation is not sustainable. By FY 2017, this adds $6.45 million to the General Fund Budget, which is $3.4 million more than available revenue in that year**.** Judicious additions to staff and necessary compensation adjustments are the order of the day unless and until the City gains major new sources of sales and property tax revenue from commercial growth.

Property Tax Rate Reductions

In the last two fiscal years, the tax rate has been reduced a total of two cents from $0.63 to $0.61 per $100 of taxable value. Using the projected FY 2013 tax roll, a one cent reduction in the property tax rate would yield approximately $560,000. This would provide approximately $16 savings to the owner of an average League City home valued at $175,000.

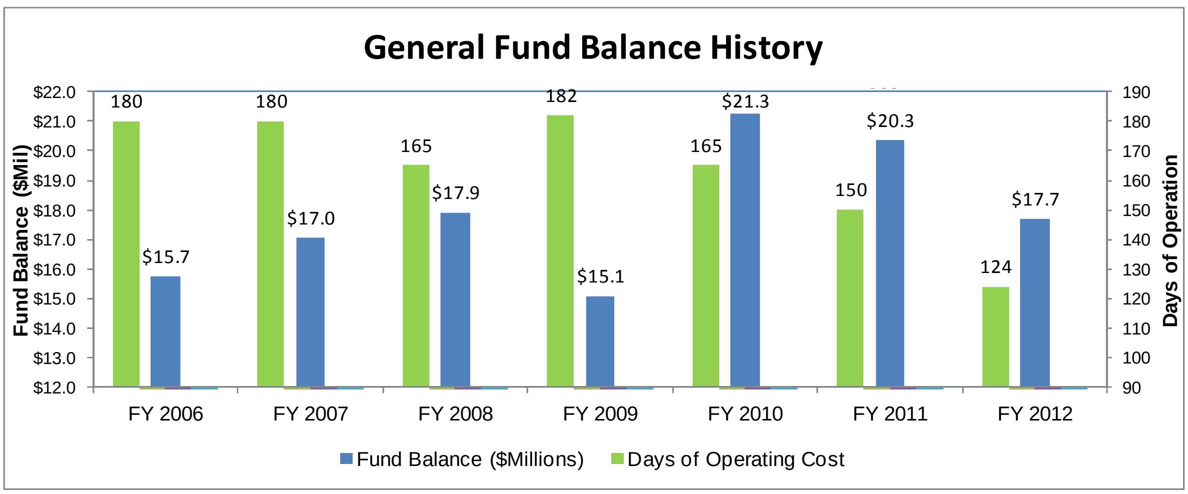
It is important to keep in mind a few things about reducing the property tax rate.

1. Over one-third of property tax revenue goes to pay Debt Service Fund obligations (e.g. $0.225 of this year's $0.61 rate). Therefore, any reduction in the rate likely falls totally on the General Fund or operating side of the budget unless debt service obligations can be met with a lower property tax rate for debt.

2. While there are no legal limitations on how much the property tax rate can be reduced, restoring it to its previous level is constrained by the State law. Increasing the operating portion of the rate more than 8% subjects this action to an election recall.
3. While such an increase seems impossible to consider, the use of excess fund balance to "write down" the tax rate over a period of time could lead to this result when available fund balance would be gone.
4. There is no property tax revenue windfall projected for the City in FY 2013 as the result of increasing values. All of the growth projected for FY 2013 is due to new construction. It has been reported that a number of League City neighborhoods have been presented with higher values by GCAD, but this Forecast assumes all of this value increase will be adjusted through the hearings process. If it is not eliminated through appeals and hearings, it may represent additional tax revenue beyond that projected that could become part of a small property tax rate reduction.

General Fund Balance: Reconsidering Policy

General Fund Balance has been well in excess of the City's minimum as required by policy, which increased the minimum in the FY 2010 Budget from 90 days to 110-120 days of operating costs. At the current projected level, the General Fund will end the current fiscal year, 2012 with enough cash to cover 124 days of operating costs. This amount is $570,000 over the 120 day mark and $4.86 million over the 90 day mark.



In reconsidering the City's General Fund Balance policy, it is important to remember that the bond rating agencies would like every city to have as large a fund balance as possible. That having been said, they consider this as only one of a number of key indicators, including median income and growth, in establishing bond ratings. League City should consider its own situation in establishing Fund Balance policy.

Fund Balance serves three important purposes:

1. Stabilizing cash flow throughout the year: Consider that the majority of property taxes are paid between November and January each year and we have to have cash remaining in February to carry us until the following November and the next tax roll.
2. Providing a cushion against sudden economic downturn that causes revenues to drop for a sustained period: It can take several years to recover from a 5-10% drop in revenue, and fund balance only serves to buy time for long-term solutions to be put in place for such calamity.

3. Providing emergency cash to cover operating costs in the aftermath of any type of major disaster: Along the Gulf Coast, we always think of the possibility of a hurricane first, but other similarly catastrophic situations could cause the same kind of financial need.

In any event, 90 days of operating cash would cover the cash flow and economic downturn possibility about as well as would the current 110-120 days of cash required by current policy. If the City Council is comfortable with the 90 day standard (or something less than 110 days) in the event of a major calamity, then a reduction in the minimum fund balance required by current policy may be in order.

Possible Uses of General Fund Balance

Excess fund balance could be used in a variety of ways, some of which are more sustainable than others. Funding one-time expenses is sustainable. Using fund balance as a revenue source is not sustainable.

In the last three fiscal years, General Fund Balance has been used in major categories for one-time costs as shown below:

GENERAL FUND BALANCE APPROPRIATIONS

Fiscal Year	Major CIP	Technology	Major Maintenance	Master Plans	Equipment	FY Totals
2010	$0	$163	$1,030	$721	$0	$1,914
2011	$500	$0	$1,622	$0	$0	$2,122
2012	$1,901	$400	$424	$0	$271	$2,996
Totals	**$2,401**	**$563**	**$3,076**	**$721**	**$271**	**$7,032**

Consider the list in the table on the opposite page. We have addressed major one-time funding needs in repairing sick buildings, roofs, HVAC as well as facilities heavily used by the public, including parks, courts and the library. These needs had been allowed in some cases to accumulate over many years, necessitating an investment to return existing buildings to respectable, efficient operating condition. In other cases, the cost of bringing the traffic signal system inherited from the State was necessary and largely unforeseen. The investments in system and new technology are long overdue. And the drainage work in FY 2010 on major outfalls improved drainage considerably in League City. In many ways, the chart on the facing page represents what General Funds could have been spent for through the normal operating budget planning process, had that budget allowed for one-time items to be funded within current revenues. Instead, those funds went unused and flowed to ending fund balance.

Options for use of fund balance include:

1. **Fund Capital Projects**: Instead of borrowing capital funds at 4%, the fund balance excess could be applied in whole or in part for major capital projects. This could include a reserve fund being established to defray and reduce the cost of major future facilities, including water lines. Or it could simply mean using the funds in the near term to reduce the size of current bond sales.
2. **Continued strategic use of Fund Balance:** Use fund balance for middle sized projects that do not warrant long-term financing but represent deferred maintenance or previous capital needs unmet.

3. **Use Fund Balance as revenue source in General Fund:** This might be permissible if used in a limited way, e.g. less than one percent of General Fund revenue or expense. In this manner,

fund balance would not be depleted so quickly that a catastrophic revenue shortage would have to be faced in the near future.

4. **Consider some form of property tax rebate to the taxpayers:** The cities of Farmers Branch and Friendswood have implemented such a rebate program. Our City Attorney and property tax collection legal counsel have reviewed this possibility and concluded that it is unconstitutional. It appears that the only lawful way to return excess fund balance owing to an over collection of property taxes is through the annual tax rate setting exercise and would have to be done as a variant of the previous option number 3.

USES OF GENERAL FUND BALANCE
FY 2010-2012

FY	DESCRIPTION	CIP	IT	MAJOR MAINT	MASTER PLANS	EQUIPMENT	TOTALS
2010	Drainage projects			$700,000			$700,000
	Storm Sewer Rehab			$260,083			$260,083
	Master Mobility Plan				$100,850		$100,850
	Drainage Master Plan				$250,000		$250,000
	Comprehensive/Main St Master Plan				$300,000		$300,000
	VOIP telephone upgrade		$120,000				$120,000
	Marketing study				$70,000		$70,000
	Senior Center ADA compliance			$70,000			$70,000
	Time and attendance system		$43,000				$43,000
	FY 2010 Totals	**$0**	**$163,000**	**$1,030,083**	**$720,850**		**$1,913,933**
2011	Transfer to CIP - Temp space for City Hall	$500,000					$500,000
	Transfer to CIP - Bldg HVAC & code			$1,118,750			$1,118,750
	Transfer to CIP - Jail Repair			$250,000			$250,000
	Transfer to CIP - Park bldgs			$253,575			$253,575
	FY 2011 Totals	**$500,000**		**$1,622,325**			**$2,122,325**
2012	Transfer to CIP - Bldgs & Signals			$424,000			$424,000
	Transfer to Tech Fund	$931,000					$931,000
	EMS Equipment					$227,000	$227,000
	Fire Marshals' iPads					$5,000	$5,000
	AED's for City Bldgs					$24,600	$24,600
	Traffic Equipment	$970,000					$970,000
	GPS Emergency Signal Mgt System		$400,000				$400,000
	Library Self Checkout Machine					$14,500	$14,500
	FY 2012 Totals	**$1,901,000**	**$400,000**	**$424,000**	**$0**	**$271,100**	**$2,996,100**
	Totals FY 2010-2012	**$2,401,000**	**$563,000**	**$3,076,408**	**$720,850**	**$271,100**	**$7,032,358**

FY			
FY 2011 PROJECTS	Remodel conference room at Library to create offices	Countryside Park:	Replaced metal roofs on Dugouts & Score Booths
	New Lighting at Library		Replace Backstop/Dugout Fencing
	Scissor Lift with Trailor		Removed 50+ tree stumps at Countryside Parks that are residual from Hurrican Ik
	Walker Complex - Sidewalks to meet ADA		replace bathroom partitions
	Court A/C & roof		fencing
	Animal Kennel A/C	Helen's Garden:	Replace wood fence
	Energy Efficiency exterior lighting at various facilities	Pool:	Lifeguard chair
	Library A/C in children's area		Replace fence
	Replace A/C in Library	League Park:	Install new roof on 2 buildings
	Replace Library Roof		Resurface basketball courts
	Civic Center Roof & A/C	Sportsplex:	Replaced Scoreboards
	Pool House roof		Replaced light fixtures
	Police A/C		Bird Netting for Pigeon problem
	Streets - 5 A/C units		Sportsplex recycle signs / bins
	Dallas Salmon WWTP Roof		Bathroom sinks/counters replaced
	Sportsplex Ventilation		Drainage improvements at Pony & Colt fields
	Butler Museum Roof		
	Dallas Salmon WWTP A/C		
	Fire Station Roof		
	Various Fire Station A/C work		
FY2012 PLAN	Pool Replaster	Library: recarpet	
	Pool Spray Deck	Court: remodel council breakroom / jury room	
	Pool Rest Room Partitions	Civic Center: remodel bathrooms, replace flooring, new blinds	
	Countryside Park Concession	Civic Center: refinish stage floor, new stage curtain	
	Countryside Park Plumbing fixtures	Civic Center: new ballroom chairs & ceiling tiles	
	Countryside Park Tables	Fire Station 4: HVAC	
	Countryside Park Parking Blocks	Vehicle Maint: Cooling Fans for shop area	
	League Park Office Leveling	Walker Complex: Electrical updates	
	Gazebo Xmas Décor		
	Bayridge Park Backstop		
	Rustic Oaks Roof		
	Sportsplex Signage, Drainage & Concrete		

GENERAL FUND BASELINE FORECAST
FUND BALANCE, REVENUE AND EXPENDITURES
FY 2013 - FY2017
($THOUSANDS)

	FY 2012 Budget	FY 2013 Base	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Beginning Balance	**$22,964**	**$23,198**	**$23,198**	**$23,837**	**$24,950**	**$26,584**	**$29,003**
Revenue							
Property Tax	$21,602	$21,274	$21,708	$22,196	$22,746	$23,391	$24,047
Sales Tax	$10,971	$11,098	$11,470	$11,967	$12,478	$13,002	$13,541
Franchise and Other Taxes	$4,863	$4,860	$4,978	$5,106	$5,241	$5,386	$5,537
Licenses and Permits	$1,721	$1,715	$2,111	$2,180	$2,257	$2,376	$2,390
Charges for Services	$4,599	$4,580	$4,676	$4,795	$4,917	$5,043	$5,172
Fines and Forfeitures	$2,037	$1,887	$1,934	$1,992	$2,052	$2,114	$2,177
Investment Earnings	$52	$65	$100	$200	$300	$400	$500
Miscellaneous/Grants	$1,194	$1,209	$1,209	$1,209	$1,209	$1,209	$1,209
Interfund Transfers	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Total Revenue	**$49,038**	**$48,688**	**$50,186**	**$51,645**	**$53,200**	**$54,921**	**$56,573**
Available Funds	**$72,002**	**$71,886**	**$73,383**	**$75,482**	**$78,150**	**$81,504**	**$85,576**
Expenditures by Directorate							
Public Safety	$20,655	$21,312	$21,520	$21,982	$22,468	$22,803	$23,169
Public Works	$12,052	$12,342	$12,512	$12,800	$13,097	$13,419	$13,746
Parks and Cultural Services	$4,477	$4,496	$4,543	$4,610	$4,683	$4,761	$4,843
Management Services	$4,075	$4,121	$4,151	$4,214	$4,279	$4,351	$4,427
Administration	$3,908	$4,038	$4,067	$4,118	$4,171	$4,231	$4,295
Non-Departmental	$3,635	$2,712	$2,753	$2,808	$2,868	$2,936	$3,005
Total Expenditures	**$48,802**	**$49,021**	**$49,546**	**$50,532**	**$51,566**	**$52,501**	**$53,485**
Revenue Over/(Under) Expenditures	**$236**	**($333)**	**$640**	**$1,113**	**$1,634**	**$2,420**	**$3,088**
Subtotal	**$23,200**	**$22,865**	**$23,837**	**$24,950**	**$26,584**	**$29,003**	**$32,091**
Transfer to One-Time Projects	**$2,843**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Ending Balance	**$20,357**	**$22,865**	**$23,837**	**$24,950**	**$26,584**	**$29,003**	**$32,091**
Policy Goal - 120 Days of Working Capital	**$16,044**	**$16,116**	**$16,289**	**$16,613**	**$16,953**	**$17,261**	**$17,584**
Required Funds	**$64,846**	**$65,137**	**$65,835**	**$67,145**	**$68,519**	**$69,762**	**$71,069**
Excess/(Shortage) of Working Capital	**$4,313**	**$6,749**	**$7,548**	**$8,337**	**$9,631**	**$11,742**	**$14,507**
Excess/(Shortage) of Working Capital in Days	**32**	**50**	**56**	**60**	**68**	**82**	**99**

Note: The Baseline Forecast includes the effect of inflation, growth and mandates and commitments on expenditures. Alternative cost scenarios including staff and compensation increases are not included in these numbers.

GENERAL FUND BASELINE FORECAST
EXPENDITURES BY DEPARTMENT
FY 2013-2017 ($THOUSANDS)

	FY 2012 Budget	FY 2013 Base	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Public Safety							
Police	$14,894	$15,379	$15,517	$15,882	$16,262	$16,490	$16,736
Animal Control	$577	$591	$599	$610	$622	$634	$648
Code Enforcement	$474	$480	$485	$493	$502	$511	$521
Fire	$1,387	$1,294	$1,315	$1,343	$1,373	$1,402	$1,435
Drill Field	$97	$56	$58	$59	$61	$61	$63
Fire Marshal	$483	$486	$489	$496	$502	$509	$517
EMS	$2,392	$2,674	$2,702	$2,740	$2,782	$2,826	$2,874
Emergency Management	$351	$352	$355	$359	$364	$370	$375
Subtotal - Public Safety	**$20,655**	**$21,312**	**$21,520**	**$21,982**	**$22,468**	**$22,803**	**$23,169**
Public Works							
Public Works Administration	$604	$632	$636	$644	$650	$659	$668
Engineering	$711	$742	$744	$753	$761	$773	$784
Streets and Stormwater	$4,356	$4,486	$4,547	$4,658	$4,775	$4,899	$5,028
Building	$1,076	$1,034	$1,043	$1,056	$1,071	$1,089	$1,104
Facilities Maintenance	$1,612	$1,733	$1,745	$1,788	$1,832	$1,879	$1,928
Traffic and Transportation	$848	$870	$881	$897	$914	$933	$952
Solid Waste Department	$2,845	$2,845	$2,916	$3,004	$3,094	$3,187	$3,282
Subtotal - Public Works	**$12,052**	**$12,342**	**$12,512**	**$12,800**	**$13,097**	**$13,419**	**$13,746**
Parks and Cultural Services							
Helen Hall Library	$2,016	$2,012	$2,028	$2,052	$2,079	$2,108	$2,139
Parks Operations	$1,075	$1,081	$1,097	$1,119	$1,140	$1,165	$1,190
Parks Planning and Tourism	$246	$250	$252	$255	$258	$261	$265
Parks Recreation	$653	$665	$670	$680	$690	$700	$711
Sportsplex Operations	$357	$365	$370	$377	$386	$395	$404
Sportsplex Recreation	$130	$123	$126	$127	$130	$132	$134
Subtotal - Parks and Cultural Services	**$4,477**	**$4,496**	**$4,543**	**$4,610**	**$4,683**	**$4,761**	**$4,843**
Management Services							
Budget Office	$366	$347	$348	$351	$353	$357	$361
Accounting	$1,116	$1,136	$1,145	$1,162	$1,179	$1,198	$1,218
Municipal Court	$584	$584	$590	$598	$607	$617	$629
Purchasing	$263	$263	$265	$267	$271	$275	$278
Information Technology	$1,746	$1,791	$1,803	$1,836	$1,869	$1,904	$1,941
Subtotal - Management Services	**$4,075**	**$4,121**	**$4,151**	**$4,214**	**$4,279**	**$4,351**	**$4,427**

GENERAL FUND BASELINE FORECAST
EXPENDITURES BY DEPARTMENT
FY 2013-2017 ($THOUSANDS)

	FY 2012 Budget	FY 2013 Base	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Administration							
Mayor and City Council	$189	$189	$190	$192	$194	$197	$199
City Manager	$654	$736	$740	$747	$754	$762	$771
Planning	$914	$923	$930	$940	$951	$962	$977
City Secretary	$343	$351	$353	$357	$362	$368	$373
City Attorney	$550	$550	$556	$567	$578	$590	$601
Civil Service	$79	$79	$79	$81	$82	$84	$86
Human Resources	$1,015	$990	$998	$1,011	$1,026	$1,041	$1,058
Economic Development	$164	$220	$221	$223	$224	$227	$230
Subtotal - Administration	**$3,908**	**$4,038**	**$4,067**	**$4,118**	**$4,171**	**$4,231**	**$4,295**
Non-Departmental	$6,478	$2,712	$2,753	$2,808	$2,868	$2,936	$3,005
Subtotal Non-Departmental	**$6,478**	**$2,712**	**$2,753**	**$2,808**	**$2,868**	**$2,936**	**$3,005**
Total General Fund	**$51,645**	**$49,021**	**$49,546**	**$50,532**	**$51,566**	**$52,501**	**$53,485**

Note: The Baseline Forecast includes the effect of inflation, growth and mandates and commitments on expenditures. Alternative cost scenarios including staff and compensation increases are not included in these numbers. See the Appendices for more information on each department as listed above.

LONG RANGE FINANCIAL FORECAST
UTILITY FUND OVERVIEW

Baseline Forecast

The chart below summarizes the Utility Fund Forecast using baseline assumptions, including (1) adjustments to the FY 2012 Budget to arrive at a Base for the forecast as “FY 2013 Base,” (2) the projected impact of state and federal mandates, (3) the cost of commitments approved by Mayor and City Council, largely in the form of operating costs for already approved CIP projects, (4) the anticipated effect of inflation on costs, and (5) current water and wastewater rates remain in place throughout the forecast period. The Utility Fund begins and ends the forecast period in a very strong financial position as far as baseline expenditure assumptions are concerned.

FORECAST SUMMARY
UTILITY FUND BASELINE PROJECTIONS
($THOUSANDS)

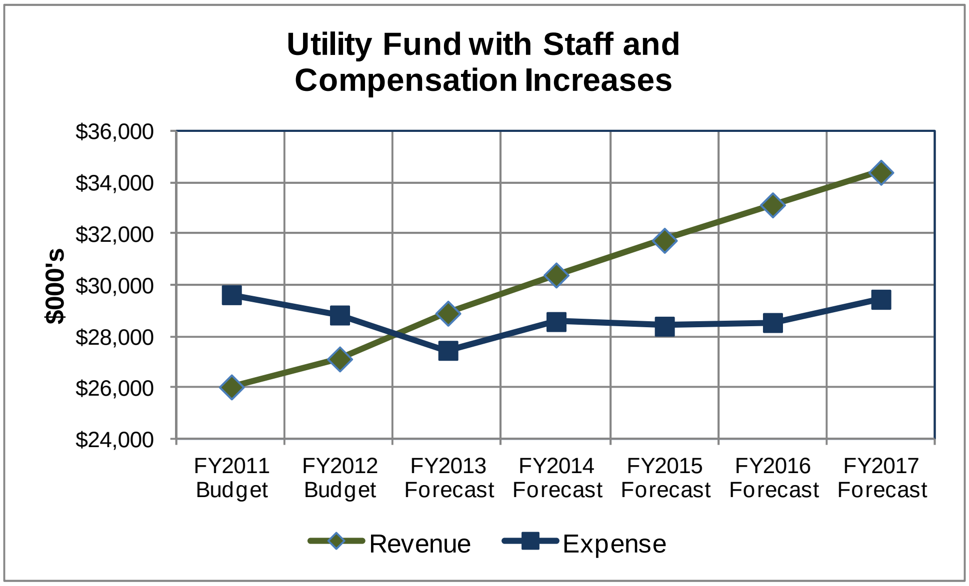
	FY 2012 Budget	FY 2013 Base	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Beginning Balance	**$19,422**	**$19,002**	**$19,002**	**$20,577**	**$22,696**	**$26,536**	**$31,797**
Revenue	**$27,142**	**$27,381**	**$28,920**	**$30,408**	**$31,758**	**$33,136**	**$34,404**
Expenditures							
Operating Expenditures	$14,600	$15,505	$15,399	$15,888	$16,056	$16,553	$17,062
Debt Service	$11,927	$10,946	$10,946	$11,401	$10,862	$10,322	$10,522
Transfer to CIP	$2,321	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Subtotal Expenditures	**$28,848**	**$27,451**	**$27,345**	**$28,289**	**$27,918**	**$27,875**	**$28,584**
Revenue Over/(Under) Expenditures	**($1,706)**	**($70)**	**$1,575**	**$2,119**	**$3,840**	**$5,261**	**$5,820**
Ending Balance	**$17,716**	**$18,932**	**$20,577**	**$22,696**	**$26,536**	**$31,797**	**$37,617**
Utility Fund Reserves							
Debt Service (Average Annual Revenue Bond Debt Service)	$5,813	$5,813	$5,762	$5,616	$5,472	$5,339	$5,184
90 Days of Operating Expenditures as Working Capital	$4,800	$5,098	$5,063	$5,223	$5,279	$5,442	$5,609
Total Reserve Required	**$10,613**	**$10,911**	**$10,825**	**$10,839**	**$10,751**	**$10,781**	**$10,793**
Excess Working Capital	**$7,103**	**$8,021**	**$9,752**	**$11,857**	**$15,785**	**$21,016**	**$26,824**
Days Working Capital Over/(Under) 90	**178**	**191**	**232**	**269**	**359**	**467**	**571**

Unlike the General Fund where personnel costs comprise 62% of the total budget, personnel costs are $5.4 million or 19% of the FY 2012 Utility Fund’s $28.5 million budget. Accordingly, the impact of potential staff increases that would track historical patterns and compensation increases that would keep pace with inflation are minimal on the overall Utility Fund budget.

POSSIBLE STAFF AND COMPENSATION INCREASES ($THOUSANDS)

	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Forecast Baseline Expenditures	**$28,848**	**$27,451**	**$27,345**	**$28,289**	**$27,918**
Staff Increase (66% of Forecast Population Growth)	$53	$153	$259	$360	$465
Annual Compensation Increase (CPI Based)	$80	$167	$259	$355	$456
Subtotal Staff and Compensation Increase	**$133**	**$320**	**$518**	**$715**	**$921**

Even with these changes, the Utility Fund's current income exceeds current expenses to a significant degree.



Given the minor overall impact of compensation on Utility Fund finances, providing funds for compensation increases is a policy decision that City Council will make based on General Fund revenue availability, the dynamics of the labor market, and City compensation policy. Assuming that Utility Fund employees will be treated the same as General Fund employees, the impact of these policy decisions will simply be implemented through the Utility Fund once the citywide approach to compensation is determined. Staffing decisions by City Council for Utility Fund operations will be made on merit and the service levels desired by City Council each year.

Most importantly, the financial future of the Utility Fund will be determined by two categories of policy decisions:

1. Capital improvement planning for water and wastewater projects, including water supply, and
2. Water and wastewater rates and charges, including incentives for water conservation.

Water and Wastewater CIP

The FY 2013-2017 CIP is under development, and discussions are underway to secure additional water supplies. Once conversations with the Gulf Coast Water Authority and the City of Houston have been concluded, it is likely that better information will be available but still so preliminary that a definitive financing plan for the water and wastewater programs in the FY 2013-2017 CIP will be longer in the making. Based on the draft Water Master Plan, and preliminary information on the GCWA re-use water swap, it appears that the City will need to finance approximately $87 million in water system improvements by 2020. The draft CIP includes $20 million in needs for wastewater projects as well. Assuming the City of Houston water line project can require upwards of $50 million in financing, it means the City is facing $150 million in potential projects by 2020.

In the last two fiscal years, the CIP has been "front-loaded." That is to say, it has been weighted towards getting a lot of this effort financed and constructed in a few short years. As we work toward the development of an affordable water and wastewater CIP, we will make a simple assumption: that $25 million of this effort will be either rescheduled, financed through other means (e.g. capital recovery fees), or simply cancelled.

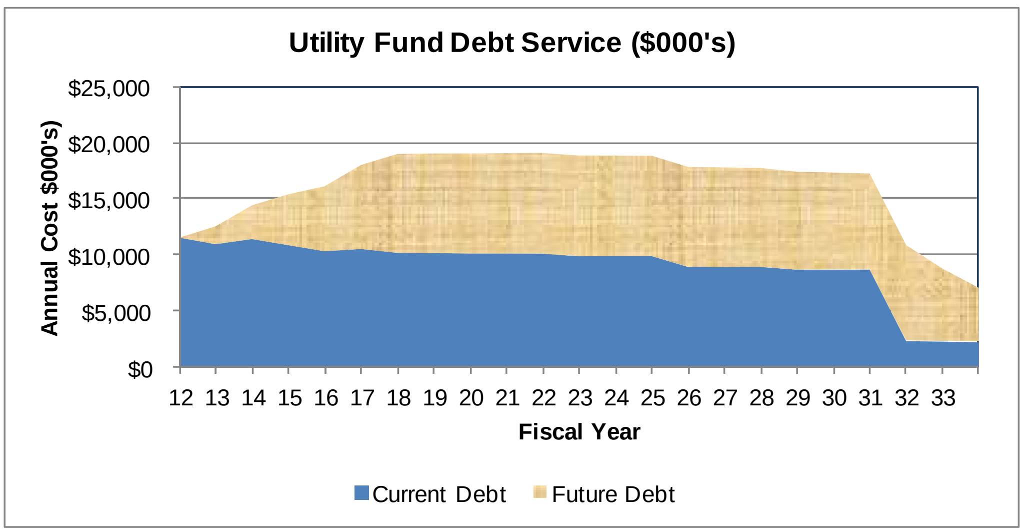
This forecast will consider the possibility of $125 million needing to be issued for water and wastewater projects over a six year period – FY 2013-2018. This allows the last of the needed projects to be financed in time to be complete by FY 2020.

Prospective Financing Plan

The financing plan provides for the issuance of $125 million from FY 2013 through FY 2018 as follows:

FY 2013 –	$ 25 million
FY 2014 –	$ 20 million
FY 2015 –	$ 20 million
FY 2016 –	$ 15 million
FY 2017 –	$ 20 million
FY 2018 –	$ 25 million
Total	$125 million

Using simple level payments for each sale, the resulting debt structure looks like this.



This approach involves lower principal payments on the front end of each bond issue's repayment schedule, with higher payments each year for principal and lower payments for interest. Without elaborate sculpting of the debt service which can be accomplished over time, this is a simple way to consider the effect of selling this amount of debt between now and FY 2018.

The effect of this approach on the five year forecast is shown below. While it appears that the current Utility Fund reserve position carries the City through five years without the need for a water revenue/rate increase, keep in mind these projections also do not include the additional potential cost of additional water supplies. What it does mean is that deliberate, patient implementation of the Water Master Plan over a five to six year period can result in a manageable budget and debt situation that is affordable given a steady 3% growth rate.

FORECAST SUMMARY
UTILITY FUND PROJECTIONS INCLUDING
STAFF AND COMPENSATION INCREASES
AS WELL AS NEW DEBT SERVICE
($THOUSANDS)

	FY 2012 Budget	FY 2013 Base	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Beginning Balance	**$19,422**	**$19,002**	**$19,002**	**$18,840**	**$17,629**	**$16,416**	**$15,179**
Revenue	$27,142	$27,381	$28,920	$30,408	$31,758	$33,136	$34,404
Current Expense and Debt Service	$28,848	$27,451	$27,473	$28,595	$28,412	$28,557	$29,463
New Debt Service	$0	$0	$1,609	$3,024	$4,559	$5,816	$7,525
Subtotal Expense	**$28,848**	**$27,451**	**$29,082**	**$31,619**	**$32,971**	**$34,373**	**$36,988**
Revenue Over/(Under) Expenditures	**($1,706)**	**($70)**	**($162)**	**($1,211)**	**($1,213)**	**($1,237)**	**($2,584)**
Ending Balance	**$17,716**	**$18,932**	**$18,840**	**$17,629**	**$16,416**	**$15,179**	**$12,595**
Utility Fund Reserves							
Debt Service (Average Annual Revenue Bond Debt Service)	$5,813	$5,813	$5,762	$5,616	$5,472	$5,339	$5,184
90 Days of Operating Expenditures as Working Capital	$4,800	$5,098	$5,105	$5,324	$5,441	$5,666	$5,898
Total Reserve Required	**$10,613**	**$10,911**	**$10,867**	**$10,940**	**$10,913**	**$11,005**	**$11,082**
Excess Working Capital	**$7,103**	**$8,021**	**$7,973**	**$6,689**	**$5,503**	**$4,174**	**$1,513**
Days Working Capital Over/(Under) 90	**178**	**191**	**185**	**152**	**122**	**89**	**31**

Water and Wastewater Rates and Charges

Based on the analysis above, it does not appear necessary to increase water and wastewater revenue through a general increase in rates for several years. We are planning, however, to conduct a complete study of our water and wastewater system costs as the basis for revised rates and charges that would be revenue neutral. This revised schedule of rates and charges would include incentives to conserve water while providing disincentives for using higher quantities of water. This means that high use customers would pay more for each 1,000 gallons of water consumed beyond some level of use. This also means that customers who made specific capital investments designed to save or conserve water would see a rate reduction designed to underwrite the cost of their investment. The combined effect of these measures could either increase or decrease overall revenues. The full impact of this effort and final approval will constitute a major policy decision for City Council.

UTILITY FUND FORECAST
FY 2013 - FY2017
($THOUSANDS)

	FY 2012 Budget	FY 2013 Base	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Beginning Balance	**$19,422**	**$19,002**	**$19,002**	**$20,449**	**$22,262**	**$25,608**	**$30,187**
Revenue							
Water Sales	$14,600	$14,800	$15,509	$16,137	$16,788	$17,453	$18,140
Wastewater Sales	$11,500	$11,600	$12,407	$12,910	$13,430	$13,962	$14,512
Charges for Other Services	$995	$934	$957	$986	$1,015	$1,046	$1,077
Interest Income	$47	$47	$47	$375	$525	$675	$675
Transfers	$0	$0	$0	$0	$0	$0	$0
Total Revenue	**$27,142**	**$27,381**	**$28,920**	**$30,408**	**$31,758**	**$33,136**	**$34,404**
Expenditures by Department							
Public Works Administration	$177	$172	$183	$190	$197	$204	$213
Water	$5,314	$4,943	$5,104	$5,461	$5,719	$5,990	$6,274
Wastewater	$3,487	$3,503	$3,651	$3,904	$4,088	$4,306	$4,524
Utility Billing	$1,541	$1,506	$1,445	$1,380	$1,165	$1,227	$1,291
Facilities Maintenance and Repair	$2,799	$2,818	$2,819	$2,930	$3,047	$3,169	$3,296
Existing Debt Service	$11,927	$10,946	$10,946	$11,401	$10,862	$10,322	$10,522
Non-Departmental	$1,282	$2,563	$2,325	$2,329	$2,334	$2,339	$2,343
Transfer to CIP	$2,321	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Total Expenditures	**$28,848**	**$27,451**	**$27,473**	**$28,595**	**$28,412**	**$28,557**	**$29,463**
Revenue Over/(Under) Expenditures	**($1,706)**	**($70)**	**$1,447**	**$1,813**	**$3,346**	**$4,579**	**$4,941**
Ending Balance	**$17,716**	**$18,932**	**$20,449**	**$22,262**	**$25,608**	**$30,187**	**$35,128**
Utility Fund Reserves							
Debt Service (Average Annual Revenue Bond Debt Service)	$5,813	$5,813	$5,762	$5,616	$5,472	$5,339	$5,184
90 Days of Operating Expenditures as Working Capital	$4,800	$5,098	$5,105	$5,324	$5,441	$5,666	$5,898
Total Reserve Required	**$10,613**	**$10,911**	**$10,867**	**$10,940**	**$10,913**	**$11,005**	**$11,082**
Excess Working Capital	**$7,103**	**$8,021**	**$9,582**	**$11,322**	**$14,695**	**$19,182**	**$24,046**
Days Working Capital Over/(Under) 90	**178**	**191**	**223**	**257**	**327**	**408**	**491**

This page intentionally left blank

LONG RANGE FINANCIAL FORECAST
DEBT SERVICE FUND

Overview

The Debt Service Fund is used to budget property tax revenue and pay for property-tax supported debt obligations of the City. In this forecast, the term debt capacity is used to describe the city's ability to issue long-term debt given (1) scheduled Debt Service Fund expenses including principal and interest payments, MUD tax rebates and the debt portion of TIRZ tax increment payments; (2) realistic assumptions regarding growth rates in property tax revenue; and (3) realistic interest rate assumptions.

DEBT SERVICE FUND FORECAST SUMMARY, FY 2013 – FY 2017 ($000'S)
ASSUMES $76 MILLION TOTAL BONDS FOR FIVE YEARS

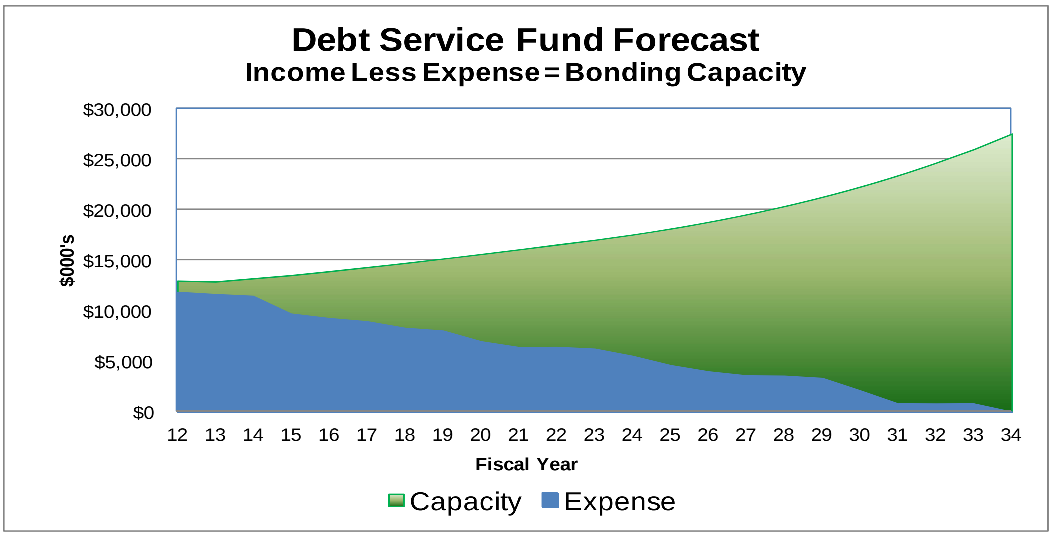
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
REVENUE						
Property Taxes	$12,406	$12,654	$12,944	$13,268	$13,639	$14,020
TIRZ #1 Revenue Gain	$500	$150	$150	$150	$150	$150
Interest Income	$50	$70	$97	$89	$109	$115
TOTAL REVENUE	**$12,956**	**$12,874**	**$13,191**	**$13,507**	**$13,898**	**$14,285**
EXPENSE						
Transfers						
MUD Property Tax Rebates	$2,565	$2,624	$2,649	$1,947	$1,463	$1,510
TIRZ Property Tax Increment	$843	$863	$885	$911	$938	$966
Subtotal MUD's/TIRZ's	**$3,408**	**$3,487**	**$3,534**	**$2,858**	**$2,401**	**$2,476**
Current Debt Service						
Interest	$3,006	$2,878	$2,676	$2,489	$2,340	$2,172
Principal	$5,375	$5,205	$5,174	$4,297	$4,464	$4,239
Subtotal Current Debt Service	**$8,381**	**$8,083**	**$7,850**	**$6,786**	**$6,804**	**$6,411**
Subtotal Current Expense	**$11,789**	**$11,570**	**$11,384**	**$9,644**	**$9,205**	**$8,887**
Projected Future Debt Service						
Interest	$0	$1,345	$1,666	$2,022	$2,413	$2,811
Principal	$0	$640	$1,137	$1,640	$2,154	$2,675
Subtotal Future Debt Service	**$0**	**$1,985**	**$2,803**	**$3,662**	**$4,567**	**$5,486**
TOTAL EXPENSE	**$11,789**	**$13,555**	**$14,187**	**$13,306**	**$13,772**	**$14,373**
Revenue Over/(Under) Expense	**$1,167**	**($681)**	**($996)**	**$201**	**$126**	**($88)**
Beginning Fund Balance	**$2,733**	**$3,900**	**$3,219**	**$2,223**	**$2,424**	**$2,550**
Ending Fund Balance	**$3,900**	**$3,219**	**$2,223**	**$2,424**	**$2,550**	**$2,462**
ASSUMPTIONS						
Assessed Value ($millions)	**$5,470.0**	**$5,579.4**	**$5,707.7**	**$5,850.4**	**$6,014.2**	**$6,182.6**
Debt Service Tax Rate	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**
Over 65 Tax Freeze Pct Loss	**0.200%**	**0.202%**	**0.204%**	**0.206%**	**0.208%**	**0.210%**
Property Tax Growth	**2.0%**	**2.0%**	**2.3%**	**2.5%**	**2.8%**	**2.8%**
TIRZ Increment Growth	**10.3%**	**2.4%**	**2.5%**	**2.9%**	**3.0%**	**3.0%**
90 Day T-Bill Rate%	**1.1%**	**2.5%**	**3.5%**	**4.5%**	**4.5%**	**4.5%**
Future Bond Issue		**$40,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**
Overall Interest Rate		**3.68%**	**3.75%**	**4.50%**	**4.88%**	**5.06%**
Interest Rate Diff with Current Rates		**0.00%**	**0.50%**	**1.00%**	**1.50%**	**1.75%**

If the City of League City continues to set aside the current share of its property tax revenue (e.g. $0.2499 of $0.61 per $100 taxable value) for debt service, the City could issue $76 million total new bonds in the next five years. This is $16 million more than in last year's forecast due largely to lower interest rates now and in the near future.

Base Forecast and Assumptions

The Debt Service Fund baseline forecast is based on the following elements.

- Current obligations of the Debt Service Fund including:
  - Scheduled payments of debt service for existing tax-supported debt;
  - Property tax rebates to MUD's at the lesser of (1) the scheduled rebate based on each MUD's agreement or (2) actual payments for existing MUD debt only; and
  - The debt portion of TIRZ increment payments projected through the ending date for each TIRZ as provided by contractual agreement; and
- Property tax revenue assumptions as described in the Forecast Revenue Summary, including property tax revenue growth based on new construction and the effective property tax rate for maintenance and operations, as well as the current debt service property tax rate.

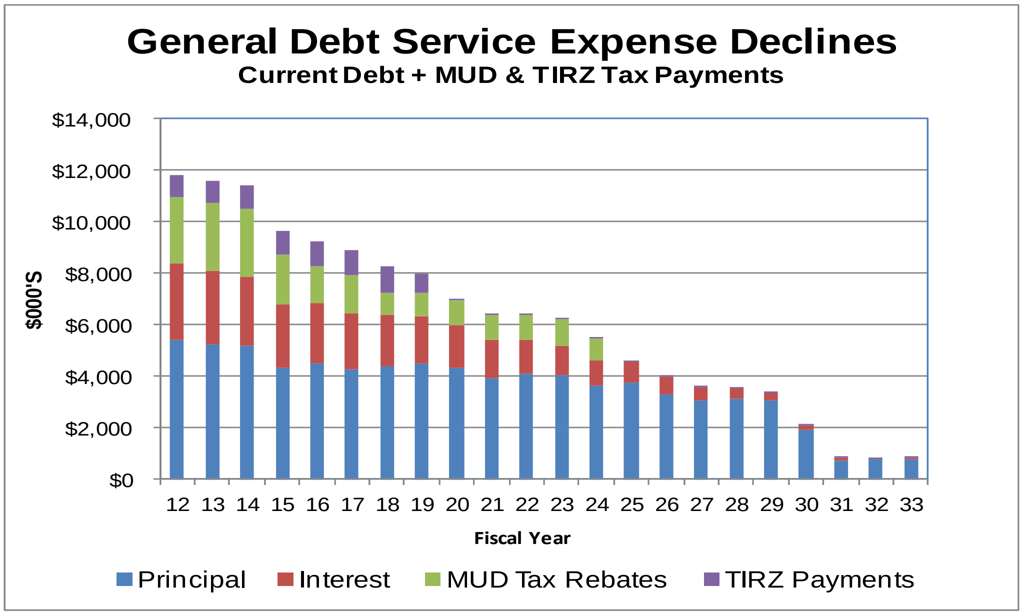


The graph above depicts the City's debt issuance capacity through FY 2034 in the green shaded area. This represents the net excess of projected property tax revenue allocated to debt service given the baseline assumptions in the forecast over projected current Debt Service Fund expenses, not including new bond sales. This capacity is the product of the combination of slowly rising revenue and slowly declining debt service expense.

A debt structure like this provides the City flexibility for each fiscal year's planning cycle. If economic conditions permit, and property tax revenues grow, then some additional debt capacity is available each fiscal year because of the declining payment schedule as seen in the graph above. If economic conditions worsen, then the declining payment schedule allows the City to pay a lesser amount for debt service expense and delay the issuance of new bonds to future years.

Debt Service Fund Expense

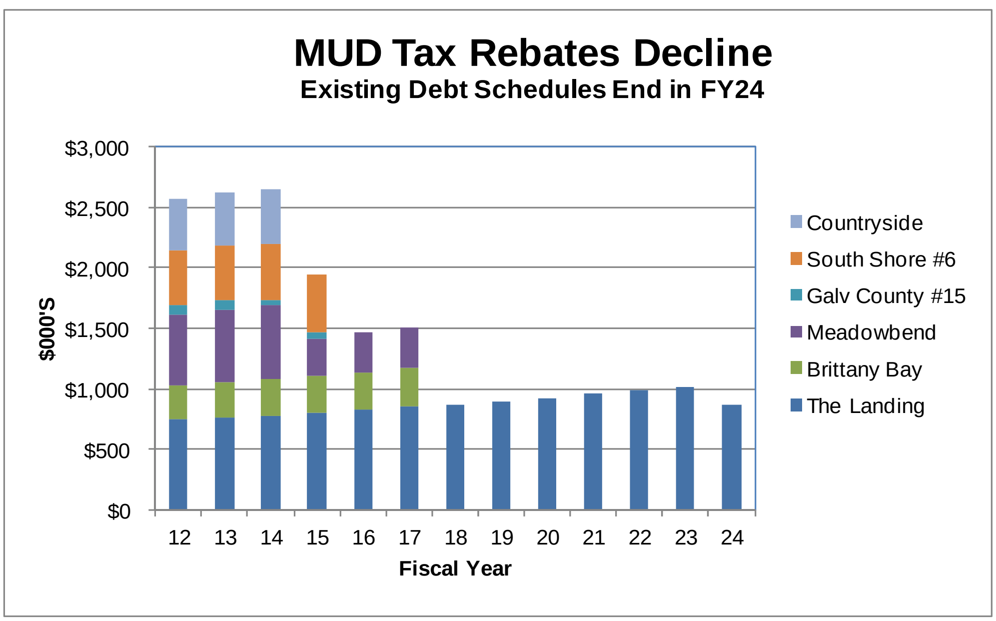
Debt Service Fund expense is largely but not totally comprised of principal and interest payments on tax-supported debt issued by the City. In FY 2012, 71% of current expense is debt service payments for city-issued bonds. The remainder, or 29%, goes to pay MUD property tax rebates and the debt portion of TIRZ property tax increments.



As shown in the graph above, MUD and TIRZ payments as scheduled decline more rapidly than do the City's debt service payments. This provides opportunities to amortize principal payments so as to take advantage of large reductions in MUD and TIRZ payments, as seen in FY 2015 in the graph above.

Municipal Utility Districts

The City currently makes property tax rebates to seven water districts with agreements that date back to the 1970's and 1980's. In all but two cases, the rebate is provided by development contract to be paid until the individual MUD's debt is discharged. All of these rebates are paid through the Debt Service Fund because they are dedicated to the retirement of MUD debt.



The payments in every case are less than the total debt service paid by the MUD because each MUD has its own property tax levy in addition to the City's tax rate. Also, the payments in every case are limited to the lesser of the formula payment as described below or the actual debt service payment for the specific year in question. Two MUD's have been dissolved by City Council action in the last two fiscal years (South Shore Harbour MUD #2 and #3) because their actual debt service payments fell below the scheduled rebate payments for the remainder of each MUD's debt service payment schedule. Their debt is now shown as part of the City's debt service payments for principal and interest instead of the tax rebate schedules.

Tax Increment Reinvestment Zones

The City currently has three Tax Increment Reinvestment Zones (TIRZ's). Each of these zones was established by the City to encourage development and building, the taxable value of which could be used to generate incremental growth in property tax revenues. These incremental revenues were then used to finance the construction of infrastructure – streets, sewers, water lines, and amenities – inside the boundaries of the respective TIRZ.

This is accomplished by using the annual property tax increment (1) to reimburse developers for completed construction and/or (2) to pay for bonds issued to reimburse the developer. As shown in the next chart, developers are typically reimbursed including simple interest at a rate higher than the rate paid by the City on its own bond issues.

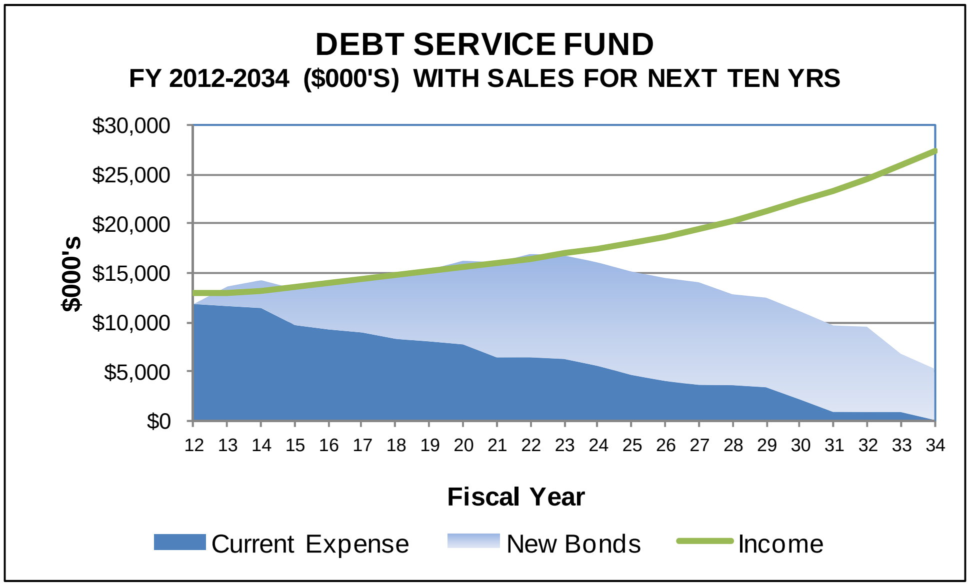
In January, 2010, $10 million in certificates of obligation were sold to reimburse the developers of TIRZ #2 at the all inclusive true interest cost of 3.575%. Also, in December 2011, the City sold $6.08 million in certificates of obligation to reimburse and fully pay the developer of TIRZ #3 at an all-inclusive true cost of 2.02%. These sales and the addition of county property tax rate increments, as well as the addition of property tax incremental funding from CCISD, will allow the TIRZ's to be dissolved before the end of their legal lives. Centerpointe (TIRZ #3) will be closed out in FY 2018 instead of the original ending date, FY 2020. Likewise, it is expected that Saddle Creek (TIRZ #2) will be closed out in FY 2019 instead of FY 2024. When a TIRZ ends, the TIRZ increment then becomes a part of the City's property tax revenue stream and is a part of the annual statutory process to receive the certified tax roll and set a property tax rate.

Future Bond Sales

Future debt service schedules are based on the following assumptions:

- The debt service tax rate remains constant and values grow as used elsewhere in this forecast: below 3% annually through FY 2017 and at 3% annually thereafter.
- All potential future bond sales are for a twenty year period.
- Interest rates follow the rate "curve" (e.g. lower in early years and higher in later years) from the tax supported bond market for April 2012 for AA rated debt (the City's bond rating) with a twenty basis point (0.2%) cushion. The assumption is that rates will rise incrementally each year of the forecast until FY 2017.
- The FY 2013 sale will include approximately $30 million for the Public Safety building, along with an addition $10 million for other projects as designated by City Council. The principal payments used to retire the debt from this sale will be scheduled so as to take advantage of the excess debt capacity created after FY 2018 when all but one MUD and one small TIRZ are still receiving payments from the Debt Service Fund.

- Remaining sales for the nine-year FY 2014-2022 period are being amortized using principal payment schedules that are halfway between the level payment approach used for consumer loans and level payment approach used to retire debt more quickly. This still makes for a declining debt service schedule that allows the City to more easily make future debt payments should we encounter an economic downturn that causes revenues to fall off. A $9 million sale is used for each year to produce the results shown.



This page intentionally left blank

LONG RANGE FINANCIAL FORECAST
ECONOMIC OUTLOOK

Economic Overview

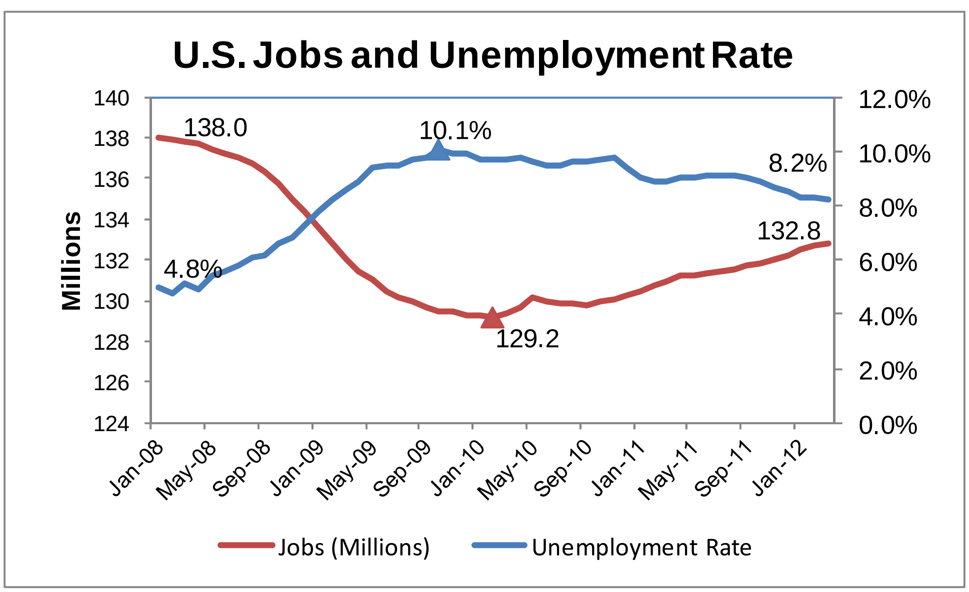
League City, like the area in which it is located, has been characterized by steady long-term growth, resilient economic performance in the face of national economic downturn, and a climate and geography considered attractive to families and businesses. In recent years, League City experienced growth significantly above its historical trend that coincided with the national housing boom and regional energy boom. Our growth during this most recent period of League City's history has outstripped that of the metropolitan area.

Most recently, since 2010, the job losses at NASA's Johnson Space Center have been a primary concern for the League City economy. Those losses began in the spring of 2010 and continued through 2011, with most of the losses recorded when the shuttle program ended in mid-2011. League City continues to show stability in the face of ongoing job losses at NASA. Since the summer of 2010, the City has experienced growth in the 2.2% range as measured by water customers and new home construction permits.

Beyond local concerns about NASA, the overriding concern is the potential for major economic downturns in Europe and Asia that could affect the U.S. economy and, in turn, that for the region. The national recovery is far from robust, but is maintaining a slow pace of job creation. Regional job growth has recovered all of the jobs lost to the 2008-2009 downturn. Local prospects for growth are bright, at least in the near term, with continued sluggishness apparently resulting from the lingering effects of the NASA cuts.

National Economy

The national economy declined in 2008 and 2009, largely because of massive issuance and financial packaging of sub-prime mortgage debt to individuals who could not afford it as well as the over commitment of consumer lending in general. The recession at its worst was characterized by high home mortgage foreclosure rates, falling real estate prices, constricting credit and bank financing, dramatic losses in the stock market and 401K retirement plans and pensions, and high unemployment reaching 10.3%.

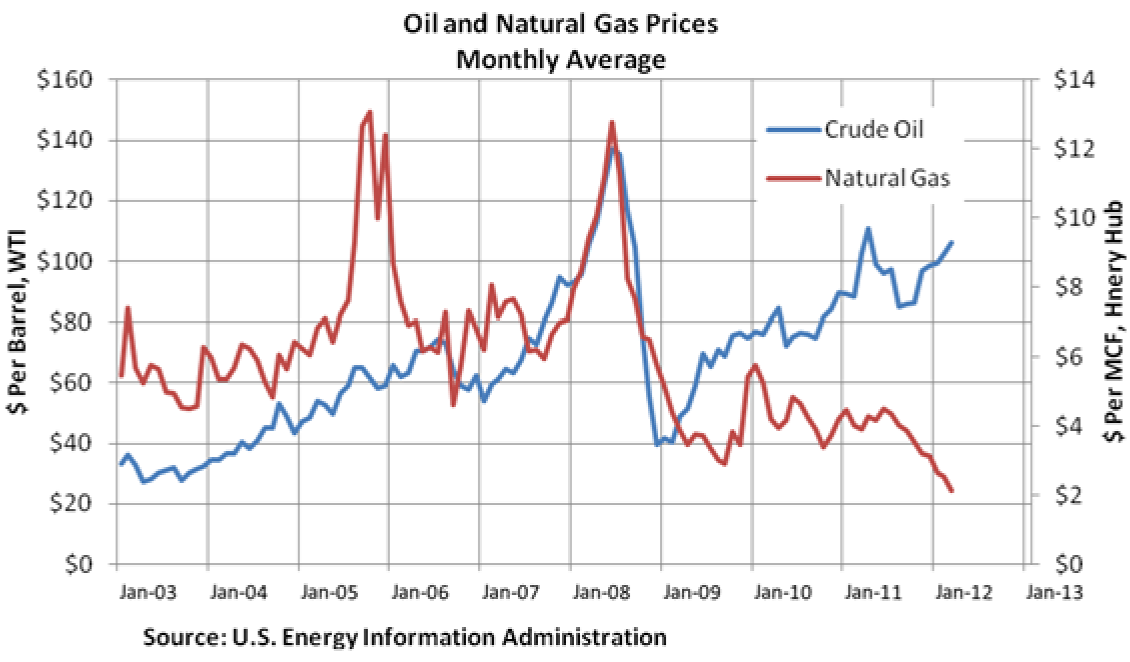


In January 2008, the national unemployment rate was 4.8% and 138 million Americans were working in non-agricultural jobs (Source: U.S. Bureau of Labor Statistics and University of Houston Institute for Regional Forecasting). Unemployment peaked at 10.1% in October 2009 and the number of jobs bottomed out at 129.2 million in February 2010. Now, the recovery has produced 3.6 million jobs, less than half of the 8.8 million jobs lost in the national recession, and the rate of the recovery is a major source of concern.

The Federal budget deficit, as well as the trade deficit, are also continuing sources of concern. Hopes for a solution to the budget deficit rest with the outcome of the fall elections as neither side appears to be willing to compromise on a bipartisan solution. At the same time, the Federal Reserve Board's incursion into the economy with the acquisition of questionable assets remains a cloud over the national economy. Interest rates are low, but the benefits of low rates seen historically are not being realized. Businesses are reluctant to expand using credit in part because of lack of confidence and individuals are unwilling or unable to buy first-time or larger homes.

Outside of the employment picture, signs of national recovery continue to emerge, but the improvement is gradual and the results are mixed:

- Economic growth as measured by U.S. Gross Domestic Product grew at an estimated rate of 1.7% in 2011, slower than the 3.0% rate for 2010;
- The stock market's Dow Jones Industrial Average has recently grown back to the 13,000 level after dropping last fall below 11,000;
- Oil prices remain in the $100 per barrel range and gasoline prices remain high, affecting the cost of consumer goods across the board;
- Interest rates remain low, but are expected to increase gradually in the next twelve months;
- Home prices have continued to drop, a significant portion of home owners nationally remain "upside-down" with mortgage loan balances greater than the market value of their home, and foreclosures remain at high levels; and
- In spite of continuing trade deficits, U.S. exports and industrial production remain strong, aided in large part by the historically low value of the U.S dollar.

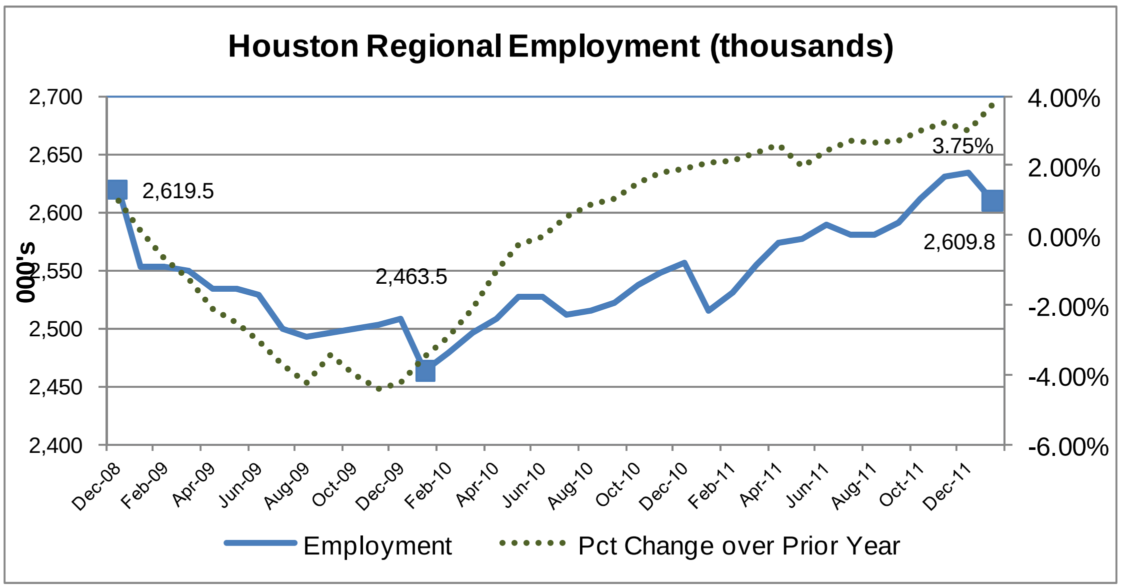


Several factors continue to dominate the national economic outlook. In light of the sluggish rate of job growth, the size of the federal deficit, and the continued difficulty in Washington to come to a bipartisan long-term solution, the prospects for anything better than a long (e.g. seven-ten years) recovery remain poor.

State and Regional Economy

Texas and the Houston metropolitan area have fared better in recent decades during recessions than the rest of the country. This is due to our reasonably priced housing markets and the resiliency of energy as our economic engine. Because of our economic strength, we also tend to enter recessions late. This time, we may be facing a longer recovery period like the rest of the nation, but there are encouraging signs that the region has recovered more quickly already than the nation as a whole.

Employment is the key measurement of local economic activity for businesses and individuals. This time two years ago, the Houston metropolitan area was near the bottom (January 2010 when the area had 2,463,500 jobs) of its most significant economic downturn since the mid 1980's. According to the Greater Houston Partnership (GHP), the metropolitan area lost 116,900 jobs from its December 2008 peak (see graph below). Recovery began in January 2010, and 2011 turned out to be a turnaround year for the Houston economy as the area regained its pre-recession job peak in October of 2011. According to the GHP, Houston experienced one of the smallest employment losses (4.5%) from the recession and regained those losses in the shortest period of time (16 months).

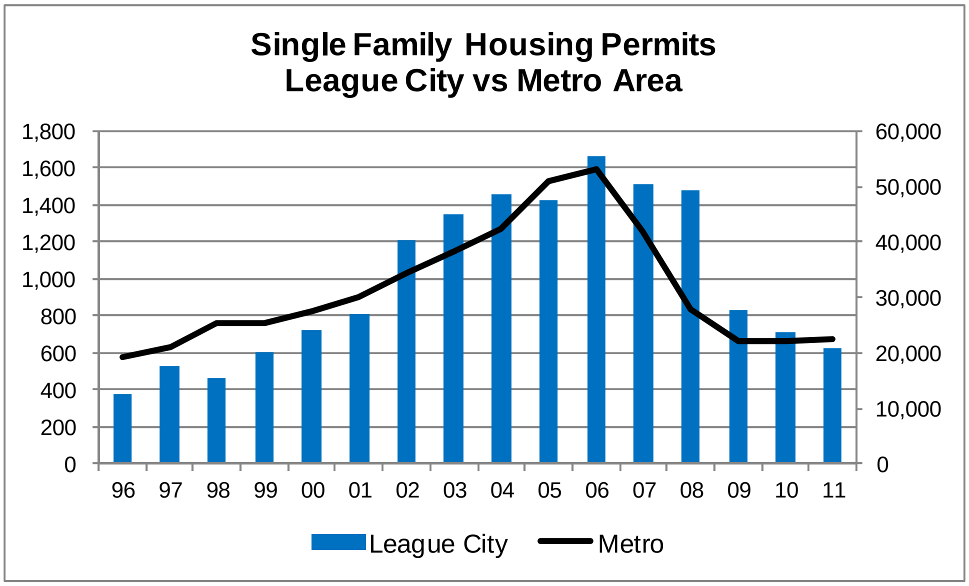


As 2012 is getting underway, local economists are predicting a year of expansion for the Houston region's economy. The energy portion of the region's economic base grew over 10% in 2011, making it the fastest growing sector. Construction employment is growing slowly, regaining the jobs lost during the downturn at a tepid pace. This is due to the significantly smaller number of homes built since 2008 in the region. Manufacturing jobs lost in the recession are also being recovered at a slower rate, but there are indications that the rate of recovery should continue.

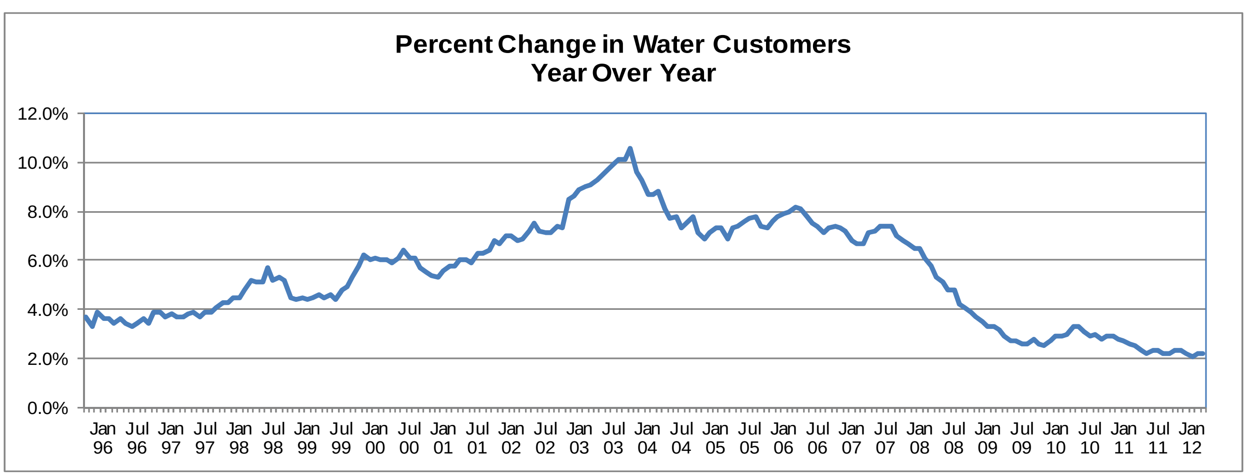
Clearly, oil prices are driving the local economic recovery with prices in the $90-$100 range throughout 2011. Also, oil and gas production from the Texas Eagle Ford Shale fields in south Texas are replacing production lost offshore with over 2,800 drilling permits issued in 2011. The region's share of foreign trade through the Houston-Galveston Customs District also continues to grow, reaching the $268 billion total for imports and exports in 2011, a 27% increase over 2010. Given these strong economic conditions, and mild climate, the region continues to grow, adding 125,000 in population a year on the average. GHP's outlook for 2012 is for another year of job growth in the 3% range or 84,600 jobs as occurred in 2011.

The League City Economy

League City's population grew from 45,400 in 2000 to 83,560 in 2010, according to the U.S Census. This rapid growth is illustrated by the change in single family housing units in the middle of the previous decade (see graph below). As a result of this rapid residential growth, local retail stores had major additions in the Interstate 45/SH 646 corridor. Major stores opened between late 2007 and early 2009, including Lowe's, Best Buy, Home Depot, Target, JC Penney, HEB, and Kohl's. This, and a number of smaller retail stores, added jobs to our workforce and attracted commerce to the City from travelers on Interstate 45.



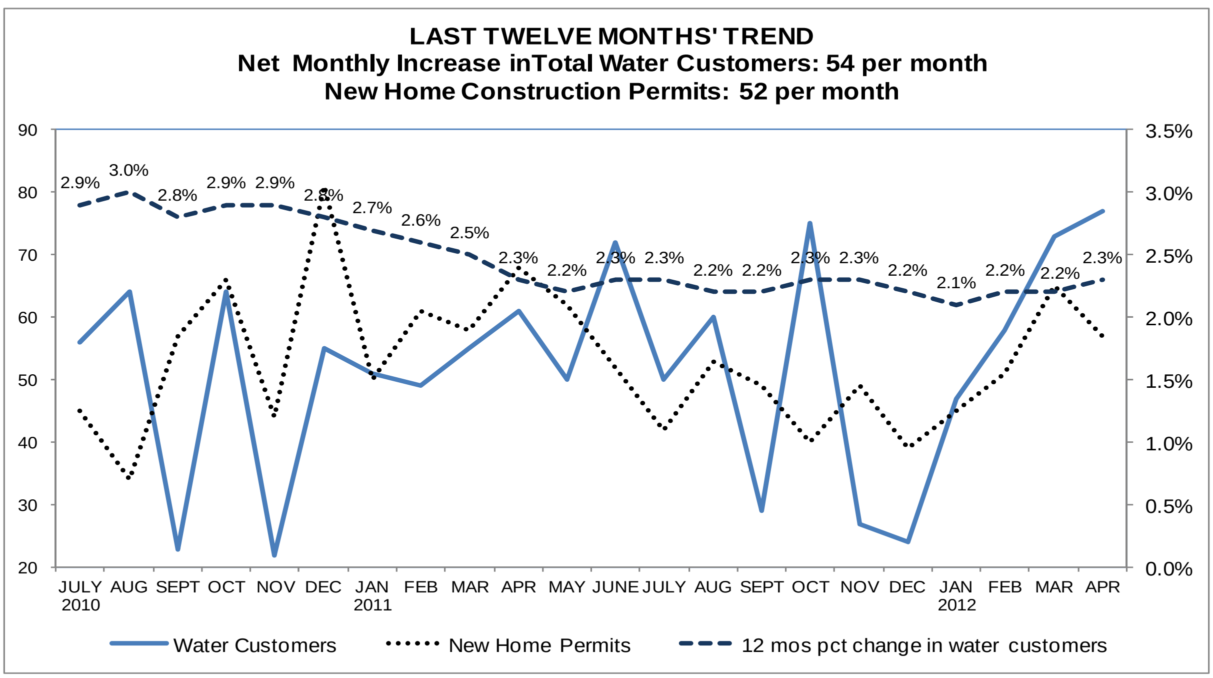
Since 2009, the University of Texas Medical Branch (UTMB) has doubled the number of its facilities in the City with ten separate sites total. After Hurricane Ike, UTMB acquired 64 acres in Victory Lakes, just north of Interstate 45 and FM646, and at the beginning of 2010, UTMB completed the first phase of development by opening an 110,000 square feet, "state-of-the-art," Specialty Care Center. The growth in water customers seen below paralleled League City's growth in housing units and population over the last two years. The percent change in this important monthly leading indicator has dropped below 3% for the first time in the fifteen years for which records are available.



The recession and slowed growth in the metropolitan area explain this to some extent. But a more local explanation has to be considered: job losses at NASA's Johnson Space Center occurring as a result of the end of the shuttle and Constellation programs last year. While JSC is not in League City itself, many League City residents work for NASA and its numerous contractors. Likewise, League City businesses serve the wider bay area, which includes the majority of the NASA community. The question is: how much impact has League City felt directly from these cuts and how long will this impact last?

At last count, NASA's Johnson Space Center has suffered a loss of 4,000 jobs total among its contract personnel. While recent information indicates that a few jobs remain to be eliminated at JSC, it appears as though the vast majority of the job losses occurred prior to the start of FY 2012. Previous estimates put as many as 650 to 1,000 League City residents' jobs at risk, and there is no hard evidence to doubt the relative accuracy of those numbers now. What has been the impact of these cuts, and how long might that impact be felt?

The next graph demonstrates what has happened to two important leading indicators since mid-2010 that give some insight into the JSC job loss question. Since the homebuyers tax credit program ended in June 2010, League City has seen an average growth of 54 more total water customers per month, net of losses and disconnections. During this same period, the City has issued permits for an average of 52 new homes to be constructed per month. The year-over-year percentage growth rate of the City's customer base slowed from the 2.5% to 3.0% range in late 2010 and settled into a steady 2.2% growth rate in mid-2011 that has continued to the present.



Since 2010, the League City housing market has experienced setbacks apparently due to the NASA cuts. A Houston Chronicle article dated August 1, 2011, ("Shuttle era's end clouds Clear Lake home market") cited statistics from the Houston Association of Realtors' Multiple Listing Service for the Clear Lake, Friendswood, League City and Webster areas. League City was the only one of the four areas with an increase in the numbers of homes sold in June 2011 compared with June of 2010; however, League City's average number of days a home was remaining on the market was also the highest of the four areas at 141 days.

LEAGUE CITY AREA HOUSING MARKET JUNE 2010 VS JUNE 2011

Area	Sales			Average Price ($000's)			Median Price ($000's)			Average Days on the Market		
	2010	2011	Chg	2010	2011	Chg	2010	2011	Chg	2010	2011	Chg
Clear Lake	42	29	-31%	$258	$214	-17%	$193	$177	-8%	$64	$51	-20%
Friendsw ood	66	57	-14%	$223	$225	1%	$166	$226	36%	$69	$96	39%
League City	114	130	14%	$241	$228	-5%	$219	$186	-15%	$74	$141	91%
Webster	11	8	-27%	$146	$133	-9%	$135	$125	-7%	$63	$44	-30%

Source: Houston Association of Realtors' Multiple Listing Service, Houston Chronicle article dated August 1, 2011, "Shuttle era's end clouds Clear Lake home market"

Recent data provided through the Houston Chronicle's April 2012 annual home price survey offers a view of League City housing values that reflect the effects of the statistics seen above. Of 32 area subdivisions identified in the survey, 23 experienced drops in median price per foot of homes sold in 2011 versus 2010 median prices.

The continued slow but steady growth in the water customer base and new homes built has occurred during the time the League City housing market has seen a clear downward impact from the NASA budget reductions. We will continue to watch the new homes and customer counts every month through next year for further effects on League City's growth rate, and maintain a conservative approach to estimating home values in League City.

General Economic Outlook for FY 2012

The economic outlook for FY 2013 is for a slow growth but recovering League City economy, with 2.5% growth in housing units, population and water customers. Largely because of higher gasoline prices, inflation is expected to remain in the 3% range through 2012. Finally, interest rates are expected to begin to climb by a modest amount. These assumptions are based on year one of the Long Range Financial Forecast.

BASELINE ECONOMIC ASSUMPTIONS

Area/Indicator	FY 2012 Est.	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Metropolitan Area						
Employment Annual Growth Rate	3.2%	2.0%	2.0%	2.0%	2.0%	2.0%
Inflation Rate	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Fuel Prices	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Health Care Inflation	5.0%	10.0%	10.0%	10.0%	10.0%	10.0%
90 Day T-Bill Rate	0.1%	0.2%	1.0%	1.5%	2.0%	2.5%
League City						
Population Growth Rate	2.2%	2.5%	3.0%	3.0%	3.0%	3.0%
City Water Customers Growth Rate	2.2%	2.5%	3.0%	3.0%	3.0%	3.0%
Population	87,200	89,400	92,100	94,900	97,700	100,600
New Homes (Prior CY)	792	623	600	650	700	750
New Construction ($Mil - Prior CY)	$176	$106	$112	$123	$138	$136
Tax Supported Bonds Interest Rate	4.00%	4.20%	4.50%	5.00%	5.00%	5.00%

LONG RANGE FINANCIAL FORECAST
REVENUE SUMMARY

Revenue Overview

The City's major revenue sources include property taxes, water and wastewater revenue, and sales taxes. Each of these revenue sources are driven by the growth of the local economy and the City's population. This is also true of a number of the City's other revenue sources including fees and charges for service, franchise taxes, and licenses and permits.

The revenue projections presented in the LRFF use summary categories of City revenue. These projections are based on an analysis of at least 10 years history for each revenue category, as well as the effects of economic and demographic change where the revenue has been shown to be explained using specific economic and demographic factors.

Property Taxes

Property taxes, the City's largest revenue source, are based on the tax rate adopted annually by City Council as applied to the certified property rolls prepared by the Galveston (GCAD) and Harris County Appraisal Districts (HCAD). The rate itself, and the resulting revenue, are then deposited in two parts, the first to support general city operations through the General Fund and the second part to pay principal and interest on tax supported bonds through the Debt Service Fund.

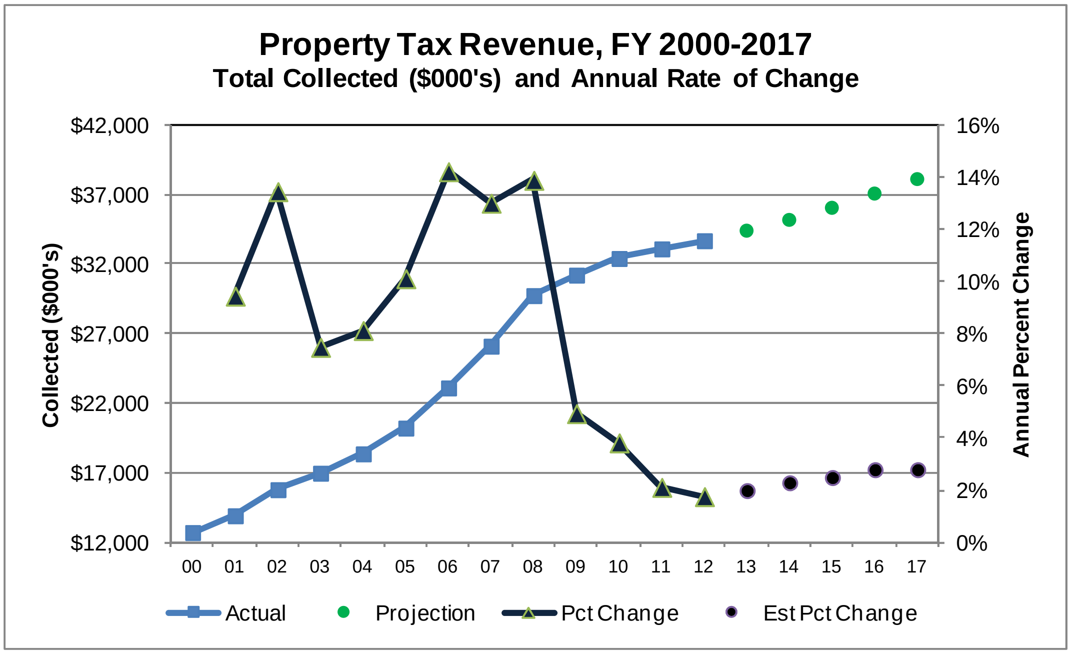
PROPERTY TAX RATE
TOTAL LEVIED AT $100 PER TAXABLE VALUE

	FY07	FY08	FY09	FY10	FY11	FY12
General Fund (M&O)	$0.386514	$0.404000	$0.413932	$0.408871	$0.394874	$0.385001
Debt Service Fund (I&S)	$0.222286	$0.204800	$0.216068	$0.221129	$0.221126	$0.224999
Total Tax Rate	$0.608800	$0.608800	$0.630000	$0.630000	$0.616000	$0.610000

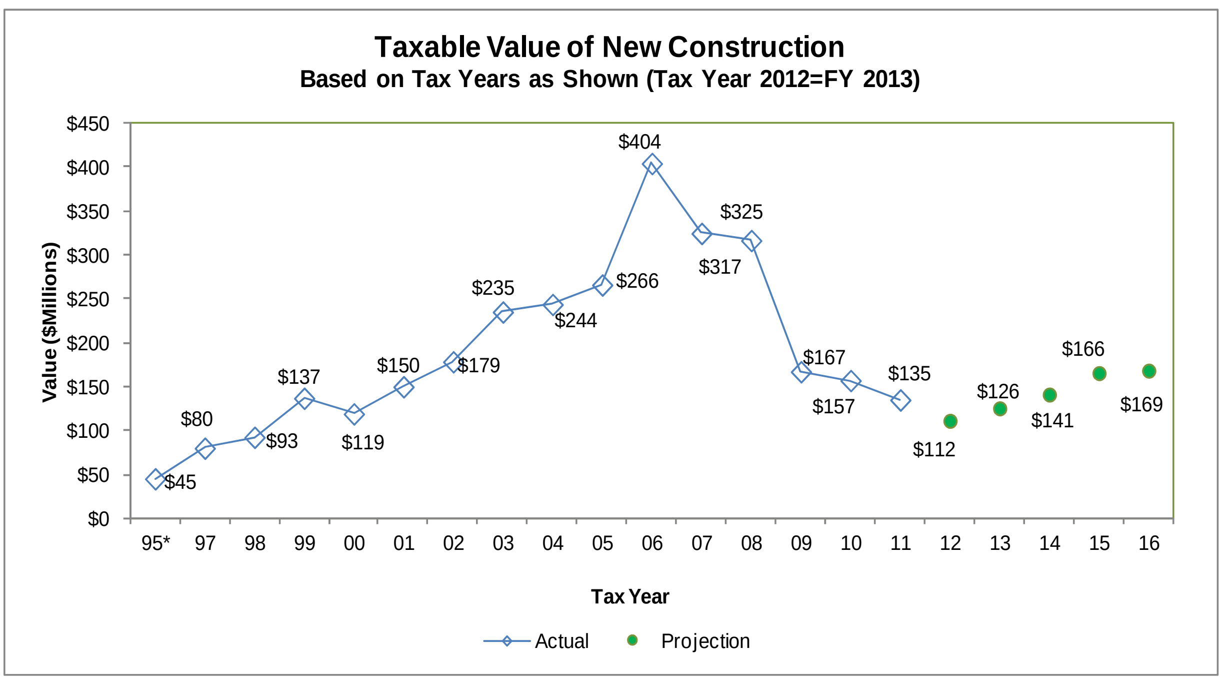
The timing of this revenue source is important to understand as well. For instance, property tax revenue in the current FY 2012 is based on property values as of January 1, 2011. This means that construction and real estate market forces during calendar year 2010 combined to provide the basis for the FY 2012 property tax roll. This lag between the time that real estate market activity takes place and the tax roll is budgeted and collected is important. The delay provides an opportunity for the City to collect and analyze information on new construction and real estate markets well before the appraisal districts provide the annual certified tax roll.

As shown in the graph on the next page, while total property tax revenue has grown rapidly in the last ten years, the rate of growth in this important revenue source has slowed in the last two fiscal years. Also, based on preliminary information from GCAD, it will grow at a similarly slow pace next fiscal year. This forecast projects property tax revenue to grow at a steady but slow rate. First, the general economic assumptions used for the forecast project a gradual increase from the currently slowed rate of new construction caused by prior NASA cutbacks. Secondly, this forecast assumes that new property tax revenue growth will be solely dependent on the amount of new construction that takes place each year with no appreciation in existing property values included in the taxable property calculation.

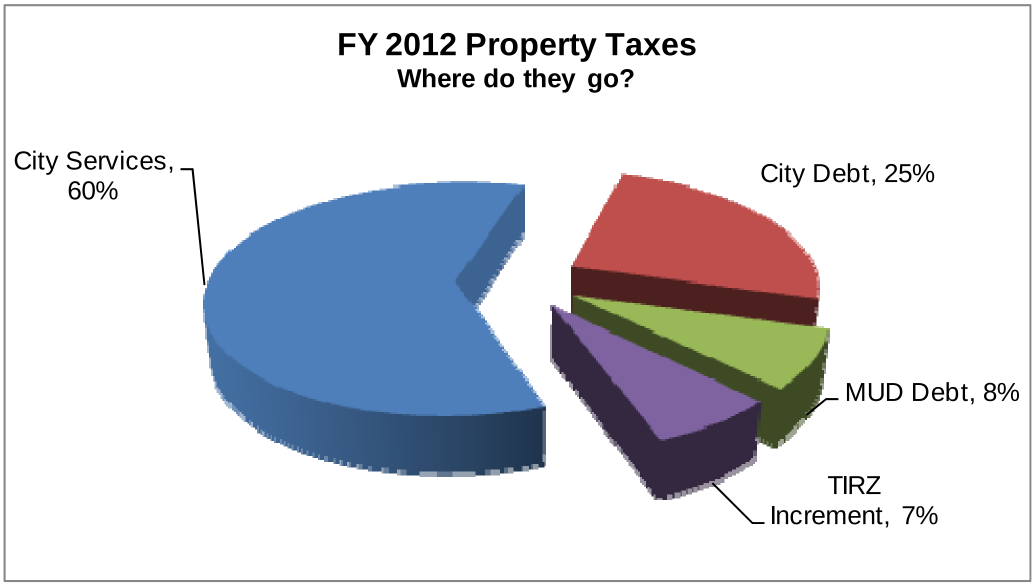
These projections assume the continuation of the current property tax rate, and its split between the General Fund and Debt Service Funds remain the same as in FY 2012 (see table on preceding page).



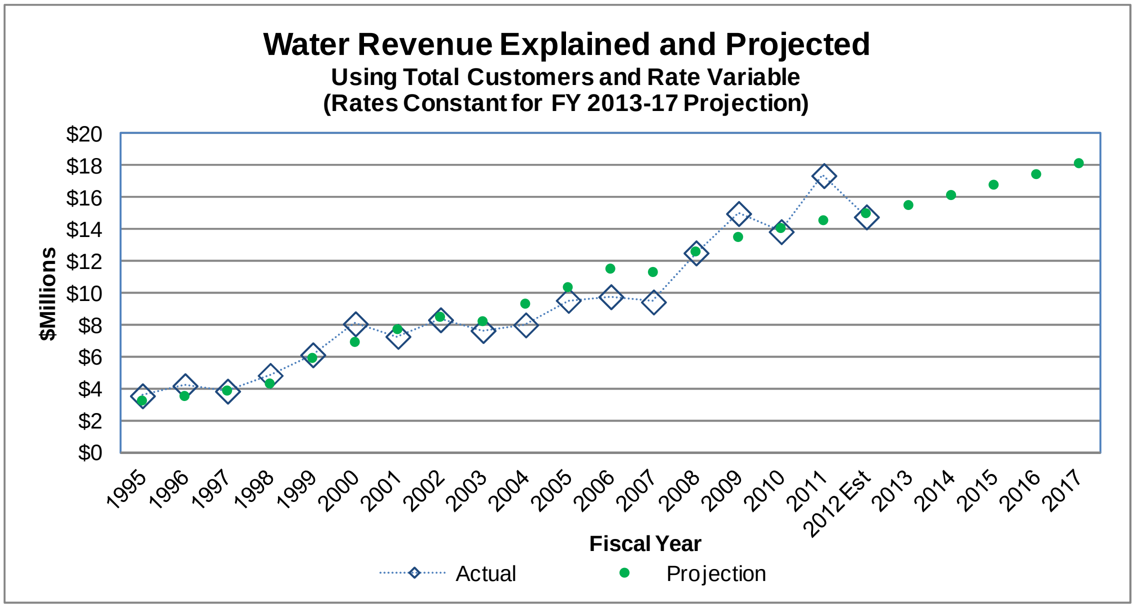
The estimates of new construction used to project the revenue growth shown in the graph below are based on the number of new homes built each year and minimal amounts for new construction of multifamily and commercial properties. The estimated amount shown for Fiscal Year 2013 is based on preliminary information provided by the Galveston County Appraisal District.



All property taxes collected by the City are not used strictly for City operations or debt issued by the City itself. The pie chart on the next page illustrates that 15% of total property tax revenue goes to in-city Municipal Utility Districts (MUDs) and Tax Increment Reinvestment Zones (TIRZs) combined. During the five-year LRFF period, this percentage of property tax revenue going to MUDs and TIRZs is projected to drop to approximately 11%. This reduction in share of property tax revenue going to MUD's and TIRZ's is largely due to the decline in the payment schedule for MUD rebates from FY 2014 to FY 2015. It is also important to note that the share of property taxes for City operations and for City debt has increased slightly since FY 2010 as the result of the dissolution of the Magnolia Creek TIRZ (3%) and South Shore Harbour MUD's 2 and 3 (1.7%).



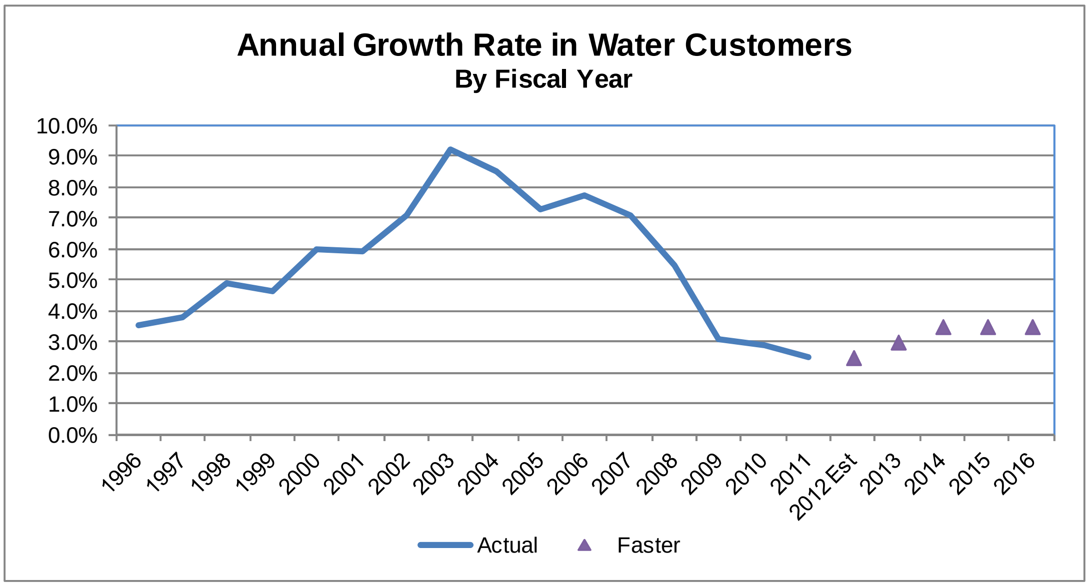
Water and Wastewater Revenue
The City's second largest revenue source comes from monthly payments by the City's approximately 28,000 water system customers. It has grown at a steady pace during the last 10 years. The graph shows actual revenue explained largely by two factors: the number of total water and wastewater customers as well as rates. A third major factor is rainfall or the lack thereof and the impact this has on water consumption, particularly during hot, dry summer months.



The water revenue model results presented here does not incorporate actual rainfall and temperature from prior years but presents a “normal” weather type of projection, e.g. revenue that would be collected in an average or normal year. As you can see, this modeling approach adjusts for abnormally dry years such as FY 2009 and FY 2011. In such a year, water revenue (and related wastewater revenue) will almost assuredly be more than is predicted by the model. Conversely, water revenue in a very wet or rainy year will be less than predicted by the model (see FY 2006 and 2007 in the graph).

The water revenue projection in this forecast: (1) is based on a “normal’ or average climatic year in every year of the five year forecast, (2) assumes the total number of water customers will maintain its current 2.2% annual growth rate through FY 2012, (3) increase its rate of growth to 2.5% in FY 2013, and (4) then will recover to a long-term 3% growth rate. The projections also assume no change in water rates during the FY 2013-2017 period.

The wastewater revenue used in the forecast uses the average ratio of wastewater revenue to water revenue for the last three years and applies that ratio to the water revenue projections depicted here.



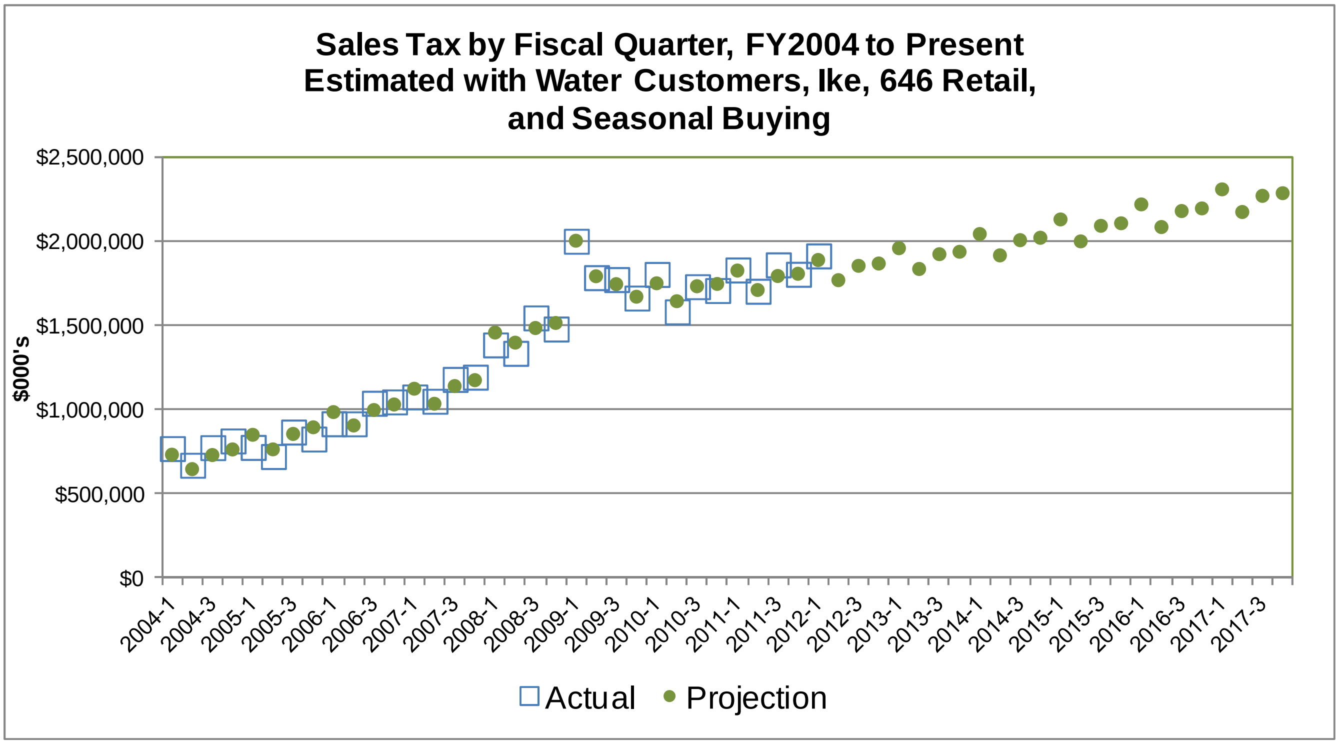
For more information on the water revenue projections see the detail provided in the Appendices for the water revenue model.

Sales Taxes

The City sales tax, which provides the City’s third largest revenue source, is 1.75% on taxable items. Of this amount, 0.25% goes to the City’s 4B economic development corporation “to promote and develop amateur sports complexes.” The remaining 1.5% goes into the City’s General Fund with 1% intended for support of general operations and 0.5% intended to provide property tax relief.

Sales taxes can be extremely volatile even in stable economic times, making it especially difficult to project revenue from this large, important source. Since 2008, sales taxes have been especially volatile and hard to explain because of the downturn, Hurricane Ike, the retail growth at I45 and SH 646, as well as League City’s own population growth.

This forecast features a simplified sales tax model that (1) does the best job of explaining sales tax receipts in the last year, and (2) limits the number of independent or explanatory variables. The new model utilizes quarterly data beginning in FY 2004, capturing the dynamics of rapid growth that was just underway at that time. The new model also relies strictly on League City data, eliminating the metropolitan area variables which were useful when looking at League City's sales taxes as far back as 1995. The results of this model are depicted on the next page.



The sales tax model used in the LRFF attempts to measure the combined effect of four factors on past receipts and use that to project future receipts given conservative economic and demographic assumptions.

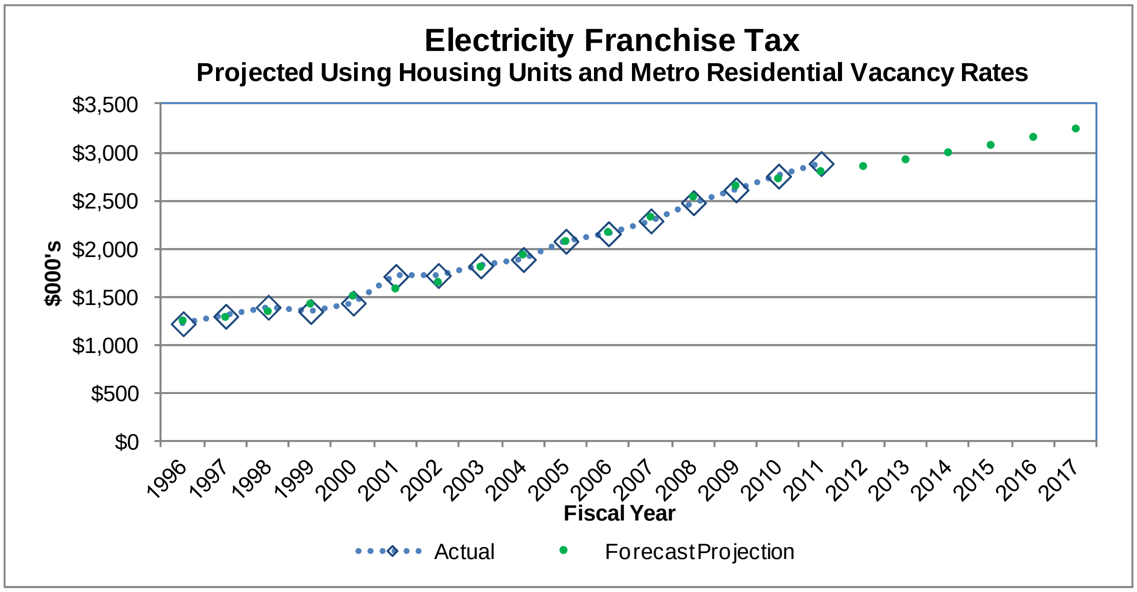
- First, League City's water customer count provides the most reliable indicator of the City's sales tax receipts since FY 2004.
- Second, League City's economy has seen a major growth in retail business in the I45/SH646 corridor (see discussion in the Economic Outlook).
- Third, as mentioned previously, Hurricane Ike produced additional sales tax revenue in FY 2009 as the result of one-time sales of building materials, supplies and equipment used in preparation and recovery.
- Fourth, seasonal purchasing during the October-December or Christmas quarter is usually offset by a similar amount of saving on consumer goods in the January to March quarter.

The sales tax model shown in the previous graph presents projections using the combined effects of the economic and demographic factors discussed. The current estimate of sales tax revenue for FY 2012 is $11.1 million (excluding a one-time windfall of $590,000 received in January as the result of an audit by the State Comptroller's Office) or $127,000 better than originally budgeted last summer. The forecast includes gradual growth in sales tax revenue for the FY 2013-2017 period using the national and local economic assumptions included in the forecast. For more detailed statistical information and projections on the sales tax model, see the Appendices.

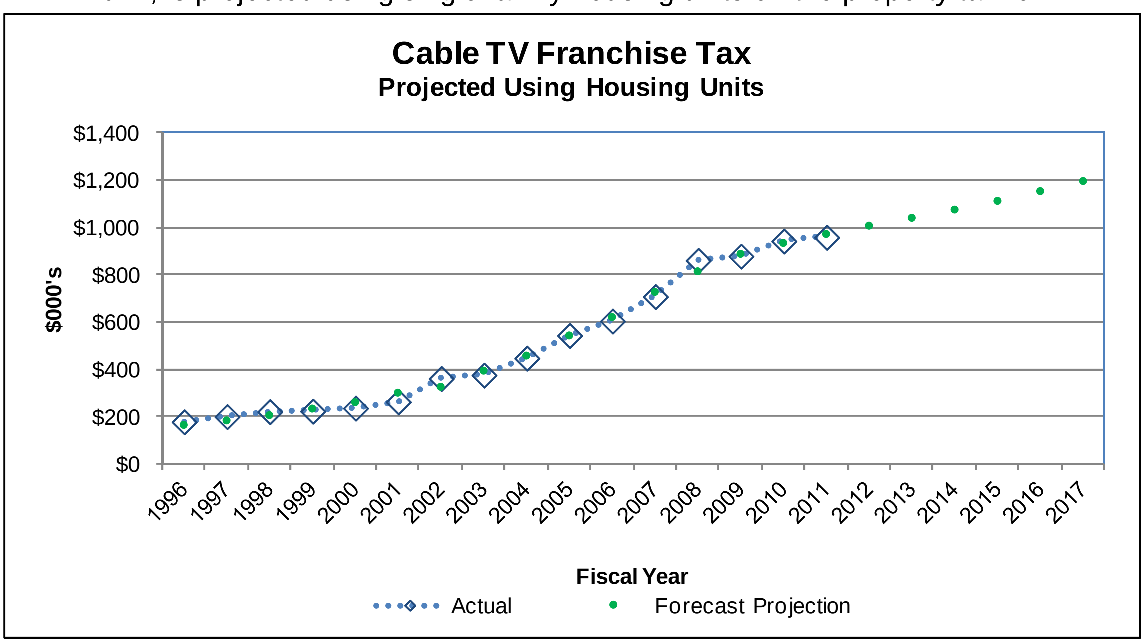
Franchise & Other Taxes

These revenue sources are accounted for as part of the General Fund including electricity, natural gas, cable television, and telephone franchise taxes as well as mixed beverage taxes.

Electricity franchise taxes, the largest of this group of revenues (estimated to bring in $2.8 million in the current fiscal year, FY 2012), is projected using two key indicators of electricity usage: the number of housing units shown on the property tax roll by the appraisal districts and the overall residential vacancy rate for the metropolitan area. The forecast assumes the number of housing units built each year as shown in the Forecast Assumptions table, and the general area residential vacancy rate will continue its gradual decline through 2017 to 7.75%, approximately the same level as in the early 2000's prior to the housing boom. For more information on the electricity franchise tax model, see the Appendices.



Cable TV franchise taxes, the second largest of this group of revenues at $1 million estimated to be received in FY 2012, is projected using single family housing units on the property tax roll.



The cable franchise tax forecast assumes that the number of housing units will increase as reflected in the Forecast Assumptions table. For more information on the Cable Television Franchise tax model, see the Appendices.

Telephone franchise taxes are held constant through the forecast period because of the increasing reliance on cellular technology in lieu of land lines, and the assumption that this trend will be offset by the City's slight growth. Natural Gas franchise taxes and mixed beverage taxes are projected at the general rate of growth projected for League City.

Remaining Revenue Categories are projected in the forecast as follows:
Licenses and Permits: Construction permit revenue comprises two-thirds of this category, and is tied to the dollar value of new construction projected for the forecast period. The remaining licenses and permits are projected to remain flat.
Grant revenue and expenditures are held flat. Individual grants would be incorporated as they are received.
Charges for Service: General population growth rate. This category includes garbage fees and ambulance fees. Park fees are also in this category, but not including anticipated fees from Eastern Regional Park recreation and athletics programs. The costs and fees associated with the Park are addressed in the Special Issues section of the Forecast.
Fines and Forfeits: General population growth rate.
Investment Earnings are expected to increase gradually beginning in FY 2012 returning to 2.5% in FY 2017.
Miscellaneous revenue is projected at FY 2011 levels.

MAJOR REVENUE PROJECTIONS
($THOUSANDS)

Revenue Source	FY 2012 Estimate	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast
Based on Models						
Property Tax	$33,707	$34,394	$35,168	$36,039	$37,061	$38,100
Water & Wastewater Fees	$26,798	$27,916	$29,047	$30,218	$31,415	$32,652
Sales Tax	$11,688	$11,470	$11,967	$12,478	$13,002	$13,541
Electricity Franchise	$2,857	$2,926	$2,999	$3,076	$3,159	$3,246
Cable TV Franchise	$1,006	$1,039	$1,074	$1,111	$1,152	$1,195
Based on Other Assumptions						
Other Franchise Taxes	$877	$890	$906	$923	$940	$957
Charges for Service	$4,580	$4,676	$4,795	$4,917	$5,043	$5,172
Fines and Forfeits	$1,887	$1,934	$1,992	$2,052	$2,114	$2,177
Licenses and Permits	$1,715	$2,111	$2,180	$2,257	$2,376	$2,390

This page intentionally left blank

LONG RANGE FINANCIAL FORECAST
EXPENDITURE OVERVIEW

Baseline Forecast Methodology

Expenditures are forecasted for the City's three major funds: General, Utility and Debt Service. A baseline forecast is presented herein that includes expenditures already approved by and/or committed to by the Mayor and City Council as well as those that are mandated by the State of Texas or the federal government. Rising costs due to inflation, population growth and/or interest rates are also anticipated and made a part of this forecast through growth factors applied to each forecast category.

EXPENDITURE GROWTH ASSUMPTIONS

EXPENDITURE CATEGORY	EXPLANATION	FY 2013 FORECAST	FY 2014 FORECAST	FY 2015 FORECAST	FY 2016 FORECAST	FY 2017 FORECAST
Personnel Services						
Salaries	Policy issue for City Council's consideration.	Baseline holds constant at FY 2012 Budgeted positions annualized with 1% per year allowance for steps for civil service employees.				
Other Pay						
Social Security	Required by federal law (FICA)	7.65%	7.65%	7.65%	7.65%	7.65%
Pension and Social Security	Required by state law and local ordinance including phase-in rate	14.00%	14.23%	14.63%	15.20%	15.20%
Health and Life Insurance	Higher than core CPI.	10.00%	10.00%	10.00%	10.00%	10.00%
Supplies						
Energy Supplies	Higher prices in FY 2011 already adjusted base by 50%.	5.00%	5.00%	5.00%	5.00%	5.00%
General Supplies	Core CPI.	1.00%	2.00%	2.00%	2.00%	2.00%
Maintenance Supplies	Influenced by energy CPI.	4.50%	3.50%	3.50%	3.50%	3.50%
Small Capital	Core CPI.	1.00%	2.00%	2.00%	2.00%	2.00%
Services						
Maintenance Services	Core CPI.	1.00%	2.00%	2.00%	2.00%	2.00%
Water purchases	New price agreement with Houston built into base; no price change until FY14; population growth FY13, population plus core CPI thereafter	2.50%	5.00%	5.00%	5.00%	5.00%
Vehicle Maintenance	Core CPI	1.00%	2.00%	2.00%	2.00%	2.00%
Office Services	Core CPI.	1.00%	2.00%	2.00%	2.00%	2.00%
Other Services	Core CPI.	1.00%	2.00%	2.00%	2.00%	2.00%
Professional Services	Core CPI.	1.00%	2.00%	2.00%	2.00%	2.00%
Utilities	Like maintenance supplies except reflects electricity contract price for two years	0.00%	3.50%	3.50%	3.50%	3.50%
Utilities for water services	Population plus energy CPI	7.50%	8.00%	8.00%	8.00%	8.00%
Refuse pickup services	Population	2.50%	3.00%	3.00%	3.00%	3.00%
Water Purchases	Population plus core CPI	3.50%	5.00%	5.00%	5.00%	5.00%
Capital Outlay						
Motor Pool Replacement	Core CPI.	1.00%	2.00%	2.00%	2.00%	2.00%
Vehicles and Equipment	Core CPI.	1.00%	2.00%	2.00%	2.00%	2.00%
Transfers						
TIRZ increment payments		Property tax roll growth rates				
General Fund to Project Fund		Flat $200,000 per year as required by City financial policy.				
TIRZ Increment		Based on property tax revenue and TIRZ increment assumptions.				

The growth assumptions shown on the previous page are based on a slightly lower core inflation rate in FY 2013 based on indications from the City's suppliers concerning price increases, with proportionally higher rates for energy costs. Health care inflation is assumed to be 10% annually based on the benefit year (calendar year) through the forecast period. Vehicle maintenance and motor pool replacement costs charged to the General and Utility Funds are based on estimated increases in Motor Pool Fund expenditures using baseline assumptions and core inflation.

An adjustment is coming to the City's Texas Municipal Retirement System contribution rate beginning in FY 2014. Based on information provided last summer, the City's contribution rate will rise from its current 14% level over a three year period culminating in a 15.2% rate in FY 2016. This issue was addressed in last year's LRFF as a special issue. The reason for this increase is to recognize changes in the actuarial basis for calculating future retirement benefits for city employees that anticipate their actual retirement wage when they retire. This adjustment is the result of a six year phase-in to new rates that the City has participated in up to this point by holding to its 14% rate.

City Council can choose to offset this increase with adjustments to the existing benefit structure provided to City retirees. The timing for this decision is not imminent and will be reviewed thoroughly prior to the initiation of the FY 2014 financial planning process.

Baseline expenditures are forecast over the five years through the following process:

1. Combine line items into forecast categories (shown on the previous page) summarizing similar line items into a single category;
2. Convert the FY 2012 Budget amount for each department and line item into summary amounts for the nineteen categories by department;
3. Adjust the FY 2012 Budget by category into the FY 2013 "Base" for the forecast by:
   a. Adjusting personnel budgets to reflect twelve months of cost for current budgeted positions, incumbents' salaries and benefit levels; and
   b. Reducing budgets by the amount of one-time or non-recurring items included in this year's budget.
4. Identify individual programs for which expenditures and revenues will have to be budgeted in a future year as the result of a commitment by Mayor and City Council and/or a State or federal mandate. This includes maintenance and operating costs for new facilities included in the FY2012-2016 CIP.
5. Apply inflation and growth assumptions as displayed in the chart on the previous page.

The outcome of these projections and adjustments is discussed in each fund's narrative section of this Forecast.

Beyond Baseline

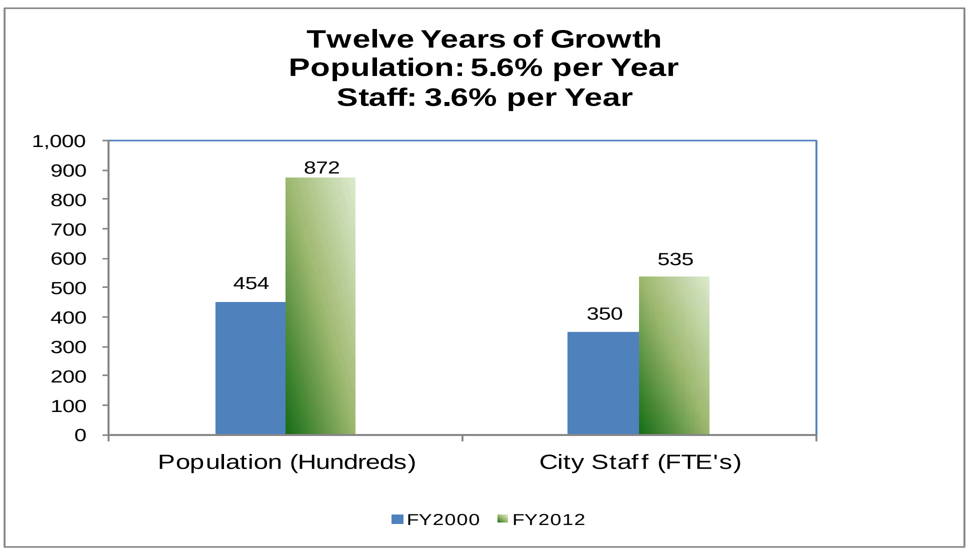
The baseline forecast does not presume to predict or propose a course of action in two important areas: pay raises and staffing growth. However, the forecast includes cost estimates of potential increases in these areas as "Alternative Cost Scenarios" for informational purposes. **Pay raises** are assumed to be in the form of performance or merit-based for civilian employees with an average amount based on the core Consumer Price Index used in the forecast. Baseline salary calculations for civil service employees include step increases by tenured anniversary dates according to city ordinance. Alternative Cost

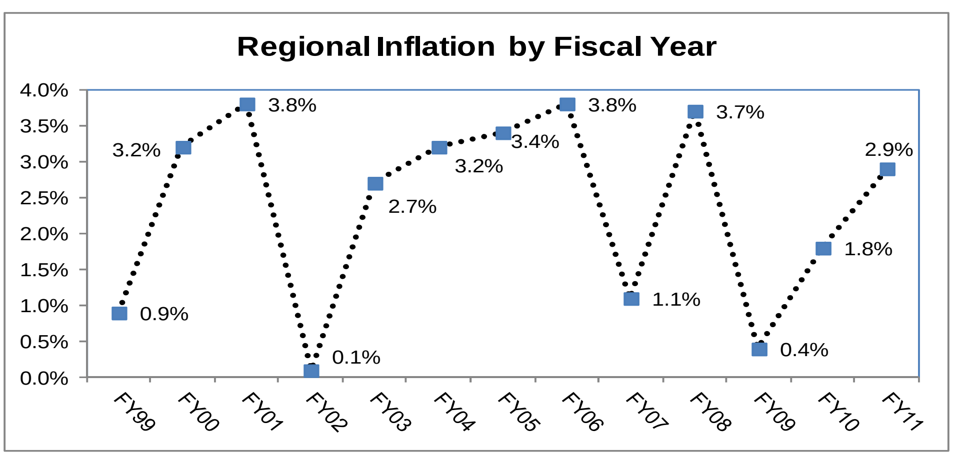
Scenarios include the estimated cost of across-the-board pay increases for civil service personnel that increase every step in the civil service pay plan by core CPI. The CPI-based increases are assumed to take place on October 1 each year for purposes of calculation.

Staffing increases are projected based on the trends of population and staffing changes over the last ten years. Staff has grown an average of 3.6% per year since 2000 while the population of the city has grown 5.6% per year on average. The forecast assumes that the relationship between the two statistics remains generally the same over the next five years, e.g. that staff growth could be roughly two-thirds of population growth annually.

The basic population growth assumption in this forecast is that the city will grow at the same rate as water customers. If city staff were to grow by roughly the same proportionality to that number as in the last ten years, staff would grow approximately two-thirds of this rate.

An alternative cost is presented for each of the three operating funds (General, Utility and Motor Pool) that show the effect of this staff growth each year. Projected costs include proportional amounts of supply and service costs that would be associated with higher staffing levels.





This page intentionally left blank

APPENDICES

This page intentionally left blank

REVENUE MODELS

LEAGUECITY
TEXAS
LIVE IT. LOVE IT.

WATER REVENUE MODEL
STATISTICAL ANALYSIS

v2.24

Test	**Regression - Linear**
Performed by	Water Rev v Water Rates, Total Customers Fiscal Year mike.loftin
Date	15 April 2012

n	18 (cases excluded: 3 due to missing values)

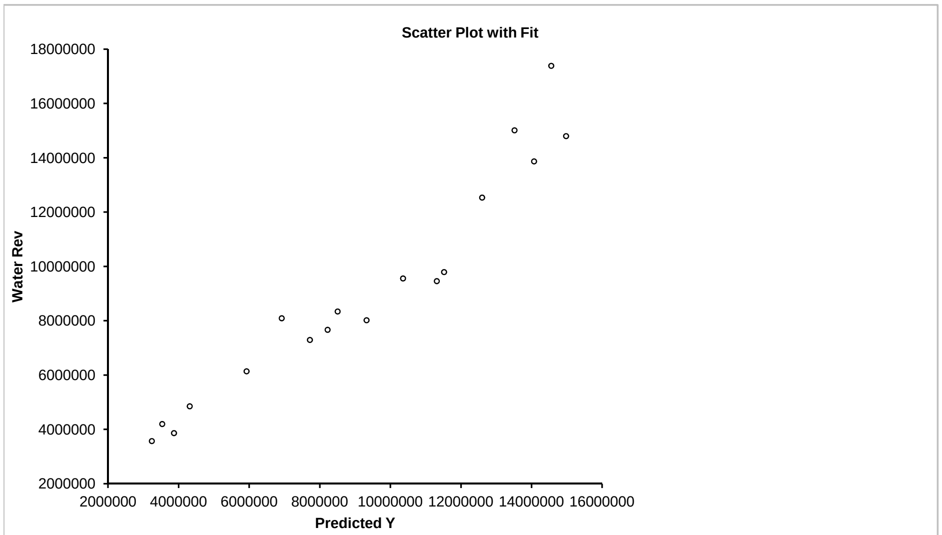
Analyse-it

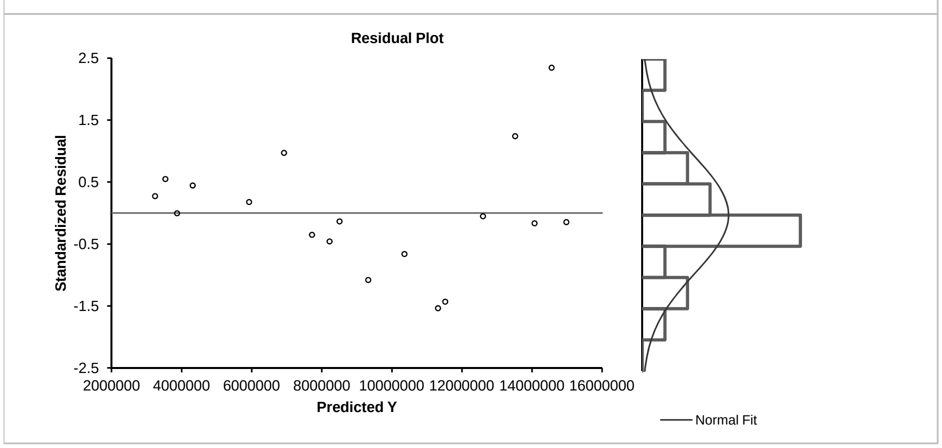
R^2	0.92
Adjusted R^2	0.91
SE	1,207,234.1

Term	Coefficient	95% CI	SE	t statistic	DF	p
Intercept	-9666268	-15704413 to -3628123	2832882	-3.41	15	0.0039
Water Rates	4507171	384106 to 8630237	1934395	2.33	15	0.0342
otal Customers Fiscal Year	730.9	606.0 to 855.8	58.60	12.47	15	<0.0001

Water Rev = -9666268 + 4507171Water Rates + 730.9Total Customers Fiscal Year

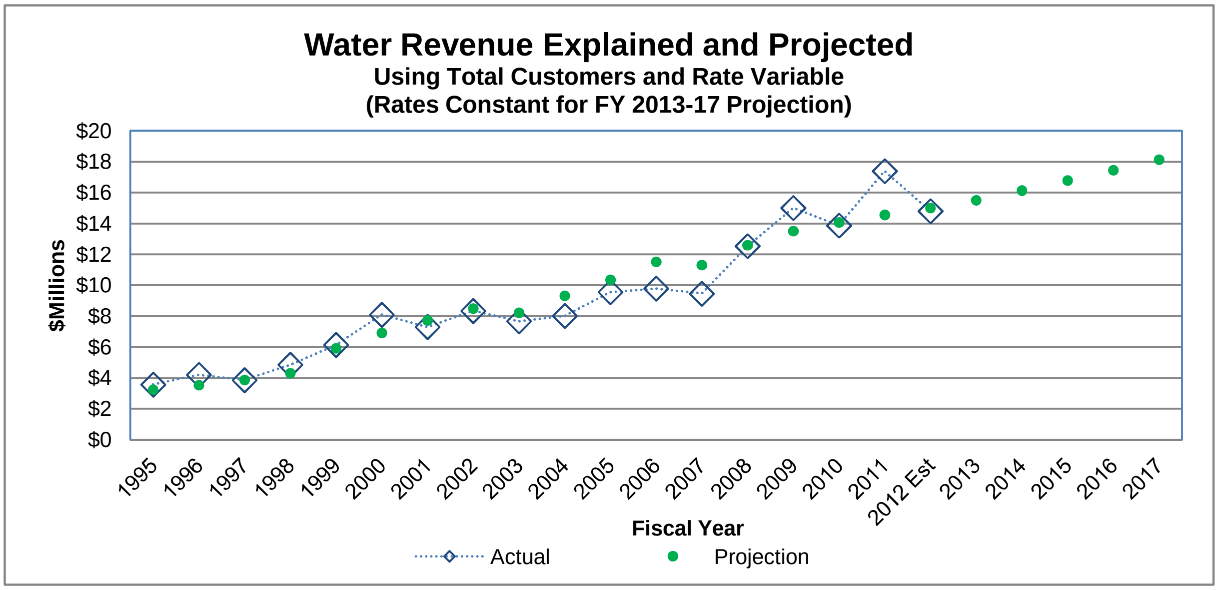
Source of variation	Sum squares	DF	Mean square	F statistic	p
Model	###########	2	###########	91.43	<0.0001
Residual	###########	15	###########		
Total	###########	17			





WATER REVENUE MODEL CALCULATIONS
APRIL 2012

FY	Actual Water Revenue	Total Water Customers FY	Water Rate Factor	Estimated Water revenue	Estimate (Over)/ Under Actual
1995	3,571,039	11,492	1.00	$3,240,000	$331,039
1996	4,198,839	11,894	1.00	$3,534,000	$664,839
1997	3,864,342	12,350	1.00	$3,868,000	($3,658)
1998	4,852,428	12,961	1.00	$4,314,000	$538,428
1999	6,140,107	13,560	1.26	$5,924,000	$216,107
2000	8,093,527	14,379	1.35	$6,920,000	$1,173,527
2001	7,295,072	15,222	1.39	$7,718,000	($422,928)
2002	8,342,438	16,297	1.39	$8,504,000	($161,562)
2003	7,668,143	17,792	1.08	$8,220,000	($551,857)
2004	8,020,733	19,302	1.08	$9,323,000	($1,302,267)
2005	9,559,073	20,715	1.08	$10,356,000	($796,927)
2006	9,793,462	22,306	1.08	$11,519,000	($1,725,538)
2007	9,460,441	23,894	0.78	$11,313,000	($1,852,559)
2008	12,535,654	25,218	0.85	$12,597,000	($61,346)
2009	15,013,544	26,002	0.93	$13,514,000	$1,499,544
2010	13,869,506	26,759	0.93	$14,068,000	($198,494)
2011	17,387,708	27,425	0.93	$14,555,000	$2,832,708
2012 Est	14,800,000	28,030	0.93	$14,997,000	($197,000)
2013		28,730	0.93	$15,509,000	
2014		29,590	0.93	$16,137,000	
2015		30,480	0.93	$16,788,000	
2016		31,390	0.93	$17,453,000	
2017		32,330	0.93	$18,140,000	
Constant/ Correlation Coefficients	-9666268	730.9	4507171		



SALES TAX MODEL
STATISTICAL ANALYSIS

v2.24

Test	**Regression - Linear**		
	City Sales Tax v Total Water Customers, 646 #2, Allison/Ike Variable #2, Seasonal Adjustment Var #1		
Performed by	mike.loftin	Date	1 March 2012

n 33 (cases excluded: 28 due to missing values)

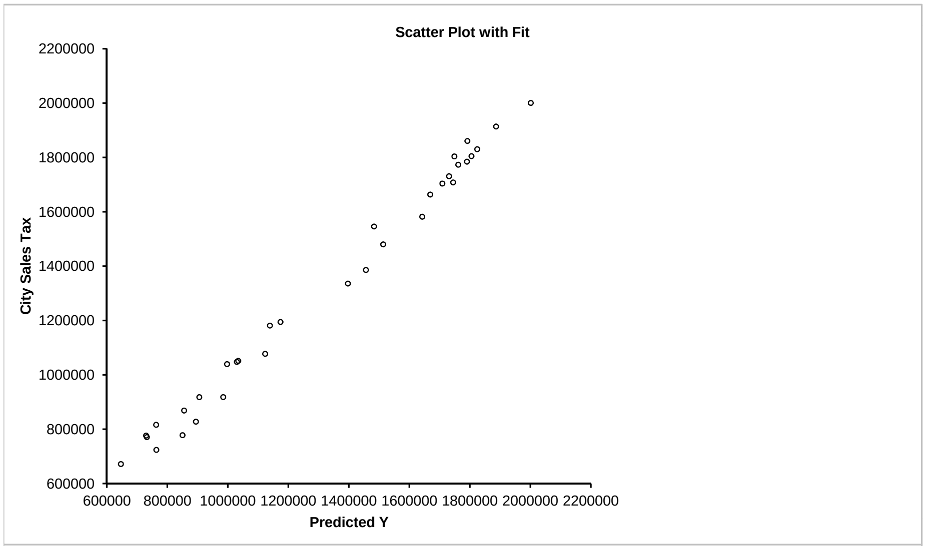
R^2	0.990446
Adjusted R^2	0.989081
SE	$45,259.0

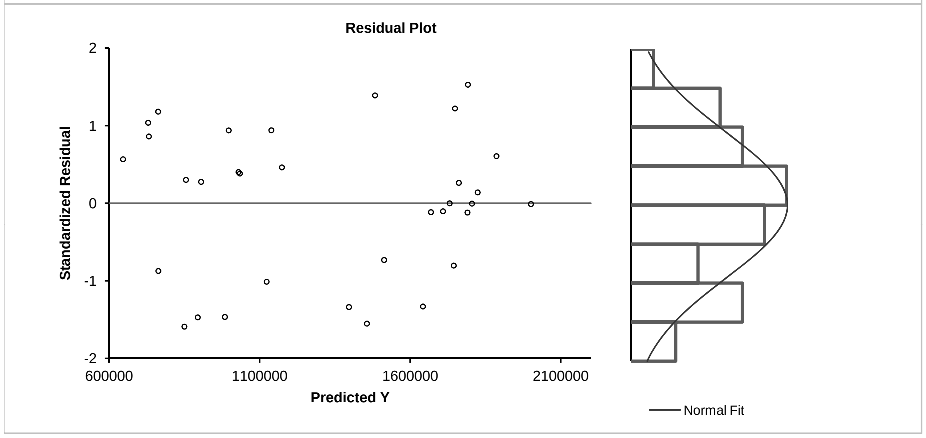
Analyse-it

Term	Coefficient	95% CI	SE	t statistic	DF	p
Intercept	-962840	-1240345 to -685335	135474	-7.11	28	<0.0001
Total Water Customers	87.06	74.23 to 99.89	6.263	13.90	28	<0.0001
646 #2	195411	151433 to 239389	21469	9.10	28	<0.0001
Allison/Ike Variable #2	1304	994 to 1614	151.4	8.61	28	<0.0001
easonal Adjustment Var #1	32636	20385 to 44887	5981	5.46	28	<0.0001

City Sales Tax = -962840 + 87.06Total Water Customers + 195411646 #2 + 1304Allison/Ike Variable #2 + 32636Se

Source of variation	Sum squares	DF	Mean square	F statistic	p
Model	############	4	############	725.66	<0.0001
Residual	############	28	############		
Total	############	32			





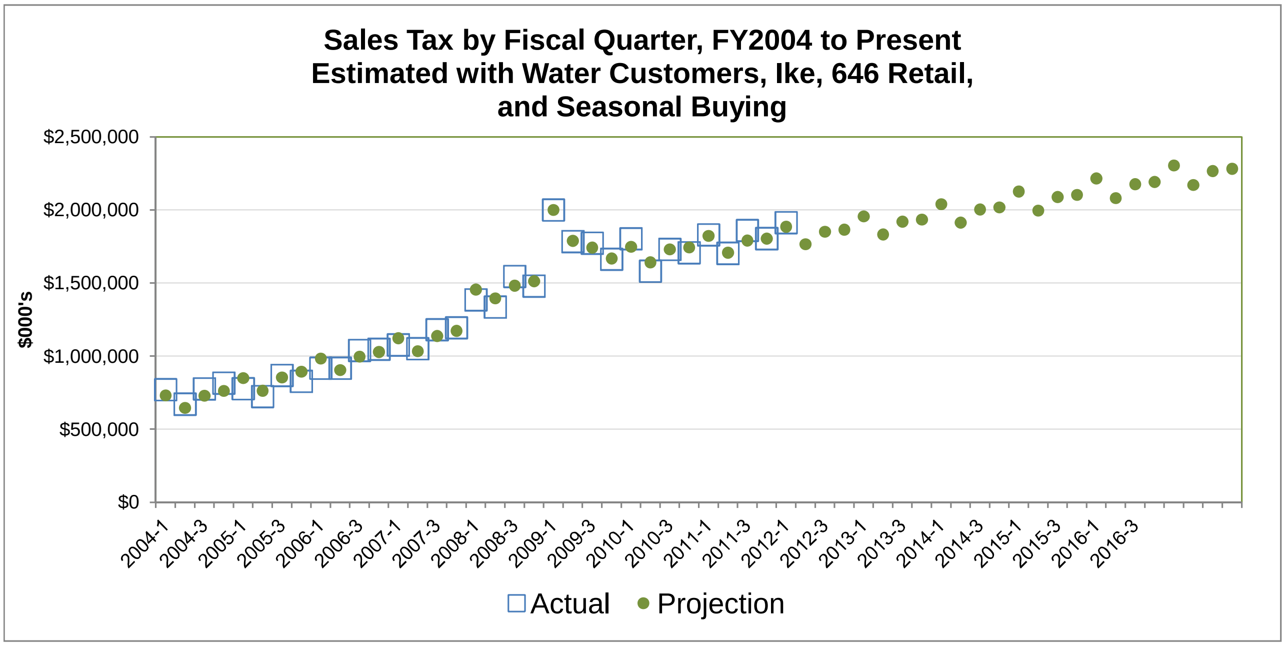
LEAGUECITY TEXAS

SALES TAX MODEL CALCULATIONS
APRIL 2012

Multipliers	-962840	87.06	32636	195411	1304		
Fiscal Year-Quarter	Actual COLC Sales Tax on 1% Base	Total COLC Water Customers	Christmas Season Adjustment Variable	646 Retail Corridor Variable	Allison/Ike Related Sales Variable	Model's Estimated Tax	Est (Over)/ Under Actual
2004-1	$770,971	18,837	1.68	0.00	0.00	$731,938	$39,033
2004-2	$671,849	19,111	(1.68)	0.00	0.00	$646,135	$25,714
2004-3	$776,547	19,439	0.00	0.00	0.00	$729,519	$47,028
2004-4	$816,185	19,820	0.00	0.00	0.00	$762,689	$53,496
2005-1	$777,990	20,169	1.74	0.00	0.00	$849,860	($71,870)
2005-2	$723,932	20,480	(1.74)	0.00	0.00	$763,362	($39,430)
2005-3	$868,759	20,881	0.00	0.00	0.00	$855,060	$13,699
2005-4	$827,671	21,330	0.00	0.00	0.00	$894,150	($66,479)
2006-1	$918,225	21,700	1.78	0.00	0.00	$984,454	($66,229)
2006-2	$917,923	22,126	(1.78)	0.00	0.00	$905,357	$12,566
2006-3	$1,039,629	22,512	0.00	0.00	0.00	$997,055	$42,574
2006-4	$1,047,792	22,885	0.00	0.00	0.00	$1,029,528	$18,264
2007-1	$1,077,378	23,281	1.81	0.00	0.00	$1,123,075	($45,697)
2007-2	$1,051,507	23,616	(1.81)	0.00	0.00	$1,034,098	$17,409
2007-3	$1,181,340	24,139	0.00	0.00	0.00	$1,138,701	$42,639
2007-4	$1,194,700	24,541	0.00	0.00	0.00	$1,173,699	$21,001
2008-1	$1,385,982	24,839	1.87	1.00	0.00	$1,456,084	($70,102)
2008-2	$1,336,077	25,063	(1.87)	1.22	0.00	$1,396,517	($60,440)
2008-3	$1,546,038	25,356	0.00	1.22	0.00	$1,483,055	$62,983
2008-4	$1,480,261	25,613	0.00	1.26	0.00	$1,513,246	($32,985)
2009-1	$2,000,723	25,761	1.87	1.63	262.00	$2,001,110	($387)
2009-2	$1,784,770	25,885	(1.87)	1.68	178.00	$1,790,081	($5,311)
2009-3	$1,773,439	26,061	0.00	1.73	76.00	$1,743,196	$30,243
2009-4	$1,663,690	26,300	0.00	1.75	0.00	$1,668,807	($5,117)
2010-1	$1,803,943	26,433	1.91	1.78	0.00	$1,748,583	$55,360
2010-2	$1,582,075	26,643	(1.91)	1.78	0.00	$1,642,196	($60,121)
2010-3	$1,731,034	26,902	0.00	1.80	0.00	$1,730,988	$46
2010-4	$1,708,230	27,057	0.00	1.80	0.00	$1,744,482	($36,252)
2011-1	$1,830,429	27,191	1.96	1.82	0.00	$1,824,023	$6,406
2011-2	$1,704,205	27,337	(1.96)	1.82	0.00	$1,708,801	($4,596)
2011-3	$1,860,797	27,508	0.00	1.84	0.00	$1,791,563	$69,234
2011-4	$1,804,927	27,663	0.00	1.84	0.00	$1,805,057	($130)
2012-1	$1,913,960	27,800	2.01	1.86	0.00	$1,886,491	$27,469
2012-2		27,934	(2.01)	1.86	0.00	$1,766,960	
2012-3		28,113	0.00	1.88	0.00	$1,852,050	
2012-4		28,272	0.00	1.88	0.00	$1,865,893	
2013-1		28,495	2.07	1.90	0.00	$1,956,772	
2013-2		28,632	(2.07)	1.90	0.00	$1,833,586	
2013-3		28,816	0.00	1.92	0.00	$1,921,070	
2013-4		28,979	0.00	1.92	0.00	$1,935,261	
2014-1		29,350	2.13	1.94	0.00	$2,040,983	
2014-2		29,491	(2.13)	1.94	0.00	$1,914,229	
2014-3		29,680	0.00	1.96	0.00	$2,004,106	
2014-4		29,848	0.00	1.96	0.00	$2,018,732	
2015-1		30,231	2.19	1.98	0.00	$2,127,457	
2015-2		30,376	(2.19)	1.98	0.00	$1,997,136	
2015-3		30,570	0.00	2.00	0.00	$2,089,406	
2015-4		30,743	0.00	2.00	0.00	$2,104,468	
2016-1		31,138	2.26	2.02	0.00	$2,216,522	
2016-2		31,287	(2.26)	2.02	0.00	$2,081,979	
2016-3		31,487	0.00	2.04	0.00	$2,177,057	
2016-4		31,665	0.00	2.04	0.00	$2,192,553	
2016-1		32,072	2.26	2.06	0.00	$2,305,652	
2016-2		32,226	(2.26)	2.06	0.00	$2,171,545	
2016-3		32,432	0.00	2.08	0.00	$2,267,145	

SALES TAX MODEL CALCULATIONS
APRIL 2012

Multipliers	-962840	87.06	32636	195411	1304		
Fiscal Year-Quarter	Actual COLC Sales Tax on 1% Base	Total COLC Water Customers	Christmas Season Adjustment Variable	646 Retail Corridor Variable	Allison/Ike Related Sales Variable	Model's Estimated Tax	Est (Over)/ Under Actual
2016-4		32,615	0.00	2.08	0.00	$2,283,077	



SALES TAX BY FISCAL YEAR AND CONVERTED FROM 1% TO 1.5%

Fiscal Year	1% Tax ($000's)		1.5% Tax ($000's)		
	Actual	Estimate	Actual	Estimate	Est (Over)/Under Actual
2004	$3,036	$2,870	$4,553	$4,305	$248
2005	$3,198	$3,362	$4,798	$5,044	($246)
2006	$3,924	$3,916	$5,885	$5,875	$10
2007	$4,505	$4,470	$6,757	$6,704	$53
2008	$5,748	$5,849	$8,623	$8,773	($150)
2009	$7,223	$7,203	$10,834	$10,805	$29
2010	$6,825	$6,866	$10,238	$10,299	($61)
2011	$7,200	***$7,129***	$10,801	***$10,694***	$107
2012		***$7,399***		***$11,098***	
2013		***$7,647***		***$11,470***	
2014		***$7,978***		***$11,967***	
2015		***$8,318***		***$12,478***	
2016		***$8,668***		***$13,002***	
2017		***$9,027***		***$13,541***	

ELECTRICITY FRANCHISE TAX MODEL
STATISTICAL ANALYSIS

v2.24

Test	**Regression - Linear**		
	Electricity Franchise Tax by FY v SF Cat A Housing Units per CAD, Residential Vacancy Rates Lagged 1 Year		
Performed by	mike.loftin	Date	15 April 2012

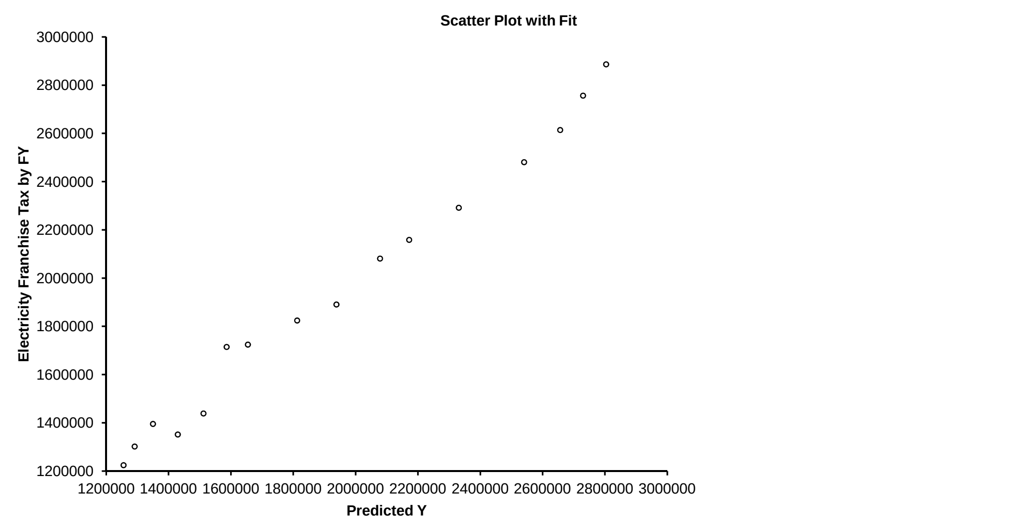
n	16	(cases excluded: 42 due to missing values)

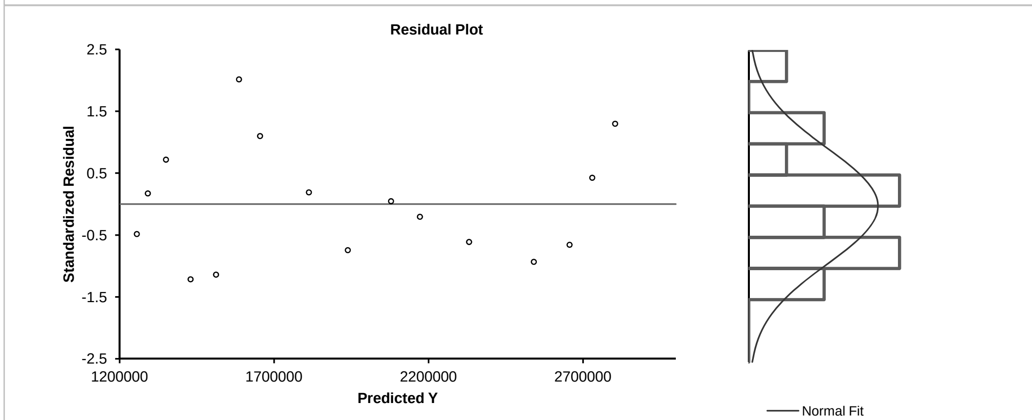
R^2	0.98802
Adjusted R^2	0.98617
SE	63876.0829

Term	Coefficient	95% CI	SE	t statistic	DF	p
Intercept	444986	185013 to 704958	120337	3.70	13	0.0027
SF Cat A Housing Units per CAD	99.72	92.95 to 106.49	3.134	31.82	13	<0.0001
Residential Vacancy Rates Lagged 1 Year	-3041592	-5594135 to -489048	1181531	-2.57	13	0.0231

Electricity Franchise Tax by FY = 444986 + 99.72SF Cat A Housing Units per CAD - 3041592Residential Vacancy I

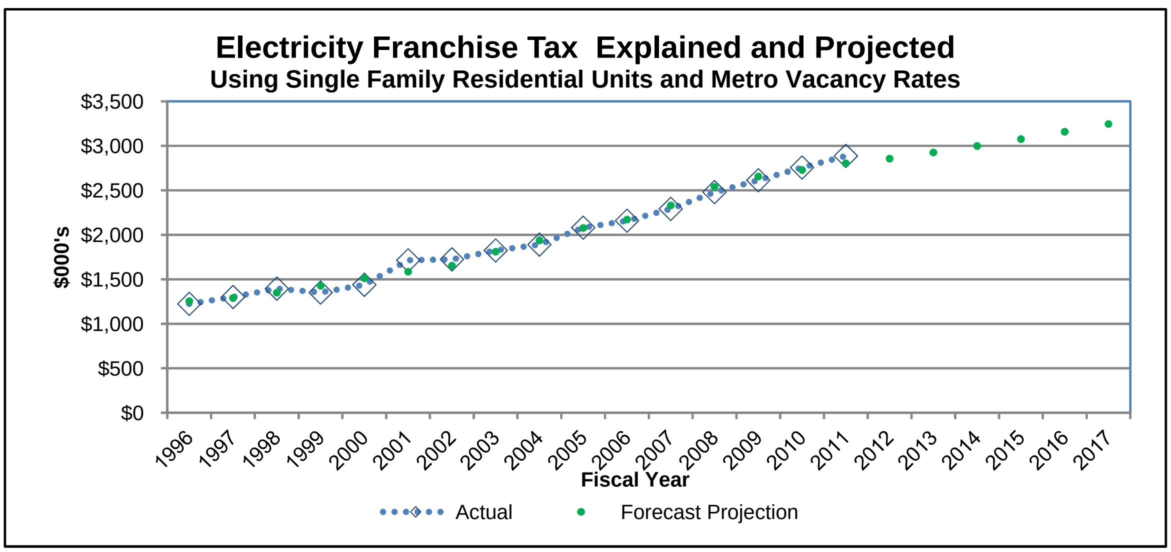
Source of variation	Sum squares	DF	Mean square	F statistic	p
Model	############	2	############	535.89	<0.0001
Residual	############	13	############		
Total	############	15			





ELECTRICITY FRANCHISE TAX MODEL CALCULATIONS
APRIL 2012

FY	Actual	Constant	Single Family Housing Units per Appraisal Districts	Res Vac Rates Prior Year	Estimate	Est (Over)/ Under Actual
1996	$1,224,573	444986	11,323	10.48%	$1,255,357	($30,783.56)
1997	$1,302,107	444986	11,674	10.46%	$1,290,967	$11,140.09
1998	$1,395,669	444986	12,083	9.87%	$1,349,698	$45,970.95
1999	$1,351,848	444986	12,592	8.92%	$1,429,350	($77,502.00)
2000	$1,439,041	444986	13,104	7.89%	$1,511,735	($72,694.48)
2001	$1,714,847	444986	13,840	7.86%	$1,586,042	$128,805.11
2002	$1,724,543	444986	14,313	7.17%	$1,654,196	$70,346.75
2003	$1,824,511	444986	15,578	6.12%	$1,812,279	$12,231.76
2004	$1,890,852	444986	16,756	5.84%	$1,938,265	($47,413.48)
2005	$2,081,282	444986	18,333	6.41%	$2,078,187	$3,095.26
2006	$2,158,710	444986	19,789	8.11%	$2,171,672	($12,962.31)
2007	$2,291,895	444986	21,742	9.28%	$2,330,839	($38,944.31)
2008	$2,480,874	444986	23,364	7.71%	$2,540,337	($59,462.53)
2009	$2,614,195	444986	24,732	8.39%	$2,656,071	($41,876.36)
2010	$2,756,800	444986	25,587	8.78%	$2,729,470	$27,330.43
2011	$2,886,561	444986	26,302	8.69%	$2,803,507	$83,054.00
2012		444986	26,952	9.05%	$2,857,000	
2013		444986	***27,552***	***8.75%***	$2,926,000	
2014		444986	***28,202***	***8.50%***	$2,999,000	
2015		444986	***28,902***	***8.25%***	$3,076,000	
2016		444986	***29,652***	***8.00%***	$3,159,000	
2017		444986	***30,452***	***7.75%***	$3,246,000	
	Correlation Coefficients	**444986**	**99.72**	**-3041592**		



CABLE TV FRANCHISE TAX MODEL
STATISTICAL ANALYSIS

v2.24

Test	**Regression - Linear**		
	Cable TV Franchise Tax by FY v SF Cat A Housing Units per CAD		
Performed by	mike.loftin	Date	15 April 2012

n 16 (cases excluded: 42 due to missing values)

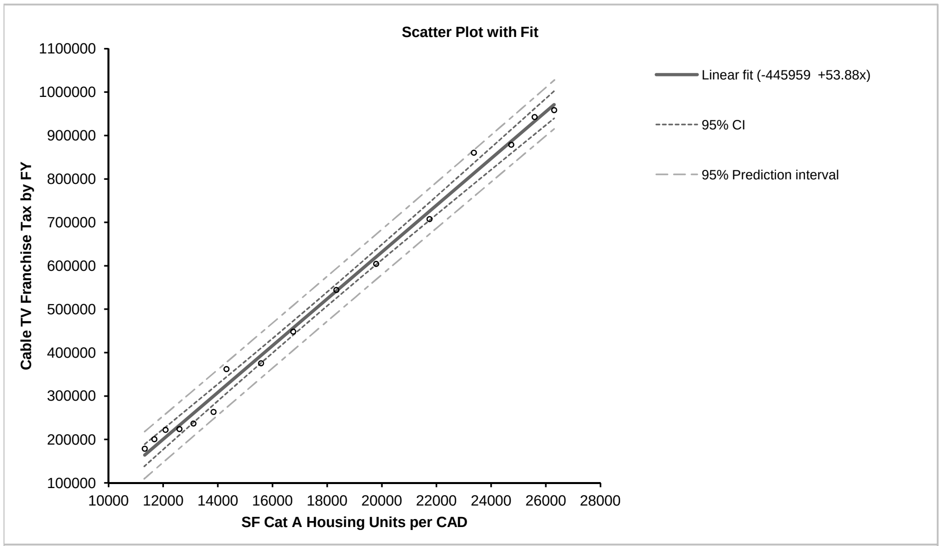
Analyse-it

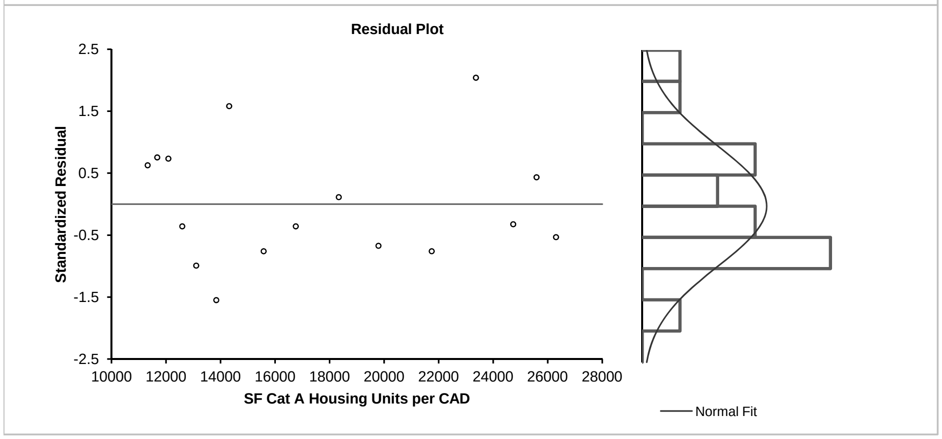
R^2	0.99384
Adjusted R^2	0.99340
SE	23401.1110

Term	Coefficient	95% CI	SE	t statistic	DF	p
Intercept	-445959	-490484 to -401434	20760	-21.48	14	<0.0001
Slope	53.88	51.45 to 56.31	1.134	47.52	14	<0.0001

Cable TV Franchise Tax by FY = -445959 + 53.88SF Cat A Housing Units per CAD

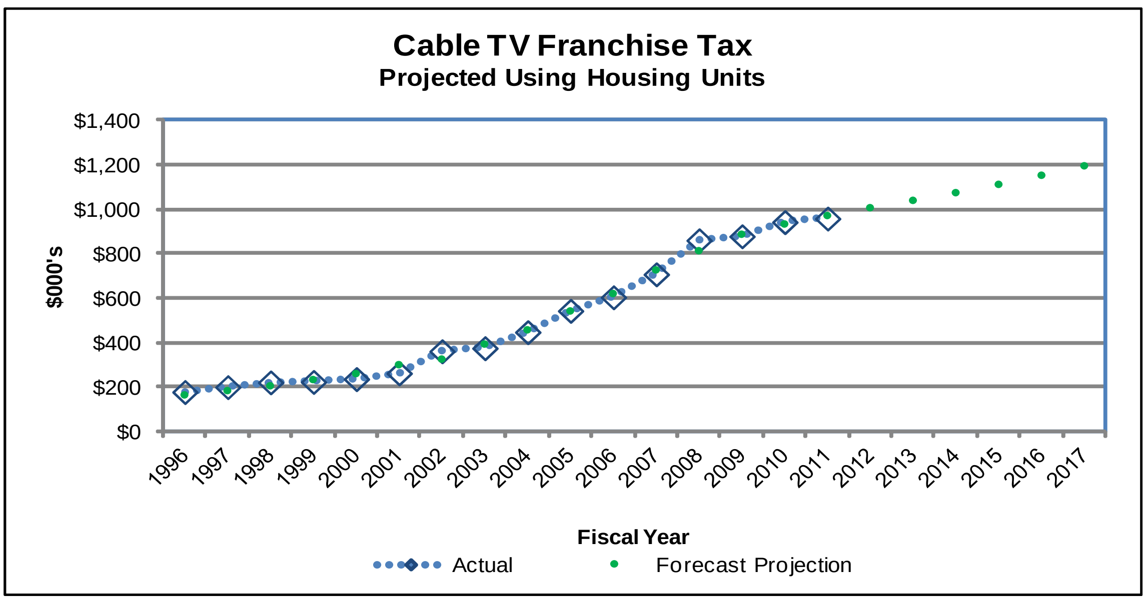
Source of variation	Sum squares	DF	Mean square	F statistic	p
Model	############	1	############	2258.52	<0.0001
Residual	############	14	############		
Total	############	15			





CABLE FRANCHISE TAX MODEL CALCULATIONS
APRIL 2012

FY	Actual	Constant	Single Family Housing Units per Appraisal District	Estimate	Est (Over)/ Under Actual
1996	$178,806	-445929	11,323	$164,154	$14,652
1997	$200,690	-445929	11,674	$183,066	$17,624
1998	$222,260	-445929	12,083	$205,103	$17,157
1999	$224,116	-445929	12,592	$232,528	($8,412)
2000	$236,873	-445929	13,104	$260,115	($23,242)
2001	$263,497	-445929	13,840	$299,770	($36,273)
2002	$362,231	-445929	14,313	$325,255	$36,976
2003	$375,594	-445929	15,578	$393,414	($17,820)
2004	$448,468	-445929	16,756	$456,884	($8,416)
2005	$544,451	-445929	18,333	$541,853	$2,598
2006	$604,528	-445929	19,789	$620,302	($15,774)
2007	$707,701	-445929	21,742	$725,530	($17,829)
2008	$860,613	-445929	23,364	$812,923	$47,690
2009	$878,984	-445929	24,732	$886,631	($7,647)
2010	$942,785	-445929	25,587	$932,699	$10,086
2011	$958,701	-445929	26,302	$971,223	($12,522)
2012		-445929	26,952	$1,006,000	
2013		-445929	***27,552***	$1,039,000	
2014		-445929	***28,202***	$1,074,000	
2015		-445929	***28,902***	$1,111,000	
2016		-445929	***29,652***	$1,152,000	
2017		-445929	***30,452***	$1,195,000	
	Correlation Coefficients	**-445929**	**53.88**		



DEBT SERVICE FUND DETAIL

LEAGUECITY
TEXAS
LIVE IT. LOVE IT.

FY 2013-2017
LONG RANGE FINANCIAL FORECAST
DEBT SERVICE FUND PROJECTIONS

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
REVENUE											
Property Taxes	$12,406	$12,654	$12,944	$13,268	$13,639	$14,020	$14,441	$14,874	$15,320	$15,779	$16,252
TIRZ #1 Revenue Gain	$500	$150	$150	$150	$150	$150	$150	$150	$150	$150	$150
Interest Income	$50	$70	$97	$89	$109	$115	$111	$113	$107	$80	$80
TOTAL REVENUE	**$12,956**	**$12,874**	**$13,191**	**$13,507**	**$13,898**	**$14,285**	**$14,702**	**$15,137**	**$15,577**	**$16,009**	**$16,482**
EXPENSE											
Transfers											
MUD Property Tax Rebates	$2,565	$2,624	$2,649	$1,947	$1,463	$1,510	$873	$900	$927	$954	$983
TIRZ Property Tax Increment	$843	$863	$885	$911	$938	$966	$997	$744	$767	$16	$16
Subtotal MUD's/TIRZ's	**$3,408**	**$3,487**	**$3,534**	**$2,858**	**$2,401**	**$2,476**	**$1,870**	**$1,644**	**$1,694**	**$970**	**$999**
Current Debt Service											
Interest	$3,006	$2,878	$2,676	$2,489	$2,340	$2,172	$2,012	$1,841	$1,656	$1,483	$1,312
Principal	$5,375	$5,205	$5,174	$4,297	$4,464	$4,239	$4,363	$4,497	$4,337	$3,910	$4,060
Subtotal Current Debt Service	**$8,381**	**$8,083**	**$7,850**	**$6,786**	**$6,804**	**$6,411**	**$6,375**	**$6,338**	**$5,993**	**$5,393**	**$5,372**
Subtotal Current Expense	**$11,789**	**$11,570**	**$11,384**	**$9,644**	**$9,205**	**$8,887**	**$8,245**	**$7,982**	**$7,687**	**$6,363**	**$6,371**
Projected Future Debt Service											
Interest	$0	$1,345	$1,666	$2,022	$2,413	$2,811	$3,191	$3,551	$3,888	$4,192	$4,459
Principal	$0	$640	$1,137	$1,640	$2,154	$2,675	$3,207	$3,747	$4,595	$5,455	$6,024
Subtotal Future Debt Service	**$0**	**$1,985**	**$2,803**	**$3,662**	**$4,567**	**$5,486**	**$6,398**	**$7,298**	**$8,483**	**$9,647**	**$10,483**
TOTAL EXPENSE	**$11,789**	**$13,555**	**$14,187**	**$13,306**	**$13,772**	**$14,373**	**$14,643**	**$15,280**	**$16,170**	**$16,010**	**$16,854**
Revenue Over/(Under) Expense	**$1,167**	**($681)**	**($996)**	**$201**	**$126**	**($88)**	**$59**	**($143)**	**($593)**	**($1)**	**($372)**
Beginning Fund Balance	**$2,733**	**$3,900**	**$3,219**	**$2,223**	**$2,424**	**$2,550**	**$2,462**	**$2,521**	**$2,378**	**$1,785**	**$1,784**
Ending Fund Balance	**$3,900**	**$3,219**	**$2,223**	**$2,424**	**$2,550**	**$2,462**	**$2,521**	**$2,378**	**$1,785**	**$1,784**	**$1,412**
ASSUMPTIONS											
Assessed Value ($millions)	**$5,470.0**	**$5,579.4**	**$5,707.7**	**$5,850.4**	**$6,014.2**	**$6,182.6**	**$6,368.1**	**$6,559.1**	**$6,755.9**	**$6,958.6**	**$7,167.4**
Debt Service Tax Rate	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**
Over 65 Tax Freeze Pct Loss	**0.200%**	**0.202%**	**0.204%**	**0.206%**	**0.208%**	**0.210%**	**0.212%**	**0.214%**	**0.216%**	**0.218%**	**0.220%**
Property Tax Growth	**2.0%**	**2.0%**	**2.3%**	**2.5%**	**2.8%**	**2.8%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
TIRZ Increment Growth	**10.3%**	**2.4%**	**2.5%**	**2.9%**	**3.0%**	**3.0%**	**3.2%**	**-25.4%**	**3.1%**	**-97.9%**	**0.0%**
90 Day T-Bill Rate%	**1.1%**	**2.5%**	**3.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**
Future Bond Issue		**$40,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**	**$9,000**
Overall Interest Rate		**3.68%**	**3.75%**	**4.50%**	**4.88%**	**5.06%**	**5.06%**	**5.06%**	**5.06%**	**5.06%**	**5.06%**
Interest Rate Diff with Current Rates		**0.00%**	**0.50%**	**1.00%**	**1.50%**	**1.75%**	**1.75%**	**1.75%**	**1.75%**	**1.75%**	**1.75%**

MUD Payment Detail	**FY2012**	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**
Countryside	$427	$437	$448	$0	$0	$0	$0	$0	$0	$0	$0
South Shore #6	$452	$462	$474	$487	$0	$0	$0	$0	$0	$0	$0
County # 15	$77	$79	$40	$42	$0	$0	$0	$0	$0	$0	$0
Meadowbend	$582	$595	$610	$311	$325	$338	$0	$0	$0	$0	$0
Brittany Bay	$284	$291	$298	$306	$315	$324	$0	$0	$0	$0	$0
The Landing	$743	$760	$779	$801	$823	$848	$873	$900	$927	$954	$983
MUD Totals	**$2,565**	**$2,624**	**$2,649**	**$1,947**	**$1,463**	**$1,510**	**$873**	**$900**	**$927**	**$954**	**$983**

TIRZ Payment (Debt Service Only)	**FY2012**	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**
#2 - Saddle Creek	$597	$611	$627	$646	$665	$685	$707	$729	$752	$0	$0
#3 - Centerpointe	$234	$239	$245	$252	$259	$267	$275	$0	$0	$0	$0
#4 - West Oaks	$12	$13	$13	$13	$14	$14	$15	$15	$15	$16	$16
TIRZ Totals	**$843**	**$863**	**$885**	**$911**	**$938**	**$966**	**$997**	**$744**	**$767**	**$16**	**$16**

Future Debt Service Schedules	**FY2012**	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**
Interest											
FY2013		$1,345	$1,339	$1,331	$1,320	$1,305	$1,284	$1,257	$1,222	$1,171	$1,102
FY2014			$327	$322	$316	$309	$301	$292	$281	$269	$255
FY2015				$369	$362	$354	$345	$335	$324	$311	$297
FY2016					$415	$406	$397	$386	$374	$361	$346
FY2017						$437	$427	$417	$406	$393	$379
FY2018							$437	$427	$417	$406	$393
FY2019								$437	$427	$417	$406
FY2020									$437	$427	$417
FY2021										$437	$427
FY2022											$437
Subtotal Interest	**$0**	**$1,345**	**$1,666**	**$2,022**	**$2,413**	**$2,811**	**$3,191**	**$3,551**	**$3,888**	**$4,192**	**$4,459**
Principal											
FY2013		$640	$768	$896	$1,028	$1,160	$1,296	$1,432	$1,868	$2,308	$2,448
FY2014			$369	$375	$382	$389	$396	$404	$412	$420	$429
FY2015				$369	$375	$382	$389	$396	$404	$412	$420
FY2016					$369	$375	$382	$389	$396	$404	$412
FY2017						$369	$375	$382	$389	$396	$404
FY2018							$369	$375	$382	$389	$396
FY2019								$369	$375	$382	$389
FY2020									$369	$375	$382
FY2021										$369	$375
FY2022											$369
Subtotal Principal	**$0**	**$640**	**$1,137**	**$1,640**	**$2,154**	**$2,675**	**$3,207**	**$3,747**	**$4,595**	**$5,455**	**$6,024**
Total by Year											
FY2013		$1,985	$2,107	$2,227	$2,348	$2,465	$2,580	$2,689	$3,090	$3,479	$3,550
FY2014			$696	$697	$698	$698	$697	$696	$693	$689	$684
FY2015				$738	$737	$736	$734	$731	$728	$723	$717
FY2016					$784	$781	$779	$775	$770	$765	$758
FY2017						$806	$802	$799	$795	$789	$783
FY2018							$806	$802	$799	$795	$789
FY2019								$806	$802	$799	$795
FY2020									$806	$802	$799
FY2021										$806	$802
FY2022											$806
Subtotal by Year	**$0**	**$1,985**	**$2,803**	**$3,662**	**$4,567**	**$5,486**	**$6,398**	**$7,298**	**$8,483**	**$9,647**	**$10,483**

FY 2013-2017
LONG RANGE FINANCIAL FORECAST
DEBT SERVICE FUND PROJECTIONS

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
REVENUE												
Property Taxes	$16,739	$17,241	$17,758	$18,290	$18,839	$19,404	$19,985	$20,584	$21,202	$21,837	$22,492	$23,166
TIRZ #1 Revenue Gain	$150	$150	$150	$150	$150	$150	$150	$150	$150	$150	$150	$150
Interest Income	$64	$75	$141	$275	$468	$715	$1,052	$1,446	$1,947	$2,563	$3,242	$4,103
TOTAL REVENUE	**$16,953**	**$17,466**	**$18,049**	**$18,715**	**$19,457**	**$20,269**	**$21,187**	**$22,180**	**$23,299**	**$24,550**	**$25,884**	**$27,419**
EXPENSE												
Transfers												
MUD Property Tax Rebates	$1,013	$865	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TIRZ Property Tax Increment	$17	$17	$18	$19	$19	$20	$21	$22	$23	$23	$24	$24
Subtotal MUD's/TIRZ's	**$1,030**	**$882**	**$18**	**$19**	**$19**	**$20**	**$21**	**$22**	**$23**	**$23**	**$24**	**$24**
Current Debt Service												
Interest	$1,140	$980	$822	$670	$531	$395	$256	$142	$83	$51	$17	$0
Principal	$4,040	$3,640	$3,745	$3,285	$3,035	$3,135	$3,060	$1,940	$720	$750	$785	$0
Subtotal Current Debt Service	**$5,180**	**$4,620**	**$4,567**	**$3,955**	**$3,566**	**$3,530**	**$3,316**	**$2,082**	**$803**	**$801**	**$802**	**$0**
Subtotal Current Expense	**$6,210**	**$5,502**	**$4,585**	**$3,974**	**$3,585**	**$3,550**	**$3,337**	**$2,104**	**$826**	**$824**	**$826**	**$24**
Projected Future Debt Service												
Interest	$4,260	$4,041	$3,800	$3,537	$3,252	$2,945	$2,662	$2,363	$2,047	$1,715	$1,367	$1,117
Principal	$6,237	$6,454	$6,678	$6,906	$7,142	$6,281	$6,428	$6,580	$6,739	$6,939	$4,550	$4,092
Subtotal Future Debt Service	**$10,497**	**$10,495**	**$10,478**	**$10,443**	**$10,394**	**$9,226**	**$9,090**	**$8,943**	**$8,786**	**$8,654**	**$5,917**	**$5,209**
TOTAL EXPENSE	**$16,707**	**$15,997**	**$15,063**	**$14,417**	**$13,979**	**$12,776**	**$12,427**	**$11,047**	**$9,612**	**$9,478**	**$6,743**	**$5,233**
Revenue Over/(Under) Expense	**$246**	**$1,469**	**$2,986**	**$4,298**	**$5,478**	**$7,493**	**$8,760**	**$11,133**	**$13,687**	**$15,072**	**$19,141**	**$22,186**
Beginning Fund Balance	**$1,412**	**$1,658**	**$3,127**	**$6,113**	**$10,411**	**$15,889**	**$23,382**	**$32,142**	**$43,275**	**$56,962**	**$72,034**	**$91,175**
Ending Fund Balance	**$1,658**	**$3,127**	**$6,113**	**$10,411**	**$15,889**	**$23,382**	**$32,142**	**$43,275**	**$56,962**	**$72,034**	**$91,175**	**$113,361**
ASSUMPTIONS												
Assessed Value ($millions)	**$7,382.4**	**$7,603.9**	**$7,832.0**	**$8,067.0**	**$8,309.0**	**$8,558.3**	**$8,815.0**	**$9,079.5**	**$9,351.9**	**$9,632.5**	**$9,921.5**	**$10,219.1**
Debt Service Tax Rate	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**	**$0.224999**
Over 65 Tax Freeze Pct Loss	**0.222%**	**0.224%**	**0.226%**	**0.228%**	**0.230%**	**0.232%**	**0.234%**	**0.236%**	**0.238%**	**0.240%**	**0.242%**	**0.244%**
Property Tax Growth	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
TIRZ Increment Growth	**6.3%**	**0.0%**	**5.9%**	**5.6%**	**0.0%**	**5.3%**	**5.0%**	**4.8%**	**4.5%**	**0.0%**	**4.3%**	**0.0%**
90 Day T-Bill Rate%	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**
Future Bond Issue												
Overall Interest Rate												
Interest Rate Diff with Current Rates												

MUD Payment Detail	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Countryside	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
South Shore #6	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
County # 15	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Meadowbend	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Brittany Bay	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
The Landing	$1,013	$865	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MUD Totals	**$1,013**	**$865**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

TIRZ Payment (Debt Service Only)	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
#2 - Saddle Creek	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
#3 - Centerpointe	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
#4 - West Oaks	$17	$17	$18	$19	$19	$20	$21	$22	$23	$23	$24	$24
TIRZ Totals	**$17**	**$17**	**$18**	**$19**	**$19**	**$20**	**$21**	**$22**	**$23**	**$23**	**$24**	**$24**

Future Debt Service Schedules	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Interest												
FY2013	$1,024	$937	$840	$735	$620	$496	$407	$313	$214	$110		
FY2014	$240	$224	$207	$188	$169	$148	$126	$103	$79	$54	$28	
FY2015	$281	$264	$246	$227	$206	$184	$161	$137	$112	$86	$59	$30
FY2016	$330	$312	$293	$272	$250	$227	$203	$178	$151	$123	$94	$64
FY2017	$363	$346	$327	$307	$285	$262	$238	$213	$186	$158	$129	$99
FY2018	$379	$363	$346	$327	$307	$285	$262	$238	$213	$186	$158	$129
FY2019	$393	$379	$363	$346	$327	$307	$285	$262	$238	$213	$186	$158
FY2020	$406	$393	$379	$363	$346	$327	$307	$285	$262	$238	$213	$186
FY2021	$417	$406	$393	$379	$363	$346	$327	$307	$285	$262	$238	$213
FY2022	$427	$417	$406	$393	$379	$363	$346	$327	$307	$285	$262	$238
Subtotal Interest	**$4,260**	**$4,041**	**$3,800**	**$3,537**	**$3,252**	**$2,945**	**$2,662**	**$2,363**	**$2,047**	**$1,715**	**$1,367**	**$1,117**
Principal												
FY2013	$2,592	$2,736	$2,884	$3,032	$3,184	$2,236	$2,292	$2,348	$2,408	$2,504		
FY2014	$438	$448	$458	$469	$480	$491	$503	$516	$528	$542	$563	
FY2015	$429	$438	$448	$458	$469	$480	$491	$503	$516	$528	$542	$563
FY2016	$420	$429	$438	$448	$458	$469	$480	$491	$503	$516	$528	$542
FY2017	$412	$420	$429	$438	$448	$458	$469	$480	$491	$503	$516	$528
FY2018	$404	$412	$420	$429	$438	$448	$458	$469	$480	$491	$503	$516
FY2019	$396	$404	$412	$420	$429	$438	$448	$458	$469	$480	$491	$503
FY2020	$389	$396	$404	$412	$420	$429	$438	$448	$458	$469	$480	$491
FY2021	$382	$389	$396	$404	$412	$420	$429	$438	$448	$458	$469	$480
FY2022	$375	$382	$389	$396	$404	$412	$420	$429	$438	$448	$458	$469
Subtotal Principal	**$6,237**	**$6,454**	**$6,678**	**$6,906**	**$7,142**	**$6,281**	**$6,428**	**$6,580**	**$6,739**	**$6,939**	**$4,550**	**$4,092**
Total by Year												
FY2013	$3,616	$3,673	$3,724	$3,767	$3,804	$2,732	$2,699	$2,661	$2,622	$2,614		
FY2014	$678	$672	$665	$657	$649	$639	$629	$619	$607	$596	$591	
FY2015	$710	$702	$694	$685	$675	$664	$652	$640	$628	$614	$601	$593
FY2016	$750	$741	$731	$720	$708	$696	$683	$669	$654	$639	$622	$606
FY2017	$775	$766	$756	$745	$733	$720	$707	$693	$677	$661	$645	$627
FY2018	$783	$775	$766	$756	$745	$733	$720	$707	$693	$677	$661	$645
FY2019	$789	$783	$775	$766	$756	$745	$733	$720	$707	$693	$677	$661
FY2020	$795	$789	$783	$775	$766	$756	$745	$733	$720	$707	$693	$677
FY2021	$799	$795	$789	$783	$775	$766	$756	$745	$733	$720	$707	$693
FY2022	$802	$799	$795	$789	$783	$775	$766	$756	$745	$733	$720	$707
Subtotal by Year	**$10,497**	**$10,495**	**$10,478**	**$10,443**	**$10,394**	**$9,226**	**$9,090**	**$8,943**	**$8,786**	**$8,654**	**$5,917**	**$5,209**